



Staff Report

RESOLUTION APPROVING AN AMENDMENT TO THE COMPENSATION AND BENEFITS PROGRAM FOR UNREPRESENTED MANAGEMENT EMPLOYEES

Honorable Mayor and Council Members:

Summary

Staff is recommending Council approval of the proposed amendment to the Compensation and Benefits Program for Unrepresented Management Employees (department heads) effective July 1, 2005. The new program has been developed in response to Council's interest in a performance-based compensation system for department head employees.

Background

Department head classifications last received a salary increase in July 2003. During fiscal year 2005, department heads, along with City Council, the City Clerk and the City Treasurer, voluntarily implemented a three percent reduction in compensation as part of the City's cost-savings program. This three percent reduction was restored for all of the effected parties as of July 1, 2005, which included increasing the flexible benefit/health plan contribution to the level provided to MMCEA (Kaiser family health plan premium).

Historically, department head compensation increases have mirrored those provided to the Mid-Management and Confidential Employees Association (MMCEA). Council expressed interest in revising the department head compensation program to decouple it from MMCEA and predicate salary increases on the City Manager's evaluation of individual department head job performance. Council also desired a review of the comparison cities included in the labor market salary surveys to determine appropriate compensation ranges.

The proposed new program accomplishes the following:

- Separates the department head compensation program from MMCEA.
- Redefines the labor market survey agencies to include the seven most comparable cities in San Mateo and Santa Clara counties based on factors such as population, revenue, total budget, total employees, and geographic proximity.
- Eliminates automatic salary step increases and cost of living increases, and bases salary increases (or decreases) entirely on a comprehensive annual written performance evaluation.

- Provides for other benefit enhancements to bring department head compensation more in line with the executive management practices of comparison cities

Department head classifications that are subject to this new program include the Assistant City Manager, Community Development Director, Finance Director, Human Resources Director, Parks and Recreations Director, Police Chief, and Public Works Director.

Discussion

The survey of comparable department head positions, using the seven new cities recommended for labor market comparisons, shows that Belmont's department heads' salaries are below the labor market median for total compensation (including salary and benefits) by a range of -5.39% to -9.86%.

The proposed method for determining compensation is as follows:

- The salary for each position will be determined by survey of comparable positions in Burlingame, Foster City, Los Altos, Los Gatos, Menlo Park, Millbrae, and San Carlos.
- The survey will determine the median top step total compensation salary for each position, which will become the control point. The maximum base salary for the position will be the control point. The survey will be conducted annually and the control point will be adjusted accordingly.
- Individual compensation increases are based on the City Manager's evaluation, and range from below zero for unsatisfactory performance to a maximum amount of 16% to 20% for outstanding performance.
- If the amount of the compensation increase exceeds the control point (maximum base salary), the excess amount will be paid in the form of an annualized lump sum payment.

The attached Unrepresented Management Employees Compensation and Benefits Program (Exhibit A) outlines the proposed methodology for determining department head compensation in more detail, and includes the recommended control point salary for each classification.

In addition, the following benefit enhancements are also recommended:

- Increase basic life insurance from \$100,000 to \$200,000. This improvement bears minimal cost and brings the life insurance benefit more in line with comparison agencies.
- Implement a retiree health savings plan to provide a vehicle for retiree health savings. This plan is at no cost to the City, is employee contribution only, and merely provides an additional pre-tax savings vehicle for future health care expenses in retirement.
- Provide a monthly auto allowance for department heads in an amount ranging from \$150 to \$300 per month. The City Manager determines the amount of the monthly allowance for each classification based on the anticipated driving requirements for that position. This is another benefit common to executive management level employees in comparison

agencies.

- Provide reimbursement of up to a maximum of \$500 per year for professional development expenses that are not otherwise provided for in department budgets. Examples of these expenses may include non-traditional or non-budgeted conference expenses; job-related computer hardware or software; books or other educational materials. This is another benefit that is frequently provided to executive management employees.
- Increase the flexible benefits contribution in January of each year to equal the Kaiser family premium. This change has already been granted to the AFSCME and MMCEA employee groups going forward, and was implemented for department heads in January 2005, concurrent with the provisions of the one-year, 2004-2005 contract with MMCEA.

It is believed that the new Unrepresented Management Employees Compensation and Benefits Program will improve the City's position in the competitive labor market, and help to attract and retain highly qualified and performance-motivated individuals to the City's executive management workforce. This is an especially important consideration in light of the current number of department head vacancies and the impending need to conduct recruitments for these positions once the permanent City Manager position is filled.

Fiscal Impact

The actual fiscal impact of the potential salary increases will be dependent upon the outcome of the performance evaluations, but may range from less than zero to a 20% increase per classification. The cost of the salary changes will be offset by the fact that three of the seven department head classifications are currently vacant. The cost of the benefit enhancements will be approximately \$15,300. There is sufficient funding in the 2006 budget to accommodate this action.

Public Contact

Posting of City Council agenda. In addition, the proposed amendments to the Compensation and Benefits Plan for Unrepresented Management Employees have been reviewed with department heads.

