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Title: ADOPTION OF THE 2022 - 2025 MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE CITY OF COSTA MESA (CITY) AND THE COSTA MESA CITY EMPLOYEES ASSOCIATION (CMCEA) AND THE ADOPTION OF ACCOMPANYING SALARY RESOLUTIONS FOR CMCEA AND THE CONFIDENTIAL UNIT

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Date	Ver.	Action By	Action	Result
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TITLE:

ADOPTION OF THE 2022 - 2025 MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE CITY OF COSTA MESA (CITY) AND THE COSTA MESA CITY EMPLOYEES ASSOCIATION (CMCEA) AND THE ADOPTION OF ACCOMPANYING SALARY RESOLUTIONS FOR CMCEA AND THE CONFIDENTIAL UNIT

DEPARTMENT: CITY MANAGER’S OFFICE- HUMAN RESOURCES DIVISION

PRESENTED BY: KASAMA LEE, HUMAN RESOURCES MANAGER

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RECOMMENDATION:

Staff recommends the City Council:

1. Approve and Adopt the 2022 - 2025 Memorandum of Understanding (MOU) between the City of Costa Mesa and the Costa Mesa City Employees Association (CMCEA);
2. Approve and Adopt Resolution Numbers 2022-XX, 2022-XX, 2022-XX, 2022-XX, 2022-XX, and 2022-XX revising the pay ranges for CMCEA and the Confidential Unit (Attachments I - VII);
3. Approve the Fiscal Impact Analyses (Attachment VIII); and
4. Authorize the City Manager and members of the City’s Negotiation Team to execute the MOU

documents and appropriate into the respective departmental budgets.

BACKGROUND:

In March 2020, mid-way through the budget development process, the City was faced with the impacts of the worldwide coronavirus pandemic (COVID-19). The multiple emergency proclamations of the United States President, State of California Governor, and the City Manager for the City of Costa Mesa propelled the City into full emergency management mode. On March 12, 2020, pursuant to Government Code Section 8558 (c) and Chapter 1 of Title 6 of the City of Costa Mesa Municipal Code, the City Manager and Director of Emergency Services issued an Emergency Declaration due to the unanticipated and deadly COVID-19 worldwide outbreak. The City was faced with significant and unprecedented workload and financial challenges due to the continuing global COVID-19 pandemic. In addition to the devastating impacts on public health and mortality, the impact of COVID-19 on the American economy was also severe. As a result, numerous General Fund revenue sources were declining significantly including tax revenues (e.g., sales tax, hotel tax, and business license tax, etc.).

At the June 25, 2020 Council Meeting, a Side Letter of Agreement with CMCEA was approved to achieve the equivalency of a five percent (5%) furlough. The Side Letter of Agreement also contained the following key provisions:

- Two (2) year contract extension to June 30, 2022
- Elimination of Tier 2 vacation accrual plan
- 2% salary increase effective June 2022
- Elimination of Tier 2 salary ranges
- Increase flex benefit contribution by \$100/mo. effective June 2022

The side letter language stated that a one-time payment would be made by the City to the employees equivalent to the reductions taken should the City receive Federal stimulus funds in excess of \$40.5 million. The City of Costa Mesa had received CARES Act funding from the State of \$1.4 million and the County of Orange of \$1.0 million totaling \$2.4 million, and finally, the federal government recently approved the American Rescue Plan allocating \$28.3 million to the City of Costa Mesa. Between CARES Act and the American Rescue Plan, the City was expected to receive an estimated amount of \$30.7 million. Pro-rated to the nine months into the current fiscal year, the stimulus funding equated to an estimated \$30.4 million. As a result, staff requested to cease the five percent (5%) furloughs/reductions and provide staff with the one-time reimbursement for the pay reductions implemented since July 1, 2020.

At the April 6, 2021 City Council meeting, the City Manager was authorized by City Council to enter into side letter negotiations for the sole purpose of eliminating the five (5%) percent furlough across all labor groups. Staff met with all of the City's employee associations to negotiate the elimination of the furlough and reimbursement of salary and benefit cuts already incurred. An agreement was reached with CMCEA to amend the 2020 side letters. The elimination of the furlough and reimbursement of salary cuts were also applied to non-represented Confidential employees.

The Fiscal Year 2022-2023 budget includes a total of 550 full-time employees which includes 261 CMCEA employees and 22 Confidential employees. During the Great Recession, the City lost 146 full-time positions. While the number of full-time staff at the City has grown, the workload attributed

to the pandemic, implementation of Measure Q and major development projects across the City, in addition to an increased workload overall, has magnified the need to both stabilize and enhance the workforce commensurately.

The previous collective bargaining agreement between the City and CMCEA covered years 2016-2022 and expired on June 30, 2022. A series of collaborative and productive meetings between the City's designated negotiation team and CMCEA's negotiation team were held, which resulted in the attached tentative agreement 2022 - 2025 CMCEA MOU (Attachment I). The proposed MOU would expire on June 30, 2025.

ANALYSIS:

For the duration of the 2016-2022 MOU agreement, CMCEA and Confidential employees realized incremental increases in salaries and benefits. The last across-the-board increases for CMCEA and Confidential employees included:

- 2% salary increase in June 2022
- 2.75% increase in July 2019 and July 2018
- 2.5% increase in July 2017 and March 2017
- Reduction of 3.044% in retirement contributions in March 2017
- Reduction of 1% in retirement contributions in July 2017 and July 2018
- \$181/mo. health benefits increase in March 2017
- \$100/mo. health benefits increase in July 2017, July 2018, July 2019, and June 2022

The expiration of the CMCEA MOU for 2016-2022 prompted labor negotiations discussions. However, prior to the expiration of the MOU, the City took several significant actions to help address recruitment and retention issues. While these actions helped address a number of hard-to-fill positions through market adjustments, salary and benefits remain a challenge in this competitive employment market with the current inflation rate at 8% and the Consumer Price Index at 8%.

