



APPROVED [★]
as amended
JUN 23 2009

BY Maria Chirila Deputy
CLERK OF THE BOARD

AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE Proposed Adjustments to Current County Employee Compensation to Achieve Cost Savings in Fiscal Year 2009-2010 and Beyond		BOARD MEETING DATE June 23, 2009	AGENDA NUMBER 35
Dept: Contact: Extension:	Donald W. Turko, Director of Human Resources 784-2552	Supervisory District Number ALL	
Published Notice Required?		Yes _____	No <u>X</u> _____
Public Hearing Required?		Yes _____	No <u>X</u> _____

★ Page 1 Add item 2(d)

★ Page 2 amend to Defer
3% COLA + related benefits

DEPARTMENTAL RECOMMENDATION:

Staff recommends that the Board of Supervisors adopt the following measures to achieve payroll cost savings in fiscal year 2009-2010 and beyond.

1. Freeze all compensation adjustments which have been identified in the Groups 1 and 2 of the Comprehensive Classification and Compensation Study (Fox Lawson) in abeyance through June 30, 2011, with the exception of those identified in attachment A.
2. Authorize staff to re-open all existing employee organization MOU's and Unrepresented Resolutions for the purpose of negotiating to (a) defer Cost-of Living Adjustments (COLA's) scheduled for implementation during the 2009-2010 fiscal year, (b) modify the MOU's to provide for a lower retirement tier for future County employees, and (c) modify the MOU's to provide for the modification of the current "cash-back" option provided to County employees for unused cafeteria plan dollars. (d) explore mandatory furloughs.
3. Authorize staff to complete calculations regarding the feasibility of offering an Early Retirement Incentive pursuant to Government Code section 20903, and to provide the Board with staff findings and recommendations no later than August 11, 2009.
4. Modify the existing Management Incentive Program by reducing future performance adjustments by 33% for eligible employees, as identified in Attachment B, effective July 12, 2009.

SUMMARY:

The current fiscal crisis facing state and local government has had a significant negative impact on local government. It has become necessary that local government leaders consider dramatic reductions in programs and personnel costs in order to bring future employee expenses in line with projected future revenue streams.

Employee salary and benefit costs currently make up approximately 70% of County budget. As a result, city councils and boards of supervisors are now required to re-consider employee compensation and benefit adjustments which were granted to represented and unrepresented employees in financially "good times". Public agency employers have few options in regard to reducing employee compensation costs. Employers can reduce the number of authorized positions by attrition or layoff, or they can achieve savings by reducing the per employee cost. This requires re-negotiating existing MOU's with the County's eight (8) separate labor organizations.

FINANCING:

Potential compensation cost savings which would result from these adjustments include

Programs	Total Costs	GF share
Defer Delete 3% COLA + related benefits	8,115,066	2,528,216
Health Insurance cash back value	8,121,687	2,436,506
MIP Reduced by 33%	212,495	62,299
Freeze Fox Lawson	1,400,000	378,000
Total	18,068,182	5,469,208

DISCUSSION:

Comprehensive Classification and Compensation Study

In February 2007, the Board of Supervisors approved a contract with Fox Lawson & Associates which approved a comprehensive classification and compensation study whose purpose was to initiate several best practices in regard to the County's outdated classification system and to provide for a regular methodology for surveying benchmark County salaries against an appropriate labor market. To date classification work has been completed for groups 1-3 of the 5 study groups and a compensation study has been completed for groups 1 and 2.

While County salary levels have been found competitive for the majority of County benchmark classifications, a number of County classifications have been found to be lagging behind market. The cost of implementing the survey results for groups 1 and 2 is \$1.4 million in fiscal year 2009-2010 of which \$378,000 is General Fund share.

While staff recommends that these costs be deferred until at least June 30, 2011, several County classifications either are significantly behind the identified labor market, or are currently at a pay level below the individuals that they supervise. These 7 classes, listed in attachment A, are recommended for equity adjustment in fiscal years 2009-2010 and 2010-2011 at a cost of \$84,000 in fiscal year 2009-2010.

Re-opening of existing MOU's and Unrepresented Resolutions

In the 2007-2008 fiscal year and in previous "good economic times" the County has negotiated with represented employees (and subsequently extended to unrepresented employees), a number of compensation adjustments. It was the time when the County could afford to pay comparable compensation to be competitive with surrounding public jurisdictions.

Unfortunately the County now finds itself with payroll costs that continue to rise at an escalating rate while County federal, state and local revenue sources are plummeting. These cost and revenue factors threaten the financial health of Solano County. A quick examination of these costs show:

• 2009-2010 COLA Costs:	<u>County Wide:</u>	<u>General Fund</u>
	\$8,115,066	\$2,528,216
• 2009-2010 Retirement Costs:	\$45,695,585	\$13,708,675

It is also important to note, that CalPERS has notified City and County employers that due to investment losses in 2008 and 2009, that employer retirement rates will increase by at least 5%, or \$2,284,779, in fiscal year 2011-2012. This rate increase is currently under review by CalPERS and is likely to increase due to lowered investment returns in the CalPERS investment funds.

