



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
Nancy Nittler, Personnel Director
DATE: November 2, 2010
SUBJECT: Elected Department Heads, Management, Safety Management and Confidential and Unclassified (Non-management) Employee Compensation and Benefits

ACTION REQUESTED

It is recommended that your Board take the following actions:

1. Direct staff to prepare the CalPERS Two-Tiered Pension Platform documents for the Safety and Miscellaneous Pension Plans for new hires and a resolution to increase the PERS employee contribution for newly hired elected department heads, management, safety management, confidential and unclassified (non-management) employees.
2. Adopt a resolution to add two "floating" mandatory time off days for safety management, management, and unclassified (non-management) employees and one day for confidential employees for FY 2010-11.

BACKGROUND

Placer County's financial condition has been negatively affected by the economic slowdown experienced nationwide and the budgetary constraints that have hampered Placer County for several years have strained its resources, and reduced services and staffing levels. Balancing the FY 2010-11 budget required the multi-year phased use of reserves and systematic, annual removal of funding for over 300 vacant positions. In addition, although the budget is balanced, it relies upon \$9 million in one-time funds and two-thirds of the fund balance rollover to pay for ongoing operations. Compared to many local governments, Placer County is better positioned to face the financial obstacles anticipated for the next several years; however, continuing to provide service requires strategic thinking and new, more cost effective business practices.

Last fiscal year, FY 2009-10, *the Management and Confidential Teams* achieved cost savings through labor adjustments that included 12 days of mandatory time off (MTO) and a capped cost of living adjustment. Approximately \$1.84 million was saved countywide by managers and confidential employees by these efforts.

Last December and January, Management Team members met with the County Executive Officer to discuss various cost saving options for FY 2010-11 and, after the completion of two surveys, these responses were the foundation to the recommendation brought forward for the Board's consideration. As a result, on February 23, 2010 the Board of Supervisors approved, in concept, additional labor adjustments for FY 2010-11 of \$1.3 million for management team employees that included 80/20% health premium cost sharing, 9 mandatory time off (MTO) days and no cost-of-living wage increases, measures recommended to partially address a \$23.6 million projected budget deficit. Since February the Board of Supervisors approved 5 office closure days that extend from July through November 2010, and suspended merit increases for management employees for the full 2010-11 fiscal year.

On September 7, 2010, consistent with Placer Public Employees Organization (PPEO) and Placer County Deputy Sheriff Association (DSA) employees' benefit changes, the Board of Supervisors approved the following provisions for elected department heads, safety management, management, unclassified (non-management) and confidential employees which became effective for Benefit Year 2011 or at adoption:

- Health insurance premium cost sharing whereby employee pays 20% of the premium cost and the County pays 80%.
- Part-time benefit tiers that match those already in place for all represented employees in order to support consistency in practice.
- Employer contribution to a 401(k) account in lieu of providing health insurance (when chosen by the employee) reduced to a flat rate of \$130 per pay period.
- Dental insurance cost sharing whereby employees pay the increased dental costs for dependents and the County continues to cover the employee.
- Retiree Dental Coverage: Freeze participation to current active employees that are eligible upon Placer County retirement and current retirees that receive the benefit. Retiree dental coverage paid by the employer will not be extended to new hires.
- Sick leave Use at Retirement: Eliminate the cash out option (does not apply to safety management or elected department heads).
- Vacation Leave Balance at Retirement: Add a provision whereby an employee can place the value of their vacation balance into a deferred compensation account at retirement.

While health and dental premium cost sharing will provide immediate county budget savings for Benefit Year 2011, additional savings in the Other Post Employment Benefits (OPEB) "liability" related to these benefits are also expected to be realized by this action. Changes in the health insurance cost sharing for this group of active employees will also change the cost sharing formula for similarly situated retirees.

MERIT INCREASES

County employees are paid based upon a salary grade consisting of minimum, intervening and maximum steps. Employees are eligible for step increases along the salary grade based upon merit,

as demonstrated by their annual employee evaluations. "Step" or "merit increases" are approved on the basis of merit, and are awarded after the recommendation of the department head and approval of the civil service commission and / or the Board.

