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Title:	ADOPTION OF THE SIDE LETTER OF AGREEMENT BETWEEN THE CITY OF COSTA MESA (CITY) AND THE COSTA MESA POLICE ASSOCIATION (CMPA) AND THE ADOPTION OF ACCOMPANYING SALARY RESOLUTION FOR CMPA		
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Date	Ver.	Action By	Action	Result
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TITLE:

ADOPTION OF THE SIDE LETTER OF AGREEMENT BETWEEN THE CITY OF COSTA MESA (CITY) AND THE COSTA MESA POLICE ASSOCIATION (CMPA) AND THE ADOPTION OF ACCOMPANYING SALARY RESOLUTION FOR CMPA

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 Side Letter of Agreement between the City of Costa Mesa and CMPA (Attachment I);
2. Approve and Adopt Resolution Number 2022-XX revising the pay ranges for CMPA (Attachment II);
3. Approve the Fiscal Impact Analyses (Attachment III);
4. Authorize the City Manager and members of the City's Negotiation Team to execute the Side Letter of Agreement documents, and amend the Fiscal Year 2022-23 Adopted Budget for the Police Department accordingly.

BACKGROUND:

In March 2020, the City was faced with significant and unprecedented workloads and financial challenges due to the emergence of the worldwide coronavirus (COVID-19) pandemic. In addition to the devastating impacts on public health and mortality, the impact of COVID-19 on the regional, national and global economy was also significant. As a result, numerous General Fund revenue sources declined significantly, including tax revenues (e.g., sales tax, hotel tax, and business license tax, etc.).

Three months after the pandemic was declared, at the June 25, 2020 City Council Meeting, a Side Letter Agreement with CMPA was approved to achieve a five percent (5%) salary furlough and budgetary savings. The Side Letter Agreement also included the following key provisions:

- Four (4) year contract extension to June 30, 2024
- 104 hour furlough (5% compensation reduction) in FY 2020-2021
- No base salary increase in FY 2021-22
- A one percent (1%) increase in base salary in FY 2022-23, and a one percent (1%) employer match to Retirement Health Savings Accounts
- A two percent (2%) increase in base salary in FY 2023-24
- Elimination of Tier 2 vacation accrual plan
- Ability for Association to request contract reopeners in Years 2, 3 and 4.

The 2020 side letter also stated that employees would be reimbursed for the 5% salary furloughs if the City received Federal stimulus funds in excess of \$40.5 million. The City of Costa Mesa did receive Federal American Rescue Plan funding, albeit a lesser amount, of \$28.3 million. Nonetheless, the City reimbursed all employees for the 5% furloughs due to their contributions and good faith bargaining which eliminated the need for layoffs at a time when the continuation of core public services was absolutely essential.

The current collective bargaining agreement between the City and CMPA covers 132 sworn Police Officers during the period of 2018-2024 and is scheduled to expire on June 30, 2024. CMPA requested to exercise the reopener for FY 2021-2022 and a series of collaborative and productive meetings between the City's negotiation team and CMPA's negotiation team were held, which resulted in the attached tentative Side Letter of Agreement (Attachment I). Under the proposed Side Letter of Agreement, the current term of the MOU would be extended by one year and expire on June 30, 2025. More importantly, the revised Side Letter of Agreement provides for the following: 1) Modest salary increases over the remaining three years of the contract to ensure Police Officer compensation remains competitive and is at or above the market; 2) Special compensation for Officers working in high risk or specialized assignments (e.g. Gang Unit) to further enhance participation and training in those assignments consistent with other cities; and, 3) A recruitment and retention incentive to encourage more tenured and experienced Police Officers and Sergeants to remain at the City longer to help train the next generation of Costa Mesa Police Officers.

ANALYSIS:

The City's Negotiation Team and CMPA Negotiation Team held several meetings to discuss the MOU and issues raised by both parties, including but not limited to wages and benefits. During the course of negotiations, the City Negotiation Team 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 fully collaborative and were based on the shared interests of the CMPA employees and the City. The results of the negotiations have been compiled in the proposed Side Letter of Agreement.

The Police Officer classification has historically been a hard-to-fill position in the City and in the industry nationwide. With the current inflation rate at 8% and the Consumer Price Index at 8%, salary and benefits remain a challenge in this competitive employment market. The proposed Side Letter of Agreement takes into consideration specific objectives that align with the City Council's Strategic Plan Goals - *Recruit, Retain High Quality Staff and Strengthen the Public's Safety and Improve Quality of Life* and the City's improved 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 CMPA Side Letter:

- Term of Side Letter Upon City Council adoption, the term of the MOU will be extended through June 30, 2025
- Salaries and Wages
 - Effective January 2023, a 2% base salary increase
 - Effective July 2023, an additional 3.0% base salary increase (above the 2% base salary increase negotiated in June 2020)
 - Effective July 2024, a 4.25% base salary increase
- Cost Sharing and Retirement Contributions
 - Effective July 2023 reduction of 1.25% 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).
- Recruitment and Retention Pay
 - Effective January 2023, 10% of base salary for 25 years of sworn service
 - Effective July 2024, 7% for 20 years of sworn service and 5% for 15 years of sworn service
 - Effective January 2025, 2.5% for 10 years of sworn service
 - For Police Officers transferring in from other agencies, up to 10 years of sworn employment outside of Costa Mesa can be counted
- Deferred Compensation
 - Effective July 2024, employer contribution of 0.5% of base salary.
- Specialty Assignment Pay
 - Net 5% special assignment pay for Traffic (Non-Motor), Traffic Investigator, ISB Detective, SIU Detective, Gang Unit Investigator, SRO, Training/Recruitment Officer, South Coast Plaza Officer, and CPU Officer. The net 5% reflects the net impact of the new 7.5% specialty pay with the simultaneous removal of the 2.5% Uniform Pay for patrol assignments.

The CMPA Negotiation Team has agreed to a tentative agreement. The CMPA member ratification process was completed on November 5, 2022 with a majority of members approving the proposed

tentative agreement featuring the items outlined above.

Some of the provisions agreed to above impact other employee groups per the “me too” provisions negotiated during the pandemic in other employee association 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 Manager Association and unrepresented Executives and Confidential Managers will be brought back at a future council meeting for approval.

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 CMPA 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 CMPA Fiscal Year 2022-23 increase is estimated at \$620,000, and will take effect during the payroll cycle inclusive of January 1, 2023. The estimated annual fiscal impact to the City’s FY 2023-24 Budget is \$1.9 million, and approximately \$4.1 million in FY 2024-25. General Fund revenues are tracking well above pre-pandemic levels as evidenced by the projected \$3.6 million surplus for the fiscal year ended June 30, 2022, as well as current year revenue receipts. As such, it is anticipated that General Fund revenues can cover the fiscal impact of this proposal in the current year, as well as the out-years.

Staff is requesting budget appropriations in the Police Department to effectuate the provisions contained in the proposed Side Letter of Agreement. Funding for future fiscal years will be included as part of that respective year’s budget.

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 and strengthen the Public’s Safety and Improve the Quality of Life. Staff recommends that the City Council:

1. Approve and adopt the Side Letter of Agreement between the City of Costa Mesa and the Costa Mesa Police Association. (Attachment I).
2. Adopt Resolution Number 2022-XX (Attachment II), which revises the pay ranges for CMPA.

3. Approve Fiscal Impact Analyses (Attachment III).
4. Authorize the City Manager and members of the City's Negotiation Team to execute the Side Letter of Agreement documents, and appropriate into the Police Department's Fiscal Year 2022-23 Adopted Budget.