



**DATE:** June 13, 2017

**CATEGORY:** New Business

**DEPT.:** City Manager/Human Resources

**TITLE:** **Adopt Resolutions Governing Compensation for Unrepresented Confidential Employees, Fire Managers, Police Managers, Department Heads, Council Appointees, and Hourly Employees, and Modifying the City's Salary Plans**

### **RECOMMENDATION**

Adopt Resolutions Authorizing the City Manager or His Designee to Set the Compensation for Unrepresented Employees, Including Confidential Employees, Fire Managers, Police Managers, Department Heads, Hourly Employees, and Council Appointees for the Period of July 1, 2017 Through June 30, 2020, and to Revise the City's Salary Plans to Reflect These Compensation Changes.

1. Adopt a Resolution Authorizing the City Manager or His Designee to Set the Compensation for Unrepresented Confidential Employees, Fire Managers, Police Managers, Department Heads, and Council Appointees, for July 1, 2017 Through June 30, 2020, and Revise the City's Salary Plan to Reflect These Compensation Changes, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Adopt a Resolution Authorizing the City Manager or His Designee to Set the Compensation for Unrepresented Hourly Employees for July 1, 2017 Through June 30, 2020 and Revise the City's Hourly Salary Plan to Reflect These Compensation Changes, to be read in title only, further reading waived (Attachment 2 to the Council report).

### **BACKGROUND AND ANALYSIS**

The current compensation resolution for Unrepresented Confidential employees, Fire Managers, Police Managers, Department Heads, Council Appointees, and hourly employees, covers the period of July 1, 2015 to June 30, 2017. A new resolution is proposed to address compensation for these employees through June 30, 2020. By State

law, compensation for executive employees (department heads and Council appointees) may only be adjusted at regular City Council meetings.

Unrepresented Confidential employees include 19.50 full-time equivalent employees in various positions in the Human Resources Division and Finance and Administrative Services Department; there are eight Police Managers in the positions of Police Captain and Police Lieutenant; five Fire Managers in the positions of Deputy Fire Chief and Battalion Chief; nine unrepresented Department Heads in the positions of Assistant City Manager, Community Development Director, Community Services Director, Finance and Administrative Services Director, Fire Chief, Information Technology Director/Chief Information Officer, Library Services Director, Police Chief, and Public Works Director. The Fire Chief and Police Chief are classified as sworn safety employees. The other department heads are classified as miscellaneous employees. There are three Council Appointees in the positions of City Attorney, City Clerk, and City Manager who are also classified as miscellaneous employees.

Historically, compensation for unrepresented employees generally tracks the basic terms of their respective represented colleagues. The City also meets informally with unrepresented employee groups using an interest-based approach in considering compensation adjustments. The City values the work done by all employees to provide high-quality services and facilities to the residents, employees, and visitors in Mountain View and the shared commitment to the fiscal health of the organization. Recognizing that employee-related costs represent the vast majority of the City's operating expenditures, the City's interests in adjusting compensation were to provide compensation packages which enable the City to meet the following objectives:

- To the extent possible, in light of the City's current favorable economic condition, provide above average total compensation in order to attract and retain employees with the education, skills, and experience which enables them to provide quality services on behalf of the City.
- Ensure that employee compensation is financially sustainable, so that the City can continue to maintain a structurally balanced operating budget with ongoing revenues sufficient for ongoing expenditures, and can provide for long-term equipment and capital needs in order to maintain City service levels.
- Provide similar benefits to all employees in order to enhance administrative efficiencies and economies of scale in benefits costs.
- Consider compensation costs over a multi-year period while retaining the ability to respond to changing economic conditions.

The proposed resolution governing compensation for unrepresented Confidential employees, Fire Managers, Police Managers, Department Heads and Council Appointed Officers meets the City's interests in several ways. The proposed compensation increases base salaries in order to attract and retain employees in light of the high cost of living in the region and the relatively competitive labor market. To provide a competitive compensation proposal, the City considers factors such as: total compensation surveys as compared to local public agencies, Consumer Price Index (CPI) and the employees' continued commitment to paying an above average portion of the City's CalPERS employer rate.

