



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: July 16, 2019

Subject

Terms and conditions of employment for the Unrepresented (Management and Confidential) Employees, Appointed Employees, and Elected Officials.

Recommended Action

- 1) Adopt Draft Resolution No. 19-____ amending the Compensation Program for the Unrepresented (Management and Confidential) Employees.
- 2) Adopt Draft Resolution No. 19-____ amending the Compensation Program for the Appointed Employees.
- 3) Adopt Draft Resolution No. 19-____ amending the Compensation Program for the Elected Officials.
- 4) Authorize staff to make the necessary budget adjustments to ensure that there are sufficient budget appropriations to cover the costs related to changes to the compensation programs.

Background

Historically, Council has aligned the compensation plans for the Unrepresented, Appointed, and Elected employee groups with the proposed terms and conditions of employment for the Cupertino City Employees' Association (CEA). As part of the Council packet for the July 16, 2019 City Council meeting Council has been presented with the terms and conditions of employment for the CEA successor MOU, covering the period from July 1, 2019 through June 30, 2022. Based on previous Council action, staff is requesting that Council adopt relevant changes to the Unrepresented Compensation Program and the Appointed and Elected Officials' Compensation Programs, as appropriate from the new CEA compensation changes. The following summarizes the three programs:

- The Unrepresented Compensation Program includes employees in management or confidential positions as adopted by the City Council and may be amended or otherwise modified from time to time.

- The Appointed Compensation Program includes the City Manager, who is evaluated by the City Council on an annual basis. Compensation for this employee is considered on the basis of equity of pay for duties and responsibilities assigned, meritorious service and comparability with similar work in other public employment in the same labor market.
- In the Elected Officials Compensation Program, the Elected Officials' pay is set forth under the Cupertino Municipal Code 2.16.020 and adopted by action of the City Council and may be amended or as otherwise modified from time to time subject to the limitations in Government Code Section 36516 which provides for increases to Council salaries at a maximum rate of five percent per calendar year. The Code also specifies that any increase in compensation becomes effective at the beginning of the next new term in office.

Compensation programs vary from group to group. As applicable, the terms and conditions of employment approved for CEA are being proposed for the Unrepresented (Management and Confidential) Employees, Appointed Employees and Elected Officials. Attachment A provides a table representing the proposed salary and benefits changes and the group(s) that the changes will impact. The complete terms and conditions are also outlined below:

- Term – 3 years, July 1, 2019 through June 30, 2022
- Salary (Unrepresented Employees)
 - Cost of Living adjustments (COLAs)
 - Effective the first full pay period in July 2019 following Council adoption – 4.0%.
 - Effective the first full pay period in July 2020 – 3.5%.
 - Effective the first full pay period in July 2021 – 3.0%.
 - Market Adjustments

The City retained the services of Koff and Associates to conduct a salary survey which included base pay and total compensation to determine if market adjustments to base pay were necessary. The survey is included as Attachment B. The base salary of several classifications within this group were found to be below median of market. These adjustments range from 1% to 15%. For unrepresented classifications, these equities will be phased in over the three-year agreement at a maximum of 5% per year until median is reached.

For the executive management group, which includes the Assistant City Manager, Deputy City Manager, Department Heads, Assistant Department Heads, Assistant to the City Manger, and Public Information Officer, staff is recommending retaining the current salary structure and alignments. In order to retain the existing structure, the executive management group would receive the COLAs as listed above; however, a

uniform equity adjustment of 2.7% in 2019 and 2.7% in 2020 would be provided to all classifications in this group. The total 5.4% equity adjustment represents the median of the individual survey percentages below market for these classifications.

Additionally, staff is recommending the establishment of an Executive Salary Range for this group, which would eliminate the current 5-step salary structure and provide for flexibility both in terms of recruitment and pay for performance. The City Manager would have the authority to appoint new executive managers at any point in the salary range, based on experience, and would also have the authority to approve increases based on performance that could range from 1% to 10%. Establishment of the Executive Salary Range would be cost neutral, as salaries would continue to be budgeted allowing for 5% average increases per classification.

