



AGENDA NO: 7.d

MEETING DATE: June 25, 2024

Staff Report

TO: Honorable Mayor and City Council

DATE: June 20, 2024

FROM: Yvonne Kimball, City Manager

PREPARED BY: Rachael Hendricks, Human Resources/ Risk Manager
Emily Conrad, Finance Director

SUBJECT: Resolutions approving Tentative Agreements and Successor MOUs for Morro Bay Peace Officers Assoc., SEIU Local No. 620, and Morro Bay Firefighters Assoc., and approving salaries and benefits for Unrepresented Confidential, Management, and Department Heads

RECOMMENDED ACTION

Staff recommends the City Council:

1. Adopt Resolution No. 38-24 approving the Tentative Agreement for and Successor Memorandum of Understanding (MOU) as agreed to by the Morro Bay Police Officers Association ("MBPOA") with an effective date of July 1, 2024.
2. Adopt Resolution No 39-24 approving the Tentative Agreement for and Successor Memorandum of Understanding (MOU) as agreed to by the SEIU (Service Employees International Union) Local No. 620 with an effective date of July 1, 2024.
3. Adopt Resolution No. 40-24 approving the Tentative Agreement for, and Successor Memorandum of Understanding (MOU) as agreed to by the Morro Bay Firefighters Association (MBFFA) with an effective date of July 1, 2024.
4. Adopt Resolution No. 41-24 approving the unrepresented Confidential employees' salary and benefits resolution effective July 1, 2024.
5. Adopt Resolution No. 42-24 approving the unrepresented Management employees' salary and benefits resolution with an effective date of July 1, 2024.
6. Adopt Resolution No. 43-24 approving the unrepresented Department Head employees' salary and benefits resolution with an effective date of July 1, 2024.

The terms of the proposed MOUs (Memorandum of Understanding) and Resolutions are within the authority parameters approved by the Council in closed session. Each union's membership has voted on and approved the proposals.

ALTERNATIVES

The Council may choose not to adopt the proposed Resolutions and provide alternative direction to staff.

Prepared By: RH, EC_____	Dept Review: _____
City Manager Review: YK_____	City Attorney Review: _ASF__

FISCAL IMPACT

The proposed MOU changes align with the Council's previously authorized allocations for Cost-of-Living Adjustments (COLA), market and internal equity adjustments, and benefits changes. If all MOUs and resolutions are approved, the total cost to the City in Fiscal Year (FY) 2024-25 will be approximately \$765,000.

BACKGROUND

The City has three represented employee associations or bargaining groups: the Service Employees International Union (SEIU) for miscellaneous employees, the Morro Bay Peace Officers Association (MBPOA), and the Morro Bay Firefighters Association (MBFFA). Additionally, the City has three unrepresented employee groups: Management, Confidential, and Department Heads. All groups have contracts or resolutions that expire June 30, 2024.

The City's negotiating team and employee groups started meeting in early spring to negotiate on successor MOUs (Memorandum of Understanding) with all labor negotiations for successor contracts completed. Historically, the City prepares updates to the unrepresented groups' salaries and benefits with a resolution after the represented employee groups have negotiated, typically following the COLAs received by the SEIU group.

In comparison with previous negotiations, this round of negotiations stood out for a few reasons:

- The negotiations were led by employees. This approach differs from that of legal counsel driven. Employee-led negotiations fosters trust, supports team building and promotes leadership development. This method would not have been successfully implemented without the talented and dedicated team of employees and the support from the City Council.
- The agreements are valid for a 3-year term, allowing additional time to focus on operational priorities.
- Addresses the 2023 Classification and Compensation Study.

DISCUSSION

Labor negotiations typically result in compensation increases for employees. This year is no exception. As stated above, the recent Classification and Compensation Study played a critical role in this year's bargaining discussions. In 2022, the City began to conduct a Classification and Compensation Study, which was completed in 2023. This Study found that the City of Morro Bay's compensation for many classifications lagged behind comparable cities. Both the City and employee bargaining groups entered this year's negotiations with the expectation of some level of equality adjustments to address the study's findings. While the proposed increases will not fully bring City employee compensation to the market median, they represent a significant step toward the goal of remaining competitive and aiding in retention and recruitment efforts.

