AGENDA ITEM 6.05
June 2, 2009

TO: HONORABLE MAYOR and CITY COUNCIL

FROM: DIANNA R. GARCIA, Director of Human Resources

SUBJECT: LETTER OF AGREEMENT WITH STOCKTON POLICE MANAGEMENT ASSOCIATION

RECOMMENDATION

Adopt a resolution authorizing the City Manager to execute the Letter of Agreement between the City of Stockton and the Stockton Police Management Association in settlement of the pending grievance relating to interpretation of Appendix A of the Memorandum of Understanding.

SUMMARY

The City of Stockton, by and through its Employee Relations Officer, has met and conferred with representatives of the Stockton Police Management Association, the recognized employee organization representing the interests of the Police Lieutenants and Police Captains in the Stockton Police Department, for the purpose of reaching an agreement on budget reductions for the 2008-2009 and 2009-2010 Fiscal Years, including the interpretation of Appendix A of the MOU relating to the biennial salary survey.

On April 23, 2009, the members of Stockton Police Management Association ratified the contents of the tentative agreement and, in accordance with section 2-207.F of the Employer-Employee Relations Ordinance (Stockton Mun. Code §§ 2-200, et seq.), staff is presenting the written agreement to the City Council for its approval.

DISCUSSION

Background

On May 20, 2008, the City Council approved the 2008-2009 Annual Budget. Subsequent to the approval of the budget and in the light of critical declines in actual and anticipated revenue, all operating departments were asked to identify reasonable means by which their individual budgets could be reduced.

Since June 2008, the Stockton Police Management Association has been meeting with City management to identify methods by which it could assist the Stockton Police Department in reducing its current and future budgets. Concurrent with the discussion on budget reductions, the Stockton Police Officers Association and the Stockton Police Management Association were in negotiations with the City over the interpretation of Appendix A of the MOU. This appendix provided:
Effective July 1, 2007, July 1, 2008, and July 1, 2009, the Salary Schedule shall provide salary rates according to the following formula:

Salary adjustments effective July 1, 2007, July 1, 2008, and July 1, 2009, shall be equal to the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers U.S. City Average (CPI-W), for 12-month period preceding the May Index of each fiscal year. The salary adjustments shall be a minimum of two and one-half percent (2.5%) but not to exceed six percent (6.0%). (For example, CPI-W of nine percent (9.0%) would result in a six percent (6.0%) adjustment, and a CPI-W of two percent (2.0%) would result in a two and one-half (2.5%) adjustment.)

(App. A, MOU, Stockton Police Officers Association.)

On April 22, 2009, representatives of City management and the Stockton Police Management Association reached a tentative agreement relating to (1) cost saving measures for the current year and 2009-2010 fiscal year budgets and (2) final and full settlement of the Salary Survey grievance. In accordance with the Meyers-Millas-Brown Act (Gov. Code §§ 3500, et seq.) and the Employer-Employee Relations Ordinance adopted pursuant thereto, the substance of the agreement has been reduced to writing and is being presented to you for your final approval.

Present Situation

The Letter of Agreement attached hereto sets forth the understanding of the parties with respect to several cost-saving measures and is designed to settle the pending grievance relating to the 2008 Salary Survey. Specifically, the agreement provides for a 15% base pay increase retroactive to July 1, 2008. In return for the increase, the Stockton Police Management Association agrees that:

1. Each of its members will incur a 5.5% lump sum reduction equal to 114 hours of unpaid leave, which reduction will be deducted from the retroactive pay increase.

2. There will be no retroactive deferred compensation or Retiree Medical Trust contributions made from the retroactive pay.

3. SPMA will defer the 2.5% cost of living increase scheduled for July 1, 2009, and will not be eligible for another increase until June 30, 2010. The cost of living increase for July 1, 2010 will equal 2%.

4. Effective July 1, 2009, each member of SPMA will incur another pay reduction of 5.5% equal to 114 hours of unpaid leave. This reduction will occur over an equalized 12-month period beginning July 1, 2009 (i.e., 9.5 hours leave without pay each month), subject to the customary pro rated procedures.
5. There is no cash value for any furlough hours. Unused furlough hours are carried over from one fiscal year to the next.

6. The employer contribution paid by the City into the Retiree Medical Trust is suspended until July 1, 2010 and the pay out from the Retiree Medical Trust is deferred until 2013.

7. Effective July 1, 2009, the medical contribution paid by SPMA members will be increased to $100 per month for each member.

8. SPMA members shall be allowed to participate in the two years Public Employees Retirement System incentive ("Golden Handshake").

