

STAFF REPORT

DATE: January 10, 2012
TO: City Council
FROM: Steve Pinkerton, City Manager
SUBJECT: Adoption of Guiding Principles for Employee Compensation and Objectives for Labor Negotiations

Recommendation

Adopt the enclosed Principles and Objectives document establishing a general policy framework for employee compensation and guide negotiations with the City's employee bargaining groups and unrepresented employees.

Fiscal Impact

There is no direct fiscal impact resulting from the recommendation to adopt the proposed Guiding Principles and Objectives for employee compensation and labor negotiations. However, it is recognized that effective management of city-wide personnel costs through negotiated labor agreements is a critical and necessary component of the City's effort to ensure long-term fiscal stability, sustainable budgets, and reduction of unfunded liabilities related to employee benefits.

Council Goal(s)

Fiscal Stability
Community Strength and Effectiveness

Background and Analysis

In May of 2009, the City Council adopted a set of Guiding Principles and Objectives to provide policy direction for labor negotiations with its represented and unrepresented employees. The majority of the City's current labor agreements expire on June 30, 2012. The City Council has held several meetings in closed session to discuss policy goals and objectives for the upcoming round of contract negotiations and, in the process, has considered amendments to the Guiding Principles document.

The purpose of formally adopting this document extends beyond establishment of a policy framework to guide labor negotiations. The Guidelines and Objectives can assist in the negotiating process by establishing overall objectives, without regard to specific contract proposals. In so doing, the document provides a framework for negotiations consistent with principles of good faith bargaining, and enhances the transparency and accountability of the negotiating process. It effectively establishes policy objectives against which the outcome of labor negotiations can be evaluated, while communicating to the organization, employees and the community the foundation upon which the City seeks to reach agreement on terms of new labor contracts.

Subject: Guiding Principles for Employee Compensation

Attachment

- *Guiding Principles for Employee Compensation and Objectives for Labor Negotiations – January 2012*

City of Davis
Guiding Principles for Employee Compensation
and
Objectives for Labor Negotiations

Guiding Principles on Employee Compensation –

The City of Davis values its employees and seeks to provide fair and equitable compensation for each employee group and classification. The following principles are established to guide adoption of compensation plans and contracts covering City employees.

Recruitment and Retention – The City’s compensation should, when economically feasible, be set at levels sufficient to recruit and retain qualified employees who are committed to provide the highest quality service to the community.

Fiscal Sustainability – All compensation commitments must take into account the financial ability of the City and be consistent with the principles of fiscal sustainability.

Interest and Welfare of the Public – Employee compensation must ensure the City’s long-term success in achieving its core mission, and be consistent with the interests and welfare of the public.

Transparency – Compensation for all City employees should be transparent so as to ensure full public disclosure of all elements of compensation, including all differential and incentive pay and all costs associated with health insurance, retirement and other post-employment benefits. The City’s compensation structure should be simple and easily understood.

Compliance – The City will ensure that its pay practices conform to the Fair Labor Standards Act (FLSA) and applicable State law. The City re-affirms its commitment to negotiate in good faith with its employees, and to abide by all requirements of the Meyers-Milias-Brown Act.

Objectives for Labor Negotiations-

Health Benefits

- Labor contracts should effectively manage escalating health benefit costs while maintaining comprehensive, coverage for all employees.
- Modify the City’s cafeteria health plan cash-out provision, with the goal of reducing costs while still providing appropriate opt-out incentives for employees with alternative health insurance coverage.

Retirement Benefits

- City employees should cover the full share of employee contributions toward the cost of their retirement benefits.
- City employees should also share in the contribution-rate risk inherent in a defined benefit retirement plan.

Retiree Medical Benefits

- Reduce the long term liability of retiree medical costs, while retaining progressive elements of the City's retiree medical insurance benefit.
- Retain a vesting period for eligibility of retirement medical benefits.

Other

- To the extent utilized, market labor surveys should include full range of compensation and benefits, and explore comparisons with broader range of public agency employers.
- All employment contracts should include provisions whereby the City and employees share in the risk associated with long-term labor agreements related to revenue and benefit cost assumptions.
- Avoid contract language that binds the City to decisions made by other agencies.
- Where appropriate, implement differential compensation packages for future employees.
- Ensure contract language related to overtime is consistent with applicable State and Federal Law.
- Recognize that flexibility may be necessary on the specific elements of the overall compensation package, provided that guiding principles are achieved within budgetary constraints.