BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	CEO
Department No.:	012
For Agenda Of:	November 4, 2014 Set Hearing: December 2, 2014
Placement:	Departmental
Estimated Tme:	
Continued Item:	No
If Yes, date from:	
Vote Required:	4/5 approval for budget appropriation items, as indicated

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TO: Board of Supervisors

FROM: Jeri Muth, Human Resources Director, 568-2816

Contact Info: Joseph Pisano, Employee Relations Manager, 568-2839

SUBJECT: ***Terms and Conditions of Employment: Certain Unrepresented Employees, Elected Department Heads, and Elected Members of the Board of Supervisors***

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: N/A

Other Concurrence:
As to form: N/A

Recommended Actions:

That the Board of Supervisors takes the following actions regarding compensation of certain unrepresented employees:

1. Regarding wage increases to address managers with critical internal pay inequities:

a. Adopt the Resolution in Attachment A granting a 5% wage increase effective October 27, 2014 for 24 managers identified as experiencing critical internal pay inequities, and who are also more than 19% from the median of their respective markets; and

b. Approve the budget revision (BRR) in Attachment A-1 to appropriate the required general funds to implement this recommendation.

2. Regarding lifting of the freeze on merit (performance-based) increases for all managers:

a. Adopt the Resolution in Attachment B (Attachment B-1 contains tracked changes) amending the Classification and Salary Plan for Unrepresented Executive and Management Employees to reinstate performance-based salary increases effective January 2015, and provide greater flexibility to department heads in allocating the increases;

b. Set the pool of funds for these increases to 2.5% of salary; and

c. Approve the related budget revision (BRR) in Attachment B-2 to appropriate the required general funds to implement this recommendation.

3. Regarding changes to elected department heads' benefits and compensation:

a. Adopt the Resolution in Attachment C (Attachment C-1 contains tracked changes), effective January 5, 2015, amending the Management Personnel Benefits Policy to eliminate vacation accrual and conversion as well as the employer offset to retirement contributions for elected department heads;

b. Adopt the Resolution in Attachment D, effective January 5, 2015, setting elected department head salaries, linking future salary increases for these positions to across-the-board increases granted to appointed department heads, and requiring salary surveys to be conducted in the second and fourth year of each term of office; and

c. Approve the related budget revision (BRR) in Attachment C-2 to appropriate the required general funds to implement this recommendation.

4. Regarding parity for unrepresented Confidential employees:

a. Adopt the Resolution in Attachment E granting a 3.5% wage increase for all unrepresented Confidential employees effective October 27, 2014 to reestablish parity with represented employees in comparable or similar classifications; and

b. Approve the related budget revision (BRR) in Attachment E-1 to appropriate the required general funds to implement this recommendation.

5. Regarding Board of Supervisors' benefits and salaries:

    a. Consider the introduction (first reading) of the Ordinance found on Attachment F repealing Ordinance No. 4627 and enacting a new Ordinance that will set biweekly compensation of the Board of Supervisors to provide benefits to the Board of Supervisors equal to those of elected and appointed department heads;

    b. Set hearing on the Administrative Agenda for December 2, 2014 to consider the adoption (second reading) of that Ordinance;

    c. Approve the related budget revision (BRR) in Attachment F-1 to appropriate the required general funds to implement this recommendation; and

    d. Direct staff to further review Supervisors' salaries and bring back recommendations for possible adjustments based on market data and methodologies used by other counties.

6. Determine that these actions are exempt from California Environmental Quality Act (CEQA) review as they are not a project pursuant to CEQA Guidelines section 15378 (b) (2).

Summary Text:

For Fiscal Year 2014-2015, one of the Board's adopted policies is to focus on attracting, retaining, and developing a high-performing workforce. Last year, for most represented (non-safety) employee groups, modest wage increases and unfreezing of merit increases were negotiated to assist with this goal. As the economy improves, the County is in a position to take incremental steps for unrepresented employees as well. Unanticipated revenue growth, forecasted the last day of budget hearings in June 2014, and not built into the budget, allows some flexibility to begin addressing these issues.

The recommended actions are designed to create or restore equitable compensation components for certain unrepresented employees. The approval of these changes will result in:

1. A 5% increase effective October 27, 2014 for certain managers who were identified as having significant internal pay disparity and were also found to be more than 19% below their job market rate of pay;

2. Restoration of performance-based merit increases for managers and executives, within a set pool of funds, effective January 2015;

3. Elimination of elected department heads' ability to accrue vacation time, convert vacation time to cash, and receive an employer contribution to their retirement contribution effective January 5, 2015;

4. A 4% wage increase effective January 5, 2015 for two elected department heads, matching the increases received by appointed department heads over the last two years, variable increases for two elected department heads intended to bring them to

their market rate of pay; and an increase for one elected department head to address salary compaction with a subordinate employee and provide a 3% differential;

5. A process for maintaining elected department head compensation at their respective market rates of pay and a mechanism for granting elected department heads any future across-the-board increases received by appointed department heads;

6. A 3.5% wage increase for unrepresented Confidential employees effective October 27, 2014 to reestablish parity with represented employees in similar classifications; and

7. Comparable benefits for the Board of Supervisors equal to that of elected department heads.

Background:

As a result of the downturn in the economy, the County took significant measures to maintain a balanced budget, which included a number of actions related to unrepresented employee compensation including:

1. A freeze on management pay frozen from January 2008 to 2013. In July 2013 and July 2014 the Board granted across-the-board increases of 3% and 1% respectively to all managers and, with the exception of elected department heads, all executives. These across-the-board wage increases were provided to match wage increases negotiated with the majority of the County's non-safety workforce. Over the last six years, however, while seasoned managers' salaries remained flat, many new managers were hired at higher rates of pay, reflective of the market for those jobs, causing critical equity issues in the organization.

2. A freeze on management merit increases (also known as performance-based pay). Whereas other non-safety employees' merit increases were frozen for two years as part of concession bargaining, management's merit increases have been frozen for six years and remain frozen at this time.

3. Except for elected department heads, the elimination of vacation conversion (cashing in vacation hours) and an employer contribution to the employee's share of the retirement contribution (employer offset) for all other non-safety managers and executives in November 2011. These benefits were not eliminated for elected department heads as compensation for elected officials may only be decreased effective the beginning of a new term of office. As a result of maintaining these benefits, elected department heads did not receive the across-the-board increases appointed department heads received in 2013 (3%) and 2014 (1%). In addition, in November 2011, by Board Resolution, it was determined that vacation accruals would cease at the beginning of a new term of office, which is January 2015.

4. Creation of internal inequity between Confidential employees and their represented counterparts. The County's 63 unrepresented Confidential employees' salaries have traditionally been tied to the salaries of employees represented by Service Employees International Union (SEIU), Local 620. Most of these employees are in the same job classifications as their represented counterparts. In January 2011, in an additional

measure to manage the County's financial resources, these employees did not receive a previously-negotiated 3.5% salary increase that their represented counterparts received. This has resulted in a critical internal equity issue in which these unrepresented employees can transfer to another position in the same job classification and obtain an immediate salary increase for doing the same or comparable work. This presents difficulties attracting and retaining talented staff in the unrepresented Confidential positions found in 15 County departments.

5. No salary or benefit improvements for the Board of Supervisors since 2006. The Board does not receive benefits enjoyed by elected and appointed department heads, such as an auto allowance and a biweekly benefit allowance. These are benefits currently provided to the Board Offices' Chiefs of Staff and other executives.

The changes itemized above have resulted in inequitable compensation for the various groups of employees. Following is a more in-depth discussion of each of the items.

Management Internal Equity Issues:

To assess the extent to which managers' salaries have been critically impacted by hiring new managers at higher rates of pay, departments were asked to identify those individuals in positions where they believed a critical internal equity issue existed. Approximately 80 submissions were received and salary surveys were conducted to ensure that any recommended salary adjustment would not result in a manager's pay rising above the market rate of pay. As a result of this analysis, 24 managers were found to be experiencing a significant internal equity issue and were also paid more than 19% below their respective markets. It is recommended that these managers receive a 5% increase to begin moving them closer to the market rate of pay. The estimated annualized cost of these increases is approximately $158,200 with the General Fund portion estimated at approximately $41,000.

Unfreeze Management Performance-Based (Merit) Increases:

The last merit increase received by non-safety managers and executives was in January 2008. Merit increases are based on a manager's performance and contribution to the organization, and are typically granted annually until an employee reaches the top of the salary range. In late 2008, the Board of Supervisors froze performance-based increases for all unrepresented managers and executives, and they remain frozen today. With the adoption of the Resolution in Attachment B, performance-based increases will range from 0% to 3.5% and may be granted in quarter percent increments, in order to recognize the merits of employee performance. A pool of funds will be set at an annualized funding amount of 2.5% of pay to fund these increases. Funding merit increases in January 2015 at an annualized rate of 2.5% of management pay, would increase costs by an estimated $590,000 for the remaining six months of the 2014-2015 Fiscal Year with approximately $237,500 of that amount required from the General Fund.

Elected Department Head Compensation:

Elected department heads have received no salary increase since 2006. With the elimination of the ability to cash in 80 hours of vacation annually and the elimination of a retirement offset currently provided by the County for elected department heads, they will lag behind salary increases received by appointed department heads in January 2008 (performance-based increases) and in 2013 (3% across-the-board) and 2014 (1% across-the-board). In addition, market survey data revealed that the Auditor-Controller's and the District Attorney's salaries lag behind the median market for their offices, and there is currently no mechanism for adjusting the salaries of elected department heads when the market changes or when the Board of Supervisors grants an across-the-board salary increase to appointed department heads. This results in disparity between the elected and appointed department heads. Further, the Sheriff has been paid less than the Undersheriff for many years, while other managers and executives receive a 3% supervisory differential between their salaries and that of subordinates. The recommended actions will:

1. Eliminate vacation accrual and conversion as well as retirement offset benefits for the five elected department heads;

2. Provide a 4% increase to the Clerk-Recorder-Assessor and the Treasurer-Tax Collector to align their salaries with the increases received by the appointed department heads; a 5.12% increase to the Auditor-Controller and a 14.25% increase for the District Attorney to align their salaries with the median of their respective markets; and a 6.3% increase for the Sheriff to create a 3% supervisory differential between his salary and the anticipated salary of the new Undersheriff as follows:

   Auditor-Controller – 5.12% for an annual salary of $189,763
   Clerk-Recorder-Assessor – 4% for an annual salary of $187,736
   District Attorney – 14.25% for an annual salary of $205,540
   Sheriff – 6.3% for an annual salary of $201,193
   Treasurer-Tax Collector – 4% for an annual salary of $187,736

3. Create a means for adjusting salaries when the job markets increase or when the Board of Supervisors approves an across-the-board salary increase for appointed department heads.

The estimated cost of the salary increases will be offset by the elimination of vacation conversion and the retirement offset, which represents approximately 5% in compensation. The annualized cost of the increases is estimated at $92,000, approximately $57,000 General Fund, and the savings related to the elimination of the two benefits is estimated at approximately $45,000 total, approximately $27,000 General Fund contribution, for a total estimated net increase of approximately $47,200, $29,800 General Fund.

Confidential Employees:

To recreate internal equity between the 63 unrepresented Confidential and represented employees occupying comparable or identical classifications with their counterparts represented by SEIU, Local 620, it is recommended that salary ranges be adjusted by 3.5% and that the employees currently occupying these positions receive a 3.5% increase. (Represented employees received this increase in January 2011.) The estimated annualized cost of this adjustment is $220,000, $155,000 General Fund.

Board of Supervisors Compensation:

Board Members are not provided with two benefits received by all County department heads: an auto allowance and a benefit allowance. Board Members do receive a $120.00 biweekly retirement offset. To equalize benefits among elected department heads, appointed department heads, and Board Members, staff is recommending that the Board receive the auto and benefit allowance and eliminate the current retirement offset. This results in a net positive annual benefit of $9,200 for each Board Member. The estimated annualized cost of providing all Board Members with these benefits is approximately $46,100.

