

REPORT TO COUNCIL

SUBJECT

Approve the Memorandum of Understanding between the City of Sunnyvale and the Sunnyvale Managers Association (SMA) and Adopt 3 Resolutions: (1) Amending the Salary Resolution for SMA, Unrepresented Management Employees, and Department Directors; (2) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for SMA, Unrepresented Management Employees, and Department Directors; and (3) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for the Director of Public Safety

BACKGROUND

The City Council met in Closed Session over the past several months and, in particular, on June 21, 2016 to discuss labor negotiations with the City's various bargaining units. As a result of those confidential discussions, staff presented a request to SMA to reopen negotiations and SMA agreed to reopen the existing MOU to consider term, wages and retirement based on new actuarial information presented by John Bartel on June 21, 2016.

The term of the current agreement with SMA is from July 1, 2015 until June 30, 2018 and includes the following provisions regarding Employer Paid Member Contributions (EPMC) and lump sum payments:

- July 1, 2015: EPMC reduced from 4% to 3%
- July 3, 2016: EPMC to be reduced from 3% to 2%
- July 2, 2017: EPMC to be reduced from 2% to 1%
- December 2015: 1% off-salary table lump sum payment
- November 2016: 1% off-salary table lump sum payment
- November 2017: 1% off-salary table lump sum payment

On August 26, 2014, the Council approved a reduction in the EPMC for CalPERS classic members for unrepresented employees (pay plan categories D and K) and department directors (pay plan category F) and providing a 1% off-salary table lump sum payment with the following schedule:

- August 31, 2014: EPMC reduced from 5% to 4% (for Director of Public Safety: reduced from 7% to 6%)
- July 5, 2015: EPMC reduced from 4% to 3% (for Director of Public Safety: reduced from 6% to 5%)
- July 3, 2016: EPMC to be reduced from 3% to 2% (for Director of Public Safety: reduced from 5% to 4%)
- November 2014: 1% off-salary table lump sum payment
- November 2015: 1% off-salary table lump sum payment
- November 2016: 1% off-salary table lump sum payment

EXISTING POLICY

Council Policy 7.3.1 Legislative Management - Goals and Policies, Goal 7.3D: Maintain a quality work force, consistent with state and federal laws, City Charter, and adopted policies in order to assure that City services are provided in an effective, efficient, and high quality manner.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378 (b) (5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

The City and SMA began discussions regarding the SMA contract at the end of June 2016 on term, wages and retirement. The City was notified on July 14, 2016 that the SMA membership ratified a tentative agreement (Attachment 1) with the following changes to the existing Memorandum of Understanding, as presented in redline and clean versions in Attachments 2 and 3:

- The term of the Memorandum of Understanding shall be extended for 1 year through June 30, 2019.
- Effective the first full pay period in July 2018 (July 1, 2018): 2% across the board salary increase consistent with the long-term financial plan assumptions.
- Effective July 17, 2016: EPMC shall be 4% for classic members.
- The 1% off-salary table lump sum payments scheduled for November 2016 and November 2017 shall be eliminated.

To ensure consistency with the recommended SMA agreement, the modifications recommended by this report for employees in pay plan categories D, K, and F are as follows:

- Effective July 17, 2016: EPMC shall be 4% for classic members, and 6% for the Director of Public Safety.
- The 1% off-salary table lump sum payment scheduled for November 2016 shall be eliminated.
- Effective July 2, 2017: 2% across the board salary adjustment.

The employment agreements of the City Manager and City Attorney include a provision that the City Manager and City Attorney shall be entitled to retirement and other benefits applicable to employees in pay plan category F.

FISCAL IMPACT

With the adoption of the Fiscal Year 2016/17 Budget, the City took the first step toward viewing salary and benefits as a total compensation package versus just salary. The total twenty year cost of freezing EPMC for these employees is anticipated to be approximately \$5.4 million offset by moderating total compensation assumptions going forward. For FY 2016/17, the cost for freezing EPMC is offset with the elimination of the lump sum payments. The total impact of these changes, along with the full implementation of a total compensation budgeting model will be included in the FY 2017/18 Recommended Budget.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board

outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Authorize the City Manager to Execute the Memorandum of Understanding between the City of Sunnyvale and the Sunnyvale Managers Association (SMA), presented as Attachment 3 of this report, and Adopt 3 Resolutions: (1) Amending the Salary Resolutions for SMA, Unrepresented Management Employees, and Department Directors (Attachment 4); (2) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for SMA, Unrepresented Management, and Department Directors (Attachment 5); and (3) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for the Director of Public Safety (Attachment 6).
2. Do not authorize the City Manager to Execute the Memorandum of Understanding between the City of Sunnyvale and the Sunnyvale Managers Association, presented as Attachment 3 of this report, and Do not adopt 3 Resolutions: (1) Amending the Salary Resolutions for SMA, Unrepresented Management Employees, and Department Directors (Attachment 4); (2) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for SMA, Unrepresented Management, and Department Directors (Attachment 5); and (3) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for the Director of Public Safety (Attachment 6).

STAFF RECOMMENDATION

Alternative 1: Authorize the City Manager to Execute the Memorandum of Understanding between the City of Sunnyvale and the Sunnyvale Managers Association (SMA), presented as Attachment 3 of this report, and Adopt 3 Resolutions: (1) Amending the Salary Resolutions for SMA, Unrepresented Management Employees, Department Directors (Attachment 4); (2) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for SMA, Unrepresented Management, and Department Directors (Attachment 5); and (3) For Paying and Reporting the Value of Employer Paid Member Contributions for CalPERS Retirement for the Director of Public Safety (Attachment 6).

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Reviewed by: Teri Silva, Director, Human Resources

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Tentative agreement between the City of Sunnyvale and the Sunnyvale Managers Association
2. 2015-2019 SMA MOU with track changes
3. 2015-2019 SMA MOU
4. Resolution to Amend the Salary Resolution and Salary Tables
5. Resolution for Paying and Reporting the Value of Employer Paid Member Contributions for SMA, Unrepresented Management Employees, and Department Directors)
6. Resolution for Paying and Reporting the Value of Employer Paid Member Contributions for the Director of Public Safety