




MEETING DATE: 8/7/06
ITEM NO: 11

COUNCIL AGENDA REPORT

DATE: July 28, 2006
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER 
SUBJECT: ADOPT RESOLUTION APPROVING THE MANAGEMENT
COMPENSATION PLAN FOR FISCAL YEAR 2006/07

RECOMMENDATION:

Adopt resolution approving the Management Compensation Plan for Fiscal Year 2006/07.


BACKGROUND:

The Town's Management Compensation Plan, adopted and amended annually by resolution, provides guidelines related to management pay and benefits. Foundational to the Town's Management Compensation Plan are the principles of equal pay for equal work and the necessity to maintain a strong competitive position in the labor market to attract and retain highly qualified personnel.

The FY 2006/07 Budget adopted by Council was developed with a "status quo" approach. This "status quo" budget was built with the intent to maintain existing service levels. Specific to salaries and benefits, the adopted budget includes known and projected salary increases for represented employees, with moderate inflationary increases for unrepresented employees, including Management.

DISCUSSION:

In keeping with the "status quo" approach adopted in the FY 2006/07 budget, no substantial changes to the Management Compensation Plan are recommended at this time. The major components of the plan and their application are described below.


PREPARED BY: RUMI PORTILLO
Human Resources Director

N:\PSL\MISC\Personnel agr. and resos\MgmtSalariesTCReport8.7.06.doc

Reviewed by: PS Assistant Town Manager AK Town Attorney
____ Clerk Administrator SE Finance ____ Community Development

July 28, 2006

- Salary Range Adjustments: On the basis of internal and external equity, cost-of-living, and other relevant factors, the Town Manager may recommend range adjustments for specific job classifications or for across-the-board adjustments. Last fiscal year, Council authorized a 2% general cost-of-living increase for management classes and approved the re-alignment of three management classes on the basis of internal and external equity.

At this time, only one position is recommended for re-alignment in the Management Compensation Plan. Specifically, a job study was conducted for Senior Building Inspector in the Community Development Department. Based upon the findings of the job study, it is recommended that the existing position be upgraded to the management classification of Building Official and that the incumbent be appointed accordingly.

- Performance-Based Salary Range Progression: At any time throughout the year, the Town Manager may evaluate and adjust a manager's placement within the salary range, based upon performance. The Management Compensation Plan recommends that within-range adjustments average approximately 5% until a manager reaches the top of the range. However, this is only a guideline and must be taken in context for fiscal conditions. As a result of the tight fiscal environment in last few years, range progression has not occurred at the 5% level and has been applied at a more conservative level.
- Exceptional Contribution Pay: The Town Manager may grant a lump sum bonus at any time throughout the year to reward significant contributions that result in identifiable positive impacts on the Town. Such impacts may include exceptionally high productivity, significant cost savings, and increased efficiencies, or dramatic improvements in the quality of services. Under the current plan, lump sum bonuses may not exceed 3% of base pay.
- Police Sergeants Excepted: Police Sergeants are identified as Management Group III in the Management Compensation Plan. In accordance with the Compensation Plan, increases for Sergeants are to be awarded consistent with the Police Officers' Association (POA) memorandum of agreement. As such, Sergeants will not receive the general management increase, but received a 2.5% as of January 2006 and will receive 3.5% for January 2007. Additionally, Sergeants are provided performance evaluations on their anniversary dates and are considered for in-range movement at that time and not in the management review cycle.

In accordance with the "status quo" approach adopted in the FY 2006/07 budget, it is recommended that the Management Compensation Plan be approved to include a general increase of 2% for FY 2006/07, effective August 27, 2007 (the beginning of the payperiod closest to September 1.) It is further recommended that supplemental benefits be maintained at the status quo and no changes are recommended to the benefits package at this time. The annual performance review process to be initiated for management employees will determine any individual performance-based adjustments as allowed by this plan.

PAGE 3

MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE MANAGEMENT
COMPENSATION PLAN FOR FISCAL YEAR 2006/07

July 28, 2006

FISCAL IMPACT:

The adopted budget for FY 2006/07 includes funding to support the recommended 2% general increase for management salaries. Funds needed for in-range movement and lump sum bonuses will be absorbed in the existing budget

Attachments: Management Compensation Plan FY 2006/07 (with markups)
Salary Resolution

RESOLUTION

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
APPROVING THE MANAGEMENT COMPENSATION PLAN
FOR FISCAL YEAR 2006-2007**

RESOLVED, by the Town Council of the Town of Los Gatos, County of Santa Clara, State of California, that the Management Compensation Plan for Fiscal Year 2006-2007, a copy of which is attached hereto, is hereby approved.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 7th day of August, 2006 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

TOWN OF LOS GATOS



MANAGEMENT COMPENSATION PLAN

Fiscal Year 2006/07

Deleted: 2005-06

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 September. 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. 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% (see Appendix A). 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. 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.

Management Group I and Group II evaluations are scheduled to be completed in September of each year. Management Group I and Group II salary range adjustments in FY 2006/07 will be effective August 27, 2006. The sole consideration in the granting of within-range salary adjustments shall be performance. Management Group III salary range adjustments are effective consistent with the Town of Los Gatos Police Officers' Association Memorandum of Understanding.

Deleted: 2004-05

Deleted: August 28, 2005

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 within parameters established by the Town Manager. 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. The Town Manager shall establish the parameters for implementation and the salary progression guidelines on an annual basis.

- 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 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 3% of salary (Maximum B-Range compensation). Amounts greater than 3% of base salary may be granted by the Town Council upon recommendation of the Town Manager. 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. With the exception of the Cash Allocation Program, 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 is permitted twice a year in December and June. The amount to be cashed out is limited to the amount accrued. 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. Management Group III may cash out their personal leave at base pay if it is not used by the end of November. Management Group III may use personal leave during the month of December; however, employees desiring to receive compensation for those hours shall do so in conjunction with the annual cash-out in November.
- 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 for Group I and Group II Managers, and an 1180 hour accrual limit for Group III Managers.
- i. Sick Leave Cash-out - Management 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

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. Management Group I and II may cash out their accrued sick leave twice a year in December or June, pursuant to the schedule above.

In order to be eligible for the sick leave cash-out program, Group I & II Managers must maintain a sick leave balance of at least 150 hours after the annual cash-out. Group I & II Managers who terminate with a sick leave balance of at least 150 hours may cash-out their entire balance pursuant to the schedule above. Group III Managers who terminate with a sick leave balance of at least 200 hours may cash-out their entire balance pursuant to the schedule above.

- j. Sick-leave Conversion at Retirement - Employees hired into any regular, full-time Town position prior to November 15, 2004, 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. Administrative leave does not accumulate from year to year, and may not 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 - A 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.

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 the regular schedule.

- 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 - 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 & Family Medical Insurance Plan

Effective January 1, 2005 managers will have the option of participating in a Cash Allocation Plan or a Family Medical Insurance Plan as follows:

Cash Allocation Plan

- All managers hired on or after November 15, 2004 shall receive a cash allocation for benefits of \$400 per month;
- All managers hired before November 15, 2004 shall receive a cash allocation for benefits of \$950 per month;
- Managers participating in this plan may receive the benefit as cash.

Deleted: Effective January 1, 2004 through December 31, 2004:¶
¶
<#>Group I managers shall receive a cash allocation of \$1,076 per month.¶
<#>Group II & Group III managers shall receive a cash allocation of \$1,008 per month.¶
<#>Management employees hired prior to July 1, 2003, may choose to receive up to \$913 per month of their cash allocation in cash. ¶
<#>Management employees hired on July 1, 2003 or later may use the cash allocation for the purchase of benefits only.¶

Effective January 1, 2005 managers will have the option of participating in a Cash Allocation Plan or a Family Medical Insurance Plan as follows:

Cash Allocation Plan

- All managers hired on or after November 15, 2004 shall receive a cash allocation for benefits of \$400 per month;
- All managers hired before November 15, 2004 shall receive a cash allocation for benefits of \$950 per month;
- Managers participating in this plan may receive the benefit as cash.

