

Legislation Text

File #: #20-254, Version: 1

PREPARED BY: REINA SCHWARTZ

DATE OF MEETING: 07/06/20

SUBJECT:

1) A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO: A) AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE SIDE LETTERS/ MODIFICATIONS TO VARIOUS MEMORANDA OF UNDERSTANDING, TERMS OF EMPLOYMENT AND SCHEDULE OF BENEFITS FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2021 FOR THE FOLLOWING GROUPS: ASSOCIATION OF INTERMEDIATE EMPLOYEES, SAN PABLO POLICE EMPLOYEES ASSOCIATION, SAN PABLO POLICE EMPLOYEES ASSOCIATION (MANAGEMENT UNIT), DIVISION MANAGERS, CONFIDENTIAL EMPLOYEES, EXECUTIVE MANAGEMENT, B) APPROVING A REVISED SALARY SCHEDULE FOR OPERATING ENGINEERS LOCAL NO. 3 EFFECTIVE JULY 1, 2020; AND C) APPROVING A REVISED SALARY SCHEDULE FOR THE ASSOCIATION OF INTERMEDIATE EMPLOYEES EFFECTIVE JULY 1, 2020; AND 2) A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO SUPERSEDING RESOLUTION NO. 2019-085 AMENDING THE SCHEDULE OF BENEFITS FOR THE CONTRACT EMPLOYEES GROUP TO APPROVE AND DEFER A COST-OF-LIVING ADJUSTMENT AND TO INCREASE EMPLOYEE COST SHARING RELATED TO RETIREMENT BENEFITS

CITY MANAGER RECOMMENDATION

Adopt two (2) Resolutions

COMPLIANCE STATEMENTS

FY2019-21 CITY COUNCIL PRIORITY WORKPLAN

The approval of these Resolutions is not directly included in the FY2019-21 City Council Priority Workplan, as amended May 18, 2020, but is required for effective City operations to maintain fiscal stability.

CEQA Compliance Statement

These resolutions approving changes to terms and conditions of employment are not projects under CEQA.

BACKGROUND

When originally adopted on June 19, 2017 (Resolution 2017-123), the FY 2018-21 Quadrennial Budget was a four-year appropriation balanced in each of the separate fiscal years, with Years 1 and 2 generally budgeted individually and Years 3 and 4 generally increased by a modest formula. At the beginning of Year 2, the budget was minimally updated, but in June 2019, halfway through the budget cycle ("mid-cycle"), the budget underwent a major update as planned and was adopted by Resolution 2019-084. Like the original Quadrennial Budget, the mid-cycle update was balanced in each fiscal year, with revenues and expenditures standing at \$45.6 million in Year 3 and \$47.0 million in Year 4.

In March 2020, as staff was finalizing the Year 4 budget update, the City faced the novel Coronavirus (COVID-19) pandemic that resulted in the closure of businesses throughout the City, state and nation, indeed even throughout the world, as entire national economies were brought to a standstill. Most significantly for the City, Casino San Pablo and dozens of other “non-essential” businesses were closed as orders for social distancing and sheltering-in-place mandated by the Contra Costa County Public Health Officer on March 16, 2020, and subsequently amended to date, until the pandemic could be more safely managed.

Budget Strategy

As fiscal year (FY) 2019/20 ends, City administration has developed a multi-pronged strategy to end the FY 2019/20 period within projected budget parameters, including, a hiring freeze; layoff of part-time workers; closure of recreation programming; elimination of all City events; and use of one-time funding from the City’s Budget Stabilization Reserve, set aside for this exact purpose. Developing a multi-pronged budget strategy for FY 2020/21 is more problematic, however, because of the great uncertainty of what the economy will look like and what the “new normal” will be. What became immediately clear, however, was that the previous FY 2020/21 General Fund (GF) adopted budget in June 2019 was no longer viable as a result of COVID-19 fiscal impacts.

To prudently close a budget gap of \$10 million in FY2020/21 will require a multi-pronged approach. On the expenditure side, this multi-pronged approach involves:

- 10% cuts to departmental service and supplies budgets (\$1.5 million)
- Postponement or cancellation of CIP projects (\$1.0 million)
- \$2.5 million in labor cost savings.

Reduction in Labor Expenses

In the original multi-pronged approach to closing the FY2020/21 GF Budget Gap, approximately \$2.5 million was needed in labor cost reductions to balance the budget. Over the course of discussions with our represented labor groups, the City re-evaluated the overall revenue picture and agreed that it was likely that the City would receive some revenue from the Casino in the last quarter of FY2019/20, thus freeing up some Budget Stabilization Reserve funds to offset the amount of concessions needed. With this anticipated revenue, the City has agreed that only \$2 million is needed in labor concessions to balance the budget. The total labor cost reductions achieved across all labor groups will total the \$2 million required. This combined with the now-anticipated \$500,000 in additional revenue from the Casino will cover the final portion of the overall \$10 million budget gap as described above.

