

AGENDA STATEMENT

OMB AS03 Rev. 10/04

Item Title To consider approval of a Memorandum of Understanding between the City of Sterling Heights and UAW Unit 40 of Local 412 - Professional and Technical Employees

Submitted By: Human Resources Office

Contact Person/Telephone: Kelton Winnega, Human Resources Director, 446-2316

Administration (initial as applicable)

Attachments

<u>WB</u> City Clerk				
<u>BB</u> Finance & Budget Director	___	Resolution	___	Minutes
<u>[Signature]</u> City Attorney (as to legal form)	___	Ordinance	___	Plan/Map
<u>[Signature]</u> City Manager	___	Contract	___	Other

Check box if this agenda item requires billing/revenue collection (fees, etc.) by Treasury Office

Executive Summary

As part of the City's multi-year, comprehensive financial strategy, City Administration has been engaged in labor negotiations with the bargaining units representing City employees in an attempt to achieve cost savings through wage and benefit concessions.

Although the collective bargaining agreement between the City and UAW Unit 40 of Local 412 representing the Technical and Professional Employees does not expire until June 30, 2013, this bargaining unit *voluntarily* opened the closed agreement and granted concessions for fiscal year 2012/2013. The cumulative concessions equate to a fourteen and one-half percent (14.5%) reduction in wages and benefits from the existing closed agreement and a five and one-half percent (5.5%) actual reduction over two years.

Highlights of the wage and benefit concessions achieved through the Memorandum of Understanding are as follows:

- Wage Freeze – continued for fiscal year 2012/2013.
- Pension – Defined benefit plan participants will continue to contribute 8% to the general employees' retirement system rather than the 5% required under the closed agreement.
- Pension – Defined contribution plan participants will receive an annual City contribution of 4% to their account which is reduced from 7% as required under the closed agreement. The City closed the defined benefit plan for new general employees beginning in 1997).
- Continuation of 4 unpaid furlough days and 4 unpaid holidays.
- Longevity pay is reduced by 33-1/3% from the benefit level provided under the closed agreement.

- The City's annual contribution to a member's deferred compensation account is reduced from \$800 to \$0 for the 2012/13 fiscal year.
- The City retains the right to layoff members if necessary over the term of the MOU.
- The City may hire additional part-time members, provided that the ratio of full-time to part-time members does not fall below 65% / 35%.
- Allowable annual hours worked by part-time members are increased from 1,200 to 1,500 hours per fiscal year.
- Wages for new part-time hires is reduced from 90% of the full-time hourly rate of pay to 80%, with no benefits.
- A retiree *may* be re-employed by the City in a part-time position for not more than 1,500 hours per fiscal year for a maximum period of two (2) years. This provision will allow the City to avoid a substantial loss of institutional knowledge and experience while at the same time realizing significant cost savings.
- A member who attains age and service requirements by June 30, 2012 is eligible to retire under the terms of an Early Retirement Incentive Program (ERIP). A member participating in the ERIP must retire by June 30, 2012 and accept retiree medical insurance under the BCBS Community Blue Plan 4 Modified with the \$15/\$30/\$50 RX plan for the employee and spouse (two person), only. The retiree is required to pay 10% of the premium based on the City's illustrative rates. In most cases, the ERIP eligible positions will not be filled resulting in cost savings over and above the health care savings.

In exchange for these voluntary concessions, the Memorandum of Understanding provides that these employees will not have their normal work schedule reduced from the signing of the memorandum of understanding through June 30, 2013.

City Administration would be remiss by not acknowledging the willingness of this bargaining unit to address the significant financial challenges facing the City.

Suggested Action:

MOVED BY:

SECONDED BY:

Resolved, to approve the Memorandum of Understanding between the City of Sterling Heights and UAW Unit 40 of Local 412 - Professional and Technical Employees for the 2012/2013 fiscal year and authorize the Mayor and City Manager to sign it on behalf of the City.

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE CITY OF STERLING HEIGHTS (City)

AND

UAW TECHNICAL/PROFESSIONAL UNION LOCAL 412, UNIT 40 (Union)

The City and the Union agree that the collective bargaining agreement for the period July 1, 2008 through June 30, 2013 is amended by the following terms and conditions:

I. Employee Concessions.

A. Unpaid Furloughs and Unpaid Holidays.

- 1) **Scope.** All members of the Union shall participate in the schedule of unpaid furlough days. Scheduled unpaid furlough days may not be rescheduled except in the event of an emergency with the approval of the City Manager. If this occurs, the member shall schedule a different unpaid furlough day in the same or next work week in which the scheduled unpaid furlough day occurs on the before or after the weekend. Work performed on the previously scheduled unpaid furlough day shall not be paid overtime except as required by applicable collective bargaining agreement or the FLSA.
- 2) **Unpaid Furlough Days.** Employees shall take the following four (4) unpaid furlough days in fiscal year 2012/13 (July 1, 2012 – June 30, 2013).
 - a. August 31, 2012 (Friday before Labor Day)
 - b. October 8, 2012 (Columbus Day)
 - c. February 18, 2013 (Presidents Day)
 - d. May 24, 2013 (Friday before Memorial Day)
- 3) **Unpaid Holidays.** In addition to the four (4) unpaid furlough days, members will not be paid for the following four (4) holidays during fiscal year 2012/13 (July 1, 2012 - June 30, 2013):
 - a. July 4, 2012
 - b. November 23, 2012 (Day after Thanksgiving)
 - c. December 24, 2012 (Christmas Eve)
 - d. March 29, 2013 (Good Friday)
- 4) **Leave Accrual.** Furlough days will accrue sick leave and vacation time.
- 5) **Holidays.** Furlough days will not affect employee holiday pay or benefits.
- 6) **Retirement.** Employees' pension contributions will continue to be based on pensionable employee earnings. Service time will not be affected due to the furlough days.
- 7) **Health Insurance and Other Benefits.** Medical, dental, vision, and any other insured

benefits coverage shall not be impacted by the furloughs.

- 8) Personnel Processes. Furloughs will not count as a break in service and shall not impact seniority, performance pay, step placement, and probationary periods.
- 9) Temporary Employees and Volunteers. Temporary employees and volunteers shall not be assigned to perform work to cover the time loss associated with furloughs.

B. Part-time Employment.

- 1) Members employed part-time may work a maximum of 1,500 hours per fiscal year.
- 2) The City may hire additional part-time members, but shall not have less than 65% total full-time staffing.
- 3) Hourly rate of pay for part-time members shall constitute 80% of the hourly rate at each step of the corresponding full-time positions as listed in Appendix A. The hourly rates for part-time members employed by the City as of the effective date of this memorandum of understanding are not affected by this term.
- 4) A retiree who is a participant in the general employees defined benefit retirement system may be reemployed by the city in a part-time position for no more than 1,500 hours per fiscal year for a maximum period of two (2) years. The retiree must go through the usual hiring process and this position will count towards the part-time ratio.
- 5) On July 1st and each July 1st thereafter, a part-time employee shall be credited with five (5) days (equal to 30 hours) of "paid time off" (PTO). A part-time employee may use PTO only in full day increments as sick, vacation, or personal paid time off, provided the City Leadership is provided notice at least twenty-four (24) hour advance notice in the case of vacation or personal time off and at least two hour advance notice in case of sickness, Unused PTO does not accrue and is lost if not utilized by June 30th annually. There is no payment of unused PTO in the event a part-time employee ceases to be employed.
- 6) A retiree rehired pursuant to this memorandum of understanding as a part-time member is not eligible for vacation time, sick time, disability, or health coverage, educational aid, holiday pay, compensatory time, life insurance, funeral leave, retirement, or any other benefit provided under the collective bargaining agreement. Reemployment as a part-time member will not increase the pension and will not count as pension credited service. Bargaining unit seniority will be the date of re-employment. The above section I.B.5 would apply to a rehired retiree.

C. Pension Contribution.

- 1) UAW Technical/Professional Members - General Employees Retirement System Plan Participants
All members participating in the general employees defined benefit retirement system shall have their pension contribution increased from 5% to 8% of the member's gross pay for the 2012/13 fiscal year. The City's contribution to the General Employees Retirement System on behalf of the participating members shall be reduced by a corresponding rate.

- 2) UAW Technical/Professional Members – Defined Contribution Plan Participants
The City shall reduce the employer's contribution to the member's defined contribution pension plan from 7% to 4% of base salary.

D. Extended Service Pay.

Extended Service Pay accruing in fiscal year 2012/13 and payable in July 2013 will be reduced by one-third (33%). A member who leaves employment in fiscal year 2012/13 and is otherwise eligible will receive a prorated amount calculated based upon the reduced one-third (33%) extended service pay.

E. Deferred Compensation Contribution.

The City's contribution to the member's deferred compensation account will be suspended for the 2012/13 fiscal year.

F. Wage freeze

The annual wage increases effective as of July 1, 2011 and July 1, 2012 are eliminated.

II. Early Retirement Incentive Program (ERIP).

A member who attains age and service of 70 points by June 30, 2012 is eligible to retire under the ERIP. A member participating in the ERIP must retire by June 30, 2012 and accept retiree medical insurance under the BCBS Community Blue Plan 4 Modified with the \$15/\$30/\$50 RX plan for the employee and spouse (two person), only. In order to receive the retiree medical benefits, the retiree must pay 10% premium sharing of the illustrative rates.

If, during the term of the 2012 - 2013 MOU agreement, any other employee bargaining unit receives a superior ERIP agreement agreed to under the MOU, the Union membership shall receive the superior plan.

III. Other Terms and Conditions.

- A. Any dispute regarding the interpretation and/or application of this memorandum of understanding shall be addressed pursuant to the terms of the grievance procedure.
- B. During those weeks in which furlough days and unpaid holidays occur, all employees who are exempt from the requirements of the Fair Labor Standards Act ("FLSA") will be converted to an hourly status. As such, during the week of a furlough or non-paid holiday, members will not work beyond their normal work week except in emergencies approved by the City Manager or when mandated by the City Manager. Overtime will only consist of hours actually worked over 40 hours for regularly scheduled 40 hour work week employees or over 37.5 hours for regularly scheduled 37.5 hour work week employees and will not include any paid sick time, vacation, compensatory or personal time. Also, during the furlough week or non-paid holiday week, all members must refrain from conducting work off-site, including any work performed prior to or after the normal workday, on the weekend, or any work performed from home. Additionally, members may not substitute paid leave, such as sick leave or vacation time, for unpaid furlough days.

- C. In exchange for this Agreement, the City acknowledges that it will not exercise its right under the collective bargaining agreement to reduce the workweek for any members of the Union from the effective date of this memorandum of understanding through June 30, 2013. The City reserves its rights to lay off members of the Union in accordance with the terms and conditions of the collective bargaining agreement.
- D. For fiscal year 2012/13, the City agrees to not seek any additional concessions from the members of the Union.
- E. Except for the wages eliminated pursuant to Section I.E. and the reduced extended service pay payable in July 2013 pursuant to Section I.D., all other member concessions do not survive the expiration of this memorandum of understanding on June 30, 2013.

This memorandum of understanding does not establish any past practice or precedence for any future related situation, for either party, after June 30, 2013 nor shall it be used as evidence in any grievance arbitration, interest arbitration, or other proceeding after June 30, 2013.

FOR THE CITY

FOR THE BARGAINING UNIT

Richard J. Notte
Mayor

Jeff Elgert
International Representative

Mark D. Vanderpool
City Manager

Joseph P. Sturza
Unit Chairperson