Recommendation

It is recommended that Council approve the attached resolution authorizing an amendment to the Compensation and Benefits Program for Unrepresented Management Employees effective July 1, 2005.

Alternatives

1. Postpone decision pending further deliberation.
2. Take no action.
3. Other option(s) as determined by Council.

Attachments

- A. Resolution approving an amendment to the Compensation and Benefits Program for Unrepresented Management Employees.
- B. Exhibit A - Compensation and Benefits Program for the City of Belmont Unrepresented Management Group

Respectfully submitted,

Jack R. Crist
Interim City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT
APPROVING AN AMENDMENT TO THE COMPENSATION AND BENEFITS PROGRAM FOR
UNREPRESENTED MANAGEMENT EMPLOYEES**

WHEREAS, the represented employee groups have negotiated salary and benefit increases effective July 1, 2005 through the meet and confer process as authorized by the Meyers-Millias-Brown Act; and,

WHEREAS, it is appropriate to grant salary and benefit increases to the unrepresented management employees, which group includes Assistant City Manager; Community Development Director; Finance Director; Human Resources Director; Parks & Recreation Director; Police Chief; and Public Works Director; and

WHEREAS, the City Council has determined that it is appropriate to predicate such salary increases strictly on job performance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Belmont that the Compensation and Benefits Program for the City of Belmont Unrepresented Management Group, attached hereto as Exhibit A and made a part hereof, is approved effective July 1, 2005 and that the Interim City Manager is authorized to sign same on behalf of City.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on September 27, 2005 by the following vote:

AYES, COUNCILMEMBERS: _____

NOES, COUNCILMEMBERS: _____

ABSTAIN, COUNCILMEMBERS: _____

ABSENT, COUNCILMEMBERS: _____

CLERK of the City of Belmont

APPROVED:

MAYOR of the City of Belmont

**COMPENSATION AND BENEFITS PROGRAM
FOR THE CITY OF BELMONT
UNREPRESENTED MANAGEMENT GROUP**

The following represents the compensation and benefits granted to the unrepresented management group as authorized and approved by the City Council effective July 1, 2005.

GROUP DESIGNATION

The following positions are included in the unrepresented management group, referred to as Department Heads:

Assistant City Manager
Community Development Director
Finance Director
Human Resources Director
Parks and Recreation Director
Police Chief
Public Works Director

SALARY

1. The salary for each position will be determined by survey of seven comparable cities in San Mateo and Santa Clara County: Burlingame, Foster City, Los Altos, Los Gatos, Menlo Park, Millbrae, and San Carlos.
2. For each position surveyed, a minimum of four comparisons must be available for statistically valid analysis. If less than four comparisons are available, the salary for that position will be determined through internal relationships.
3. The survey will determine the median top step total compensation salary for each position. The median top step salary will become the control point salary for each position. The maximum base salary for the position will be the control point. The salary survey to determine the control point salary will be conducted annually in May.
4. Effective July 1, 2005, the control point monthly salary (as determined per the methodology described above) shall be as follows for department head classifications:

| | |
|--------------------------------|----------|
| Assistant City Manager | \$12,565 |
| Community Development Director | \$12,177 |
| Finance Director | \$12,580 |
| Human Resources Director | \$11,801 |

| | |
|-------------------------------|----------|
| Parks and Recreation Director | \$11,760 |
| Police Chief | \$12,872 |
| Public Works Director | \$13,027 |

5. The City Manager is authorized to set the department director’s salary up to 20% above the control point or 20% below the control point based upon a written performance evaluation to be completed in June of each year. The maximum increase may not exceed 20% above the control point. Unsatisfactory performance may result in a salary decrease. Salary adjustments will be effective July 1 of each year.

6. The amount of the salary adjustment (performance award) will be determined as follows:

| <u>Performance Rating</u> | <u>Percent Increase</u> |
|---------------------------|-------------------------|
| Outstanding | 16% - 20% |
| Superior | 9% – 15% |
| Good | 2% – 8% |
| Needs Improvement | 0% - 1% |
| Unsatisfactory | < 0% |

7. If the amount of the performance award exceeds the base salary maximum for the position (the control point), the excess amount will be paid in the form of an annualized lump sum payment.

For example:

| <u>Factors</u> | <u>Director A</u> | <u>Director B</u> |
|---------------------|-------------------|-------------------|
| Current top step | \$11,554 | \$10,868 |
| % below median | -5.39% | -8.21% |
| New top step (c.p.) | \$12,177 | \$11,760 |
| Performance rating | 4% | 10% |
| New salary | \$12,016 | \$11,760 |
| Excess award | \$0 | \$2,338 |

BENEFITS

Auto Allowance

Department head classifications are eligible to receive a monthly auto allowance ranging from \$150 to \$300 per month. The City Manager will determine the auto allowance amount for each department head position based on the driving needs for that classification.

Deferred Compensation Plan

The City shall contribute \$140 per month to each employee's deferred compensation account.

Dental Plan

The City shall contribute the full cost of dental coverage under the Delta Dental plan on behalf of the employee. The employee may elect to cover eligible dependents at a cost of \$5 per month for an additional dependent and \$10 per month for family coverage.

