TO:       HONORABLE CITY COUNCIL

FROM:   CITY MANAGER         DEPARTMENT: HUMAN RESOURCES

DATE:    AUGUST 9, 2004        CMR: 386:04

SUBJECT: APPROVAL OF RESOLUTIONS AMENDING THE MERIT SYSTEM RULES AND REGULATIONS TO ADOPT A MEMORANDUM OF AGREEMENT WITH SERVICE EMPLOYEES’ INTERNATIONAL UNION (SEIU), LOCAL 715 AND ADOPTING A NEW COMPENSATION PLAN FOR SEIU CLASSIFIED PERSONNEL

RECOMMENDATION

Staff recommends the following to Council:

1. Approve the attached resolution amending Section 1401 of the Merit System Rules and Regulations to adopt a new Memorandum of Agreement between the City of Palo Alto and the Service Employees’ International Union, Local 715 for an effective period of May 1, 2004 to April 30, 2006.

2. Approve the attached resolution adopting a new Compensation Plan for SEIU Classified Personnel, effective with the pay period including May 1, 2004 through April 30, 2006.

BACKGROUND

The City’s agreement with Service Employees’ International Union, Local 715 (SEIU) expired on April 30, 2004. The City has been meeting and conferring with SEIU since March 1 regarding the terms and conditions of employment for this represented unit. Following five months of negotiations, City staff and members of Service Employees’ International Union have reached an agreement within Council authorization, the details of which are contained in the attached Memorandum of Agreement. Throughout the negotiations, the City Management has been working to reduce the high cost of health insurance and retiree medical costs through a number of cost containment measures with all employee groups (Management and Professional, Fire, Fire Chiefs, SEIU and Police). These issues were key components of the negotiations with SEIU. The attached agreement contains provisions which will reduce the City’s future medical costs and overall liability through a new 20 year vesting eligibility requirement for future hires and a cap on PERS Care enrollment levels.
DISCUSSION

Key items in the proposed agreement include:

1. Salary

   a) 0% salary for the first year of the contract

   b) The cement finisher and cement finisher lead classifications will receive 7.4% effective 5-1-04.

   c) Two facilities maintenance lead classifications will be adjusted 21% to retain the 7% lead differential above the pay step of the highest paid employee on the crew, as provided for in the contract effective May 1, 2004.

   d) The positions listed below will receive the following equity adjustment effective January 1, 2005.

      | Position                           | Percentage |
      |------------------------------------|------------|
      | Traffic Control Maintenance I      | 5%         |
      | Traffic Control Maintenance II     | 5%         |
      | Traffic Control Maintenance II Lead| 5%         |
      | Street Maintenance Assistant       | 5%         |
      | Equipment Maintenance Service Person| 5%        |
      | Communications Technician          | 10%        |
      | Senior Planner                     | 3.5%       |
      | Storekeeper                        | 4%         |
      | Storekeeper Lead                   | 4%         |
      | Utilities Account Representative   | 7.5%       |
      | Parking Enforcement Officer        | 1.5%       |
      | Parking Enforcement Officer Lead   | 1.5%       |
      | Park Ranger                        | 1.5%       |
      | Senior Ranger                      | 1.5%       |
      | Cement Finisher                    | 6.9%       |
      | Cement Finisher Lead               | 6.9%       |

   e) 3% salary increase to all classifications effective May 1, 2005

   f) 1% realignment adjustment to all classifications effective January 1, 2006

2. City will pay 100% of the costs associated with all health care plans, including any increases during the term of this agreement, subject to the provisions below:
   Up to 17 employees, as determined by the Union, currently enrolled in PERS Choice may
enroll in PERS Care during the 2004 open enrollment period. In doing so, they shall receive no stipend. No other employee may enroll in PERS Care during the term of this contract.

Employees currently enrolled in PERS Care who change to any other medical plan during the 2004 open enrollment period will receive a monthly taxable stipend commencing January 1, 2005 of:

- $100 – Single
- $200 – Employee, plus one
- $300 – Family

Employees currently enrolled in PERS Choice, who remain in PERS Choice during the subsequent enrollment periods, shall receive a monthly taxable stipend of:

- $50 – Single
- $100 – Employee, plus one
- $150 – Family

3. Employees who elect to waive the City of Palo Alto health insurance due to alternative health coverage will receive cash payments of approximately half of the “average monthly premiums” for their medical insurance coverage as follows:

   - One Party: $160.00
   - Two Parties: $315.00
   - Family: $410.00

4. SEIU employees hired after January 1, 2005 will be subject to the PERS 20 year vesting retiree health program as set forth in Government Code section 22825.5. Such employees are eligible for 50% of the specified employer health premium contribution after 10 years of service credit, provided at least 5 of those years were while employed with the City of Palo Alto. After 10 years of service credit, each additional service credit year increases the employer contribution percentage by 5%; at 20 years’ service credit year, the employee will be eligible upon retirement for 100% of the specified employer contribution and 90% of their dependent coverage. The City of Palo Alto’s health premium contribution for eligible post January 1, 2005 hires shall be the minimum contribution set by PERS under section 22825.5 based on the weighted average of available health plan premiums.

5. The City and Union agree to reopen the contract in April 2005 to discuss health insurance coverage and the possibility of a PERS pension enhancement to 2.7% @ 55. If the parties do not reach an agreement on the reopener issues prior to May 1, 2005, negotiations will cease and the agreement will continue, status quo, until normal expiration.

6. Amend “vacation cash out” language to allow employees to cash out up to one hundred
twenty hours of accrued vacation.

7. Amend language to commute program to reflect CAL Train zoning changes and eliminate voucher program.

8. Reduction and clarification in City-paid meals for overtime.

9. Bilingual premium and program parameters developed.

10. An Alternative 4/11 Work Schedule for Public Safety Dispatchers will be evaluated for a 24–month period.

11. The City will eliminate one vacant Communications Technician position and contract out related job duties and retain the other budgeted Communication Technician position.

12. The Union and the City have agreed to facilitate a voluntary furlough wherein SEIU Local 715 represented employees receive furlough time off during the 2004-05 fiscal year in exchange for a salary reduction, in order to save the City a one time amount of $480,000 and to mitigate the possibility of a reduction in City services and layoffs in personnel.

13. Modification to various language sections of the contract relating to recognition, union security, discrimination, stewards, pay practices, certifications, bereavement leave, military leave, unpaid leaves and the grievance procedure.

RESOURCE IMPACT

The annual cost for the proposed SEIU compensation plan increase is estimated to be $2.4 million, with the main component being the 3 percent salary increase effective May 1, 2005. The General Fund portion of this increase is estimated to be $1.7 million. The 2004-05 Adopted Budget will be amended at midyear to fund the $0.3 million May - June expense related to this agreement. The 2005-06 proposed budget will also include $2.2 million in additional salary expense as a result of this agreement. Voluntary furlough savings ($0.5 million) will not continue beyond fiscal 2004-05, therefore subsequent years will result in higher net costs.

POLICY IMPLICATIONS

This recommendation is consistent with existing City policies.

ENVIRONMENTAL REVIEW

This action does not require an environmental review.

ATTACHMENTS
A. Resolution Amending Section 1401 of the Merit System Rules and Regulations
B. Resolution Adopting a Compensation Plan for Classified Personnel (SEIU)

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