



City of Rialto

Legislation Text

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For City Council Meeting [December 11, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Ahmad Ansari, Interim City Administrator

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

Request City Council to Approve **Resolution No. 7410** Authorizing a Tentative Agreement with the Rialto City Government Management Association for the term of July 1, 2016 through June 30, 2019.
(ACTION)

BACKGROUND

On June 30, 2016, the City's 15-16 contract with the Rialto City Government Management Association (CGMA) expired. CGMA and City representatives deferred meet and confer regarding a successor CGMA Memorandum of Understanding (MOU) 15-16 pending budget discussions, the completion of the Class and Compensation Study and other related considerations. On July 30, 2018, the City received a proposal from CGMA for new terms for a successor MOU. Based on this proposal, deal points were vetted for an oral tentative agreement on the terms for a successor collective bargaining agreement for a three-year period of July 1, 2016 through June 30, 2019. The Tentative Agreement (TA) was ratified by members of the CGMA on September 18, 2018.

ANALYSIS/DISCUSSION:

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. Class and Compensation Studies are conducted to understand the market and gauge position, as well as provide a common basis for discussion about wages and benefits. The agencies that represented Rialto's Study within the area of general services included Chino, Corona, Fontana, Hesperia, Menifee, Moreno Valley, Ontario, Pomona, Rancho Cucamonga, Redlands, Upland, Victorville, San Bernardino, County of San Bernardino, and County of Riverside.

The Study concluded that of the six benchmark positions observed, five were below the market median within a range of -1.5% and -7.6%. 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 six benefit types and “At Median” contributions for the remaining (two) benefits. Consequently, Rialto offers lower salaries but higher 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 executives, particularly in response to the City’s workforce reduction among Executives and managers over the years and heavier burden subsequently among executives. Compensation, therefore, (either within market salary or within market benefits) was at the forefront of labor negotiations. The City’s turnover rate is roughly 10% a year and its retention rate is 90%. If salaries and benefits are significantly off market, the City’s turnover and retention rates will be negatively impacted.

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 payment and unfunded liability obligations of \$1.5 million each year, compounded through FY 2024-2025. The increase represents an estimated change in the payment from \$12 million currently to \$22 million by FY 2024-25.

Outline of Tentative Agreement

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

The key elements of the TA include:

- **Three-year term commencing July 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 CGMA for a successor MOU was delayed, 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 CGMA members brings salary compensation closer to market and enables the City to make progress with Executive recruitment and retention. The parties agree that the 8% increases shall be effective the first full pay period following this approval of this tentative agreement. 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 agreement 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 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.

- **Reopeners:** Health Insurance for Retirees.
- **Clarify Sick Leave and Vacation:** The new language shall reinforce that vacation and sick cash outs shall be paid at the employee's current base hourly (base salary) rate.
- **Sick Leave Use Updated;** 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.
- **Clarification subject to member representation.**

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:

The overall fiscal impact from the new terms described under the Tentative Agreement is summarized as follows:

- The estimated cost of the package of the three-year term of the agreement is **\$259,594**.
- There is a one-time lump sum payment in the amount of \$129,653 (8%), which staff recommends be funded using Operating Reserves. The use of Reserves 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 \$129,941 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.

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. 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 adopted the FY19 Budget; hence, the proposed compensation increases have been absorbed in the current Fiscal Year Budget.

Capital Budget Impact

This action has no impact to the Capital Budget.

RECOMMENDATION:

- A. Staff recommends that the City Council approve a Resolution authorizing a Tentative Agreement with the City Government Management Association and Confidential Employee Association for the term of July 1, 2016 through June 30, 2019;
- B. Staff recommends the Council direct staff to proceed with preparing the successor language for the Memorandums of Understanding with the Rialto City Government Management Association for the term July 1, 2016 through June 30, 2019.
- C. Staff recommends the Council direct staff to proceed with the 8% salary enhancements for the unit members effective September 30, 2018.