



Agenda Report

20-1145

Agenda Date: 11/17/2020

REPORT TO COUNCIL

SUBJECT

Action on Approval of the 2019-2024 Memorandum of Understanding Between the City of Santa Clara and the Miscellaneous Unclassified Management Employees (Unit 9)

COUNCIL PILLAR: Enhance Community Engagement and Transparency

BACKGROUND

On or about March 2020, the City of Santa Clara and Miscellaneous Unclassified Management Employees (Unit 9) agreed to terms on a first Tentative Agreement for a successor Memorandum of Understanding (MOU); Unit 9's MOU had expired on December 14, 2019. The tentative agreement, among other things, had included wage increases over the next several years as well as enhancements to healthcare. However, prior to the Tentative Agreement being both ratified by Unit 9 membership and approved by City Council, the unprecedented COVID-19 pandemic situation arose leading to sizeable challenges to the City and community, including adversely impacting the City's fiscal situation.

Given the ongoing challenges related to the pandemic, the City and Unit 9 engaged in further discussions on a successor MOU in an effort to reduce the City's estimated General Fund deficits. When the FY 2020/21 budget was adopted in June 2020, the ongoing budget deficit was estimated at approximately \$34 million over the next four years. This figure included \$22.7 million in FY 2020/21 that was solved on a one-time basis with the use of the Budget Stabilization Reserve. Since the adoption of the budget in June, General Fund revenues have continued to decline as a result of COVID-19 impacts and are not expected to meet the budgeted estimate.

As previously noted, the City of Santa Clara's collective bargaining agreement with the Unit 9 expired on December 14, 2019. The City and Unit 9 has since negotiated a five (5) year MOU effective December 15, 2019 through December 31, 2024. This bargaining group currently represents approximately 136 full-time equivalent positions in all departments across the City.

On or about November 3, 2020, the City and Unit 9 reached an overall Tentative Agreement on the terms to be contained in the successor Memorandum of Understanding (MOU) between the City and Unit 9. Unit 9 notified the City on Friday, November 6, 2020, that the membership ratified the Tentative Agreement.

DISCUSSION

The recommended action is approval of the Tentative Agreement which will result in a successor MOU with a term of December 15, 2019 through and including December 31, 2024.

The following is a summary of the notable provisions of the Tentative Agreement; a complete copy of the Tentative Agreement is attached:

Term

December 15, 2019, through December 31, 2024

Wages

- Effective December 15, 2019, all salary ranges in classifications assigned to Unit 9 shall remain status quo.
- Effective the first pay period of calendar year 2021, all salary ranges in classifications assigned to Unit 9 shall remain status quo.
- 2022: 4.5% general wage increase effective calendar year 2022. Effective the first pay period of calendar year 2022, all salary ranges for employees holding positions in classifications assigned to Unit 9 shall be increased by approximately 4.5%.
- 2023: 3.25% general wage increase effective calendar year 2023. Effective the first pay period of calendar year 2023, all salary ranges for employees holding positions in classifications assigned to Unit 9 shall be increased by approximately 3.25%.
- 2024: 3.25% general wage increase effective calendar year 2024. Effective the first pay period of calendar year 2024, all salary ranges for employees holding positions in classifications assigned to Unit 9 shall be increased by approximately 3.25%.

It should be noted that the wage increases scheduled to be effective in 2022 through 2024 were part of the first Tentative Agreement that was reached before the City's fiscal situation was adversely impacted by the COVID-19 pandemic.

Reopeners

- During the term of this Agreement, the parties agree that the MOU will reopen on the issue of wages if either of the following occurs:
 - The total annual calendar year General Fund Transient Occupancy Tax (or "TOT") revenues remitted to the City and allocated to any of the calendar years covered by this Agreement Equal or surpass the City's actual total TOT revenues from March 1, 2018 to February 28, 2019. After calendar year 2022, the TOT revenues remitted to the City shall be adjusted to normalize for any potential change in the TOT rate if passed by voters on the ballot for purposes of this section; OR
 - Forecasted General Fund deficits remain above \$20 million ongoing, as reflected in updated or revised Ten-Year General Fund Forecasts released after July 1, 2021.

