



AGENDA REPORT

Meeting Date: June 8, 2015
Item Number: H-3
To: Honorable Mayor & City Council
From: Peter Brown, Labor Negotiator
Subject: UPCOMING LABOR NEGOTIATIONS WITH SEVEN EMPLOYEE ASSOCIATIONS

Attachments:

1. Negotiations presentation from May 13th Community Meeting
2. Fiscal Status presentation from May 13th Community Meeting

RECOMMENDATION

The Council receives all public comment related to the upcoming labor negotiations and provides direction to City's Labor Negotiator for any additional information needed prior to any upcoming closed session at which it may provide direction to its labor negotiator.

INTRODUCTION

Seven of the nine employee associations in the City of Beverly Hills have a Memorandum of Understanding (MOU) which expires in 2015 as follows:

- Part-Time MEA - June 30, 2015
- Five Full-Time Employee Non-Safety Associations - September 30, 2015
 - Municipal Employees' Association
 - Supervisors' Association
 - Confidential Employees' Association
 - Safety Support Employees' Association

- Management and Professional Employees' Association
- Firemen's Association - October 5, 2015

The City is going to commence labor negotiations with each of these associations in the near future. Per the direction of the City Council at the April 7th Study Session, two Community meetings were conducted to provide information and education to the public regarding the upcoming negotiations. Tonight's meeting is the formal public meeting where the public may provide input to the Council regarding the upcoming labor negotiations.

DISCUSSION

In December 2013, the City Council adopted an Ordinance Regarding the Procedure for Adopting or Amending a Memorandum of Understanding Between the City and an Exclusively Recognized Employee Organization, often referred to as the COIN Ordinance (Civic Openness in Negotiations). After the adoption of a recently approved amendment, the Ordinance includes the following provisions:

1. Adoption of the MOU only after conducting at least two public meetings:
 - a. one early in the negotiation process
 - b. one after the negotiations have concluded but prior to MOU adoption
2. The MOU and any fiscal analysis are to be posted on the City's website at least two weeks before the Council meeting at which the proposed MOU is considered

At the April 7th Study Session, the City Council received a presentation regarding the upcoming negotiations and directed the City's labor negotiator to conduct two community meetings to provide similar information to the public. These community meetings occurred on Thursday, April 30th at 6:00 p.m. and Wednesday, May 13th at 7:00 p.m. The presentations contained information regarding outcomes of the last round of labor negotiations, current bargaining unit and average employee costs, retirement benefits and contribution structure, and issues likely to be discussed during the upcoming negotiations (copy of presentations from May 13th community meeting are attached). The community meetings were advertised extensively, the presentation materials were made available on the website in advance of the meetings, and recorded versions of both meetings aired on the cable channel and are available on demand. The outreach related to the community meetings was aligned with the Council's intent to reach and inform as many individuals in the community as possible on the topic of the upcoming labor negotiations.

Tonight's meeting is the formal opportunity for the public to voice questions, concerns or feedback to the Council early in the negotiation process and prior to officially beginning the meet and confer process for successor memoranda of understanding. Following this public meeting and opportunity for public input and comment, the Council will direct its labor negotiator (in closed session) regarding strategy and authority for the upcoming negotiations.

Meeting Date: June 8, 2015

FISCAL IMPACT

There is no fiscal impact associated with soliciting input at this time.

mmp

Approved By Peter Brown

Attachment 1

Labor Negotiations 2015

Community Meeting

May 13, 2015

Overview of Negotiations

- The City has 9 employee associations
- The law in California requires that the City negotiate with each association in good faith to reach an agreement on wages, benefits and other terms and conditions of employment
- Once an agreement is reached, the parties approve their labor contract – called a Memorandum of Understanding (“MOU”) and it is posted on the City’s website

Negotiations Timeline

April 7, 2015 *Council Meeting (Study Session)*

April 30, 2015 *Community Meeting*
6pm – Municipal Gallery

May 13, 2015 **Community Meeting**
7pm – Municipal Gallery

June 8, 2015 Council Meeting (Formal)
7pm – Council Chambers

June 16/30, 2015 Closed Session(s)

Early July Begin negotiations

Procedure for Adopting a Memorandum of Understanding

New Ordinance adopted by Council in December 2013

- Independent lead negotiator
- Fiscal impact analysis by an independent firm
- Adoption of Memorandum of Understanding only after placed on two Council agendas at least two weeks apart (not on consent calendar)
- Memorandum of Understanding and fiscal analysis posted on City's website at least 72 hours before the first Council meeting

Groups With Whom We Will Be Negotiating

- Municipal Employees' Association (MEA)
- Part-time MEA Unit
- Supervisors' Association
- Confidential Employees' Association
- Safety Support Employees' Association
- Management and Professional Employees' Association
- Firefighters' Association

When Do The Current MOUs Expire?

- Part-Time MEA - June 30, 2015
- Five Miscellaneous Associations - September 30, 2015
 - Municipal Employees' Association
 - Supervisors' Association
 - Confidential Employees' Association
 - Safety Support Employees' Association
 - Management and Professional Employees' Association
- Firefighters' Association - October 5, 2015
- Police Officers' and Police Management Associations - October 6, 2016^[1]

^[1]MOUs will be negotiated next year.

Major Changes From Last Round of Negotiations

Retirement:

- All non-safety units agreed to pay full CalPERS member contribution of 8%, effective June 2014
- The Firefighters' Association agreed to pay 3% of their 9% CalPERS member contribution effective 7/1/15

Compensation:

- Eliminated total compensation surveys to gain more control over compensation adjustments
- Five Non-Safety Groups: 8% offset for the PERS contribution, 2% effective 6/28/14 and 1% effective 10/1/14
- Part-Time: 1% on 1/1/13 and 1.25% on 1/1/14
- Fire: 1% on 7/1/13 and 2% each on 7/1/14 and 7/1/15

Major Changes From Last Round of Negotiations

Health (Medical, Dental and Vision) : All non-safety units agreed to cap their City provided cafeteria plan contribution to a flat dollar amount with no built-in increases

Employee Group	Contribution Type	2015 Contribution
Management and Professional	Flat Dollar Amount	\$2,100/month max.
MEA, Safety Support, Confidential, and Supervisors	Flat Dollar Amount	\$2,000/month max.
Regular Part-Time Employees	Kaiser HMO Single Party Rate	\$521.18/month max.
Firefighters' Association	Fire contributes 20% of premium increases	\$1,821.23/month max.

Modification of Management and Professional Pay For Performance Program:

- More discretionary with a maximum of 5% (previously up to 10%)

Projected Cost of Each MOU^[1]

As of 7/1/15

	# of Employees	Average Total Cost per Employee	Total MOU Cost
Municipal Employees' Association (MEA)	213	\$95,040	\$20,243,609
Part-Time Association (MEA) <i>Regular part-time only</i>	123	\$34,427	\$4,234,463
Supervisors' Association	31	\$131,802	\$4,085,860
Confidential Association	24	\$87,534	\$2,100,819
Safety Support Association	86	\$109,129	\$9,385,080
Management and Professional Association	88	\$148,350	\$13,054,804
Firefighters' Association	71	\$301,248	\$21,388,573
<i>Police Officers' Association</i>	<i>103</i>	<i>\$214,773</i>	<i>\$22,121,638</i>
<i>Police Management Association</i>	<i>10</i>	<i>\$320,516</i>	<i>\$3,205,164</i>

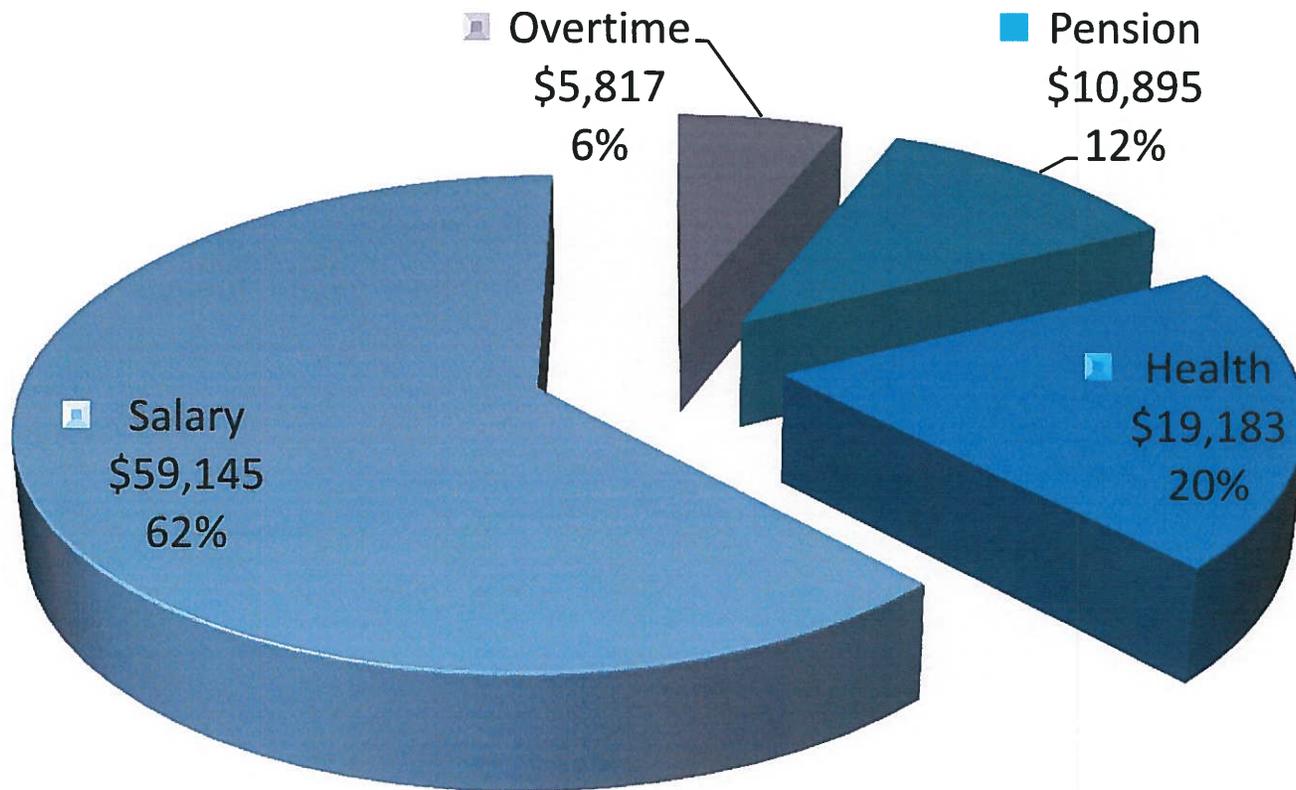
^[1]Data reflects actual 2014 employee count and salary and benefit costs and only factors in scheduled 2015 changes to salary, pension rates and health costs

