



Agenda Item No. 1

To: Rules, Policy and Industrial Relations Committee/Committee of the Whole
Meeting of July 12, 2007

From: Celia G. Kupersmith, General Manager

Subject: **APPROVE AMENDMENTS TO THE *HUMAN RESOURCES GUIDE*
RELATIVE TO DEPUTY GENERAL MANAGER POSITIONS**

Recommendation

The Rules, Policy and Industrial Relations Committee recommends that the Board of Directors approve amendments to the *Human Resources Guide* to include the following provisions relative to the four Deputy General Manager positions (Bridge, Bus, Ferry, and Administration) which, along with the District officers whose employment conditions are addressed separately by the Board of Directors by means of employment contracts, constitute the executive management staff of the District.

- 1) Create a performance excellence reward system for Deputy General Manager positions that allows the General Manager to provide bonus compensation for excellence in performance, separate and apart from general salary adjustments made for all non-represented staff which includes Deputy General Managers;
- 2) Create an executive management tier within the District's retiree benefits program in which Deputy General Managers are eligible for District retirement benefits for themselves after five years of service and for themselves and their spouse/domestic partner/dependents after ten years of service. Self-purchase of retiree medical benefits for the individual and any dependents would also be allowed after only three years of service. These positions would also be allowed to cash out fifty-percent of accrued sick leave upon retirement after a minimum of five years of service in the Deputy General Manager position;
- 3) Approve an accelerated vacation accrual rate upon employment in a Deputy General Manager position subject to the District's accrual maximum;
- 4) Upon employment to a Deputy General Manager position, employees are allowed to select among all medical benefit plans offered at the District; and,

- 5) Increase the annual salary of each Deputy General Manager by a one-time amount equal to five percent of annual wages to assist in achieving market parity for comparable executive management level positions in peer agencies.

Background

Over the past several years, the District has seen substantial change in the makeup of its senior management staff, resulting in substantially improved productivity and teamwork to the benefit of the District. In an effort to both recruit and retain these excellent executive level staff at the District, the General Manager has determined that it would be advantageous to develop a competitive compensation package for such staff. Human Resources staff have surveyed peer agencies to determine the components that make up their executive compensation packages and to identify where there are differences with the District's current system. The survey work revealed that the District's current system of paying only an annual salary is significantly below what these staff would earn in other organizations. Particularly when hiring executive level staff from outside of the organization, the District's current program requires substantial sacrifice of benefits that normally accrue to such senior staff. In order to be competitive in the marketplace and retain excellent staff once they are on board with the District, it is critical that additional components be added to the executive level staff compensation package. These elements are discussed below:

- In order to reward outstanding excellence in job performance and in recognition of the depth of responsibilities that fall upon an executive management level employee, it is recommended that the Board create a performance excellence reward system for the Deputy General Manager positions that allows the General Manager to provide incentive compensation of up to 5 percent of their annual base salary per year to each Deputy General Manager based on the Deputy General Manager's performance excellence. Once granted, such reviews to take place in the fall of each year, these funds would be paid on a bi-weekly basis over the next 12 months and available for contribution to deferred compensation. The additional amount would be considered part of the employee's annual salary for purposes of PERS calculations but would not be included in any future year wage increase calculations.
- As an incentive for Deputy General Managers to join the District and stay with the District for a significant amount of time, it is recommended that the Board institute an executive management tier within the District's retiree benefits program in which a Deputy General Manager position is eligible for full District retirement benefits, including survivor benefits, on the following vesting schedule:
 - At age 55, with at least five years of service in the Deputy General Manager position, individuals are eligible for retiree medical benefit coverage at the maximum level for themselves and can purchase, at COBRA-equivalent prices, coverage for spouse/domestic partner/dependents;
 - At age 55, with at least ten years of service in the Deputy General Manager position, individuals are eligible for full retiree medical benefit coverage at the maximum level for themselves and their spouse/domestic partner/dependents;

- Upon retirement with at least five years of service in the Deputy General Manager position, individuals are eligible to receive a cash payment for 50 percent of accrued sick leave.
- It is recommended that the Board approve a vacation accrual rate upon employment in a Deputy General Manager position equal to 30 days of vacation accrual annually, subject to the District's 40-day maximum accrual at any one time.
- It recommended that the Board allow new employees in the Deputy General Manager positions to select medical insurance coverage amongst both the HMO and PPO options offered by the District. Currently, new hires must remain in an HMO plan for three Open Enrollments following hire.
- In an effort to adjust salaries to be closer to the median of the local marketplace for similar jobs, it is recommended that the Board increase each Deputy General Manager's salary by 5 percent effective immediately. Even with this change, these salaries will remain slightly to significantly below the average salary for each position as compared to the market place. The increase also reflects the significant growth in job responsibilities that has occurred over the past several years. This increase is also needed to competitively recruit for future openings in the Deputy General Manager positions.

Fiscal Impact

The fiscal impact of the salary increase in the first year would be approximately \$32,200 and the potential bonuses could total approximately \$34,000 if all executive positions receive the maximum bonus amount. There is minimal cost associated with the additional vacation days as the 40-day vacation accrual cap limits the ultimate liability of the organization. Similar to the way compensation changes for Officer positions are handled, funding for these expenses will be found within each year's budget as general savings accrue over the year.