



Santa Clara Valley Water District

File No.: 15-0502

Agenda Date: 11/13/2015
Item No.: *2.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Classification and Compensation Study for Middle Managers - Declaration of Impasse.

RECOMMENDATION:

- A. Approve the last District compensation proposal to the Professional Managers Association (PMA); and
- B. Direct the Chief Executive Officer to implement the final middle manager classification and compensation study (new salary schedule, Attachment 1 and 2) effective October 1, 2015.

SUMMARY:

In the 2012-2014 Memorandum of Understanding (MOU), it was agreed that there would be a classification study of the middle manager bargaining unit. The Board approved the MOU in December of 2011 and funded the study in March 2012. Subsequently, the District hired Koff and Associates to conduct the study.

The District Classification and Compensation Study (DCCS) was established and began in 2013. The last completed classification and compensation study was 18 years ago in 1998.

The DCCS ensures that employee class specifications and job descriptions are accurate and reflect the work they do today and ensure they are fairly compensated. Accurate class specifications and job descriptions help to ensure employees are working appropriately within their classification. Detailed job descriptions improve recruitment efforts, help in creating effective performance evaluations and define career paths. Lastly, accurate job descriptions ensure legal compliance with the Fair Labor Standards Act (FLSA) and the Americans with Disabilities Act (ADA).

This study was conducted in two phases:

1. A classification study which included reviewing existing job classifications for approximately 52 middle managers; describing the work being performed; developing appropriate and legally defensible qualifications, knowledge and skills for each defined job; allocating each position into an appropriate broad job classification and providing a written specification for each job description.
2. A compensation study which included gathering valid market compensation from comparator organizations for each middle manager position, analyzing such information and recommending appropriate salary ranges based upon external competitiveness and internal equity and subsequently meeting and conferring with the PMA bargaining team. In broad terms, the proposed compensation plan has been developed to:
 - a. Ensure that the District has the ability to attract and retain well-qualified employees.
 - b. Provide a defensible and technically sound basis for compensating employees.
 - c. Allow flexibility and adaptability for making District-wide compensation decisions based on changing market conditions.
 - d. An improved basis for recruiting, testing and selecting employees.
 - e. A framework for evaluating employee performance during probationary and continuing periods of employment.
 - f. Identification of areas that are basic to employee training programs.

The District Project Team has met a number of times with the Board to receive direction regarding these negotiations.

Background

The DCCS Project Team has conducted in excess of fifty (50) meetings with PMA since 2013 and has accomplished the following:

1. Developed a stakeholder engagement plan.
2. Reached agreement on 12 comparator agencies.
3. Reached agreement on a compensation formula that included paying staff at the 60th percentile.
4. Developed a Position Description Questionnaire (PDQ) that was completed by PMA employees.
5. Developed a classification framework which included job descriptions.
6. Conducted a compensation study of all PMA positions.
7. Began meet and confer meetings on compensation and impacts to individual managers in March of 2015. Ten (10) manager appeals were heard during the course of these sessions. In addition, we responded to information requests submitted by PMA in a prompt and thorough manner.

We have resolved a number of issues over this time as follows:

1. Rescinded the proposed demotions of three managers.
2. Created two new classifications of Water Utility Operations Manager and Imported Water Manager. We agreed to reallocate two manager to the Water Utility Operations Manager (moving them from salary range 45 to range 48). We agreed to reallocate one manager to the Imported Water Manager class (moving her from salary range 48 to range 50).
3. We agreed to pay the Environmental Services Manager retroactive to the original date of reassignment in 2013 (\$29,151.00).
4. We agreed to rescind one manager's classification allocation from Engineering Support Services Manager (salary range 45) to the Engineering Manager classification (salary range 49).
5. We agreed to move two Information Services Managers from salary range 45 to salary range 46.
6. There were eight (8) managers originally proposed to be y-rated. Due to the resolution of the issues above four of these managers are no longer being recommended for y-rate.
7. Forty-eight (48) managers will receive increases ranging from \$5.00 to \$40,000.00 as a result of the study implementation.

After meeting and conferring over the compensation aspect of the study with PMA for the past seven months (7 meetings), the District declared impasse on October 20, 2015. It was clear that PMA would not agree to y-rate four

managers who were found to be over market and therefore we would not reach final agreement (Attachment 3).

We have two issues that remain unresolved:

1. The classification allocation for one manager was allocated to Wells and Water Measurement Manager and he was placed at step 5 of the new salary range 45. Under the current salary schedule, he is at salary step 7. The District has proposed that he be placed at step 5 on the new salary schedule, consistent with the 60th percentile payline established by the Board. This placement results in a monthly salary increase of \$318, equivalent to \$3,816 annually. PMA is proposing that the manager be placed at step 6, rather than step 5. This would be inconsistent treatment, based on how other PMA managers were placed on the new salary schedule.
2. The District proposal includes the impact of implementing the study for the y-rates of four (4) managers, whose current salaries were determined to be above the 60th percentile payline (Attachment 4). PMA has proposed that these four (4) managers not be y-rated and instead receive a 3% salary lump sum on July 1, 2016 and a 3% salary raise on July 1, 2017. PMA also proposes they receive all step increases and pay raises in future years until they leave the District. This would be inconsistent with the 60th percentile payline as established by the Board.

Regarding our y-rate proposal, the District had the following information to share with PMA that explained in more detail the rationale for the District's position:

Personnel Ordinance 5-015, Section 5.1

District's Compensation Policy: "It is the policy of this District that its employees shall be compensated at levels fairly and reasonably commensurate with those available for the same services in other areas of public and private employee and that all appoints and each upward step of an employee shall be upon considerations of merit alone."

Four (4) managers have been determined to be above the District's targeted 60th percentile payline with the study's defined comparator agencies. However, the District is proposing to not reduce any employee's salary. The District understands that reducing salary may result in a significant financial impact and has chosen not to reduce an employee's salary even where compensation has been found to be above the 60% percentile payline.

For example, if the District's top annual salary range for a particular job is \$150,000 and it has been determined that comparator agency top step pay at the 60th percentile is \$125,000, the District will not seek to decrease the District's employee salary to \$125,000 to be commensurate with the market. The District will, in essence, continue to pay above the market rate for the position.

While the District has chosen to not reduce any employee's salary even though determined to be above market rate, we have a fiscal responsibility to provide compensation that is fairly aligned both externally and internally and to ensure stewardship of taxpayer funds. To that end, the District has chosen to implement the practice of y-rating which allows for a less impactful and time delayed correction over time for instances where compensation has been determined to be above market.

With y-rating, an employee will continue to be paid over the 60th percentile payline, but will not receive all of the MOU cost of living adjustments in order to allow for the market to "catch up". Koff & Associates, our study consultant, recommends y-rating and states that this practice is "the most common and fair solution" for public agencies to address compensation that has been determined to be above market.

For PMA, there are four (4) managers whose compensation has been identified to be above market higher than the 60% percentile payline and the District is recommending y-rating to the Board in compliance with Personnel Ordinance #2000-01. For three of these managers, y-rating will end prior to the expiration of the current MOU contract in 2017, which means a portion of cost of living adjustments under the remaining current contract will be received by the employees.

If the District does not implement y-rating, the pay disparity with external comparator agencies as well as with internal District employees who perform similar work widens and becomes more problematic to address. Internally, employees may see the pay disparity gap widen for those who perform similar or lower level work which is unfair.

FINANCIAL IMPACT:

Estimated cost of implementation is approximately \$260,000.

CEQA:

The recommended action does not constitute a project under CEQA.

ATTACHMENTS:

Attachment 1: Proposed Annual Salary Schedule dated July 2015

Attachment 2: Implementation Plan Summary

Attachment 3: Memo dated October 20, 2015 from Michael Baratz to Stanley Young, Local 21, IFPTE, Re: PMA Classification and Compensation Study - Compensation Meet and Confer Declaration of Impasse

Attachment 4: PMA Proposed Y-Rates dated September 4, 2015

Attachment 5: Item 2.1-A Handout

UNCLASSIFIED MANAGER

Michael Baratz, 408-630-2361