



Good Neighbors

San Diego  
Housing Commission

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# REPORT

DATE: For the Agenda of June 1, 2001 **Item 110**

REPORT NO.: HCR01-071

SUBJECT: FY02 EMPLOYEE COMPENSATION, BENEFITS AND POLICIES

## SUMMARY

**Issue:** Should the Housing Commission approve and forward for Housing Authority adoption the union-negotiated Memorandum of Understanding for represented employees, and extend salary and benefit changes to nonrepresented and management employees?

**Recommendation:** Recommend Housing Authority adoption of the following:

1. Memorandum of Understanding (MOU) between the Housing Commission and Service Employees International Union, Local 535, including salary and benefits discussed in Attachment A, Executive Summary of Major Proposed Changes to Memorandum of Understanding (green pages).
2. Revisions to Personnel Policies (PO102.000) including salary and benefits for nonrepresented employees consistent with union-represented employees except as noted and discussed in Attachment B, Executive Summary of Major Proposed Changes to Personnel Policies (pink pages) and specific policies, pay, and benefits for the Executive and Management Service.

**Fiscal Impact:** Implementation of the staff recommendation for salary and all negotiated benefits is estimated to cost approximately \$454,122 which is included in the FY02 Budget (approved by the Housing Commission on April 20, 2001) and recommended by Land Use & Housing Committee on May 16, 2001 for adoption by the Housing Authority on May 29, 2001.

**Previous Related Action(s):** On August 31, 1998, the Commission approved a new classification and compensation plan consisting of a comprehensive approach to the employee benefits, compensation and policies, effective January 1, 1999.



Each year, the Commission approves specific employee benefits, compensation and policies for all employees, including the Executive and Management Service (EMS). The Commission approved changes to the Personnel Policies and Memorandum of Understanding for FY01 on June 9, 2000. The Employee Group Benefit plan selections for FY02 and proposed recommendations for subsequent fiscal years are on the Commission Agenda for today.

**Future Related Action(s):** If approved by the Housing Commission, this item will be forwarded to the Housing Authority for consideration at the June 12, 2001 meeting.

## **BACKGROUND**

On August 31, 1998, the Housing Commission approved the current approach to compensation and salary administration policies designed to link pay with performance. The Classification and Compensation Plan became effective January 1, 1999. The Commission, as the employer, is concerned about 1) providing an attractive salary and benefit program that allows recruitment and retention of qualified employees at all levels, and 2) the increasing cost of implementing salary and benefits programs to employees given limited public funding, diminishing available resources and resulting budgetary constraints. FY02 negotiation process considered the impact of increasing costs of medical, dental care and administrative expenses, efficient approaches to streamline and improve processes, the Commission's current and future ability to fund costs coupled with employee needs, and the right of employees to bargain for an Agency Shop provision.

Until fairly recently, the Commission and the Union negotiated primarily on salary increases with minimal changes to fringe benefits. Over the last seven years, negotiations resulted in salary increases from 2% to 4%, with an average of 2.6% for the period. Salary increases in FY00 were 2% and 3% in FY01. At that same time, the Commission implemented a 4-day furlough without pay, and provided discretionary time off with pay, as a result of negotiations.

Concerns regarding benefits were addressed in FY99 negotiations, and both parties agreed to consider benefit increases as a trade off to salary increases. Overall, the effective yield to employees due to non-taxability of benefits results in a higher return for every dollar put into benefits. Last year the Union expressed interest in a comprehensive salary and pay package that included maximizing all forms of compensation, to include

alternatives to current benefits, flex credit allocations and salary. This year, both parties were concerned with the increasing cost of living expenses impacting utility and gasoline rates to maintain current living expenses for employees, and creative solutions to streamline the negotiation process.

**DISCUSSION**

Proposed recommendations were negotiated in good faith with the Union following a series of Union-Management negotiation sessions to address matters of mutual interest. The results of these sessions is a multi-year (three-year) contract with the Union reserving the right to review benefit plan options for FY03 and FY04, and recommended modifications to the Memorandum of Understanding and Personnel Policies that are contained herein as Attachments A and B. The Memorandum of Understanding covers fiscal years FY02, FY03, and FY04 for salary, benefits and related negotiated articles. Union-Management Committee meetings may be held at anytime during the contract term to address issues of mutual interest within the scope of the bargaining agreement. There were no changes to an Agency Shop provision. Recently adopted State Law codifies a process whereby employee represented classes may vote on establishing an Agency Shop when certain threshold conditions are met and Agency Shop is not adopted through the negotiation process.

