THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office **BOARD AGENDA #** *B-6

Urgent ☐ **Routine** ☒ **AGENDA DATE** June 17, 2014

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☐ **NO** ☒
(Information Attached)

SUBJECT:

Approval of Compensation Changes for All Unrepresented Confidential and Management Employees, and Elected Officials

STAFF RECOMMENDATIONS:

1. Approve the restoration of 3% of the current 5% salary deduction along with a corresponding reduction of 24 hours of Special Accrued Leave Time (SALT) for all Unrepresented Confidential and Management Employees, and Elected Officials effective the first full pay period following July 1, 2014.

2. Approve the elimination of the remaining salary deduction and all remaining hours of Special Accrued Leave Time (SALT) for all Unrepresented Confidential and Management Employees, and Elected Officials effective the first pay period following July 1, 2015.

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FISCAL IMPACT:

The County has been developing financial and operational strategies to deal with the economic downturn since 2008. Strategies have been continuously evaluated and refined as more information became available regarding fiscal exposures and potential budget resources. The County has used a combination of reductions-in-force coupled with adjustments to the compensation and benefits structure during the past six years as a cost cutting and cost containment strategy in order to maintain financial viability during this difficult period.

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BOARD ACTION AS FOLLOWS:

No. 2014-291

On motion of Supervisor Withrow **, Seconded by Supervisor** Chiesa
and approved by the following vote,
Ayes: Supervisors: O'Brien, Chiesa, Withrow, Monteith, and Chairman De Martini
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None
1) X **Approved as recommended**
2) ___ **Denied**
3) ___ **Approved as amended**
4) ___ **Other:**
MOTION:

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk** **File No.**

STAFF RECOMMENDATIONS: (Continued)

3. Approve a 1% increase in base salary for all Unrepresented Confidential and Management Employees, and Elected Officials effective the first pay period following July 1, 2016.

4. Authorize the Chief Executive Officer and County Auditor-Controller to implement all terms and conditions of the approved salary restoration schedule and salary increase in compliance with applicable State and Federal Laws.

5. Amend the Salary and Position Allocation Resolution to reflect the recommended changes of the 1% salary increase to base salary for all Unrepresented Confidential and Management Employees, and Elected Officials to be effective with the start of the first pay period following July 1, 2016.

FISCAL IMPACT: (Continued)

Starting in the 2009-2010 Fiscal Year individual Departments implemented furlough schedules based on the fiscal position of the Department. Then in Fiscal Year 2010-2011 the County negotiated with all County Labor Associations and implemented for Unrepresented Confidential and Management Employees, and Elected Officials a 5% salary deduction along with 104 hours of Special Accrued Leave Time (SALT) for Fiscal Years 2010-2011 and 2011-2012. The employee share of health insurance costs was also increased in the 2010-2011 Fiscal Year.

In 2012 the County reached agreement for a 6% permanent salary deduction along with 48 hours of SALT with all Labor Associations. This same salary deduction and SALT schedule was implemented for all Unrepresented Confidential and Management Employees, and Elected Officials on July 1, 2012. In the 6% permanent salary deduction agreements, employees received 48 hours of SALT equaling an employee benefit of time off of 2.3% leaving a total of 3.7% in salary deductions. This reduction from 104 hours of SALT to 48 hours of SALT resulted in fewer County closure days and greater service to the Community.

In July 2013, with signs of economic recovery the Board of Supervisors approved the restoration of 1% of the 6% permanent salary deduction along with a corresponding reduction in eight hours of SALT leaving employees with a 5% permanent salary deduction and 40 hours of SALT.

The estimated salary savings from the salary deduction since the implementation of the initial Countywide 5% salary deduction in Fiscal Year 2010-2011 is $60.4 million to date.

Agreements with all County Labor Associations will expire on June 30, 2014. The County is currently in negotiations with eight Labor Associations, and the remaining four will begin this month. Restoration of the permanent salary deduction along with the elimination of SALT is being negotiated with all labor groups.

