

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 9/20/2016	(3) CONTACT/PHONE Tami Douglas-Schatz, Human Resources Director 781-5959	
(4) SUBJECT Submittal of a resolution for unrepresented employees in Bargaining Units 07 - Operations and Staff, 08 - General Management, 09 - Appointed Department Heads, 10 - Elected Department Heads, 11 - Confidential, and 16 - General Management Law Enforcement, approving compensation increases for Fiscal Years 2016-17 and 2017-18. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board approve a resolution for unrepresented employees in Bargaining Units 07 - Operations and Staff, 08 - General Management, 09 - Appointed Department Heads, 10 - Elected Department Heads, 11 - Confidential, and 16 - General Management Law Enforcement, approving compensation increases for Fiscal Years 2016-17 and 2017-18.			
(6) FUNDING SOURCE(S) Departmental savings and/or unanticipated revenue.	(7) CURRENT YEAR FINANCIAL IMPACT \$1,870,649.00	(8) ANNUAL FINANCIAL IMPACT \$3,807,309.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Human Resources / Tami Douglas-Schatz, Human Resources Director
781-5959

DATE: 9/20/2016

SUBJECT: Submittal of a resolution for unrepresented employees in Bargaining Units 07 - Operations and Staff, 08 - General Management, 09 - Appointed Department Heads, 10 - Elected Department Heads, 11 - Confidential, and 16 - General Management Law Enforcement, approving compensation increases for Fiscal Years 2016-17 and 2017-18. All Districts.

RECOMMENDATION

It is recommended that the Board approve a resolution for unrepresented employees in Bargaining Units 07 - Operations and Staff, 08 - General Management, 09 - Appointed Department Heads, 10 - Elected Department Heads, 11 - Confidential, and 16 - General Management Law Enforcement, approving compensation increases for Fiscal Years 2016-17 and 2017-18.

DISCUSSION

Background

The County's unrepresented Bargaining Units (BU) total 303 employees in BU 07, Operations and Staff; 25 employees in BU 08 - General Management; 18 employees in BU 09 - Appointed Department Heads; 5 employees in BU 10 - Elected Department Heads; 28 employees BU 11 - Confidential; and 1 employee in BU 16 - General Management Law Enforcement, for a grand total of 380 employees. Despite the categorization of Bargaining Unit, unrepresented employees are not represented by any union.

In early 2007, public agencies across the State were faced with the most challenging financial outlook experienced in decades. As a result the County adopted a multi-year plan in order to address the budget crisis and impending budget deficits, known as the County's seven year "pain-plan." To address these fiscal shortfalls the County took a balanced approach of reducing contingencies and reserves, reducing programs and services, and asking for wage and benefit concessions from employees.

All employee groups were affected by these reductions, and all employee groups made wage and benefit concessions to assist the County during the "pain-plan" years, despite ongoing, significant increases to health care premiums and pension costs negatively impacting their net compensation package.

Of the 23 County Bargaining Units, unrepresented employees assisted the County during the "pain-plan" and continued to assist the County as the County was navigating a post-recession economy. Unrepresented employees led the way by:

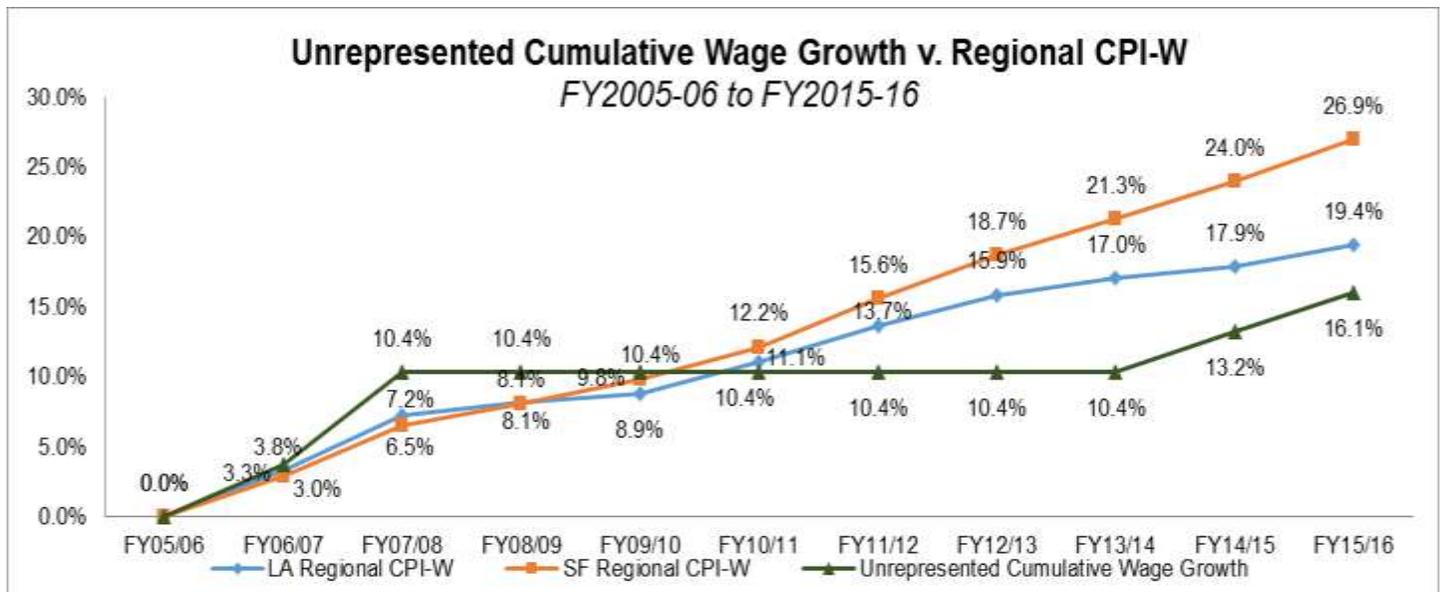
- Sharing pension cost increases equally with the County;
- Eliminating cash-in-lieu of health insurance benefit for those employees who "opt-out" of county sponsored medical coverage, thereby helping to increase the County's marketability with alternative medical insurance providers and providing options to help mitigate the rising costs of healthcare premiums;
- Receiving one of the lowest wage and compensation increases since FY 2006-07 as compared to the majority of represented employees,

In FY 2014-15, for the first time in 7 years, unrepresented employees received a 2.3% increase, and in FY 2015-16 unrepresented employees received a 2.5% increase and equity adjustments totaling 0.3% of payroll for classifications determined to be more than 5% below market median. However, due to the double digit increases in healthcare and pension costs, an unrepresented employee will have realized a net decrease of approximately 3.7% since the start of FY 2014-15 as shown in the example below.

Accountant II – BU07					
Employee + Family Medical Plan, PERS Choice PPO					
Year	Monthly Wages	EE Medical Contribution ¹	EE Pension Contribution ²	EE Net Compensation	% Change
FY14-15	\$4,694	\$570.44	\$243	\$3,880.43	
FY15-16	\$4,812	\$802.65	\$273	\$3,736.40	-3.7%

Current

Even in a post-recession economy, County employees continue to face significant financial challenges due to inflation, cost of living, healthcare costs, and pension rate increases. As indicated in the graph below, unrepresented employee wages have not kept up with wage growth over the last ten years, as depicted by CPI³.



Both healthcare costs and pension rates continue to rise at an alarming rate at a national level, as well as on a local level. Over the last 10 years, employees’ costs for their healthcare have more than doubled and employees’ cost for their pension have risen by more than half as demonstrated below:

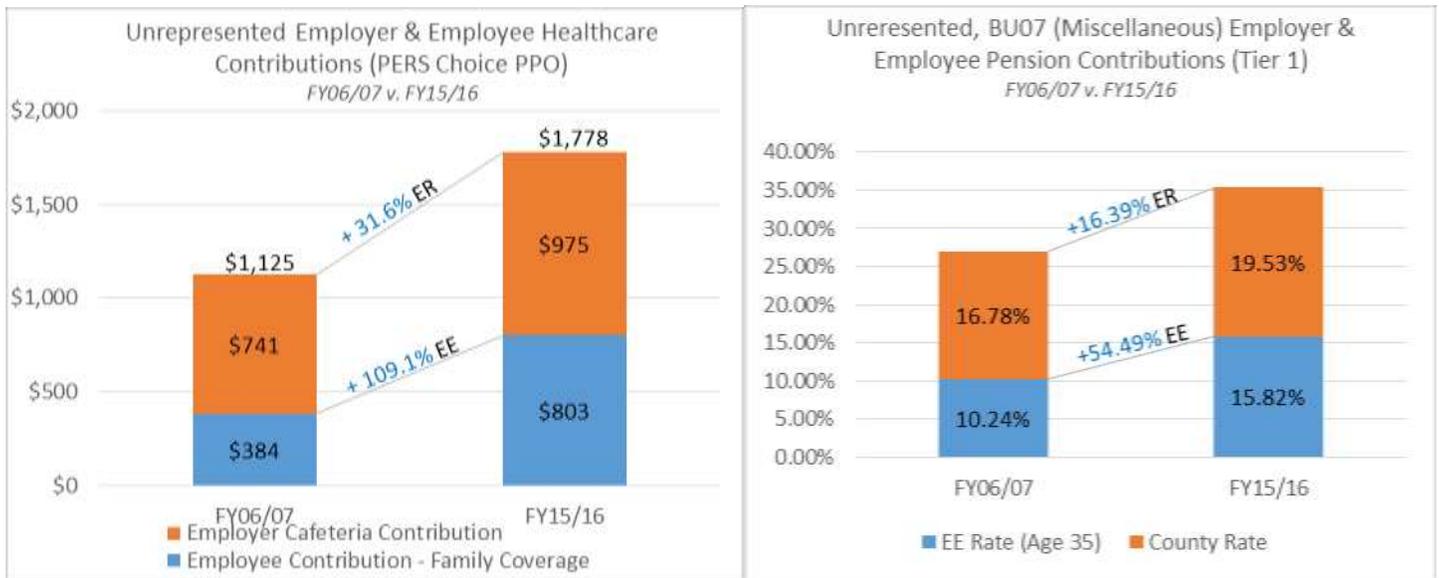
¹ Employee medical contribution is the full medical premium less the County’s cafeteria contribution.

