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DATE: May 6, 2008
TO: Mayor and City Council
FROM: City Manager
SUBJECT: Adoption of Resolution to Revise the Memorandum of Understanding with the Hayward Police Officers' Association (HPOA)

RECOMMENDATION

That Council adopts the attached resolution revising the Memorandum of Understanding (MOU) with Hayward Police Officers' Association (HPOA) Employees effective July 1, 2008, pertaining to wages, hours, benefits, and other terms and conditions of employment.

BACKGROUND

On January 15, 2008, the City approved a new four-year MOU authorizing salary increases and certain benefit changes for Hayward Police Officers' Association (HPOA) Employees. HPOA members include the classifications of Police Officer, Inspector, Sergeant, and Lieutenant. The current MOU provides for salary increases to be provided based on a formula assuring members the average salary rate of the top four cities of a market basket of Bay Area cities.

Staff is taking a variety of actions to reduce projected budget deficits while maintaining service levels in the current budget year, as well as in the upcoming two-year General Fund budget. Currently, staff is projecting a \$14.5 million budget deficit for the upcoming budget year, requiring significant changes in operating budgets to balance expenditures and revenues while limiting the use of current reserves. Reducing employment costs, which comprise 85% of the General Fund expenditure budget, is the most effective way to work toward balancing the budget. Other actions, such as a hiring freeze within the General Fund, reduction of travel and training expenditures, as well as preauthorization by the City Manager of all expenditures, are currently being taken.

The City Manager and Finance Director have met with all bargaining units and the unrepresented employees over the past few months to keep them informed of the budget challenges. Recently, all bargaining units were asked to discuss possible salary concessions to reduce operating costs without having to implement wide-spread layoffs. The unrepresented employees were also provided with this information. The savings goal is in the range of \$6 million, with other actions providing the balance of finances for the upcoming two year budget. In addition to salary concessions, Council has previously authorized an Amendment to the City's CalPERS contract that would allow the City to initiate a retirement incentive benefit. Further action on such an incentive will likely come to

Council in June in conjunction with the overall City budget recommendations. The savings from a retirement incentive offering will be realized by the elimination of vacant positions created by retirements as well as reduced salary levels for those selected positions that are refilled.

DISCUSSION

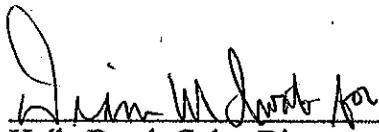
HPOA members have agreed to reduce their formula increases by 4% effective July 1, 2008, and 3% effective July 1, 2009. They have also agreed that the return to the full formula calculation will be phased back in over a four year period to allow a gradual return to the formula and provide the City additional savings throughout the four years.

The City and the HPOA members have also agreed on several other minor amendments. These changes include meeting to discuss retiree medical payments and establishing a trust to fund the City's future retiree medical liability.

FISCAL IMPACT

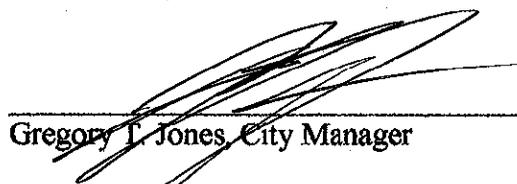
The fiscal impact of these modifications is a savings to the City of \$1.2 million in FY08-09 and \$2.2 million in FY09-10. Total cumulative savings over the next four years is approximately \$8.8 million, depending on future formula calculation results.

Recommended by:



Holly Brock-Cohn, Director of Human Resources

Approved by:



Gregory L. Jones, City Manager

Attachment: Attachment A - General Financial Terms of Extension
Draft Resolution (1)

Attachment A

HPOA-- General Financial Terms of Extension

Term extended to June 30, 2015. City and POA to meet and confer on retiree medical payments in January 2011. City to begin funding currently unfunded liability associated with retiree medical obligations by contributing 1% of payroll to City-wide irrevocable retiree medical trust beginning 2013 unless earlier revenue targets described are met.

MOU salary formula to remain in effect subject to the following terms and conditions:

July 2008

Formula adjustment less 4%

July 2009

Formula adjustment less 3%

July 2010

Floor for annual salary adjustment is 4%, plus 1/3 of net amount above floor calculated by Formula (if any).

1% of payroll contributed to irrevocable retiree medical trust account for the purposes of funding liability related to retiree medical costs if closing 2008-09 General Fund revenue exceeds 2006-07 revenues.

July 2011

Floor for annual salary adjustment 90% of CPI, or 100% of CPI if Hayward Police Department has achieved CALEA certification, plus 1/3 of net amount above floor calculated by Formula.

1% of payroll contributed to irrevocable retiree medical trust account for the purposes of funding liability related to retiree medical costs if closing 2009-10 General Fund revenue exceeds 2007-08 revenues.

July 2012

Floor for annual salary adjustment 90% of CPI, or 100% of CPI if Hayward Police Department has been accredited by CALEA OR the amount provided by Formula (if any)(full Formula in effect), whichever is greater.

1% of payroll contributed to irrevocable retiree medical trust account for the purposes of funding currently unfunded liability related to retiree medical costs if closing 2010-11 General Fund revenue exceeds 2008-09 revenues.

July 2013

Formula applies fully.

July 2014

Formula applies fully.