As a result of this process the total compensation for 10 classifications in the unrepresented Confidential group was found to be below the market average in the City's survey of comparable agencies. Equity adjustments are being proposed for these classifications as outlined below. Equity adjustments are also being proposed for the unrepresented classifications in the Police Department in consideration of the difficult recruitment and retention challenges facing the regional police labor market.

The proposed changes governing compensation for unrepresented employees are detailed in the resolution included as Attachment 1. The changes are consistent with direction provided by Council in Closed Session meetings on labor negotiation terms. The resolution serves as the public reporting of action taken in Closed Session under the Brown Act relative to these employees.

### **Common Provisions for All Unrepresented Employees**

Employee Cost Share for PEPRA Employees: For PEPRA miscellaneous employees on the 2.0 at 62 pension formula and sworn employees on the 2.7 at 57 pension formula, the additional deductions for Employee Share of Employer Contribution will not be applied to any income in excess of the limits set forth in California Government Code Section 7522.10(c).

### **Common Provisions for All Unrepresented Miscellaneous Employees (Confidential Employees, Miscellaneous Department Heads and Council Appointees)**

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary ranges for all classifications of unrepresented miscellaneous employees by a four percent (4.0%) cost-of-living

adjustment (COLA). This provision will not apply to Council Appointees, whose base compensation is set separately by the Council following performance evaluations.

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges for all classifications of unrepresented miscellaneous employees by a four percent (4.0%) COLA. This provision will not apply to Council Appointees.

1.0 Percent COLA Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary ranges for all classifications of unrepresented miscellaneous employees by a one percent (1.0 %) COLA. This provision will not apply to Council Appointees.

Parity with Represented Employees: Should a different schedule of COLAs be approved for miscellaneous represented employees for Fiscal Years 2017-18, 2018-19, and 2019-20 the same schedule of COLAs shall be offered to unrepresented miscellaneous employees instead of the four percent (4.0%), four percent (4.0%), and one percent (1.0%) accepted in Fiscal Years 2017-18, 2018-19, and 2019-2020, respectively, as outlined above. This provision will not apply to Council Appointees.

One-Time Leave Hours: Effective the first pay period ending in July 2017, unrepresented miscellaneous employees who are City employees on July 1, 2017, will receive a one-time contribution of twenty-one (21) hours of leave time, (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2018, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2018, unrepresented miscellaneous employees who are City employees on July 1, 2018 will receive another one-time contribution of twenty-one (21) hours of leave time (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2019, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2019, unrepresented miscellaneous employees who are City employees on July 1, 2019 will receive another one-time contribution of twenty-one (21) hours of leave time (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll. This provision will not apply to Council Appointees.

Defined Contribution Retirees' Health: Effective the first pay period ending in July 2017, the direct employer contributions for employees enrolled in the defined contribution

retirees' health plan will be increased for Fiscal Year 2017-18 by the following amounts; 0 to 5 years: Fifty Dollars (\$50) per month, 6 to 10 years: Seventy-Five Dollars (\$75) per month, 10+ years: One Hundred Dollars (\$100) per month.

Effective the first pay period ending in July 2018, contributions will be indexed at a three percent (3.0%) fixed rate annually. This is the first adjustment in the City's contribution amount since inception of the City's Defined Contribution Plan in 2007.

Interest on the first year employer contributions held in an account prior to transfer will be credited at a fixed rate of one percent (1.0%) per annum on the monthly balance effective the first pay period ending in July 2017.

Kaiser Vision Benefit: Effective January 1, 2018, the vision benefit included in the Kaiser medical plan available to eligible employees will be changed so that the vision allowance is available every 12 months.

Dental Benefit: Effective January 1, 2018, the dental plan design will be changed to increase both the annual plan maximum (non-orthodontia) and lifetime plan maximum (orthodontia) by Five Hundred Dollars (\$500) per insured person.

City Contribution to Flexible Spending Account (FSA): Effective the first pay period ending in July 2017, the City will discontinue the City's one hundred and Fifty Dollars (\$150) annual contribution to each employee's medical FSA in exchange for the enhanced dental plan.

Vacation Cash Out: Effective July 1, 2017, employees are eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth by the Finance and Administrative Services Department. For employees electing to cash out over forty (40) hours of vacation, the employee must have used a minimum of forty (40) hours vacation in the full payroll calendar year and have a minimum balance of eighty (80) hours as of the last full pay period in the payroll calendar year of the cash out election.