9. The furlough deduct on commencing July 1, 2009, will not be subject to income tax.

10. Insofar as practicable and without making any guarantees, the City agrees to facilitate a determination by CalPERS that there will be no reduction in the final compensation for SPMA members.

FINANCIAL IMPACT

Approval of the Letter of Agreement between the City of Stockton and the Stockton Police Management Association will initially cost the City approximately $183,000 for the negotiated increases to salary and benefits. However, the City will realize and approximate savings for $327,000, bringing a net savings of $144,000 through work furloughs and payroll related benefits reductions to the Police Department's budgets for Fiscal Years 2008-09 and 2009-10 combined.

Respectfully submitted,

DIANNA R. GARCIA
DIRECTOR OF HUMAN RESOURCES

APPROVED:

GORDON PALMER, JR.
CITY MANAGER

DRG:DMD
Resolution No. 

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE THE LETTER OF AGREEMENT BETWEEN THE CITY OF STOCKTON AND THE STOCKTON POLICE MANAGEMENT ASSOCIATION IN THE SETTLEMENT OF THE PENDING GRIEVANCE RELATING TO INTERPRETATION OF APPENDIX A OF THE MEMORANDUM OF UNDERSTANDING

The City of Stockton, by and through its Employee Relations Officer, has met and conferred with representatives of the Stockton Police Management Association, for the purpose of reaching an agreement on budget reductions for the 2008-2009 and 2009-2010 Fiscal Years.

The City of Stockton and the Stockton Police Management Association has prepared a tentative agreement setting forth the parties’ understanding with respect to the matters negotiated.

On April 23, 2009, the members of Stockton Police Management Association ratified the contents of the tentative agreement setting forth the parties agreement; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. That the Letter of Understanding between the City of Stockton and the Stockton Police Management Association, attached hereto as Exhibit “A” and made a part hereof by this reference, is hereby approved and adopted.

2. That the City Manager is hereby authorized and directed to execute the Letter of Understanding, on behalf of this legislative body in accordance with Government Code sections 3500, et seq.
3. That the City Manager and the Employee Relations Officer are authorized to take whatever actions are appropriate to carry out the purpose and intent of this resolution.

PASSED, APPROVED and ADOPTED _________________________.

ANN JOHNSTON
MAYOR OF THE CITY OF STOCKTON

ATTEST:

KATHERINE GONG MEISSNER
CITY CLERK OF THE CITY OF STOCKTON

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LETTER OF AGREEMENT
And
FINAL SETTLEMENT
Of The
GRIEVANCE REGARDING INTERPRETATION OF APPENDIX A
Contained In The
MEMORANDUM OF UNDERSTANDING
Between
THE CITY OF STOCKTON
And
STOCKTON POLICE MANAGEMENT ASSOCIATION

WHEREAS, the City of Stockton ("City") and the Stockton Police Management Association ("SPMA") are parties to a Memorandum of Understanding ("MOU") covering the period July 1, 2006 through June 30, 2010; and

WHEREAS, City and SPMA desire to settle the pending grievance regarding interpretation of Appendix A of the MOU; now, therefore:

The City and SPMA, after meeting and conferring in good faith, have reached the following full and final settlement of the pending grievance relating to interpretation of Appendix A of the MOU, without prejudice or precedent to either party's position:

1. Each member of SPMA shall receive a fifteen percent (15%) base pay increase, effective upon ratification and adoption by the City Council and retroactive to July 1, 2008.

2. SPMA agrees that the retroactive pay of each of its members shall be reduced by a lump sum deduction of five and one-half percent (5.5%) and an equivalent one hundred fourteen (114) hour leave without pay bank shall be established, effective consistent with the retroactive payment referenced in paragraph 1 (the "First Furlough Deduction").
3. SPMA agrees that there shall be no retroactive deferred compensation or Retiree Medical Trust contributions made on behalf of its members from the retroactive payment referenced in paragraph 1.

4. SPMA members shall forgo the two and one-half percent (2.5%) cost of living increase scheduled for July 1, 2009, and shall not be eligible for another cost of living increase until June 30, 2010, at which time SPMA members shall receive a base salary increase of two percent (2%). The increase in base salary shall be reflected in the pay period beginning July 1, 2010.

