

**Council Meeting: August 11, 2009**

SUBJECT: Modification of Memoranda of Understanding: Communication Officers Association and Service Employees International Union, Local 521

REPORT IN BRIEF

Tentative agreement has been reached between the City of Sunnyvale and the following association/union: Communication Officers Association (COA) and Service Employees International Union, Local 521 (SEIU) related to modifications to the Memorandum of Understanding (MOU) for each bargaining unit. Recognizing that the City is experiencing a significant budget shortfall, the City requested assistance from its employees to resolve this shortfall. Both COA and SEIU have agreed to defer previously agreed to salary increases. This report recommends adopting modifications to the MOUs in order to document the agreements between the parties.

BACKGROUND

Although the FY 2008/2009 Adopted Budget forecast that a downturn in the economic cycle would occur near the end of calendar year 2008, and slow growth or some contraction was anticipated over the next several years, it became clear that the economic situation began declining earlier and was much worse than originally anticipated. Therefore, in preparing the FY 2009/2010 Recommended Budget three strategies were included for bringing the General Fund Long-Term Financial Plan back into balance and sustaining long term financial stability. One of the strategies of the plan was to address personnel costs, which account for 86% of the General Fund operating budget.

As previously notified on July 28, 2009 (RTC 09-203), representatives for the City and representatives for COA and SEIU met to discuss how to best address the budget shortfall, and what would be in the best interest of both parties. Tentative agreement was reached with COA and SEIU; however, ratification of the tentative agreements by each membership was pending at the time of the July 28, 2009 report to council. The City has been notified that each bargaining unit's general membership ratified the proposed modifications to the existing agreements to defer previously agreed upon salary increases for a period of one year.

EXISTING POLICY

7.3 Legislative Management Sub-Element. Goal 7.3D: Maintain a quality workforce, 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. Policy 7.3D.1: Maintain a recruitment and selection process that ensures a highly competent workforce. Action Statement 7.3D.1a: Maintain a competitive pay and benefit package for employees.

DISCUSSION

Communication Officers Association

The proposed modifications to the MOU with COA are included in Attachment A. Most significantly, the implementation of the 2010 salary survey shall be deferred until February 2011, and the contract extended two years through December 31, 2012.

Service Employees International Union, Local 521

The proposed modifications to the MOU with SEIU are included in Attachment B to this report. Most significantly, the 2% general wage increase scheduled for the first pay period of January 2010 will be deferred until the first pay period of January 2011. The 2% general wage increase scheduled for the first pay period in October 2010 will be deferred until the first pay period in October 2011. All references to the salary survey in Section 19.4(f)(ii, iii) of the MOU shall be eliminated. These deferrals are subject to the other provisions as described in Attachment B.

No other changes to either MOU are proposed other than those included in Attachments A and B.

These changes are consistent with those recently adopted for the Public Safety Officers Association (PSOA) and the Sunnyvale Employees Association (SEA).

FISCAL IMPACT

The fiscal impact of the modifications to the MOUs will vary by bargaining unit.

With regard to COA, deferring any increase related to the 2010 salary survey until 2011 is expected to result in a one-time savings to the City of approximately \$110,400 by recognizing the "zero" year one year earlier than currently budgeted. Because the 2010 and 2011 surveys will be implemented together in 2011, failure to achieve this estimated one-time savings will only occur if the aggregate salary increases resulting from the 2010, 2011, and 2012 surveys are higher than the increases that are currently budgeted for those years. If this occurs, any savings achieved in FY 2009/2010 could be

negated and potentially cost the City more over the long-term. Survey results that call for increases lower than what is currently budgeted will increase cost savings. At this time, it is believed that given the current economic environment, the City will at a minimum achieve the one-time \$110,400 in savings.