² Employee Pension contribution is the full employee contribution rate for a Tier 1 employee, age of entry 35, less the employer paid member contribution (EPMC).

³ There is no regional CPI indicator for San Luis Obispo County, so both the San Francisco and Los Angeles regional areas are used.

Uses of CPI include: 1) As an economic indicator. As the most widely used measure of inflation, the CPI is an indicator of the effectiveness of government policy. In addition, business executives, labor leaders and other private citizens use the index as a guide in making economic decisions. 2) As a deflator of other economic series. The CPI and its components are used to adjust other economic series for price change and to translate these series into inflation-free dollars. 3) As a means for adjusting income payments. Over 2 million workers are covered by collective bargaining agreements which tie wages to the CPI. The index affects the income of almost 80 million people as a result of statutory action: 47.8 million Social Security beneficiaries, about 4.1 million military and Federal Civil Service retirees and survivors, and about 22.4 million food stamp recipients. Changes in the CPI also affect the cost of lunches for the 26.7 million children who eat lunch at school. Some private firms and individuals use the CPI to keep rents, royalties, alimony payments and child support payments in line with changing prices. Since 1985, the CPI has been used to adjust the Federal income tax structure to prevent inflation-induced increases in taxes.

Source: Bureau of Labor Statistics <<http://www.bls.gov/cpi/cpiovrw.htm#item6>>



2016 Wage Survey

In July of 2016, the County completed a wage survey for unrepresented classifications in order to determine how classifications are compensated in comparison to their comparable classifications. This approach complies with the County's Prevailing Wage Ordinance (County Ordinance Code 2.48.180, adopted in 1973 and amended in 1984), which states:

"In fixing compensation to be paid to persons in the county's employ, the board of supervisors and every other authority authorized to fix salaries or wages, shall provide a percentage change in compensation at least equal to the percentage change in compensation for the same quality of service rendered to persons, governmental agencies, firms or corporations under similar employment.

Prevailing salaries or wages shall be determined by negotiations between the county's employer representatives and the recognized employee organization(s).

In case such prevailing salaries or wages cannot be agreed to by parties, the matter may be submitted to a mutually selected arbitrator who shall make advisory recommendations to the negotiation parties."⁴

The agencies used in the survey were selected based on three criteria: 1) local public and private employers, 2) surrounding counties, and 3) economically and demographically similar counties. The agencies surveyed are listed below.

Local public and Private Employers	Surrounding Counties	Economically and Demographically Similar Counties
Cal Poly	Fresno County	El Dorado County
City of San Luis Obispo	Kern County	Sonoma County
San Luis Coastal Unified School District	Monterey County	Placer County
State, CA	Santa Barbara County	Santa Cruz County
Private Sector ERI ⁵	Ventura County	Ventura County (also a surrounding county)

The County surveyed the following data points to determine total compensation:

- Top step monthly salary (range max)

⁴ Since unrepresented employees are not represented by a union, County Ordinance Code 2.48.034 "Administration of management and confidential compensation plan" also governs how compensation is set for unrepresented classifications.

