



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Debra Figone

SUBJECT: SEE BELOW

DATE: April 5, 2011

SUBJECT: COMPENSATION AND BENEFIT CHANGES FOR EXECUTIVE MANAGEMENT AND PROFESSIONAL EMPLOYEES IN UNIT 99, OTHER UNREPRESENTED EMPLOYEES (Units 81/82), AND THE CITY MANAGER

COUNCIL DISTRICT: N/A
SNI AREA: N/A

RECOMMENDATION

Adoption of a resolution approving compensation and benefit changes for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees (Units 81/82), effective June 26, 2011.

OUTCOME

Adoption of the resolution and authorization to approve compensation and benefit changes for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees (Units 81/82), effective June 26, 2011.

BACKGROUND

Executive Management and Professional Employees (Unit 99) consists of approximately 228 FTEs, including Senior Staff, Executive Staff, senior managers under the City Manager's Appointing Authority, Council Office staff, and professional or management employees under the appointing authority of the City Attorney, City Auditor, and Independent Police Auditor. In addition, there are employees in Unit 99 who work in the City Clerk's Office and the Redevelopment Agency. The annual base pay of employees in Unit 99 ranges from approximately \$34,592 to \$201,146. Employees in Unit 99 are exempt employees and therefore do not receive overtime.

Unit 82 does not currently have any classifications assigned to it. Unit 81 includes part-time unbenefitted employees, such as Lifeguards 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.

April 5, 2011

Subject: Approval of Changes to Compensation and Benefits for Unit 99, Unrepresented Employees, and the City Manager

Page 2 of 4

The recommended compensation changes for Executive Management (Unit 99) and unrepresented employees are consistent with changes recommended in the agreements with the Association of Engineers and Architects (AEA, Units 41/42 and 43), Association of Maintenance Supervisory Personnel (AMSP) and the City Association of Management Personnel (CAMP). These changes meet the goal that the City Council set in November 2010 for a 10% ongoing total compensation reduction. In June 2010, Unit 99 took a 10% total compensation reduction. The first 5% ongoing reduction was achieved through a 4.75% ongoing base pay reduction and healthcare changes. The second 5% one-time total compensation reduction was achieved through a 5.4% base pay reduction. In accordance with City Council direction, this memorandum recommends making the 5.4% one-time base pay reduction ongoing effective June 26, 2011. It is important to note that the 12 paid time off (PTO) days will not continue.

In addition to the base pay reduction, this memorandum recommends a significant reduction in disability leave supplement effective June 26, 2011, and elimination of the disability leave supplement effective June 24, 2012. This memorandum also recommends a significant reduction in vacation sellback effective December 25, 2011, and elimination of vacation sellback effective the first payperiod of payroll calendar year 2013. In the agreement with the San Jose Fire Fighters and the tentative agreements with AEA, AMSP and CAMP, there is an agreement to continue discussing retirement reform and sick leave payout. These discussions will also be occurring with Unit 99 and any changes will be brought forward separately.

Changes in compensation for the six Council Appointees (City Manager, City Attorney, City Clerk, City Auditor, Independent Police Auditor, and the Redevelopment Agency Executive Director) are usually determined by separate Council action. However, as City Manager, I recommend to the Mayor and Council that I be included in the compensation and benefit changes for Unit 99, as well as any other changes that the Mayor and Council decide will be applicable to Council Appointees.

ANALYSIS

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

Base Pay Reduction - Ongoing	Effective June 26, 2011, the 5.4% one-time base pay reduction for Fiscal Year 2010-2011, shall become ongoing for all Unit 99, 81 and 82 employees. This will result in all salary ranges being decreased by approximately 5.4%.
-------------------------------------	--

Healthcare Dual Coverage	In addition to the healthcare changes made for Fiscal Year 2010-2011, including changes to plan design, cost sharing and dual coverage, employees may no longer be simultaneously covered by City-provided medical and/or dental benefits as a City employee and as a dependent of another City employee or retiree.
---------------------------------	--

April 5, 2011

Subject: Approval of Changes to Compensation and Benefits for Unit 99, Unrepresented Employees, and the City Manager

Page 3 of 4

Disability Leave Supplement Effective June 26, 2011, reduce the maximum disability supplemental pay benefit from six (6) calendar months to three (3) calendar months (520 hours).

Effective June 24, 2012, disability leave supplement will be eliminated.

Employees will be allowed to integrate accrued vacation and accrued sick leave.

Vacation Sellback Effective December 25, 2011, reduce vacation sellback eligibility from a maximum of 120 hours to a maximum of 60 hours. Employees must submit an irrevocable election form to Payroll on or before November 26, 2011, to be eligible to sell back accrued vacation in 2012.

Effective the first pay period of payroll calendar year 2013, the vacation sellback program will be eliminated and no employees will be eligible to sell back any accrued vacation hours.

Vacation sellback changes are only applicable to employees in Unit 99 as employees in Units 81/82 are not eligible for vacation sellback.

EVALUATION AND FOLLOW-UP

None.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion 1. This memorandum will be posted on the City's website for the April 19, 2011, Council Agenda.

HONORABLE MAYOR AND CITY COUNCIL

April 5, 2011

Subject: Approval of Changes to Compensation and Benefits for Unit 99, Unrepresented Employees, and the City Manager

Page 4 of 4

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Human Resources Department, the City Manager's Budget Office and the City Manager's Office of Employee Relations. In addition, the recommendations have been coordinated with the Council Appointees and discussed with the members of the Unit 99 Forum.

COST IMPLICATIONS

These terms meet the goal of a 10% ongoing total compensation reduction, including the 5% ongoing reduction that was approved previously in April 2010. The approval of these terms will reduce the total compensation for executive management and professional employees in Unit 99, including the City Manager, and other unrepresented employees. These terms, which make the 5% one-time total compensation reduction ongoing, generate an additional ongoing savings to the City of approximately \$2.2 million in all funds and approximately \$1.4 million in the General Fund. These savings are based on the 2011-2012 Base Budget as of April 4, 2011. These savings do not assume any recommended reductions in Unit 99, 81, or 82 positions, adjustments necessary to maintain the annual required retirement contributions, and the associated loss of overhead and reimbursements from other funds as well as associated loss of fees and charges revenue that will likely be included as part of the Proposed and Adopted Budget process or potential compensation reductions from Council Appointees except the City Manager, which is recommended as part of this memorandum. The budgetary savings will be assumed in the 2011-2012 Proposed Operating Budget scheduled for release on May 2, 2011. These savings do not include the currently unknown cost increases for healthcare for the second half of Fiscal Year 2011-2012.

CEQA

Not a Project, File No. PP10-069 (b), Personnel Related Decisions.



Debra Figone
City Manager

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