

August 5, 2013

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TO: Local Agency Formation Commission
FROM: Executive Officer
SUBJECT: Ratification of County Wage and Benefit Changes

On April 8, 2013, the Commission adopted the FY 2013-14 LAFCO budget authorizing the following: (1) implementation of the proposed staffing schedule consisting of 9 positions or: 7.25 full time equivalent staff years; (2) establishment of a maximum cap for performance-based (merit) increases for staff not to exceed 5% of annualized salary and a 5.25% length of service salary adjustment associated with payment in lieu of retirement offset for one designated position per Article 5.7 of the County's compensation ordinance and LAFCO's Personnel Rules; (3) application of FY 2013-14 county benefit plan changes to LAFCO staff; and (4) direction to the Executive Officer to make related technical changes to LAFCO's Benefits and Compensation Summary per the items listed above (items 1-3). Because the County Board of Supervisors was in the process of negotiating a new wage and benefit package for County employees at the time the FY 2013-14 LAFCO budget was approved, the Executive Officer deferred implementing any of LAFCO's wage and benefit-related adjustments pending the finalization of the new wage and benefit package for county employees. In addition, due to the expansive nature of the county compensation ordinance changes, your Commission should review the action it took on April 8th and ratify the county wage and benefit changes, as necessary, for application to LAFCO.

To the extent each LAFCO position is comparable to a similar position in the County of San Diego, LAFCO compensation and benefits approximate that for comparable county positions per Section 6.6 of LAFCO's Personnel Rules. On June 18, 2013 the Board of Supervisors adopted a new County wage and benefit package and amended its compensation ordinance and administrative code covering FY 2013-14 and beyond. Changes to the County Compensation Ordinance, include: (1) Providing two one-time monetary payments each equivalent to 2% of base pay for all eligible regular non-represented employees in July 2013 and July 2014 and an additional \$250 payment in July 2013, excluding Elected Officials; (2) Providing increases in employee flexible benefit credits by 5% in January 2014 and 5%, 7% and 9% based on dependent coverage in January 2015; (3) Providing increases in the transportation reimbursement to \$85 and parking reimbursement to \$200; (4) Eliminating the \$500 to \$1,500 annual payment or the 5.25% additional compensation for employees who attain 30 years of retirement service credit; and (5) Reducing the County's portion of the employee-paid retirement offset by one-third and providing approximately the same amount ranging from 1.17% to 2.33% as an increase to base pay to mitigate the cost of offset reductions, effective December 27, 2013.

Other changes to the non-represented classifications, not directly affecting LAFCO include: increasing the probationary period to 12 months for all employees in MA classifications hired on or after June 28, 2013, and, effective the same date; modifying the step advancement from 26 weeks to 52 weeks at the first step; modifying administrative leave to remove the 20-day investigative limit; allowing GPS data to be used for disciplinary purposes; and changing the manner excess flex credits are handled so as not to exceed the IRS cap.

Since wage and benefit adjustments given by the County to its employees are generally applicable to the comparable LAFCO positions, it is requested that the Commission review the Board of Supervisors' June 18th action, and accept/ratify, as necessary, the applicable compensation and benefit changes for application to LAFCO positions. A detailed summary and discussion of county wage and benefit changes in relationship to LAFCO positions follows.

1. **Retirement Offset:** The Board of Supervisors approved a reduction in the County's portion of employees' paid retirement offset. The Board also approved concurrent base salary increases for County employees to mitigate the effect of the offset reductions beginning December 27, 2013. The percentage of the employee's actual prescribed rate of contribution to the San Diego County Employees Retirement Association is specified in subsection (b) of the County's Retirement Contribution Offset Provisions and summarized below. For the Commission's information, the County's retirement plan is based on a tiered system (Tier A & B shown below), based upon service entry dates and employee plan selections.

Tier A Effective July 13, 2012		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
PO, SO	1.5%	3.0%
SS	1.75%	3.5%
CR	2.25%	4.5%
CL, CM, FS, HS, SW	1.5%	3.0%
AE, AM, AS, CE, CEM, CC, CS, DA, MA, MM, PD, PM, PR, PS, RN	2.25%	4.5%
EM, EO, NA, NE, NM, NS, UM	7.0%	7.0%
DS, SM	7.0%	7.0%

Tier A Effective July 13, 2012		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
DI, DM	9.5%	11.755%

Tier A Effective December 27, 2013		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
AM, AS, CC, CS, DA	0.75%	3.0%
CE, CEM, CR, MA	1.5%	3.0%
EM, EO, NA, NE, NM, NS, UM	4.67%	4.67%
DI, DM	0%	0%