5. Effective July 1, 2009, SPMA agrees that each of its member’s pay shall be reduced by a new furlough deduction of five and one-half percent (5.5%) and an additional one hundred fourteen (114) hour leave without pay bank shall be established (the “Second Furlough Deduction”). The parties expressly agree that no additional or future furlough deductions or additional leave without pay are permitted under this agreement. The Second Furlough Deduction shall take the form of unpaid furlough hours, which shall be equalized over the 12-month period beginning July 1, 2009 (i.e., 9.5 hours leave without pay/month). Any member who separates from City service before the final Second Furlough Deduction is taken, and after having used furlough hours only from the Second Furlough Deduction leave bank shall have his or her final compensation reduced by the sum of the number of furlough hours the employee has actually used minus the number of furlough hours actually deducted from the employee’s pay warrants multiplied by the employee’s regular hourly rate of pay. Conversely, any employee who separates from City service, having suffered the Second Furlough Deductions in excess of the actual number of furlough hours the employee has used only from the Second Furlough Deduction leave bank shall have his or her final compensation credited by a like amount.
6. All furlough leave, which shall include the First and Second Furlough Deductions, shall be scheduled in advance with the employee’s supervisor.

7. SPMA agrees that all unused leave from the First and Second Furlough Deduction leave banks may be carried over from one fiscal year to the next. There shall be no cash value provided for any furlough leave hours, except as specifically provided for in paragraph 4 herein, and both parties shall ensure the leave is scheduled and used prior to date of separation.

8. Nothing herein shall modify the provisions of section 9.1—Vacation—of the MOU.

9. Effective July 1, 2009, the employer contribution paid by the City into the Retiree Medical Trust shall be suspended until July 1, 2010. The pay out from the Retiree Medical Trust shall be deferred one year, from 2012 to 2013.

10. Effective July 1, 2009, the medical contribution paid by members of SPMA pursuant to Section 14.1(b) of the MOU shall be increased to $100 per month for each member of SPMA.

11. The City represents and warrants, based on information provided by California Public Employees’ Retirement System (“CalPERS”) that the Furlough Deductions shall not reduce or otherwise adversely affect the SPMA member’s Final Compensation for retirement purposes under CalPERS. The City shall continue to report the SPMA member’s full-time pay rate as noted in the agreed upon salary schedule(s). SPMA has relied on the accuracy of this representation by the City with the City’s knowledge and consent. As an express condition of this Letter of Agreement and Final Settlement, should any SPMA member suffer a reduction or adverse affect in his or her Final Compensation for retirement purposes through CalPERS solely
as a result of the Furlough Deductions, the City, upon notification, shall thoroughly review and communicate the adverse affect to CalPERS on behalf of the SPMA member.

12. The City represents and warrants that the Second Furlough Deduction shall not be subject to income tax, payroll tax, or otherwise taxable to the employee. SPMA has relied on this representation by the City with the City’s knowledge and consent. As an express condition of this Letter of Agreement and Final Settlement, should any SPMA member be taxed on any furlough deduction amount, the City, upon notification, shall thoroughly review and make the appropriate correction.

13. With respect to paragraphs 11 and 12, insofar as practicable, the City agrees to take all necessary action to facilitate a determination by CalPERS that there will not be a reduction in SPMA members’ final compensation; however, the City makes no guarantee as to an affirmative determination by CalPERS. In the event of a negative determination by CalPERS, the parties agree to meet and confer regarding possible corrections or modifications to this agreement, including meeting and conferring over language changes, to avoid any reduction in Final Compensation for purposes of retirement benefits that do not result in any increased cost to the City as a result of implementation of paragraphs 11 and 12 hereof.

14. Notwithstanding the agreement to extend the payout for the Retiree Medical Trust as referenced in paragraph 9 hereof, nothing in this agreement modifies the term of the current MOU.

15. Upon approval by the City Council of the two years PERS retirement incentive ("Golden Handshake"), members of SPMA shall be permitted to participate to the extent allowed by law.
This Letter of Agreement shall become effective upon ratification by the affected membership of the Union and adopted by the Stockton City Council.

STOCKTON POLICE MANAGEMENT ASSOCIATION

By: CRIS TRULSSON
Its: President

By: JAMES E. PICKENS
Its: Vice President

CITY OF STOCKTON, a municipal corporation

By: J. GORDON PALMER, JR.
Its: City Manager

By: DIANNA R. GARCIA
Its: Employee Relations Officer and Director of Human Resources

APPROVED AS TO FORM:

MASTAGNI, HOLSTEDT, AMICK, MILLER, JOHNSAN & UHRHAMMER

By: DAVID E. MASTAGNI
Legal Counsel for SPMA

5.14.09

APPROVED AS TO FORM:

RICHARD E. NOSKY
CITY ATTORNEY

By: MICHON JOHNSON
Deputy City Attorney