The cost of the FY02 staff recommendation for salary and all negotiated benefits is \$454, 122, which is an increase of approximately 10% above the FY01 salary and benefits package, or 0.4% of the Housing Commission’s total budget. Projected costs for FY03 and FY04 are calculated based on the current FY02 staffing plan and do not include movement along the pay plan.

The proposed increase in salaries and flex credits for FY02 and the extension into FY03 and FY04 are shown on the chart below.

Salary Increase By Fiscal Year:

	Budgeted Salaries	Proposed Increase	Proposed Total	% of Changes
FY02 – 3.50% salary increase 3.50%	11,029,829	386,044	11,415,873	
FY03 – 3.25% salary increase 3.25%	11,415,873	371,016	11,786,889	
FY04 – 2.50% salary increase 2.50%	11,786,889	294,672	12,081,561	

Flex Benefit Increase By Fiscal Year:

	Budgeted Flex Benefit	Proposed Increase	Proposed Total	% of Changes
FY02 from \$4,050 to \$4,293	1,034,636	62,078	1,096,714	6.00%
FY03 from \$4,293 to \$4,551	1,096,714	65,803	1,162,517	6.00%
FY04 from \$4,551 to \$4,824	1,162,517	69,750	1,232,267	6.00%

Other Key Provisions:

Four-day mandatory furlough without pay from Christmas to New Year for each year of the contract term.

Included Cesar Chavez Birthday as a Holiday on March 31.

Mileage reimbursement increase from 34.5 cents to 40 cents per mile. The FY02 estimated increase in mileage is \$6,000.

If approved by the Housing Commission, this matter will be docketed for adoption by the Housing Authority at its June 12, 2001 meeting.

**ALTERNATIVES**

- 1) Provide direction to the Chief Executive Officer regarding specific salary and/or benefits for employees;
- 2) Accept selected items of the report for implementation; or
- 3) Take no action.

Respectfully submitted,

Steven L. Mikelman  
Director of Operations

**Signature on File  
With Original Document**

Approved by,

Elizabeth C. Morris  
Chief Executive Officer

K. Gonzalez

Attachment(s): A) Executive Summary to Memorandum of Understanding (Green)  
B) Executive Summary to Personnel Policies (Pink)

## Memorandum of Understanding

### EXECUTIVE SUMMARY

Service Employees International Union, Local 535, is the exclusive employee representative for approximately 143 employees in 25 different classifications. The current contract expires on June 30, 2001.

On January 25, 2001, the Commission received notice from Local 535 of its desire to open negotiations for a new contract agreement. Since that date, Staff and the Union held 12 negotiation meetings. On May 9, 2001, the parties reached agreement on a three-year Memorandum of Understanding effective July 1, 2001 through June 30, 2004, for salaries and benefits with the Union reserving the right to discuss, modify or revise benefit plan options to maximize approved flex credit dollars. Local 535 ratified the Memorandum of Understanding (MOU) on May 22, 2001.

Attached is a copy of the revised MOU Articles (Attachment A-1) showing of deleted language and **bolding** of new language.

Following is a summary of proposed changes to each MOU Article:

- Renegotiation (Article 3) – Meet and Confer shall begin no later than February 7, 2004. If neither party has proposed a change to an Article by April 15, 2004, the Articles remains in full force. No re-openers.
- Types of Employment (Article 12) – Language added to allow Temporary Employees to perform work requiring special skills for which training cannot be provided in a timely manner or for the purpose of providing entry level on-the-job training to public housing residents and Section 8 participants to enhance their economic development.

Any vacant regular position filled by a temporary employee for 12 months shall be considered for filling by a regular employee.

Should an “Extra Help” assignment be filled continuously by a temporary employee for two years, consideration will be given to establishing the assignment as a permanent position to be filled through the regular hiring process.

- Out of Class Assignment to Higher Classification (Article 13) – Language added to include the OCA’s or temporary assignments filled by regular employees may be filled in a variety of ways.

- Performance Reviews (Article 15) – Language added to clarify the processing of performance reviews when an employee does not respond within five (5) workdays of discussion or refuses to sign the document.
  - Employee comments submitted after the five (5) workdays will be forwarded through the appropriate signature approvals for filing in employee’s Personnel File and attached to appropriate performance review.
  
- Pay Plan (Article 19) – Language added to broaden criteria for Short Term Awards and to allow for an additional award amount.
  - Revised to include a \$750 short term award option together with the \$250 and \$500 already offered.
  - Awards may additionally be granted for self-directed development efforts to learn and apply new skills consistent with the Core Values of the Housing Commission.
  - Deletes obsolete language referencing date of implementation.
  
