

DATE: FEBRUARY 10, 2021

FROM: HUMAN RESOURCES

**SUBJECT: RESOLUTION NO. _____ - SEPARATION INCENTIVE PROGRAM
LETTER OF AGREEMENT BETWEEN EIGHT LABOR ORGANIZATIONS
AND THE LOS ANGELES HARBOR DEPARTMENT**

SUMMARY:

Staff requests the Board of Harbor Commissioners (Board) approve a Separation Incentive Program (SIP) Letter of Agreement (LOA) between the City of Los Angeles Harbor Department (Harbor Department) and the following eight labor organizations:

- American Federation of State, County and Municipal Employees (AFSCME)
- Engineers & Architects Association (EAA)
- International Union of Operating Engineers, Local 501 (IUOE)
- Laborer's International Union of North America (LIUNA)
- Los Angeles/Orange Counties Building & Construction Trades Council (LAOCBCTC)
- Los Angeles Professional Managers Association, Management Division (LAPMA)
- Municipal Construction Inspector Association (MCIA)
- Service Employees International Union, Local 721 (SEIU)

The proposed LOA will create a SIP similar to separation incentive programs recently established by the City of Los Angeles (City) and Los Angeles World Airports (LAWA), in response to the unprecedented financial impacts experienced throughout the City due to Coronavirus Disease 2019 (COVID-19). Eligible Harbor Department employees, who voluntarily retire under the terms of the proposed LOA, will receive a lump-sum incentive payment. The proposed LOA will result in a reduction of the Harbor Department workforce and the associated salary and benefits obligations. The Harbor Department is financially responsible for payment of expenses under the proposed LOA.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

SUBJECT: SEPARATION INCENTIVE PROGRAM LETTER OF AGREEMENT

2. Approve the LOA between the Harbor Department and AFSCME, EAA, IUOE, LIUNA, LAOCBCTC, LAPMA, MCIA, and SEIU;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the LOA;
4. Authorize the Executive Director or his designee to approve, under the terms of the LOA, successful Harbor Department SIP application and employee agreements, SIP incentive payment amounts, and the distribution of funds to SIP recipients in lump-sum incentive payments; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – Following separation incentive programs recently established by the City and LAWA, in response to the unprecedented financial impacts experienced throughout the City due to COVID-19, the proposed LOA will result in a reduction of the Harbor Department workforce and the associated salary and benefits obligations.

SIP Terms – Under the proposed LOA, the key terms of the SIP are as follows:

- Eligible employees shall be Harbor Department civilian employees whose classifications are listed in the bargaining units of the signatories of the proposed LOA, and who are eligible for normal retirement effective on or before March 31, 2021, as confirmed by the Los Angeles City Employee's Retirement System (LACERS).

A normal retirement is defined as eligible for a full, unreduced retirement allowance. Tier 1 members, who joined LACERS on or before February 20, 2016, are eligible for a normal retirement if they are age 55 with 30 years of City Service, age 60 with 10 years of City Service, or age 70 with any amount of City Service.

- Employees will have a month-long application window, followed by a one-week rescission period to withdraw the application.
- Each successful applicant will receive a lump-sum payment equivalent to 2.0% of an employee's final annualized pensionable compensation for each year of service with the City, supplemented by \$7,500. The total SIP payment for each successful employee applicant shall not exceed \$80,000.

For example, the SIP incentive for an eligible employee with 31 years of service and an annual salary of \$55,000 would be \$41,600, calculated as follows:

$$\$7,500 + (2.0\% \times 31 \text{ years of service} \times \$55,000 \text{ annual salary}) = \$41,600$$

SUBJECT: SEPARATION INCENTIVE PROGRAM LETTER OF AGREEMENT

- The lump-sum incentive shall be paid to the SIP recipient approximately six to eight weeks after the employee's final retirement date from City service.
- The SIP recipient will retire from City service as soon as practicable based upon the time necessary to process and approve the application and LACERS retirement paperwork. The Harbor Department may postpone some retirements until December 31, 2021, for a limited number of employees working on critical department projects.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a SIP LOA between the Harbor Department and eight labor organizations (AFSCME, EAA, IUOE, LIUNA, LAOCBCTC, LAPMA, MCIA, and SEIU), which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

There are 157 employees eligible for SIP under the proposed LOA. If all eligible employees participate, the total incentive payments will be \$9,806,876 with an annual savings of \$21,324,884, assuming all positions are left vacant.

The department plans on funding this program through the savings generated from the vacancies resulting from eligible employees retiring. The incentive payout will be recorded within the regular salaries and benefits expense category.

Exact savings amounts will not be known until we know which employees plan to retire. The chart below illustrates the potential savings from the program at different levels of employee participation in Fiscal Year 2022, the time in which the financial impact of the program will be realized. The annual savings in these scenarios assume that the employees retire at the beginning of Fiscal Year 2022 and does not account for backfilling of any positions. Any savings from the program would be reduced by these aforementioned factors.

Participation	Total Salary and Benefits	Total Incentive Payment	Annual Savings
100%	\$31,131,760	\$9,806,876	\$21,324,884
75%	\$23,299,478	\$7,291,256	\$16,008,221
50%	\$15,712,922	\$4,881,722	\$10,831,199
25%	\$ 7,930,482	\$2,416,339	\$ 5,514,143

DATE: FEBRUARY 10, 2021

PAGE 4 OF 4

SUBJECT: SEPARATION INCENTIVE PROGRAM LETTER OF AGREEMENT

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the LOA as to form and legality.

TRANSMITTALS:

1. Separation Incentive Program Letter of Agreement
2. Separation Incentive Program Application and Employee Agreement

FIS Approval: *MB*(initials)
CA Approval: *SO*(initials)

Tish Lorenzana

TISH LORENZANA
Director of Human Resources

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director

APPROVED:

Marla Bleavins

EUGENE D. SEROKA
Executive Director

TL/TM
Author: T. Malahni