On June 22, 2010 an item was presented in keeping with direction given by the Board regarding merit increases during the February 23rd Budget Presentation. Suspension of merit increases for all unclassified employees and classified management employees was approved to extend from July 1, 2010 through June 30, 2011 and affected approximately 37 employees (13 unclassified employees and 24 classified managers).

NEW HIRES –
TWO TIERED PENSION PLATFORM / EMPLOYEE PERS CONTRIBUTION PICKUP

In order for the County to implement a two-tiered pension platform, since both represented and unrepresented employees reside in both the Safety and Miscellaneous Plans, the change in pension platform must be applied to all groups simultaneously, as of a date certain. In keeping with what was approved by the Board for PPEO new hires on September 7th, and pending the DSA Memorandum of Understanding by DSA and by your Board action today, staff recommends that the same two-tiered pension platform be implemented for newly hired elected department heads, management, safety management, confidential and unclassified (non-management) employees as soon as administratively feasible (February or March 2011):

- **Safety Plan** -- 3% at age 55 modified; based on highest or final 3 year average compensation.
- **Miscellaneous Plan** -- 2% at age 55 modified; based on highest or final 3 year average compensation.

In addition, coordinated with adoption of the two-tiered pension platform, staff recommends that new employees in these groups pick up 100% of their employee pension contribution as follows:

- **Miscellaneous Plan** employees will pay 7% of their employee pension contribution (the County will continue to pay the employer contribution).
- **Safety Plan** employees will pay 9% of their employee pension contribution (the County will continue to pay the employer contribution).

CalPERS government code requires that an actuarial report be completed prior to Board adoption of the Two-Tiered Pension Platform to allow full disclosure of the cost/savings related to the action. As a result, and if approved, the report and Resolution to adopt the new pension formulas will be brought back to your Board for consideration early in 2011 with the intent to implement for newly hired employees as soon as possible thereafter. A Two-Tiered Pension Platform is expected to generate significant savings on every dollar of salary paid to newly hired employees due to the anticipated reduction in the employer contribution rate as well as the payment of the full employee retirement contribution rate by the employee.

“FLOATING” MANDATORY TIME OFF (MTO)

As previously mentioned, and agreed to by the Management Team last winter, safety management, management, confidential and unclassified (non-management) employees will be taking 5 days off without pay on the days approved for Office Closures in FY 2010-11 by the Board of Supervisors. On February 23, 2010 the Board of Supervisors approved, in concept, additional labor adjustments for these employees for FY 2010-11 that included no cost of living adjustment as well as 9 MTO days.

In looking at the benefit cost savings to the County related to increased cost sharing for health and dental premiums, suspension of merit increases, reduction to the in lieu of health rate, and 5 days of MTO for these employees, 9 MTO days are no longer needed to achieve the savings discussed last winter, however, in order to achieve a similar impact to “base pay” as PPEO represented employees, or approximately 4.18% of base pay, additional measures are needed.

Staff recommends that management, safety management, confidential and unclassified employees be required to take additional “floating” mandatory time off days at some point during the remainder of the 2010-11 fiscal year. Staff is recommending that confidential employees be required to take one additional “floating” MTO day, while all others in this group take two “floating” MTO days. Requests for these days off would be submitted to the employee’s department head for approval in a fashion similar as other requests for time off. More than one “floating” MTO day will not be allowed to occur within the same pay period, and “floating” MTO will only be approved from December 1, 2010 to May 31, 2011 in order for the County to realize the budget savings in FY 2010-11.

FISCAL IMPACT

Continuing reductions projected for the County’s revenues, State budget impacts and rising costs for operations, make it essential that the County achieve labor savings to obtain ongoing budget savings. Labor adjustments that are not “on-going” in nature will add to the deficit figures projected in the next fiscal cycle. To provide sustainability into FY 2011-12 and beyond, labor adjustments previously adopted by the Board have long-term financial benefit (health and dental cost sharing).

In FY 2010-11 the County can expect to save \$1.37 million from increased cost sharing for health and dental premiums, suspension of merit increases, reduction to the in lieu of health rate, and 6-7 days of MTO (includes “floating” MTO) for these employees. Given that MTO savings are one time in nature, the County Executive Officer will continue to have discussions with management and confidential employees for additional, ongoing savings needed for FY 2011-12 and will return to the Board in the future with a recommendation.