Board Member salaries have remained frozen since 2006 and recent salary surveys show that their salaries are 30% below the average of comparison counties. Staff recommends returning to the Board with recommendations on methodologies for setting salaries and potential adjustments for the Board to consider. For example, some counties set the Board Members' salaries based on a percentage of the presiding judge of the Superior Court; others rely on salary data from comparable counties.

Fiscal Analysis:

The following chart summarizes the itemized costs discussed in the previous section:

		Current Year Cost			Annualized Ongoing Cost:		
	Effective		Federal, State			Federal, State	
Funding Sources	**Date**	**General Fund**	**Other**	**Total**	**General Fund**	**Other**	**Total**
Equity Adjustment - Managers	10/27/14	$ 26,800	$ 76,600	$ 103,400	$ 41,000	$ 117,200	$ 158,200
Unfreeze Mgmt. Merit Increases	01/05/15	$ 237,500	$ 352,500	$ 590,000	$ 475,000	$ 705,000	$ 1,180,000
Elected Officials - Net Salary Increase & Benefit Reductions	01/05/15	$ 14,900	$ 8,700	$ 23,600	$ 29,800	$ 17,400	$ 47,200
Unrepresented Confidential	10/27/14	$ 101,300	$ 42,500	$ 143,800	$ 155,000	$ 65,000	$ 220,000
Board of Supervisors - Dept. Director Benefits (auto & benefit allowance)	01/05/15	$ 23,100	$ -	$ 23,100	$ 46,100	$ -	$ 46,100
Totals		**$ 403,600**	**$ 480,300**	**$ 883,900**	**$ 746,900**	**$ 904,600**	**$ 1,651,500**

The above table indicates that funding of $884,000 is needed in the current year and the ongoing cost would be $1,652,000.

The General Fund portion is $404,000 for the current year and $747,000 on an ongoing basis. Staff is proposing the recognition of $404,000 in property tax revenue be recognized to fund the GF portion of the increases. During the June 2014 Budget Hearings, the Board was informed that the final tax roll was higher than that included in the budget. The additional property tax revenue from the final tax roll is estimated to be $2.3 million. The Board authorized $620 thousand be recognized during the Budget Hearings, leaving approximately $1.7 million remaining for current or future years appropriation. The Budget Revision Requests to appropriate the required General Funds for the current year are attached.

The balance of the required funding would be provided by the departments; utilizing Federal, State, Charges for Services or other revenue sources within their department. Salary and Benefit adjustments may be necessary in the future; however, most departements have salary savings that may absorb the increased costs to the department. Departments would return with individual budget revision request as necessary based on actual results.

cc: Mona Miyasato, County Executive Officer
Department Heads

Attachment A:	Resolution Providing Salary Increase for Certain Unrepresented Managers
Attachment A-1	Budget Revision Request - 0003707
Attachment B:	Amended Resolution: Classification and Salary Plan for Unrepresented Executive and Management Employees (untracked)
Attachment B-1:	Amended Resolution: Classification and Salary Plan for Unrepresented Executive and Management Employees (tracked)
Attachment B-2	Budget Revision Request - 0003711
Attachment C:	Amended Resolution: Management Personnel Benefits Policy (untracked)
Attachment C-1	Amended Resolution: Management Personnel Benefits Policy (tracked)
Attachment C-2	Budget Revision Request - 0003713
Attachment D:	Resolution Establishing Salaries for Elected Officials
Attachment E:	Resolution Establishing Salaries for Confidential Employees
Attachment E-1	Budget Revision Request - 0003714
Attachment F:	Ordinance Repealing Ordinance No. 4627 and Enacting a New Ordinance Setting the Biweekly Compensation of Members of the Santa Barbara County Board of Supervisors
Attachment F-1:	Budget Revision Request - 0003715