

**CITY COUNCIL OF SOUTH LAKE TAHOE**

**RESOLUTION NO. 2014-65**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH LAKE TAHOE APPROVING CHANGES TO WAGES AND BENEFITS FOR UNREPRESENTED EMPLOYEES INCLUDING MANAGEMENT, NON-MANAGEMENT AND THE ELECTED CITY CLERK; AND APPROVING CHANGES TO BENEFITS OF ALL OTHER ELECTED OFFICIALS**

WHEREAS, the positions represented by this resolution include unrepresented appointees including the City Manager and City Attorney; Department Directors including Chief of Police, Fire Chief, Director of Development Services, Administrative Services Director, Public Works Director and the elected City Clerk; management positions including Human Resources Manager, Deputy City Attorney, Deputy Director of Development Services and Airport Manager; unrepresented/non-management employees in the City Manager's Office which include the Public Information Officer and Management Analyst; other elected officials including City Treasurer and City Councilmembers and any other unrepresented positions, which may be added at any time during the implementation of these wage and benefit changes; and

WHEREAS, the City Council of the City of South Lake Tahoe has met and conferred in good faith with unrepresented employees in accordance with the provisions of the Meyers-Milias-Brown Act of the California Government Code; and

WHEREAS, the City Council of the City of South Lake Tahoe has engaged in significant budget restructuring over the past four years to resolve financial structural deficits stemming from the loss of revenues due to the Great Recession and substantial increases in the rise of California Public Employees' Pension (CalPERS) costs and rising costs and plan design flaws in the City's self-insured healthcare benefit plans; and

WHEREAS, since 2011, the City of South Lake Tahoe has prepared and adopted a Five-Year Financial Forecast of its revenues and expenses including the 2014 Five-Year Financial Forecast presented to the City Council on June 17, 2014 projecting the return of a negative net general fund balance by 2016 and increasing in years thereafter; and

WHEREAS, as noted in the 2014 Five-Year Financial Forecast and the Fiscal Year 2014/2015 Budget there are insufficient net fund balances to provide wage increases and other improved compensation benefits without further reductions in expenses; and

WHEREAS, since 2010, employees of the City of South Lake Tahoe have participated in concessions and cost containment strategies including at least two (2) years of furloughs (removed beginning Fiscal Year 2011/2012), and wage concessions including seven (7) to nine (9) percent reductions in salary to pay the full "employee share" of CalPERs expenses; and

WHEREAS, in 2013, the City of South Lake Tahoe contracted with John Bartell of Bartell Associates, actuarial services for public sector, to conduct an evaluation of the City's long-term CalPERS pension liability, which indicated an unfunded liability of more than \$50M and annual increases in CalPERS payments resulting from increased longevity assumptions and projected investment performance; CalPERs new rates will increase the City's Employer contribution to a total pension expense between 26% and 42% of salary for miscellaneous (non-public safety) employees and between 40% and 70% of salary for public safety (fire and police) pensions; and

WHEREAS, on September 12, 2012, Governor Jerry Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA) into law in an effort to curtail the rising costs of pension throughout CalPERS public agencies; and

WHEREAS, PEPRA allows CalPERS agencies to seek additional wage concessions from employees by January 1, 2018 who are not paying 50% of the "Normal Cost" of their CalPERS pensions or no more than 8% of pay for miscellaneous employees and 12% of pay for public safety (fire and police) employees; and

WHEREAS, during the past 20 years or more the City of South Lake Tahoe and employees (represented and unrepresented) have agreed to amend its healthcare plans many times and since the early 1990s have changed the medical, dental and vision benefit plans in an effort to control costs resulting in increased deductibles, reduced coverages, elimination of participants and increased cost sharing; and

WHEREAS, in 2001, the City of South Lake Tahoe and employees (represented and unrepresented) agreed to eliminate retiree medical, dental and vision coverage for spouses employees hired after June 30, 2001; and

WHEREAS, in 2007 (the "2007 Decision"), the City of South Lake Tahoe and employees (represented and unrepresented) agreed to eliminate the provision of all healthcare benefits, including medical, dental and vision and any other similar benefits upon retirement for employees hired after January 1, 2008; and

WHEREAS, the 2001 and 2007 decisions to eliminate retiree medical and other health benefits has not had an adverse impact on recruitments, but has created an imbalance in the organization; and

