

Agenda Report

November 13, 2017

TO: Honorable Mayor and City Council

FROM: Department of Human Resources

SUBJECT: ADOPTION OF EXECUTIVE MANAGEMENT, NON-REPRESENTED MANAGEMENT AND NON-REPRESENTED NON-MANAGEMENT SALARY RESOLUTIONS; AND ADOPTION OF A RESOLUTION PROVIDING FOR THE PICK UP UNDER INTERNAL REVENUE CODE SECTION 414(H)(2) OF PRE-TAX COST-SHARING CONTRIBUTIONS TO CALPERS FOR EMPLOYEES COVERED UNDER THE EXECUTIVE MANAGEMENT, NON-REPRESENTED MANAGEMENT AND NON-REPRESENTED NON-MANAGEMENT SALARY RESOLUTIONS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is not a "project" as defined in the California Environmental Quality Act (CEQA), Public Resources Code Section 21065 and Section 15378(b)(2) of the State CEQA Guidelines and, as such, is not subject to environmental review; and
2. Adopt the Executive Management Salary Resolution; and
3. Adopt the Non-Represented Management Salary Resolution; and
4. Adopt the Non-Represented Non-Management Salary Resolution; and
5. Adopt a Resolution to authorize the pre-tax treatment of cost-sharing contributions paid by non-represented employees.

BACKGROUND:

The City Council establishes by resolution the salaries and benefits for classifications that are not represented by an employee association or union. The City Council may adopt salary resolutions to make adjustments to wages, benefits and working conditions for non-represented employees.

EXECUTIVE, NON-REPRESENTED MANAGEMENT, AND NON-REPRESENTED NON-MANAGEMENT
SALARY RESOLUTIONS AND PRE-TAX COST SHARING CONTRIBUTIONS TO CALPERS

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In November 2016, the City Council authorized a 2% cost of living adjustment for the City's non-represented employee groups along with a number of other classification-specific adjustments designed to realign compensation with the labor market. Since that time, all of the City's bargaining units have received negotiated cost of living adjustments ranging from 2% - 3.5%.

Staff has updated the Executive, Non-Represented Management, and Non-Represented Non-Management salary resolutions and accompanying salary schedules to reflect increases of 2% for non-sworn classifications not tied to the City's Minimum Wage Ordinance and 3.5% for Police and Fire management effective November 13, 2017. These adjustments are designed to keep employee pay in-line with the rate of inflation and to maintain parity between the City's represented and non-represented employee groups. Salary ranges for all classifications tied to the minimum wage will be increased on July 1, 2018 pursuant to the City's Minimum Wage Ordinance.

The updated resolutions include key changes to employee pension contributions and special compensation for sworn police and fire management employees. Effective November 13, 2017, non-represented employees enrolled in CalPERS will begin making additional pension cost-sharing contributions of up to 3% above current employee/member contribution rates. The salary increases combined with pension cost-sharing result in net increases of 0% for executives, 1% for miscellaneous non-represented management and non-management employees, and 2% for safety management employees.

In an effort to increase transparency in compensation and simplify payroll administration, several premium pays for police and fire managers will be incorporated into base salary and eliminated as premium pays. EMT and Shift Differential premiums will be incorporated into the base rate for Deputy Fire Chief and eliminated as premium pays, resulting in a 14% increase in base salary and a corresponding 14% reduction in special compensation.

The existing 9% POST Management pay will be incorporated into the base rate for Deputy Police Chief and eliminated as a premium pay resulting in a 9% increase in base salary and a corresponding 9% reduction in special compensation.

For Police Lieutenant and Commander, the existing 7% POST Management pay will be increased to 8.5%, with 6% then being incorporated into base salary resulting in a remaining POST Management premium of 2.5%. The existing 6% POST Supervisory pay will be incorporated into base salary and eliminated as a premium pay. Additionally, Law Enforcement Certificate salary will be incorporated into base salary for all sworn police managers, resulting in additional increases in base pay of \$7,200 annually for Deputy Police Chief and Police Commander and \$3,600 annually for Police Lieutenant. All increases to base salary as a result of incorporating premiums pays into base salary are accompanied by corresponding reductions in special compensation.

Executive Management:

1. Cost of Living Adjustment: Effective November 13, 2017, Executive Management will receive a 2% salary increase, and salary ranges will be increased by 2%.
2. CalPERS Cost-Sharing: Effective November 13, 2017 Executive Management will begin making additional cost-sharing pension contributions on a pre-tax basis.

