



Council Agenda Report

FROM: Hans Uslar, City Manager
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SUBJECT: Resolution to Amend the Position Control List by Reducing Positions as part of a Budget Reduction Plan and Receive Update on Meet and Confer on Identified Impacts or Other Concessions (Not a Project Under CEQA per Article 20, Section 15378(b)(5))

RECOMMENDATION:

That the City Council adopt a resolution to amend the Position Control list by reducing 106 positions in accordance with City Code section 25-13; receive an update on meet and confer with labor groups General Employees of Monterey (GEM), Management Employees Association (MEA), and Monterey Executive Management Employee Association (MEMEA) on any identified impacts of layoffs for positions represented by their groups; and direct its negotiator to meet and confer on any additional concessions offered by other bargaining groups.

POLICY IMPLICATIONS:

Monterey City Code section 25-13 provides the City Council with the authority to eliminate any position in the classified or exempt service through layoff procedures. Library employees fall under exempt service pursuant to City Code section 25-2.19. The Meyers Milias Brown Act provides employee organizations with a right to meet and confer over any identified impacts of the decision to lay off positions, and requires meet and confer on other changes to terms and conditions of employment. The Monterey City Code comprehensively covers many impacts that would otherwise be subject to the meet and confer process such as: (1) the order of layoffs; (2) the determination of seniority; (3) reassignment in lieu of layoff; (4) reemployment, (5) and benefits upon potential reemployment.

FISCAL IMPLICATIONS:

On April 21, 2020, staff delivered a sobering report on the City's fiscal condition as a result of the Covid-19 pandemic (Attachment 2). Staff estimates that the Covid-19 pandemic will devastate the City's General Fund revenues by approximately \$10 million (or 12%) through the remainder of fiscal year 2019/2020 (FY19/20). That \$10M loss represents the projected loss of revenue in less than a four-month period - from when the pandemic began to affect the City's budget in March 2020 through the end of the fiscal year in June 2020. Moreover, Covid-19 created financial losses in other funds (e.g., Tideland, Parking, Measure P&S, etc.) which will continue into future fiscal years.

Staff also delivered a recommendation to the City Council to reduce positions associated with public closures and revenue reductions until the City is able to resume operations (Attachment 3). This represents a reduction of 106 positions, including 24 vacancies and 82 employees, which will provide the City with a total annual savings of approximately \$11,322,327 and a corresponding approximate monthly savings of \$943,527. The general fund annual savings is

approximately \$8,174,105 and monthly savings is \$681,175. The parking fund annual savings is approximately \$2,553,592 with a corresponding monthly savings of \$212,799.

ENVIRONMENTAL DETERMINATION:

The City of Monterey determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA)(CCR, Title 14, Chapter 3 (CEQA Guidelines), Article 20, Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or any reasonably foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability. This action is also exempt pursuant to Public Resources Code section 21080(b)(4) regarding actions to mitigate or prevent an emergency.

ALTERNATIVES CONSIDERED:

Council could direct staff to consider alternatives to position reductions to achieve the necessary savings, such as depleting the City's fund for economic uncertainty. Staff does not recommend this alternative at this time, as these are one-time funds. The reality is that with projected losses in revenue continuing into the next fiscal year, the City will likely need to start utilizing some of these funds. The long-term impacts of the Covid-19 health and economic crises is highly unpredictable, and maintaining the economic uncertainty fund for now is critical to stave the City from insolvency, and to maintain police, fire, and other essential public safety services.

DISCUSSION:

Overview

As stated in the April 21, 2020 presentations on the Covid-19 budget impacts (Attachment 2), staff estimates that the Covid-19 pandemic will devastate the City's General Fund revenues by approximately \$10 million (or 12%) through the remainder of fiscal year 2019/2020 (FY19/20), which ends on June 30, 2020.

