

City of Garden Grove
INTER-DEPARTMENT MEMORANDUM

To: Matthew J. Fertal
From: John D.R. Clark
Dept: City Manager
Dept: Human Resources
Subj: ORANGE COUNTY EMPLOYEES'
ASSOCIATION/EMPLOYEES'
LEAGUE MOU EXTENSION
Date: April 24, 2012

BACKGROUND

Management representatives and the union met informally on five occasions to discuss options for dealing with the significant and unexpected loss of redevelopment funds.

DISCUSSION

The Memorandum of Understanding (MOU, aka "contract") with the Orange County Employees' Association/Employees' League does not expire until June 30, 2013. Therefore, the City could not compel the union to meet and confer, nor could it impose terms following impasse (and now, with AB 646, fact-finding). At the same time, union leadership was sensitive to the draconian measures that might be necessary in the absence of a negotiated solution.

The result of these discussions is a tentative agreement to amend the MOU (the second amendment) to extend the term of the contract to June 30, 2014, delete the 2% wage increase contractually-obligated for July, 2012, impose a furlough for both next fiscal year and the year after, and begin the process of amending the City's PERS contract to provide new "miscellaneous" employees (i.e., non-Police & Fire) with the "2%@60" benefit replacing the current "2.5%@55" formula. Taken together with the Association (non-Public Works), which co-negotiated with the League, savings of about \$1,000,000 annually to the General Fund are expected. Additional savings will occur further into the future as employees are hired into the lower pension tier.

In consideration for these concessions, the League requested a no-layoff clause for both years and a potential recapture of some of the wages lost due to the furlough in 2014, assuming the City's financial situation has improved. In this tentative agreement, the City offered a 4% recapture in two parts: a definite 2% increase in January, 2014 and another 2% contingent upon ground breaking for either the "Site C" hotel or the Waterpark Hotel by June 30, 2014. This 4% maximum recapture can be compared to the 9.97% in wage reductions which will occur due to the furlough over the remaining life of the contract. The City is also offering the PERS Early Retirement Incentive program and the "employee buyout" on the same terms already offered to management: 2 years additional retirement service credit or \$35,000/35%

of salary (whichever is higher) to voluntarily resign. Although it is difficult to accurately estimate the employees who will leave under these two programs, my guess for these groups would be about 15.

The amendment also provides for a number of relatively small modifications that deal with specific situations arising out of the furlough and/or extension, such as limitations on vacation sellback, maintaining accrual rates at current levels, and provisions for callback, standby, and overtime occurring on furlough days.

Yesterday, union members voted by a wide margin to accept this tentative contract amendment.

FINANCIAL IMPACT

In addition to avoiding the additional cost of the 2% wage increase set in the current contract for July, 2012, this amendment will also reduce employee's wages, through the furlough, by 9.97% over the May, 2012—June 2014 time period. Against those savings, the City will be obligated to increase wages by 2% in January 2014 and a possible second 2% if one of the major projects on Harbor Boulevard begins construction before the end of the contract. There will also be some costs associated with both the Early Retirement Program and the employee buyout. The effect on our PERS rate will not be felt until Fiscal Year 15-16, and costs due to the buyout will be greatly outweighed by savings from keeping those positions vacant.

RECOMMENDED ACTION

- Adopt the attached Resolution providing for the second amendment to the Memorandum of Understanding with the Orange County Employees' Association/Employees' League with the attendant changes contained therein; and
- Direct the Human Resources Director and Finance Director to implement its provisions with all deliberate speed.



JOHN D.R. CLARK
Human Resources Director/City Treasurer

attachment: Resolution

Recommended for Approval



Matthew Fertal
City Manager

GARDEN GROVE CITY COUNCIL

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE
AMENDING THE MEMORANDUM OF UNDERSTANDING ON SALARIES, WAGES, AND
FRINGE BENEFITS FOR THE TERM 2009-2012 BY AND BETWEEN THE GARDEN
GROVE EMPLOYEES' LEAGUE CHAPTER OF THE ORANGE COUNTY EMPLOYEES'
ASSOCIATION AND THE CITY OF GARDEN GROVE

WHEREAS, the City Council of the City of Garden Grove understands the need for increased cost savings to close a deficit between revenues and expenditures in an expeditious fashion;

WHEREAS, the Garden Grove Employees' League Chapter of the Orange County Employees' Association (hereinafter "OCEA Employees' League") shares this concern and believes a solid fiscal foundation to be essential to its member's well-being;

WHEREAS, the OCEA Employees' League and City Management have met and conferred in good faith on joint solutions to this pressing need; and

WHEREAS, the OCEA Employees' League and City Management have reached tentative agreement on changes to the Memorandum of Understanding to insure a financially-sound future.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE DOES HEREBY RESOLVE:

Section 1. The Memorandum of Understanding on Salaries, Wages and Fringe Benefits 2009-2012, by and between the OCEA Employees' League and the City of Garden Grove as approved and adopted by the City Council in Resolution No. 8879-09 and subsequently amended by Resolution No. 8957-10 is hereby further amended as follows:

- A. Article I, "Recognition and Rights," is amended to include new Sections 15 and 16, to read as follows:

15. TERM OF AGREEMENT

Notwithstanding any other provision contained herein, the term of this Memorandum of Understanding, as amended, shall be October 1, 2009 through June 30, 2014.