Breakdown of Average Employee Cost

	Salary ^[1]	Health	Pension	Overtime	Total
Municipal Employees' Association (MEA)	\$59,145	\$19,183	\$10,895	\$5,817	\$95,040
Part-Time Association (MEA)	\$27,938	\$769	\$5,246	\$474	\$34,427
Supervisors' Association	\$88,029	\$19,716	\$16,175	\$7,882	\$131,802
Confidential Association	\$59,335	\$17,200	\$10,999	\$0	\$87,534
Safety Support Association	\$68,592	\$18,243	\$12,688	\$9,606	\$109,129
Management and Professional Association	\$108,187	\$20,936	\$19,227	\$0	\$148,350
Firefighters' Association	\$143,714	\$20,193	\$70,559	\$66,782	\$301,248
<i>Police Officers' Association</i>	<i>\$116,436</i>	<i>\$17,484</i>	<i>\$55,870</i>	<i>\$24,983</i>	<i>\$214,773</i>
<i>Police Management Association</i>	<i>\$200,485</i>	<i>\$19,901</i>	<i>\$97,001</i>	<i>\$3,129</i>	<i>\$320,516</i>

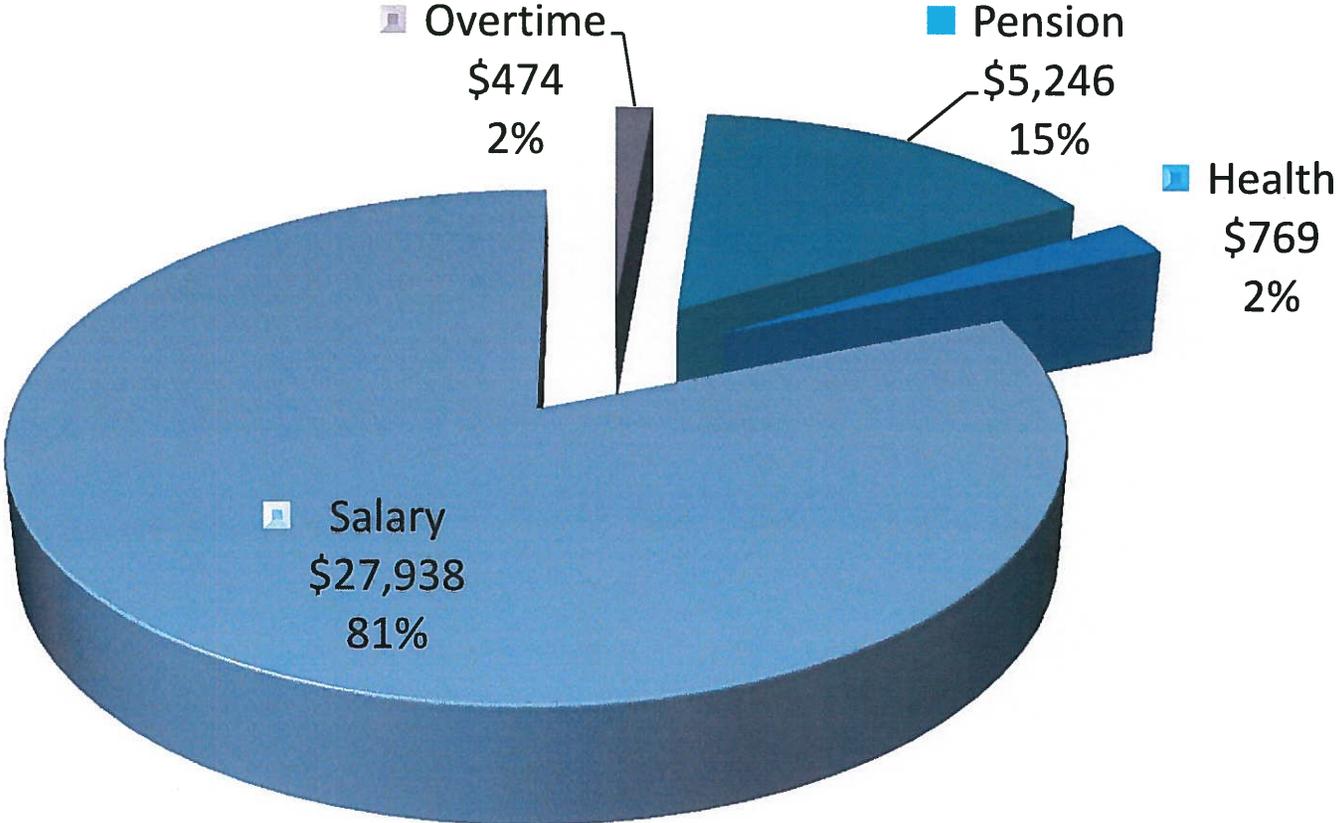
^[1] Salary is comprised of base pay, deferred compensation, leave payoffs, car allowance, merit/bonus, pay for performance and limited classifications of overtime

Breakdown of Average Employee Cost: Municipal Employees' Association (MEA)



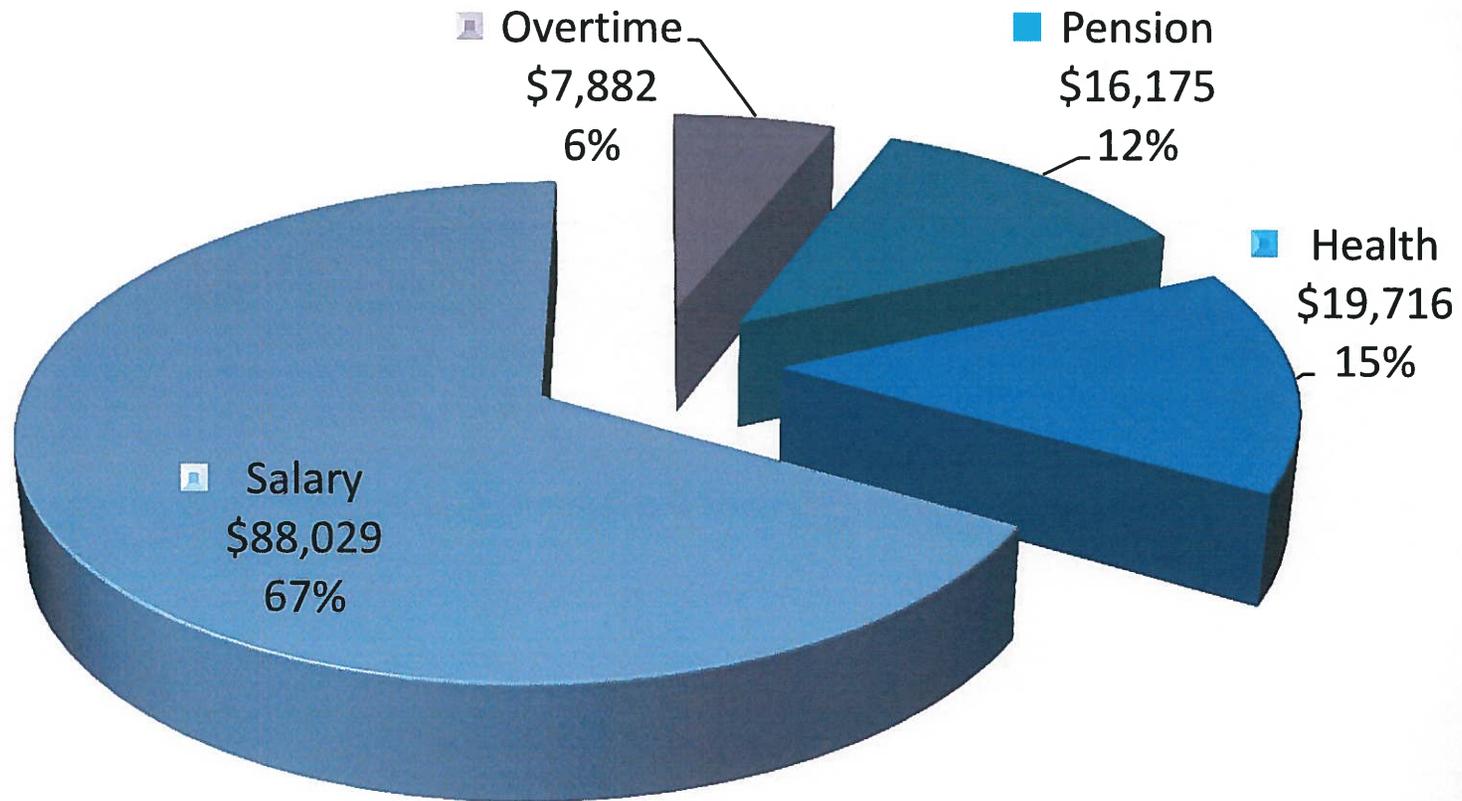
Average Total Cost: \$95,040

Breakdown of Average Employee Cost: Part-Time Association (MEA)



