



**DATE:** June 13, 2017

**CATEGORY:** New Business

**DEPT.:** City Manager/Human Resources

**TITLE:** **Adopt a Resolution Governing Compensation for the Service Employees International Union (SEIU), Local 521**

### **RECOMMENDATION**

Adopt a Resolution Authorizing the City Manager or His Designee to Amend the Memorandum of Understanding Between the Service Employees International Union, Local 521 and the City of Mountain View, for the Period of July 1, 2017 through June 30, 2020, and to Revise the City's Salary Plan to Reflect these Compensation Changes, to be read in title only, further reading waived (Attachment 1 to the Council report).

### **BACKGROUND AND ANALYSIS**

The previous Memorandum of Understanding (MOU) for Service Employees International Union, Local 521 (SEIU) is scheduled to expire on June 30, 2017. The new proposed three-year agreement covers the period of July 1, 2017 to June 30, 2020.

SEIU represents approximately 168 full-time equivalent positions in maintenance, clerical, paraprofessional, and technical classifications. City management representatives met with representatives of SEIU from March through June 2017.

In approaching compensation adjustments for employees, City management and bargaining groups committed to an interest-based process. The City values the work done by employees to provide high-quality services and facilities to the residents, employees, and visitors in Mountain View and the shared commitment to the fiscal health of the organization. Recognizing that employee-related costs represent the vast majority of the City's operating expenditures, the City's interests in adjusting compensation were to provide compensation packages which enable the City to meet the following objectives:

- To the extent possible, in light of the City's current favorable economic condition, provide above average total compensation in order to attract and retain employees

with the education, skills, and experience which enables them to provide quality services on behalf of the City.

- Ensure that employee compensation is financially sustainable, so that the City can continue to maintain a structurally balanced operating budget with ongoing revenues sufficient for ongoing expenditures, and can provide for long-term equipment and capital needs in order to maintain City service levels.
- Provide similar benefits to all employees in order to enhance administrative efficiencies and economies of scale in benefits costs.
- Consider compensation costs over a multi-year period while retaining the ability to respond to changing economic conditions.

The proposed resolution governing compensation for SEIU meets the City's interests in several ways. The proposed compensation increases base salaries in order to attract and retain employees in light of the high cost of living in the region and the relatively competitive labor market. To provide a competitive compensation proposal, the City considers factors such as: total compensation surveys as compared to local public agencies, Consumer Price Index (CPI), and the employees' continued commitment to paying an above average portion of the City's CalPERS employer rate.

The proposed changes to the SEIU MOU are detailed in the resolution included as Attachment 1. The changes are consistent with direction provided by Council in Closed Session meetings on labor negotiation terms. The resolution serves as the public reporting of action taken in Closed Session under the Brown Act relative to these employees. SEIU members ratified the terms of the agreement on June 7, 2017.

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary ranges for all classifications of SEIU employees by a four percent (4.0%) cost-of-living adjustment (COLA).

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges for all classifications of SEIU employees by a four percent (4.0%) COLA.

1.0 Percent COLA Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary ranges of all classifications of SEIU employees by a one percent (1.0%) COLA.

Parity with Other Represented Employees: Should a different schedule of COLAs be approved for other miscellaneous represented employees for Fiscal Years 2017-18, 2018-19, and 2019-20, the same schedule of COLAs shall be offered to SEIU employees instead of the four percent (4.0%), four percent (4.0%), and one percent (1.0%) accepted in Fiscal Years 2017-18, 2018-19, and 2019-20, respectively, as outlined above.

One-Time Leave Hours: Effective the first pay period ending in July 2017, SEIU employees who are City employees on July 1, 2017, will receive a one-time contribution of twenty-one (21) hours of leave time (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2018, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2018, SEIU employees who are City employees on July 1, 2018, will receive another one-time contribution of twenty-one (21) hours of leave time (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2019, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2019, SEIU employees who are City employees on July 1, 2019, will receive another one-time contribution of twenty-one (21) hours of leave time (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll.

Reopener on Salary and One-Time Leave Hours: Either SEIU or the City may reopen the MOU on the issue of salary and one-time leave hours only for the Fiscal Year 2019-20, by giving the other party written notice by 5:00 p.m. on March 1, 2019. In that event, the parties will meet and confer in good faith over the issue of salary and one-time leave hours, and any adjustments in Fiscal Year 2019-20 will be by mutual agreement.

