



## Agenda Report

22-912

Agenda Date: 7/12/2022

### REPORT TO COUNCIL

#### **SUBJECT**

Authorize the City Manager to execute the 2020-2025 Memorandum of Understanding Between the City of Santa Clara and the Santa Clara Firefighters, International Association of Firefighters, Local 1171 (hereafter, "Unit 1"), that incorporates the terms of the Tentative Agreement and Approve the Related Budget Amendment

#### **COUNCIL PILLAR**

Enhance Community Engagement and Transparency

#### **BACKGROUND**

The Santa Clara Firefighters, International Association of Firefighters, Local 1171 (hereafter, "Unit 1") Memorandum of Understanding (hereafter, "MOU") expired on December 26, 2020.

Given the ongoing challenges related to the COVID-19 pandemic and the surrounding uncertainty, and its impacts on the City's ongoing budget deficit, the City and Unit 1 engaged in discussions on a successor MOU in an effort to reduce the City's estimated General Fund deficit. As of February 2022, the City projects a substantial General Fund ongoing shortfall of \$19.6 million in FY 2023/24, which is largely the result of COVID-19 induced impacts on the City's revenues. This shortfall was revised to \$27 million in June 2022 based on projected labor costs.

As previously noted, the City of Santa Clara's collective bargaining agreement with Unit 1 expired on December 26, 2020. The City and Unit 1 began formal negotiations on a successor MOU in approximately November 2020, and the parties had approximately eighteen (18) formal negotiation sessions. In addition, the parties met informally in order to discuss terms that may be included in an overall agreement on a successor MOU. On or about June 15, 2022, the parties reached an overall Tentative Agreement on the terms to be contained in a successor MOU. Unit 1 notified the City on or about July 2, 2022, that the Tentative Agreement was ratified by Unit 1 membership.

#### **DISCUSSION**

The recommended action authorizes the City Manager to execute a successor Memorandum of Understanding with a term of December 27, 2020, through and including December 31, 2025, that incorporates the terms of the Tentative Agreement reached between both parties.

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

#### **Term:**

December 27, 2020 - December 31, 2025

#### **Wages:**

Effective December 27, 2020, all salary ranges in classifications assigned to Unit 1 shall remain status quo.

Effective December 26, 2021 (the first pay period of calendar year 2022), all salary ranges in classifications assigned to Unit 1 shall remain status quo.

Effective December 25, 2022 (the first pay period of calendar year 2023), all salary ranges for employees holding positions in classifications assigned to the Union shall be increased by approximately 5.0%.

Effective the first pay period of calendar year 2024, all salary ranges for employees holding positions in classifications assigned to the Union shall be increased by approximately 4.0%.

Effective the first pay period of calendar year 2025, all salary ranges for employees holding positions in classifications assigned to the Union shall be increased by approximately 2.5%.

**One-Time Non-Pensionable Discretionary Payment:**

In recognition of, and to help secure the employees' speedy ratification of this MOU, the City has exercised its discretion to provide a one-time discretionary cash payment of \$5,000 for regular employees (pro-rated for part-time employees) in the bargaining unit following Council approval of this MOU. The Parties intend and understand that this lump sum payment is non-pensionable and will not be reported to CalPERS. An employee must be employed in a classification assigned to Unit 1 at the time the one-time discretionary cash payment is made to receive the payment.

**Holiday Pay:**

Effective the first full pay period after ratification by Unit 1 membership and approval by City Council, employees working a 24-hour shift schedule shall receive 7.5% in holiday pay.

**Educational Incentive:**

Effective retroactive to December 26, 2021 (the first pay period of calendar year 2022), employees shall be eligible to receive 7.5% of base pay for Step 5 Firefighter II after completion of 400 hours of State Fire Training Classes, or 3.75% of base pay for Step 5 Firefighter II after completion of 200 hours of State Fire Training Classes.

**HAZMAT Incentive Pay:**

Effective the first full pay period after ratification by Unit 1 membership and approval by City Council, eligible employees shall be eligible to receive 5.0% of base pay for Step 5 Firefighter II if regularly assigned to Station 9 as Haz Mat Specialist, or 2.5% of base pay for Step 5 Firefighter II if regularly assigned to Station 9 as Haz Mat Technician, or 1.0% of base pay for Step 5 Firefighter II for Haz Mat Specialist not regularly assigned to Station 9.

**Bilingual Pay**

Employees who meet specified criteria would be eligible for bilingual pay of \$45 per biweekly pay period, and a maximum of \$90 per biweekly pay period for both oral and written.

**Double Time Pay:**

In order to incentivize employees to volunteer to work at NFL events, employees who work overtime at NFL games at Levi's Stadium will be paid at the double time rate for that work. Overtime shall be for pay only. However, the parties acknowledge that the issue of full reimbursement to the City or Stadium Authority for public safety costs is currently under litigation. In the event a court or arbitrator issues a binding decision permitting less than full reimbursement to the City or Stadium Authority for public safety costs including the payment of the overtime rate listed herein, the parties will meet and confer over this change. From the time the contract reopens until agreement is reached, overtime will be paid at time and one-half.

**Deferred Compensation:**

Effective the first pay period of calendar year 2025, the City will contribute \$175/month per employee to the employee's deferred compensation account.