Staff recommended the difficult, but necessary recommendation to reduce the Position Control List by 106 positions, including vacancies (Attachment 3). This proposed layoff would impact 82 current City staff. The intent of these layoffs is to avoid even more dire long-term catastrophic cuts to City services and essential personnel. Staff recommends to implement layoffs now, and institute re-employment opportunities for the impacted employees as soon as the City is able to resume programs, reopen facilities, and regain fiscal stability.

Fiscal Update: Dire Budget Projections

Staff has been preparing budget projections for FY 2021, based on various scenarios. Since the April 21, 2020 City Council Meeting, it was announced that Car Week activities in August

would be cancelled. This highlights that the devastating loss in revenues will follow into the next fiscal year.

At the current rate of revenue losses, the City is losing approximately \$3 million or more in revenue per month in the General Fund. The proposed layoffs alone would only save the General Fund \$681,175 per month. This means that these layoffs will not account for the savings needed to save the City from operating in the red.

Significant cost-savings measures will be needed in addition to these proposed layoffs, which will include reduction in programs, services, and a potential second phase of layoffs and/or concessions.

Results of Meet and Confer

The appointed agency negotiator met with impacted labor groups on numerous occasions since the April 21 City Council meeting.

The General Employees of Monterey (GEM) Board met with the City's labor team and held a meeting with its membership. Rather than continue negotiations with the City's labor team, GEM's response came in the form of a letter to Council, dated April 27, 2020. (Attachment 7). GEM requests that Council consider other alternatives such as using the emergency reserves or reducing department head salaries by 20% (rather than the total of 10% (department heads) and 12% (City Manager and City Attorney) reduction offered). GEM then requests that everyone should share equally in reductions. Finally, GEM requests to add the additional layer of Council approval before any positions laid off can be reinstated.

The Management Employees Association (MEA) Board met with the City's labor team and is considering additional concessions, but was aware that the current position reduction proposal alone will not solve the projected lost revenue. The MEA Board communicated that it wanted to continue discussions regarding mitigation of the impacts of layoffs, such as providing funding for health coverage and the Board will recommend to its members the delay of the July 1, 2020 2% salary increase to January 1, 2021. If approved, this would provide \$9,400 in savings per month in July - December 2020 across all funds (\$6,000 per month for the General Fund.) In addition, MEA has voted to open its contract to discuss additional concessions needed to reduce expenditures to address projected severe losses in revenue.

Executive Management (MEMEA) and confidential executives have volunteered to reduce salaries by 8% beginning May 1, 2020 through October 31, 2020. They have also volunteered to delay the July 1, 2020 salary increase to January 1, 2021. This would be brought to the City Council for consideration at its meeting on May 5, 2020 and implemented effective May 1, 2020. Confidential executives have agreed to match this proposal. The City Manager and the City Attorney have volunteered to reduce salaries by 10% beginning May 1, 2020 through October 31, 2020 and delay the July 1, 2020 salary increase to January 1, 2021. This will also take effect May 1. This will provide \$17,000 in monthly savings in May and June across all funds (\$15,300 per month for the General Fund), and \$21,000 in monthly savings July - November 2021 across all funds (\$18,900 per month for the General Fund).

The labor groups not impacted by the layoffs representing police management (PLMA) and fire management (MFCOA) are in discussions with the City's labor team to delay the July 1, 2020 salary increases, and are continuing discussions on other potential savings. The City's labor

team has also communicated with the police (MPA) and fire (MFFA) labor groups and will continue those discussions.

Despite these potential concessions providing approximately \$24,900 in monthly savings for expenditures to the General Fund, the projected monthly lost revenue of approximately \$3 million to the General Fund does not alleviate any of the proposed temporary reductions to the Position Control List (PCL). In fact, even with additional concessions from these or other labor groups, a second phase of layoffs may be necessary. The amount of these and other budget reductions will be driven by the severity and duration of the economic losses due to Covid-19. Staff will return to Council with additional recommendations to address these economic losses as events transpire.