With salary and benefits comprising over 60% of all budgeted expenditures, reductions in labor costs must be included as part of a prudent budget balancing strategy. Therefore, City administration approached the City’s three recognized, recognized employee representation organizations (San Pablo Police Employees Association [SPPEA]; Operating Engineers, Local No. 3 [OE3]; and Association of Intermediate Employees [AIE]), and requested that these units consent to re-opening labor contracts which are not set to expire until June 30, 2021. Additionally, the City also approached its unrepresented employee groups (i.e. Contract, Executive Management, Division Managers, Confidential) to inform them that labor cost reductions would be required and implemented. In total, the City is looking to achieve an overall \$2 million in labor concessions from all City employee groups

- the three represented employee groups, and the unrepresented employee groups for the FY 2020/21 period.

Represented Employee Groups - Agreements Reached

The City has been successful in reaching agreement with the following recognized employee represented organizations: SPPEA; SPPEA (Management Unit); and AIE. Together these labor groups have agreed to labor cost reductions totaling nearly \$1.3 million for the FY 2020/21 period. The partnership the City has with these groups is valuable and the City is appreciative of their collaborative efforts. The labor cost reductions for these groups are effective July 1, 2020 through June 30, 2021, and include: deferring negotiated Cost-of-Living Adjustments; deferring annual “step” salary increases; some furloughs; some reduction in City-paid retirement costs; reduction in uniform compensation; and holding vacant positions as “frozen”. Because AIE has ratified a Side Letter that includes deferring the majority but not all of their previously negotiated COLA, a new Salary Schedule for AIE that includes a 0.5% COLA is included for City Council approval with this report.

Unrepresented Employee Groups - Contributions

The City is also appreciative of the contributions and sacrifices that the unrepresented employees will be making, totaling \$426,212. In each case, the contributions made by a particular group mirrors their relative share of the overall labor budget, providing a level of parity across the board. The labor cost reductions for these groups are also effective July 1, 2020 through June 30, 2021 and include: deferring Cost-of-Living Adjustments; deferring annual “step” salary increases; reduction in City-paid retirement costs; and holding vacant positions as “frozen”.

Operating Engineers, Local No. 3 (OE3) - STATUS

The City is still working with one of its recognized, employee represented labor groups, Operating Engineers Local No. 3 (OE3). Because the existing MOU for this group is still in place, a new salary schedule reflecting the three percent (3.0 %) COLA included in the MOU is presented for approval by the City Council effective July 1, 2020 and is part of the recommended action this evening. However, because labor savings are an integral part of balancing the adopted FY2020/21 GF budget, the City has a limited amount of time to conclude discussions with OE3.

At this point, the City and OE3 aim to reach conceptual agreement on labor concessions by the end of the next scheduled meeting on July 8, 2020; if agreement is reached, the concessions will be brought to the City Council at their July 20, 2020 regular meeting for approval. If the City and OE3 do not reach agreement, the City will proceed with the layoff of one position in order to achieve the necessary cost savings to meet the FY 2020/21 City GF Budget Adoption requirements pursuant to Resolution No. 2020-074.

Budget, Fiscal & Legislative Standing Committee Review:

The overall multi-pronged strategy for balancing the FY2020/21 Budget was presented to the Budget, Fiscal & Legislative Standing Committee (Pabon-Alvarado, Pineda) on May 25, 2020. Following Standing Committee review, and a scheduled public budget hearing held on June 1, 2020, the City Council approved the FY2020/21 budget on June 15, 2020 by Resolution No. 2020-074. The recommendations in this report implement the labor components of the approved/adopted FY2020/21 City GF budget.

FISCAL IMPACT

The fiscal impact of the labor cost reductions in FY2020/21 will be approximately \$2 million.

The Agreement Side Letters with the represented employees and the recommended amendments to Compensation and Terms of Employment/Schedule of Benefits for unrepresented employees all contain provisions that allow labor cost reductions to be restored to employees if FY2019/20 budget balancing measures ultimately do not require Budget Stabilization Reserve (BSR) funds above the \$500,000 already pledged. The funds available for restoration of the labor cost reductions would be proportionate to the share of the overall labor budget represented by each unit and would go into effect no earlier than January 2021, pending audited closure of the FY2019/20 fiscal year financial statements.

Attachments (Exhibits to the Resolution)

- A. Resolution Approving Changes to MOUs and Terms of Employment for Unrepresented Employees
 - 1. Side Letter with San Pablo Police Employees Association
 - 2. Side Letter with San Pablo Police Employees Association (Management Unit)
 - 3. Side Letter with the Association of Intermediate Employees
 - 4. Amendment to Compensation and Terms of Employment for Confidential Employees
 - 5. Amendment to Compensation and Terms of Employment for Division Managers
 - 6. Amendment to Schedule of Benefits for Executive Management
 - 7. Salary Schedule for Operating Engineers Local No. 3 - effective July 1, 2020
 - 8. Salary Schedule for Association of Intermediate Employees - effective July 1, 2020
- B. Resolution Approving Changes to Schedule of Benefits for Contract Employees
 - 1. Schedule of Benefits - City Attorney
 - 2. Schedule of Benefits - City Manager