Overall, the Agreements and the Resolutions contain salary increases across all employee groups. These increases address the following key work-force related factors:

- Competitive Compensation: To attract and retain qualified professionals in a competitive job market.
- Addressing Turnover: High turnover rates lead to increased recruitment and training costs and loss of institutional knowledge, which affects operational efficiency.
- Cost of Living Adjustments: Regular COLAs are necessary to help employees cope with

- inflation and maintain their purchasing power.
- Equity Adjustments: The compensation study highlighted significant disparities that need to be addressed to ensure fair and competitive wages.
 - Recognition and Incentives: Introducing new incentives and increasing existing ones acknowledges City employees' hard work and dedication, fostering a more motivated and stable workforce.

By implementing these changes, the City of Morro Bay continues to create a more attractive and competitive work environment, ultimately benefiting the community through improved services and stability. The proposed adjustments are a strategic investment in the City's most valuable asset—its employees, who deliver the services to the citizens and visitors of Morro Bay.

Morro Bay Peace Officers Association (MBPOA)

MBPOA represents a total of 15 police officers and sergeants. The Police Department has had significant recruitment and retention challenges. For example, the City has had an open Police Sergeant position for more than 1.5 years, with very few qualified applicants applying and none making it through the background and offer process. The average tenure of a Police Officer in the City of Morro Bay is currently 2.2 years, which is extremely low. The primary reason cited for Police Officers leaving the City of Morro Bay or not accepting a position is low compensation.

The recent 2023 Classification and Compensation Study with data effective July 1, 2023, found that our Police Officer and Police Sergeant positions were compensated lower than all comparable agencies except one. That agency implemented equity adjustments in September 2023, of 12.5% for Police Officers and 15% for Police Sergeants, further widening the gap and placing Morro Bay below every other comparable agency. This proposed MOU works towards getting the police officers and police sergeants closer to market with COLA and market equity adjustments over three years.

Highlights of the changes in the FY2025 – FY2027 MBPOA MOU are as follows:

- Three-year contract, effective July 1, 2024 – June 30, 2027.
- COLA (Cost of Living Allowance): The terms of the MOU provide for a 4% wage increase effective at the beginning of the pay period that contains July 1st of each year.
 - 4% July 1, 2024
 - 4% July 1, 2025
 - 4% July 1, 2026
- Market Equity Adjustments: To work towards becoming more competitive for recruitment and retention purposes the City will provide a phased approach towards market equity. Effective the beginning of the pay period that contains July 1 each year, as follows:
 - 4% July 1, 2024
 - 3% July 1, 2025
 - 3% July 1, 2026
- POST (Police Officer Standards Training) Education Pay – Modest increases to Police Officer Standards and Training (POST)
 - Intermediate POST certificate- \$230 to \$275 a month
 - Advanced POST certificate- \$230 to \$275
 - Supervisors (Sergeants only) certificate- \$140 to \$200
- Health Insurance—Retain the current health insurance cafeteria contribution model, which is

- the same for all employee groups.
- Deferred Compensation 457 retirement plan contribution
 - 2:1 match up to \$1200 per year. This amount is equivalent to what SEIU and the Morro Bay Fire Fighters Association receive.
 - Retention Incentive Program: Implement a retention incentive program based on years of sworn Morro Bay Police Department service. The proposed Retention Incentive Program aims to boost long-term retention, by creating a stronger incentive for officers to stay with the Morro Bay Police Department (MBPD). The program also recognizes MBPD employees' experience and loyalty, reduces recruitment and training costs, and improves institutional knowledge and continuity. The program is a strategic investment that aims to address the critical issue of retention at MBPD, while fostering a stable and experienced workforce, ultimately leading to improved public safety.

