



# Administrative Report

N.6., File # 19-0318

Meeting Date: 10/1/2019

**To:** MAYOR AND CITY COUNCIL

**From:** DIANE STRICKFADEN, DIRECTOR OF HUMAN RESOURCES

## **TITLE**

DISCUSSION AND POSSIBLE ACTION TO CONSIDER UNILATERAL IMPLEMENTATION OF THE CITY'S LAST, BEST, AND FINAL OFFER TO THE REDONDO BEACH FIREFIGHTERS' ASSOCIATION

RECEIVE PUBLIC INPUT AND CONSIDER ADOPTING BY TITLE ONLY RESOLUTION NO. CC-1910-074 OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, IMPOSING THE LAST, BEST AND FINAL OFFER TO THE REDONDO BEACH FIREFIGHTERS' ASSOCIATION IN ACCORDANCE WITH GOVERNMENT CODE 3505.7.

## **EXECUTIVE SUMMARY**

For over a year, the City's labor negotiations team has bargained in good faith with the Redondo Beach Firefighters' Association (RBFA), pursuant to direction by the Mayor and City Council, to establish a successor Memorandum of Understanding (MOU) regarding the terms and conditions of employment. The City and RBFA met 14 times between April 2018 and June 2019. On June 11, 2019, the City issued its Last, Best and Final Offer to the Redondo Beach Firefighters' Association, along with a declaration of impasse, which means that the parties were unable to reach an agreement through further negotiations. Specifically, the parties reached impasse regarding the City's proposal to reform overtime pay practices in accordance with the federal Fair Labor Standards Act (FLSA).

Throughout these negotiations, the City proposed to pay overtime "time-and-a-half" based on the FLSA "hours worked" standard. The City utilized the "hours worked" standard for decades prior to agreeing to shift away from the "hours worked" standard in July 2006 - resulting in significant additional overtime costs to the City. Since July 2006, the City's existing practice has been to provide time-and-a-half pay, even in cases where an employee has not worked a full schedule during the work period. What this means is that the existing practice allows for time and a half pay, when an employee is on paid time off, whether due to vacation, sick or other leave.

The City's relationships with its bargaining units are governed by Government Code 3500, et seq, which is also known as the Meyers Milius Brown Act (MMBA). In accordance with the MMBA, after impasse was declared, the RBFA requested factfinding which was conducted on August 6, 2019. The City received the factfinding report on September 3, 2019, and per the MMBA posted it on the City's website on September 9, 2019. This report provides an opportunity for the public to be heard and comment on the impasse, and the City Council to determine whether it wishes to proceed with

implementation of the City's Last, Best and Final Offer.

Attached for Council review is a copy of the City's Last, Best and Final Offer, which is Exhibit "A" to the attached Resolution. Implementation of the Last, Best and Final Offer (LBFO) will provide unit employees with all the continuing terms and conditions of employment as in the existing MOU, with the exception of the following:

**Term:** The LBFO terms will be effective October 1, 2019.

**Salary:** RBFA employees will receive a 2% Base Salary increase, effective upon implementation of the terms and conditions.

**Holiday Pay:** The City agrees to restructure the process for holiday time, to be cashed out in the year it is accrued, beginning January 1, 2020.

**FLSA Overtime Language:** Paid leave time shall not count as hours worked when calculating overtime pay, only hours actually worked shall count toward the overtime threshold, effective upon implementation of the terms and conditions. (This restores the MOU language that was in effect prior to the modification in July 2006).

RBFA includes 52 active members and represents Firefighters, Firefighter/Paramedics, Fire Engineers and Fire Captains, Boat Captains and Harbor Patrol Officers.

## **BACKGROUND**

### **City Fiscal Health**

For the past several years, the City has faced ongoing increases to costs, while simultaneously experiencing revenues that are either flat, or not keeping up with projected expenditures. Specifically, the City has seen marked increases to its unfunded pension liability, especially with the public safety pension plans. Public safety pension liability is expected to increase approximately \$1 million each year for the next five years. Up until now, the City has borne these increased costs by making reductions in various areas, including eliminating several vacant positions, changing liability insurance pools and changing City health insurance programs. The City has not reduced RBFA pay or benefits during this time of increasing employer PERS costs; in fact, the previous RBFA MOU provided a 2% base salary increase for all members effective December 10, 2016, and a 6% base salary increase on July 1, 2017 (which was offset by an equivalent increase to retirement contributions for Tier I and II "classic" members).