The City agrees to provide an update on the City's TOT revenues to the Association upon the Association's request. In the event either of the foregoing occur, either party may request to meet to discuss the subject of wages. Any changes will be by mutual agreement. The parties understand and agree that this will not be a meet and confer within the meaning of section 3505 of the MMBA and that neither party will have access to any impasse resolution procedure except as mutually agreed.

- The parties agree to meet and confer over wages in the event the City reaches agreement on a new general wage increase to be effective during Calendar Year 2021 or 2022 with any other miscellaneous bargaining unit as part of an agreement on a successor Memorandum of Understanding (MOU). For purposes of this section, "general wage increase" means a wage increase applicable to all members of the bargaining unit (not a subset), but only if that agreement does not also include an agreement for an alternative cost saving measure (including but not limited to unpaid furlough days). Additionally, the parties agree that this section shall not apply to any general wage increases applicable to sworn public safety bargaining units or to miscellaneous bargaining units that are exclusively funded through sources other than the General Fund.

Merit Pay/Salary Adjustments

Merit increases will be frozen for the two years effective January 1, 2021. Specifically, effective January 1, 2021, employees holding positions in classifications assigned to Unit 9 shall be ineligible for a merit increase for the next two (2) consecutive rating periods. This means that an employee in Unit 9 shall not be eligible for a merit increase until the third rating period after January 1, 2021, and after the employee has skipped two (2) consecutive rating periods where they did not receive a merit increase. Employees with a rating period that ends before January 1, 2021, will be eligible for a merit increase for that rating period pursuant to the Personnel and Salary Resolution, even if such merit increase (if any) is not approved until after January 1, 2021.

Holidays

Effective December 2020-2024, the City shall provide 32 hours for four additional non-permanent paid holidays between December 25th and January 1st of the following calendar year. If there are more than four working days between December 25th and January 1st of the following calendar year, the City shall designate which four working days shall be paid holidays. Employees whose jobs require them to work on these days would receive banked hours off instead (up to 8 hours per holiday), which hours may be used during the applicable MOU year with the approval of the applicable supervisor/manager.

It should be noted that the wage increases scheduled to be effective in 2022 through 2024 were part of the first Tentative Agreement that was reached before the City's fiscal situation was adversely impacted by the COVID-19 pandemic.

Vacation

Effective December 27, 2020 (the first pay period of calendar year 2021), the Maximum Vacation Accrual Limit shall be temporarily suspended for two (2) years until the end of the last pay period of calendar year 2022. Employees may continue to accrue vacation above the Maximum Vacation

Accrual Limit until December 24, 2022 (the end of the last pay period of calendar year 2022).

Effective December 25, 2022 (the first pay period of calendar year 2023), employees holding positions in classifications assigned to Unit 9 shall be eligible for the Temporary Supplemental Vacation Accrual. Effective December 25, 2022, all unused accrued vacation hours above 400 hours as of December 24, 2022 (the last pay period of calendar year 2022) shall be placed in the Temporary Supplemental Vacation Accrual balance. Employees will be required to exhaust this leave balance prior to using their own vacation accruals. If an employee leaves or retires from City service, any unused Temporary Supplemental Vacation Accrual hours will be cashed out upon the employee's retirement or other separation from City service. If permitted by the City's deferred compensation plan and applicable law, the separating employee may elect to contribute all or a portion of their accrued but unused Temporary Supplemental Vacation Accrual hours to their deferred compensation account by submitting a written request no later than 30 days prior to their separation from City service.

Management Leave

For calendar year 2021 - 2024, an employee may have up to a balance of 240 hours of management leave. Effective the first pay period of calendar year 2025, an employee may have no more than a balance of 180 hours of management leave.