- Mileage/Transportation Reimbursement (Article 23) – Revised to increase mileage reimbursement from maximum allowable Internal Revenue Service reimbursement rate without taxation as income (currently 34.5 cents per mile) to 40 cents per mile (the amount above the Internal Revenue Service rule is taxable).
  
- Benefits (Article 25) – Commission’s contribution to the Flex Benefit Plan will increase by 6% per year per employee for term of contract to cover cost of benefits as follows:
  - July 1, 2001 – From \$4,050 to \$4,293
  - July 1, 2002 = From \$4,293 to \$4,551 (effective start of pay period)
  - July 1, 2003 = From \$4,551 to \$4,824 (effective start of pay period)
  - Renew Kaiser HMO Medical Plan (no changes)
  - Modified PacifiCare HMO medical to \$10 office visits and prescriptions
  - Renew all other plans.
  - For each subsequent year of the Contract term, renewal will be based on comparable plans and benefits with the Union reserving the right to review plan options.

- Holidays (Article 28) – Revised to add Cesar Chavez Birthday, March 31 as a paid holiday for employees.
- Annual Leave (Article 29) – Catastrophic Leave maximum donation increased from three (3) eight hour day donations to six (6) eight hour day donations.
- Educational Incentive (Article 36) – Revised to increase tuition reimbursement maximum amount from \$800 to \$1000 per fiscal year.
- Promotion (Article 37) – Language added to state that employee may submit their performance reviews conducted within the last two years for consideration as part of the selection process for promotion.
- Change In Status (Article 38) –Language added to state that employee may submit their performance reviews conducted within the last two years for consideration as part of the selection process for a lateral reassignment, transfer or other change in status.
- Counseling and Discipline (Article 40) – Language added to clarify employee access to personnel and supervisor’s working file with advance notice of the request; provisions of the Fair Labor Standards Act further defined; clarifies response to Notice of Intent process (if verbal, must be followed up with written confirmation); and counseling actions included as part of the Discipline Process when there is “probable cause” of action. Deletes duplicate sentence (typographical error).
  - Employees may review their personnel file and supervisor’s working file with advance notice.
  - Language added to include provisions from the Fair Labor Standards Act:
 

Suspension without pay shall not exceed 30 calendar days, and shall only be applicable to non-salaried employees.

Salaried employees shall not be suspended without pay, except if such suspension is imposed in good faith for infractions of safety rules of major significance (those relating to the prevention of serious danger to the workplace and/or other employees).

Exempt status employees are, in general, not disciplined by piecemeal deductions from their pay, but are terminated, demoted or given restricted assignments.
  - If employee verbally responds to a Notice of Intent, a written confirmation is required as follow up documentation.

- Counseling actions regarding performance or incident are excluded from the requirements of the disciplinary process, except where there is probable cause disciplinary action may result.
- Term (Article 48) – Terms of this Agreement are effective July 1, 2001 to June 30, 2004.
- Salary Schedule (Article 50) – Published MOU to reflect the following salary range increases:
  - 3.50% salary increase effective July 1, 2001
  - 3.25% salary increase effective July 1, 2002 (start of pay period)
  - 2.50% salary increase effective July 1, 2003 (start of pay period)
  - Continuation of furlough between Christmas and New Year for each year of contract; deletion of one discretionary day with pay.

**Revisions to Personnel Policies**

EXECUTIVE SUMMARY

On the June 1, 2001 Housing Commission Meeting Agenda for today, staff has recommended Housing Commission approval to renew agreements for employee health, dental, basic and supplemental life and long-term disability insurance plans as offered through the Commission's Section 125 Flex Benefits Plan.

The Commission currently contributes Flex Benefits Credits of \$4,050 per employee per year to the Flex Plan. Employees may apply this money to the cost of benefits on a pretax basis or elect to receive any unused portion as taxable salary. Flex Benefits Credits are subject to the meet and confer process and have been historically reviewed annually for all employees. It is recommended the Commission increase this benefit by six percent each year to \$4,293 per employee effective July 1, 2001, \$4,551 effective July 1, 2002 (start of pay period), and to \$4,824 effective July 1, 2003 (start of pay period) consistent with the agreement reached through the negotiation process for union-represented employees.

It is recommended that current salary ranges for all non-represented employees on the "S" Salary Schedule, and EMS ranges on the "M" Schedule be increased by 3.5% also effective July 1, 2001. It is further recommended the ranges be increased 3.25% effective July 1, 2002 (start of pay period), and 2.5% July 1, 2003 (start of pay period) to be consistent with union-represented employees.