Tier B Effective July 13, 2012		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
PO, SO	1.0%	2.0%
SS	1.25%	2.5%
CR	1.75%	3.5%
CL, CM, FS, HS, SW	1.0%	2.0%
AE, AM, AS, CE, CEM, CC, CS, DA, MA, MM, PD, PM, PR, PS, RN	1.75%	3.5%
EM, EO, NA, NE, NM, NS, UM	6.0%	6.0%
DS, SM	6.0%	6.0%
DI, DM	9.5%	10.755%

Tier B Effective July 1, 2013		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
PO, SO	1.0%	2.0%
SS	1.25%	2.5%
CR	1.75%	3.5%
CL, CM, FS, HS, SW	1.0%	2.0%
AE, AM, AS, CE, CEM, CC, CS, DA, MA, MM, PD, PM, PR, PS, RN	1.75%	3.5%

Tier B Effective July 1, 2013		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
EM, EO, NA, NE, NM, NS, UM	6.0%	6.0%
DS, SM	Hired prior to 7/1/2013: 6.0% Hired on or after 7/1/2013: 3.0%	6.0%
DI, DM	9.5%	10.755%

Tier B Effective December 27, 2013		
Retirement Contribution Offset by Union Code		
Union Code	Approximate % of the County contribution toward retirement for employees who have less than 5 yrs. of continuous service is:	Approximate % of the County contribution toward retirement for employees who have at least 5 yrs. of continuous service is:
AM, AS, CC, CS, DA	0.25%	2.0%
CE, CEM, CR, MA	1.17%	2.33%
EM, EO, NA, NE, NM, NS, UM	4.0%	4.0%
DI, DM	0.0%	0.0%

To mitigate the decreased employer contributions to the retirement program, the Board of Supervisors approved a base salary increase for county positions, averaging about 1.46%. The specific percentage increase that is applicable to county job codes/classifications aligned with LAFCO positions is summarized below (Labor/Job code designations and associated wage increase percentages)

applicable to active LAFCO positions: CE/SD6 (Admin. Assistant: 1.24%); MA/SD/2 (Asst. Exec Officer, Chief, Analyst III: 1.24%); EM/SD1 (Exec. Officer: 2.11%); and CE/SD2: Local Govt. Analyst 1 & II: 1.24%).

<u>Job Code</u>	<u>Base Wage Increase</u>
CE	1.24%
CEM	1.17%
EM	2.11%
MA	1.24%
NA	1.74%
NE	1.43%
NM	2.33%
UM	1.98%

Discussion: Section 6.6 of LAFCO’s Personnel Rules state that to the extent each LAFCO position is comparable to a similar position in the County of San Diego, compensation shall approximate that for the comparable county position. In addition, wage and benefit adjustments given by the County to its employees are also applicable to comparable LAFCO positions according to LAFCO’s rules. Given that the decrease in county contributions to employee retirement plans was approved by the Board of Supervisors, the Commission should consider applying this retirement offset reduction to LAFCO staff. If a reduction is approved for LAFCO staff, then like the County, a mitigating increase in LAFCO’s employee salaries must also occur. As with county employees, mitigation is required because of certain employee protections provided in state and federal law. Issues/Questions for the Commission include:

- a Should LAFCO ratify for application to LAFCO positions, the same retirement offset reduction and concurrent wage increase percentages approved by the County?
2. Elimination of 30-year Service Credit Wage Adjustment/Monetary Payment. On June 18, 2013, the Board of Supervisors eliminated the annual payment or wage increase for employees who attain 30 years of retirement service credit. The elimination of this provision repeals an annual cash payment ranging from \$500 to \$1,500 for non-executive positions that have reached the 30-year service credit milestone and a 5.25% wage adjustment for executive positions. **Discussion:** If the Commission wishes to achieve comparability with the County, it could eliminate both the cash payment for non-executive positions and the 5.25% wage increase for executive positions. Four non-executive LAFCO positions would be affected; however, none of the incumbents in the positions have reached 30-years of service credit. Elimination of the 5.25% executive wage increase provision would affect one position where the incumbent has reached 30-years of service credit prior to the repeal date of this provision. Elimination of this provision for LAFCO staff would remove non-performance related criteria from being considered when determining employee pay. If this provision is eliminated, LAFCO staff would be limited to a maximum of a 5% performance-based annualized salary increase in FY 2013-14, as authorized by the Commission on April 8, 2013. Issues/questions for the Commission include:

- a. Should the cash payment paid annually (ranging from \$500-1,500) to non-executive positions that have reached 30-years of service credit be retained or eliminated? *If eliminated, all LAFCO staff would be limited to a maximum of a 5% performance-based annualized salary increase in FY 2013-14 per Commission budgetary approval on April 8, 2013.*
 - b. Should the 5.25% 30-year wage adjustment provision associated with one executive position be retained or eliminated? *If eliminated, the one affected incumbent would be limited to a maximum of a 5% performance-based salary increase in FY 2013-14 per Commission budgetary approval on April 8, 2013.*
3. One-time Monetary Payment. The Board of Supervisors approved two one-time monetary payments equivalent to 2% each of base pay for county employees in July 2013 and July 2014. **Discussion:** As with the increase in base pay discussed in item no. 1 above, the County's approval of one-time monetary payment was authorized to partially address the added financial responsibilities employees will have associated with picking up additional benefit costs. The Commission should consider whether the same one-time monetary payments (equivalent to 2% each of base pay in July 2013 and July 2014) should be applied to LAFCO staff. If the Commission decides to apply this one-time monetary payment, it should apply to LAFCO staff with 12 months or more of continuous employment. Issues for the Commission include:
- a. Should LAFCO ratify the one-time monetary payments approved by the County (equivalent to 2% each of base pay in July 2013 and July 2014) for application to LAFCO staff?
 - b. If the Commission decides to apply this one-time monetary payment, should the payments apply only to LAFCO staff with 12 months or more of continuous employment?
4. One-time Monetary (Cash) Payment. The Board of Supervisors approved a one-time monetary (cash) payment of \$250 in July 2013 for eligible non-represented classifications. **Discussion:** As with the increase in base pay discussed in item no. 1 and one-time monetary payment in item no. 3 above, the County's approval of one-time monetary (cash) payment was authorized to partially address the increase in increased employee responsibilities for picking up additional benefit costs. The Commission should consider whether the same one-time monetary (cash) payments of \$250 should be approved for LAFCO staff, effective July 2013. If the Commission decides to apply this one-time monetary payment, it should apply to LAFCO staff with 12 months or more of continuous employment. Issues for the Commission include:
- a. Should LAFCO ratify the one-time monetary payments approved by the County (\$250 in July 2013) for LAFCO staff?
 - b. If the Commission decides to apply this one-time monetary payment, should the payment apply to LAFCO staff with 12 months or more of continuous employment?

5. Flex Credits (Benefits). The Board of Supervisors approved an increase in flexible benefit credits for employees in eligible non-represented classifications, effective January 2014 and January 2015. **Discussion:** Flex credits are employer contributions toward a flexible benefit plan that allows employees to use the funds combined with their own funds to pay insurance premium costs for medical, dental, life insurance, etc., coverage. Insurance premium costs are borne by the employee, except that the employer makes a specified contribution toward the Flexible Benefits Plan (which includes health insurance). The employee's insurance premium costs will be reduced by the amount the employee elects to distribute to his or her insurance premium costs from the employer's contribution toward the Flexible Benefits Plan. The amount approved by the Board of Supervisors for the County's contribution toward employee the Flexible Benefits Plan is shown below:

- (a) Employees in classes designated EM, EO, NA, NE, and UM under the UCL Benefit Program.

<u>Effective January 1, 2013:</u>	<u>Monthly</u>
Employee Only	\$ 531.00
Employee + 1 Dependent	756.00
Employee + 2 or More Dependents	1,040.00
 <u>Effective January 1, 2014:</u>	 <u>Monthly</u>
Employee Only	\$ 558.00
Employee + 1 Dependent	794.00
Employee + 2 or More Dependents	1,092.00
 <u>Effective January 1, 2015:</u>	 <u>Monthly</u>
Employee Only	\$ 586.00
Employee + 1 Dependent	850.00
Employee + 2 or More Dependents	1,190.00

- (b) Employees in classes designated CE under the CNM and CEM, MA, and NM under the MGT Benefit Programs.

<u>Effective January 1, 2013:</u>	<u>Monthly</u>
Employee Only	\$ 483.00
Employee + 1 Dependent	708.00
Employee + 2 or More Dependents	989.00
 <u>Effective January 1, 2014:</u>	 <u>Monthly</u>
Employee Only	\$ 507.00
Employee + 1 Dependent	743.00
Employee + 2 or More Dependents	1,038.00

<u>Effective January 1, 2015:</u>	<u>Monthly</u>
Employee Only	\$ 532.00
Employee + 1 Dependent	795.00
Employee + 2 or More Dependents	1,131.00

Per Section 6.6. of LAFCO's Personnel Rules, to the extent each LAFCO position is comparable to a similar position in the County of San Diego, benefits shall approximate that for comparable county positions. Accordingly, wage and benefit adjustments given by the County to its employees are applicable to the comparable LAFCO positions. Therefore, it is requested that the Commission consider the Board of Supervisors' June 18th action and ratify the above benefit changes approved by the County for application to LAFCO positions. County Labor/Job code designations applicable to active LAFCO staff are: CE/SD6 (Admin. Asst.); MA/SD/2 (Asst. Exec Officer, Chief, Analyst III); EM/SD1 (Exec. Officer); and CE/SD2: Local Govt. Analyst 1 & II). Issues for the Commission include:

- a. Should LAFCO ratify the Board of Supervisors' June 18th action and approve the above benefit changes for application to LAFCO positions?
6. Amend Step Advancement from 26-52 Weeks. Section 6.7 and 6.8 of LAFCO's Personnel Rules are the same as the County's Compensation Ordinance and provide for consideration of advancement, 26 weeks after the hire or promotion date. **Discussion:** In practice, your Executive Officer has typically postponed an employee's eligibility for advancement to 52 weeks or longer. Therefore, the Board of Supervisors amendment of this 26-day provision to 52 weeks conforms to LAFCO practice, but is inconsistent with LAFCO's adopted rules. The Board of Supervisors also established a 12-month probationary period for all non-represented step classifications. LAFCO's Rules already conform to this probationary provision. Issues for the Commission include:
- a. Should LAFCO amend its Personnel Rules stipulating that consideration for advancement occur at the 52 week as opposed to 26 weeks after the hire or promotion date? Note that this possible change comports with LAFCO practice, but is not reflected in LAFCO's Rules.

CONCLUSION:

In conclusion, since wage and benefit adjustments given by the County to its employees are generally applicable to the comparable LAFCO positions, it is requested that the Commission review the Board of Supervisors' June 18th wage and benefit actions, and accept/ratify, as necessary, the applicable compensation and benefit changes for application to LAFCO positions. Some of the actions approved by the Board of Supervisors require discussion and direction from the Commission prior to ratification. To assist the Commission in determining the applicability of county wage and benefit changes to LAFCO staff, a number of questions have been formulated to guide the Commission's discussion. Therefore, it is

RECOMMENDED: That the Commission receive the Executive Officer's report and provide direction as to each of the questions contained in the report prior to ratifying and accepting the County's wage and benefit changes for application to LAFCO positions. Each question is summarized below.

1. Retirement Offset.

- a. Should LAFCO ratify for application to LAFCO positions, the same county retirement offset reduction and concurrent wage increase percentages (ranging from 1.17% to 2.33%) for active and inactive LAFCO positions with the following County and LAFCO Labor/Job code designations: CE/SD6: Admin. Asst., Admin Aide; CL/SD5: Records Clerk; MA/SD/2: Asst. Exec Officer, Chief, Analyst III; EM/SD1: Exec. Officer; CE/SD2: Local Govt. Analyst 1 & II; PS/SD5: Geographic Information Specialist/Graphic Arts Specialist; SD0: Student Worker? Wage increases would be effective December 27, 2013.

2. Elimination of 30-year Service Credit Wage Adjustment/Monetary Payment.

- a. Should the cash payment paid annually (ranging from \$500-1,500) to non-executive positions that have reached 30-years of service credit be retained or eliminated? *If eliminated, all LAFCO staff would be limited to a maximum of a 5% performance-based annualized salary increase in FY 2013-14 that was previously authorized by the Commission on April 8, 2013.*
- b. Should the 5.25% 30-year wage adjustment provision associated with one executive position be retained or eliminated? *If eliminated, the one affected incumbent would be limited to a maximum of a 5% performance-based salary increase in FY 2013-14 that was previously authorized by the Commission on April 8, 2013.*

3. One-time Monetary Payment.

- a. Should LAFCO ratify the one-time monetary payments approved by the County (equivalent to 2% each of base pay in July 2013 and 2% of base pay in July 2014) for application to LAFCO staff?
- b. If the Commission decides to apply this one-time monetary payment, should the payments apply only to LAFCO staff with 12 months or more of continuous employment?

4. One-time Monetary (Cash) Payment.

- a. Should LAFCO ratify the one-time monetary payments approved by the County (\$250 in July 2013) for LAFCO staff?
- b. If the Commission decides to apply this one-time monetary payment, should the payment apply to LAFCO staff with 12 months or more of continuous employment?

5. Flex Credits (Benefits).

- a. Should LAFCO ratify the Board of Supervisors' June 18th action and approve the County benefit changes noted in this report for application to active and inactive LAFCO positions with the following County and LAFCO Labor/Job code designations: CE/SD6: Admin. Asst., Admin Aide; CL/SD5: Records Clerk; MA/SD/2: Asst. Exec Officer, Chief, Analyst III; EM/SD1: Exec. Officer; CE/SD2: Local Govt. Analyst 1 & II; PS/SD5: Geographic Information Specialist/Graphic Arts Specialist; SD0: Student Worker?

6. Amend Step Advancement from 26-52 Weeks.

- a. Should LAFCO amend its Personnel Rules (Section 6.7 and 6.8) stipulating that consideration for advancement occur at 52 weeks as opposed to 26 weeks after the hire or promotion date?

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

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