

Labor Negotiations 2023

Community Meeting

February 9, 2023

Overview of Negotiations

- The City has 9 employee associations and will be negotiating with six (6) of them in 2023
- The law in California requires that the City negotiate with each association in good faith to reach an agreement on wages, benefits and other terms and conditions of employment
- Once an agreement is reached, the parties approve their labor contract – called a Memorandum of Understanding (“MOU”) and it is posted on the City’s website

Negotiations Timeline

<i>February 9, 2023</i>	<i>Community Meeting</i> <i>6:30pm – Council Chambers</i>
February 21, 2023	Council Meeting (Formal) 7pm – Council Chambers
Early April	Closed Session(s)
April - May	Begin negotiations

Procedure for Adopting a Memorandum of Understanding

COIN Ordinance adopted by Council in December 2013

- Independent lead negotiator
- Fiscal impact analysis by an independent firm
- Adoption of Memorandum of Understanding only after conducting at least two public meetings, one early in the negotiation process and one after negotiations have concluded but prior to MOU adoption
- Memorandum of Understanding and fiscal analysis posted on City's website at least two weeks before the Council meeting at which the proposed MOU is considered

Groups With Whom We Will Be Negotiating

- Municipal Employees' Association (MEA)
- Part-time MEA Unit
- Supervisors' Association
- Confidential Employees' Association
- Safety Support Employees' Association
- Management and Professional Employees' Association

All MOUs expire on October 6, 2023

The City's Negotiating Team

The City's negotiating team includes the following people:

Peter Brown – Independent Labor Negotiator

Shelley Ovrom – Director of Human Resources

Kirsten Rowe – Assistant Director of Human Resources

Tatiana Szerwinski – Assistant Finance Director

- All of the City's Memoranda of Understanding (including the MOUs we will negotiate) are on the City's website on the Human Resources page:

<https://www.beverlyhills.org/departments/humanresources/memorandaofunderstanding/>

Average Cost per Position for Each MOU^[1]

	# of Budgeted Positions	Average Total Cost per Position	Total MOU Cost (in millions)
Part-Time Association (MEA)	174	\$67,000	\$11.6
Confidential Association	23	\$138,000	\$3.2
Municipal Employees' Association (MEA)	246	\$139,000	\$33.9
Safety Support Association	97	\$152,000	\$14.8
Supervisors' Association	35	\$171,000	\$6.0
Management and Professional Association	148	\$194,000	\$28.8

^[1]Data per Fiscal Year 2022-23 budget and includes seven-year average overtime estimate for each applicable MOU.

Breakdown of Average Position Cost

	Salary ^[1]	Benefits ^[2]	Pension – Normal Cost	Unfunded Liability	Overtime ^[3]	Total
Part-Time Association (MEA)	\$49,000	\$9,000	\$3,000	\$5,000	\$1,000	\$67,000
Confidential Association	86,000	28,000	8,000	13,000	3,000	138,000
Municipal Employees' Association (MEA)	82,000	29,000	8,000	13,000	7,000	139,000
Safety Support Association	88,000	28,000	8,000	14,000	14,000	152,000
Supervisors' Association	105,000	28,000	10,000	16,000	12,000	171,000
Management and Professional Association	130,000	32,000	12,000	20,000	0	194,000

^[1] Salary is comprised of base pay, bonus pays, wellness pay

^[2] Benefits are comprised of cafeteria plan benefits, deferred compensation, Medicare taxes, retiree medical contributions, car allowance, uniform allowance, cellphone stipend, life insurance

^[3] Overtime represents the seven-year average estimate by position for each applicable MOU.

Public Employee Pension Reform Act (PEPRA) Overview

“Classic” Employees: hired prior to 1/1/13 or laterals

- Maintain existing retirement formula and calculation based on single highest year of pensionable compensation
 - Currently, classic non-safety employees pay 8% and safety pay 9%.

“New Member” Employees: new to CalPERS after 1/1/13

- Lower retirement formula and retirement calculation based on any consecutive three-year average of pensionable compensation
- PEPRA requires that “new members” contribute one half the normal cost (currently 6.75% for non-safety and 12% for safety, based on actuarial valuation for FY2022-23.)

Employee Pension Plan Summary

Employee Type	Pension Plan Type	# of Employees as of 2019	# of Employees as of 12/31/22	Formula	Employee Contribution
Miscellaneous (non-safety)	Classic ^[1]	458	343	2.5% @ 55	8%
Miscellaneous (non-safety)	PEPRA ^[1]	229	316	2% @ 62	8%
Safety (Police & Fire)	Classic ^[2]	131	91	3% @ 50	9%
Safety (Police & Fire)	Classic ^[2] (Tier 2)	30	35	3% @ 55	9%
Safety (Police & Fire)	PEPRA ^[3]	51	84	2.7% @ 57	12%

^[1] Classic and PEPRA Miscellaneous employees currently pay 8% of pension cost.

^[2] Police Safety employees currently pay 9% of pension cost.

^[3] PEPRA Safety employees currently pay 12% of pension cost.

Projected Employer PERS Rates

Fiscal Year	Miscellaneous			Safety (Police & Fire)		
	Normal Cost*	Unfunded Liability**	Total	Normal Cost*	Unfunded Liability**	Total
2021-22	10.22%	16.91%	27.13%	20.82%	37.58%	58.40%
2022-23	10.07%	16.82%	26.89%	20.18%	38.59%	58.77%
2023-24	11.07%	19.55%	30.62%	22.16%	34.83%	56.99%
2024-25	10.80%	18.60%	29.40%	21.50%	33.80%	55.30%
2025-26	10.60%	13.60%	24.20%	20.80%	31.80%	52.60%
2026-27	10.40%	12.40%	22.80%	20.20%	29.70%	49.90%
2027-28	10.20%	10.90%	21.10%	19.50%	27.30%	46.80%
2028-29	10.00%	8.90%	18.90%	18.90%	27.60%	46.50%

*Normal cost is expressed and paid as a percentage of total active payroll.

**Amortization of the unfunded accrued liability, is expressed and paid as a dollar amount, but estimated above as a percentage of payroll.

2022-23 Pension Rate Structure

	Misc. (Classic)	Misc. (PEPRA)	Safety (Classic)	Safety (PEPRA)
Employer normal cost	10.07%		20.18%	
Unfunded Liability rate	<u>16.82%</u>		<u>38.59%</u>	
Combined Employer rate	26.89%		58.77%	
Employee paid rate	<u>8.00%</u>		<u>9.00%</u>	<u>12.00%</u>
Total pension rate	34.89%		67.77%	70.77%

Issues We Anticipate Negotiating In These Upcoming Negotiations

Economic issues

- Term
- Compensation
- Health benefits

Non-economic (management operational issues)

- The departments have begun to identify issues they may want to address which deal with the operations of each department

Questions?

Next City Council Meeting (Formal)

Tuesday, February 21, 2023

7:00pm

Council Chambers