

# 2012 TENTATIVE LABOR AGREEMENTS

City Council Meeting – July 17, 2012





# TENTATIVE AGREEMENTS

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## Overview

- ✓ Reached Tentative Agreements with all six of its employee labor unions on new collective bargaining agreements.
- ✓ Proposed two-year contracts are effective retroactively to July 1, 2012 and continue through June 30, 2014.
- ✓ Focus during the negotiations was on continued pension reform paired with concessions that improve the City's 5-year financial forecast; yet balanced with the need to maintain the City's ability to attract and retain.
- ✓ Based on the February 2012 5-Year Forecast, the City will generate **\$1.6 million in savings** over the two years including an estimated \$400,000 in permanent, ongoing annual savings from pension reform.
- ✓ Elimination of the City paying the remaining portion Employee Paid Member Contribution component of the employee's pension.



# 2012-2014 TENTATIVE AGREEMENTS

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## **PENSION REFORM -- Elimination of EPMC**

- ✓ 100% shift of Employer Paid Member Contribution to Employees.
  - ✓ July 1, 2012 - All employees, current and new, will be responsible for paying 100% of employee pension contributions. This represents an additional shift of 7% for Safety employees and 5% for Miscellaneous employees. With the 2% that was shifted in the last two year contract, the total employee contributions actually paid by employees will be 9% and 7%, respectively, for Safety and Miscellaneous employees.
  - ✓ July 1, 2012 - Safety employees will receive a 5.25% salary adjustment as partial compensation for the shift. Miscellaneous employees will receive a 3.00% adjustment. There was no salary adjustment for the 2% that was shifted during the previous two years.
- ✓ Employees will pay 100% of employee portion of PERS pension moving forward.
- ✓ Elimination of the City reporting the value of EPMC as compensation to PERS effective July 1, 2012.



# 2012-2014 TENTATIVE AGREEMENTS

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## **COLA and Elimination of Furloughs**

- ✓ July 1, 2013 - 1.50% cost of living adjustment for all employees; first COLA increase since 2008; 0.5% less than what is reflected in the 5-Year Forecast.
- ✓ Elimination of unpaid furloughs which results in increased service levels to the community and additional hours of service available for the public over the next two years.
- ✓ Ends three consecutive years of historical furloughs and their corresponding reduction in service levels to the community.

# PENSION REFORM AND OPEB





# PENSION REFORM – ACTIONS TO DATE

PERS Pension Components	Status	Current Employees	New Employees
<b>Final Pay Calculation</b> Use an employee’s average salary over a 36-month period rather than a 12-month period to calculate an employee’s pension	✓	12 consecutive highest months <b>VESTED</b> Can’t be changed - State Law	3 Year Average <b>COMPLETED</b> EFFECTIVE 9/25/2011 PERS Contract Change
<b>Shifting Employer Paid Member Contribution (EPMC)</b> Full Shifting the employer paid member contribution (EPMC) back to employees	✓	100% shift to Employees <b>COMPLETED</b> EFFECTIVE 7/1/2012	100% shift to Employees <b>COMPLETED</b> EFFECTIVE 7/1/2012
<b>Reporting EPMC as Compensation</b> Ending the practice of reporting the value of the EPMC to CalPERS to calculate an employee’s pension	✓	Eliminated Reporting <b>COMPLETED</b> EFFECTIVE 7/1/2012	Eliminated Reporting <b>COMPLETED</b> EFFECTIVE 7/1/2012
<b>Benefit Cap on Final Benefits</b> Placing a cap on the pension benefit a Miscellaneous employee can receive.	✓	No cap <b>VESTED</b> Can’t be changed - State Law	90% cap for Safety (State law) 100% cap for Miscellaneous <b>COMPLETED</b> EFFECTIVE 9/15/10 PERS Resolution Change
<b>Lower Benefit Formula</b> Lower the benefit formula for new employees by creating a 2 <sup>nd</sup> Tier	<b>Not At This Time</b>	2% @ 55 = Misc 3% @ 55 = Safety <b>VESTED</b> Can’t be changed - State Law	2% @ 55 = Misc 3% @ 55 = Safety <b>REVIEW IN 2014; Can’t legally change until September 2014; 3 year window</b>



