City of Culver City, California

Agenda Item Report

Meeting Date: 11/07/2011	Item Number: C-2
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving a Three (3) Year Memorandum of Understanding with the Culver City Police Officers Association for the Period of July 1, 2011 through June 30, 2014	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X] Attachments: [X]	
Commission Action Required: Yes [] No [X] Dates:	
Public Notification: (E-Mail) Agenda and Meetings – City Council (11/03/11); Culver City Police Officers Association (11/03/2011)	
Department Approval: Serena Wright (11/01/11)	City Attorney Approval: Carol A. Schwab (by H. Baker) (11/03/11)
Chief Financial Officer Approval: Jeff Muir (11/02/11)	City Manager Approval: John M. Nachbar (11/03/11)

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution approving a three (3) year Memorandum of Understanding (MOU) with the Culver City Police Officers Association for the period of July 1, 2011 through June 30, 2014.

BACKGROUND:

The previous Memorandum of Understanding (MOU) with the Culver City Police Officers Association (CCPOA) expired on June 30, 2011. After eight (8) months of negotiation discussions, the City and CCPOA have reached an agreement resulting in a three (3) year contract.

DISCUSSION:

The MOU that is being presented to the City Council for consideration and adoption achieve a number of organizational goals and sets the City on a sustainable path in controlling its future personnel costs. Some key elements include:

- Implementing a second retirement tier for new hires
- Eliminating the City's pick-up of the CalPERS employee contribution rate
- Continuing a Cafeteria Plan for active employee health benefits
- Modifying retiree medical for active employees and new hires

The specific essential changes to the MOU are as follows:

Term

1. The term of the contract is for three (3) years.

Pension

2. The City will create a second tier for all new employees that are hired after approval of the California Public Employees' Retirement System contract amendment. These employees will participate in the CalPERS 3% @ 55 pension plan and shall be required to pay the entire 9% CalPERS employee contribution rate. Final pension compensation shall be based on the highest average full-time monthly pay rate for a 3-year period.

3. Effective January 1, 2012 all employees shall be responsible for payment of the entire 9% CalPERS employee contribution rate.

POST Certificate Pay

4. Effective January 1, 2012 employees hired prior to the adoption of the MOU shall be eligible to receive a 9% POST certificate increase. This is achieved by shifting 6% of the Salary Initiative Ordinance increases into POST and providing 3% in lieu of participating in EPMC. 4% of the 9% POST certificate increase shall be reduced commensurate to future Salary Initiative Ordinance increases. New employees will not be eligible for these POST increases.

Active Employee Health Benefits

5. Effective January 1, 2012, all unit employees shall continue participation in the CalPERS cafeteria plan for health benefits including medical, dental, vision and/or life insurance. The monthly allowance shall be:

Single party:	$	642.00
Two-party:	$	1,103.00
Family Coverage:	$	1,370.00

This includes the contribution set forth by the California Public Employees' Medical and Hospital Care Act (PEMHCA) under Government Code 22892. The statutory minimum amount for 2012 is $112.00 per month per employee and increases annually based on the medical component of the Consumer Price Index - Urban. Effective January 1, 2012, and each year thereafter, the monthly allowances shall be adjusted by the average premium increase for the plans offered by CalPERS, but the increase shall not exceed 4% annually.

Retiree Medical

6. Upon implementation, employees hired after July 1, 2011 shall receive the statutory PEMHCA minimum towards retiree medical benefits. In addition, employees will be required to participate in a retiree health savings plan in which the City shall match the first $25 per pay period.

   Employees hired prior to July 1, 2011, with a minimum of five (5) years City service, shall be eligible to receive up to $500.65 per month based on plan enrollment towards retiree medical benefits for the retiree only and an additional $437 per month for pre-65 spousal or dependent coverage subject to vesting. Effective January 1, 2012, and each year thereafter, the monthly allowances shall be adjusted by the average premium increase for the plans offered by CalPERS, but the increase shall not exceed 4% annually.

   Employees hired prior to July 1, 2011 that retire with twenty (20) or more years of City service and also carry more than one (1) dependent at the time of retirement shall also be eligible to receive a $300 monthly stipend towards their retiree medical premium until the additional dependent(s) are no longer eligible to be carried.

Miscellaneous

7. Increase compensatory time bank maximum accruals from 180 hours to 240 hours.

8. Amendments in various places of the MOU have been made for administrative ease and/or clarification.

FISCAL ANALYSIS:

There will not be an immediate savings realized with the creation of a second retirement tier. However, in the long-term the lower benefit formula will result in a reduction in the employer contribution rates as turnover in the workforce occurs.

Savings from POA employees picking up the employee contribution to CalPERS will phase in over the course of the next three years. By the end of the contract, the estimated savings to the General Fund are over $400,000 per year. This savings will increase over time as more turnover takes place.

Implementing a cafeteria plan for benefits is not expected to result in significant savings in 2012. However, by converting to a specific dollar allowance and implementing a 4% annual cap on future growth, the City has achieved more budgetary certainty in these costs moving forward. To the extent that the medical premiums from CalPERS rise by more than 4% in any given year, the City will experience on-going savings.

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%. At the completion of negotiations with all of the groups, a new actuarial report will be completed to recalculate the City's total liability.

ATTACHMENTS:

1. Resolution with Master Memorandum of Understanding

MOTION:

That the City Council:

Adopt the Resolution approving a three (3) year Memorandum of Understanding between the City and the Culver City Police Officers Association for the period of July 1, 2011 through June 30, 2014.