Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/13/11	Open	Action	06/06/11

Subject: Management and Confidential Employee's Terms and Conditions of Employment Effective July 1, 2011

ISSUE

Whether or not to approve changes to certain terms and conditions of employment applicable to employee members of the Management and Confidential Employee Group (MCEG) to be effective July 1, 2011.

RECOMMENDED ACTION

Adopt Resolution No. 11-06____, Approving Changes to Certain Terms and Conditions of Employment Applicable to Employee Members of the Management and Confidential Employee Group to be Effective July 1, 2011.

FISCAL IMPACT

Budgeted:	Yes	This FY:	$	0
Budget Source:	Operating	Next FY:	$	483,547
Funding Source:	Federal, State and Local	Annualized:	$	483,547
Cost Cntr/GL Acct(s) or Capital Project #:	Various Departmental Labor Accts.	Total Amount:	$	483,547

Total Budget: $ 483,547*

* Fiscal impact on the FY 2012 Operating Budget including projected savings from changing medical insurance providers from stand alone programs with Health Net and Kaiser, to offerings through the CalPERS program.

DISCUSSION

On March 9, 2009, the Board adopted cost cutting measures applicable to employees in the MCEG for the period March 15, 2009 through December 31, 2010. The measures included freezing all salary and range movements, suspending the sell back of sick leave, vacation and floating holidays, moving into the CalPERS medical insurance program and increasing the medical insurance co-payment amount, and requiring 12 unpaid furlough days. The labor cost savings through the 21.5 months was nearly $755,000. Shifting employees into the CalPERS medical system continues to generate savings which is projected to amount to $262,000 in FY 2012 for the MCEG alone.

On December 13, 2010, the Board approved a status quo to terms and conditions for all employees covered under MCEG through June 30, 2011, to permit the District to fiscally evaluate the possibility of future enhancements in conjunction with deliberations on the FY 2012 budget.

Approved: Presented:

Final 6/8/11

General Manager/CEO

Chief Administrative Officer / EEO Officer

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In March and April 2011, the General Manager/CEO and executive management began discussions over enhancements that might be made with the start of the new fiscal year. Prior to 2007, MCEG staff annually received a general salary increase plus additional movement within their pay range based on receipt of a satisfactory performance evaluation. Since 2007, employees have not received a cost of living related increase. A 2% general salary adjustment approved for January 2007, was pulled back. An adjustment to salary ranges was made in 2009 but individual movements within their respective ranges have been frozen through June 2011. Further, employees have experienced reductions in earnings by way of the imposition of furloughs (4%) and the increase in the employee contributions to medical insurance contributions. The combined impact of the salary and pay range freezes since 2007 has negatively affected the ability of the District to remain competitive in retaining its most knowledgeable and experienced staff as well as competing in the labor market to attract needed talent.

After developing potential options, management held a meeting with the MCEG employees where the proposed changes were explained. The proposed changes fall into three categories. First, there are existing personnel rules that have been suspended which will resume operation on July 1, 2011 without action by the Board. Secondly, there are 2 administrative changes to current language being proposed which do not adjust the cost over what would occur automatically with the resumption of the current language. There are 2 changes proposed to eliminate redundancy and codify practice. Lastly, there are 2 proposed changes applicable to the Executive Management Team (EMT) members of the MCEG which, (1) codifies a practice, and (2) addresses a pay range discrepancy. More specifically, the proposed changes are as follows:

A. <u>Provisions that will Resume Operation on July 1, 2011 Without Board Action</u>

1) Salary ranges will be adjusted by 2.5% to reflect current market conditions, pursuant to existing personnel rules.

2) Employees with a hire or promotion date after July 1, 2011, or are working in a new-hire or promotional probationary period on July 1, 2011, shall be entitled to a performance adjustment of 5% in compensation upon the successful completion of their probationary period pursuant to existing personnel rules.

3) Employees may elect to sell back accrued vacation pursuant to existing personnel rules.

4) Employees may elect to sell back accrued sick leave for cash or depositing into their 457 Plan account pursuant to existing personnel rules.

5) Employees may elect to sell back unused floating holidays pursuant to existing personnel rules.

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B. Proposed Changes to be Effective July 1, 2011 which Require Board Approval

1) Employees not working in a new-hire or promotional probationary period will receive a performance adjustment of 5% in compensation, following the range adjustments, provided that no employee may be paid at a salary in excess of the maximum of his or her pay range. For employees receiving the July 1, 2011 adjustment in compensation, that date will become the effective date of subsequent annual adjustments.

2) In 2009, the maximum amount of vacation hours one may accrue was increased from 3 to 4 years, in conjunction with suspending the sell back provision. During that time, some employees accumulated vacation balances in excess of the pre-2009 cap of 3 years. It is management's desire to return to the 3 year accrual cap without imposing a hardship by requiring all the excess vacation to be used prior to July 1. Therefore, affected employees will be paid the cash value of their accrued vacation hours in excess of the 3 year cap, or they may take advantage of a one time option to have the cash value deposited into their 457 Plan (subject to statutory contribution limits). The cash value will be determined based on the employee's salary rate in effect on June 30, 2011. Thereafter, vacation accrual and sell back provisions will be subject to existing personnel rules.

