



MEMORANDUM

TO: CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER 

SUBJECT: CONSIDERATION OF RESOLUTION ESTABLISHING SALARY AND BENEFITS FOR MANAGEMENT EMPLOYEES

DATE: APRIL 22, 2014

RECOMMENDATION:

It is recommended the City Council adopt a Resolution establishing salary and benefits for management employees for FY 2014-15.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Total proposed management compensation changes will result in an increase to the FY 2014-15 General Fund Budget of approximately \$133,000 and about \$3,000 to the Water and Waste Water Funds. The budget will be amended to reflect the change as part of the year-end budget amendments. Sufficient funds are projected to be available to cover these costs and maintain a balanced budget. Staff has also prepared long-range financial projections to ensure the costs can be maintained in the future with ongoing revenues, which is determined to be feasible under a number of alternative economic scenarios.

BACKGROUND:

Management compensation is reviewed on an annual basis and adjustments are normally recommended in conjunction with the annual budget process. The City's current salary and classification system was structured based on a compensation and classification study completed by Ralph Andersen & Associates in September 1997. As noted in the study, the goals of the City's compensation plan are to:

- Ensure that the City has the ability to attract and retain well-qualified personnel for all job classes;
- Ensure that the City's compensation practices are competitive with those of comparable employers;

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- Provide defensibility to City salary ranges based on the pay practices of similar employers; and
- Ensure pay consistency and equity among related classes based on the duties and responsibilities assumed.

At the August 14, 2012 meeting, for the first time the City Council approved a Resolution identifying all management and salary benefits. The purpose was to maintain one central document that can be easily referred to for a summary of management salary and benefits. Therefore, the Resolution presented for City Council consideration is an update to that document. Changes will not take effect until July 4, 2014.

ANALYSIS OF ISSUES:

The City's management employees have been instrumental in helping the City maintain services in a cost effective manner over the past several years through what has been the worst economic period since the Great Depression. They have consistently provided leadership in the organization in foregoing compensation increases and accepting concessions, which has been key to successfully negotiating participation from the other employees represented by labor unions. Management employees have not received any ongoing net increase in compensation since 2008.

As a result, salaries for many positions have dropped well below those in similar positions in neighboring jurisdictions, which are the primary organizations the City competes with for quality staff to fill and maintain existing positions. Staff prepared a salary comparison with other cities in San Luis Obispo County. Based on the results, the following changes to the salary and benefit Resolution are recommended, with the goal of providing compensation within 2% of the median for all positions within the next 2-3 year period:

- All management employees will receive a 3% Cost of Living Adjustment (COLA) effective July 4, 2014.
- An additional equity adjustment of 2.5% will be provided to positions that are at least 7.5% below the median, 5% for positions at least 10% below the median, and a 7.5% for positions at least 15% below the median.
- The City will pay 50% of any increase to the dental plan, vision plan and the lowest cost HMO medical insurance plan available through CalPERS in San Luis Obispo County.

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ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

- Adopt Resolution approving proposed management salary and benefits;
- Modify as appropriate and adopt the Resolution;
- Do not adopt the Resolution;
- Provide direction to staff.

ADVANTAGES:

Approval of the proposed Resolution will help address management compensation needs and inequities, which will be important to help the City provide services by recruiting and maintaining quality staff. Since the recommendations were prepared as part of long-range financial planning process, staff also believes the recommendations are provided in a cost efficient and financially responsible manner.

DISADVANTAGES:

The recommendations will increase costs.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted in front of City Hall on Thursday, April 17, 2014 and on the City's website on Friday, April 18. No comments were received.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ESTABLISHING WAGES AND BENEFITS FOR MANAGEMENT EMPLOYEES FOR FY 2014-15

WHEREAS, the City Council of the City of Arroyo Grande ("City") has established a system of classification for all positions within the City service with descriptive occupational titles used to identify and distinguish positions from one another based on job duties, essential functions, knowledge, skills, abilities and minimum requirements; and

WHEREAS, the City Council has established a system of compensation for the classification titles listed herein, based on resolutions and agreements as approved and adopted by the City Council; and

WHEREAS, the City Council deems it in the best interest of the City that compensation for management employees be adjusted as hereinafter provided.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Arroyo Grande that:

SECTION 1. AFFECTED EMPLOYEES

The wages and benefits set forth herein are to be provided to all management employees listed in Exhibit A.