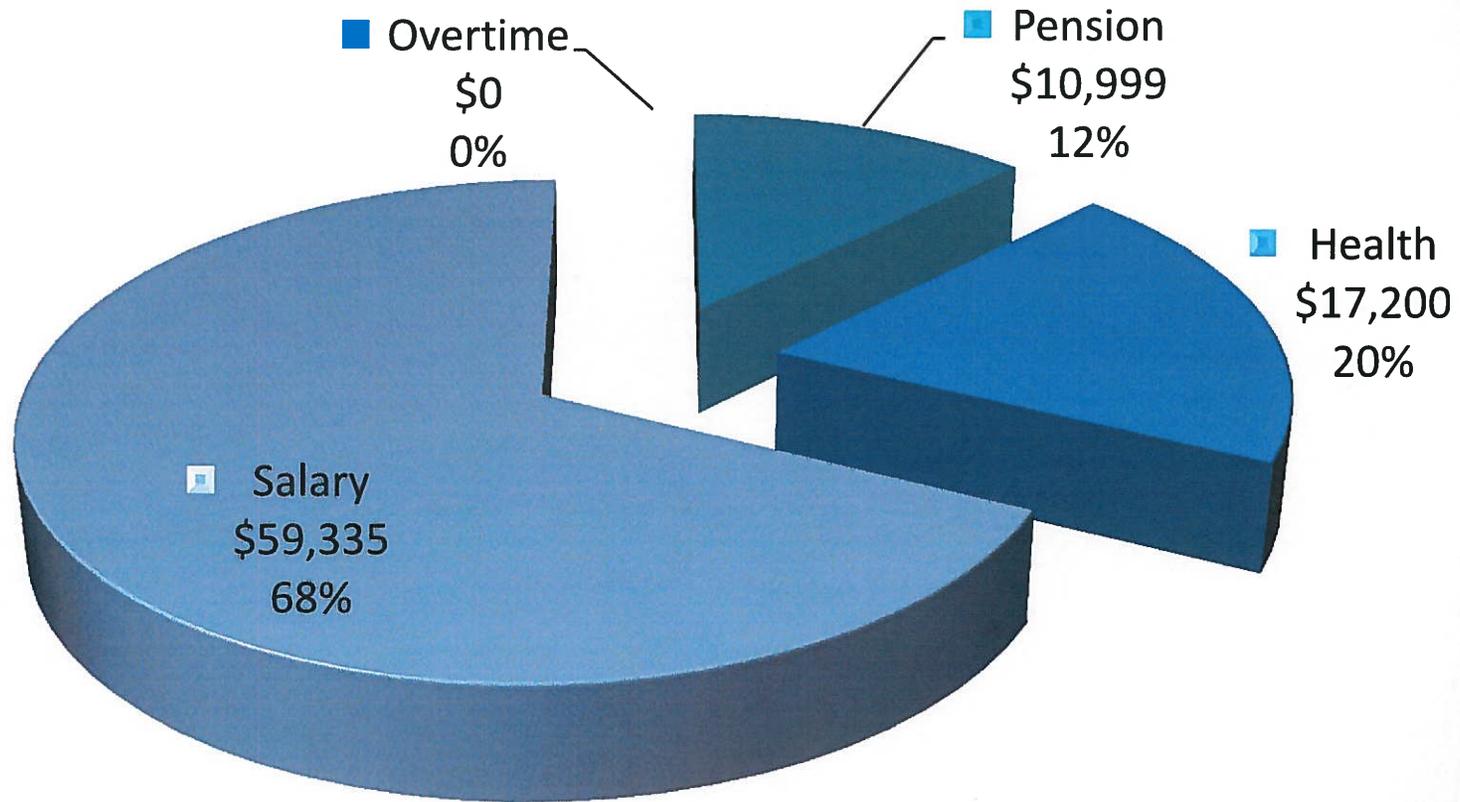
Average Total Cost: \$34,427

Breakdown of Average Employee Cost: Supervisors' Association



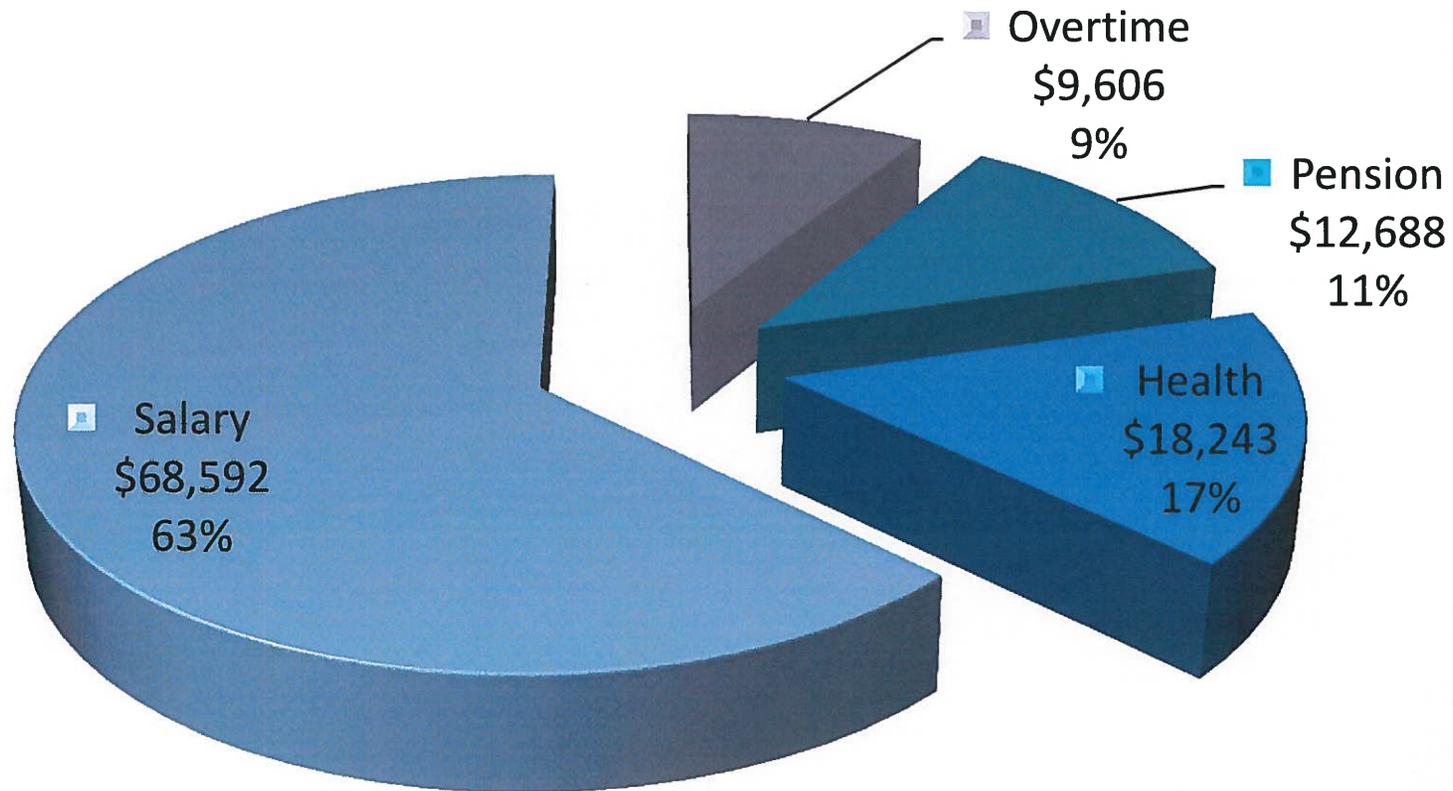
Average Total Cost: \$131,802

Breakdown of Average Employee Cost: Confidential Association



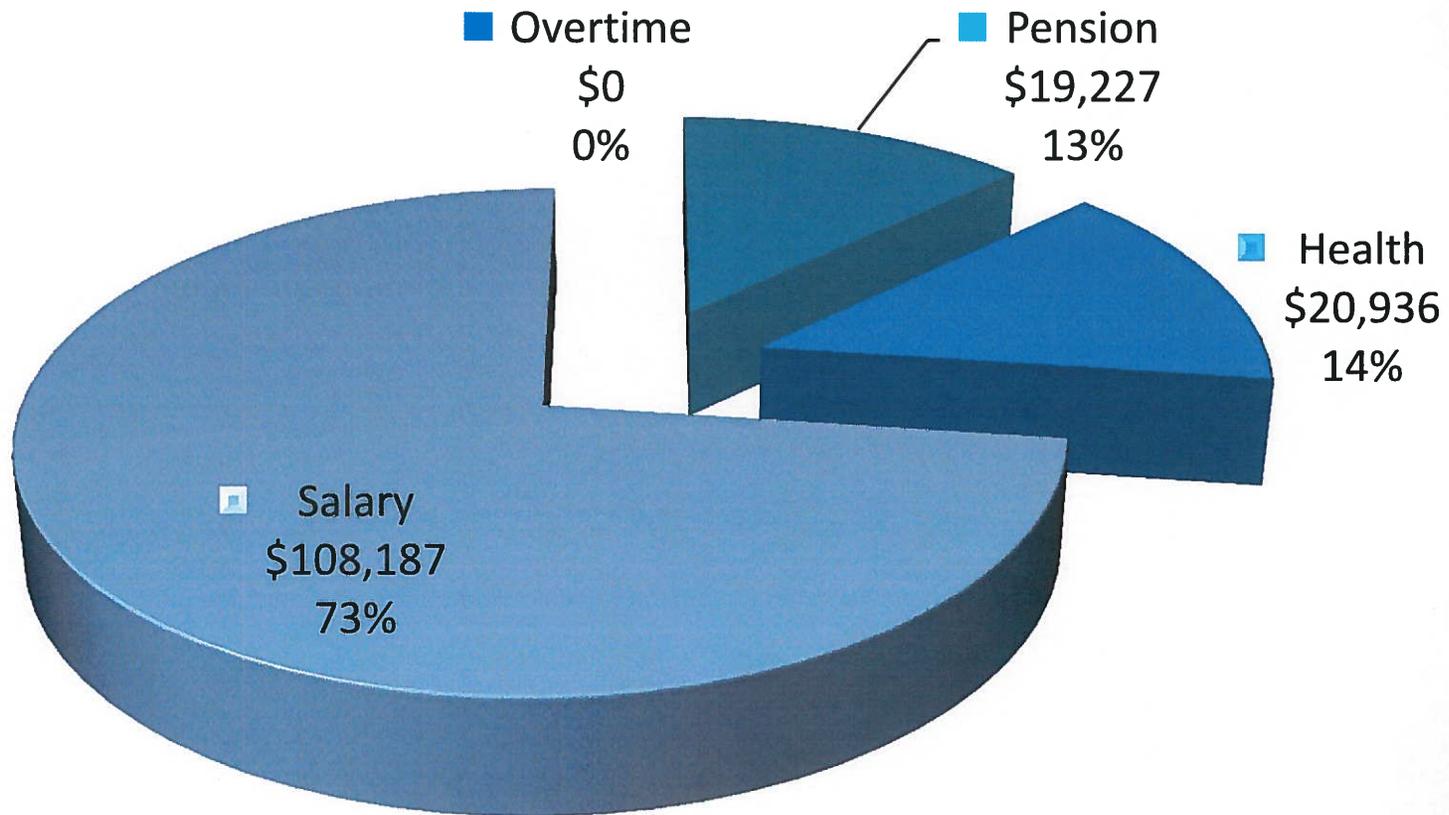
Average Total Cost: \$87,534

Breakdown of Average Employee Cost: Safety Support Association



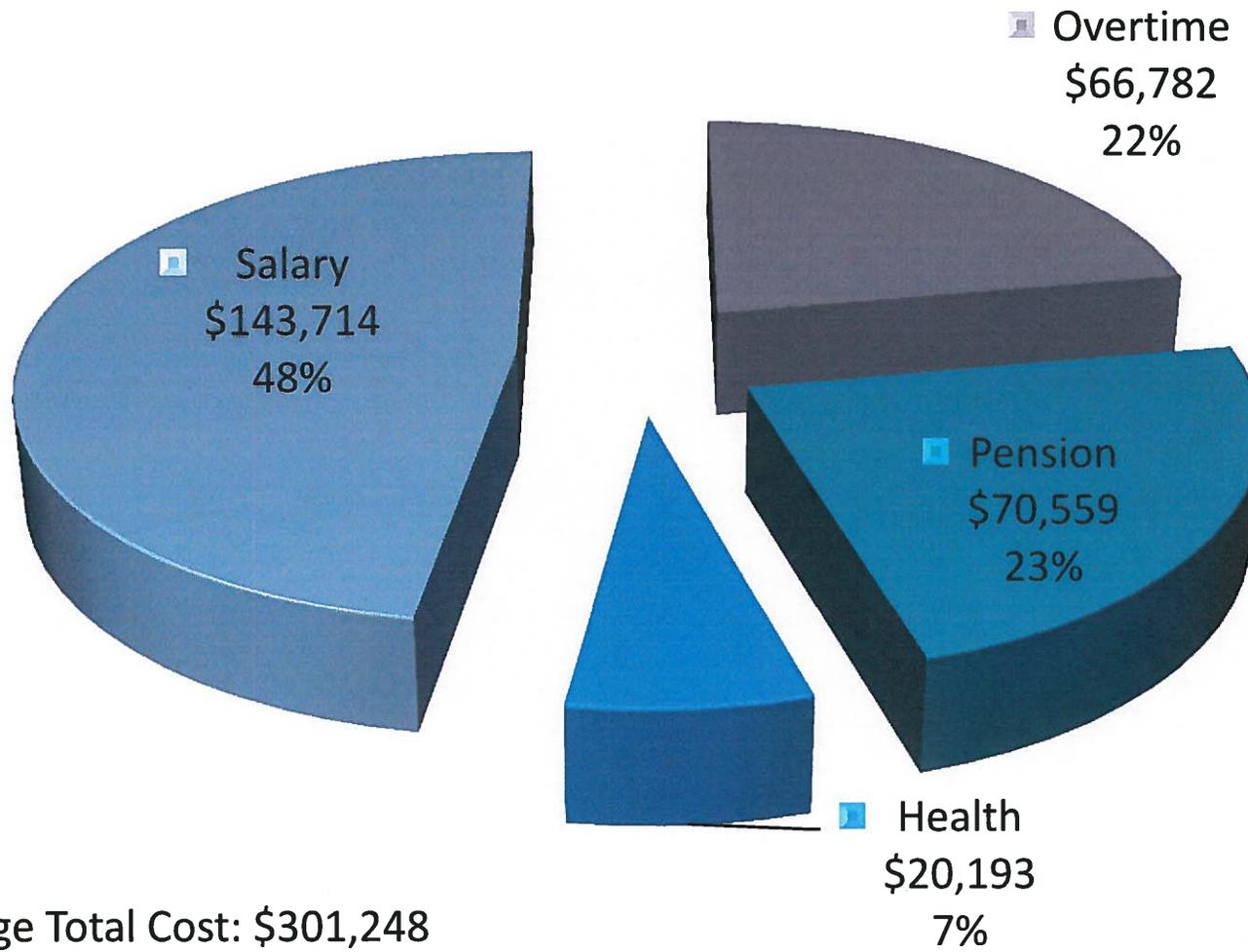
Average Total Cost: \$109,129

Breakdown of Average Employee Cost: Management and Professional Association



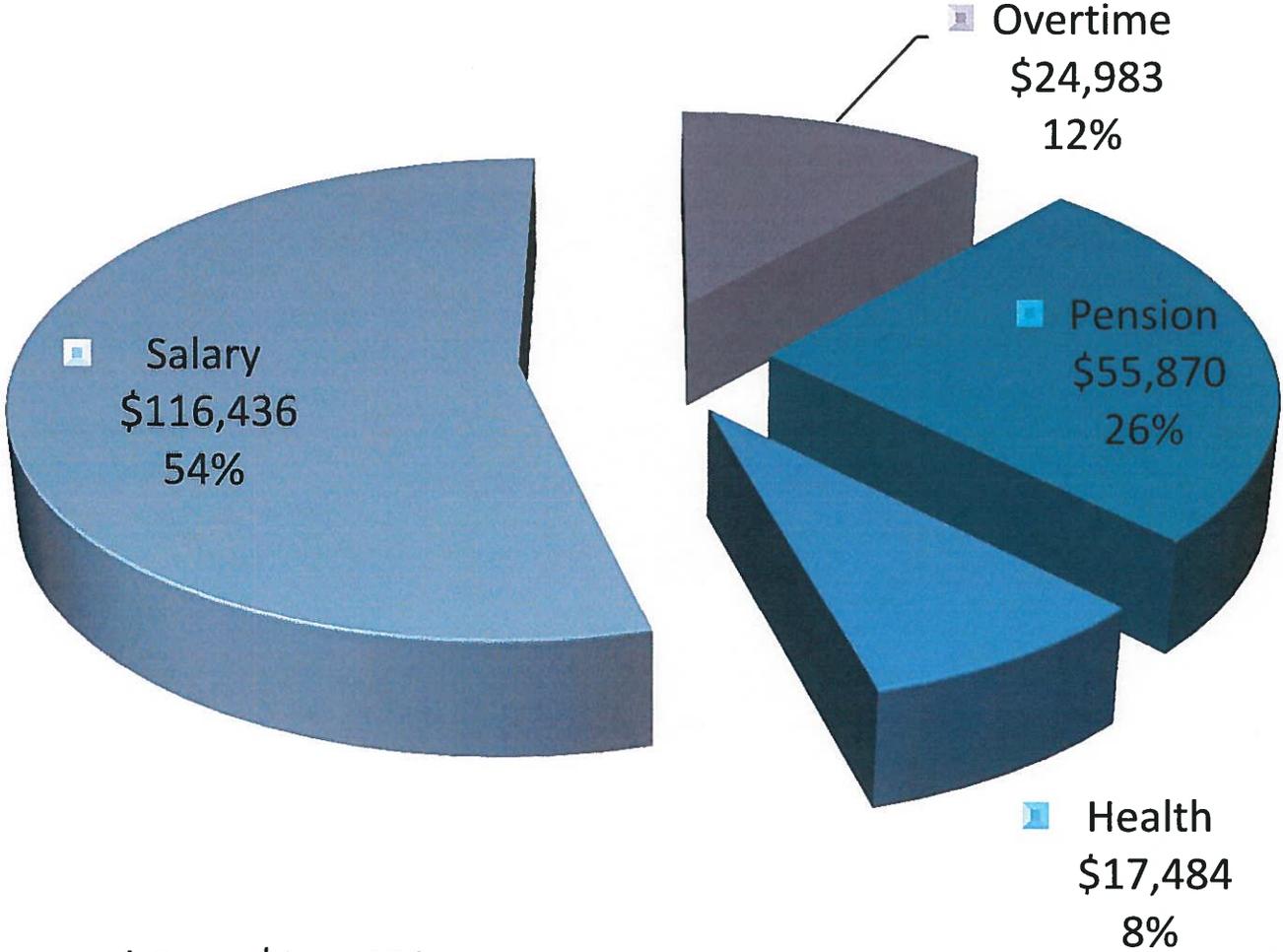
Average Total Cost: \$148,350

Breakdown of Average Employee Cost: Firefighters' Association



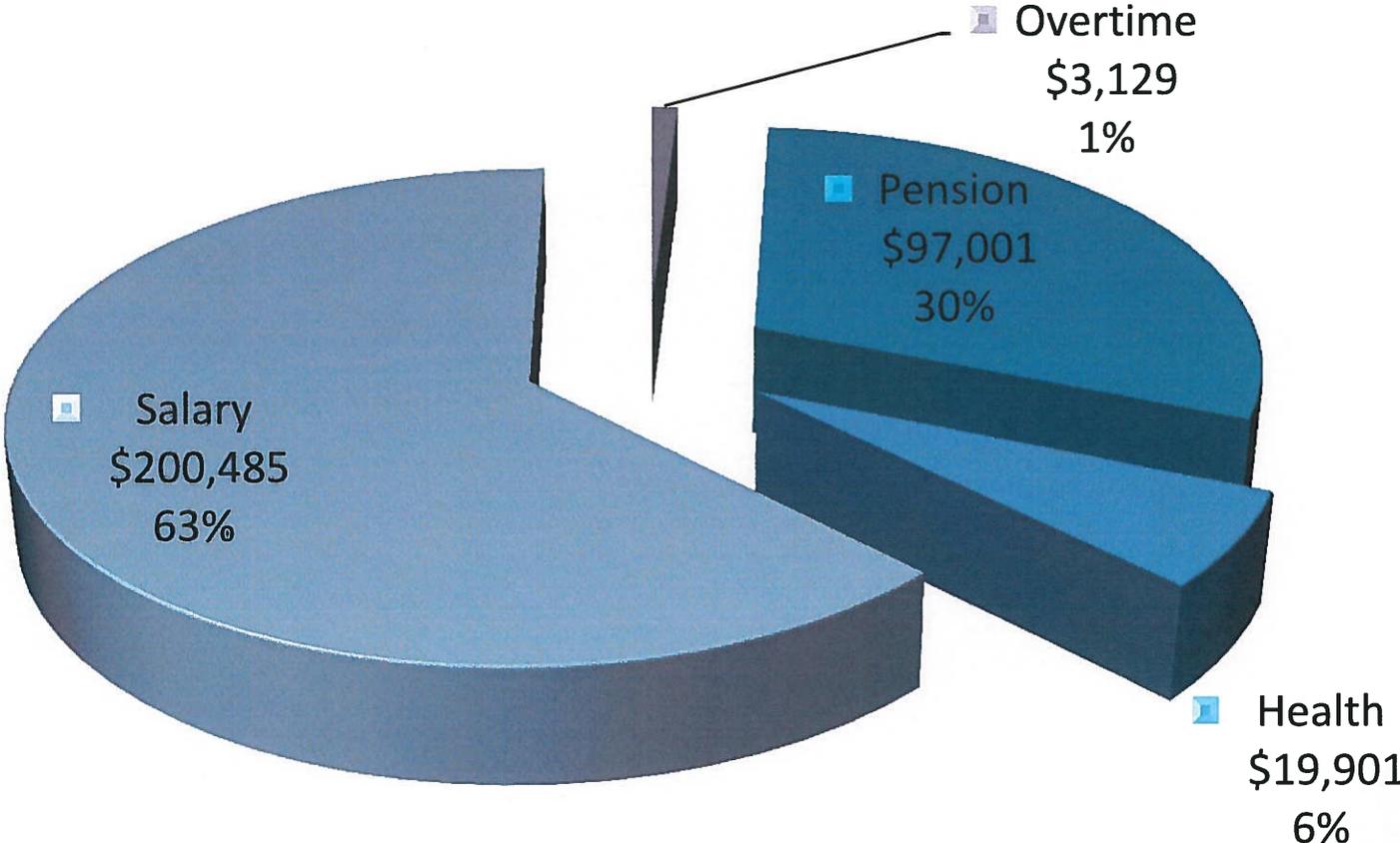
Average Total Cost: \$301,248

Breakdown of Average Employee Cost: Police Officers' Association



Average Total Cost: \$214,773

Breakdown of Average Employee Cost: Police Management Association



Average Total Cost: \$320,516