Attachment: Resolution for “floating” mandatory time off days for management, safety management, unclassified (non-management) and confidential employees.

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF PLACER,
STATE OF CALIFORNIA**

In the matter of: A RESOLUTION OF THE BOARD OF SUPERVISORS TO IMPLEMENT "FLOATING" MANDATORY TIME OFF FOR SAFETY MANAGEMENT, MANAGEMENT, CONFIDENTIAL AND UNCLASSIFIED (NON-MANAGEMENT) EMPLOYEES

Reso. No. _____

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held November 2, 2010, by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairperson, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, declining national, state and local economies have resulted in a related decrease in county revenues for the 2010-11 Fiscal Year and have required that the Board of Supervisors weigh additional cost-cutting measures for this year and to lay the groundwork for the 2011-12 Fiscal Year, and

WHEREAS, the County's FY 2010-11 Adopted Final Budget represents a decrease of \$26.2 million from the FY 2009-10 Final Budget primarily due to sharper declines in sales taxes, property related tax revenue, State program reimbursements and other revenues; two thirds of the fund balance rollover is being used to fund ongoing operations and, in addition, about \$9 million reserve dollars support FY 2010-11 expenditures; and

WHEREAS, it is anticipated that the revenues for Fiscal Year 2011-12 will further decline or flatten, and a \$16 million shortfall is projected in the General and Public Safety Funds for next fiscal year requiring the County to take additional actions such as, potentially including staff layoffs; further use of reserves; additional vacant position deletions; reorganization of operations for better delivery of services and programs; and the continuation of the hiring freeze that began in 2007; and

WHEREAS, on February 23, 2010 the Board of Supervisors approved, in concept, labor adjustments for management team employees that included 9 mandatory time off days to save the County an estimated \$1.3 million in FY 2010-11; and

WHEREAS, since February, the Board of Supervisors approved 5 office closure days for FY 2010-11 (July through November 2010) and, further, suspended merit increases for management employees from July 1, 2010 through June 30, 2011; and

WHEREAS, on September 7, 2010 the Board approved benefit adjustments for elected department heads, management, safety management, confidential, and unclassified (non-management) employees that included greater cost sharing for health and dental premiums, part-time benefit tiers, and a reduction to the in-lieu of health offset to a flat \$130 per pay period; and

WHEREAS, in order to achieve an equitable percentage of base pay impact as Placer Public Employee Organization represented employees (FY 2010-11 labor adjustments equated to 4.18% of base pay), further labor adjustments are necessary and, therefore, it is recommended that from December 1, 2010 to May 31, 2011 confidential employees take one "floating" mandatory time off day and safety management, management, and unclassified (non-management) employees take two "floating" mandatory time off days; and

WHEREAS, it is anticipated that safety management, management, unclassified (non-management) and confidential employees taking "floating" mandatory time off days will result in budget savings of approximately \$281,202 countywide, with FY 2010-11 savings from all compensation and benefit adjustments from these employees equating to approximately \$1.4 million or 4.71% of base pay; and

NOW THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Placer, State of California, that

Management, safety management, and unclassified (non-management) employees shall take two "floating" mandatory time off days and confidential employees shall take one "floating" mandatory time off day between December 1, 2010 and May 31, 2011 during the 2010-11 Fiscal Year. County employees within this group of employees shall not be compensated for time in which the "floating" mandatory time off day occurs and no work is required of those employees. Dates for "floating" mandatory time off will be requested by the employee and approved by the department head, but in no event will more than eight hours of MTO occur in the same pay period and all "floating" mandatory time off must be taken in at least four hour increments (prorated for part-time employees).

BE IT FURTHER RESOLVED that the County Executive Officer shall have the authority to determine and authorize details necessary to implement the "floating" mandatory time off. In making such determinations, the County Executive Officer should attempt to minimize the impact of this program on the public and where reasonable to do so, assure that the program is equitably applied to those subject to the mandatory time off.