SECTION 2. WAGES

The salary ranges for all affected job classes shall be as set forth on Exhibit A, which is attached hereto and by this reference made a part hereof. The salary ranges reflect a three (3.0)% COLA for all positions effective July 4, 2014. The ranges also reflect equity increases for the following positions effective July 4, 2014:

<u>Position</u>	<u>Equity Increase</u>
Director of Public Works	5.0%
Planning Manager	7.5%
Director of Administrative Services	5.0%
Director of Community Development	5.0%
Director of Legislative and Information Services	5.0%
Director of Recreation Services	5.0%
Police Chief	5.0%
Human Resources Manager	5.0%
I.T. Manager	5.0%
Building Official	2.5%

SECTION 3. DEFERRED COMPENSATION

The City shall contribute \$600 per year to management employees and \$1,200 to department directors and the City Manager to a defined contribution supplemental retirement plan established in accordance with sections 401 (a) and 501 (a) of the Internal Revenue Code of 1986 and California Government Code sections 53215-53224.

SECTION 4. HEALTH PLAN BENEFITS

A. Cafeteria Plan

1. The City shall contribute an equal amount towards the cost of medical coverage under the Public Employee's Medical and Hospital Care Act (PEMHCA) for both active employees and retirees. The City's contribution toward coverage under PEMHCA shall be the minimum contribution amount established by CalPERS on an annual basis. The City's contribution under PEMHCA shall be \$119 per month from July 1, 2014 through December 31, 2014 and \$122 per month from January 1, 2015 through June 30, 2015.
2. Employees participating in the City's full flex cafeteria plan shall receive a flex dollar allowance to purchase group health coverage for medical, dental and vision under the City's Cafeteria Plan. For the period of July 1, 2014 through November 30, 2014, the monthly flex dollar allowance shall be \$558.00 with respect to an employee enrolled for self alone, \$1,019.68 for an employee enrolled for self and one family member, and \$1,305.77 for any employee enrolled for self and two or more family members. For the period of December 1, 2014 through June 30, 2015, the flex dollar allowance shall be increased by fifty percent of any increase in the lowest cost CalPERS HMO medical plan, and dental and vision rates for 2015.
3. A portion of the flex dollar allowance (\$119 for 2014 and \$122 for 2015) is identified as the City's contribution towards PEMHCA. This amount shall be adjusted on an annual basis as the PEMHCA minimum contribution increases. Remaining flex dollars must be used by employees to participate in the City's health plans. Employees who waive medical coverage under the Cafeteria Plan because he/she provided the City with written proof that medical insurance coverage is in force through coverage provided by another source consistent with any rules or restrictions on the City by the medical plan provider, can take flex dollars for the amount provided to employees enrolled for self alone (taxable income), deposit it into their 457 plan, or use it to purchase voluntary products. No remaining flex dollars may be redeemed.

B. Medical Insurance

1. The base medical plan shall be defined as the lowest cost Health Maintenance Organization (HMO) program available through CalPERS in San Luis Obispo County. If availability of an HMO to the City is discontinued by the medical plan provider, the base plan shall become the basic PPO plan available to the City by the existing medical plan provider.
2. The City shall maintain health benefits through CalPERS for calendar year 2015.

C. Vision Insurance

The City shall provide a Vision Care Plan for management employees. The City may select an alternate vision care provider during the term of this resolution providing that:

1. Any new plan maintains equivalent benefits to the employees; and
2. At least twenty-one (21) days advanced notice of plan changes are provided to affected employees.

