

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Del D. Borgsdorf

**SUBJECT: SALARY FOR MANAGEMENT
EMPLOYEES IN UNIT 99 AND
UNREPRESENTED EMPLOYEES**

DATE: June 28, 2005

RECOMMENDATION

1. Adoption of a resolution to amend the City of San Jose Pay Plan to provide general salary increases of 1.5% effective July 3, 2005 for unrepresented employees in Units 81, 82 and 99, excluding Temporary Employees, and revisions to benefits and to the Professional Development Program, including a 0.3% special salary adjustment from the Professional Development Program funding.
2. Adoption of a resolution to revise the salary ranges for Senior and Executive Staff in the Senior Executive Performance Program (SEPP) effective July 3, 2005.

BACKGROUND

As a result of the City's fiscal situation, the City was successful in negotiating no general salary increases in Fiscal Year 2004-2005 through the collective bargaining process for the majority of its bargaining groups. (The salary and benefit increases for employees represented by the San Jose Police Officers' Association and the San Jose International Association of Firefighters, Local 230 are still undetermined.) Executive Management (Unit 99) and other unrepresented non-management employees also received no general increase during Fiscal Year 2004-2005. Additionally, Senior Staff, Executive Staff and Mayor and City Council Staff in Executive Management (Unit 99) received no general increase or adjustments to salary ranges in Fiscal Year 2003-2004 and Fiscal Year 2004-2005.

ANALYSIS

Employees in Unit 99 and Unrepresented Employees in Units 81 and 82 (excluding Temporary Employees)

Employees in Executive Management (Unit 99) consist of approximately 310 employees, including Department Directors, Deputy Directors, Division Managers, Administrative Officers, and professional staff in the City Attorney's Office and the City Auditor's Office. These employees are covered by a performance based pay program that provides pay increases based

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on performance. These are similar to the step increases received by non-management employees, except for that increases are tied to performance and not time in the classification. Increases under this program were not given in Fiscal Year 2004-2005, but will be authorized in Fiscal Year 2005-2006 as part of the performance appraisal process that occurs in the Fall.

The category of Other Unclassified Non-Management employees includes part-time unbenefitted employees such as Lifeguards, Council Aides and Student Interns. Employees in this group progress through steps in the salary ranges to the top step, automatically, after working a designated amount of time (six months or one year) at a particular salary step.

The recommended compensation changes for Executive Management (Unit 99) and unclassified employees is based upon similar increases that were recently negotiated with the City's non-sworn bargaining units. The recommended general salary increase for Fiscal Year 2005-2006 is 1.5%, effective July 3, 2005.

Senior Executive Performance Program (SEPP)

Approximately 93 employees in Unit 99 are covered by the Senior Executive Performance Program (SEPP) consisting of employees in the following classifications:

- Assistant City Manager (1688)
- Assistant Director (8048)
- Assistant Police Chief (2225)
- Assistant to the City Manager (1683)
- Budget Director (1656)
- Chief of Police (2227)
- City Librarian (6245)
- Deputy City Manager (1686)
- Deputy Director of Aviation (3547)
- Deputy Director of Convention, Arts and Entertainment (6345)
- Deputy Director of Finance, Accounting (1254)
- Deputy Director of PRNS (3445)
- Deputy Director (1640)
- Deputy Fire Chief (2332)
- Deputy Redevelopment Manager (1684)
- Director of Aviation (3546)
- Director of Economic Development (1999)
- Director of Employee Relations (1430)
- Director of Employee Services (1429)
- Director of Environmental Services (1696)
- Director of Equality Assurance (1426)

ANALYSIS (cont'd)

- Director of Finance (1258)
- Director of Housing (3989)
- Director of Retirement Services (7501)
- Director of Transportation (3199)
- Director of PRNS (3996)
- Director of Planning, Building and Code Enforcement (4154)
- Director of Public Works (3867)
- Emergency Prepare Director (2341)
- Fire Chief (2334)
- Manager of Public Education and Community Information (1671)
- Secretary to the City Manager (1162)

These classifications have open salary ranges (minimum and maximum salaries, but no salary steps). Salary increases for employees in the Senior Executive Performance Program (SEPP) are fully performance-based, therefore, general increases are not generally applicable to this group of employees. However, employees in the Senior Executive Performance Program (SEPP) received no general increase and no adjustment to the salary ranges for two consecutive fiscal years (Fiscal Year 03-04 and Fiscal Year 04-05) and it is therefore recommended that for this year, the general increase (1.5%) apply to all employees in Unit 99, including the employees in the Senior Executive Performance Program (SEPP).