Health Insurance

- Effective January 1, 2023, employees who enroll in a City healthcare plan for Employee Plus One or Employee Plus Family coverage will receive an Additional Health Flex Contribution to be put towards the premium amount not to exceed 100% of the Kaiser Employee Plus One rate for the applicable year.
- Employees hired or rehired on or after January 1, 2023, who do not enroll in a City healthcare plan are not eligible for the Regular Flex Contribution and would be eligible for a Cash-in-Lieu amount of \$250/month.

It should be noted that the changes to healthcare were part of the first Tentative Agreement that was reached before the City's fiscal situation was adversely impacted by the COVID-19 pandemic.

Compensatory Time Off (CTO) - Side Letter

A side letter was reached where, among other issues, employees represented by Unit 9 will no longer be eligible to use or code CTO. Employees represented by Unit 9, who are exclusively exempt employees, will instead be subject to the "4-Hour Rule," which would remain subject to supervisory approval.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

The City regularly budgets the total compensation cost for its current employees and integrates known and projected cost increases from MOUs in the City's annual budget. The ten-year forecast also incorporates the projected labor costs. The costs of this MOU are within budget authority approved by the City Council through the negotiation process, and the negotiated agreement generates savings when compared to assumptions included in the FY 2020/21 budget and ten-year forecast.

Table 1 reflects the ongoing changes in costs in the General Fund as well as all funds over the term of the MOU.

Table 1: Estimated Costs

Item	Description	Estimated GF Cost/Savings	Estimated All Funds Cost/Savings
Wages Year 1 (Dec 2019) Year 2 (Dec 2020) Estimated Savings Year 3 (Dec 2021) Year 4 (Dec 2022) Year 5 (Dec 2023) Estimated Cost	0% 0% 4.5% 3.25% 3.25%	(\$0.9M) (\$0.7M) (\$1.6M) \$0.9 M \$0.7 M <u>\$0.7 M</u> \$2.3 M	(\$1.7M) (\$1.4M) (\$3.1M) \$1.7 M \$1.3 M <u>\$1.3 M</u> \$4.3M
Merit Increase Freeze (2 Years beg. Jan 2021)	0%	(\$0.9 M)	(\$1.7 M)
Healthcare - Year 4 (January 2023)	City Pays EE+1 (Kaiser)	\$145K	\$274K

As shown in the table above, when compared to the FY 2020/21 budget and the forecast, the elimination of wage increases will generate savings of \$1.7 million in Year 1 (\$0.9 million in the General Fund) and \$1.4 million in Year 2 (\$0.7 million in the General Fund), for total savings of \$3.1 million (\$1.6 million in the General Fund). The cost of the wages portion of the MOU for Year 3, 4 and 5 is approximately \$4.3 million, of which \$2.3 million is in General Fund and \$2.0 million is in other funds.

In addition, the estimated savings from freezing merit increases for two years effectively January 2021 is approximately \$1.7 million, of which \$0.9 million is General Fund and \$0.8 million is in other funds. The estimated cost for Healthcare beginning January 2023 is \$274,000, of which \$145,000 is in General Fund and \$129,000 is in other funds.

This agreement will generate savings in FY 2020/21 that will be reflected in the various departments. These savings will help offset the impacts of COVID-19. The estimated costs and savings elements of this MOU will be included in future budget processes and future updates to the Ten-Year General Fund Financial Forecast.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <mailto:clerk@santaclaraca.gov> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Approve the Memorandum of Understanding between the City of Santa Clara and the Miscellaneous Unclassified Management Employees (Unit 9) with effective dates of December 15, 2019 to December 31, 2024.

Reviewed by: Aracely Azevedo, Director of Human Resources

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. MOU Miscellaneous Unclassified Management Employees (Unit 9) 2019-2024 - redline version
2. MOU Miscellaneous Unclassified Management Employees (Unit 9) 2019-2024 - final
3. Tentative Agreement between the City and Unit 9