D. Dental Insurance Plan

The City shall provide a dental plan of the City's choice for management employees. The City may select an alternate dental insurance plan provider during the term of this resolution providing that:

1. Any new plan maintains equivalent benefits to the employees; and
2. At least twenty-one (21) days advanced notice of plan changes are provided to affected employees.

SECTION 5. LIFE INSURANCE PLAN

- A. The City shall provide group term life insurance benefit plan for management employees, which shall provide for fifty thousand dollars (\$50,000) life and AD&D coverage for employees only during the term of their employment.
- B. The City shall make available additional voluntary life insurance coverage, at the employee's expense, as long as the minimum participation requirements of the insurance provider are met.

SECTION 6. SHORT AND LONG-TERM DISABILITY

The City shall provide a short and long-term disability plan for management employees during the term of their employment.

SECTION 7. RETIREMENT

A. Retirement Defined

Retirement is defined as the termination of employment at an age when the employee would qualify for an allowance under the Public Employees' Retirement System (PERS) and the City's Personnel Regulations.

B. PERS Retirement Contributions

1. G.C. Section 21354.4. The CalPERS 2.5% at Age 55 Retirement Plan shall be provided for non-sworn employees hired prior to December 21, 2012. Non-sworn employees under this plan shall pay the full eight percent (8%) of the employee share of CalPERS.
2. G.C. Section 21354. The CalPERS 2.0% at Age 55 Retirement Plan shall be provided for non-sworn employees hired between December 21, 2012 and December 31, 2012, CalPERS "Classic" members hired on or after January 1, 2013, and those eligible for reciprocity hired on or after January 1, 2013. Non-sworn employees under this plan shall pay the full seven percent (7%) of the employee share of CalPERS.
3. G.C. Section 7522.20. The CalPERS 2% @ 62 Retirement Plan shall be provided for new non-sworn employees hired on or after January 1, 2013 who are not CalPERS "Classic" employees and are not eligible for reciprocity. Non-sworn employees under this plan shall pay at least 50% of the total normal cost rate (currently 6.25%) of the employee share of CalPERS.
4. G.C. Section 21362.2. The CalPERS Public Safety Officer 3% @ 50 Retirement Plan shall be provided for sworn personnel hired prior to December 9, 2011. Sworn employees under this plan shall pay the full nine percent (9%) of the employee share of CalPERS.
5. G.C. Section 21363.1. The CalPERS Public Safety Officer 3% @ 55 Retirement Plan shall be provided for sworn employees hired between December 9, 2011 and December 31, 2012, CalPERS "Classic" members hired on or after January 1, 2013, and those eligible for reciprocity hired on or after January 1, 2013. Sworn employees under this plan shall pay the full nine percent (9%) of the employee share of CalPERS.
6. G.C. Section 7522.25. The CalPERS Public Safety Officer 2.7% @ 57 Retirement Plan shall be provided for new sworn employees hired on or after January 1, 2013 who are not CalPERS "Classic" employees and are not eligible for reciprocity. Sworn employees under this plan shall pay at least 50% of the total normal cost rate (currently 11.5%) of the employee share of CalPERS.

7. G.C. Sections 21024 and 21027. Employees may buy back, at their expense, retirement service credit for prior military service as permitted by PERS.
8. GC Section 20042. For sworn employees hired prior to December 9, 2011 and non-sworn employees hired prior to December 21, 2012, retirement benefits are based on the highest single year compensation.
9. GC Section 20037. For sworn employees hired on or after December 9, 2011 and non-sworn employees hired on or after December 21, 2012, retirement benefits are based on the highest average annual compensation earnable by a member during three consecutive years of employment.
10. GC Section 20965. Employees shall receive credit for unused sick leave.
11. GC Section 21548. The spouse of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit.
12. Effective January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) shall apply to all sworn and non-sworn employees, as well as for employees transferring from other CalPERS or reciprocal agencies.

