



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Approve and Authorize the City Manager to Enter into a Side Letter to Amend the Memorandum of Understanding between the City and the Mid-Management-Confidential (Mid-Con) Unit – LIUNA/UPEC Local 792
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	3/2/2021
Staff Contact:	Jeannine Seher, Director of Human Resources, 408-586-3086
Recommendation:	Approve and authorize the City Manager to enter into a side letter agreement with the Mid-Management-Confidential (Mid-Con) Unit – LIUNA/UPEC Local 792 to extend the existing labor agreement through June 30, 2025; eliminate a 3% salary increase scheduled for July 2021; reduce the salary increase scheduled for July 2022 from 3% to 2%; add a salary increase of 2% in July 2023; and add a salary increase of 3% in July 2024.

Background:

In 2019, the City and the Mid-Management-Confidential Unit, LIUNA/UPEC Local 792 (Mid-Con), through good faith labor negotiations, negotiated a successor Memorandum of Understanding (MOU), which delineated the wages, hours terms and conditions of employment for all employees of the bargaining unit, effective July 1, 2019 through June 30, 2023. The provisions of this labor agreement included salary increases during the term of the agreement, including a provision for a 3% base salary increase effective with the beginning of the first full pay period July 4, 2021 and a 3% salary increase on July 3, 2022. The MOU is a binding agreement and absent agreement between the City and Mid-Con to do otherwise, the City is obligated to adhere to the previously negotiated provisions, despite the current fiscal constraints brought about by the Pandemic.

When the City adopted the terms of the 2019-2023 MOU, it did so under extremely different circumstances than that which the City faces today. Today, the City of Milpitas faces a structural deficit due to the global pandemic of COVID-19. Significant revenue shortfalls from the loss of both Sales and Transient Occupancy Tax (TOT) have been realized and are expected to continue per the Preliminary FY 2022-31 Ten-Year General Fund Financial Forecast presented to the Council on January 26, 2021 as part of the Preliminary FY 2021-22 Budget Study Session.

Analysis:

To address the impact of these challenges, the parties, sharing a mutual philosophy that working together is the best way to successfully maneuver through these challenging times, came together to explore cost saving alternatives. As a result of those discussions, a tentative agreement has been reached and the membership of the Mid-Con has voted to ratify changes to their existing MOU.

The agreement reached in the side letter makes the following changes:

Terms of Agreement: The term of the MOU shall be extended through June 30, 2025.

Salaries: The 3% base salary increase effective the first full pay period in July 2021 is eliminated; the salary increase scheduled for July 2022 is adjusted from 3% to 2%; provides a salary increase of 2% in July 2023 and a salary increase of 3% in July 2024.

Policy Alternative:

Alternative: Maintain the existing 3% salary increase as specified in the MOU.

Pros: Will provide a previously committed benefit to City employees in the Mid-Con bargaining unit.

Cons: The City is facing a structural deficit. The elimination of the pay raise specified above is an action that assists in the effort to bridge that gap.

Reason for Not Recommending: Providing a 3% salary increase is not a prudent course of action in light of the pandemic and resulting impacts on the economy and the City's fiscal situation. The Mid-Con bargaining unit is willing and has voted to ratify the changes to their MOU, which is a significant gesture to addressing the City's structural deficit. Additionally, elimination of the raises provides cost savings that will mitigate the impact of the structural budget deficit without reducing services to the community.

Fiscal Impact:

The Preliminary FY 2022-31 Ten-Year General Fund Financial Forecast assumes a 3% salary increase effective July 4, 2021 and a 3% salary increase effective July 3, 2022. consistent with the current MOU between the City and Mid-Con. Thereafter, the Forecast assumes a 3% increase effective July 2023 and July 2024. The recommended action is estimated to reduce anticipated cumulative expenditures for all funds by approximately \$1.4 million and for the General Fund by \$1.1 million between July 4, 2021 until June 30, 2025 in comparison to Forecast assumptions as detailed in the table below.

Fiscal Year	Incremental Saving (General Fund)	Cumulative Saving (General Fund)	Incremental Saving (All Funds)	Cumulative Saving (All Funds)
2021-22	\$186,096	\$186,096	\$242,750	\$242,750
2022-23	65,638	251,734	78,364	321,114
2023-24	70,465	322,200	99,170	420,284
2024-25	10,269	332,469	13,396	433,681
Total	\$332,469	\$1,092,500	\$433,681	\$1,417,829

The savings for FY 2021-22 will be incorporated into the development of the FY 2021-22 Proposed Budget and the FY 2022-31 Ten-Year General Fund Financial Forecast scheduled for release early May 2021.

California Environmental Quality Act:

Approval of the recommendation is not an activity defined as a "project" under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15061(b) (3) and 15378(b)(4) either because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and/or because the action is financial and/or administrative and does not directly impact the environment.

Recommendation:

Approve and authorize the City Manager to enter into a side letter agreement with the Mid-Management-Confidential (Mid-Con) Unit – LIUNA/UPEC Local 792 to extend the existing labor agreement through June 30, 2025; eliminate a 3% salary increase scheduled for July 2021; reduce the salary increase scheduled for July 2022 from 3% to 2%; add a salary increase of 2% in July 2023; and add a salary increase of 3% in July 2024.

Attachment:

Side Letter to MOU with Mid-Con Unit, LIUNA/UPEC (792) and Attachments