CITY COUNCIL/REDEVELOPMENT AGENCY

AGENDA ITEM 6.16
June 29, 2010

TO: MAYOR and CITY COUNCIL

FROM: DIANNA R. GARCIA, Director of Human Resources

SUBJECT: AMENDMENTS TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF STOCKTON AND OPERATING ENGINEERS' LOCAL NO. 3 REPRESENTING THE TRADES AND MAINTENANCE UNIT FOR NEW WAGES, HOURS, AND OTHER TERMS AND CONDITIONS OF EMPLOYMENT

RECOMMENDATION

It is recommended that the City Council adopt and approve a resolution to make amendments to the Memorandum of Understanding (MOU) between the City of Stockton (City) and Operating Engineers' Local No. 3 (OE3) representing the Trades and Maintenance Unit for new wages, hours, and other terms and conditions of employment for term agreement July 1, 2010, through June 30, 2012 (Exhibit A). It is further recommended that the Resolution authorize the City Manager to take whatever actions are appropriate to carry out the purpose and intent of this resolution.

SUMMARY

The City and Operating Engineers' Local No. 3 representatives met and conferred in good faith and reached a tentative agreement for a successor collective bargaining agreement, and now seek the City Council's adoption and approval to make amendments to the Memorandum of Understanding for new wages, hours, and other terms and conditions of employment for term agreement July 1, 2010, through June 30, 2012.

DISCUSSION

Background

The collective bargaining agreement between the City and Operating Engineers' Local No. 3 expired June 30, 2008, and successor negotiations did occur in the same year. Due to the budget deficit and the implementation of the Voluntary Separation Program (VSP), discussions during negotiations were focused primarily on wage concessions and position eliminations. A tentative agreement was not reached, as the Union wanted to pursue an alternative to the VSP being offered that could have resulted in a higher attrition within the unit. However, after much discussion and financial analysis, a cost effective alternative could not be developed and negotiations ceased. Staff focused on position eliminations both in 2008 and 2009. Since there was no further obligation for salary increases or other enhancements, in the interim, the provisions of the MOU in

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(effect at that time continued, as required by law. The last salary increase received by members of OE3 was in July 2007. All other employees received salary increases for Fiscal Year 2008-2009, but either agreed to furloughs or pay reductions.

Present Situation

After obtaining the City Council’s bargaining parameters and expectations, the City’s Chief negotiator, Human Resources staff, and Operating Engineers’ Local No. 3 reconvened negotiations on June 9, 2010, and successfully reached a tentative agreement for a successor collective bargaining agreement. On June 17, 2010, the general membership assigned to the Trades and Maintenance Unit successfully ratified the new agreement.

A summary of the key amendments to the Memorandum of Understanding between the City and Operating Engineers’ Local No. 3, upon City Council’s adoption and approval, are as follows:

- **Term of Agreement** - July 1, 2010, through June 30, 2012

- **Wages** - No increase to salary ranges during the term of the Memorandum of Understanding except as noted below.

- **Furloughs** - Ninety-six (96) furlough hours for Fiscal Years 2010-2011 and 2011-2012

- **Health** - Adopt the Health Advisory Committee’s health plan recommendations as follows:

  Lifetime Maximum - $2.5 million;
  Annual Deductible - $200 per person and $500 per family; and
  Prescription Co-Pays - $3 generic/$25 brand name for a 30 day supply and $3 generic/$25 brand name for mail order up to a 90 day supply

- **Employee Health Contribution** - Effective July 1, 2010, employees contribute $100 for employee only, $175 for employee plus one, and $250 for employee plus family. Upon the expiration of furloughs, employees to contribute 20% of the annual applicable rate, as determined each year by the City’s actuary for employee, employee plus one, and employee plus family. Discussions to
continue on health plan cost savings restructure include moving all Operating Engineers’ Local No. 3 members to the Operating Engineers Health and Welfare Trust Fund medical plan.

- **Educational Incentive Pay, Special Drivers License Pay, Professional Growth/Longevity, Special Assignment Pay:** Effective July 1, 2010, the City will provide a flat dollar amount equal to the current applicable percentage amount for each represented classification.

