



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

SUBJECT: SEE BELOW

DATE: June 17, 2010

**SUBJECT: ADDITIONAL COMPENSATION AND BENEFIT CHANGES FOR
EXECUTIVE MANAGEMENT AND PROFESSIONAL EMPLOYEES IN
UNIT 99 AND OTHER UNREPRESENTED EMPLOYEES**

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL MEMORANDUM

Item 6 on the City Council Agenda is for approval of additional compensation and benefit changes for Executive Management and Professional Employees in Unit 99 and other unrepresented employees. The memorandum dated June 4, 2010, includes my recommendations for the additional 5% one-time total compensation reduction and clarification on changes to sick leave payout. This was in addition to the changes approved by the City Council on April 27, 2010, for the first 5% ongoing total compensation reduction. The first 5% ongoing total compensation reduction included a 4.75% base pay reduction, changes to health insurance cost sharing and plan design, changes to sick leave payout and changes to disability leave supplement.

I am modifying my recommendations as contained herein to provide for a 5% one-time total compensation reduction that is easier to implement and provides guaranteed savings effective June 27, 2010. It is recommended that the City Council approve the additional compensation and benefit changes for Executive Management and Professional Employees in Unit 99 and other unrepresented employees, effective June 27, 2010.

BACKGROUND

The memorandum dated June 4, 2010, included a recommendation for the additional 5% one-time total compensation reduction in the form of additional retirement contributions. Since that memo, additional complexities have arisen with the additional retirement contributions, including concerns regarding the impact to employees of the retroactive contributions that would be necessary as the additional retirement contributions are unable to be implemented on June 27, 2010. The soonest the contribution rates would be able to be implemented would be August.

In addition, the City Council approved an agreement with the Association of Legal Professionals (ALP) on June 15, 2010, which I have taken into consideration in revising my recommendation. That was a significant agreement in that it was the first bargaining unit agreement reached to achieve the 10% total compensation reduction. Some employees in Unit 99 have expressed

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interest in some elements of the agreement with ALP. Furloughs need to be structured carefully to ensure compliance with the Federal Fair Labor Standards Act (FLSA). There are different issues related to hourly employees, salaried employees and employees in certain professions. Thus, not all furloughs can be structured in the same manner.

I am revising my recommendation for the second one-time 5% total compensation reduction to be a one-time base pay reduction of 5.4% effective June 27, 2010. Employees will also receive twelve paid time off days. The one-time base pay reduction can be implemented effective June 27, 2010, and therefore, avoids any retroactive deduction issues, and the City can assume the savings effective immediately.

In addition, I am recommending that the changes to sick leave payout that were approved by the City Council on April 27, 2010, be reversed. I still believe that there needs to be reform of the current sick leave payout program, which is very generous in comparison to other public sector agencies. However, I am recommending no changes to sick leave payout at this time. This is also consistent with the recent agreement with the Association of Legal Professionals (ALP) that was approved on June 15, 2010.

ANALYSIS

The following is a summary of the additional compensation and benefit changes for executive management and professional employees in Unit 99 and other unrepresented employees that are recommended to be implemented upon approval by the City Council:

Sick Leave Payout	The changes to sick leave payout that were approved by the City Council on April 27, 2010, shall be reversed and the sick leave payout formulas shall remain as they are currently, until otherwise changed.
Additional 5% One-Time Total Compensation Reduction	Effective June 27, 2010 through June 25, 2011, employees will receive a 5.4% temporary base pay reduction. This is in addition to the 4.75% base pay reduction that will be effective June 27, 2010.
Paid Time Off	During Fiscal Year 2010-2011, all employees in Unit 99 and Unit 82 will receive twelve (12) paid time off days (PTO). Employees shall receive three (3) paid time off (PTO) days at the beginning of each quarter. The PTO days must be used by the end of the Fiscal Year 2010-2011.

COST IMPLICATIONS

These terms meet the goal of a 5% one-time total compensation reduction, for a total of a 10% total compensation reduction. The approval of these terms will reduce the total compensation for executive management and professional employees in Unit 99 and other unrepresented employees. The calculated savings to the City is approximately \$2.2 million in all funds and approximately \$1.3 million in the General Fund. This is in addition to the savings already attributed in the Fiscal Year 2010-2011 Proposed Budget for the first 5% ongoing total

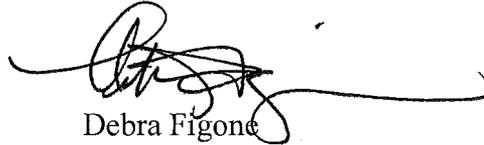
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compensation reduction as approved by the City Council on April 27, 2010. These cost savings are projected based on the Fiscal Year 2010-2011 Proposed Budget. It should be noted, however, that the actual amount of General Fund and all funds savings would need to be adjusted to reflect final budget approval by the City Council, any associated impacts on revenue from lower overhead or other reimbursements, any adjustments to the cost-recovery fee program.



Debra Figone
City Manager

For questions please contact Alex Gurza, Director of Employee Relations, at (408) 535-8150.