Flexible Benefit Plan

The City shall offer an Internal Revenue Code 125 Plan including premium conversion, health care reimbursement account, dependent care reimbursement account and a cash and/or deferred compensation option.

The City shall contribute the equivalent of the monthly premium for Kaiser family coverage toward each employee's Section 125 Plan components. An employee may use any and all such funds to cover the premium of the health plan choice, as contributions into the health care reimbursement account, dependent care reimbursement account, as cash option and/or contribution to a deferred compensation plan account.

Life Insurance

The City will provide basic life and accidental death and dismemberment insurance to department head classifications in the amount of \$200,000.

Long Term Disability Insurance

The LTD benefit is two-thirds of monthly salary up to a maximum monthly salary of \$10,500. The cost of the long-term disability insurance premium shall be converted to the employee's salary. The employee shall pay the actual monthly cost of the premium on an after-tax basis.

Retirement Plan

The City shall contract with the Public Employees Retirement Plan to provide the 2% @ 55 formula for miscellaneous employees and the 3% @ 50 formula for public safety employees. The City will provide the following contract options: Credit for Unused Sick Leave, Industrial Disability Retirement, and Fourth Level of 1959 Survivor Benefits. (Note: the Credit for Unused Sick Leave option is not applicable to Department Heads receiving General Leave in lieu of vacation and sick leave.)

The employee pays the 7% employee retirement plan contribution on a before-tax basis, in accordance with Internal Revenue Code Section 414(h)(2).

Retiree Health and Dental Benefits

An employee who retires in accordance with PERS regulations after twelve (12) years of service shall be entitled to monthly reimbursement of the expenses he or she incurs for hospital and

medical care premiums for his or her individual coverage only, up to a maximum of the amount paid by the City of Belmont for single employee coverage under the Kaiser Health Care Plan.

A retiree shall be entitled to participate in the City’s dental plan at his or her own cost.

Retiree Health Savings Plan

The City will implement a retiree health savings plan for the department head group. Any and all fees associated with this plan will be borne by the plan participants and not the City.

Vision Reimbursement Plan

The City shall contribute to a self-insured vision care program the sum of nineteen dollars (\$19) per month for each employee and eligible dependents for the purpose of reimbursing employees for vision expenses incurred during the plan year.

Professional Development Reimbursement

Department head classifications may be reimbursed up to a maximum of \$500 per fiscal year for job-related professional development activities or purchases. Eligible expenses include non-traditional or non-budgeted conference expenses; job-related computer hardware or software; books or other educational materials. City Manager approval is required for such reimbursements.

LEAVES

General Leave

Employees are entitled to general leave as follows:

| Length of Service | Days of Leave | Hrs. Accrued Per Month |
|--------------------------|----------------------|-----------------------------------|
| 1 through 4 years | 22 days | 14 2/3 hrs. |
| 5 years | 27 days | 18 hours |
| 6 years | 28 days | 18 2/3 hrs. |
| 7 years | 29 days | 19 1/3 hrs. |
| 8 years | 30 days | 20 hrs. |
| 9 years | 31 days | 20 2/3 hrs. |
| 10 through 14 years | 32 days | 21 1/3 hrs. |
| 15 years or more | 34 days | 22 2/3 hrs |

In the event an employee is unable to take all of the general leave to which the employee is entitled in a calendar year, the employee shall be permitted to accumulate the unused portion, provided that the accumulated time does not exceed one hundred thirty (130) days (1,040 hours) unless an extension is granted by the City Manager due to exceptional circumstances. If accumulated general leave exceeds one hundred thirty (130) days at the end of the calendar year,

the excess must be used by June 30th of the following year.

Employees who leave City service shall be paid straight-time salary for all accrued general leave earned on or before the effective date of termination.

Administrative Leave

Department Heads shall receive 80 hours of administrative leave time on January 1 of each fiscal year. Administrative leave must be used in the fiscal year in which it is granted and may not be carried over into a subsequent fiscal year or paid out upon termination.

Holidays

The holidays observed by other employees are applicable to this group, as follows:

| | |
|--|-----------------------------|
| New Year's Day | January 1 |
| Martin Luther King Jr. Birthday | Third Monday in January |
| President's Day | Third Monday in February |
| Memorial Day | Last Monday in May |
| Independence Day | July 4 |
| Labor Day | First Monday in September |
| Columbus Day | Second Monday in October |
| Veteran's Day | November 11 |
| Thanksgiving | Fourth Thursday in November |
| Friday after Thanksgiving | |
| Christmas Day | December 25 |
| Christmas Eve <i>OR</i> New Year's Eve | December 24 <i>OR</i> 31 |

In addition to the above-listed holidays, employees shall receive two (2) floating holidays to be taken after one (1) year of service. Floating holidays will only be usable as time off and may not be paid out upon separation from City service. Floating holidays must be used in the calendar year in which they are granted and may not be carried over into a subsequent calendar year.

When a holiday falls on a Sunday, the following Monday shall be observed. When a holiday falls on a Saturday, the previous Friday shall be observed.

Jack Crist, Interim City Manager

Date