Benefits which can be purchased through the cash allocation plan include medical, dental and vision insurance. These benefits are available on a pre-tax basis. If the premium cost of the health plan exceeds the Town contribution, the employee shall pay through payroll deduction the difference between the monthly premium and the amount contributed by the Town.

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.

Family Medical Insurance Plan

- Managers shall receive a \$1,256 per month contribution toward monthly health insurance premiums. If the premium costs exceed the Town contribution, the manager shall pay through payroll deduction the difference between the monthly premium and the amount contributed by the Town. The employee shall forfeit any balance should the Town contribution exceed the cost of the premiums.

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

Comment: Replace with updated Salary Table.

Formatted: Strikethrough

~~APPENDIX A~~
~~MANAGEMENT COMPENSATION PLAN~~
~~BI-WEEKLY SALARY SCHEDULE~~
~~B-RANGE MAXIMUM FY 2005-06~~
~~EFFECTIVE 8-28-2005~~

-	
<u>GROUP I MANAGERS</u>	
-	
Police Chief	\$ 6,333.50
Assistant Town Manager	\$ 5,871.12
Community Development Director	\$ 5,871.12
Director of Parks & Public Works	\$ 5,871.12
Finance Director	\$ 5,871.12
Police Captain	\$ 5,493.08
Community Services Director	\$ 5,267.15
Human Resources Director	\$ 5,267.15
Library Director	\$ 5,267.15
-	
<u>GROUP II MANAGERS</u>	
-	
Assistant Community Development Director	\$ 5,267.15
Management Information Systems Manager	\$ 4,887.42
Superintendent	\$ 4,887.42
Town Engineer	\$ 5,267.15
Accounting Manager	\$ 4,138.81
Assistant Library Director	\$ 4,138.81
Clerk Administrator	\$ 4,138.81
Economic Vitality Manager	\$ 4,138.81
Administrative Programs Manager	\$ 4,138.81
Parks and Public Works Supervisor	\$ 4,138.81
Police Administrative Services Manager	\$ 4,138.81
-	
<u>GROUP III MANAGERS (A-Range Maximum)</u>	
-	
Police Sergeant: Effective January 2, 2005	\$ 4,385.47
-	

APPENDIX A
MANAGEMENT CLASSIFICATIONS SALARY TABLE*
EFFECTIVE 8/27/06

Classification	Maximum Annual Salary Effective 8/27/06	Total Bi-Weekly Salary
Group I		
Police Chief	\$167,965.00	\$6,460.19
Assistant Town Manager	\$155,702.00	\$5,988.54
Community Development Director	\$155,702.00	\$5,988.54
Director of Parks & Public Works	\$155,702.00	\$5,988.54
Finance Director	\$155,702.00	\$5,988.54
Police Captain	\$145,677.00	\$5,602.96
Community Services Director	\$139,685.00	\$5,372.50
Human Resources Director	\$139,685.00	\$5,372.50
Library Director	\$139,685.00	\$5,372.50
Group II		
Assistant Community Development Director	\$139,685.00	\$5,372.50
Town Engineer	\$139,685.00	\$5,372.50
MIS Manager	\$129,615.00	\$4,985.19
Superintendent	\$129,615.00	\$4,985.19
Building Official	\$114,868.00	\$4,418.00
Accounting Manager	\$109,762.00	\$4,221.62
Assistant Library Director	\$109,762.00	\$4,221.62
Clerk Administrator	\$109,762.00	\$4,221.62
Economic Vitality Manager	\$109,762.00	\$4,221.62
Administrative Programs Manager	\$109,762.00	\$4,221.62
Parks and Public Works Supervisor	\$109,762.00	\$4,221.62
Police Admin Services Manager	\$109,762.00	\$4,221.62
Group III (B-range Max)		
Police Sergeant**		\$4,495.12

*Reflects 2% increase

**Effective 1/4/06