- Health Welfare Benefits (Unrepresented Employees, Appointed Employees, and Elected Officials)
 - City health contribution changes are noted in the table below reflecting a 5% increase each year due to health premiums costs.
 - Health-in Lieu payment – The City shall provide a payment of \$375 per month in lieu of health care premiums, for employees who provide proof of alternate coverage. This payment shall be in the form of a contribution to the employee’s deferred compensation plan.

Effective January 1, 2019	City Max Health Contribution	City Max Dental Contribution	City Total Max Contribution
Employee	848.87	126.78	975.65
Employee +1	1,443.09	126.78	1,569.87
Employee +2	1,876.01	126.78	2,002.79

January 1, 2020	City Max Health Contribution	City Max Dental Contribution	City Total Max Contribution
Employee	891.32	126.78	1,018.10
Employee +1	1,515.24	126.78	1,642.02
Employee +2	1,969.81	126.78	2,096.59

January 1, 2021	City Max Health Contribution	City Max Dental Contribution	City Total Max Contribution
Employee	935.88	126.78	1,062.66
Employee +1	1,591.01	126.78	1,717.79
Employee +2	2,068.31	126.78	2,195.09

- Short-Term Disability (Unrepresented Employees and Appointed Employees)
CEA employees have opted to transition from the City’s current Short Term Disability plan to California State Disability Insurance (SDI), which provides for paid adoption and bonding leaves not offered by the current plan. The benefit coverage is determined by

the State of California, and has the same 7-day elimination period as the current plan. CEA employees will pay the 1% cost of CA SDI. In the past, Unrepresented employees voted not to participate in California SDI.

- Education Reimbursement (Unrepresented Employees and Appointed Employees)

Employees will receive \$2,000.00 annually in educational reimbursement, increased from the current \$1,350.00.

- Rec Bucks (Unrepresented Employees, Appointed Employees and Elected Officials groups)

Annual reimbursement for recreational activities will be increased from \$400 to \$500, and annual national park passes will be added to the list of reimbursable activities.

Fiscal Impact

The City will incur a cost of \$844,469 in the first year (FY 2019-20), an additional cost of \$1,523,160 in the second year (FY 2020-21) and an additional cost of \$2,019,057 in the third year for a total of \$4,386,686 in ongoing costs (starting FY 2021-22). A budget adjustment for increased costs in the first year is recommended. When the final budget was approved, costs related to labor were unknown and not included in the final budget.

	FY 2019-20	FY 2020-21	FY 2021-22	Total
CEA	\$ 498,965	\$ 837,221	\$ 1,124,301	\$ 2,460,487
OE3	\$ 313,848	\$ 516,638	\$ 705,846	\$ 1,536,332
Unrepresented	\$ 829,315	\$ 1,505,914	\$ 1,999,613	\$ 4,334,842
Appointed	\$ 375	\$ 872	\$ 1,394	\$ 2,641
Elected	\$ 14,779	\$ 16,374	\$ 18,050	\$ 49,203
Total	\$ 1,657,282	\$ 2,877,019	\$ 3,849,204	\$ 8,383,505

Prepared by: Leslie Dornell, Human Resources Manager

Approved for Submission by: Deborah Feng, City Manager

Attachments:

- A - Proposed Salary and Benefit Changes
- B - Koff and Associates Class and Compensation Study
- C - Draft Resolution amending the Unrepresented Employees' Compensation Program
- D - Draft Redline Unrepresented Employees' Compensation Program
- E - Clean Unrepresented Employees' Compensation Program
- F - Draft Resolution amending the Elected Officials Compensation Program
- G - Draft Redline Elected Officials Compensation Program
- H - Clean Elected Officials Compensation Program
- I - Draft Resolution amending the Appointed Employees' Compensation Program
- J - Draft Redline Appointed Employees' Compensation Program
- K - Clean Appointed Employees' Compensation Program