Public Employee Pension Reform Act (PEPRA) Overview

“Classic” Employees: hired prior to 1/1/13 or laterals

- Maintain existing retirement formula and calculation based on single highest year
- In 2018, City has the right to require “classic” employees to pay 8% of the pension cost for non-safety and 12% for safety (any combination of member and employer contribution)

“New Member” Employees: new to CalPERS after 1/1/13

- Lower retirement formula and retirement calculation based on any consecutive three year average
- As of 1/1/13, PEPRA requires that “new members” contribute one half the normal cost (currently 6.25% for non-safety and 12% for safety, based on actuarial valuation)
 - Due to contract impairment, PEPRA safety members will not pay half the normal cost until the current MOUs expire

Employee Pension Plan Summary

Employee Type	Pension Plan Type	# of Employees as of 4/15/15	Formula	Employee Contribution
Miscellaneous (non-safety)	Classic	560	2.5% @ 55	8%
Miscellaneous (non-safety)	PEPRA	101	2% @ 62	8%
Safety (Police & Fire)	Classic	174	3% @ 50	Fire 3% ^[2] PD 4% ^[3]
Safety (Police & Fire)	Classic (Tier 2)	18	3% @ 55	Fire 3% ^[2] PD 4% ^[3]
Safety (Police & Fire)	PEPRA ^[1]	14	2.7% @ 57	Fire 3% ^[2] PD 4% ^[3]

^[1]PEPRA Safety employees will pay a minimum of 12% of pension cost upon contract expiration.

^[2] Fire Safety employees will contribute 3% of the member contribution as of 7/1/15.

^[3] Police Safety employees currently contribute 3% of the employer contribution (cost sharing) and as of 1/1/16 will contribute an additional 1% toward the member contribution.

Projected PERS Rates

for “Classic” employees Employer Portion of Rate

Fiscal Year	Miscellaneous	Safety (Police & Fire)
	Projected Rate	Projected Rate
2015-16 ^[1]	18.8%	41.3%
2016-17	20.2%	44.5%
2017-18	21.2%	46.7%
2018-19	22.2%	48.9%
2019-20	23.2%	51.2%
2020-21	23.2%	51.1%

^[1] Rates for FY15/16 are actual and not projected.