For SEIU, the proposed salary increase deferrals will save the City approximately \$23,000 in FY 2009/2010 and approximately \$171,500 over the life of the existing contract in comparison to what is currently budgeted. This \$171,500 in savings is the result of SEIU agreeing to take no salary increase in the current fiscal year, as opposed to taking no salary increase at the end of the existing contract, which is what is currently budgeted. Further, if the assumptions incorporated into the adopted budget regarding future salary increases hold once the current contract expires, the total savings to the City over 20 years is approximately \$665,750.

The total savings to the City as a result of these deferrals and the ones previously adopted is approximately \$2.6 million in FY 2009/2010 and approximately \$23.8 million over the 20-year planning period. This includes an estimated savings to the General Fund of \$2.3 million in FY 2009/2010 and \$16.3 million over the 20-year planning period. It is important to note that these savings are in addition to the personnel cost savings that were incorporated into the adopted FY 2009/2010 Budget, which included a "zero" year at the end of existing contracts and resetting salary increase assumptions in future years to ensure the City stays within its means.

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 Web site.

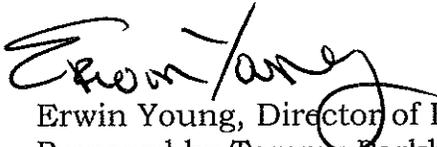
ALTERNATIVES

1. Adopt the modification/supplement to the Memoranda of Understanding with the Communication Officers Association and Service Employees International Union, Local 521.
2. Do not adopt the modification/supplement to the Memoranda of Understanding with SEA and/or SEIU and notify the association/union of the City Council's desire to continue further discussions.

RECOMMENDATION

Staff recommends adoption of Alternative #1: Adopt the modification/supplement to the Memoranda of Understanding with the Communication Officers Association and Service Employees International Union, Local 521.

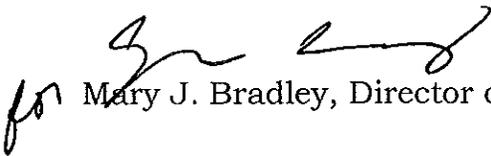
Reviewed by:



Erwin Young, Director of Human Resources

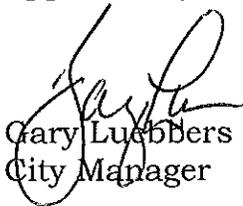
Prepared by Tammy Parkhurst, Senior Management Analyst

Reviewed by:



Mary J. Bradley, Director of Finance

Approved by:



Gary Luebbers
City Manager

Attachments

- A. Supplement to the Memorandum of Understanding between the City of Sunnyvale and the Communication Officers Association
- B. Modification to the Memorandum of Understanding between the City of Sunnyvale and Service Employees International Union, Local 521

COMMUNICATION

SUPPLEMENT TO MEMORANDUM OF UNDERSTANDING

Whereas, the current Memorandum of Understanding between the City of Sunnyvale and the Sunnyvale Communications Officers Association has a term from March 20, 2007 – December 31, 2010, and

Whereas, due to a significant budget shortfall, the City and the Association have agreed it is in the best interest of both parties to extend the term of the Memorandum of Understanding and to delay the upcoming salary adjustment for a period of one year.

Therefore, it is agreed as follows:

1. The 2010 salary survey as described in Article 16 shall be conducted but implementation (as described in Article 16.6) will be deferred until February 2011.
2. The 2011 and 2012 salary survey will occur per the normal methodology outlined in Article 16.6.
3. The term of the contract shall be extended to expire December 31, 2012.
4. This supplement is subject to approval of the City Council and ratification by the Association membership.

