



MEETING DATE: 6/18/07

ITEM NO:

16A

COUNCIL AGENDA REPORT

DATE: June 14, 2007

TO: MAYOR AND TOWN COUNCIL

FROM: DEBRA J. FIGONE, TOWN MANAGER

SUBJECT: ADOPT RESOLUTION APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE TOWN OF LOS GATOS AND AFSCME FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2010 AND AUTHORIZE THE TOWN MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING

RECOMMENDATION:

Adopt resolution approving the Memorandum of Understanding between the Town of Los Gatos and the American Federation of State, County and Municipal Employees (AFSCME) for the period July 1, 2007 through June 30, 2010 and authorizing the Town Manager to execute the memorandum of understanding (MOU).

DISCUSSION:

In accordance with the Town's Employer-Employee Relations Resolution No. 1974-41, representatives of the Town and AFSCME have met and conferred in good faith and within the scope of representation. Adoption of the attached resolution approving the MOU for AFSCME-represented positions is recommended. AFSCME represents 16 Town employees in the Parks and Public Works Department in maintenance-related positions.

The tentative agreement with AFSCME covers a three-year period as follows:

- Three-year term for the period July 1, 2007 through June 30, 2010; and
- 3% wage increases effective July 1 for each year of the agreement.

The tentative agreement reached with AFSCME is subject to adoption by Council and a ratification vote of the union members.

PREPARED BY:

RUMI PORTILLO
Human Resources Director

C:\Documents and Settings\rportillo.LOSGATOSCA\Desktop\AFSCME Council Report\AFSCME Council Memo 06-14-07.doc

Reviewed by: PS Assistant Town Manager JK Town Attorney
____ Clerk Administrator SE Finance ____ Community Development

MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE TOWN OF LOS GATOS AND AFSCME FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2010 AND AUTHORIZE THE TOWN MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING

June 14, 2007

Alignment of Health Benefits

The tentative agreement includes changes in AFSCME's health package to align with other employee groups. Specifically, the proposed changes include vision coverage for all AFSCME employees at a cost of \$9.54 per month per employee, for a total of \$1,946 for the entire bargaining unit per year. AFSCME is the only employee group that is currently not covered under the Town's vision plan. The dental contribution by the Town will change from the highest-priced plan (Delta DPO at \$97.36 per month) to the middle priced plan (Delta Premier at \$66.59 per month.) AFSCME is the only employee group that has been covered at the higher-priced dental plan.

Additionally, the level of medical coverage will be changed to match the employee's number of dependents. Currently, AFSCME employees receive up to the cost of Kaiser family coverage to apply toward their health premiums. As a result, employees who are single or with one dependent may apply the difference to purchase a higher-priced medical plan offered by the Town. This change in coverage level to match the number of dependents aligns with most health packages offered by most local employers. The change in coverage affecting the dental and medical plans will be applied prospectively and will not affect employees currently receiving the benefit. The changes will result in long-term savings for the Town.

Sideletter for Enhanced Retirement

The proposed agreement includes a Sideletter agreement for the Town to exercise a restructure of the retirement benefit with the California Public Employees' Retirement System (CalPERS) in year 2 of the agreement. The restructuring would change the number of years employees must work to be eligible for retiree health benefits from five years to fifteen years. Along with the change in the vesting schedule, the retirement formula would change from 2% at age 55 to 2.5% at age 55, with employees picking up the cost of the change in formula. To adopt the 2.5% formula, employees would be required to pay an additional 1% of salary to CalPERS on an ongoing basis, and employees would forgo the 3% wage increase identified for year 2 of the agreement.

Before the restructure in the retirement benefits can be implemented, it is necessary for the Town to reach agreement with all non-sworn employee groups to offset any costs in a cost-neutral manner. In accordance with CalPERS law, the change in formula must be adopted for all non-sworn employees and the vesting schedule change may only affect employees hired after the adoption date.

PAGE 3

MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE TOWN OF LOS GATOS AND AFSCME FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2010 AND AUTHORIZE THE TOWN MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING

June 14, 2007

Thus, the proposed retirement restructure is included as a Sideletter agreement to be implemented after agreement is reached for all nonsworn employee groups and all statutory requirements are met. If the necessary conditions are not met, the retirement restructure will not be exercised and the wage increase for AFSCME will be applied at 3% in year 2, rather than being withheld to offset the change in the retirement formula.

Noneconomic Items and MOU Cleanup

In addition to the economic items, the Town and AFSCME reached tentative agreement on a number of items to improve daily operations, more accurately reflect assigned work, and to remove out-dated and obsolete language from the union agreement. The tentative agreements are expected to have little or no significant cost to the Town and in some cases may provide long-term savings. Once adopted, the tentative agreements will be incorporated in the new AFSCME MOU to be executed by the Town Manager and filed with the Town Clerk.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

Funds to implement this agreement are included in the Adopted FY 2007-08 Annual Budget. Funding for future increases in this agreement will be included in the proposed FY 2008-09 and FY 2009-10 Annual Budgets.