In preparation for this year's salary recommendations, and in keeping with the recommendations of the Classification and Compensation Study Consultants that the Commission review executive and management salaries in two years following implementation, the Chief Executive Officer initiated a market study and survey analysis of management salaries. The Reward Strategy Consultants resurveyed benchmark positions in the market to determine salary comparability and to modify the Commission's pay structure, if needed, based on internal salary relationships.

The prior Classification and Compensation Study was conducted in 1998 and included a review of all employee salaries. The consultants reported many comparable benchmark classifications for non-management employees with specific recommendations that were approved by the Board. Public agency pay ranges for non-management employees typically included several steps within a range (5 to 9) with specific percentages within each step (typically 5%). The consultant recommendations were implemented to a greater extent for the non-management staff than for management. The management classifications at the Commission were more difficult to survey based on their unique programs and responsibilities. The recommendations by the consultants for management salaries were approved at the market median. Recommendations for non-management

positions were considered in relationship to the maximum of the salary ranges. Since that time the Commission's management salaries have fallen significantly below the market median for a variety of reasons including changes in the economy, difficulty in retaining qualified employees, and low unemployment. Housing Commission Management salaries were up to 17% below market average. The consultants report that agencies are utilizing a variety of incentive approaches to attract and retain qualified managers, including competitive salaries, hiring bonuses and additional "perks" to compensate for performance expectations including the challenge to seek creative, innovative and cost effective solutions to streamline and improve operations.

Based on recent turnover and extreme difficulty experienced in recruiting and attracting well qualified candidates for management positions in this tight labor market (Controller, Director of Operations, Director of Finance, Development & Policy, Housing Finance & Development Manager), and the practice of other public and private agencies that have provided higher percentage increases during this period, the consultants have recommended increasing the control points (range maximums) for management positions on the Executive and Management Pay Schedule, ("M" Schedule) beyond current range maximum for ranges M50 (Chief Executive Officer); M49 (Chief of Staff); M47 (Director); M44 (Manager); and M34 (Secretary to the CEO). The adjustment to the range maximum will extend the current control point to be more consistent with other public agency practice. The current range breadth is 25% between the minimum and control point. The recommendation would increase the breadth of these ranges from 25% to at least 35%. According to the consultants, most public agencies have a 60% or broader span between the minimum and maximum of the range.

The Chief Executive Officer will consider FY02 salary increases for EMS incumbents, including special performance pay recognition based on specific job performance. As in years past, EMS salary increases and pay recognition based on performance, are granted at the discretion of the Chief Executive Officer as provided for within the FY02 Budget. Provisions of policies (Policy 102.104) describe the discretion of the Chief Executive Officer to recognize and reward performance.

EMS incumbents receive the same Basic Flex Benefits Credits as other employees. In addition, Executives, Managers, and EMS employees receive specifically approved Management Flex Benefits which, according to the consultants, are slightly conservative in comparison to other agencies. Although the Reward Consultants recommended additional fringe benefits typically offered to public agency management staff, no change to Management Flex Benefits is proposed other than a provision for a car allowance for executive staff as provided for similar executive positions at the City of San Diego. The Chief Executive Officer currently receives a car allowance, consistent with the City Manager's car allowance, per contract provision. It is recommended that the executive staff receive a car allowance of \$300 per month which is comparable to Deputy Department Directors who are similarly responsible for large divisions.

A number of public agencies utilize various forms of work furloughs to control personnel costs as an alternative to salary reductions or layoffs. The Commission authorized the

Chief Executive Officer to implement a mandatory work furlough in FY00 and FY01 requiring all employees to take four days (32 hours) off without pay between Christmas and New Year, with one discretionary day off with pay provided during FY00 and FY01. This furlough is included in the proposed MOU at the Union’s request and for all other employees. This year instead of one discretionary day off with pay, a Holiday on March 31<sup>st</sup> to commemorate the birthday of Cesar Chavez is included.

Following is a summary of proposed changes to each Personnel Policy. Most of these proposed revisions correspond with proposed changes in the MOU for union-represented employees in this report. A copy of each of the policies is included as Attachment B-1 showing of deleted language and bolding of new language. Minor housekeeping changes were made to organize and clarify language.

Addendum A: Classification and Pay Plan

- Adjust salary range control points for “M” Salary Schedule as follows:

	<u>FROM</u>	<u>TO</u>
Chief Executive Officer	\$ 124,032	\$ 148,000
Chief of Staff	\$ 111,936	\$ 126,500
Director	\$ 99,828	\$ 110,000
Managers	\$ 80,376	\$ 91,700
Secretary to the CEO	\$ 47,076	\$ 51,900

- Effective July 1, 2001, employees on the “S” Salary Schedule and “M” Salary Schedule will receive a 3.5% salary range increase, a 3.25% salary range increase effective July 1, 2002 (start of pay period) and a 2.5% salary range increase effective July 1, 2003 (start of pay period).
- Car allowance for Chief of Staff and Directors consistent with City of San Diego.
- Reflects new and deleted classifications, title changes; deletes language no longer applicable.
- Sr. Systems/Database Administrator salary range upgraded from S40 to S41 effectively July 1, 2001.
- Loan Portfolio Coordinator salary range upgrade from S39 to S41 effective July 1, 2001.

102.104: Executive and Management Service

- Classifications:

**FROM**  
Controller

**TO**  
Manager of Accounting & Financial  
Services

- Delete Assistant to the Chief Executive Officer classification from the Executive and Management Service.
- Describes discretionary actions of Chief Executive Officer for recruitment, selection, discipline and compensation.

#### 102.105: Types of Appointment

- Adds language that most recent performance review may be considered in OCA assignments for non-represented employees.
- Adds language that CEO has authority to fill a Provisional appointment outside the regular merit process.
- Language added to allow Temporary Employees to perform work requiring special skills for which training cannot be provided in a timely manner or for the purpose of providing entry level on the job training to public housing residents and Section 8 participants to enhance their economic development.

#### 102.201: Merit Principles

- In accordance with other policy provisions, clarifies provisions under which merit would not be considered.

#### 102.204: Performance Evaluations

- Clarifies language that performance feedback for regular employees in temporary assignments is included in the employee's regular annual evaluation instead of written evaluation at three (3) months.
- Clarifies that employee's comments submitted after five (5) workdays will be forwarded through the appropriate signature approvals for filing in the employee personnel file and attached to the appropriate performance review.

#### 102.209: Selection and Examination

- Clarifies that Chief Executive Officer has authority to target certain recruitments to Section 8 participants and residents of the Housing Commission/Authority owned housing.
- New: Performance reviews conducted within last two years may be considered as part of the final stage of the selection process for promotion.
- New: Chief Executive Officer or designee has the authority to extend use of an eligibility list for employment or promotion purposes for 12 months, Human Resources Manager may extend the list for an additional 3 months.

#### 102.210: Changes in Status

- New: Language added to include consideration of recent performance reviews for approval of transferring to available positions within the same classification or for lateral reassignments.
- New: Performance reviews conducted within last two years may be considered by the CEO or designee in the selection decision.

#### 102.301: Short Term Merit Awards

- Increased award amounts to include \$750.
- Language added to broaden criteria to include self directed development efforts to learn and apply new skills consistent with the Core Values of the Housing Commission.

#### 102.310: Tuition Reimbursement

- Tuition Reimbursement increased from \$800 to \$1,000.

#### 102.401: Holidays Defined

- Revised to include additional paid holiday - Cesar Chavez Birthday, March 31.

#### 102.402: Catastrophic Leave

- Maximum donation for Catastrophic Leave increased from three (8) hour days to six (6) eight hour days.

#### 102.501: Constructive Counseling and Development

- Employees may review their personnel file and supervisor's working file with advance notice.
- Language added to include provisions from the Fair Labor Standards Act:

Suspension without pay shall not exceed 30 calendar days, and shall only be applicable to non-salaried employees.

Salaried employees shall not be suspended without pay, except if such suspension is imposed in good faith for infractions of safety rules of major significance (those relating to the prevention of serious danger to the workplace and/or other employees).

Exempt status employees are, in general, not disciplined by piecemeal deductions from their pay, but are terminated, demoted or given restricted assignments.

- If employee verbally responds to a Notice of Intent, a written confirmation is required as follow up documentation.
- Counseling actions regarding performance or incident are excluded from the requirements of the disciplinary process, except where there is probable cause disciplinary action may result.

#### 102.801: Safety

- Language added: Supervisor shall consider situation on a case by case basis to determine appropriate administrative leave, referral or approved annual leave, or other options to safeguard workplace.

#### Addendum B: Benefits Program

- Summary of FY02 benefits for all employees, executives and managers.

Attachments: B-1      Revised Personnel Policies and Pay Plan (*Distribution of the attachments is limited. Copies are available for review at the Housing Commission, located at 1625 Newton Avenue, and at the Office of the City Clerk, 2<sup>nd</sup> Floor, 202 C Street.*)