While there are still budget challenges ahead, it appears the County is experiencing signs of a modest economic recovery. The County is cautiously optimistic about its long-term recovery and is projecting 3-4% revenue growth each year in the long-range model for the next five years. Analysis on the restoration of salary over the next three fiscal years demonstrates there is sufficient financial stability to support the restoration of the remaining 5% permanent salary deduction and elimination of 40 hours of SALT over the next 12 months, and to provide a salary increase of 1% the first full pay period in July 2016 without a detrimental impact to the fiscal strength of County operations and programs.

The recommended schedule and cost of the restoration and a 1% salary increase for Unrepresented Confidential and Management Employees, and Elected Officials is as follows:

Fiscal Year	Effective Date	Salary Adjustment	Increased Cost All Funds	Increased Cost General Fund
2014-2015	First Pay period Following July 1, 2014	3% - Salary Restoration	$1,273,500	$564,600
2015-2016	First Pay period Following July 1, 2015	Elimination of Remaining Salary Deduction	$2,118,700	$937,500
2016-2017	First Pay period Following July 1, 2016	1% - Base Salary Increase	$2,553,000	$1,130,000
		Total Three Year Cost	$5,945,200	$2,632,100

For each 1% in salary restoration there will be a corresponding reduction in 8 hours of Special Accrued Leave time (SALT), until the remaining salary deduction is eliminated in Fiscal Year 2015-2016 and unrepresented employees no longer accrue additional SALT. The recommended salary adjustments will address all base compensation issues for unrepresented employees for the next three fiscal years.

The General Fund cost associated with the restoration of the 5% and 1% increase in salary has been included in the County's Long Range Model and is funded through a combination of department net county cost savings and discretionary revenue growth. For all other funds, costs associated with the restoration of salary and 1% salary increase will be funded through increases in Federal/State funding, realignment growth and departmental charges. Any budget adjustments needed as a result of the 3% salary restoration in 2014-2015 will be addressed in the Final Budget for Fiscal Year 2014-2015.

DISCUSSION:

During the last six years the County government organization has successfully weathered an unprecedented economic downturn. The organizational stability during these last six years was the result of a proactive response to the fiscal crisis. Starting in 2008, the County developed a long-term strategic plan to ensure the continuation of the most critical services and programs to the community. Beginning in 2009 the County implemented cost reduction strategies in an effort to reduce salary and benefit costs in relation to decreased revenues.

While these cost cutting measures were necessary and had a significant impact on the ongoing fiscal health of the County, it is important to recognize the adverse effect these actions had on County employees. Since 2010 County employees have experienced ongoing salary deductions between 5% and 6%. They have also absorbed increases in healthcare and retirement cost.

Agreements with all County Labor Associations will expire on June 30, 2014. The County is currently in negotiations with eight Labor Associations, and the remaining four will begin this month. Restoration of the permanent salary deduction along with the elimination of SALT is being negotiated with all labor groups.

With the new Fiscal Year starting July 1, 2014 the County has evaluated how to approach the restoration of salary for unrepresented employees. In consideration of the economic impact the salary deduction has had on our employees along with the access to services the public has given up over the past five years, it is recommended to eliminate the 5% permanent salary deduction and 40 hours of SALT over the next 12 months, and to provide a 1% salary increase effective the first full pay period following July 1, 2016 for Unrepresented Confidential and Management Employees, and Elected Officials. The restoration of salary over the next 12 months will return unrepresented employees' salaries to those earned in 2010 in July 2015, five years after they were first reduced.

While there are still budget challenges ahead staff project that there is sufficient confidence in the economic recovery to recommend the restoration of salaries and allow for a 1% base salary increase over the next three fiscal years.

POLICY ISSUE:

Approval of this request supports the Board of Supervisors priority of Efficient Delivery of Public Services through greater access to County services.

STAFFING IMPACT:

There is no impact to staff as a result of this item. Existing staff will perform the administrative functions associated with the restoration of the 5% in salary and 1% salary increase.

CONTACT INFORMATION:

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