#### **Healthcare:**

Effective January 1, 2023, the City will pay 100% of the premium of the lowest priced Kaiser (Region 1) plan for employees in Unit 6 enrolled at the Employee Only and Employee Plus One levels, and 90% of the premium of the lowest priced Kaiser (Region 1) plan for employees in Unit 6 enrolled in the Employee Plus Two or More level. Employees who select a plan whose premium exceeds the City contribution described above will be responsible for the difference. Employees will not receive any portion of the City's contribution as cash or any other taxable benefit.

Current employees hired on or before December 31, 2022, who choose not to enroll in a City health plan and meets the requirements set forth in the MOU shall continue to receive a cash-in-lieu amount equal to \$859.20/month, while employees hired or rehired on or after January 1, 2023, shall receive a cash-in-lieu amount of \$250/month.

#### **Compensatory Time Off (CTO):**

Effective the first pay period of calendar year 2023, the maximum allowable CTO accrual to be increased to 120 hours.

#### **48/96 Work Schedule:**

The current 48/96 work schedule for employees on a 24-hour shift schedule shall become permanent.

#### **Workers Compensation:**

The parties agreed to implement a Workers' Compensation Fast Track Program.

#### **Firefighter Recruit/Firefighter I Classification:**

The parties agree to continue discussions on a new Firefighter Recruit classification to replace the Firefighter I classification.

#### **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 costs of this MOU are within budget authority approved by the City Council through the negotiation process. While the Ten-Year General Fund Forecast also incorporates projected labor costs, costs included in this MOU were beyond the forecasted increases included in the FY2022/23 Budget that were known at the timing of the development of the budget. As such, the Budget Amendment below is recommended to ensure sufficient funding in the Fire Department budget, offset by the Land Sale Reserve. Potential savings from the close out of the FY2021/22 Budget is anticipated to offset the use of the Land Sale Reserve to fund this MOU.

The chart below reflects the estimated changes in costs in the General Fund as well as all funds over the term of the MOU.

#### **Budget Amendment FY 2022/23**

| <b>Current</b> | <b>Increase/<br/>(Decrease)</b> | <b>Revised</b> |
|----------------|---------------------------------|----------------|
|----------------|---------------------------------|----------------|

**General Fund**Expenditures

Fire Department - Salaries/Benefits    \$54,756,610            \$2,500,000            \$57,256,610

Fund Balance

Land Sale Reserve                            \$11,520,569            (\$2,500,000)            \$9,020,569

***Estimated Costs***

| Item   | Description   | Estimated GF Cost/<br>(Savings) | Estimated All Funds<br>Cost/(Savings) |
|--|---|---------------------------------|---------------------------------------|
| <b>Ongoing Items</b>                                       |   |                                 |                                       |
| Wages (2021)   | 0.0%  | \$0                             | \$0                                   |
| Wages (2022)   | 0.0%  | \$0                             | \$0                                   |
| Wages (2023)   | 5.0%  | \$1.5M                          | \$1.5M                                |
| Wages (2024)   | 4.0%  | \$1.3M                          | \$1.3M                                |
| Wages (2025)   | 2.5%  | \$1.2M                          | \$1.2M                                |
| Educational Incentive<br>(Jan. 2022)                       | Increase of 2.5%  | \$755K                          | \$755K                                |
| Holiday Pay (Pay<br>Period following<br>Council Approval)* | Increase of 2.58%   | \$779K                          | \$779K                                |
| HAZMAT (Pay Period<br>following Council<br>Approval)*      | From flat dollar amount<br>to % of Step 5<br>Firefighter II | \$22K                           | \$22K                                 |
| Deferred<br>Compensation (Jan.<br>2025)                    | \$175/month per<br>employee                                 | \$269K                          | \$269K                                |
| <b>Total Ongoing</b>                                       |   | <b>\$5.8M</b>                   | <b>\$5.8M</b>                         |
| <b>One-Time Items</b>                                      |   |                                 |                                       |
| Non-Pensionable<br>Discretionary Cash<br>Payment (2022)    | \$5,000 per employee<br>(one-time)                          | \$640K                          | \$640K                                |
| <b>Total One-Time</b>                                      |   | <b>\$640K</b>                   | <b>\$640K</b>                         |

\* Cost shown above are for all of calendar year 2022

The costs associated with the changes to healthcare cannot be determined at this time as the City cannot predict enrollment behavior, especially with the change to the City paying 90% of the lowest priced Kaiser (Region 1) premium for employees who enroll in Employee Plus Two or Morel level and the change to the health in-lieu amount. In addition, any costs (or savings) associated with the Workers' Compensation Fast Track Program are unknown at this time. Any costs associated with bilingual pay are also unknown at this time.

**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) <<mailto:clerk@santaclaraca.gov>>, or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

1. Authorize the City Manager to execute the Memorandum of Understanding between the City of Santa Clara and the Santa Clara Firefighters, International Association of Firefighters, Local 1171 (Unit 1) with effective dates of December 27, 2020 - December 31, 2025, that incorporates the terms of the Tentative Agreement.
2. Approve the FY 2022/23 budget amendment in the General Fund to increase the Fire Department's salaries and benefits appropriation by \$2.5 million and decrease the General Fund Land Sale Reserve by \$2.5 million (**five affirmative Council votes required**).

Reviewed by: Aracely Azevedo, Director of Human Resources

Approved by: Rajeev Batra, City Manager

**ATTACHMENTS**

1. Tentative Agreement between the City and Unit 1 dated June 15, 2022