Although employees in the Senior Executive Performance Program (SEPP) do not normally receive the general wage increase, the salary ranges are increased by at least the amount of the general increase given to other employees in Unit 99. Although increasing the salary range does not automatically result in salary increases, adjusting the ranges maintains internal alignment with the salary ranges of other City classifications that are automatically increased by the amount of the general wage increase.

In Fiscal Year 2003-2004, other management and unrepresented employees received general increases of approximately 3% - 6% and the salary ranges were adjusted accordingly. However, in Fiscal Year 2003-2004 the salary ranges of classifications in the Senior Executive Performance Program (SEPP) were not adjusted. In an effort to maintain internal equity with the City's salary ranges of other Unit 99 classifications, in addition to the 1.5% general increase, it is recommended that the salary ranges for positions in the Senior Executive Performance Program (SEPP) be increased by 3% effective July 3, 2005. (3% is the amount of the general salary increase received by other Unit 99 employees in Fiscal Year 2003-2004.) Other than the 1.5% general increase, increases to the salary ranges will **not** result in automatic salary increases for incumbents in these classifications.

ANALYSIS (cont'd)

Medical and Dental Contributions

During negotiations, several bargaining groups have recently negotiated several changes to medical and dental employee contributions in Fiscal Year 2005-2006. It is recommended that these changes be implemented for all employees in Units 81, 82 and 99 (excluding Unbenefitted and Temporary Employees):

Medical

- Effective the first pay period of payroll calendar 2006, increase employees' maximum contribution for medical insurance from \$25.00 to \$50.00 per month.

Dental

- Effective the first pay period of payroll calendar 2006, introduce a cost sharing for dental benefits that includes 100% City paid for lowest priced plan and 95% City paid, 5% employee paid for other plans.

Disability Leave Supplement

Several bargaining units have also negotiated several changes the Disability Leave Supplement. It is recommended that these changes be implemented for all employees in Units 81, 82 and 99 (excluding Unbenefitted and Temporary Employees):

- Change maximum length of supplemental pay benefit from twelve (12) months to nine (9) months.

Professional Development Program (PDP)

The PDP is a program designed for management and professional employees to further their professional growth and development. As a result of the City's fiscal situation, this program was suspended for employees in Unit 99 in Fiscal Year 2003-2004 and Fiscal Year 2004-2005. The program was designed to allow eligible employees to receive reimbursement up to a maximum of \$1,400 per fiscal year for the purchase of computers, software, peripherals, warranties, repairs, internet services, professional books, and to attend professional workshops, seminars and formal education classes.

The City strives to promote professional growth and development for all of its employees, and accordingly, it is recommended that the PDP program be reinstated focusing on education and professional development and not on computer or equipment purchases. The revised program for eligible employees in Unit 99 will be as follows:

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- Effective July 1, 2005, each eligible employee may be reimbursed for 100% of expenses incurred, up to \$1,000 per fiscal year (July 1 – June 30), for textbooks, college accredited courses, non-college accredited courses, Continuing Education Units, Adult Education classes, workshops, seminars, membership dues in professional associations, professional licenses and professional certificates which are either related to or beneficial for the employee's current position or related to or beneficial for a lateral transfer, promotion or other career opportunity within City service.

In addition to focusing the Professional Development Program on education and not on equipment purchases, the program is being reduced from \$1,400 per year to \$1,000. Effective July 3, 2005, the remaining \$400 from the Professional Development Program fund will be used for special salary adjustments of 0.3%, which will result in a total general increase of 1.8%.

PUBLIC OUTREACH

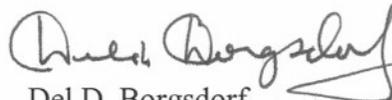
None.

COORDINATION

This resolution was coordinated with the City Attorney's Office, the Budget Office and the Department of Employee Services.

COST IMPLICATIONS

The ongoing increased annual direct cost in Fiscal Year 2005-2006 for Unit 99 is approximately \$590,000 and \$10,000 for Units 81 and 82 (excluding Temporary Employees). The 0.3% special salary adjustment in the first year is funded by existing Professional Development Program funds. The changes to the health and dental cost-sharing formula will not take effect until January 2006. The actual change to City costs will be based upon the health and dental rates established by the providers for the 2006 calendar year, which are not available at this time.


Del D. Borgsdorf
City Manager