16. RATIFICATION

The amendatory provisions contained herein shall only become effective upon approval of a majority of members of the OCEA Employees' League and the adoption of this Resolution by the Garden Grove City Council.

B. Article II, Section 1 ("Wages") is amended to read as follows:

1. WAGES

a. Fiscal Year 2009-10 (October 1, 2009 through June 30, 2010)

The City provided no (0%) salary increase during fiscal year 2009-10.

b. Fiscal Year 2010-11 (July 1, 2010 through June 30, 2011)

The City provided no (0%) salary increase during fiscal year 2010-11.

c. Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012)

The City provided a 2% salary increase to all represented classifications listed in Exhibit A to be effective the first full pay period after July 1, 2011.

d. Fiscal Year 2012-13 (July 1, 2012 through June 30, 2013)

The City will provide no (0%) salary increase during fiscal year 2012-13.

e. Fiscal Year 2013-2014 (July 1, 2013 through June 30, 2014)

i) 4% Furlough Reduction Recapture

In order for union members to recapture a portion of their pay lost through the employee furlough (see herein), the City authorizes a 4% recapture, to be provided as follows:

1. The City will provide a 2% increase to all represented classifications listed in Exhibit A to be effective the first full pay period following January 1, 2014.

2. The City will provide an additional 2% increase to all represented classifications listed in Exhibit A to be effective the next full pay period following groundbreaking for either the "Waterpark Hotel" or the "Site C Hotel," whichever occurs first, but in no event before January 1, 2014.
 - ii) Should neither the "Waterpark Hotel" nor the "Site C Hotel" break ground by June 30, 2014, no increase shall be owed.

C. Article II, "Salary and Compensation" is amended to include new Sections 16 and 17, to read as follows:

16. EMPLOYEE FURLOUGH

Union explicitly agrees that the City may impose a furlough of eight (8) hours per month, during the remainder of Fiscal Year 11-12 (May, 2012 and June, 2012), and thereafter a furlough of eight (8) hours per month, ninety-six (96) hours per year, during Fiscal Year 12-13 and Fiscal Year 13-14. A furlough is defined as a period of unpaid time during which an employee must not work and not "cover" with any form of paid time, except as provided herein. This has the effect of reducing an employee's work month by eight (8) hours, and reducing their compensation by a proportionate amount. The time, place and manner of the furlough shall be solely at the discretion of the Director of Human Resources.

If the furlough is suspended, cancelled, or modified so as to reduce its effect on employees in the non-union Middle Management and/or Central Management units, the same provisions will be extended to employees in classifications listed in Exhibit A at the beginning of the pay period following such change.

17. PARITY

In the context of salary and benefit reductions to address the current fiscal crisis, the City agrees to maintain a parity impact to all units, represented and non-represented, to the greatest degree possible. This parity may be measured on a department basis, a bargaining unit basis, employee basis, or some combination thereof.

D. Article III, "Fringe Benefits" is amended to include new Sections 14,15, and 16, to read as follows:

14. "GOLDEN HANDSHAKE" AND "EMPLOYEE BUYOUT"

As soon as reasonably practical under CalPERS rules, the City agrees to offer the CalPERS "Two-Year Additional Service Credit" program (aka, "Golden Handshake") to eligible employees in classifications listed in Exhibit A. Before or after the Golden Handshake is offered, the City shall also offer a "Voluntary Incentive Program" (aka, "Employee Buyout") for full-time, permanent employees in classifications listed in Exhibit A to voluntarily resign their position and waive all present and future claims against the City in exchange for a one-time taxable payment of \$35,000 or 35% of salary, whichever is greater. Employees in classifications listed in Exhibit A who take the Employee Buyout shall receive an amount equal to 50% of his total accumulated but unused sick leave hours, provided that the 50% payout under this provision may be applied to no more than 1,000 hours of accumulated but unused sick leave. An employee may not receive both the Golden Handshake and the Employee Buyout, and the union consents to the Director of Human Resources taking reasonable steps to avoid this occurrence.