- **Vacation** - Effective July 1, 2010, vacation sell back of no more than forty hours per fiscal year.

- **Sick Leave** - Effective July 1, 2010, no cash out of unused sick leave – 100% applied to PERS service credit.

- **For Employees Hired on or after July 1, 2010**
  
  a. **Retiree Health:** Employees shall receive retiree medical benefits through the Operating Engineers’ Local No. 3 VEBA (defined contribution) plan. City shall contribute 2% of base salary, and employee to contribute 3% of base salary.

  b. **Deferred Compensation/Salary:** Effective July 1, 2010, the City’s deferred contribution of 5.5% will be rolled into the base salary and the City no longer contributes to deferred compensation.

  c. **CalPERS:** Employees hired on or after July 1, 2010, and effective July 1, 2010, employees shall pay the 7% employer contribution. Employees hired on or after July 1, 2010 shall received the 2% at 60 CalPERS formula upon agreement by all the other miscellaneous labor units and also shall pay the 7.0% employee contribution.

- **For Employees Hired Prior to July 1, 2010**
  
  a. **Retiree Health:** Employees with 15 or more years of service as of July 1, 2010 shall continue to receive the City’s medical coverage as outlined in Section 14.4 of the labor agreement without an employee contribution. Employees who have 15 or more years of service on or before June 30,
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2012, and retire with PERS on or before June 30, 2012, shall continue to receive the City’s medical coverage as outlined in Section 14.4 without an employee contribution.

Employees hired prior to July 1, 2010 without 15 or more years of service as of July 1, 2010 or without 15 or more years of service on or before June 30, 2012, and retire with PERS on or before June 30, 2012, shall make a retiree contribution of $100 for employee only and $175 for employee plus one.

b. Deferred Compensation/Salary: Effective July 1, 2010, the City’s deferred contribution of 5.5% will be rolled into the base salary and the City no longer contributes to deferred compensation.

c. CalPERS: Employees hired prior to July 1, 2010 and effective July 1, 2010, employees shall pay 5.5% of the employer contribution to PERS. Upon agreement by the other miscellaneous bargaining Units to contribute more than 5.5% to PERS, employees in the bargaining unit shall pay the same percentage up to a maximum of 7%.

FINANCIAL SUMMARY

The proposed amendments to the Memorandum of Understanding is expected to save a total of $925,193 for all funds, of which $225,411 represents General Fund savings, savings amounts are for Fiscal Year 2010-2011.

Respectfully submitted,

DIANNA R. GARCIA
DIRECTOR OF HUMAN RESOURCES

APPROVED:

KEVIN O’ROURKE
INTERIM CITY MANAGER

DRG:DS:sa

Attachment: Exhibit “A”
RESOLUTION AUTHORIZING THE CITY MANAGER TO ADOPT AND APPROVE AMENDMENTS TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF STOCKTON AND OPERATING ENGINEERS' LOCAL NO. 3 REPRESENTING THE TRADES AND MAINTENANCE UNIT FOR NEW WAGES, HOURS, AND OTHER TERMS AND CONDITIONS OF EMPLOYMENT FOR TERM AGREEMENT JULY 1, 2010, THROUGH JUNE 30, 2012

The Director of Human Resources, in her capacity as the Employee Relations Officer, along with the negotiating team, met with officials of the Operating Engineers' Local No. 3 representing the Trades and Maintenance Unit and reached a tentative agreement. The employee unit ratified the agreement on June 17, 2010 by a majority vote of the members; now, therefore,

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

1. That the City Manager approve and adopt the amendments to the Memorandum of Understanding between the City of Stockton and Operating Engineers' Local No. 3 representing the Trades and Maintenance Unit for new wages, hours, and other terms and conditions of employment.

2. That the City Manager is hereby authorized and directed to execute the Term of the Agreement of the Memorandum of Understanding, to be effective July 1, 2010 through June 30, 2012.

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

CITY ATTY REVIEW DATE
June 23, 2010