Health Benefits Committee: The City will form a joint committee with interested miscellaneous employee groups to engage in a focused discussion on health benefits for active employees to consider potential solutions to address the high cost of employee health benefits while ensuring both the sustainability of health benefits and that the benefits remain competitive with comparison agencies. The committee's findings will be used to inform a discussion of health benefits during the next negotiations process.

## **Confidential Employees**

Equity Adjustments for Confidential Employees: Effective the first pay period ending in July 2017, the City shall provide equity adjustments to the salary range for the following positions that were below average in the City's total compensation survey of comparable agencies: Financial Analyst I/II (2/22 and 2/26 to 2/23 and 2/27); Senior Financial Analyst (2/30 to 2/31); Principal Financial Analyst (2/34 to 2/35); Senior Management Analyst (2/30 to 2/31); Accountant I/II (2/22 and 2/26 to 2/23 and 2/27); Payroll Accountant I/II (2/24 and 2/28 to 2/25 and 2/29); Senior Accountant (2/30 to 2/31); Senior Payroll Accountant (2/32 to 2/33); Accounting Manager (2/37 to 2/39); Human Resources Analyst I/II (2/22 and 2/26 to 2/23 and 2/27); Senior Human Resources Analyst (2/30 to 2/31); Human Resources Manager (2/41 to 2/42). All equity adjustments are approximately two and one half percent (2.5%) with the exception of Accounting Manager, the range for which is being adjusted by five percent (5.0%). Any employee in these classifications whose current salary falls below the new salary range shall receive a salary increase sufficient to place them at the starting point of the salary range effective the first pay period ending in July 2017.

Sick Leave Incentive for Confidential Employees: Effective the first pay period ending in July 2017, employees who do not use sick leave for each payroll calendar quarter, shall be allowed to convert four (4) hours of sick leave into vacation and will continue to be provided four (4) hours of vacation per quarter.

## **Fire Managers**

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary ranges of Fire Managers by a four percent (4.0%) COLA.

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges of Fire Managers by a four percent (4.0%) COLA.

1.0 Percent COLA Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary ranges of Fire Managers by a one percent (1.0%) COLA.

One-Time Leave Hours: Effective the first pay period ending in July 2017, Fire Managers who are City employees on July 1, 2017, will receive a one-time contribution of twenty-one (21) hours of leave time for employees on a 40 hour schedule and twenty-nine (29) hours of leave time for employees on a 56 hour schedule (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2018, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2018, Fire Managers who are City employees on July 1, 2018, will receive another one-time contribution of twenty-one (21) hours of leave time for employees on a 40 hour schedule and twenty-nine (29) hours of leave time for employees on a 56 hour schedule (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2019, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2019, Fire Managers who are City employees on July 1, 2019, will receive another one-time contribution of twenty-one (21) hours of leave time for employees on a 40 hour schedule and twenty-nine (29) hours of leave time for employees on a 56 hour schedule (prorated for regular part-time employees). This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll.

Vacation Cash Out: Effective July 1, 2017, Fire Managers are eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth by the Finance and Administrative Services Department.

## **Police Managers**

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary ranges of Police Managers by a four percent (4.0%) COLA.

3.0 Percent COLA and 1.0 Percent Equity Adjustment Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges of Police Managers by four percent (4.0%), of which three percent (3.0%) is a COLA and one percent (1.0%) is an equity adjustment in consideration of recruitment and retention challenges in the regional police labor market.

2.0 Percent COLA and 1.0 Percent Equity Adjustment Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary ranges of Police Managers by three percent (3%), of which two percent (2.0%) is a COLA and one percent (1.0%) is an equity adjustment in consideration of recruitment and retention challenges in the regional police labor market.

One-Time Leave Hours: Effective the first pay period ending in July 2019, the Police Managers who are City employees on July 1, 2019, will receive a one-time contribution of thirty-one (31) hours of leave time. This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll.

