

DATE: May 6, 2008

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adoption of Resolution to Revise the Memorandum of Understanding (MOU) with Hayward Fire Chiefs' Association (HFCA)

RECOMMENDATION

That Council adopts the attached resolution revising the Memorandum of Understanding (MOU) with Hayward Fire Chiefs' Association (HFCA) Employees effective July 1, 2007, pertaining to wages, hours, benefits, and other terms and conditions of employment.

BACKGROUND

On January 29, 2008, the City approved a new five-year MOU authorizing salary increases and certain benefit changes for HFCA Employees. HFCA members include the classifications of Battalion Chief, Deputy Chief, and Fire Marshal. The current MOU provides for salary increases to be tied to IAFF Local 1909 salary adjustments.

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

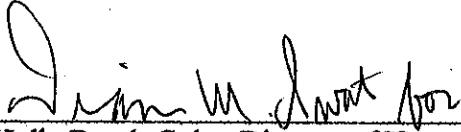
Hayward Fire Chiefs have agreed to reduce their increases by 4% effective January 1, 2008, and 3% effective January 1, 2009, consistent with 1909 members, and will maintain agreed differentials as currently outlined in the Hayward Fire Chiefs' MOU.

The City and Hayward Fire Chiefs have also agreed on several other minor amendments. These changes include eliminating the highest medical plan option for active employees, increasing the retiree medical contribution to the Bay Area/Sacramento Kaiser 1-party rate, and establishing a trust to fund the City's future retiree medical liability that would include a 1% salary contribution from the Hayward Fire Chiefs.

FISCAL IMPACT

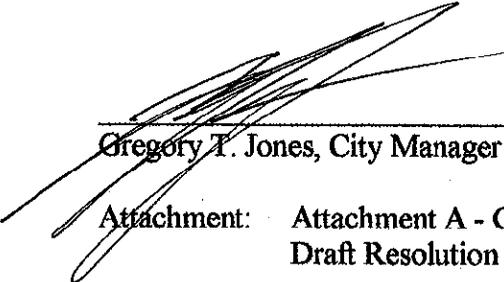
The fiscal impact of these modifications is a savings to the City of \$56,000 in 2008 and \$98,000 in 2009.

Recommended by:



Holly Brock-Cohn, Director of Human Resources

Approved by:



Gregory T. Jones, City Manager

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

Attachment A

HFCA---General Financial Terms of Extension

Term extended to December 31, 2014. 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 January 2013 unless earlier revenue targets described are met.

MOU salary formula to remain in effect. HFCA salaries are tied to 1909 salaries. Impact of 1909 reductions will therefore automatically impact HFCA salaries as well.

Jan. 2009

Salary impact based on 1909 formula changes.

Eliminate PERS Care Option for active employees. Employees to pay 1% of salary into irrevocable trust for retiree medical in exchange for City paying Kaiser 1-Party retiree medical coverage amount. With these two concessions, this is a no new net cost item, with PERS Care Option savings and permanent 1% salary reduction funding the increase in retiree coverage amount.

Jan. 2010

Salary impact based on 1909 formula changes.

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.

Jan. 2011

Salary impact based on 1909 formula changes.

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.

Jan. 2012

Salary impact based on 1909 formula changes.

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.

Jan. 2013

Formula applies fully.

Jan. 2014

Formula applies fully.

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward