

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
12	06/27/16	Open	Action	06/22/16

Subject: Temporarily Modifying of Article 8, Section 8.04(B)(1) of the Personnel Rules and Procedures for Salaried Employees, and Permanently Modifying Article 8, Section 8.05 (B)(2) for employees in the MCEG Group (MCEG)

## ISSUE

Whether to temporarily modify Article 8, Section 8.04(B)(1) of the Personnel Rules and Procedures for Salaried Employees pertaining to merit pay increases for the Management and Confidential Employee Group (MCEG) employees for Fiscal Year 2017 and permanently modifying Article 8, Section 8.05(B)(2) for MCEG employees.

## RECOMMENDED ACTION

Adopt Resolution No. 16-06\_\_\_\_, Temporarily Modifying Article 8, Section 8.04(B)(1) of the Personnel Rules and Procedures for Salaried Employees Pertaining to Merit Pay Increases for MCEG Employees for Fiscal Year 2017 and Permanently Modifying Article 8, Section 8.05(B)(2) for MCEG Employees.

## FISCAL IMPACT

Savings to RT are approximately \$225,000 in FY 2017.

## DISCUSSION

Due to declining revenues, RT's operating budget for FY17 is forecast to have a budget deficit unless operating costs are reduced. As part of its effort to achieve a balanced budget, RT management implemented a reduction in force that resulted in a payroll savings of approximately \$1.5 million. However, RT needs to achieve an additional reduction in payroll costs of an additional \$500,000. On May 27, 2016, RT management met with all labor groups representing RT employees and advised them of RT's FY17 budget deficit and its plan to reduce payroll costs by approximately \$1.5 million through a reduction in force. RT's labor groups were asked to agree to additional concessions so that RT could achieve the additional \$500,000 needed to close the projected FY17 budget deficit. Among the options presented by RT management to the labor groups was a reduction in the merit pay increase that employees are scheduled to receive in 2017.

Pursuant to Article 8, Section 8.04(B)(1) of the Personnel Rules and Procedures for Salaried Employees, employees represented by the Administrative Employees Association (AEA) and MCEG employees were scheduled to receive a 5% merit pay increase in FY17. RT management advised the labor groups that, subject to RT Board approval, MCEG employees would be waiving their 5% merit pay increase, and instead would be receiving a reduced pay increase. Through negotiations, the AEA agreed to the 3% reduction for FY17. RT management recommends to the

Approved:

Presented:

Final 06/22/16

General Manager/CEO

Chief Counsel

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Board that it approve a temporary modification to Article, Section 8.04(B)(1) as applied to MCEG employees and temporarily reduce the merit pay increase to 2% for FY17.

RT management also recommends to the Board that it adopt a permanent modification to Article 8, Section 8.05(B)(2) of the Personnel Rules and Procedures as it relates to salary adjustments for an employee that is involuntarily demoted due to an organizational change. As currently drafted, an employee who is involuntarily demoted into a lower classification due to an organizational change is permitted to retain their current salary, even if it is above the pay range for the position into which they are demoted. This leads to an absurd result in which an individual has a lower level of responsibility, but retains the pay they were receiving while in a higher classification with more responsibility. To correct this, RT management recommends amending that provision to require that the involuntarily demoted employee's pay be reduced so that the employee's salary falls within the lower classification's pay range. If the employee's salary is above the maximum salary for that position, his or her pay will be reduced to the top of the range for the lower classification.

RESOLUTION NO. 16-06-\_\_\_\_\_

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

June 27, 2016

**TEMPORARILY MODIFYING ARTICLE 8, SECTION 8.04(B)(1) OF THE PERSONNEL RULES AND PROCEDURES FOR SALARIED EMPLOYEES PERTAINING TO MERIT PAY INCREASES FOR MCEG EMPLOYEES FOR FISCAL YEAR 2017 AND PERMANENTLY MODIFYING ARTICLE 8, SECTION 8.05(B)(2) FOR MCEG EMPLOYEES**

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

THAT, Article 8, Section 8.04(B)(1) of the Personnel Rules and Procedures for Salaried Employees pertaining to merit pay increases for the Management and Confidential Employees Group (MCEG) be temporarily modified for Fiscal Year 2017 whereby the percentage merit pay increase is reduced from 5% to 2% for FY2017.

THAT, Article 8, Section 8.05(B)(2) of the Personnel Rules and Procedures for Salaried Employees pertaining to pay adjustments for MCEG employees involuntarily demoted due to an organization change be permanently modified so that the pay for such a demoted employee is adjusted to fall within the pay range for the position into which they are involuntarily demoted.

THAT, the General Manager/CEO is hereby authorized and directed to implement the modifications to the PRPs as described in Exhibit 1, attached hereto.

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JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

## Exhibit 1

Management and Confidential Employee Group (MCEG)Terms and Conditions of Employment  
Effective July 1, 2016

The terms and conditions in the Personnel Rules and Procedures for Salaried Employees will continue for employees of the MCEG, except as described below:

**Salary Adjustment**

Salary adjustments pursuant to Section 8.04(B)(1), Pay for Performance Merit (Step) Increase, of the Personnel Rules and Procedures (PRPs), will be temporarily modified as illustrated below, by reducing the maximum percentage increase allowable from 5% to 2% for FY17. Additionally, Salary Adjustments pursuant to Section 8.05(B)(2), Involuntary Demotion – Organizational Change, of the PRPs will be permanently modified as illustrated below, to require that the compensation for an involuntarily demoted employee due to an organizational change, be reduced to put that employee in the pay range for the position into which the employee is demoted, if their current salary exceeds the pay range for the position into which they are being involuntarily demoted.

**§8.04 Salary Adjustments**B. Pay For Performance Merit Increases

1. For Fiscal Year 2017: An employee who receives a rating for his or her annual performance evaluation of “meets standards in all evaluation criteria” or who receives a performance evaluation rating of “below standards” in two or fewer job elements (hereafter “pass”) will receive a performance merit increase. For Fiscal Year 2017, the performance merit increase is an increase to the employee’s monthly salary equal to the lesser of (i) two percent (2%) of his or her monthly salary, or (ii) the difference between the maximum monthly salary for the employee’s job classification and the employee’s monthly salary. Except as provided in §8.04B.2. and §8.04B.3. below, an employee shall not receive a performance merit increase for that evaluation period.

Beginning Fiscal Year 2018: An employee who receives a rating for his or her annual performance evaluation of “meets standards in all evaluation criteria” or who receives a performance evaluation rating of “below standards” in two or fewer job elements (hereafter

“pass”) will receive a performance merit increase. Beginning Fiscal Year 2018, the performance merit increase is an increase to the employee’s monthly salary equal to the lesser of (i) five percent (5%) of his or her monthly salary, or (ii) the difference between the maximum monthly salary for the employee’s job classification and the employee’s monthly salary. Except as provided in §8.04B.2. and §8.04B.3. below, an employee shall not receive a performance merit increase for that evaluation period.

**§8.05. Salary Adjustment Upon Involuntary Demotion**

B. Involuntary demotion will be defined as movement into a classification in a lower paygrade as a result of disciplinary action or as a result of organizational change. The salary of a demoted employee will be adjusted as follows:

2. Involuntary Demotion – Organizational Change

(a) For employees represented in a classification represented by the AEA at the time of involuntary demotion:

- (i) Employee’s salary shall be “red circled” in the case that organizational change causes involuntary demotion.
- (ii) Employees who are involuntarily demoted due to organizational change shall still be entitled to merit increases, pursuant to §8.04(B), provided that such increases do not put the employee over the maximum of their new salary range.

(b) For employees whose job classification falls within the MCEG at the time of involuntary demotion: An employee involuntarily demoted due to an organizational change will be compensated at his/her current salary level provided that his/her current salary is within the authorized pay range minimum and maximum levels established for that classification. If the employee’s current salary is above the maximum pay level established for the classification, the involuntarily demoted employee’s salary will be reduced to the top of the range of the position into which he/she is being demoted.