3) Section 13.03, A6, of the *Personnel Rules and Procedures* provides for a "Stay Well Incentive Plan" whereby an employee with more than 480 hours of accrued sick leave may opt to sell back up to ¼ of his or her annual sick leave accrual (3 days) that was unused during the calendar year. This provision is redundant to other sick leave sell back provisions. The management proposes to delete this provision as it applies to MCEG staff.

4) Employees annually receive 4 paid floating holidays (floaters) with which to take time off during the year. The floaters are in addition to 7 fixed paid holidays also available to employees. Floaters not used or sold back by the end of the calendar year are not carried forward and added to those granted the following January. However, the language of the personnel rules is not clear on that point. In order to properly reflect the practice, language will be written to clarify that an employee may not have more than 4 floating holidays available for use in any one calendar year.

5) In March 2009, the Board approved a restriction on new employee salary offers that limits the starting salary of a new employee to be no greater than, (i) the salary of the highest paid employee in the same job classification, or (ii) the mid-point of the salary range if there are no incumbents in the job classification. Management proposes to permanently retain this language provided that if there is no incumbent(s) in the job classification, upon written authorization by the General Manager/CEO, a salary offer may be extended at a level beyond the mid-point of the salary range for recruitment purposes.

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C. <u>Terms Applicable to Executive Management Team (EMT) Members of the MCEG</u>

1) In 2007, the Chief Administrative Officer (CAO) identified that new EMT members were accruing vacation at the rate that all salaried employees accrue pursuant to the Personnel Rules and Procedures to which all EMT employees are subject. As such, new hires within EMT's ranks were accruing 2 weeks of vacation per year, while longer term employees were accruing at a rate of 5 weeks or greater per year. In an effort to equalize the benefits package for EMT employees who serve at the will and pleasure of the General Manager/CEO, the Chief Administrative Officer recommended that all EMT employees begin accruing vacation at a rate of at least 5 weeks per year. EMT employees accruing at a rate greater than 5 weeks per year due to their length of service would continue to accrue at the higher rate.

   On August 31, 2007, the General Manager/CEO issued a directive authorizing the modification to vacation accrual for EMT level employees to a minimum of 5 weeks per year. At that time three members of the EMT had their vacation accrual adjusted as directed by the General Manager/CEO. One EMT member's vacation accrual was inadvertently not adjusted. Legal Counsel recently learned of the directive and advised management that the General Manager/CEO did not have authority to issue the directive that she issued. Affected EMT employees have, however, been accruing vacation at a rate of at least 5 weeks per year since 2007. Management now requests that the Board ratify the General Manager/CEO's directive and codify the accrual practice. The EMT level employee whose vacation was never adjusted when the General Manager/CEO issued the directive will begin accruing 5 weeks of vacation retroactive to May 14, 2011, the employee's four year employment anniversary date.

2) In 2009, the Board adopted recommendations for revising the District's nonunion classification and compensation programs. Following an extensive salary survey, the existing pay ranges were updated and expanded from a spread of 27.5% to approximately 40%. After the new ranges were implemented, staff noticed that the maximum of a top staff salary range eclipsed the top of the EMT Salary Grade II. There are three EMT members currently in Salary Grade II. Given the nature of their work, their serving at the will and pleasure of the General Manager/CEO and the amount of time one must dedicate in order to be successful in the job, the General Manager/CEO proposes to administratively move the 3 incumbents into Salary Grade III. There is to be no adjustment to an individual's salary rate unless the change would place one below the minimum of the new salary grade. After the change has been made, the top salary level of the highest paid staff position will not eclipse the top rate of and incumbent's salary grade.

Except as modified by items B1 – 5, above, or as may be approved in subsequent Board actions, the provisions of the *<u>Personnel Rules and Procedures</u>* are to remain in effect for members of the MCEG.

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Staff recommends that the Board approve the foregoing changes to the terms and conditions of employment applicable to employee members of the MCEG effective July 1, 2011, and authorize the General Manager/CEO to have necessary changes be made to the personnel rules that will effectuate the changes set forth in Exhibit - A, to the Resolution.

RESOLUTION NO. 11-06-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 13, 2011

APPROVING CHANGES TO CERTAIN TERMS AND CONDITIONS OF EMPLOYMENT APPLICABLE TO EMPLOYEE MEMBERS OF THE MANAGEMENT AND CONFIDENTIAL EMPLOYEE GROUP TO BE EFFECTIVE JULY 1, 2011

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the terms and conditions of employment applicable to employees of the MCEG, as set forth in Exhibit – A, are hereby approved effective July 1, 2011.

