

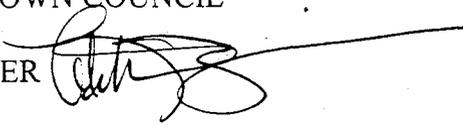


MEETING DATE: 01/20/04
ITEM NO. 8

COUNCIL AGENDA REPORT

DATE: January 15, 2004

TO: MAYOR AND TOWN COUNCIL

FROM: TOWN MANAGER 

SUBJECT: ADOPT RESOLUTION AMENDING THE FISCAL YEAR 2003-2004 MANAGEMENT COMPENSATION PLAN TO ADJUST THE HEALTH INSURANCE CASH ALLOCATION, AMEND THE ADMINISTRATIVE LEAVE PROVISION, AND ADJUST COMPENSATION FOR POLICE SERGEANTS

RECOMMENDATION:

Adopt resolution amending the Fiscal Year 2003-2004 Management Compensation Plan to adjust the health insurance cash allocation, amend the administrative leave provision, and adjust compensation for Police Sergeants.

DISCUSSION:

The Management Compensation Plan applies to Department Heads (Management Group I), Middle Managers (Management Group II), and Police Sergeants (Management Group III). A number of midyear changes are presented below. The proposed changes do not apply to the Town Manager.

Cash Allocation

Management employees are provided a cash allocation to be used to purchase benefits, including medical, dental, and vision insurance. Increases to the management cash allocation have been at least equal to the increases provided to the Town's represented employees. Effective January 1, 2004, medical and dental insurance premiums will increase and the represented employees cash allocation will increase by 17.8%. A similar increase on January 1, 2004 is recommended for the management staff as follows:

| | <u>2003</u> | <u>2004</u> |
|--|-------------|-------------|
| Group I Monthly Cash Allocation: | \$913 | \$1,076 |
| Group II, III Monthly Cash Allocation: | \$856 | \$1,008 |

PREPARED BY: Gary Rogers, Human Resources Director 

N:\MGR\GROGERS\CNF\COUNCIL\Management\2003\council report comp plan amendments jan 2004.wpd

Reviewed by: PSJ Asst. Town Manager OK Attorney JS Finance _____ Town Clerk

Revised: January 15, 2004 (9:01 am)

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MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION AMENDING THE FISCAL YEAR 2003-2004 MANAGEMENT COMPENSATION PLAN TO ADJUST THE HEALTH INSURANCE CASH ALLOCATION, AMEND THE ADMINISTRATIVE LEAVE PROVISION, AND ADJUST COMPENSATION FOR POLICE SERGEANTS

January 15, 2004

In lieu of spending the entire cash allocation on benefits, employees may choose to receive cash-back. As approved in the June 2003 plan update, managers hired as new Town employees after June 30, 2003 are not eligible for any cash-back. It is proposed that the January 2004 cash-back be frozen at the 2003 levels. In an effort to contain costs, cash-back is a benefit that will be reviewed for change. An approach under consideration is a phase-out of this benefit. Some employees view the cash-back as part of their compensation, so any reduction will be pursued in as fair a manner as practical. The next revision will be included in the FY 2004-05 Management Compensation Plan scheduled for consideration in the summer, 2004. Once again, in an effort to contain costs, management is taking the lead in making significant change to a long-standing component of the Town's compensation system.

Administrative Leave

Currently, upon approval of a Department Head or the Town Manager in the case of Department Heads, Group I and II management employees are eligible for up to 40 hours of administrative leave with pay per calendar year. Based upon increasing fiscal challenges and related workload, and the increasing amount of extraordinary work hours performed by management staff, it is proposed that the Town Manager be granted the authority to provide up to an additional 40 hours of administrative leave with pay per calendar year (for a total not to exceed 80 hours per year).

Police Sergeant Compensation

Historically, changes in compensation for the Police Sergeants occur at the same time as changes in the Police Officer's compensation. Pursuant to the terms and conditions of the Town - Police Officers Association contract, the salary schedule for the Police Officers will be adjusted by 6% effective January 4, 2004. It is recommended that the Police Sergeant salary schedule also be adjusted by 6% effective January 4, 2004. This adjustment will ensure continued competitiveness in the local labor market.

ENVIRONMENTAL ASSESSMENTS:

This item is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

Funds to implement the Management Compensation Plan as amended are included in the Adopted 2003-2004 Operating Budget.

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MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION AMENDING THE FISCAL YEAR 2003-2004
MANAGEMENT COMPENSATION PLAN TO ADJUST THE HEALTH
INSURANCE CASH ALLOCATION, AMEND THE ADMINISTRATIVE LEAVE
PROVISION, AND ADJUST COMPENSATION FOR POLICE SERGEANTS

January 15, 2004

Attachments:

Resolution amending the Fiscal Year 2003-2004 Management Compensation Plan to adjust the health insurance cash allocation and amend the administrative leave provision to adjust compensation for Police Sergeants.

EXHIBIT A: The Fiscal Year 2003-2004 Management Compensation Plan

RESOLUTION NO.

RESOLUTION OF THE TOWN OF LOS GATOS
AMENDING THE FISCAL YEAR 2003-2004
MANAGEMENT COMPENSATION PLAN
TO ADJUST THE HEALTH INSURANCE CASH ALLOCATION,
AMEND THE ADMINISTRATIVE LEAVE PROVISION,
AND ADJUST COMPENSATION FOR POLICE SERGEANTS

RESOLVED, by the Town Council of the Town of Los Gatos, County of Santa Clara, State of California, to adjust the health insurance cash allocation, amend the administrative leave provision, and adjust compensation for Police Sergeants as presented in the Fiscal Year 2003-2004 Management Compensation Plan, a copy of which is attached hereto as EXHIBIT A, is hereby approved.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the ____ day of January, 2004 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYES:

ABSENT:

ABSTAIN:

SIGNED:

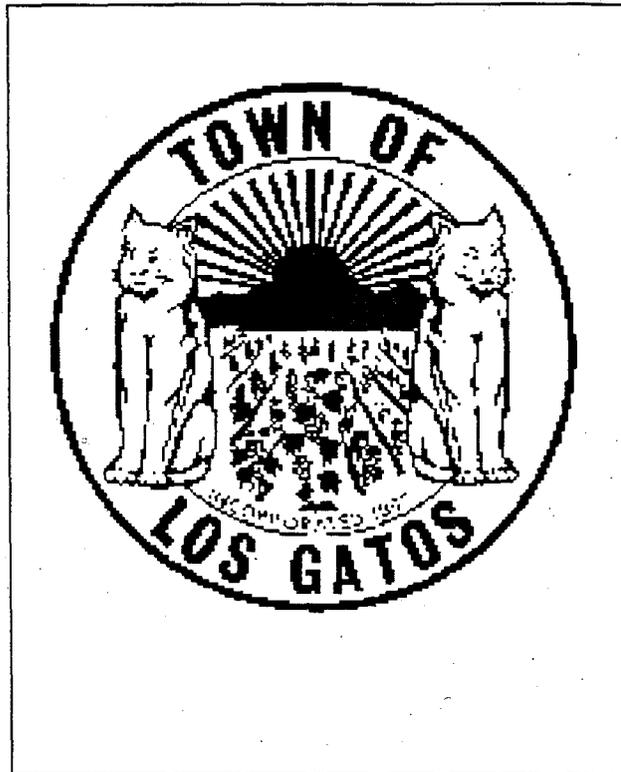
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

EXHIBIT A

TOWN OF LOS GATOS



**MANAGEMENT
COMPENSATION PLAN**

**Fiscal Year 2003-2004
As Amended**

1. **PURPOSE**

To establish a program and guidelines for a management compensation plan pursuant to the following goals and objectives:

- Establish a system for the payment of management personnel which results in appropriate salary-contribution relationships and competitive salary rates.
- Recognize the distinct character of management jobs and incumbents as opposed to grouping them with other employees for salary purposes.
- Diminish the possible influence of negotiated salaries for rank-and file employees on salaries set for management classifications.
- Promote more commitment by management to goals and objectives of the Town Council and Town Manager.
- Establish a system where salary serves as an effective device for promoting better job performance.
- Give recognition to impact of the employee on the job and performance level.
- Promote the further identification of management group and understanding of associated roles, loyalties, and responsibilities.
- Strengthen the role of the supervisor in the compensation program.
- Appropriately reward those employees whose extra effort results in the improvement of Town services.

2. **APPLICATION**

This Policy shall apply to all employees occupying positions designated as Management.

3. **POLICY**

- a. Criteria For Establishing Ranges - Salary ranges shall be designed to ensure satisfaction of the "equal pay for equal work" principle. It has been determined that the maintenance of a strong competitive position in the labor market has a positive effect on the Town's ability to attract and retain highly qualified personnel.

Additionally, there are identifiable differences in work requirements between Los Gatos management and presumptively comparable positions in other agencies. These differences argue against the setting of rates strictly on the basis of "prevailing wage". To the degree possible, ranges will reflect consideration of the relative value of positions. This consideration will take into account differences and similarities in positions, within the respective management and employee groupings. The establishment and maintenance of management ranges shall be guided by the principle that no supervisor should receive less compensation than their highest paid subordinate if a similar amount of time is worked. The establishment and adjustment of salary ranges shall be effected through resolution of the Town Council.

- b. A and B Ranges - All management classes shall have two ranges titled "A" and "B". The ranges will be reviewed for possible adjustments to be effective the first pay period in the fiscal year and at such other times as the Town grants general or cost-of-living adjustments. For Management Group III, the general or cost-of-living adjustments shall be the same as those granted to the employee association representing sworn positions. Range adjustments also may be made to prevent salary compaction and ensure the objectives of this plan are maintained. Salary range adjustments shall apply to the ranges only for Group I & II managers. Range adjustments may also be made in the event of materially changed job assignments.
 1. A Range - The "A" range is appropriate for entry level and fully qualified employees. The performance expectations are those which would normally be associated with these levels. The range is to be used to initially grant a salary based on anticipated performance level and thereafter to recognize changes in such performance. The "A" range will have a spread of 35% from entry to top salary with no set steps (see Appendix A). The lowest salary in the range would be appropriate for a new employee who minimally satisfies job requirements. The top of the range is reserved for employees who perform at the highest level of expected proficiency.
 2. B Range - The "B" range is designed for those employees whose performance and value to the Town clearly exceed normal expectations. The top salary of any given "B" range shall exceed the top salary of the A "range of the class by 15%. Placement in the range is contingent upon the satisfaction of specific requirements and approval of the Town Manager.

- c. Salary Progressions Within Ranges - Employees, both upon appointment and during the course of their employment, may receive any salary amount not to exceed the maximum of their range. During the first three (3) years of employment, employees shall be reviewed for salary increases at such times the Town Manager or department head deems appropriate, provided, however, that at least one review will be conducted annually.

In FY 2003-2004, Management Group I and Group II evaluations will be completed in September. Management Group I and Group II salary adjustments, if any, will be delayed until at least January 2004. The sole consideration in the granting of within-range salary adjustments shall be performance.

Salary adjustments for employees below the level of Department Head shall be made upon the recommendation of the Department Head and approval of the Town Manager. Salary adjustments for Department Heads shall be determined and approved by the Town Manager.

It is intended that incremental salary adjustments bear a direct relationship to progress of the employee toward satisfying performance expectations. Upon employment, the employee and his/her supervisor shall develop a progress plan including a definition of performance goals, schedule of performance reviews, and outline of possible within-range adjustments. Range adjustments average approximately 5%. Adjustments below and above this amount are permitted. While salary adjustments normally involve increases, reductions may be made in instances of unsatisfactory performance. Prior to being finalized, progress plans shall be reviewed and approved by the concerned Department Head or Town Manager in the case of Department Heads.

- d. Labor Market Survey - Survey agencies making up the labor market base shall be used as determined appropriate by the Santa Clara County Employee Relations Service and Town Manager. The determination of position comparability shall take into account scope of responsibility, functions supervised, staff size, budget, and related factors. Consideration will not be given to factors relating to incumbents, such as performance, length of service, and competency. Supplemental benefits shall be considered part of compensation paid. In order to determine the position of the Town's benefit package in relation to the labor market, benefit information shall also be included in the survey of other municipalities.

- e. Exceptional Contribution Pay - The basic salary ranges "A" and "B" are designed to ensure that employees have the potential of a salary which is internally justified, competitive with salaries paid in other agencies, and/or should provide compensation appropriate to productivity at the standards established by the Town. It is recognized, however, that some employees may make an infrequent or "one time" significant contribution to the Town which exceeds expectations or job requirements.

The Exceptional Contribution Pay Program (ECP) is designed to recognize and encourage this type of contribution. The ECP is governed by the following:

- The contribution cannot be within job expectations and must result in an identifiable and clearly recognized positive impact on the Town. Ordinarily such impact must be definable in terms of dollar cost reductions and/or increased productivity without additional costs. Examples of indicators of such a contribution include the following:
- Within the employee's area of responsibility there has been a consistent, exceptionally high level of productivity with repeated successful implementations of progressive and up-to-date operational and managerial systems.
- Employee initiates a series of innovative approaches to providing Town services which result in significant cost savings with no reduction in service level.
- Employee develops programs or makes suggestions which result in operational improvements outside his/her normal area of responsibility.
- Employee develops a program, system, or procedure on his/her own initiative which results in a measurable significant improvement in Town services or governmental efficiency.

ECP may be granted at any time by the Town Manager upon recommendation by the employee's Department Head in an amount not to exceed \$2,000.00. Amounts greater than \$2,000.00 may be granted by the Town Council upon recommendation of the Town Manager in an amount not to exceed three (3) months' salary of the affected employee. Payment shall be made in a lump sum.

4. GENERAL ADMINISTRATION AND PLAN REVIEW

The Town Manager shall be responsible for the annual review and proposed changes to the Management Compensation Plan.

5. SUPPLEMENTAL BENEFITS

- a. Eligibility - Management employees will be eligible for benefits on the first day of the month following their hire date.
- b. No unexpended dollar amounts associated with selected benefits may be disbursed to a terminating employee.
- c. All benefit selections are subject to State and Federal rules, regulations, and laws regarding employee benefits and tax status. No guarantee is made regarding the tax-exempt status of any and all benefits presented or selected except those allowed by law.
- d. Benefit selections must be made during open enrollment . No change may be made after that time unless such changes are a result of a qualifying event or are permitted by the benefit plan.
- e. Public Employees Retirement System - The Town shall continue to contract with PERS to provide the 2% at 55 retirement program for non-safety management personnel and the 3% at 50 retirement program for safety management personnel.

f. Vacation

Management I - Accrual Schedule

| | |
|-----------------|---|
| 0 - 60 mos. | 15 days per year (4.62 hrs. per pay period) |
| 61 - 120 mos. | 20 days per year (6.15 hrs. per pay period) |
| 121 mos. & over | 25 days per year (7.70 hrs. per pay period) |

Management II - Accrual Schedule

| | |
|-----------------|---|
| 0 - 60 mos. | 15 days per year (4.62 hrs. per pay period) |
| 61 - 120 mos. | 20 days per year (6.15 hrs. per pay period) |
| 121 - 180 mos. | 23 days per year (7.08 hrs. per pay period) |
| 181 mos. & over | 25 days per year (7.70 hrs. per pay period) |

Management III - Accrual Schedule

| | |
|-----------------|---|
| 0 - 36 mos. | 10 days per year (3.08 hrs. per pay period) |
| 37 to 60 mos. | 15 days per year (4.62 hrs. per pay period) |
| 61 to 120 mos. | 20 days per year (6.16 hrs. per pay period) |
| 121 to 180 mos. | 23 days per year (7.08 hrs. per pay period) |
| 181 mos. & over | 25 days per year (7.70 hrs per pay period) |

The maximum vacation leave accrual shall be 500 hours for Management I and II. The maximum vacation leave accrual shall be 344 hours for Management III. Accrual of vacation leave shall cease when the maximum accrual level is reached. The Town Manager has the authority to establish vacation accrual rates for new managers at the time of hire, based upon experience and years of service.

Vacation Cash-out - Vacation leave cash-out for Management Group I and II shall be suspended for FY 2003-2004. Group III Managers are eligible to cash out up to 40 hours of vacation based on accruals as of November 30th. Cash-out will be paid during the month of December.

- g. Personal Leave - Management Group I and II employees are eligible for a maximum of forty-eight (48) hours personal leave each calendar year. For Group I and Group II employees, personal leave has no cash value, may not be carried over from year to year, nor may it be cashed-out. Management Group III employees are eligible for a maximum of twenty (20) hours of personal leave and may cash out the leave if it is not used by the end of November. Cash-out will be paid during the month of December.
- h. Sick Leave - Sick leave accrues at the rate of 8 hours per month (3.70 hours per pay period) with a 1100 hour accrual limit.
- i. Sick Leave Cash-out - Sick leave cash-out for Management Group I and II shall be suspended for FY 2003-2004. Management Group I and II employees who terminate employment with the Town, may cash out their accrued sick leave as follows:
 - 1 - 59 months of service at 25% of value
 - 60 - 119 months of service at 37.5% of value
 - 120 or more months of service at 50% of value

In order to be eligible for the sick leave cash-out program, the employee must maintain a sick leave balance of at least 150 hours after the annual cash-out. Employees who terminate with a sick leave balance of at least 150 hours may cash-out their entire balance pursuant to the schedule above.

Management Group III employees may cash-out up to 40 hours of accumulated sick leave at 50% of their current salary in December of each year.

j. Sick-leave Conversion at Retirement - Employees who retire from the Town, may convert 100% of the value of the accrued sick leave to a dollar equivalent at their hourly rate of pay at the time of retirement. This amount shall be held in an account under the control of the Town. The account will not accrue interest and will not be paid in cash to the retiree or any beneficiaries. The employee's portion of their medical payment shall be withheld from their monthly retirement payment by PERS. From the account established, the Town will pay the retiree, quarterly in advance, the retiree's portion of medical payments until all monies are depleted from the account or the retiree dies, whichever occurs first. The retiree will be responsible for 100% of their share of future medical insurance payments once the account is exhausted.

k. Administrative Leave - Upon approval of his/her Department Head (or by the Town Manager in the case of Department Heads), Group I and II management employees are eligible for up to 40 hours administrative leave with pay per calendar year. **Upon approval of the Town Manager, Group I and Group II management employees are eligible for up to an additional 40 hours of administrative leave. Total administrative leave shall not exceed 80 hours per calendar year.** This leave may not accumulate from year to year, nor may this leave be cashed-out.

Administrative leave may be granted in recognition of extraordinary work hours by management personnel. Specific examples include unanticipated emergency situations, extraordinary Council or Commission meetings, and extensive weekend or evening work.

l. Salary Adjustments For Management Employees On Extended Leave - An incumbent management employee who is on extended leave from his/her position due to sickness, disability, or employee-initiated leave without pay status shall receive no salary adjustment until returning to full-time work. Salary adjustments, if any, will become effective after the employee has completed a full year of active employment since their last evaluation/increase.

Vacation or sick leave may be used to assure continuation of payroll status in order to retain insurance benefits under the cash allocation benefits program. Employees who are absent from work due to a work-related disability shall not be subject to the provision above and will be considered for a salary adjustment on their anniversary date.

- m. Leave Accruals - Management employees shall not accrue vacation or sick leave during any period of unauthorized leave, suspension without pay, or leave without pay.
- n. Continuation Of Benefits - Management employees shall continue to receive fringe benefits so long as those employees remain on the Town payroll.
- o. Disability Insurance - The Town will provide for a Short Term Disability policy effective the 8th calendar day; coverage of 60% of weekly earnings up to a maximum of \$1,300/week for 12 weeks. Long Term Disability benefits begin on the 91st day of disability; coverage of 60% of monthly earnings up to a maximum of \$6,000/mo.
- p. Life Insurance - Management employees shall receive Town paid life insurance coverage providing cover of \$50,000 life and \$50,000 accidental death benefit or equal to annual salary, whichever is higher. Additional life insurance may be purchased in accordance with the Town's current life insurance carrier and relevant I.R.S. regulations.
- q. Vision Plan - Group I & II management employees shall be enrolled in the Town's vision-care health plan (VSP Plan B with a \$20 co-pay). The Town shall pay for the employee-only coverage. At their own cost, employees may enroll eligible dependents upon hire and at plan inception.
- r. Employee Assistance Program - Management employees are eligible to participate in the Town's employee assistance program. The premium shall be paid by the Town.
- s. Cash Allocation Plan - Allocations are made to managers as provided in Appendix B. Benefits which can be purchased through the cash allocation plan include medical, dental and vision insurance. Managers hired as new Town employees after June 30, 2003 may use the cash allocation for the purchase of benefits only. **The maximum cash-back allowed under the cash allocation program on January 1, 2004 shall be as follows:**

| | |
|-----------------------------------|-------------------------------|
| <u>Group I:</u> | <u>\$913 per month</u> |
| <u>Group II & III:</u> | <u>\$856 per month</u> |

Any amount received in cash is taxable. Employees electing to receive cash have the option of receiving payment in the first two paychecks of each month (twenty-four times a year) or twice a year in December and June.

- t. Deferred Compensation - The Town will continue to offer a program of deferred compensation to all managers.

**APPENDIX A
MANAGEMENT COMPENSATION PLAN
BI-WEEKLY SALARY SCHEDULE
A-RANGE MAXIMUM FY 2003-2004
EFFECTIVE 1-4-2004**

| <u>GROUP I MANAGERS</u> | | |
|---|----|----------|
| Police Chief | \$ | 5,242.13 |
| Community Development Director | \$ | 4,781.49 |
| Director of Parks & Public Works | \$ | 4,781.49 |
| Assistant Town Manager | \$ | 4,781.49 |
| Finance Director | \$ | 4,567.09 |
| Police Captain | \$ | 4,546.52 |
| Community Services Director | \$ | 4,359.53 |
| Human Resources Director | \$ | 4,359.53 |
| Library Director | \$ | 4,359.53 |
| Redevelopment and Economic Vitality Manager | \$ | 4,359.53 |
| <u>GROUP II MANAGERS</u> | | |
| Assistant Community Development Director | \$ | 4,045.25 |
| Town Engineer | \$ | 4,045.25 |
| Management Information Systems Manager | \$ | 4,045.25 |
| Superintendent | \$ | 4,039.76 |
| Records & Communication Manager | \$ | 3,465.85 |
| Accounting Manager | \$ | 3,425.61 |
| Assistant Library Director | \$ | 3,425.61 |
| Parking Coordinator | \$ | 3,425.61 |
| Parks and Public Works Supervisor | \$ | 3,425.61 |
| <u>GROUP III MANAGERS</u> | | |
| Police Sergeant | \$ | 3,597.60 |

APPENDIX B

**MANAGEMENT SUPPLEMENTAL BENEFITS
FY 2003-2004**

Effective January 1, 2004

GROUP I - \$1,076 per month

Police Chief
Community Development Director
Assistant Town Manager
Director of Parks & Public Works
Finance Director
Police Captain
Library Director
Community Services Director
Human Resources Director
Redevelopment and Economic Vitality Manager

GROUP II - \$1,008 per month

Assistant Community Development Director
Assistant Library Director
Town Engineer
Management Information Systems Manager
Superintendent
Records & Communication Manager
Accounting Manager
Parking Coordinator
Public Works Supervisor

GROUP III - \$1,008 per month

Police Sergeant