



**DATE:** June 23, 2015

**CATEGORY:** New Business

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

**TITLE:** **Adopt Resolutions Governing Compensation for Unrepresented Employees and Modifying the Hourly Employee Salary Plan**

### **RECOMMENDATION**

Adopt resolutions governing compensation for unrepresented Confidential employees, Fire Managers and Professionals, Police Managers, Department Heads, and City Council Appointees, and revise the City's salary plan for hourly employees to comply with the City of Mountain View minimum wage and to add the classification of Library Technician.

1. Adopt a Resolution Authorizing the City Manager or His Designee to Set the Compensation for Unrepresented Employees, Including Confidential Employees, Fire Managers and Professionals, Police Managers, Department Heads, and Council Appointees, for July 1, 2015 through June 30, 2017, and Revise the City of Mountain View'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 Amend the City of Mountain View's Salary Plan for Hourly Employees to Ensure All Classifications Reflect Citywide Minimum Wage Ordinance (Chapter 42, Article II of the Mountain View City Code) on an Ongoing Basis and Add a New Hourly Classification of Library Technician, to be read in title only, further reading waived (Attachment 2 to the Council report).

### **BACKGROUND AND ANALYSIS**

The current compensation resolution for unrepresented employees, including Confidential employees, Fire Managers and Professionals, Police Managers, Department Heads, and Council Appointees, covers the period of July 1, 2012 to June 30, 2015. A new resolution is proposed to address compensation for these employees through June 30, 2017. By State law, compensation for executive employees (department heads and Council appointees) may only be adjusted at regular City

Council meetings; June 23 is the last regular City Council meeting before June 30, 2015. Compensation provided to represented employees is governed by Memoranda of Understanding (MOUs). MOUs with EAGLES, POA, and SEIU will expire June 30, 2015. The City and these bargaining groups have been meeting regularly to establish terms for new agreements, and City management hopes this process will be complete in the near future.

Unrepresented employees include 16.50 full-time equivalent Confidential employees in various positions in the Human Resources Division and Finance and Administrative Services Department; 8 Police Managers in the positions of Police Captain and Police Lieutenant; 6 Fire Managers and Professionals in the positions of Deputy Fire Chief, Battalion Chief, and Hazardous Materials Specialist; 9 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; and 3 Council Appointees in the positions of City Attorney, City Clerk, and City Manager.

In considering compensation adjustments for both represented and unrepresented employees, City management committed to an interest-based process. The City values the work done by employees to provide high-quality services and facilities to the residents, employees, and visitors in Mountain View. Recognizing that employee-related costs represent a significant portion of the City's operating expenses, the City's interests in adjusting compensation were to provide compensation packages which enable the City to meet the following objectives:

- Provide competitive 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 balance the operating budget on a structural basis, with ongoing revenues matching, or exceeding, ongoing expenditures, and can provide for long-term equipment and capital needs in order to maintain City service levels.
- Provide similar health benefits to all employees in order to enhance administrative efficiencies and economies of scale in benefits costs.
- Stabilize compensation costs over a multi-year period while retaining the ability to respond to changing economic conditions.

The proposed resolution governing compensation for unrepresented employees meets the City's interests in several ways. It increases base salaries in order to attract and retain employees in light of the high cost of living in the region, while also achieving important structural changes to employee health insurance contributions. Currently, in an approach common in the public sector, single employees choosing HMO health plans do not pay toward the monthly cost of their insurance premium. Beginning in 2017, all employees will pay part of the premium for health insurance. In an effort to address compaction among higher ranks of the Fire and Police service, the proposed resolution establishes a second tier salary range for employees appointed in the future to the classifications of Battalion Chief, Police Lieutenant, and Police Captain. The resolution also provides for one-time contributions of paid leave. Finally, the resolution encourages employee development by increasing professional development funds and providing more substantial financial assistance to employees pursuing college degrees. This assistance is expected to broaden the pool of employees prepared to advance into leadership positions.

The proposed changes to the resolution governing compensation for unrepresented employees are detailed in Attachment 1 and summarized below. The changes are consistent with direction provided by Council in Closed Session meetings on labor negotiations terms and also serves as the public reporting of action taken in Closed Session under the Brown Act relative to these employees. They are also consistent with the City's five-year financial projections.

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

Term: Two-year compensation packages beginning July 1, 2015 and ending June 30, 2017.

3.0 Percent COLA Fiscal Year 2015-16: Effective June 21, 2015, the City shall amend the salary plan to increase the salary ranges of all unrepresented employees except Council Appointees by a 3.0 percent cost-of-living adjustment (COLA).

