



# City of Rialto

## Legislation Text

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For City Council Meeting [June 26, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Robb R. Steel, Interim City Administrator

FROM: Lucy M. Garcia, Director of Human Resources & Risk Management

Request City Council to Approve **Resolution No. 7361** Authorizing a Tentative Agreement with the Rialto Police Officers' Association, General Bargaining Unit, for the term of August 1, 2016 through June 30, 2019; and Approve **Resolution No. 7362** Authorizing a Tentative Agreement with the Rialto Police Officers Association, Management Bargaining Unit, for the term August 1, 2016 through June 30, 2019.

**(ACTION)**

### **BACKGROUND:**

On July 31, 2016, the City's 2015-2016 contracts with the Rialto Police Officers' Association (RPBA), General Bargaining Unit, and the Rialto Police Officers' Association, Management Bargaining Unit, expired. Labor negotiations for successor MOUs began on or about July/August 2016; however, pending the completion of the City's Class and Compensation Study (January 31, 2017); budget considerations; and negotiations regarding the Flores v. San Gabriel decision (June 2016), negotiations did not resume until August 2017. Since then, RPBA General Bargaining Unit, the RPBA Management Bargaining Unit, and the City continued to meet and confer in good faith in accordance with the Meyers-Milias-Brown Act.

The parties reached a Tentative Agreement (TA) on May 31, 2018 on terms and conditions for successor collective bargaining agreements for a three-year period commencing on August 1, 2016 and expiring on June 30, 2019. The members of the RPBA General Bargaining Unit and the RPBA Management Bargaining Unit ratified the TA's on June 22, 2018.

### **ANALYSIS/DISCUSSION:**

#### **Negotiation Goals**

The City's goals with respect to the negotiation process were:

- To be transparent about the City's financial challenges and assets;
- To treat employees fairly;
- To position the City to be competitive for recruitment and retention;
- To propose benefit changes that meet the City's long-term fiscal sustainability goals; and

- To have meaningful and continued dialogue with the unions on pension and post-employment liabilities and concerns.

### Negotiations Focus- Market Adjustments

In January 2017, the City completed a comprehensive Class and Compensation Study to determine how the City's salary and benefits compare to those provided by other public agencies in the Inland Empire. Cities often conduct Class and Compensation Studies to understand the market and gauge position, as well as provide a common basis for discussion about wages and benefits. The agencies surveyed by Rialto's Study within the area of Police services included Chino, Corona, Fontana, Ontario, Orange, Pomona, Redlands, San Bernardino, and Upland. The Study evaluated sworn and non-sworn positions.

The Study concluded that of the eight sworn and non-sworn benchmark positions, six are the lowest paid with the maximum median salaries ranging from 6.9% below median to 18.3% below median. Meanwhile, of the eight benefit types surveyed (Cafeteria, Deferred Compensation, Life Insurance, Paid Time Off, EPMC, Certificate/Post Pay, Education, and Longevity), Rialto offers "Above Median" contributions for five benefit types and "At Median" contributions for the remaining benefits. Consequently, Rialto offers relatively low salaries but relatively high benefits. Under these circumstances, total compensation offers a better assessment of relative compensation.

The concern for the City of Rialto is the recruitment and retention of experienced police officers, dispatchers, and other police positions; hence, compensation (either within market salary or market benefits) is generally at the forefront of labor negotiations. The City's turnover rate in the Rialto Police Department is roughly 7% a year and its retention rate is 93%. If salaries and benefits are significantly off market, the City's turnover and retention rates could be negatively impacted. Although 30-35% of turnover in Rialto is attributed to retirements, in the last year, the City lost 4-7 police officers to "lateraling out" to other cities.

### The City's Finances

The rising cost of labor, particularly in relation to rising rates within the California Public Employees' Retirement System, was a key topic point during negotiations. Essentially, the City will experience a ramp up of its annual normal cost and unfunded liability obligations of approximately \$1.5 million each year, compounded through FY2024-2025. The increase represents an estimated change in the payment from \$12 million currently to \$22 million by FY2024-25.

The City also expressed concerns over costs associated with the Flores v. San Gabriel decision, which affects the rate of pay for overtime calculations. Pursuant to the Ninth Circuit Court, the City must consider cash paid to employees in lieu of health benefits as additional compensation, in accordance with the Federal Labor Standards Act. Overtime costs under the court decision impact the City by an estimated \$600,000 a year (citywide), depending on payroll and overtime hours.