Sunnyvale Communications Officers Association

City of Sunnyvale

Date: _____

Date: _____

**MODIFICATION TO MEMORANDUM OF
UNDERSTANDING BETWEEN THE
CITY OF SUNNYVALE
AND THE
Service Employees International Union Local 521**

The City of Sunnyvale (the City) is experiencing a significant budget shortfall and has requested assistance from its employees to resolve this shortfall by deferring previously agreed to salary increases. Service Employees International Union Local 521 has agreed to grant this request. Accordingly, the City of Sunnyvale and Service Employees International Union Local 521 hereby agrees to modify the Memorandum of Understanding (MOU) scheduled to expire on June 30, 2012 with the terms and conditions described below:

1. Items in the MOU that are cyclical from year to year or for the entire term of the MOU, including but not limited to annual leave accruals and annual increases to the City's contribution to the medical/cafeteria plan, shall be continued during the term of the extension.
2. The 2% general wage increase scheduled for the first pay period of January 2010 will be deferred until the first pay period ^{of January 2011}. The 2% general wage increase scheduled for the first pay period in October 1, 2010 will be deferred until the first pay period in October 2011. All references to the salary survey in Section 19.4 (f)(ii, iii) shall be eliminated. The City agrees to provide the data developed in Section 19.5 to SEIU at least 90 days prior to the expiration of the MOU. The survey data will include any scheduled wage and benefit adjustments from the agreed upon comparative cities, up to and including July 1, 2012.

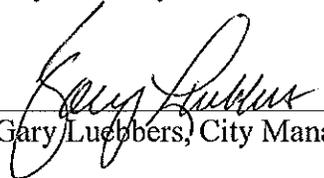
These deferrals are subject to the provisions in Paragraphs 3, 4 and 5 below.

3. The City and SEIU will jointly review the City's financial condition by the last day of the following months: December 2009, June 2010, December 2010, June 2011 and December 2011, to determine if the deferral period can be reduced or eliminated. The analysis will include, but not be limited to, a review of actual revenue receipts and CalPERS rate increases.
4. If any other employee or elected official in the City of Sunnyvale, including the Directors, City Attorney, City Manager, or any other member of the Executive Leadership team or any unrepresented employee, receives an unscheduled (as of June 1, 2009) raise, bonus, one time lump sum payment or any other increase in a monetary benefit (such as a car allowance or mortgage allowance or any retroactive pay for any of the before mentioned monetary increases) during the term of this Extension Agreement (through June 30, 2012), without also having received a one year wage deferral, the deferrals set forth in Paragraph 3 shall be terminated immediately. Any SEIU raise that has been deferred shall be granted effective the date the other raise, bonus, one time lump sum payment or other increase in a monetary benefit becomes effective. It is mutually understood and agreed that the outstanding labor agreements for only the Sunnyvale

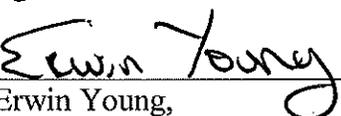
Managers Association and the newly formed Public Safety Managers Association are excluded from this paragraph, as are any increases that result from regularly scheduled merit reviews and any increases that are made to recreation casual/temporary classifications.

5. The City and SEIU will continue to explore permissible ways of allowing bargaining unit members who had planned on retiring before June 30, 2012 to receive the full retirement benefit of the previously scheduled raises. Any plan that is offered to another bargaining unit for this purpose shall be offered to SEIU under the same conditions and under the same timelines.
6. If any other bargaining unit refuses to extend their MOU and defer their scheduled raises as requested by the City, SEIU reserves the right to terminate this modified Agreement.
7. All other terms of the July 1, 2008 through June 30, 2012 MOU between the City and SEIU shall remain the same.

City of Sunnyvale

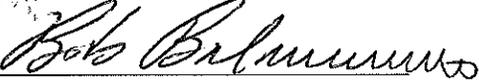


Gary Luebbers, City Manager



Erwin Young,
Director of Human Resources

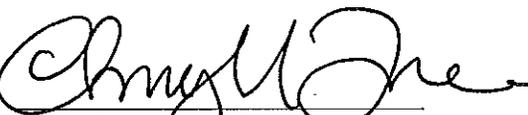
Service Employees International Union
Local 521



Bob Balmanno, SEIU



Deborah Cordova, SEIU



Chrystine Lawson,
SEIU Work Site Organizer