CalPERS Member Designation	CalPERS Member Contribution	Cost-Sharing	Total Employee-Paid Pension Contribution
Miscellaneous			
Classic Members	8%	2%	10%
New Members (PEPRA)	6.25%	2%	8.25%
Safety			
Classic Members	9%	2%	11%
New Members (PEPRA)	11.25%	2%	13.25%

3. Non-economic language updates and clarification related to retirement benefits and health benefits.

Non-Represented Management:

1. Effective November 13, 2017, Non Represented Management Employees will receive Cost of Living Adjustments as follows and salary ranges for classifications will be increased by these same amounts:
 - a. Miscellaneous (non-sworn) Employees: 2%
 - b. Police Commander and Police Lieutenant: 2%
 - c. Deputy Police Chief and Deputy Fire Chief: 3.5%
2. The classification of Deputy Fire Chief will receive an additional internal equity-based salary adjustment of 2%.
3. CalPERS Cost-Sharing: Effective November 13, 2017, Non Represented Management employees will begin making additional cost-sharing pension contributions on a pre-tax basis:

CalPERS Member Designation	CalPERS Member Contribution	Cost-Sharing	Total Employee-Paid Pension Contribution
Miscellaneous			
Classic Members	8%	1%	9%
New Members (PEPRA)	6.25%	1%	7.25%
Safety			
Classic Members	9%	1.5%	10.50%
New Members (PEPRA)	11.25%	1.5%	12.75%

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4. Police and Fire Management Premium Pays: Effective November 13, 2017, the following changes will be made to Police and Fire Management premiums:

Deputy Fire Chief		
Premium Pay	Existing Value	Action and New Value
Shift Differential	10%	No change to value. Roll 10% into base salary
EMT Pay	4%	No change to value. Roll 4% into base salary

Deputy Police Chief		
Premium Pay	Existing Value	Action
Management POST	9%	No change to value. Roll 9% into base salary
Law Enforcement Certificate	\$7,200 annually	No change to value. Roll \$7,200 into base salary

Police Commander		
Premium Pay	Existing Value	Action and New Value
Management POST	7%	Increase by 1.5% for a total of 8.5%. Roll 6% into base pay and keep 2.5% as separate premium pay
Law Enforcement Certificate	\$7,200 annually	No change to value. Roll \$7,200 into base salary

Police Lieutenant			
Premium Pay	Existing Value	Action	New Value
Management POST* (in lieu of Supervisory POST)	7%	Increase by 1.5%. Roll 6% into base salary	2.5%
Supervisory POST (in lieu of Management POST)	6%	Roll 6% into base salary	0%
Law Enforcement Certificate	\$3,600 annually	Roll into base salary	\$0

5. Non-economic language updates and clarification related to retirement and health benefits.

Non-Represented Non-Management:

1. Cost of Living Adjustment:

- a. Effective November 13, 2017, Non-Represented Non-Management employees with a minimum hourly pay rate above \$12.50 per hour will receive a 2% increase and salary ranges will be increased by 2%.
- b. Employees in classifications with a minimum hourly rate of \$12.00 per hour will have their pay increased to \$13.25 per hour effective July 1, 2018 pursuant to the City's Minimum Wage Ordinance.

2. CalPERS Cost-Sharing: Effective November 13, 2017, Non Represented Non-Management employees who are enrolled in CalPERS will begin making additional cost-sharing pension contributions on a pre-tax basis:

CalPERS Member Designation	CalPERS Member Contribution	Cost-Sharing	Total Employee-Paid Pension Contribution
Miscellaneous			
Classic Members	8%	1%	9%
New Members (PEPRA)	6.25%	1%	7.25%
Safety			
Classic Members	9%	1.5%	10.50%
New Members (PEPRA)	11.25%	1.5%	12.75%

- 4. Vacation Cash-Out: Employees who have taken a minimum of 40 hours of vacation, floating holiday, and/or compensatory time in the previous calendar year may elect to cash out up to 40 hours of vacation once per calendar year.
- 5. Non-economic language updates and clarification related to retirement and health benefits.

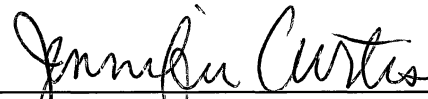
COUNCIL POLICY CONSIDERATION:

Approval of staff's recommendation supports the City Council's strategic goals of maintaining fiscal responsibility and stability.

FISCAL IMPACT:

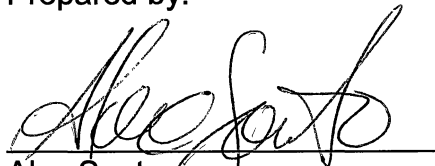
The FY 2018 Operating Budget includes assumed growth to cover anticipated salary and benefit increases. The fully burdened annual fiscal impact of the recommended salary increases approximately \$469,000. The FY 18 cost of approximately \$274,000 will be absorbed into departmental operating budgets. Approximately 83% of the cost is funded directly through the General Fund.

Respectfully submitted,



JENNIFER CURTIS
Director of Human Resources

Prepared by:



Alex Souto
Human Resources Manager

Approved by:



STEVE MERMELL
City Manager

Attachments:

1. Executive Management Salary Resolution
2. Non-Represented Management Salary Resolution
3. Non-Represented Non-Management Salary Resolution
4. Resolution to authorize the pre-tax treatment of cost-sharing contributions paid by non-represented employees enrolled in CalPERS