TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: HUMAN RESOURCES
DATE: AUGUST 9, 2004 CMR: 382:04

SUBJECT: APPROVAL OF RESOLUTIONS AMENDING THE MERIT SYSTEM RULES AND REGULATIONS TO ADOPT A MEMORANDUM OF AGREEMENT WITH INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS (IAFF, LOCAL 1319) AND ADOPTING A NEW COMPENSATION PLAN FOR FIRE DEPARTMENT PERSONNEL

RECOMMENDATION

This report recommends Council approval of the attached resolution adopting a new Memorandum of Agreement between the City of Palo Alto and the International Association of Fire Fighters (IAFF, Local 1319) effective for the pay periods including July 1, 2004 through June 30, 2006. Also recommended is approval of the attached resolution amending the Merit System Rules and Regulations to adopt a new compensation plan for non-management Fire personnel.

BACKGROUND

Last year, Fire employees assisted in addressing the City’s financial situation by not only taking a 0% salary increase but by also accepting a cap for health insurance at PORAC, a Preferred Provider Organization that costs approximately $500 less per month than PERS Care; and a two-tier retiree health program which reduces the City’s future liability for retiree health costs by requiring 20 years of PERS service, 5 in Palo Alto, in order to be eligible for retiree health.

DISCUSSION

This year the City Manager is recommending a compensation plan adjustment for IAFF Local 1319 employees based on labor market data and retention issues:

- A 3% control point increase to all IAFF Local 1319 classifications effective July 1, 2004. Under the IAFF Memorandum of Agreement, control point adjustments are not automatically passed on to employees. Individual employee salaries are based on performance.
• Continuing the 9% reversal of PERS retirement contribution payments until June 2006 to save $280,000. Under the 9% PERS reversal program, the City reduces salaries by 9% and directly pays the employee’s pension contribution (9%) to PERS. This program results in a savings of approximately $280,000 a year in overtime costs because overtime is based on the reduced salary.

• A 3% control point increase to all classifications effective July 1, 2005.

• A 1% to 1.5% equity adjustment on January 1, 2006 based on labor market comparison data.

• Amending the City’s PERS contract to provide the Pre-Retirement Optional Settlement 2 Death Benefit effective June 2006. The Pre-Retirement Optional Settlement 2 Death Benefit provides the spouse of a deceased member who was eligible to retire for service at the time of death with an alternate option to the lump sum Basic Death Benefit. The surviving spouse can elect a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2 (the highest monthly allowance a member can leave a spouse).

**RESOURCE IMPACT**

The annual cost for the proposed IAFF compensation plan increase is estimated to be $0.5 million in 2004-05 and $0.6 million in 2005-06. This increase will be partially offset by savings as a result of continuing a 9% reversal of ($280k/year). The annual cost of the PERS amendment is 0.1% of salary ($10,000) beginning June 2006. The 2004-05 Adopted Budget includes funding for $0.3 million of the compensation increase, with the remaining $0.2 million in funding to be included in the 2004-05 midyear report. Full 2005-06 funding will be requested in next year’s proposed budget.

**POLICY IMPLICATIONS**

The action recommended by this report is consistent with City Council direction.

**ENVIRONMENTAL REVIEW**

This is not a project under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**

Attachment A - Resolution Adopting a Compensation Plan for Fire Department Personnel (IAFF)

Attachment B - Resolution Amending Section 1501 of the Merit System Rules and Regulations Regarding the Memorandum of Agreement Between the City
of Palo Alto and Local 1319, International Association of Fire Fighters

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