Continuation of Healthcare Benefits

Healthcare benefits will continue through July 31, 2020. At this time, the only employees agreeing to immediate reductions are the department heads (8% salary reduction), City Manager (10% salary reduction), and City Attorney (10% salary reduction). Those reductions provide an immediate monthly savings of \$17,000. Maintaining health care premium contributions to employees require a monthly cost of \$95,000. With no other labor groups offering immediate concessions, and with additional projected revenue losses, staff does not recommend spending additional money from reserves to provide health coverage after July 31, 2020. Based on Council direction, staff proposes giving a total of \$1,000 in severance pay per employee that would assist employees laid off to purchase healthcare benefits through Covered California or other healthcare exchanges.

Core Services Will Continue in Library, Recreation, Sports Center, Conference Center, and Parking

At its meeting on April 21, the City Council expressed an interest in learning more about whether or not core services could continue in the Library based on the layoff proposal.

Staff reassures the City Council and community at large that core services will continue in the Library, Recreation, Sports Center, Conference Center, and Parking under the layoff proposal with remaining staff. While many of the community services and virtual programming delivered by the Library, Recreation, and Sports Center staff have been beneficial to the community, many of these services will continue to be made available to Monterey residents by proposed staffing levels, as well as other service providers (e.g., 2-1-1 Monterey County referral service provided 24 hours a day, 7 days a week; virtual library, story time, and virtual recreation programs delivered by other organizations) during the Shelter-in-Place Orders. Keeping the remaining staff working will also allow staff in these divisions, as well as the Conference Center and Parking, to develop plans and prepare for facility reopenings.

The Library Director and Library Board Chair support the difficult but necessary layoff recommendation, and outline in a memorandum how core services will still be maintained with three staff members (Attachment 4). The proposed layoffs in the Library during the Shelter-in-Place Order will only minimally impact service delivery, because many of the programs offered by the Library are offered by other providers such as The Kennedy Center (Lunch Doodles with Mo Willems), PBS Kids, and 2-1-1 Monterey County. The reduction in staff will continue to provide for services in the areas of information services, virtual programming, and the circulation of materials.

In addition, the Parks and Recreation Director and Monterey Conference Center General Manager outline in memoranda how critical services in the Recreation Division, Monterey Sports Center, and Monterey Conference Center would continue under this proposal (Attachments 5 and 6).

Final Recommendation

We are just at the beginning of Monterey's fiscal crisis. The recommended elimination of positions is difficult and caused by the devastating impacts of COVID-19. Further reductions and adjustments will be necessary as part of our revised FY 20/21 budget. For example, the City Charter requires that the City maintain a City Clerk position. Staff will meet and confer with the applicable bargaining groups and return to the City Council with a proposal to reclassify the Sr. Assistant City Clerk position to that of City Clerk. The City Clerk position would be assigned to the MEA bargaining group, with the Assistant City Manager serving as the Department Head for the City Clerk's Office and Information Services Division. This proposal, along with other potential reorganizations to create additional salary savings, will be evaluated and brought back for City Council consideration.

While we are just at the beginning of a never before seen fiscal crisis, it should be reiterated that laid off staff will return as facilities are allowed to open again and program funding returns.

Due to the dire fiscal situation of the City, staff does not recommend any adjustments to the layoff proposal presented to the City Council on April 21.

ATTACHMENTS:

1. Draft Resolution
2. Fiscal Impacts of Covid-19 - Agenda Report, April 21, 2020
3. Changes to Position Control List - Agenda Report, April 21, 2020
4. Memorandum from Library & Museums Director
5. Memorandum from Parks & Recreation Director
6. Memorandum from Conference Center General Manager
7. Letter from General Employees of Monterey (GEM) dated April 27, 2020

Writings distributed for discussion or consideration on this matter within 72 hours of the meeting, pursuant to Government Code § 54957.5, are available at the following link:

<https://monterey.org/SubmittedComments>