Attachments:

Resolution approving the Memorandum of Understanding between the Town of Los Gatos and the AFSCME for the period July 1, 2007 through June 30, 2010 and authorizing the Town Manager to execute the Memorandum of Understanding

RESOLUTION

RESOLUTION APPROVING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE TOWN OF LOS GATOS AND AFSCME FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2010 AND AUTHORIZE THE TOWN MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING

WHEREAS, representatives of the Town and the American Federation of State, County and Municipal Employees (AFSCME), in accordance with the Town's Employer-Employee Relations Resolution No. 1974-41, have met and conferred in good faith within the scope of representation; and

WHEREAS, the representatives of AFSCME bargaining team have agreed to present the proposed agreement for the Memorandum of Understanding for ratification by union members, attached hereto as Exhibit A;

RESOLVED, by the Town Council of the Town of Los Gatos, County of Santa Clara, State of California, that the Town of Los Gatos approves the Memorandum of Understanding between the Town and AFSCME for the period July 1, 2007 through June 30, 2010 and the Town Manager is hereby authorized to sign the agreement on behalf of the Town.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the _____th day of _____, 2007 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR
LOS GATOS, CALIFORNIA

**Town of Los Gatos and AFSCME Negotiations
Summary of Agreement
June 12, 2007**

EXHIBIT A

MOU Term: 3-Year Term from July 1, 2007 through June 30, 2010

Wage Increases: July 1, 2007 3%
July 1, 2008 3%*
July 1, 2009 3%

Amend the existing AFSCME MOU in accordance with Tentative Agreements as signed by both parties as follows:

MOU Section	Title	Provision
5	PEOPLE Choice Optional Payroll Deduction	Allows AFSCME employees to make voluntary contributions to the union's political contribution fund through payroll deductions
12	Automatic Deposit	Update language to reference the optional direct deposit of funds.
14,15,16	Insurance Programs, Family Medical, and Cash Allocation	1) Revise the medical package to match the number of eligible dependents. 2) Establish Delta Premier as the level of Town contribution for Dental (currently Delta DPO.) 3) Changes to the Dental and Medical plans apply prospectively and do not affect current employees.
18	Uniforms	Update language to specify types, quantities of uniforms, and include a replacement policy for worn/damaged items.
20c	Early Start Pay	Update the early start premium to 5% of the base hourly rate for start times earlier than 7:00 a.m. (currently \$7.50 or \$8.50 flat per day.)
20d	Parks Summer Schedule	Delete: no longer needed
20h	Work Schedule and Holidays	Change holiday compensation to double time for hours worked on an actual holiday. Current method of flat number of hours plus overtime per the existing MOU is difficult to understand and apply.
21b	Overtime Compensation	Discontinue the mandatory splitting of overtime hours (currently 50% comp time and 50% cash.) Allows option to choose comp time or cash.
23b	Standby Compensation	Discontinue assignment of vehicles for standby. Update language to reference cell phones instead of beepers.
23c	Standby Training	Eliminate reference to sewers, as this function has been transferred to another agency.
24	Emergency Work	Rewrite for clarification and provide comp time at the overtime rate for missed meal periods and breaks during emergency work assignments.
26	Vacation Checks	Delete: no longer needed.
28d	Sick Leave Conversion at Retirement	Eliminate caps on sick leave hours eligible for conversion to the Town's retiree medical trust fund, consistent with TEA and Management.
28e	Retirement Health Savings Plan	Update timeline to establish the Retirement Health Savings Plan (VEBA) within the first year of the agreement.
32	Catastrophic Time Bank	Eliminate erroneous reference to holiday hours.
33	Bereavement Leave	Update language to include registered domestic partner.
37	Leave Without Pay	Update language to match actual practice (Town Manager or designee.)
46	Seniority	Eliminate outdated reference to CETA time applied to seniority for promotions.
51	Safety	Delete reference to number of employees on a median (include in departmental procedures rather than in MOU.)
53	Workers' Compensation	Move section to follow Health Benefits
55	Re-opener re WV Sanitation	Delete: no longer needed as the sewer transfer is complete.
New	Safety Shoes	Formalize current practice of providing safety shoes for all AFSCME employees and include a replacement policy.
New	Weekend Work Crews	Establish volunteer overtime assignments for AFSCME employees to supervise County Weekend Work Crews.
Sideletter Agreement	Personal Time Off (PTO)	In year 2 of the agreement, combine vacation, sick, comp and personal leave into a personal leave bank, with no change in the accrual rates. Allow employees to transfer accrued hours to a Health Savings Account.
Sideletter Agreement	Retirement Benefits	On January 1, 2009 or sooner: <ul style="list-style-type: none"> Change the vesting schedule for employees to be eligible for retiree medical from 5 years to fifteen years. In accordance with CalPERS law, this change is applied to new employees and does not affect vesting for current employees. Change the CalPERS retirement formula from 2% at age 55 to 2.5% at 55. To maintain this change as a cost-neutral benefit, employees will pay an additional 1% of salary each year in employee contributions to CalPERS and will forgo the 3% increase scheduled for July 1, 2008. The formula change must also be adopted by all non-sworn employee groups in a cost-neutral manner. Prior to adoption, CalPERS will update the Town's actuarial report and adjustments will be made to the cost offsets per the sideletter agreement.

* The 3% increase scheduled for July 1, 2008 will be delayed pending the implementation of a change in the retirement formula and vesting schedule for all non-sworn employee groups. If the retirement changes are not adopted by January 1, 2009 for all non-sworn groups, the 3% salary increase will be implemented for AFSCME employees retroactive to July 1, 2008.