Defined Contribution Retirees' Health: Effective the first pay period ending in July 2017, the direct employer contributions for employees enrolled in the defined contribution retirees' health plan will be increased for Fiscal Year 2017-18 by the following amounts; 0 to 5 years: Fifty Dollars (\$50) per month, 6 to 10 years: Seventy-Five Dollars (\$75) per month, 10+ years: One Hundred Dollars (\$100) per month. Effective the first pay period ending in July 2018, contributions will be indexed at a three percent (3.0%) fixed rate annually. This is the first adjustment in the City's contribution amount since inception of the City's Defined Contribution Plan in 2007.

Interest on the first year employer contributions held in an account prior to transfer will be credited at a fixed rate of one percent (1.0%) per annum on the monthly balance effective the first pay period ending in July 2017.

Kaiser Vision Benefit: Effective January 1, 2018, the vision benefit included in the Kaiser medical plan available to eligible employees, will be changed so that the vision allowance is available every 12 months.

Dental Benefit: Effective January 1, 2018, the dental plan design will be changed to increase both the annual plan maximum (nonorthodontia) and lifetime plan maximum (orthodontia) by Five Hundred Dollars (\$500) per insured person.

City Contribution to Flexible Spending Account (FSA): Effective the first pay period ending in July 2017, the City will discontinue the City's One Hundred Fifty Dollars (\$150) annual contribution to each employee's medical FSA in exchange for providing the enhanced dental benefit.

Vacation Cash Out: Effective July 1, 2017, employees are eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth in the SEIU MOU. For employees electing to cash out over forty (40) hours of vacation, the employee must have used a minimum of forty (40) hours vacation in the full payroll calendar year and have a minimum balance of eighty (80) hours as of the last full pay period in the payroll calendar year of the cash out election.

Health Benefits Committee: The City will form a joint committee with interested miscellaneous labor groups to engage in a focused discussion on health benefits for active employees to consider potential solutions to address the high cost of employee health benefits while ensuring both the sustainability of health benefits and that the benefits remain competitive with comparison agencies. The committee's findings will be used to inform a discussion of health benefits during the next negotiations process.

Professional Development/Technology Funds: Effective the first pay period ending in July 2017, professional employees will receive Eight Hundred Dollars (\$800) in professional development/technology funds annually.

Sick Leave Incentive: Effective the first pay period ending in July 2017, employees who do not use sick leave for each payroll calendar quarter, shall be allowed to convert four (4) hours of sick leave into vacation and will be provided four (4) hours of vacation per quarter.

Callback Pay: Effective the first pay period ending in July 2017, add eight (8) classifications that are eligible to receive callback pay when responding to emergency calls after hours.

Certification Pay: Effective the first pay period ending in July 2017, increase the payment to Fifty Dollars (\$50) per month for each eligible certification, up to a maximum of four certifications above the minimum job specification requirements. Add Facilities Maintenance Worker I, II, and III to the certification program.

Other changes: A number of other clarifications were agreed to update provisions of the MOU, including: parks schedule, bereavement leave, duty program uniforms, and overtime shift for dispatchers.

### **FISCAL IMPACT**

The fiscal impact of the proposed COLAs and compensation package for all approved agreements for employees will be reflected in the Fiscal Year 2017-18 Adopted Budget and the General Operating Fund (GOF) Five-Year Financial Forecast (Forecast). The proposed compensation package for Fiscal Years 2017-18 and 2018-19 is projected to be able to be accommodated in those fiscal years, while maintaining a minimal operating balance. To increase the GOF balance, and based on historical data, staff is proposing to increase the projected Budget Savings by \$500,000 throughout the Forecast Period. Based on the current Forecast adjusted for the proposed increase to the Budget Savings and a reduction of the Lease Revenues at Risk from 15.0 percent to 10.0 percent in the GOF, the proposed compensation package is projected to require material funding from the Budget Contingency Reserve to balance the GOF in Fiscal Year 2019-20. Based on current projections in the Forecast, the proposed compensation package is projected to cause increases to the deficits, without corrective actions, in the last two fiscal years of the Forecast. The City has retained the ability to reopen agreement terms related to salary and one-time leave hours for Fiscal Year 2019-20 should the City's fiscal condition require it to balance the City's budget.

### **ALTERNATIVES**

1. Do not adopt the proposed resolutions governing compensation for the SEIU employees and modifying the City's salary plan.
2. Provide other direction.

**PUBLIC NOTICING** – Agenda posting.

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Attachments: 1. Resolution – SEIU

Approved by:

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City Manager