The program provides for pay incentives as follows:

 - Upon completion of the 3rd year of sworn Morro Bay Police Department experience, a 2% premium
 - Upon completion of the 9th year of sworn Morro Bay Police Department experience, a 4% premium
 - Upon completion of the 15th year of sworn Morro Bay Police Department experience, a 6% premium

SEIU (Service Employees International Union) Local No. 620

SEIU includes 50 employees, covering a wide range of essential City services. Employees under this unit often are assigned to remain “on standby” to report beyond normal work hours. The proposed MOU includes COLAs to assist with inflation, ensure employees can maintain their standard of living, and further assist in closing the gap to median market wages. Additionally, the introduction of a longevity incentive for those employees that have 10 or more years of service and modest adjustments to Standby Pay recognizes the dedication and availability of our SEIU employees. SEIU requested adding Juneteenth as a holiday acknowledging with state and federal recognition of this day.

Highlights of the changes in the FY2025 – FY2027 SEIU MOU are as follows:

- Three-year contract, effective July 1, 2024 – June 30, 2027.
- COLA (Cost of Living Allowance): The terms of the MOU provide for a 5% wage increase effective at the beginning of the pay period that contains July 1st of each year.
 - 5% July 1, 2024
 - 5% July 1, 2025
 - 5% July 1, 2026
- Longevity Incentive – Create a longevity incentive for SEIU employees who have served the City for ten or more years.
 - After 10 years of employment, \$25 per year will go into the employee’s deferred compensation plan. This amount is NOT (Public Employee Retirement System) PERSable. Example: Employees with 10 years of service will receive 10 years x \$25 = \$250 into their deferred compensation retirement account. If an employee has 14 years of service, they will receive 14 x \$25 = \$350 annually into their deferred compensation account. This amount would be credited once per year in September.
- Health Insurance—Retain the current health insurance cafeteria contribution model, which is

- the same for all employee groups.
- Addition of the Federal Holiday Juneteenth to the City's holidays for the SEIU group.
- Standby Pay Increase – For those employees who are assigned Standby Duty, the City shall increase the standby pay rate to \$50 a day for weekdays and \$60 per day for weekends and holidays.

Morro Bay Firefighters Association

The Morro Bay Firefighters Association (MBFFA) consists of 13 employees, including Firefighters, Fire Engineers, and Fire Captains. Fire personnel face unique challenges and risks, necessitating competitive compensation to attract and retain skilled professionals. The proposed MOU includes both COLAs and phased market equity adjustments, addressing disparities identified in the compensation study. Improvements in vacation accrual rates and the introduction of longevity pay incentives further recognize the demanding nature of their work and support our fire personnel's retention.

- Three-year contract, effective July 1, 2024 – June 30, 2027.
- COLA (Cost of Living Allowance): The terms of the MOU provide for a 3% wage increase effective at the beginning of the pay period that contains July 1st of each year.
 - 3% July 1, 2024
 - 3% July 1, 2025
 - 3% July 1, 2026
- Market equity adjustments phased over three years.
 - 5% July 1, 2024
 - 3% July 1, 2025
 - 3% July 1, 2026
- Incremental increase to vacation hours to median annual vacation hours of agencies surveyed. This adjustment would increase vacation hours by 45 hours annually for those with 21+ years of service. For those at 4 years of service, it would increase hours by 4.5 hours annually.
- Longevity pay incentive of:
 - After 20 years of service – 1%
 - After 25 years of service – 2%
 - After 30 years of service – 3%
- Health Insurance—Retain the current health insurance cafeteria contribution model, which is the same for all employee groups.
- Educational incentive
 - \$1,000 annually for those with Bachelor's degree
 - \$2,000 annually for those with Master's degrees (no MBFFA employee has this degree currently)
- Bilingual incentive pay
 - Add bilingual incentive pay, with the same benefit as the MBPOA and SEIU, \$75 a month for written Spanish and \$75 a month for verbal Spanish.

Unrepresented Confidential, Management, and Department Head Employees

The group includes 27 unrepresented employees, including all Managers (17), Confidential (four), and Department Heads (six). Historically, their compensation has been adjusted by

mirroring SEIU's COLAs and benefits increases. While not included in this resolution, the City Manager's compensation has also historically been adjusted with the same COLA as SEIU.

