



DATE: June 26, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of Resolution Amending the Salary and Benefits Resolution for Unrepresented Executives, Management Employees, and Employees of the Office of the City Manager, Human Resources, and City Attorney

RECOMMENDATION

That the City Council adopts the attached Resolution (Attachment II) amending the Salary and Benefits Resolution for the Unrepresented Executives, Management Employees, and employees of the Office of the City Manager, Human Resources, and City Attorney.

SUMMARY

If approved, the proposed Salary and Benefits Resolution will grant Unrepresented Executives, Management Employees, and the Employees of the Office of the City Manager, Human Resources, and City Attorney (“Unrepresented”) salary and benefit adjustments for the three-year period of FY 2019-FY 2021, resulting in a General Fund savings of approximately \$86,000 when compared to the budget model for the same three-year period.

BACKGROUND

The City of Hayward continues to face challenges balancing its General Fund budget. While the City is experiencing moderate growth in many of its key General Fund revenues such as Property Tax and Sales Tax, employee benefit costs, such as pension and healthcare benefits, continue to grow at significant rates. It is even more challenging for cities to fund ongoing operations and services to the communities they serve while continuing to provide their employees with a sustainable retirement and quality healthcare benefit options.

The City has worked hard to continue to provide quality services to its community and preserve employee benefits while taking significant steps towards attaining fiscal sustainability. This includes partnering with employees who have committed to helping address the City’s structural budget deficit by reducing expenses related to salaries and benefits. Contributions to date have included waiving salary increases and sharing the cost of benefits including retirement and health insurance. To continue on the path of fiscal sustainability, in October 2017 during the Fiscal Sustainability Work session, the Council identified a number of budget balancing strategies and directed staff to explore potential

revenue enhancements while partnering with City labor groups to address the increasing costs of employee benefits and other strategies to reduce total personnel costs.

In July 2015, a three-year Salary and Benefits Resolution was adopted for the Unrepresented Employees comprised of Executives, Management and the employees of the Human Resources, City Attorney, and City Manager Offices. This resolution categorized employees into one of three groups based on their job classification: 1) Unrepresented Executives (Executives); 2) Unrepresented-Exempt (Exempt); and 3) Unrepresented-Non-Exempt (Non-Exempt). By doing so, salary and benefits were appropriately set to be commensurate with the nature and rate of compensation for positions and better aligned with similar classifications throughout the organization. This also provided an opportunity for the higher paid executives to contribute more than others in the group.

Over the past five years, unrepresented employees have continued making significant contributions toward their benefits in support of the City’s need for reduced costs associated with salaries and benefits; the table below summarizes the current contributions for each group:

Table 1: Current Employee Benefit Contribution Levels

Group	Additional PERS	Medical Contribution	Dental Contribution	Vision Contribution
Executives	5%	20%	20%	50%
Exempt	3%	20%	20%	50%
Non-Exempt	3%	10%	20%	50%

The proposed Salary and Benefits Resolution reflects a continued commitment to addressing the City’s structural budget deficit and offsetting increased costs of retirement and healthcare. As in the past, the proposed Resolution extends Unrepresented Exempt and Non-Exempt employees the same salary and benefit adjustments recently negotiated by the Hayward Association of Management Employees (HAME).

DISCUSSION

The proposed changes continue the current cost sharing arrangement in the form of continued contributions toward the Employer’s share of retirement costs, and the continued contributions to dental and vision plans.

Unrepresented Exempt employees will have their medical contribution reduced to 10% to appropriately align them with the Non-Exempt and HAME employees, instead of with the higher paid executives. This change results in an approximate cost of \$49,000 over the three-year period.

Another key part of the proposed Resolution is salary adjustments. The City’s budget model for the 3-year period (FY 2019-FY 2021) has a 2% increase in cost of living adjustments each fiscal year. One way to achieve a savings is to offer employee cash in lieu of a cost of living

adjustment (COLA), delaying cost of living adjustments to later years. Savings is achieved because one-time payments do not permanently increase employees' base wages, which would otherwise increase ongoing expenses for the City. Additionally, more personnel cost savings will result from delayed increases. COLAs for each group have been delayed eighteen (18) months, and will be phased in in 6-month increments for a total of six percent (6%) for the Exempt and Non-Exempt groups and five percent (5%) for Executives over the three-year period. The projected savings from the cash in lieu and delayed cost of living increases is approximately \$135,000. The table below summarizes the key proposed changes:

Table 2: Key Proposed Changes

Group	Section	Proposed Term	Effective Date
Executives	Salaries	FY 2019 5% one-time cash FY 2020 – 2% COLA FY 2021– 3% COLA	July 1, 2018 January 1, 2020 July 1, 2020
Exempt and Non-Exempt	Salaries	FY 2019 4.25% one-time cash FY 2020 – 2% COLA FY 2021– 2% COLA FY 2021 – 2% COLA	July 1, 2018 January 1, 2020 July 1, 2020 January 1, 2021
Exempt and Non-Exempt	Flexible Benefits Allowance	Reduce medical allowance to no more than 90% of the Kaiser plan that corresponds with the participation level and changes Exempt contribution from 20% to 10%	January 1, 2019
Executives, Exempt, and Non-Exempt	Vacation/Management Leave Cash-Out	Increase cash-out allowance by 40 hours to 120 hours total from employees leave balances.	July 1, 2018
Executives, Exempt, and Non-Exempt	Parental Leave	Allows employees to use up to 120 hours of their accrued sick leave upon birth of a child or placement with employee who has commenced adoption proceedings	July 1, 2018

FISCAL IMPACT

The total proposed changes result in an estimated net savings of approximately \$86,000 in comparison to projections in the General Fund budget model for the 3-year period (FY 2019-FY 2021) as follows:

Approximate Salary Savings	\$135,000
Reduced medical contribution for Exempt employees	(\$49,000)

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

If adopted, Human Resources staff will finalize the Resolution and work with the Finance Department to implement the above changes.

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

Recommended by: Nina S. Collins, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager