APPROVED*
as amended
MAR 23 2010

BY Myra Chiuila Deputy
CLERK OF THE BOARD

AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		**BOARD MEETING DATE**	**AGENDA NUMBER**
Receive Report from Board Personnel Subcommittee to Terminate the Current MIP Program; Re-establish a Five Step Salary Schedule for Appointed Department Heads; Adopt Specified Reductions to the Current Employer Paid Member Contribution (EPMC) to PERS; and Adopt a Resolution to Establish Lower Retirement Tiers for Future Employees		**March 23, 2010**	31
Dept: Contact: Extension:	Donald W. Turko, Director of Human Resources, Extension 2552	**Supervisorial District Number** ALL	
	Published Notice Required?	**Yes**______	**No** X
	Public Hearing Required?	**Yes**______	**No** X

DEPARTMENTAL RECOMMENDATION:

* See attached Minute Order.

It is recommended that the Board of Supervisors:

1. Adopt Attachment A which terminates the provisions of the Personnel and Salary Resolution authorizing the Management Incentive Program (MIP) effective June 27, 2010.

2. Adopt Attachment B which re-establishes a five step salary schedule for appointed department heads and sets the salaries of appointed department heads to be effective June 27, 2010 and elected department heads to be effective January 9, 2011.

3. Adopt the attached PERS Resolutions (Attachments C1, C2, and C3) which reduce the Employer Paid Member Contribution (EPMC) by 3% effective April 4, 2010 for the following representation units: Legislative, Executive, Senior Management, and Senior Management for Cause, Mid Management Confidential, and Confidential.

4. Approve a 3% Cost of Living Adjustment effective April 4, 2010 for employees in the following representation units: Senior Management, Senior Management for Cause, Mid Management Confidential, and Confidential.

5. Adopt in principle the attached Resolutions (Attachments D1, D2, D3) which reduce the Employer Paid Member Contribution (EPMC) by an additional 3% effective July 11, 2010, or upon the agreement of all represented employee bargaining units, whichever date is later, for the following representation units: Legislative, Executive, Senior Management, and Senior Management for Cause, Mid Management Confidential, and Confidential.

Referred back to staff

6. Adopt the attached Resolution which establishes the Board's policy intent to reduce the current miscellaneous retirement tier from 2.7% at age 55 to 2% at age 60 for future hires and the current safety retirement tiers from 3% at age 50 to 2% at age 50 and from 2% at age 50 to 2% at age 55 for future hires upon the agreement of all represented employee organizations.

7. Authorize the County Administrator and Human Resources Director to meet with the representatives of all recognized employee organizations to discuss EPMC and similar reductions to employee compensation for the FY2010-11 and beyond.

SUMMARY & DISCUSSION:

Solano County continues to face a fiscal crisis of significant proportions. Despite the reduction of 459 positions, including the layoff of 144 employees, the County faces a structural budget deficit of approximately $16 million due to declining property taxes and falling state sales tax receipts. In order to address this continuing structural deficit and to bring ongoing County expenses into line with ongoing County revenues, additional employee compensation costs will need to be reduced to ensure the long term fiscal solvency of Solano County. Personnel related costs currently represent the largest portion of County expenses. Counties currently have few legal ways to address the reduction of personnel costs; which include the reduction of positions through attrition, layoff, retirement, or the negotiation of cost reductions with represented employee organizations and the adoption of reductions for unrepresented employees.

Terminate Management Incentive Program (MIP)

At the Board's November 24, 2009 meeting a motion was approved to abolish the current Management Incentive Program (MIP) effective at the end of the current fiscal year. The compensation policy issues arising from the termination of the MIP were then referred to the Board Personnel Subcommittee for study and report back to the full Board at its March 23, 2010 meeting.

Following a thorough review of the recent history of management compensation adjustments, the Personnel Subcommittee recommends the following actions:

(1) Adopt Attachment A which reflects the changes to the Personnel and Salary Resolution (PSR) necessary to effectuate the termination of the Management Incentive Program effective June 27, 2010.
(2) Adopt Attachment B, a salary resolution which re-establishes a five (5) step salary schedule for all appointed department heads. The new salary schedule would become effective June 27, 2010.

The MIP program was adopted by the Board on February 6, 2001 to recognize and reward exemplary performance for senior and executive management staff. Prior to Board adoption of the Management Incentive Program, department heads gave up a number of previous benefits, including:

(a) An automobile allowance ranging from $3,900 to $6,500 annually
(b) A business expense allowance of $1,300 annually
(c) The previous 5 step salary range was abolished

After a thorough review of the history of the establishment of the MIP and of recent management salary adjustments, the Personnel Subcommittee recommends that the Board re-establish a five (5) step salary range for each appointed department head. No other previously held benefits such as the business expense allowance or the automobile allowance are being proposed for re-establishment for department heads.

The proposed salary range for each appointed department head is based on a January 2010 salary study conducted by the Human Resources Department, and sets step 5 at the median of the completed salary survey, consistent with the salary setting methodology used for all other

County employee groups. The results of this salary study are reflected in Attachment F. Re-establishment of the five (5) step salary range is not only consistent with the County's practice for all other employee groups, but will also act to retain the dedicated executive managers who have been recruited to Solano County in the recent past.