2015-16 Pension Rate Structure

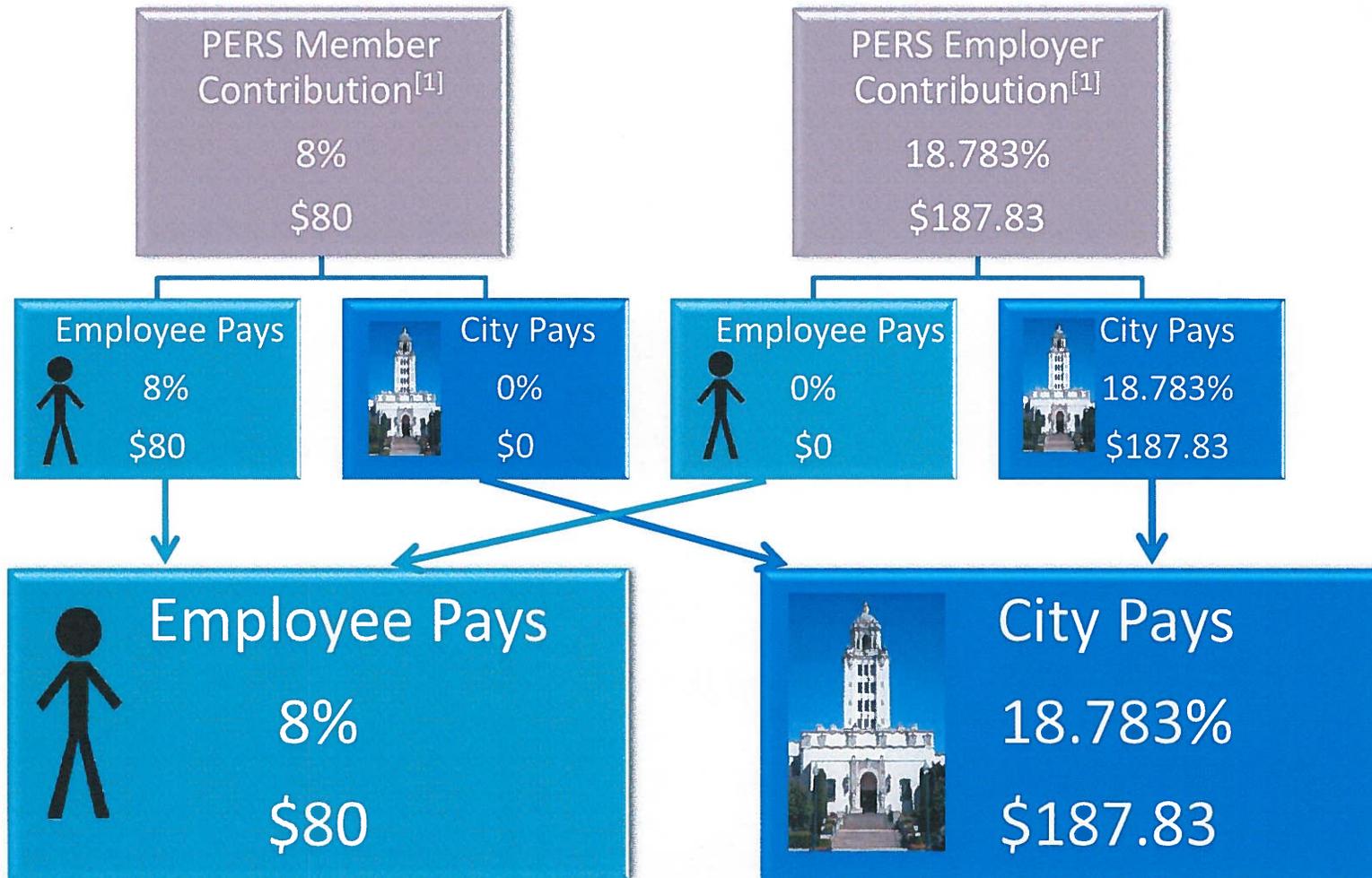
	Misc.	Safety (Fire)	Safety (Police)
Employer normal cost	8.4%	19.1%	19.1%
Unfunded Liability rate	<u>10.4%</u>	<u>22.2%</u>	<u>22.2%</u>
Employer rate	18.8%	41.3%	38.3%
Employer paid member rate	<u>0.0%</u>	<u>6.0%</u>	<u>8.0%</u>
Total employer rate	18.8%	47.3%	46.3%
Employee paid rate	<u>8.0%</u>	^[1] <u>3.0%</u>	^[2] <u>4.0%</u>
Total pension rate	26.8%	50.3%	50.3%

^[1] Fire safety employees negotiated to phase in payments of 3% of the total 9% employee portion of the pension rate by 7/1/15.

^[2] Police safety employees negotiated to phase in payments of 1% of the total 9% employee portion of the pension rate and 3% of the employer portion of the pension rate (cost sharing) by 1/1/16.

Breakdown of Pension Costs: Non-Safety MOUs (Classic)

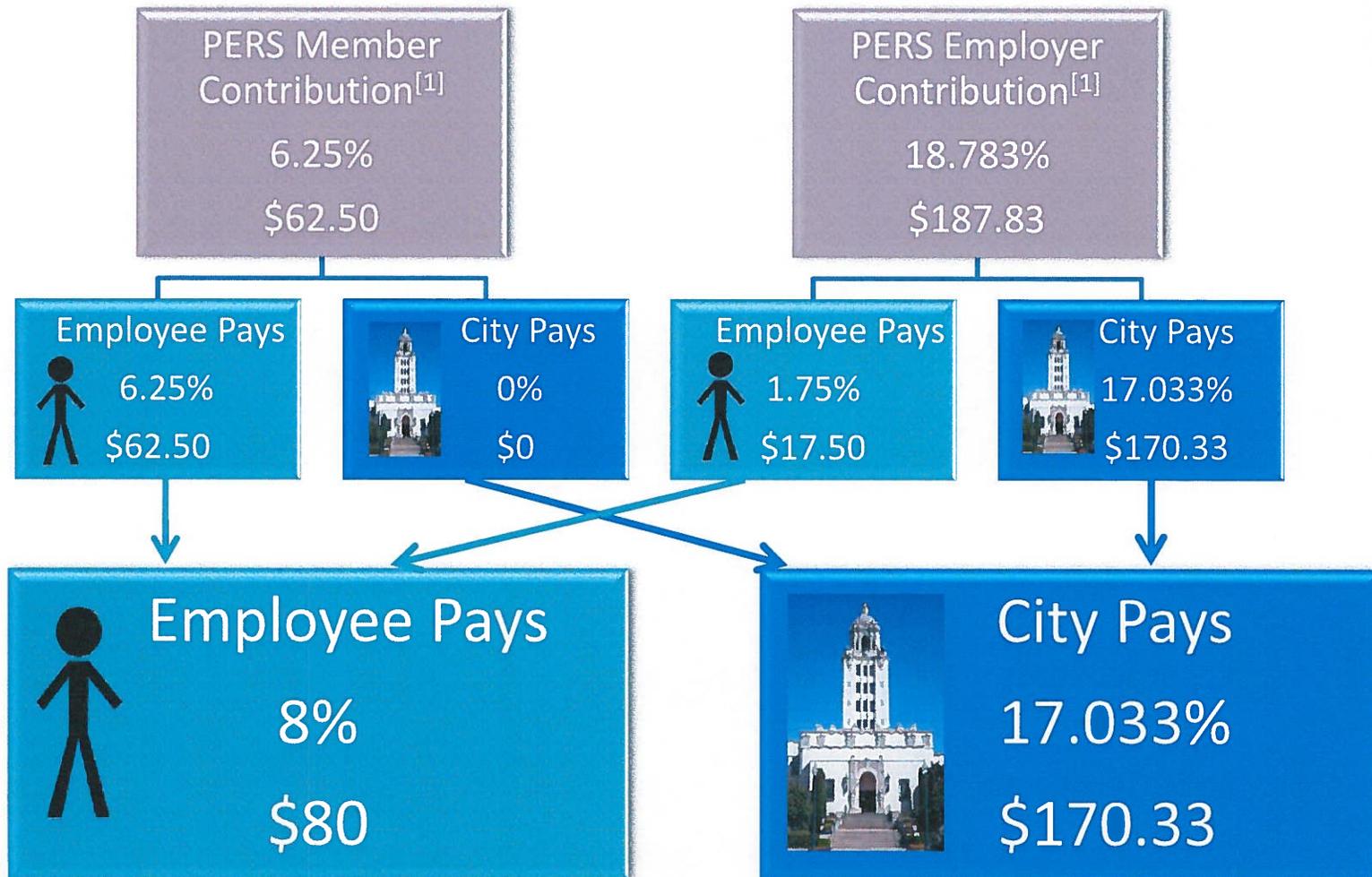
Earnings = \$1000



^[1]FY15/16 PERS Rates

Breakdown of Pension Costs: Non-Safety MOUs (PEPRA)

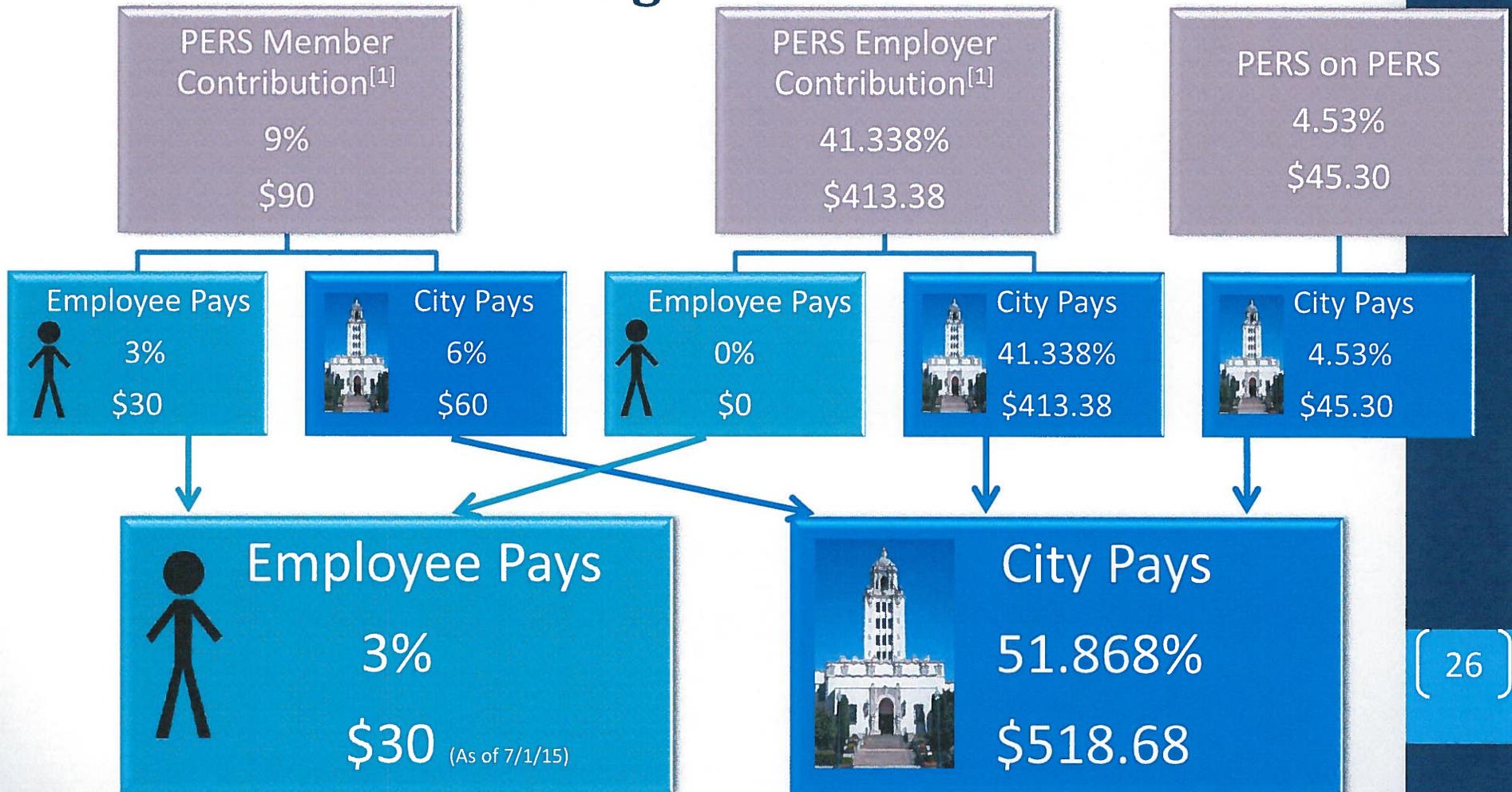
Earnings = \$1000



^[1]FY15/16 PERS Rates

Breakdown of Pension Costs: Fire Safety (Classic)