3.0 Percent COLA Fiscal Year 2016-17: Effective the first pay period ending in July 2016, the City shall amend the salary plan to increase the salary ranges of all unrepresented employees except Council Appointees by a 3.0 percent cost-of-living adjustment (COLA).

Parity with Represented Employees: Should a different schedule of COLAs be approved for sworn Police represented employees for Fiscal Year 2015-16 and Fiscal Year 2016-17, the same schedule of COLAs shall be granted to unrepresented sworn Police and Fire employees instead of 3.0 percent in each fiscal year. Should a different schedule of COLAs be approved for non-sworn represented management employees for Fiscal Year 2015-16 and Fiscal Year 2016-17, the same schedule of COLAs shall be granted to unrepresented non-sworn management and professional employees instead of 3.0 percent in each fiscal year. This provision will not apply to Council Appointees.

California Public Employees' Retirement System (CalPERS) Employee Contributions: Effective June 21, 2015, the total pension contribution by employees on the 2.0 @ 62 miscellaneous and 2.7 @ 57 sworn formulas established under the Public Employees' Pension Reform Act (PEPRA) shall be reduced by 1.0 percent compared to the total pension contribution by employees on the 2.7 @ 55 miscellaneous and 3.0 @ 50 sworn formulas.

Leave Hours: Effective June 21, 2015, unrepresented employees who are City employees on July 1, 2015, will receive a one-time contribution of 21 hours of leave time, (prorated for regular part-time employees). This leave must be used by pay period 2 2016, or it will be cashed out with the pay period 2 payroll. In addition, effective the first payroll including July 1, 2016, unrepresented employees who are City employees on July 1, 2016 will receive another one-time contribution of 21 hours of leave time (prorated for regular part-time employees). This leave must be used by pay period 2 2017, or it will be cashed out with the pay period 2 payroll. This provision will not apply to Council Appointees.

Tuition Reimbursement: In addition to the annual \$2,000 benefit, with no lifetime maximum, for completion of individual college courses or training courses which an employee may take without pursuing a college degree, effective June 21, 2015, employees are eligible to receive up to \$10,000 per fiscal year with a \$20,000 lifetime maximum if they enroll in and complete accredited college coursework required to obtain a job-related bachelor's or master's degree or approved leadership program. Completion of the degree or leadership program is required to obtain the full \$20,000 benefit. Administration Instruction 3-6 will govern the process for applying for tuition reimbursement benefits. Employees who completed accredited college coursework in Fiscal Year 2013-14 and Fiscal Year 2014-15, applied for and received reimbursement under the City's tuition reimbursement program and completed the degree in either Fiscal Year 2013-14 or Fiscal Year 2014-15 are eligible to receive up to a maximum of \$20,000 reimbursement for the costs of the degree program.

Professional Development Funds: Effective June 21, 2015, unrepresented professional employees will receive \$800 in professional development funds annually, and unrepresented management employees, including Council Appointees, will receive \$1,000 in professional development funds annually.

**All Unrepresented Miscellaneous Employees (Confidential Employees and Miscellaneous Department Heads and Council Appointees)**

PPO Plan Design Change: Effective January 1, 2016, the City will change the PPO plan design to include the following elements: \$250 deductible, \$20 office visit co-pay, 10% coinsurance, \$100 emergency room co-pay, \$15/\$35/\$55 prescription co-pay.

Employee Contribution for HMO Plans: Effective January 1, 2017, all employees enrolled in HMO plans offered by the City will increase premium contributions according to the following formula:

- a. Single coverage – employee pays 2% of average HMO single premiums
- b. Two-party coverage – employee pays 12% of the difference between single and two-party premiums
- c. Family – employee pays 12% of the difference between single and family coverage

Chiropractic and Acupuncture Benefit – HMO Plans: Effective January 1, 2016, chiropractic and acupuncture benefits will be added to HMO plans where not currently offered.

Health Net High Deductible Health Plan: Effective January 1, 2016 the Health Net High Deductible Health Plan will be discontinued; employees enrolled in this plan will need to enroll in another plan during the 2016 open enrollment process.

City Health Savings Account Contribution for New Enrollees in Kaiser High Deductible Health Plan (HDHP): Employee contributions toward premiums for the HDHP and City contributions toward associated Health Savings Accounts will continue for Fiscal Year 2015-16 and Fiscal Year 2016-17 in the same manner as currently established.

One Time Optional Employee Conversion From Defined Benefit To Defined Contribution Retirees' Health Plan: Employees with fifteen (15) years of City of Mountain View service or less as of July 1, 2015, who are more than five (5) years from the retirement age designated by their pension formula (55 for those on the 2.7 @ 55 pension formula; 62 for those on the 2.0 @ 62 formula), will be given an opportunity to make a one-time,

irrevocable election to convert from the Retirees' Health Defined Benefit Plan to the Retirees' Health Defined Contribution Plan. Employees who do so will be given a one-time contribution to their Retiree Health Savings Account as provided in Attachment 1.

Retirees' Health Plan Document Updates: The Retirees' Health Plan Document will be updated to conform to benefit levels established in 2007 agreements with represented employees. The Retirees' Health Plan Document will be updated to clarify that employees who retire with the Defined Contribution Plan will not be able to enroll in City group health plans in retirement.

CalPERS Contract Amendment to Allow Cost Share to be Credited to Member Account: During Fiscal Year 2015-16, the City will conduct an election in accordance with CalPERS rules for all employees covered under the miscellaneous CalPERS contract for pension benefits to determine employee willingness to amend the CalPERS contract in order to allow some or the entire cost share to be credited to the member account rather than the employer account.

Holiday Closure: The City may close some offices to the public between December 24 and January 1 in each year of the term of the MOU. The City will notify employees by July 1 each year if a holiday closure will occur and which City functions and employees will be affected. It is anticipated that some functions will not be closed in order to provide essential service to the public. Additional leave will not be granted in the event of a holiday closure.

## **Confidential Employees**

Bilingual Pay: Bilingual pay for employees meeting established criteria will be increased from \$50 per month to \$100 per month.

## **Fire Managers and Professionals**

Creation of Battalion Chief Tier 2 Salary Range: Effective June 21, 2015, a new salary range (Tier 2) will be created for individuals appointed to the classification of Battalion Chief after June 21, 2015. The low end of the range will be the same as the existing Battalion Chief (Tier 1) salary range; however, the top end of the Tier 2 range will be 7.0% lower than the existing Battalion Chief salary range.

Reduce Career Incentive for Deputy Fire Chief and Battalion Chief Appointments After June 21, 2015: Employees appointed as Deputy Fire Chief or as Battalion Chief after June 21, 2015 will be eligible for Career Incentive Pay according to the following schedule: Basic – \$400 per month; Intermediate – \$475 per month; Advanced – \$600 per month. Qualification for each level of pay remains the same.

Signing Bonus for Battalion Chief Appointments After June 21, 2015: City of Mountain View employees appointed to the position of Battalion Chief after June 21, 2015 will receive a \$5,000 one-time lump sum payment. Should non-City of Mountain View employees be appointed to the position of Battalion Chief after June 21, 2015, the City Manager may grant a signing bonus at his discretion.

Vacation Cashout: Effective June 21, 2015, 40 hour Fire Managers will be eligible to cash out 80 hours of vacation annually instead of 60, in accordance with procedures set annually by the City.

Other Post-Employment Benefits (OPEB)/Retirees Health Trust Contribution: Fire Managers and Professionals will continue to contribute 1.2 percent of salary towards the City's retirees' health trust to help fund the City's OPEB costs. In fall 2015 the City will complete a study to assess whether the migration to PEMHCA resulted in higher net costs to the City in calendar years 2014 and/or 2015, rather than net savings. If the study determines higher net costs occurred in 2014 and/or 2015, sworn managers will have the same obligation as sworn represented employees will have to repay costs experienced by the City in calendar years 2014 and/or 2015.

## **Police Managers**

Creation of Police Lieutenant Tier 2 Salary Range: Effective June 21, 2015, a new salary range (Tier 2) will be created for individuals appointed to the classification of Police Lieutenant after June 21, 2015. The low end of the range will be the same as the existing Police Lieutenant (Tier 1) salary range; however, the top end of the Tier 2 range will be 7.0% lower than the existing Police Lieutenant salary range.

Creation of Police Captain Tier 2 Salary Range: Effective June 21, 2015, a new salary range (Tier 2) will be created for individuals appointed to the classification of Police Captain after June 21, 2015. The low end of the range will be the same as the existing Police Captain (Tier 1) salary range; however, the top end of the Tier 2 range will be 9.0% lower than the existing Police Captain salary range.

Signing Bonus for Police Lieutenant and Police Captain Appointments After June 21, 2015: City of Mountain View employees appointed to the positions of Police Lieutenant or Police Captain after June 21, 2015 will receive a \$5,000 one-time lump sum payment. Should non-City of Mountain View employees be appointed to the position of Police Lieutenant or Police Captain after June 21, 2015, the City Manager may grant a signing bonus at his discretion.

CalPERS Contract Amendment to Allow Cost Share to be Credited to Member Account: During Fiscal Year 2015-16, the City will conduct an election in accordance with CalPERS rules for all employees covered under the sworn Police CalPERS contract for pension benefits to determine employee willingness to amend the CalPERS contract in order to allow some or all of the cost share to be credited to the member account rather than the employer account.