# FORMULA CHANGES – MARKET STATUS

MISCELLANEOUS		MISCELLANEOUS		SAFETY		SAFETY	
2009		2012		2009		2012	
3% @ 60 Santa Rosa		3% @ 60		3% @ 50 Concord		3% @ 50 Concord	
2.7% @ 55 Fairfield Napa Rohnert Park San Rafael		2.7% @ 55		Fairfield Napa Petaluma Pleasant Hill Rohnert Park San Rafael		Fairfield Petaluma Pleasant Hill	
2.5% @ 55 Concord Larkspur Mill Valley Sausalito		2.5% @ 55 Fairfield Sausalito Santa Rosa		Santa Rosa			
2% @ 55 Belvedere <b>Novato</b> Petaluma Pleasant Hill		2% @ 55 Belvedere Concord Larkspur <b>Novato</b> Mill Valley Petaluma Rohnert Park San Rafael		3% @ 55 Larkspur Mill Valley <b>Novato</b> Sausalito Twin Cities		3% @ 55 Larkspur Mill Valley Napa <b>Novato</b> Rohnert Park San Rafael Santa Rosa Sausalito Twin Cities	
2% @ 60		2% @ 60 Napa Pleasant Hill		2% @ 50 Belvedere		2% @ 50 Belvedere	



# BENEFIT FORMULA – LIMITED SAVINGS

**Creating 2<sup>nd</sup> Tier Benefit Formula – Misc = 2% @ 60 and Safety = 2% @ 50**

<b>MISCELLANEOUS</b>	<b>% Savings</b>	<b>\$ Savings</b>
Savings of lower formula 2@60:	1.2%	Year 1=\$2K Year 10=\$22K
<b>SAFETY</b>	<b>% Savings</b>	<b>\$ Savings</b>
Savings of lower formula 2@50:	0.8%	Year 1=\$5K Year 1=\$50K

Lower Benefit Formula would generate \$72,000 in 10 Year after 50% turnover by employees.





# OTHER POST EMPLOYMENT BENEFITS (OPEB)

**As of June 2011**

Jurisdiction	Unfunded Liability (GASB 45)
Marin County	\$359.9 million
San Rafael	\$46.1 million
Marin Municipal Water District	\$33.0 million
Mill Valley	\$20.3 million
Larkspur	\$7.5 million
Sausalito	\$6.6 million
Novato Sanitary District	\$5.5 million
North Marin Water District	\$3.5 million
Novato Fire Protection District	\$2.8 million
Fairfax	\$2.3 million
Tiburon	\$2.1 million
San Anselmo	\$1.9 million
<b><u>Novato</u></b>	<b><u>\$1.8 million</u></b>
Ross	\$1.5 million
Corte Madera	\$1.4 million
Belvedere	\$374,116

# CLOSING

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Novato has been fiscally conservative compared to most other California local agencies

- Lower base salary and total compensation for current employees when compared to surrounding agencies
- Never gave highest pension benefits
- Never gave rich post employment benefits
- New employees now have lower pension benefits
- Reduced its workforce by 22% from 232 employees in FY 07/08 to 182 employees in FY 11/12. With these reductions, employees have taken on more responsibility and yet continue to look for improvements to the efficiency and effectiveness of the City's operation.

As a PERS agency, there are limitations to what Council can do with pension reform.

- Novato has done all that it can legally do for pension reform at this time
- Statewide legislative solutions would be ideal so the rules are the same for everyone

Novato has significantly reduced its structural deficit in the last 3 years and starting in August the Council will be continuing their Fiscal Sustainability discussions and decisions

# CONCLUSION

Council Questions

Public Comment

Council Comments

Council Action on Tentative Agreements