The City's Negotiation Team and CMCEA Negotiation Team held several meetings to discuss the MOU and issues raised by both parties, including but not limited to wages, benefits, and personnel policies. During the course of negotiations, the City Negotiation Team has met with the City Council to discuss the status and progress of negotiations and to receive direction specific to provisions under consideration. The negotiations were collaborative and were based on the shared interests of the CMCEA employees and the City. The results of the negotiations have been compiled in a proposed MOU. The proposed MOU takes into consideration specific objectives that align with the City Council's Strategic Plan Goal - *Recruit, Retain High Quality Staff* and the City's current financial health as the proposed provisions have financial implications. A summary of the most significant MOU revisions is included below.

The following are the key provisions of the negotiated CMCEA MOU:

- Term of MOU
 - Upon City Council adoption the term of this MOU will commence on July 1, 2022, to be effective through June 30, 2025.

- Salaries and Wages
 - Effective January 2023, two percent (2%) increase
 - Effective July 2023, three percent (3.0%) increase
 - Effective July 2024, three percent (3.0%) increase

- Cost Sharing and Retirement Contributions
 - Effective July 2023, reduction of 3% of employee cost sharing which will require future City Council approval to amend the City's current cost sharing agreement with CalPERS via Government Code 20516(a).

- Health Insurance/Flex Benefit Contribution
 - Effective January 2023, the flexible benefit monthly contribution will increase to \$1,550 per month. The maximum cash out will be \$1,500 per month.
 - Effective January 2024, the flexible benefit monthly contribution will increase to \$1,600 per month. The maximum cash out will be \$1,500 per month.
 - Effective January 2025, the flexible benefit monthly contribution will increase to \$1,650 per month. The maximum cash out will be \$1,500 per month.

- Deferred Compensation
 - Effective January 2023, annual employer match contribution up to 0.5% of base salary.

- Standby Pay
 - Increase of ½ hour per weekday and 1.25 hours per weekend day and holidays.

- Vacation Accrual
 - Maximum accrual for vacation leave increased to 380 hours.

- Sick Leave
 - Sick leave accrual convert to bi-weekly accrual
 - Maximum accrual is 480 hours
 - New employees shall be provided with 96 hours in sick leave bank upon hire.

- Shift Assignment Pay
 - Allows employees regularly assigned to day shift, to receive shift assignment pay when working over-time in an A.M. or P.M. shift.

- Performance Evaluations
 - Employees to receive their merit increase no later than 60 days from their anniversary date.

The CMCEA negotiating team have agreed to a tentative agreement. The CMCEA ratification process was completed on November 4, 2022. The above mentioned provisions will also apply to non-represented Confidential employees.

Some of the provisions agreed to above may have an impact on other employee groups per the “me too” provisions in other side letters and resolutions. These provisions are currently under review, and updated side letters and resolutions for the Costa Mesa Fire Association, Costa Mesa Fire Management Association, Costa Mesa Police Management Association, Costa Mesa Division Managers Association, and unrepresented Executives and Confidential Managers will be brought back at a future council meeting for City Council approval.

Approval of the attached resolutions confers authority upon the City Manager to take all steps necessary to implement this MOU.

ALTERNATIVES:

The parties to this agreement considered a variety of issues in the context of good faith negotiations in accordance with Government Code Section 3500, et seq. (Meyer-Milias-Brown Act). The CMCEA members have ratified the tentative agreement. This MOU represents the successful conclusion of labor negotiations, and alternatives need not be considered as a result of collaborative efforts expended.

FISCAL REVIEW:

The Fiscal Impact Analysis prepared pursuant to the City Council Policy 300-8 Transparency in Labor Negotiations recognizes the Fiscal Year 2022-23 increase is estimated at \$570,000, and will take effect during the payroll cycle inclusive of January 1, 2023. The estimated annual fiscal impact to the City’s future budget is \$1.5 million, cumulating to approximately \$3.6 million over the life of the contract.

Staff is requesting budget appropriations in the respective departments. General Fund revenues are tracking higher than pre-pandemic levels, and can cover the financial impact this fiscal year. Funding for future fiscal years will be included as part of that respective year’s budget process.

LEGAL REVIEW:

The City’s special counsel, Liebert Cassidy Whitmore (LCW) and City Attorney’s Office have reviewed the agreements and resolutions and this report and approved them as to form.

CONCLUSION:

The proposed MOU and salary range adjustments support the City’s Strategic Plan Goals to recruit and retain high quality staff. Staff recommends that the City Council:

1. Approve and adopt the Memorandum of Understanding between the City of Costa Mesa and the Costa Mesa City Employees Association. (Attachment I).
2. Adopt Resolution Number 2022-XX (Attachment II), which revises the pay ranges for CMCEA effective January 2023.
3. Adopt Resolution Number 2022-XX (Attachment III), which revises the pay ranges for CMCEA effective July 2023.
4. Adopt Resolution Number 2022-XX (Attachment IV), which revises the pay ranges for CMCEA effective July 2024.
5. Adopt Resolution Number 2022-XX (Attachment V), which revises the pay ranges for the

Confidential Unit effective January 2023.

6. Adopt Resolution Number 2022-XX (Attachment VI), which revises the pay ranges for the Confidential Unit effective July 2023.
7. Adopt Resolution Number 2022-XX (Attachment VII), which revises the pay ranges for the Confidential Unit effective July 2024.
8. Approve the Fiscal Impact Analyses (Attachment VIII).
9. Authorize the City Manager and the City's Negotiation Team to execute the MOU documents, and appropriate into the respective departmental budgets.