The RPBA General Unit and the RBPA Management Unit agreed to consider adjustments to some benefits. Specifically, the RBPA General Unit agreed to reduce the cash-in-lieu option for new hires under the City's cafeteria plan. Rather than cashing out at \$1,250 per month for safety personnel or

\$1,100 per month for non-safety for not using the City's medical insurance, the cash out for new hires will be reduced to \$100 per pay period or \$2,600 per year. This will not resolve the Flores overtime implications for many years, until new employees ineligible for the more generous cash out provision replace the current City employees with the benefit.

#### Outline of Tentative Agreements

The attached TA's reflect changes to salaries, benefits and other terms and conditions of employment that will be incorporated into the Memorandums of Understanding with the RPBA General Bargaining Unit and the RPBA Management Bargaining Unit.

The key elements of the TA's include:

- **Three-year term commencing August 1, 2016.** Upon expiration of a union contract or MOU, the employer is legally obligated to maintain the status quo on items involving wages, hours, and benefits until the parties negotiate an agreement or exhaust the statutory impasse procedures. Although negotiations with RPBA for successor MOUs were delayed for budget, class and comp, Flores, and similar reasons, the parties agree that the term of the contract be backdated to commence at the expiration of the original contract date to provide the parties with "certainty" for all future acts.
- **Salary adjustments in the amount of 8% to bring salaries closer to market rates.** As indicated, Rialto's proposed adjustments for RPBA General and RPBA Management Unit members brings salary compensation closer to market and enables the City to make progress with Police recruitment and retention concerns. The parties agree that the 8% increases shall be effective the first full pay period in July 2018. The increases impact pension liabilities in the future; however, the proposed labor contract actions are needed to help the organization address workforce needs and maintain a competitive posture.
- **One-time Lump Sum Payment (8%) in lieu of additional salary increases.** In exchange for ratification of the tentative agreements and in recognition of the City's inability to provide cost of living adjustments in previous fiscal years, the parties agree to a one-time payment in July 2018 equal to 8% of the current employee's regular rate of pay (salary and special compensation). The payment shall be determined based upon the June 30, 2018 pay rate and 2,080 hours of work. The arrangement is lump sum and one-time, recognizing the need to compensate employees during the term of the agreement without creating ongoing City costs. Both parties intend that the payment does not represent pensionable compensation.
- **Clarification of Association hours.** The parties agree to clarify language that authorizes board members to conduct union business up to 250 hours per year cumulatively.
- **"Me Too" removals.** The parties agree to eliminate any salary or benefit parities or "me too's" during the term of this contract.
- **Specialty Pay for Non-Safety SWAT on call pay.** The parties agree to institute Non-Safety on-call pay to personnel assigned to SWAT.
- **Longevity Pay clarification subject to PERS and years of City service.** Longevity pay for City service is subject to pensionable compensation per the following incentives of 1.5% after 5 years; 2.25% after 10 years; and 3.5% after 15 years. Longevity pay shall also apply for cumulative public service experience in the field of law enforcement; however, this portion shall not be subject to PERS reporting per Title 2, Section 581 of the CA

Code of Regulations. Employees shall be responsible for notifying the City of their years of service.

- **Cafeteria changes for “new hires”, which require using the contribution OR receiving \$100 per pay period.** Moving forward, new hires shall no longer be eligible to receive the classic cash in lieu payment amounts for not using the City’s medical insurance. Instead, they can elect to take \$100 per pay period. The parties agree that classic employees continue to cash out at \$1,250 per month for Safety and \$1,100 per month for Non-Safety. By adjusting benefits for new hires with respect to cafeteria cash-in-lieu, the City can better mitigate the impact of the Flores decision over time.
- **Clarification language subject to Vacation and Sick Cash Outs.** The new language shall reinforce that vacation and sick cash outs shall be paid at the employee’s current base hourly (base salary) rate.
- **Incorporation of 2016 Side Letter relative to loss of Holiday and recovered time.** The parties agree to continue that any loss of holiday be recovered and paid out as straight time.
- **Sick Leave Use clarification per AB 1522.** The parties agree to amend sick leave language per AB 1522, which reads in part paid leave for employee’s own or family member’s care or treatment of a health conditions; and for specified purposes such as an employee who is a victim of domestic violence, sexual assault or stalking.
- **Education Reimbursement recognition of JD or PHD at 7.5% incentive.** The parties agree to install employee notification requirements to Human Resources to initiate the incentive. In addition, JD and PHD degrees shall be equivalent to the incentive for Master’s degree.
- **Certificate Pay.** The parties agree to install employee notification requirements to the City in order to initiate the incentive.
- **Clarification of authority for the Director of Human Resources and Risk Management.** The authority was previously established under the Director of Administrative/Community Services; however, this classification no longer exists.
- **Member representation.** The parties agree to clarify which classifications are currently recognized in the MOUs.
- **Reopeners: Members; Health Insurance for Retirees; and Dispatcher Overtime.** The parties agree to reopeners subject to adding new members, retiree health contributions, and overtime. Reopeners provide opportunity for the City and RPBA General and RPBA Management to continue discussing these specific subjects during the term of the MOU.