Earnings = \$1000

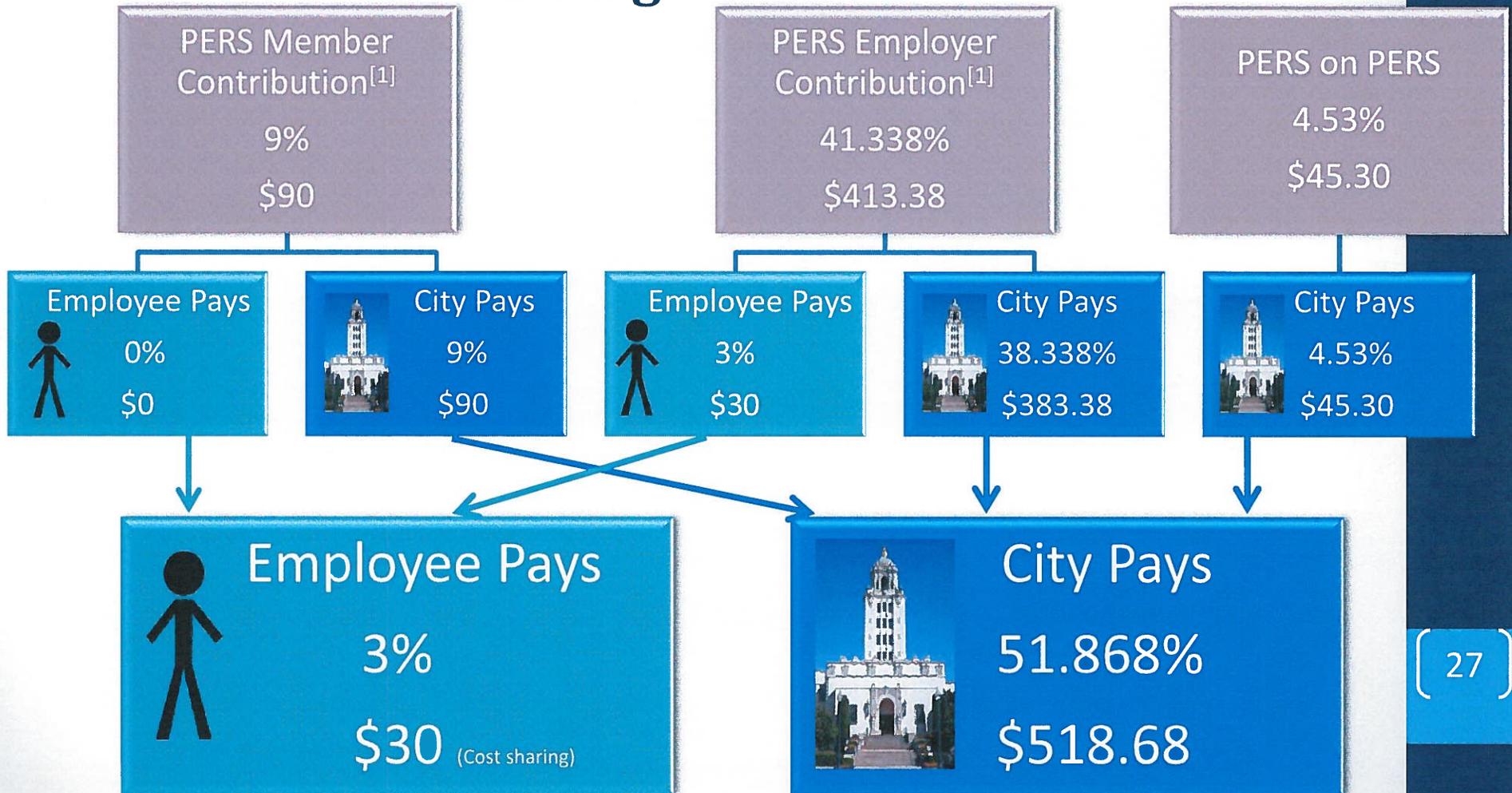


^[1]FY15/16 PERS Rates

Breakdown of Pension Costs: Police Safety (Classic)

As of 7/1/15

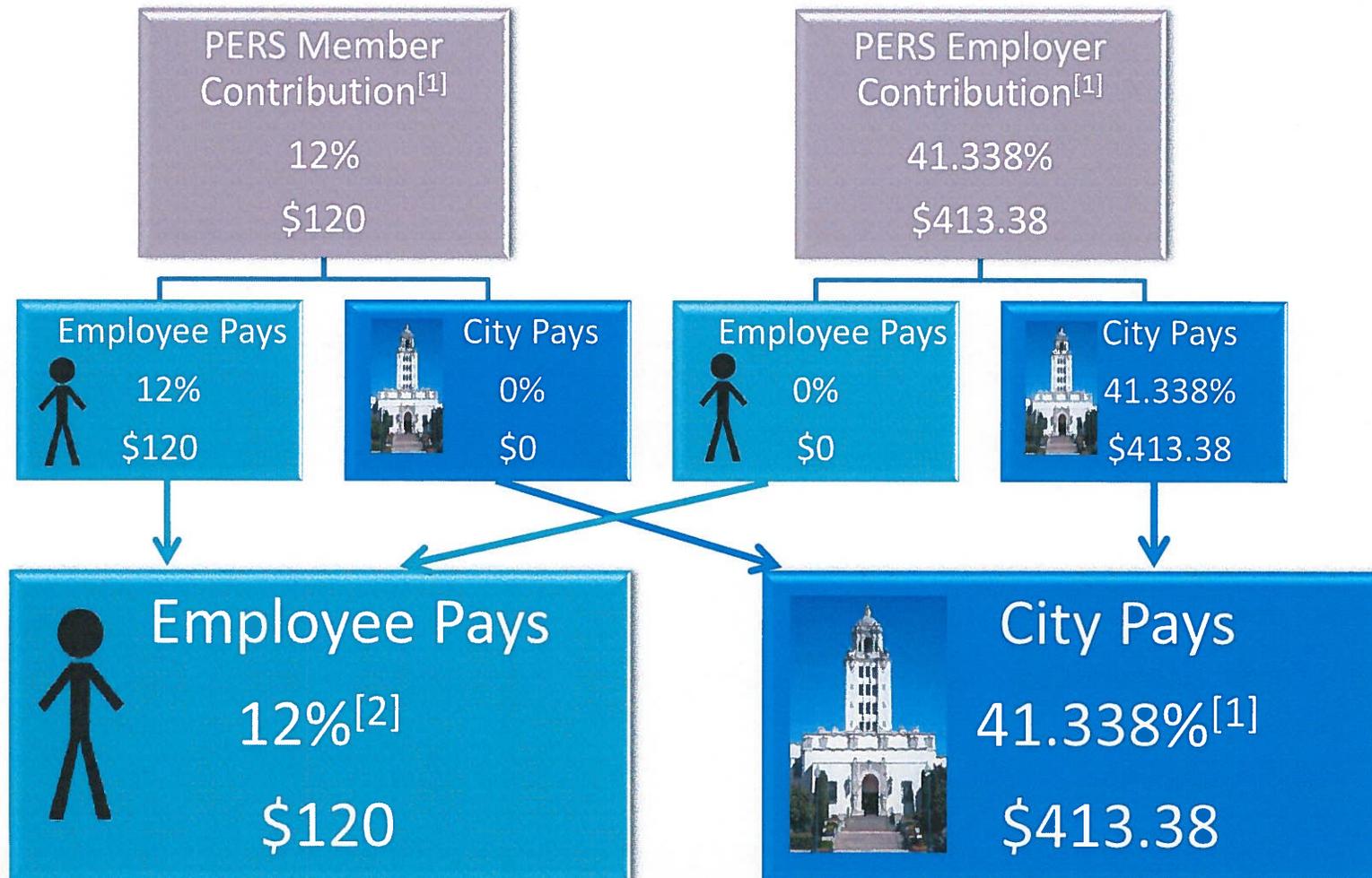
Earnings = \$1000



^[1]FY15/16 PERS Rates

Breakdown of Pension Costs: Fire & Police Safety (PEPRA)

Earnings = \$1000



^[1]FY15/16 PERS Rates

^[2]PEPRA Safety employees will pay a minimum of 12% of pension cost upon contract expiration.

Issues We Anticipate Negotiating In These Upcoming Negotiations

Economic issues

- Term
- Compensation
- Health benefits
- Retirement contributions

Non-economic (management operational issues)

- The departments have begun to identify issues they may want to address which deal with the operations of each department

Questions?