Parity with Represented Employees: Should a different schedule of COLAs and equities be approved for represented Police employees for Fiscal Years 2017-18, 2018-19, and 2019-20 the same schedule of COLAs and equities shall be offered to Police Managers instead of the four percent (4.0%), four percent (4.0%), and three percent (3.0%) accepted in Fiscal Years 2017-18, 2018-19, and 2019-2020, respectively, as outlined above.

Education Incentive: Provide the Police Chief with discretion in determining eligible training courses to meet the Tier 3 education incentive requirement.

Bereavement Leave: In the event of the death of any immediate family member (as defined in the City's Administrative Instruction 3-15 Bereavement Leave), employees will receive paid bereavement leave of three (3) shifts. If the employee is traveling over three hundred miles one way, they will be granted one (1) additional shift as bereavement leave.

## **Department Heads and Council Appointees**

Management Leave: Effective the first pay period ending in July 2017, increase management leave provided for full-time Department Heads and Council Appointees by sixteen (16) hours, which shall be administered in accordance with procedures set forth by the Finance and Administrative Services Department and in accordance with IRS regulations.

Special Pay: Effective the first pay period ending in July 2017, convert existing Department Head special pay to a flat amount that is not tied to the City's mileage reimbursement policy and increase this pay by Eighteen Dollars and Twenty Cents (\$18.20) per pay period over the 2017 amount. This provision will not apply to Public Safety Department Heads or Council Appointees.



## **Fire Chief**

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary range by a four percent (4.0%) COLA.

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary range by a four percent (4.0%) COLA.

1.0 Percent COLA Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary range by a one percent (1.0%) COLA.

One-Time Leave Hours: Effective the first pay period ending in 2017, the Fire Chief who is a City employee on July 1, 2017, will receive a one-time contribution of twenty-one (21) hours of leave time: This leave must be used by Pay Period 2, 2018, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2018, the Fire Chief who is a City employee on July 1, 2018, will receive another one-time contribution of twenty-one (21) hours of leave time. This leave must be used by Pay Period 2, 2019, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2019, the Fire Chief who is a City employee on July 1, 2019 will receive another one-time contribution of twenty-one (21) hours of leave time. This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll.

Vacation Cash Out: Effective July 2017, the Fire Chief is eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth by the Finance and Administrative Services Department. For elections to cash out over forty (40) hours of vacation, the employee must have used a minimum of forty (40) hours vacation in the full payroll calendar year and have a minimum balance of eighty (80) hours as of the last full pay period in payroll calendar year of the cash out election.

## **Police Chief**

Term: Three-year compensation package beginning July 1, 2017 and ending June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary range by a four percent (4.0%) COLA.

3.0 Percent COLA and 1.0 Percent Equity Adjustment Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary range by four percent (4.0%), of which three percent (3.0%) is a COLA and one percent (1.0%) is an equity adjustment in consideration of recruitment and retention challenges in the regional police labor market.

2.0 Percent COLA and 1.0 Percent Equity Adjustment Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary range by three percent (3.0%), of which two percent (2.0%) is a COLA and one percent (1.0%) is an equity adjustment in consideration of recruitment and retention challenges in the regional police labor market.

One-Time Leave Hours: Effective the first pay period ending in July 2019, the Police Chief who is a City employee on July 1, 2019, will receive a one-time contribution of thirty one (31) hours of leave time. This leave must be used by Pay Period 2, 2020, or any balance will be cashed out with the Pay Period 2 payroll.

Parity with Represented Employees: Should a different schedule of COLAs and equities be approved for represented Police employees for Fiscal Years 2017-18, 2018-19, and 2019-20 the same schedule of COLAs and equities shall be offered to the Police Chief instead of the four percent (4.0%), four percent (4.0%), and three percent (3.0%) accepted in Fiscal Years 2017-18, 2018-19, and 2019-2020, respectively, as outlined above.

Vacation Cash Out: Effective July 2017, the Police Chief is eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth by the Finance and Administrative Services Department. For elections to cash out over forty (40) hours of vacation, the employee must have used a minimum of forty (40) hours vacation in the full payroll calendar year and have a minimum balance of eighty (80) hours as of the last full pay period in payroll calendar year of the cash out election.