#### **ENVIRONMENTAL IMPACT:**

The request is not a Project as defined by Section 15378 of the California Environmental Quality Act (CEQA) Guidelines. A “Project” means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Pursuant to Section 15378 (b) (5) a project does not include organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

**GENERAL PLAN CONSISTENCY:**

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

**LEGAL REVIEW:**

The City Attorney has reviewed and approved this staff report and its attachments.

**FINANCIAL IMPACT:**

Operating Budget Impact

Each of the TA's will have a one-time impact and an ongoing impact as follows:

- **RPBA General Bargaining Unit:** The estimated one-time impact of the lump sum payment is \$827,457. Staff recommends that the City Council fund this retroactive payment using the Operating Reserves. This will further reduce the operating reserve below the 50% target established by Resolution No. 5169, all in accordance with City Council authority under that resolution. The lump-sum payment is a one-time payment for services rendered in prior years, and an appropriate use of reserve funds.

Based on the 8% permanent salary adjustments, the operating budget for personnel will increase by approximately \$1,143,243 for the 18-19 fiscal year, including base salary increases and all collateral increases including overtime compensation, specialty pay, and other incentives predicated upon base pay.

The estimated cost for the three-year term of the agreement is \$1,970,000.

- **RPBA Management Bargaining Unit:** The estimated one-time impact of the lump sum payment is \$245,158. Staff recommends that the City Council fund this retroactive payment using the Operating Reserves. This will further reduce the operating reserve below the 50% target established by Resolution No. 5169 all in accordance with City Council authority under that resolution. The lump-sum payment is a one-time payment for services rendered in prior years, and an appropriate use of reserve funds.

Based on the 8% permanent salary adjustments, the operating budget for personnel will increase by approximately \$178,265 for the 18-19 fiscal year, including base salary increases and all collateral increases including overtime compensation, specialty pay, and other incentives predicated upon base pay.

The estimated cost for the three-year term of the agreement is \$423,423.

Salary increases also affect the City's obligations to the retirement system. The added payroll increases the City's liability to PERS, which will be reflected in future actuarial assessments for normal cost contributions and unfunded liability payments. The City will predominantly fund the increased liabilities, although employees will absorb a portion of the burden through negotiated payroll contributions. Consequently, operating budgets commencing in FY 2022 will absorb additional undetermined costs because of the proposed salary increases. These additional payments may be substantial, particularly if PERS continues to modify its discount rate and other actuarial assumptions. The City's unfunded pension liabilities are currently \$126.4 million. Allocating funding to fulfill the obligations to the employee retirement plan remains a significant challenge for current and future budgets.

The City Council has not yet adopted the FY19 Budget. The proposed compensation increases must be absorbed within the Budget. Based upon preliminary FY19 revenues and expenditures, this will require some combination of revenue enhancement, expenditure reductions, or reserve allocations. The historical directive of the City Council has been to produce a cash balanced budget, and this may require difficult choices between competing budget priorities. Staff continues to work with the Budget Committee to identify the mix of solutions to achieve a balanced budget before

presentation to the City Council.

Capital Budget Impact

This action has no impact to the Capital Budget.

**RECOMMENDATION:**

Staff recommends that the City Council:

- A. Approve a Resolution authorizing a Tentative Agreement with the Rialto Police Officers' Association, General Bargaining Unit, for the term of August 1, 2016 through June 30, 2019; and approve a Resolution authorizing a Tentative Agreement with the Rialto Police Officers Association, Management Bargaining Unit, for the term August 1, 2016 through June 30, 2019.
- B. Direct staff to proceed with preparing the successor language for the Memorandums of Understanding with the Rialto Police Officers' Association, General Bargaining Unit, and the Rialto Police Officers' Association, Management Bargaining Unit, for the term August 1, 2016 through June 30, 2019.
- C. Authorize a payment in fiscal year 2018-19 of \$1,072,615 from Reserves for the one-time payments to the Rialto Police Officers Association, General and Management Bargaining Units; and direct the Interim Finance Director to incorporate the 8% salary enhancements/appropriations into the 2018-2019 fiscal year's operating budget.