15. ACCRUAL PROTECTION DURING FURLOUGH

There will be no impact to any benefit accrual during any pay period in which there is a scheduled furlough.

16. CalPERS "2% @ 60" BENEFIT FORMULA

Notwithstanding any other provision contained herein or in the Memorandum of Understanding, as amended, the union agrees not to oppose the City amending its contract with PERS to provide new "Miscellaneous" employees in classifications listed in Exhibit A the CalPERS "2% at 60" formula. Such amendment will be effective no earlier than July 1, 2013.

City agrees to actively seek, to the greatest degree feasible, pension tier reductions with all Safety bargaining units during the remaining term of this Memorandum of Understanding, i.e., May, 2012 through June 30, 2014.

E. Article IV, Section 4 ("Callback Pay") is amended to read as follows:

4. CALL BACK

Off-duty employees recalled to work shall receive compensation at time and one-half their regular hourly rate for a minimum of two (2) hours, but shall not receive more than two (2) hours of compensation at time and one-half for any two (2) hour period. Call back pay on a

scheduled furlough day will be paid at a rate of time and one-half. Being called back on a scheduled furlough day is defined as being called into work with less than 24 hours notice to the affected employee. Otherwise, time and one-half will only be paid after 40 paid hours in a week.

F. Article IV, Section 5 ("Standby Pay") and Section 6 ("Standby – Chlorine Gas Response Team") are amended to read as follows:

5. STANDBY

An employee may be assigned to be on standby from Wednesday afternoon to the following Wednesday morning. During the week which Fridays are scheduled off (due to the 9/80 schedule), the employee scheduled to work standby commencing on that Wednesday, will have their work schedule adjusted to accommodate the forty (40) hour work week.

For being on standby, an employee is paid a total of four (4) hours of straight time for the five (5) work days and eight (8) on each day of the weekend. If a holiday occurs during a standby period, an employee shall receive eight (8) hours of straight time instead of one (1) hour for that day. Standby on a scheduled furlough day will entitle an employee to eight (8) hours of straight time, same as a holiday/weekend day.

6. STANDBY – CHLORINE GAS RESPONSE TEAM

Effective December 18, 2004, the employee assigned to standby for the Chlorine Gas Response Team from Wednesday afternoon to the following Wednesday morning shall be paid a total of one (1) hour for each regular work day and eight (8) hours for each day of the weekend (Saturday and Sunday). This will total twenty-one (21) hours of standby pay for a regular week of standby. Employees assigned to standby for the shortened work week will receive one (1) hour for each regular work day and eight (8) hours for each weekend day (Saturday, Sunday and the off-Friday). This will total twenty-eight (28) hours for the shortened week of standby. All employees on the Chlorine Gas Response Team standby will work the same 9/80 schedule as other water employees not assigned to any other standby schedule. Employees assigned to standby for the furlough work week will receive one (1) hour for each regular work day and eight (8) hours for the furlough day and weekend days (Saturday and Sunday). This will total twenty-eight (28) hours for the furlough week of standby.

G. Article V, Section 1 ("Vacation Leave") is amended to add a new Subsection l, to read as follows:

I. Vacation Buy-Back During Periods of Furlough

In addition to the vacation buy-back specified in Subsection k., above, which normally occurs in January, the City will offer additional vacation buy-back opportunities in May and September. Under the provisions of this subsection, which will only apply during periods of furlough as elsewhere defined, Employees in classifications listed in Exhibit A can avail themselves of the vacation buy-back any two times of the three window times offered (i.e., twice in any combination of January, May and September). A "special 1-time vacation buy-back" sellback, which will not count against the 2012 limit, will be offered in June, 2012 and will replace the May, 2012 vacation buy-back.

Employees availing themselves of this benefit must maintain eighty (80) hours of vacation after any vacation buy-back is taken into account (deducted). However, under the terms of this subsection, the requirement to have used eighty (80) hours of vacation in the preceding year is waived from the effective date of this amendment through the end of the term, June 30, 2014, during periods of furlough. This subsection shall expire and cease to have effect when the employee furlough is cancelled or on June 30, 2014, whichever occurs first.

H. Article VIII, "Grievance/Discipline/Layoff/Probationary Period" is amended to include a new Section 8, to read as follows:

8. TEMPORARY NO-LAYOFF CLAUSE

Notwithstanding any other provisions contained in the Memorandum of Understanding, a "layoff" is defined as the separation of an employee from the active workforce due to lack of hours or funds, or the abolition of the position by the City Council. The City agrees that there will be no layoff of full-time employees in classifications listed in Exhibit A during the term of the current MOU and any agreed-upon extension, i.e., from the effective date of this amendment through June 30, 2014.