

City of Culver City, California
Agenda Item Report

Meeting Date: 12/12/2011		Item Number: <u>C-8</u>	
CITY COUNCIL AGENDA ITEM: Adoption of Resolutions (1A) Approving Side Letters of Agreement with the Culver City Employees Association and the Culver City Management Group (1B) Amending the Culver City Executive Compensation Plan; and (2) Rescinding <u>Resolution Nos. 2011-041, 2011-056 and 2011-070</u>			
Contact Person/Dept.: Serena Wright		Phone Number: 310-253-5640	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Dates:			
Public Notification: (E-Mail) Agenda and Meetings – City Council (12/08/11); Culver City Employees Association (12/xx/2011); Culver City Management Group (12/08/2011)			
Department Approval: Serena Wright (12/08/11)		City Attorney Approval: Carol Schwab (by H. Baker) (12/08/11)	
Chief Financial Officer Approval: Jeff Muir (12/08/11)		City Manager Approval: John M. Nachbar (12/08/11)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council adopt resolutions (1A) approving side letters of agreement with the Culver City Employees Association and the Culver City Management Group (1B) amending the Culver City Executive Compensation Plan; and (2) Rescinding <u>Resolution Nos. 2011-041, 2011-056 and 2011-070</u>. <u>BACKGROUND:</u> The City Council recently approved and adopted successor Memoranda of Understanding (MOU) with the Culver City Employees Association (CCEA) and the Culver City Management Group (CCMG). In addition, the City Council formally approved carving out the Culver City Executive Management employees from CCMG and subsequently adopted a compensation plan outlining the wages, hours, terms and conditions of employment for this new unrepresented group. <u>DISCUSSION:</u> The adopted CCEA MOU contains a “Me Too” clause which provides that if another recognized Culver City bargaining unit receives an improved benefit in the areas of			

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retiree medical and/or required PERS employee paid member contributions that CCEA would be eligible to receive an equivalent benefit. Negotiations with the City's safety groups have resulted in adjustments being made in those areas. Therefore, side letter agreements have been prepared which provide commensurate benefits to fully satisfy the "Me Too" clause.

A summary of the proposed changes, as specified in the attached side letters of agreement, include:

- Increasing the Cafeteria Plan allowance by \$50;
- Deferring the final 3% (of the 8%) PERS employee paid member contribution until 2013;
- Providing 2% special compensation; and
- Implementing a "Grandfather Clause" that will provide long tenured employees with an unmodified retiree medical benefit

In order to maintain an equitable salary and compensation plan, these modifications are also being proposed for CCMG and the Executive Management employees.

FISCAL ANALYSIS:

The cost of increasing the Cafeteria Plan allowance by \$50 per month is approximately \$150,000 per year over the original agreements. Under the original agreements, the estimated long-term savings from the employees in these groups picking up their full share of the employee contribution to PERS was approximately \$1.1 million. The revised long-term savings, accounting for the 2% compensation increase, is approximately \$650,000 per year. Overall, the long-term estimated savings related to current employees paying contributions towards their retirement for all bargaining groups is approximately \$1.5 million per year.

It is difficult to estimate the exact cost increase for providing the grandfather clause for retiree medical benefits. During Fiscal Year 2011/2012 the City engaged an actuary to complete a valuation of the City's total liability for the existing retiree medical benefit. Because the City is not currently doing any pre-funding of this benefit, the liability for all current retirees and employees was calculated at over \$200 million, with a required annual contribution of over \$11 million. Based on current estimates, retiree medical benefit changes negotiated in the MOU's reduce the liability and required annual contribution amount by 20%. During the spring, a new actuarial report will be completed to recalculate the City's total liability.

ATTACHMENTS:

1. Resolution amending the Culver City Employees Association Memorandum of Understanding with Exhibit A (the side letter of agreement)

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2. Resolution amending the Culver City Management Group Memorandum of Understanding with Exhibit A (the side letter of agreement)
3. Resolution amending the Culver City Executive Compensation Plan with Exhibit A

MOTION:

That the City Council:

Adopt Resolutions (1a) approving Side Letters of Agreement with the Culver City Employees Association and the Culver City Management Group (1b) Amending the Culver City Executive Compensation Plan; and (2) rescinding Resolution Nos. 2011-041, 2011-056 and 2011-070.