

**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 Police Management

### **RECOMMENDATION**

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

### **BACKGROUND**

On January 15, 2008, the City approved a new five-year MOU authorizing salary increases and certain benefit changes for Hayward Police Management Employees. Police Management employees consist of Police Captains. The current MOU provides for salary increases to be tied to HPOA 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**

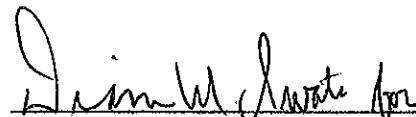
Hayward Police Management have agreed to reduce their increases by 4% effective July 1, 2008, and 3% effective July 1, 2009 consistent with HPOA members, and will maintain agreed differentials as currently outlined in the Hayward Police Management MOU.

The City and Hayward Police Management 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.

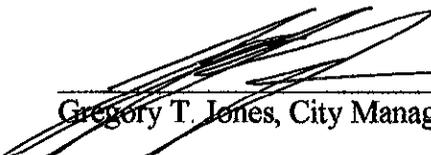
**FISCAL IMPACT**

The fiscal impact of these modifications is a savings to the City of \$24,000 in FY08-09 and \$40,000 in FY09-10.

Recommended by:

  
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Holly Brock-Cohn, Director of Human Resources

Approved by:

  
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Gregory T. Jones, City Manager

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

## Attachment A

### HPMA-- General Financial Terms of Extension

Term extended to June 30, 2015. City and HPMA 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. HPMA salaries are tied to HPOA salaries. Impact of HPOA reductions will therefore automatically impact HPMA salaries as well.

#### July 2008

Salary impact based on HPOA formula changes.

#### July 2009

Salary impact based on HPOA formula changes.

#### July 2010

Salary impact based on HPOA 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.

#### July 2011

Salary impact based on HPOA 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.

#### July 2012

Salary impact based on HPOA 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.

#### July 2013

Formula applies fully.

#### July 2014

Formula applies fully.

