



Legislation Text

File #: 19-0930, **Version:** 1

Adopt Resolution of Intent to approve an amendment of the contract between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the City. (Citywide)

In accordance with instructions from the City Council, a Memorandum of Understanding (MOU) agreement has been reached with the Long Beach Police Officers Association (POA) bargaining unit. The POA represents approximately 875 sworn employees in ranks of Police Recruit through Lieutenant.

Since May 2019, City management and POA representatives have held 13 negotiation sessions regarding a new MOU. The current MOU expires September 30, 2019. A tentative agreement has been reached and jointly signed by representatives of the City and the POA. The POA has worked in partnership with the City to develop an agreement that allows the City to remain competitive in the areas of recruitment and retention. A comparison of Police Officer salaries in other local law enforcement agencies versus the City is provided for informational purposes (Attachment A).

The tentative agreement includes a phased-in approach for structural wage increases that are in part offset by having employees pay a portion of the City's pension costs. The Public Employees' Pension Reform Act (PEPRA) of 2013 and related changes to the Public Employees Retirement Law (PERL) allow cities to negotiate "cost-sharing" with their employee unions, which means employees agree to share in the cost of the employer contribution. The cost-share amounts are paid in addition to the member contribution rates and assist in curtailing the City's growing pension expense. The mechanics of implementing the cost-sharing provisions are discussed further in this report.

The tentative agreement also contains key benefit enhancements such as a new paid parental leave program, one additional holiday, and modification of holiday and vacation accruals that enhance employees' ability to balance work and personal lives.

In addition, the agreement includes several items that will assist the Police Department in improving staffing capabilities such as a Letter of Agreement to discuss the feasibility of implementation of a Detective Rotation Program that aims to encourage cross-training in police investigative assignments. The agreement also includes the elimination of Administrative Skill Pay for approximately 30 positions on attrition basis (as employees vacate a designated position with Administrative Pay, the person back filling the position will not receive this skill pay). The agreement will also revise the Police Recruit training by having probationary employees to work with a partner during the last two months of their

training period as opposed to a Field Training Officer (FTO). This change moves the Police Department more in line with other agencies training programs and increases patrol staffing capability.

Tentative Agreement Major Provisions

The proposed MOU is for a three-year agreement from October 1, 2019 through September 30, 2022, and includes the following major provisions:

1. General Wage Increase:
 - 4 percent effective October 1, 2019
 - 3 percent effective October 1, 2021
 - 2.5 percent effective April 1, 2022
2. One-Time Payment: Effective October 1, 2020, all permanent full-time bargaining unit members (excluding Police Recruits and all non-career employees) receive a \$2,000 one-time payment.
3. Pension Pick-Up: Classic safety employees will contribute an additional 3 percent toward the City's employer contribution to CalPERS.
4. Skill Pays:
 - a. Advanced Post - Increase Advanced Post Certificate special pay from 7.5 percent to 10 percent of Step 5 Police Officer base hourly rate.
 - b. Police Officers assigned to Special Weapons and Tactics (SWAT) will receive additional compensation (10 percent of Step 5 Police Officer base hourly rate) when performing assigned SWAT duties.
 - c. Police Officers assigned to Dive Team duties will receive additional compensation (6 percent of Step 5 Police Officer base hourly rate) when performing assigned dive duties.
5. Overtime Bank Maximum: The maximum overtime hours banked will increase to 120 hours by 2021.
6. New Paid Parental Leave: Full-time employees eligible for City health benefits who have completed 6 months of full-time City service will be eligible for up to 30 consecutive days (160 hours) of Paid Parental Leave following the birth of a child, adoption of a child, or placement of a foster child in their home.
7. Additional City Holiday: In 2021, employees will receive one additional paid City holiday (to be determined by the City Council).

8. Vacation and In-Lieu Holiday Accrual Maximum Changes: In 2021, the City will implement revised vacation and in-lieu holiday accrual maximums. This will provide greater clarity on the accruals and accommodate the City's LB COAST HR system requirements. New employees may utilize accrued vacation hours upon completing 6 months of employment versus the current 12-month wait period.
9. Probationary Training Police Recruits: Beginning with Academy Class 93, probationary employees in field training will be allowed to work with a partner, other than the FTO, after successfully completing ten months of supervised training with an FTO. This provision increases patrol staffing capability.
10. Detective/Administrative Pay: Effective October 1, 2019, eligibility to receive Detective/ Administrative Pay for selected positions will be eliminated on an attrition basis. The parties will meet to identify, specify, and narrow the application of the classifications that are eligible for Detective/Administrative pay between October 1, 2019 and September 30, 2020.
11. Detective Rotational Program: The City and POA will meet and confer within the first year of the term of this contract regarding the feasibility of implementing a pilot Detective Rotational Program.

Employee Cost-Sharing

The tentative agreement includes a provision that would have POA employees in the public safety Classic retirement tiers contribute 3 percent of their compensation toward the employer's share of CalPERS retirement contribution effective October 1, 2019. Classic members represent approximately 70 percent of the POA membership. This proposal would add 3 percent to their current contribution of 9 percent, bringing their total contribution to 12 percent, which is equivalent to the employees in the PEPRA retirement tier as indicated below:

Local Safety Police Retirement Benefit Type	Employee Contribution	
	Current	Proposed
Classic Members All Tiers	9%	12%
PEPRA1 Members (Hired on or after 01/01/2013)* <mailto:2.7%25@%2055>12%No Change		

*PEPRA employee contribution is half of the total normal cost and subject to

The increase in Classic employee contributions by 3 percent would reduce the City's contribution for Classic employees by an equivalent 3 percent.

Government Code Section 20516(f) allows employers to independently agree in an MOU

to share the employer's pension costs. However, the employee contributions under Section 20516(f) are not credited to the employee's CalPERS account. Government Code Section 20516(a) allows for a similar arrangement that permits a credit to employees' CalPERS account; however, there are several administrative actions that need to take place before implementation.

The proposed MOU provision, if adopted by the City Council, would allow the City to implement this cost-sharing arrangement effective the first full payroll in FY 20 under Section 20516(f). Then after completion of the CalPERS administrative requirements, to amend the City's contract with CalPERS switching the cost-sharing arrangement under Section 20516(a). To implement a cost-sharing arrangement under Section 20516(a), CalPERS requires an amendment to the CalPERS contract, which is accomplished by the following administrative steps:

- City Council adoption of a Resolution of Intent to approve a contract amendment between CalPERS and the City initiates the process for the contract amendment.
- City sends CalPERS a letter requesting a contract amendment for cost-sharing with a copy of the MOU agreement.
- Adopt an Ordinance authorizing a contract amendment between CalPERS and the City. The Ordinance requires a first and a second reading, after the employee vote. Staff will submit an Ordinance authorizing an Amendment to the CalPERS contract for consideration in the next 90 days.
- CalPERS conducts a secret ballot election of POA public safety retirement members. The majority of the members must elect to change the employees' rate of contribution.
- City Council adoption of the Ordinance (second and final reading).
- Execution of CalPERS contract amendment.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on September 4, 2019 and by Budget Manager Grace H. Yoon on August 31, 2019.

City Council action is requested on September 17, 2019, to ensure timely implementation of the MOU provisions.

As shown in the table below, the total cost for this three-year agreement is estimated to be \$17.8 million for the General Fund and \$18.6 million for All Funds. The total structural (ongoing) cost increase resulting from the agreement is estimated to be \$16.2 million in the General Fund (GF) and \$16.9 million across All Funds. There is also a one-time payment in FY 21 estimated at \$1.6 million in the General Fund and \$1.7 million across All Funds. The table shows the breakdown of these costs by fiscal year. While the agreement is for FY 20 through FY 22, there are new structural cost increases that will impact FY 23 as a result of the mid-year raise that occurs in FY 22.

POA Net Contract Cost by Fiscal Year (in \$ millions)

Fund	FY 20	FY 21	FY 22	FY 23	Total
General Fund					
Structural costs	6.3	0.7	7.0	2.2	16.2
One-time payment	-	1.6	-	-	1.6
Total General Fund	6.3	2.3	7.0	2.2	17.8
All Funds					
Structural costs	6.6	0.7	7.3	2.3	16.9
One-time payment	-	1.7	-	-	1.7
Total All Funds	6.6	2.4	7.3	2.3	18.6

The net fiscal impact of the agreement includes the cost of the wage increases and other wage and benefit costs minus the savings from a 3 percent pension pick-up (cost-sharing) for all Classic (pre-state pension reform) employees. The pension pick-up savings are estimated to save a total of \$1.7 million in the General Fund and \$1.8 million across All Funds during the proposed contract period. These savings are included in the net contract cost above and the cost-sharing savings decrease over time as Classic employees retire or otherwise leave the City. PEPRA members have lower cost pension plans as part of PEPRA pension reform.

The net structural costs in FY 20 (\$6.3 million in the General Fund and \$6.6 million All Funds) are expected to be funded from one-time sources, as the proposed FY 20 budget has already been prepared. City management expects to identify one-time revenues in FY 20 - if adequate alternative sources are not available, the City has sufficient balance available in the operating reserve. The one-time costs in FY 21 (\$1.6 million in the General Fund and \$1.7 million All Funds) will also be funded from one-time sources, presumably from FY 20 year-end savings.

For FY 21, the City is expected to structurally include both the FY 20 and FY 21 structural costs into the operating budget (total of \$7.0 million in the General Fund and \$7.3 million All Funds) and will make any necessary adjustments to incorporate these costs. For FY 22 and FY 23, similar steps will be taken. This recommendation has a moderate staffing impact to implement the payroll changes but is within the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

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ALEJANDRINA BASQUEZ
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APPROVED:

PATRICK H. WEST
CITY MANAGER