Unlike SEIU, unrepresented employees did not receive equity adjustments following the 2023 Classification and Compensation Study. The high turnover in these roles highlights the need for competitive compensation to maintain institutional knowledge and operational continuity. The current average tenure of Department Heads is now 2.4 years, Management employees have an average tenure of 6.6 years, and Confidential employees have an average tenure of 1.75 years, which is comparably low for employees in the public sector. Almost all employee departures cited the need for increased salaries and benefits as their rationale for moving to other agencies.

Highlights of the changes in the FY2025 – FY2027 Unrepresented Salary and Benefits Resolutions are as follows:

- Three-year unrepresented salary and benefits resolution
- COLAs of 5% each year on July 1
- The addition of the Juneteenth holiday
- Health Insurance – maintain our current model for all employees.
 - 100% lowest cost PPO for employee only, 90% for employee + 1, and 89% for employee + family
- Equity adjustments to classifications found to be under-market in the 2023 Classification and Compensation Study:
 - Phased equity adjustments for Police Commander – these adjustments equate to the same percentage increases the MBPOA are receiving considering COLAs.
 - July 1, 2024 – 3% equity adjustment
 - July 1, 2025 – 2% equity adjustment
 - July 1, 2026 – 2% equity adjustment
 - Phased equity adjustments for Deputy Fire Chief/Fire Marshall – these adjustments equate to the same percentage increases that the MBFFA are receiving considering COLAs.
 - July 1, 2024 – 3% equity adjustment
 - July 1, 2025 – 1% equity adjustment
 - July 1, 2026 – 1% equity adjustment
 - Phased equity adjustments for the following management classifications: Accounting Manager, Chief Building Inspector/Plans Examiner, City Clerk, Information Technology Manager, Planning Manager, Recreation Services Manager, Human Resources/Risk Manager, and Senior Civil Engineer.
 - July 1, 2024 – 3% equity adjustment
 - July 1, 2025 – 2% equity adjustment
 - July 1, 2026 – 2% equity adjustment
- Longevity incentive to deferred compensation (same as SEIU).
 - For those with 10+ years of service, \$25 each service year into their deferred compensation. (No CalPERS cost.) At present, only three Management employees qualify for this benefit.

CONCLUSION

Staff believes that the proposed MOUs and resolutions represent a fair and responsible agreement that addresses the needs of both the City and its represented Police, SEIU, Fire and unrepresented employees. Staff recommends the City Council adopt Resolution No. 38-24, Resolution No. 39-24, and Resolution No. 40-24 approving the Tentative Agreements and the Successor MOUs to the MBPOA, SEIU, and MBFFA groups as tentatively agreed to and Resolution 41-24, Resolution No. 42-24, and Resolution No. 43-24 approving the salaries and benefits for the City's unrepresented groups.

As the City Manager, I would like to express my gratitude to the City's negotiation team, the employee bargaining groups, and other employees for their tremendous effort in completing the negotiations. The proposed agreements and resolutions embody a great deal of trust, skills, and commitment to collaboration and long-term partnerships. I also want to thank this Council for your tireless involvement, sage wisdom and thoughtful guidance throughout these often stressful negotiation processes. It is the outstanding teamwork among all stakeholders and our collective dedication to our city that has brought us to this milestone. I look forward to our continued success together.

ATTACHMENTS

1. MBPOA Resolution No. 38-24
 - a. Exhibit 1 – MBPOA MOU 2024-2027 Tentative Agreement
 - b. Exhibit 2 – MBPOA MOU 2024-27
2. SEIU Resolution No. 39-24
 - a. Exhibit 1 – SEIU MOU 2024-2027 Tentative Agreement
 - b. Exhibit 2 – SEIU MOU 2024-27
3. MBFFA Resolution No. 40-24
 - a. Exhibit 1 – MBFFA MOU 2024-2027 Tentative Agreement
 - b. Exhibit 2 -- MBFFA MOU 2024-27
4. Unrepresented Confidential Employees Resolution No. 41-24
5. Unrepresented Management Employees Resolution No. 42-24
6. Department Heads Resolution No. 43-24