Other Post-Employment Benefits (OPEB)/Retirees Health Trust Contribution: Police Managers will continue to contribute 1.2 percent of salary towards the City's retirees' health trust to help fund the City's OPEB costs. In fall 2015 the City will complete a study to assess whether the migration to PEMHCA resulted in higher net costs to the City in calendar years 2014 and/or 2015, rather than net savings. If the study determines higher net costs occurred in 2014 and/or 2015, sworn managers will have the same obligation as sworn represented employees will have to repay costs experienced by the City in calendar years 2014 and/or 2015.

### **Department Heads and Council Appointees**

Vacation Cashout: Effective June 21, 2015, department heads and Council Appointees will be eligible to cash out 80 hours of vacation annually instead of 60, in accordance with procedures set annually by the City.

Optional Employee Participation in 401a Program: During Fiscal Year 2015-16, the City will establish a 401a program to which Department Heads and Council Appointees may contribute. Participation will be voluntary on the part of the employee, and the City will not contribute to the 401a on the employee's behalf except as agreed upon otherwise.



## **Council Appointees**

The City Attorney, City Clerk and City Manager are each directly employed 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 nonsafety Department Heads. Because several provisions of Department Head benefits, including tuition reimbursement, professional development funds, vacation cashout, participation in a 401a program, and health plan designs and premium contributions, will change if the Council approves the recommended resolution for unrepresented employees, 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 compensation increases for Council Appointees are proposed in the attached resolution.

More detailed information on the changes to unrepresented employee compensation is provided in Attachment 1.

## **Hourly Salary Plan Adjustment**

Two changes are proposed to the salary plan for hourly employees at this time, which are further described in Attachment 2: one adjusts the salary plan to ensure current and ongoing compliance with the Citywide minimum wage, and the second change creates the classification of Library Technician.

On June 24, 2014, the City Council passed a resolution to amend the City of Mountain View's salary plan for hourly employees to ensure all classifications reflect State minimum wages on an ongoing basis. On October 28, 2014, the City Council adopted an ordinance to require the payment of a Citywide minimum wage based on the City of San Jose's ordinance. The ordinance set the Citywide minimum wage at \$10.30 per hour effective July 1, 2015, and adjusts annually thereafter on January 1 of each following year based on the Consumer Price Index. The ordinance applies to employers who are either subject to the City's business license requirements or who maintain a business facility in the City to pay the minimum wage to covered employees. Covered employees are those who perform at least two (2) hours of work in a calendar week for an employer within the geographic boundaries of the City.

The proposed changes to the hourly salary plan are to increase salary ranges for the City's hourly classifications in response to Citywide minimum wage increases. The five hourly classifications that are affected by the Citywide minimum wage increase effective July 1, 2015 are: Police Reserve, Student Intern I, Aquatics Pool Attendant, Recreation Leader Aide, and Youth Corps Worker. Currently, there are 25 employees in these classifications. Their individual wages will be adjusted only if their hourly rate is below \$10.30 per hour. The proposed resolution also grants the City Manager the authority to modify the salary plan in the future to ensure all hourly classifications continue to be paid at the Citywide minimum wage level as future adjustments are made.

The classification of Library Technician is being added to the salary plan to provide a classification which more accurately represents the technical, support services duties currently being performed by certain hourly staff. The recommended salary range for this classification is \$17.00 to \$24.00 per hour in order to maintain an appropriate internal relationship within the City's classification system.

### **FISCAL IMPACT**

The fiscal impact of proposed COLAs for unrepresented employees is anticipated in the adopted Fiscal Year 2015-16 budget and five-year General Operating Fund (GOF) forecast, and the fiscal impact of other compensation changes for unrepresented employees and hourly employees can be accommodated within the adopted Fiscal Year 2015-16 budget and GOF forecast.

### **CONCLUSION**

Staff recommends adoption of the proposed resolution to establish compensation for unrepresented employees for the next two years in accordance with City interests for ensuring competitive and sustainable compensation. The proposed resolution provides for cost-of-living increases, which are appropriate in light of escalating consumer costs and are affordable given increased ongoing City revenues. It also continues the City's practice of sharing pension costs with employees to an extent which remains unusual among public agencies. The proposed resolution makes adjustments to City health plan designs to reduce costs and requires all employees to pay part of the premium for their health insurance. Increased contributions toward professional development and tuition reimbursement are anticipated to prepare a larger pool of employees for assuming leadership positions.

Staff further recommends adoption of the proposed hourly salary plan resolution to update the salary plan for hourly employees to comply with current and future Citywide minimum wages as well as the establishment of a new classification.

**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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MSD/KMcC/4/CAM  
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- Attachments:
1. Resolution – Unrepresented Employees
  2. Resolution – Hourly Salary Plan