### **Overtime Practices/Effect on Salaries and Benefits**

With employee pay and benefits being the largest portion of an organizations' expenditures, the City routinely conducts a holistic review of its MOUs as part of its fiduciary duty. During this review, the process for when and how overtime is paid was evaluated, as the City paid \$3,349,927 in actual

expenditures in FY 2018-2019 for Fire Department overtime.

There are several factors driving the earning and payment of overtime. A large portion (estimated at \$2 million in 2018) of the City's overtime payments are mandatory, in order to maintain minimum staffing levels and fill in for employee leaves or vacancies. The City also paid overtime (and was reimbursed) for wildfire mutual aid and support for special events. Additionally, a significant portion of overtime (estimated to be approximately \$1 million per year, or one third) is paid due to negotiated MOU provisions that allow firefighters to earn time and a half pay, even if they take time off and haven't worked a full work week. This is the type of overtime that has been proposed for reform during labor negotiations.

Specifically, the City proposed to remove a sentence in the RBFA MOU, as quoted below (proposed changes in bold and strikethrough):

"Employees shall be paid overtime pay for all hours **actually** worked above 182 hours in a 24-day work period under the 48/96 schedule designated by the Department in accordance with the Fair Labor Standards Act (FLSA). ~~For the purpose of calculating overtime, effective July 7, 2007, all paid time off shall count as hours worked~~".

Firefighters are scheduled to work approximately ten, 24-hour "regular" shifts per month, and follow a "48 hours on/96 hours off model". (56 hours per week is considered "average" under this schedule.) Under the existing system, a firefighter can take time off of his or her regular shift for vacation or other reasons, work on a different shift the same week, and have that shift be paid at time and a half. This time and a half is paid regardless of whether or not the firefighter actually worked a regular shift, or utilized paid leave time. What this means is that any shift worked that is not part of a firefighter's regular "set" of hours is paid at time and a half, even if the firefighter only works an average of 56 hours in a week. Under this system, it is possible, and commonplace, for a Redondo Beach fire employee to earn time and a half for most shifts worked, without ever exceeding the 56 hours per work-week average.

The chart below provides an example of a Firefighter working his/her regular 48 hour schedule, and taking his/her regular four days off. This member would be paid straight time pay for the two 24 hour shifts in the sample work-week below:

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
OFF	24	24	OFF	OFF	OFF	OFF

However, the same Firefighter, if he adjusts his schedule, would be paid time and a half for the 48 hours worked below. The same number of hours were worked as in the above example, but these hours are worth 50% more pay. (In addition, he would receive straight time pay for the 48 hours he called out for vacation and/or sick leave.)

Sun	Mon	Tues	Wed	Thurs	Fri	Sat
OFF	Vacation	Sick	24	24	OFF	OFF

Implementation of this language change in the MOU would bring conformity with the federal Fair

Labor Standards Act, and disallow the continued practice of receiving time and a half pay regardless if one works a full schedule during the work period or not. It would also discontinue the common practice of using leave time on a regular shift, just to work a subsequent day for time and a half pay. Implementation of the City's Last, Best and Final Offer will ensure overtime is paid only for extra hours worked.

Public employee salaries and benefits are published online via data submitted to the California State Controller's Office, at [www.transparentcalifornia.com](http://www.transparentcalifornia.com). This database makes it much easier to understand public employee pay and benefits, including the high overtime levels paid to Redondo Beach fire employees. A reform to the existing practice would continue to pay time and a half for all hours of worked overtime, as required by law.

Based on the data contained at Transparent California, the following chart demonstrates the effect of this proposed overtime reform on the various job classes in the RBFA bargaining unit. The projected savings is based on a one-third reduction in overtime expenditures. Full data supporting the chart is attached to this report and available at: [www.transparentcalifornia.com/salaries/2018/redondobeach](http://www.transparentcalifornia.com/salaries/2018/redondobeach). The below chart is intended to illustrate the average impact on each job classification in the RBFA MOU with available data. It should be noted that the actual impact to each employee will be based on the number of overtime shifts worked and their historic use of leave.