• 2009-2010 Medical "Cash Back" Costs	<u>County Wide</u>	<u>General Fund</u>
	\$8,121,687	\$2,436,506

Reduction in these negotiated compensation and benefit areas will require agreement from represented County employees and their designated employee organization representatives. As such, staff requests authority to notice the appropriate employee organizations to commence discussions over possible concessions in these areas.

Modify the Management Incentive Program

In February 2001 the Board of Supervisors approved the Management Incentive Program (MIP) for exemplary performance or outstanding achievement for eligible Executive and Senior Management employees. Since 2001 the MIP has proven a highly successful management tool, not only in encouraging and rewarding exemplary performance and achievement for eligible managers, but has also served as an exceptional tool in recruiting and retaining exceptionally qualified Executive and Senior Management staff.

In implementing the current management compensation structure, Executive Managers gave up several previous salary, and compensation benefits, including an existing automobile allowance of between \$3,900 and \$6,500 annually, a business expense allowance of between \$1,300 and \$2,600 annually, a five step salary range in exchange for a one step range, gave up three (3) floating holidays and converted that benefit valued at 1.2% to a 401(a) plan in return for giving up civil service status, and in turn became at will employees. The value of these compensation benefits was then rolled into MIP costs, with no guarantee that a MIP adjustment would be received. The MIP award was to be earned through demonstrated performance and recognized through the performance evaluation process.

Elected Department Heads and the Board of Supervisors also had their base salaries adjusted to reflect the deletion of the auto and business expense allowances.

• 2009-2010 Projected MIP Costs:	<u>County Wide</u>	<u>General Fund</u>
	\$643,924	\$188,785
• With Proposed 33% Reduction	\$431,429	\$126,486

Due to the unprecedented fiscal crisis facing the County, a 33% reduction is proposed in the MIP beginning in 2009-2010, and as determined by the County Administrator during each eligible employee's annual performance evaluation. The proposed revised scoring and adjustment schedule is reflected in attachment B:

Due to the success of the MIP in attracting, retaining, and rewarding exemplary performance, it is recommended that the program be retained, but that the formula for rewarding performance be reduced by 33%. This action would reduce MIP program costs by \$212,495 County wide and by \$62,299 in the General Fund in fiscal year 2009-2010 and beyond.

ALTERNATIVES:

The Board could decide not to approve any or all recommendations, or direct staff to modify any or all recommendations contained in this report. This is not recommended due to the urgent need to address employee compensation costs as a way to reduce the effects of the ongoing fiscal crisis.

OTHER AGENCY INVOLVEMENT:

The County Administrator's Office has assisted Human Resources in the preparation of this agenda item.

CAO RECOMMENDATION:

APPROVE DEPARTMENT
RECOMMENDATION

DEPARTMENT HEAD SIGNATURE:



Attachment A

Class Title	Curr Salary	Mkt Median Top Step	Prop Step 5	% Below Market	7-09 % Inc.	7-09 Top Step	7-10 % Inc.	7-10 Top Step
Airport Maintenance Worker *	43,995	50,250	50,250	14%	7%	47,075	7%	50,250
Buyer *	52,643	63,680	63,680	21%	10%	57,907	10%	63,680
Buyer (Senior) *	70,376	85,131	85,131	21%	10%	77,414	10%	85,131
Chief Deputy Clerk	65,733	93,867	93,867	43%	21%	79,537	21%	93,867
Chief D A Investigator	105,430	123,101	123,101	17%	8%	113,864	8%	123,101
Chief Public Defender Investig	105,430	123,011	123,011	17%	8%	113,864	8%	123,011
County Surveyor	105,430	118,789	118,789	13%	6%	111,756	6%	118,789

* Subject to meeting and conforming with affected employee organizations. Increase will be effective July 12, 2009 or in pay period of agreement, whichever is later.

ATTACHMENT B

Department Heads

Evaluation Points	Current Percentage	Proposed Percentage
4.35 – 5.00	15.00%	10.00%
4.05 – 4.34	12.50%	8.34%
3.80 – 4.04	10.00%	6.67%
3.55 – 3.79	7.50%	5.00%
3.30 – 3.54	5.00%	3.34%
3.05 – 3.29	2.50%	1.67%

Assistant Department Heads/Chief Deputies

Evaluation Points	Current Percentage	Proposed Percentage
4.35 – 5.00	10.00%	6.67%
4.05 – 4.34	7.50%	5.00%
3.80 – 4.04	5.00%	3.34%
3.55 – 3.79	2.50%	1.67%
3.30 – 3.54	2.00%	1.33%
3.05 – 3.29	1.50%	1.00%

Senior Managers

Evaluation Points	Current Percentage	Proposed Percentage
4.35 – 5.00	5.00%	3.34%
4.05 – 4.34	3.50%	2.33%
3.80 – 4.04	3.00%	2.00%
3.55 – 3.79	2.50%	1.67%
3.30 – 3.54	2.00%	1.33%
3.05 – 3.29	1.50%	1.00%