⁵ ERI Economic Research Institute provides compensation, benefits, and Human Resource research for private and public organizations in the form of published reports and software database products. ERI's research database software subscriptions are widely used by thousands of subscribers including human resources, and other US and Canadian public sector administrators (including military, law enforcement, city/county, state/provincial, and federal government pay administrators). <<http://www.eri.com/>>

- Employee net retirement contribution⁶
- County contribution to health care based on an average of employee only and family coverage
- Uniform allowances
- Education incentives

A total of 50 benchmark classifications (which represent 148 unrepresented classifications) were surveyed. Benchmarks are used to determine the market position for all classifications in the associated job family. Job families are comprised of classifications that are grouped together and directly or indirectly linked to the benchmark classification based on similar levels of responsibility and duties. The results of the survey show that unrepresented benchmark classifications are paid, on average, 7.14% below the market median in total compensation.

Compensation Increases

Modest increases in employee compensation, consistent with the market, are important for unrepresented employees in light the labor market movement, inflation, and in consideration of the increases to health care premiums and increases to pension contribution rates. The County also experienced a significant number of retirements, and it is important to be able to recruit and retain qualified employees as part of succession planning for the next generation of leaders. Accordingly, the attached resolution provides a general wage increase of 3% effective the pay period including July 1, 2016, and an additional general wage increase of 3% effective the pay period effective July 1, 2017.

In order to address classifications that are significantly below market, the attached Resolution also provides for an equity increase of 0.5% of payroll⁷ for these unrepresented classifications effective the pay period including July 1, 2016, and an additional equity increase of 0.5% of payroll effective the pay period including July 1, 2017 to classifications identified to be 5% or more below market in total compensation (as shown in the attached wage survey) or experiencing substantial recruitment and retention issues (for example, on March 11, 2014 an increase of 20% was approved for Staff Psychiatrist due to the difficulty of recruiting and retaining qualified psychiatric staff, and due to these issues, Staff Psychiatrist is also included in these equity increases⁸). The actual amount individual classifications will receive as an equity adjustment will vary proportionally based both on the market position of the benchmark classification and on internal job family alignments.

The general wage increases and equity increases for unrepresented classifications are shown in Attachment A, the method for determining the equity adjustments based on market position and internal job family alignments is included as Attachment B, and the results of the 2016 wage survey is included as Attachment C.

OTHER AGENCY INVOLVEMENT/IMPACT

The methodology and recommendations for the equity adjustments were made after collaborating with the Labor Committee, which includes representatives from the County Administrative Office, County Counsel, Auditor-Controller, and Health Agency. County Counsel has reviewed and approved the Resolution for form and legal effect. The Auditor-Controller's Office and Human Resources will process the system changes needed to implement the wage increases.

FINANCIAL CONSIDERATIONS

The County costs for the FY 2016-17 3% across-the-board wage increases are estimated at \$1,589,215, and the 0.5% equity adjustment is estimated at \$281,434; the County costs for the FY 2017-18 3% across-the-board wage increases are estimated at \$1,645,334, and the 0.5% equity adjustment is estimated at \$291,326. The County's annual ongoing costs for these increases are estimated at \$3,807,309.

Departmental savings and/or unanticipated revenue will be the primary source of funding for unbudgeted expenditures associated with the compensation increases. To the extent departmental savings are not available to cover the amount, staff will recommend that your Board authorize a transfer of the deficit amount out of the General Fund Contingencies to the departments' operating budgets, as needed, as part of the third quarter report. Third quarter is when many such year-end adjustments are made.

⁶ Calculated by subtracting the employer paid member contribution (EPMC) from the employee's full retirement contribution for PERS agencies, or based on pension Tier 1 or equivalent, and an age of entry of 35 for non-PERS agencies.

⁷ Wages and wage-related rollup costs.

⁸ March 11, 2014 Board of Supervisors meeting agenda, item 14.

RESULTS

Approval of this resolution follows the County's budget balancing strategies and approaches to reintroducing resources back into contingencies and reserves, programs and services, and employee compensation. It also provides additional increases to classifications the most significantly below market, accounting for both market position and internal alignments. The recommended increases are fair to employees, consistent with what is happening in the market, and are prudent as we begin to cautiously emerge from the recession. These increases are also in compliance with County Ordinance Codes 2.48.180 "Prevailing wage" and 2.48.034 "Administration of management and confidential compensation plan."

ATTACHMENTS

1. Resolution
2. Attachment A – Unrepresented Employees FY2016/17 and 2017/18 Wage Increases
3. Attachment B – Distribution Analysis for Unrepresented Equity Increases for FY2016/17 and 2017/18
4. Attachment C – Unrepresented Wage Survey Results