<b>Average Annual Pay for Various RBFA Job Classes - Before and After Overtime Reform</b>					
<b><u>Boat Captain/Deputy Harbor Master</u></b>					
	<b>Base Pay</b>	<b>Overtime Pay</b>	<b>Other Pay</b>	<b>Benefits</b>	<b>Total Compensation</b>
Current System	\$103,611.64	\$93,063.81	\$41,816.01	\$84,645.35	\$323,136.81
<b>After Overtime Reform</b>	\$103,611.64	\$62,036.33	\$41,816.01	\$84,645.35	\$292,109.34
<b><u>Fire Captain</u></b>					
	<b>Base Pay</b>	<b>Overtime Pay</b>	<b>Other Pay</b>	<b>Benefits</b>	<b>Total Compensation</b>
Current System	\$104,123.19	\$70,795.33	\$44,608.36	\$81,701.99	\$301,228.87
<b>After Overtime Reform</b>	\$104,123.19	\$47,192.17	\$44,608.36	\$81,701.99	\$277,625.71
<b><u>Fire Engineer</u></b>					
	<b>Base Pay</b>	<b>Overtime Pay</b>	<b>Other Pay</b>	<b>Benefits</b>	<b>Total Compensation</b>
Current System	\$87,067.53	\$51,833.19	\$28,462.85	\$62,473.19	\$229,836.76
<b>After Overtime Reform</b>	\$87,067.53	\$34,552.01	\$28,462.85	\$62,473.19	\$212,555.57
<b><u>Firefighter/Paramedic</u></b>					
	<b>Base Pay</b>	<b>Overtime Pay</b>	<b>Other Pay</b>	<b>Benefits</b>	<b>Total Compensation</b>
Current System	\$86,191.61	\$71,395.51	\$19,153.27	\$61,786.53	\$238,526.91
<b>After Overtime Reform</b>	\$86,191.61	\$47,592.25	\$19,153.27	\$61,786.53	\$214,723.65
<b><u>Harbor Patrol Officer</u></b>					
	<b>Base Pay</b>	<b>Overtime Pay</b>	<b>Other Pay</b>	<b>Benefits</b>	<b>Total Compensation</b>
Current System	\$87,577.72	\$62,652.04	\$27,137.45	\$66,626.92	\$243,994.14

<b>After Overtime Reform</b>	\$87,577.72	\$41,763.85	\$27,137.45	\$66,626.92	\$223,105.95
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*\*There was insufficient data in 2018 to analyze the Firefighter classification*

As background, the existing practice was added to the RBFA MOU in 2006, along with a 4% salary increase and many other benefits. During that time, the economy was strong, and many cities had “super-funded” CalPERS retirement plans, with little to no employer contributions for several years. MOU negotiations were also conducted exclusively in-house, without the assistance of an outside labor negotiator. Attached is a copy of that original agenda report that describes the adopted MOU changes.

In 2018, the City paid fire department overtime of \$3,349,927 in actual expenditures. As discussed previously, there are different factors that create overtime. A large proportion (estimated at \$2 million in 2018) of the City’s overtime payments are mandatory, in order to maintain minimum staffing levels and fill in for employee leaves or vacancies. Another large amount of overtime (estimated to be approximately \$1 million per year, or one third) is paid due to negotiated provisions that allow firefighters to earn time and a half pay, even if they take time off and haven’t worked a full work week. Implementation of the Last, Best and Final Offer is projected to address this third of the annual overtime expense, and save the City an estimated \$1 million annually.

### **COORDINATION**

This report was prepared by the Human Resources Department and City Manager’s Office. The resolution was approved as to form by the City Attorney’s Office.

### **FISCAL IMPACT**

As noted previously, the City has faced ongoing increases to costs for the past several years, while simultaneously experiencing revenues that are not keeping up with projected expenditures. Specifically, the City has seen marked increases to its unfunded pension liability, especially with the public safety pension plans. Public safety pension liability is expected to escalate each year by approximately \$1 million over the previous year, for the next five years. This means that for each of the next five years, the PERS rates will exceed the prior year rate paid by an extra one million dollars.

Unilateral implementation of the LBFO is projected to save approximately \$1 million annually in overtime costs. The 2% base salary increase will offset this savings by \$206,538 per year, resulting in a net savings to the City of approximately \$793,462 the first year. The Fire Department’s budget includes roughly \$2 million of funded overtime. If the LBFO is implemented, how much of this budget can be repurposed would be determined at mid-year, or as part of the FY 2020-2021 budget review and adoption, after the City has realized the impact of the MOU change in practice.

### **APPROVED BY:**

*Joe Hoefgen, City Manager*

### **ATTACHMENTS**

- Resolution Implementing Last, Best and Final Offer
- 2018 Annual Pay - Redondo Beach Firefighter’s Association (downloaded from

[www.transparentcalifornia.com](http://www.transparentcalifornia.com) <<http://www.transparentcalifornia.com>>)

- 2006 City Council Agenda Report Amending RBFA MOU