## **Council Appointees**

The City Attorney, City Clerk, and City Manager are each directly appointed by the City Council and their compensation is subject to individual employment agreements. The current agreements for each of these positions links the health, leave, and retirement benefits provided to these employees to those provided to miscellaneous Department Heads. Because several provisions of Department Head benefits, including the City's contribution to Defined Contribution Retirees' Health, dental benefits, Kaiser vision benefits, and management leave will change if the Council approves the recommended resolution for unrepresented Department Heads, the attached resolution specifies how these changes would affect Council Appointees.

Compensation for the City Attorney, City Clerk, and City Manager, including any possible one-time lump sum leave or payments, COLA increases, and merit increases, is to be considered by the City Council annually in the context of the performance evaluations for these positions. Accordingly, no salary increases for Council Appointees are proposed in the attached resolution.

## **Hourly Salary Plan Adjustment**

4.0 Percent COLA Fiscal Year 2017-18: Effective the first pay period ending in July 2017, the City shall amend the salary plan to increase the salary ranges for certain hourly classifications by a four percent (4.0%) COLA. This provision may not apply to hourly classifications already scheduled to be increased as a result of the citywide minimum wage ordinance as described below.

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges for certain hourly classifications by a four percent (4.0%) COLA. This provision may not apply to hourly classifications already scheduled to be increased as a result of the citywide minimum wage ordinance as described below.

1.0 Percent COLA Fiscal Year 2019-20: Effective the first pay period ending in July 2019, the City shall amend the salary plan to increase the salary ranges for certain hourly classifications by a one percent (1.0%) COLA. This provision may not apply to hourly classifications already scheduled to be increased as a result of the citywide minimum wage ordinance as described below.

Citywide Minimum Wage: As a result of the resolution adopted by the City Council on June 24, 2014 to ensure all classifications reflect State minimum wages on an ongoing basis and the ordinance adopted by the City Council on October 28, 2014 to require the

payment of a Citywide minimum wage, the City Council adopted a resolution on June 23, 2015 authorizing the City Manager or his designee to make future adjustments to the salary plan accordingly.

The most recent adjustment to the salary plan for hourly employees was on January 1, 2017 (citywide minimum wage increased to \$13.00 per hour) and is scheduled to be adjusted again on January 1, 2018 (citywide minimum wage increasing to \$15.00 per hour).

In an effort to comply with minimum wage and maintain appropriate internal alignment within the City's hourly classification system, the resolution in Attachment 2 seeks authority for staff to apply COLAs as appropriate to the City's Hourly Salary Plan related to any minimum wage increases.

Any hourly employees in a classification whose current hourly rate falls below the new salary range shall receive an increase sufficient to place them at the starting point of the salary range effective the first pay period ending in July 2017 or to be effective when the minimum wage increase occurs on January 1, 2018.

### **FISCAL IMPACT**

The fiscal impact of the proposed COLAs and compensation package for all approved agreements for employees will be reflected in the Fiscal Year 2017-18 Adopted Budget and the General Operating Fund (GOF) Five Year Financial Forecast (Forecast). The proposed compensation package for Fiscal Years 2017-18 and 2018-19 is projected to be able to be accommodated in those fiscal years, while maintaining a minimal operating balance. To increase the GOF balance, and based on historical data, staff is proposing to increase the projected Budget Savings by \$500,000 throughout the Forecast Period. Based on the current Forecast adjusted for the proposed increase to the Budget Savings and a reduction of the City's Lease Revenues at Risk from 15.0 percent to 10.0 percent in the GOF, the proposed compensation package for all employee groups is projected to require material funding from the Budget Contingency Reserve to balance the GOF in Fiscal Year 2019-20. Based on current projections in the Forecast, the proposed compensation package is projected to cause increases to the deficits, without corrective actions, in the last two fiscal years of the Forecast. The City retains the ability to amend terms related to salary and one-time leave hours for Fiscal Year 2019-20 should the City's fiscal condition require it to balance the City's budget.

**ALTERNATIVES**

1. Do not adopt the proposed resolutions governing compensation for unrepresented employees and modifying the hourly employee salary plan.
2. Provide other direction.

**PUBLIC NOTICING** – Agenda posting.

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SR-ASR/4/CAM  
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- Attachments:
1. Resolution – Unrepresented Employees
  2. Resolution – Hourly Employees