C. Retiree Medical

1. Employees who retire from City service shall be allowed to purchase medical insurance coverage through the City.
2. GC Section 22892. The City's contribution shall be an equal amount for both employees and annuitants, which shall be the minimum contribution amount established by CalPERS on an annual basis. That amount shall be \$119 per month during calendar year 2014 and \$122 during calendar year 2015. The City's contribution shall be adjusted annually thereafter by the CalPERS Board to reflect any change in the medical care component of the Consumer Price Index, provided that the City is participating in the CalPERS Health Plan.
3. The City shall provide a supplemental contribution to employees that are: 1) employed on a full-time basis as of June 30, 2008 and who have been employed with the City on a full-time basis for five (5) years or more at the time of retirement; or 2) employed on a full-time basis after June 30, 2008 and who have been employed by the City on a full-time basis for ten (10) years or more at the time of retirement.

The supplemental contribution shall be equal to the difference between the minimum contribution amount established by CalPERS as set forth above in Section 4. A. 1. and the following amounts:

For single annuitant coverage:	\$175.10
For annuitant + 1 dependent:	\$302.85
For annuitant + 2 or more dependents:	\$376.79

SECTION 8. ANNUAL LEAVE

Regular, full-time management employees shall accrue annual leave with pay to be used as leave for vacation, illnesses, and other personal purposes. Management employees may accrue such paid leave as provided by this provision to be used in the future or may convert annual leave to salary compensation under the conditions contained in these regulations.

A. Accumulation Rates:

Management employees shall accrue annual based upon the following schedule:

1. Management employees with less than five (5) years of service shall earn annual leave at the rate of 29 days (232 hours) per year;
2. Management employees with five (5) to ten (10) years of service shall earn annual leave at the rate of 31 days (248 hours) per year;
3. Management employees with ten (10) to fifteen (15) years of service shall earn annual leave at the rate of 33 days (264 hours) per year; and
4. Management employees with over fifteen (15) years of service shall earn annual leave at the rate of 34 days (272 hours) per year.
5. New full-time management employees shall be granted fifty-six (56) hours of Annual Leave upon hiring. However, additional Annual Leave shall not be accumulated until after completion of three (3) months of continuous service. If a new management employee terminates during the first three months of employment, the Annual Leave balance shall reflect the actual amount that would have been accumulated at the established rate per pay period, less any usage. If the employee's usage of Annual Leave exceeds the adjust accumulation amount, the employee shall refund the excess amount used. The refund to the City shall be equal to excess hours used times the employee's hourly salary compensation rate.

B. Maximum Accrual:

The maximum accrual of annual leave shall be 725 hours. If an employee has accrued the maximum number of hours, accrual of annual leave shall be discontinued. Accrual shall resume on the first day of the pay period following a reduction in the accrued balance below the maximum allowed.

C. Conversion to Salary:

A management employee may convert a maximum of 48 hours of annual leave to salary compensation per year. Such conversions shall be allowed at the first pay period in July and at the first pay period in December of each year. In order to be eligible to convert annual leave to salary compensation, the employee must: a) convert a minimum of sixteen (16) hours to pay; and b) upon making the conversion to pay, the employee must be left with a minimum of 160 hours of annual leave.

Employees who are promoted or reclassified into a management position and were not subject to the annual leave program for the entire twelve (12) month period shall be allowed to include previous vacation and sick leave use as annual leave for the purpose of this provision.

D. Notification and Approval:

Annual leave shall be scheduled in advance by the employee whenever possible, subject to the approval of the department director. It is the responsibility of the employee to provide the supervisor or department director with reasonable notice of an absence. The department director shall have the authority to approve or deny the use of annual leave for any period of absence. The scheduling of the use of annual leave shall be by the department director with due regard to the wishes of the employee and particular regard for the needs of the City. Employees who are off for extended periods due to illness or injury may be required to provide a physician's statement authorizing their return to work.

Reasonable absences of less than eight (8) hours shall not be debited against annual leave. Such absences should have the prior approval of the employee's supervisor and/or City Manager.

E. Separation from Employment:

Management employees who separate their employment from the City shall have all annual leave accumulations converted to salary compensation at the employee's current rate. Compensation shall be paid in one lump sum. Annual leave shall not be used to extend an employee's actual date of separation. When notice is given by an employee that he/she is terminating, the use of annual leave shall be suspended. The only exception to this provision is that with the approval of the employee's supervisor, the employee may be granted short-term leave (one (1) to three (3) days) to attend to

personal business. However, such short-term leaves may be conducted consecutively and with a frequency to create in effect, a long-term leave.

F. Service Credit Conversion:

1. Upon retirement an employee may have unused annual leave converted to Service Credit with the Public Employees' Retirement System (PERS).
2. Annual leave shall be converted to sick leave for PERS at the rate of one (1) hour of annual leave equals one (1) hour of sick leave.
3. When unused annual leave is converted to sick leave, for a service credit conversion, an employee may not receive additional cash compensation for the unused leave.

G. Conversion of Sick leave and Vacation Leave to Annual leave;

Employees who are promoted or reclassified into a management position shall convert their sick leave and vacation leave accumulation to annual leave.

1. Sick leave accumulations shall be converted to annual leave at the rate of one (1) hour of sick leave equals .5 hours of annual leave.
2. Vacation leave accumulations shall be converted to annual leave at the rate of one (1) hour of vacation leave equals one (1) hour of annual leave.

SECTION 9. HOLIDAYS

Management employees shall receive the following paid holidays:

- New Year's Eve, December 31
- New Year's Day, January 1
- Martin Luther King Day, third Monday of January
- Lincoln's Birthday, February 12 (or day of observance)
- Washington's Birthday, third Monday of February
- Memorial Day, the last Monday in May
- Independence Day, July 4
- Labor Day, the first Monday in September
- Veteran's Day, November 11 (or day of observance)
- Thanksgiving Day, fourth Thursday in November (or day of observance)
- Day following Thanksgiving
- Christmas Eve, December 24
- Christmas Day, December 25
- One Floating Day per Fiscal Year (employee choice with Supervisor approval)

Every day designated by the President, Governor, or Mayor for public observance as a special nonrecurring single event, such as the death of a national leader or end of war.

All holidays in the above schedule that fall on a Saturday shall be observed on the preceding Friday; all holidays in the above schedule that fall on a Sunday shall be observed on the following Monday.

SECTION 9. VEHICLE ASSIGNMENT OR ALLOWANCE

Automobile allowance shall be provided in the amount of \$200 per month for the Director of Legislative and Information Services, Director of Administrative Services, and Direction of Recreation Services, \$275 per month for the Director of Community Development, and \$400 per month for the City Manager. The Police Chief shall be assigned a take home City vehicle. The Director of Public Works shall be assigned a City vehicle for use during work hours.

SECTION 10. JURY DUTY

Management employees shall be granted leave with full pay and no loss in benefits when called for jury duty if the employee remits jury fees received for such jury duty. The employee may retain all travel pay or subsistence pay granted by the court because of the employee's participation in jury duty. The employee shall be responsible for notifying his/her supervisor as soon as possible upon receiving notice to appear for jury duty, make every reasonable effort to keep his/her supervisor advised as to the anticipated length of service, and return to work immediately following the end of jury duty service.

SECTION 11. BEREAVEMENT LEAVE

Management employees are entitled to a paid bereavement leave of absence, not to exceed five (5) days, in the event of the death of a member of the employee's immediate family, to include an employee's or spouse's parents, spouse, children, brother, sister, stepchildren, grandparents, grandchildren, aunt, uncle, son-in-law, daughter-in-law, step relatives described above, or any other person residing in the same household, for the purpose of attending the funeral and making other arrangements at the time the loss occurs. As a condition of granting leave for bereavement purposes, the appointing authority may request verification of the loss. Such leave is independent of annual leave. In order to receive this benefit, domestic partners must be registered with the Secretary of State.

SECTION 12. EMPLOYEE ASSISTANCE PLAN

The City shall provide an employee assistance plan for management employees and their dependents during the term of their employment.

CITY OF ARROYO GRANDE Management Salary Ranges 7/4/2014
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<u>Range</u>	<u>LOW</u>	<u>MID</u>	<u>HIGH</u>	<u>Position</u>
M-10	2,578	2,841	3,132	
M-11	2,641	2,911	3,211	
M-12	2,707	2,987	3,293	
M-13	2,775	3,061	3,374	
M-14	2,844	3,135	3,459	Office Assistant I
M-15	2,915	3,214	3,545	
M-16	2,989	3,296	3,632	
M-17	3,063	3,378	3,726	
M-18	3,138	3,462	3,819	Office Assistant II
M-19	3,217	3,549	3,913	
M-20	3,299	3,638	4,011	
M-21	3,381	3,729	4,112	
M-22	3,466	3,822	4,213	
M-23	3,554	3,916	4,320	
M-24	3,641	4,015	4,426	Administrative Secretary
M-25	3,732	4,116	4,538	
M-26	3,825	4,219	4,651	
M-27	3,919	4,323	4,769	

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M-28	4,019	4,431	4,886	
M-29	4,119	4,543	5,009	Executive Secretary
M-30	4,222	4,656	5,135	Executive Asst./Deputy City Clerk
M-31	4,328	4,773	5,263	
M-32	4,437	4,894	5,392	
M-33	4,547	5,013	5,529	Assistant Planner
M-34	4,661	5,139	5,668	
M-35	4,777	5,268	5,807	
M-36	4,898	5,399	5,953	
M-37	5,018	5,535	6,103	Associate Planner Accounting Supervisor
M-38	5,144	5,672	6,255	
M-39	5,273	5,813	6,410	
M-40	5,405	5,962	6,571	
M-41	5,539	6,108	6,736	
M-42	5,677	6,261	6,905	Planning Manager
M-43	5,821	6,420	7,077	
M-44	5,966	6,580	7,254	
M-45	6,113	6,743	7,437	
M-46	6,268	6,912	7,621	

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M-47	6,426	7,086	7,813	Information Technology Manager
M-48	6,585	7,262	8,006	
M-49	6,750	7,444	8,206	Building Official Capital Projects Engineer
M-50	6,919	7,629	8,412	Director of Legislative and Information Services Director of Recreation Services Human Resources Manager
M-51	7,093	7,820	8,623	
M-52	7,269	8,016	8,839	
M-53	7,451	8,215	9,059	
M-54	7,636	8,421	9,285	Director of Public Works
M-55	7,828	8,631	9,517	
M-55-A	7,866	8,674	9,564	Police Commander
M-56	8,025	8,847	9,757	City Engineer
M-57	8,222	9,068	9,999	
M-58	8,431	9,296	10,250	
M-59	8,640	9,529	10,507	
M-60	8,858	9,766	10,771	
M-61	9,078	10,011	11,039	
M-62	9,303	10,261	11,314	Director of Administrative Services Director of Community Development
M-63	9,537	10,517	11,596	

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M-64	9,775	10,781	11,887	
M-65	10,021	11,049	12,183	
M-66	10,269	11,326	12,488	
M-66-A	10,320	11,383	12,550	Police Chief
M-67	10,527	11,608	12,802	
M-68	10,791	11,899	13,121	
M-69	11,060	12,196	13,450	
M-70	11,336	12,499	13,786	
M-71	11,621	12,815	14,131	
M-72	11,912	13,134	14,484	
M-73	12,210	13,464	14,844	
M-74	12,516	13,799	15,215	
M-75	12,828	14,144	15,596	