



DATE: July 1, 2014

CATEGORY: Consent

DEPT.: City Manager's Office

TITLE: **Memorandum of Understanding with the Mountain View Professional Firefighters (MVFF), Local 1965**

RECOMMENDATION

Adopt a Resolution Authorizing the City Manager or His Designee to Amend the Memorandum of Understanding Between Mountain View Professional Firefighters, Local 1965 (MVFF) and the City, for the Period of July 6, 2014 Through the Last Pay Period Ending in June 2017, 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

AB 340, the Public Employees' Pension Reform Act (PEPRA), was enacted after the current three-year Memoranda of Understanding (MOU) with all City of Mountain View bargaining groups were finalized and executed. Among other changes, PEPRA established lower pension benefit formulas for those employees new to the California Public Employees' Retirement System (CalPERS), and created a new approach to employee pension contributions. Staff has periodically discussed the implementation of PEPRA with various bargaining groups since the law went into effect in January 2013. In mid-February 2014, staff initiated a meeting with all employee groups, expressing a desire to work with all groups to find common ground regarding employee pension contributions in the short and long term.

ANALYSIS

Over the last several months, staff has met with the Mountain View Professional Firefighters, Local 1965 (MVFF), regarding the application of an employer cost share to employees hired under the new pension formulas required by PEPRA. Currently, employees on the PEPRA (2.7 percent at 57) pension formula are paying the same total pension contribution as employees on the Classic (3 percent at 50) pension formula. In order to address concerns about the current approach and to establish a contribution for

employees on the PEPRA pension formula in the future, staff and MVFF have reached a tentative agreement on an extension to the MVFF MOU. Staff believes the tentative agreement addresses the concerns raised by MVFF in a positive manner and meets the City's short- and long-term financial interests.

In addition to achieving agreement that employees who are hired under the PEPRA formula will pay an employer cost share in addition to the normal employee contribution required by PEPRA beginning in Fiscal Year 2015-16, the proposed approach would provide cost-of-living adjustments (COLAs) in both Fiscal Year 2015-16 and Fiscal Year 2016-17, in tandem with increased pension cost sharing in each of these years. This is consistent with the approach the City and employee bargaining groups have taken in recent years to address rising pension costs.

Key aspects of the proposed new MOU (described more fully in the Tentative Agreement, Attachment 2, and Resolution) are as follows:

- Two-year agreement, extending the current MOU until June 30, 2017.
- For PEPRA employees, no cost share until Fiscal Year 2015-16 and reimbursement of 3.75 percent cost share contributed from their time of hire.
- Effective Fiscal Year 2015-16:
 - All members will receive a 2.0 percent COLA.
 - All members who are on the Classic pension formula will contribute an additional 2.0 percent employer cost share.
 - All members who are on the PEPRA pension formula will contribute a 2 percent employer cost share in addition to half of the normal cost for the pension (currently 11.25 percent), and the 0.366 percent cost share associated with enhanced survivor benefits.
 - The maximum pension contribution for members will be 17.366 percent.
 - Increase in tuition reimbursement, from up to \$1,500, to up to \$2,000 annually, the same level as other bargaining groups, and new incentive payments for Tiller Operator and Fire Captain assigned to training.
 - Clarifications to the Career Development Program.

- Updates to Hazardous Materials Team assignment processes.
 - The October 16, 2013 Side Letter Regarding Migration to the CalPERS Health Program (PEMHCA) will be incorporated into the MOU.
 - The City and MVFF agree to meet by November 1, 2014 to discuss the potential representation by MVFF of the classification of Public Education/Fire Education Specialist; however, the City retains the right to determine representation of this classification.
- Effective Fiscal Year 2016-17:
 - All members will receive a 2.0 percent COLA.
 - All members will contribute an additional 2.0 percent employer cost share.
 - The maximum pension contribution for members will be 19.366 percent.

The proposed two-year extension of the MVFF MOU responds to concerns raised by MVFF about the implementation of the PEPRA and builds upon Mountain View's successful approach in sharing pension costs with employees. Staff appreciates the constructive dialogue regarding resolving this issue, and believes the proposed extension addresses shared interests in a financially sustainable manner.

FISCAL IMPACT

The proposed extension of the MOU would result in an estimated \$100,000 savings to the City in Fiscal Year 2015-16, compared to the 10-year General Operating Fund forecast, as that forecast assumed a modest COLA but did not anticipate a new 2.0 percent cost share by MVFF employees. In Fiscal Year 2016-17, the proposal would incur an estimated \$200,000 in new costs to the City compared to the forecast. This is because no COLA is included in the forecast for that fiscal year, and the increased cost share does not fully offset the value of the COLA. While the proposed extension results in higher-than-forecast costs over the two-year period, it builds upon a pattern of sharing pension costs between the City and employees, which is important for the long-term financial sustainability of the City.

ALTERNATIVES

1. Do not approve the proposed extension of the MOU.
2. Provide alternative direction to the Labor Negotiator in a future Closed Session.

PUBLIC NOTICING

Agenda posting and copy to MVFF and other City of Mountain View bargaining groups.

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Approved by:

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MSD/7/CAM
602-07-01-14CR-E

- Attachments:
1. Resolution
 2. Tentative Agreement with MVFF Local 1965