Reduction of Employer Payment of Member Contribution (EPMC)

The County currently pays all or a major portion of the employee PERS retirement contribution. The County has previously assumed these costs by resolution pursuant to a statutory provision entitled the Employer Paid Member Contribution (EPMC). The projected cost to the County for fiscal year 2010-2011 for the EPMC is $11.6 million of which General Fund share is estimated at $4.2 million

In the interest of reducing future employee compensation costs and addressing the reduction of the County's continuing structural deficit, staff recommends the reduction of the EPMC by 6% for all County employees. To set an example of shared sacrifice and savings, staff is recommending that the Board adopt the attached PERS Resolutions which effectively adopts a 3% reduction for all unrepresented employees starting with the April 4, 2010 pay period, and an additional 3% for all unrepresented employees starting with the July 11, 2010 pay period, or upon the agreement of all unrepresented bargaining units, whichever date is later.

The initial 3% reduction in EPMC would be offset with a 3% cost of living adjustment (COLA) for all unrepresented employees except members of the Legislative group (Board of Supervisors) and Executive Management (Department Heads, Assistant Department Heads and Chief Deputies) who would receive a 0% COLA. The cost of living adjustment for unrepresented employees would offset salary equity issues which arose when the COLA for unrepresented employees was deferred last August and represented employees declined to defer their COLA, thereby causing salary equity issues for unrepresented employees.

A 6 percent reduction in the EPMC for all employees would result in a cost reduction in fiscal year 2010-2011 of $10.6 million for all funds, and an approximate reduction of $3.5 million in the General Fund.

It is the County Administrator's intent to meet with all represented employee organizations the week of March 29, 2010 to discuss this cost reduction proposal for all represented employees effective with the commencement of the 2010-2011 fiscal year.

Lower Retirement Tiers

Retirement costs have risen significantly since 2001, largely due to negotiated changes to PERS retirement formulas. In order to live within a decreasing revenue stream, the County must address current retirement costs by negotiating a lower retirement tier for miscellaneous and safety retirement members.

The County Administrator is recommending that the Board authorize the Human Resources Director to enter into negotiations with all recognized employee organizations to reduce the current miscellaneous retirement tier from 2.7% at age 55 to 2% at age 60 for future employees and the current safety retirement tier from 3% at age 50 to 2% at age 50. Doing so would reduce the miscellaneous retirement rate for future hires from 12.003% to 7.863% and the safety retirement rate for future hires from 15.144% to 13.024% and will significantly contribute to reducing compensation costs for future hires. The resolution authorizing this policy goal is addressed in Attachment E.

FINANCING:

By adopting the recommendations to terminate the MIP program, exclusive of any cost savings resulting from subsequent reductions to the EPMC, re-establishment of the five (5) step salary schedule for appointed department heads and any resulting technical corrections will result in an ongoing saving of $534,600 annually.

Further, the County will realize an estimated saving of $1.2 million in FY10/11 for 6% of EPMC reduction for all unrepresented positions. This is an ongoing savings beyond FY10/11 and represents approximately $400,000 in savings to the General Fund.

If all bargaining units agreed to an ongoing 6% EPMC reduction, it is estimated that for FY10/11 there would be an additional $10.6 million in savings of which approximately $3.5 million is the General Fund share.

ALTERNATIVES:

The Board could choose not to adopt all or a portion of the recommendations contained herein, but that is not recommended by staff. Terminating the MIP but not reinstating a five (5) step salary schedule for department heads would treat department heads differently than all other County employees and create serious salary inequity and retention problems. Failure to approve the EPMC and Retirement resolutions would frustrate county efforts to reduce future compensation costs and minimize options available to the Board to effectively reduce the structural budget deficit

OTHER AGENCY INVOLVEMENT:

Human Resources worked with the Personnel Subcommittee, the department heads, and the County Administrator's Office in preparing this report.

CAO RECOMMENDATION:

APPROVE DEPARTMENT RECOMMENDATION

DEPARTMENT HEAD SIGNATURE:

Don Turko

Donald W. Turko, Human Resources Director

Attachment A: PSR Resolution MIP Deletion, Pages 5 – 6
Attachment B: Salary Resolution, Pages 7 – 8
Attachment C1: Misc. EPMC Resolution Effective April 4, 2010, Page 9
Attachment C2: Safety EPMC Resolution Effective April 4, 2010, Page 10
Attachment C3: Unit #30 EPMC Resolution Effective April 4, 2010, Page 11
Attachment D1: Misc. EPMC Resolution Effective July 11, 2010, Page 12
Attachment D2: Safety EPMC Resolution Effective July 11, 2010, Page 13
Attachment D3: Unit #30 EPMC Resolution Effective July 11, 2010, Page 14
Attachment E: Retirement Formula Resolution, Page 15
Attachment F: Department Head Salary Survey Results, Page 16