THAT, the terms and conditions of employment set forth in the Personnel Rules and Procedures adopted by the Board by Resolution 09-06-082 that are undisturbed by the changes set forth in Exhibit – A, will remain in effect for members of the MCEG.

THAT, the General Manager/CEO is authorized and directed to effectuate the changes described in Exhibit - A.

____
DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: ______________________________
Cindy Brooks, Assistant Secretary

TERMS AND CONDITIONS OF EMPLOYMENT APPLICABLE TO ALL MCEG STAFF

EFFECTIVE JULY 1, 2011

1. Salary Increase: All employees not working in a new-hire or promotional probationary period will receive a 5% increase in salary, following the range adjustment, effective July 1, 2011. For all employees receiving the July 1, 2011 increase in salary, that date shall become the effective date of subsequent annual salary increases.

2. Vacation Accrual Cap: The cap on the amount of vacation one may accrue that was increased to 4 years shall be returned to 3 years effective July 1, 2011. As of June 30, 2011, employees having amassed a vacation accrual balance in excess of the 3 year cap will be paid the cash value of the excess accrued time at the rate in affect on June 30th. Employees will be afforded a one time option of having the excess cash value deposited into their Deferred Compensation Account (457 Plan). The amount of the deposit is subject to the IRS statutory limitations governing the account. An amount greater than the statutory limit will be paid to the employee. Thereafter, the existing PR&P governing vacation accrual and sell back shall be in effect.

3. Stay Well Incentive Plan [Sick Leave]: Section 13.03 A6, of the PR&P, which states:

   > *"An employee with more than four hundred and eighty (480) hours accumulated sick leave may, at the end of the calendar year, receive payment for up to one-fourth (1/4) of the sick leave earned, but not used, in that calendar year."*

   shall be deleted from the provisions applicable to MCEG.

4. Floating Holidays – Annual Cap: There shall be a maximum accumulation of 4 floating holidays an employee may have available for use in any calendar year. An employee not using or selling back all of his or her 4 floating holidays in a calendar year may carry over the unused days into subsequent years. The number of floating holidays added to the amount carried over shall not exceed 4. Upon separation from employment, the cash value of unused floating holidays shall be paid to the employee.

5. New Employee Salary Offers: The restriction on new employee salary offers shall continue as currently in effect at no higher than (i) the level of the highest paid employee on the same job classification, or (ii) the mid-point of the salary range if there are no incumbents in the same job classification, with one modification. In the event there are no incumbents in a job classification, upon written authorization by the General Manager/CEO, a job salary offer may be extended at a level beyond the mid-point of the salary range.

TERMS AND CONDITIONS OF EMPLOYMENT APPLICABLE TO EMT MEMBERS OF THE MCEG STAFF

EFFECTIVE JULY 1, 2011

1) In 2007, the Chief Administrative Officer (CAO) identified that new EMT members were accruing vacation at the rate that all salaried employees accrue pursuant to the Personnel Rules and Procedures to which all EMT employees are subject. As such, new hires within EMT's ranks were accruing 2 weeks of vacation per year, while longer term employees were accruing at a rate of 5 weeks or greater per year. In an effort to equalize the benefits package for EMT employees who serve at the will and pleasure of the General Manager/CEO, the Chief Administrative Officer recommended that all EMT employees begin accruing vacation at a rate of at least 5 weeks per year. EMT employees accruing at a rate greater than 5 weeks per year due to their length of service would continue to accrue at the higher rate.

   On August 31, 2007, the General Manager/CEO issued a directive authorizing the modification to vacation accrual for EMT level employees to a minimum of 5 weeks per year. At that time three members of the EMT had their vacation accrual adjusted as directed by the General Manager/CEO. One EMT member's vacation accrual was inadvertently not adjusted. Legal Counsel recently learned of the directive and advised management that the General Manager/CEO did not have authority to issue the directive that she issued. Affected EMT employees have, however, been accruing vacation at a rate of at least 5 weeks per year since 2007. Management now requests that the Board ratify the General Manager/CEO's directive and codify the accrual practice. The EMT level employee whose vacation was never adjusted when the General Manager/CEO issued the directive will begin accruing 5 weeks of vacation retroactive to May 14, 2011, the employee's four year employment anniversary date.

2) In 2009, the Board adopted recommendations for revising the District's nonunion classification and compensation programs. Following an extensive salary survey, the existing pay ranges were updated and expanded from a spread of 27.5% to approximately 40%. After the new ranges were implemented, staff noticed that the maximum of a top staff salary range eclipsed the top of the EMT Salary Grade II. There are three EMT members currently in Salary Grade II. Given the nature of their work, their serving at the will and pleasure of the General Manager/CEO and the amount of time one must dedicate in order to be successful in the job, the General Manager/CEO proposes to administratively move the 3 incumbents into Salary Grade III. There is to be no adjustment to an individual's salary rate unless the change would place one below the minimum of the new salary grade. After the change has been made, the top salary level of the highest paid staff position will not eclipse the top rate of and incumbent's salary grade.

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