Next City Council Meeting (Formal)

Monday, June 8th

7:00pm

Council Chambers

Attachment 2

**CITY OF BEVERLY HILLS
FISCAL STATUS REPORT**

Community Meeting
May 13, 2015



1

- FISCAL HEALTH & RESERVES
- LONG-TERM DEBT & UNFUNDED LIABILITIES

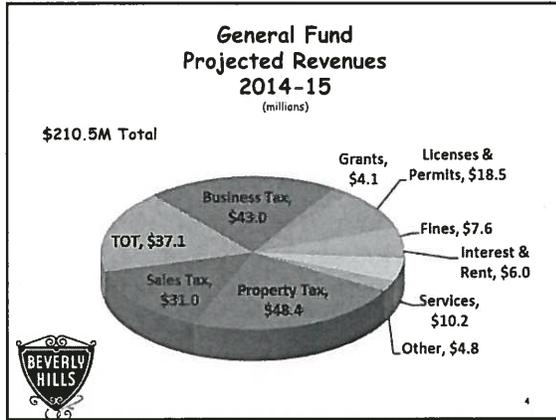


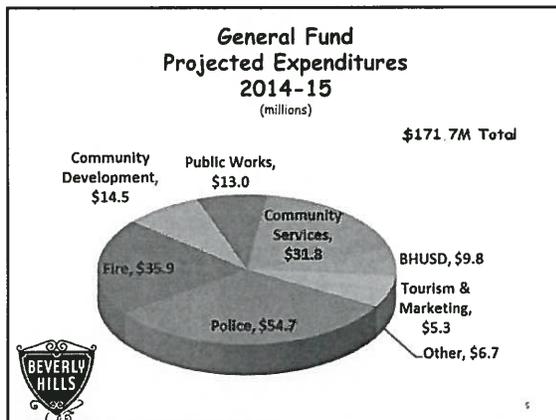
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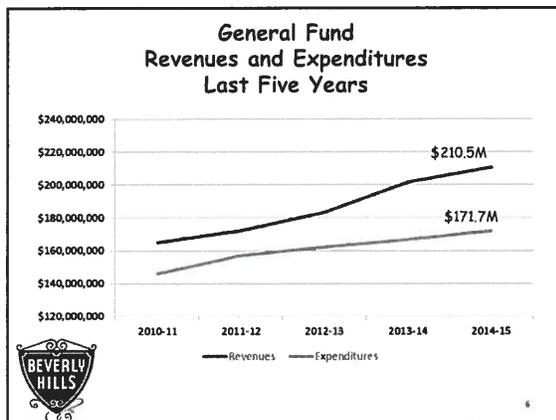
**FISCAL HEALTH &
RESERVES**

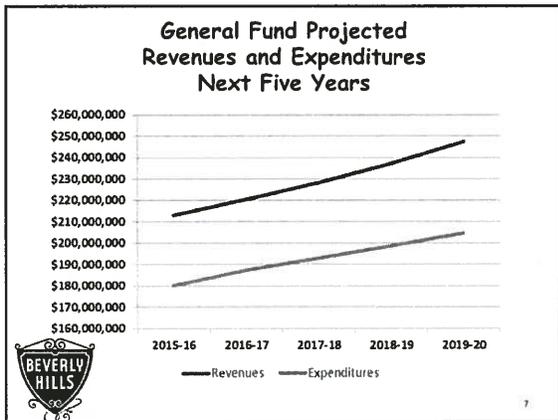


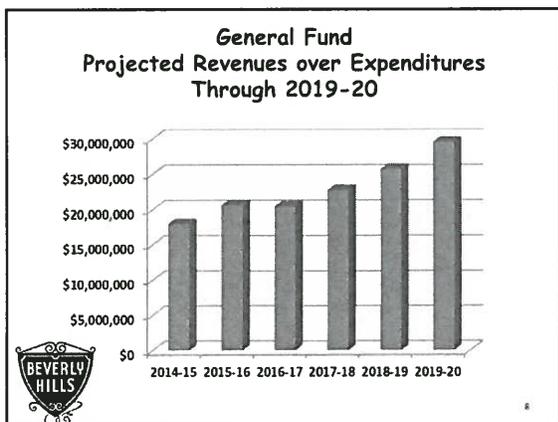
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FUND BALANCE / NET ASSETS RESERVE SUMMARY

JUNE 30, 2014
(MILLIONS)

GENERAL FUND	\$95.4
OTHER GOV'T FUNDS	50.6
ENTERPRISE FUNDS	107.9
INTERNAL SERVICE FUNDS	118.3
TOTAL	\$372.2

GENERAL FUND	
<small>JUNE 30, 2014 (MILLIONS)</small>	
RESERVES:	
• ECONOMIC/CONTINGENCY	\$80.9
• BUDGET STABILIZATION	2.0
• BEVERLY GARDENS PARK	0.8
AVAILABLE ENDING BALANCE	11.7
TOTAL	\$95.4



OTHER GOVERNMENTAL FUNDS	
FUND BALANCE	
<small>JUNE 30, 2014 (MILLIONS)</small>	
• IN-LIEU PARKING	5.5
• PARKS & REC FACILITIES	6.6
• TRANSPORTATION	7.9
• FINE ART	2.2
• ASSET SEIZURE	4.5
• INFRASTRUCTURE	20.6
• OTHER	3.3
TOTAL	\$50.6



ENTERPRISE FUNDS	
NET ASSETS	
<small>JUNE 30, 2014 (MILLIONS)</small>	
WATER	\$30.3
PARKING	27.2
SOLID WASTE	16.8
WASTE WATER	29.8
STORM WATER	3.8
TOTAL	\$107.9



INTERNAL SERVICE FUNDS	
NET ASSETS	
JUNE 30, 2014 (MILLIONS)	
• INFO TECH/GRAPHICS/CABLE	\$21.4
• CAPITAL ASSETS	23.6
• VEHICLE/EQUIP REPLACE	26.1
• GENERAL LIABILITY	8.1
• WORKERS COMPENSATION	5.4
• EMPLOYEE BENEFITS	21.3
• POLICY/ADMIN/LEGAL	12.4
TOTAL	\$118.3



LONG-TERM DEBT & UNFUNDED LIABILITIES	
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CITY OF BEVERLY HILLS	
BONDS & NOTES PAYABLE	
JUNE 30, 2014 (MILLIONS)	
2008 WATER REVENUE BONDS	\$21.0
2008 WASTEWATER REVENUE BONDS	11.1
2009 LEASE REVENUE BONDS	65.7
2009 NOTE PAYABLE	26.9
2010 LEASE REVENUE BONDS	49.7
2012 WATER REVENUE BONDS	42.4
2012 LEASE REVENUE BONDS	62.8
TOTAL LONG-TERM DEBT	\$279.6



2008 WATER REVENUE BONDS

- \$21.0M OUTSTANDING
- USED TO ACQUIRE THE WATER TREATMENT PLANT ON N. FOOTHILL RD. AND REFUND EARLIER BONDS USED TO REPLACE RESERVOIRS AND WATER MAINS
- 3% TO 5% RATES
- PAID OFF IN 2024



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2008 WASTEWATER REFUNDING BONDS

- \$11.1M OUTSTANDING
- USED TO REFUND EARLIER BONDS ISSUED TO PAY FOR HYPERION TREATMENT PLANT UPGRADE
- 2.4% TO 5% RATES
- PAID OFF IN 2022



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2009 LEASE REVENUE BONDS

- \$65.7M OUTSTANDING
- CIVIC CENTER REMODEL
- 461 N. BEDFORD PARKING GARAGE
- 0.65% TO 5% RATES
- PAID OFF IN 2039



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2009 CITY NATIONAL BANK NOTE

- \$26.9M OUTSTANDING
- USED TO CONSTRUCT OFFICE BUILDING AT 331 N. FOOTHILL RD.
- 5.72% INTEREST RATE
- PAID OFF IN 2025



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2010 LEASE REVENUE BONDS

- \$49.7M OUTSTANDING
- \$15.5M FOR ALTERNATE RETIREE MEDICAL PLAN (ARMP)
- \$34.2M FOR 455 CRESCENT STREET GARAGE
- 0.52% TO 6.774% RATES
- PAID OFF IN 2040



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2012 WATER REVENUE BONDS

- \$42.4M OUTSTANDING
- REFUNDED 2007 BONDS USED FOR
 - COLDWATER CANYON RESERVOIR
 - REPLACE WATER MAINS
 - UPGRADE TELEMTRY SYSTEM
- 3% TO 5% RATES
- PAID OFF 2037



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2012 LEASE REVENUE BONDS

- \$62.8M OUTSTANDING
- USED FOR
 - VEHICLE MAINT SHOP
 - 3RD STREET PARKING GARAGE
 - CITY HALL REMODEL
- 2% TO 5% RATES
- PAID OFF IN 2037




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UNFUNDED LIABILITIES
JUNE 30, 2014
 (MILLIONS)

PENSION:	
POLICE & FIRE	\$94.0
ALL NON-SAFETY	55.0
TOTAL	\$149.0
RETIREE MEDICAL	\$12.5



MAJOR UPCOMING & POTENTIAL PROJECTS
(MILLIONS)

	ESTIMATES
• SANTA MONICA BLVD	\$27.2
• WATER ENTERPRISE PLAN	56.2
• STORM WATER PROJECT	16.3
• FIBER TO THE PREMISE	40.0
• HYPERION PLANT	13.0
• LA CIENEGA PARK FACILITY	11.9
TOTAL	\$164.6



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