WHEREAS, in 2012, the City of South Lake Tahoe implemented further benefit reductions to reduce healthcare plan costs, which included increases in deductibles, changes to plan design and the benefit structure; and

WHEREAS, in 2013, the City of South Lake Tahoe offered Medicare eligible retirees "Medigap" supplemental coverage as secondary supplemental insurance due to the stability of the benefit and premium structures, which are regulated by the federal government as compared to the City's benefits as secondary medical coverage, which are subject to on-going changes and implementation of cost containment strategies without guarantee of benefit structure, benefit design, benefit plan features or assurance of availability of such a plan; and

WHEREAS, between 2010 and 2014, the City of South Lake Tahoe's management and employee Healthcare Cost Containment Committee (consisting of employees, representatives from employee associations/unions and management) have met multiple times, evaluated the cost and benefits of further plan design changes, evaluated the cost, benefits and possibility of contracting with an outside insurance company to provide the City's medical and other health benefits insurance; and

WHEREAS, in 2013, the City of South Lake Tahoe again contracted with John Bartell, of Bartell Associates, actuarial services for public employees, to conduct an evaluation of the City's Other Post Employment Benefit (OPEB) liability in accordance with GASB 45, and the resulting report indicated an unfunded retiree healthcare liability of more than \$25M, which does not include the cost of healthcare benefits for employees; and

WHEREAS, in spite of the many years of implementing these and other various cost containment strategies, medical costs continue to escalate throughout the country, of which the City is no exception, and in fact local medical costs exceed those found in larger urban locations where a greater number of competitive options are available; and

WHEREAS, the federal government's attempt to control costs included the adoption of the Patient Protection and Affordable Care Act ("ACA"), which sets forth regulations governing medical insurance; and

WHEREAS, the City of South Lake Tahoe administers its Medical Plans and other healthcare benefits as a self-insured municipal agency and thus, the City's self-insurance plan must follow the regulations set forth by the ACA; and

WHEREAS, the City of South Lake Tahoe directed its healthcare benefits broker (Keenan & Associates) to design the City's Medical Plan in accordance with the ACA and if possible provide options for participants; and

WHEREAS, Keenan & Associates drafted such a medical insurance plan, which was presented to the City's Healthcare Cost Containment Committee on January 17, 2014 which included a Basic Plan ("Plan A") in accordance with the ACA meeting federal regulatory requirements and also included four (4) optional plan designs; and

WHEREAS, the City of South Lake Tahoe further directed Keenan & Associates to develop additional "tiers" in each plan for single, two-party and family rates to provide additional cost-containment options for participants in the City's Medical Plan, which was completed and presented in the summer of 2014 to unrepresented employees as well as employee associations and unions during contract negotiations for a Successor Memorandum of Understanding; and

WHEREAS, in accordance with the ACA, the basic medical plan proposed by Keenan & Associates, "Plan A" provides 100% coverage for some important well-care and prevention visits; and

WHEREAS, for unrepresented employees "Plan A" will be the City's designated Medical Plan for which the City will cover 100% of the premium for employees at the single, two-party, or family rate; employees will have the option to pay the difference between the "Plan A" premium and other available plans if they choose to purchase another plan other than the City's designated Medical Plan; and

WHEREAS, employees who were not represented and who have since retired and are under the age of 65, ("early retirees") who are current Medical Plan participants will receive the same Medical Plan as active unrepresented employees, which will be "Plan A" as the City's medical plan; the City will pay the percentage of premium for "Plan A" for the retiree and their dependents' percentage rate, if any, as authorized and in accordance with the applicable agreement under which they retired (which may vary by retiree); retirees will possess the same option as employees if they choose to purchase another plan other than the City's Medical Plan, they may pay the difference between the premium of the City's designated Medical Plan ("Plan A") and other available plans; and

WHEREAS, similar to the 2007 decision, unrepresented employees hired before 2008 have agreed to terminate their option to remain on the City's Medical Plan upon retirement, which was conditioned upon whether or not the City would have a Medical Plan at their retirement and would have been subject to on-going changes and implementation of cost containment strategies without guarantee of benefit structure, benefit design, benefit plan features or assurance of availability of such a plan and which was subject to termination at any time; and

WHEREAS, similarly, unrepresented employees hired after 2008 have agreed to the City's elimination of all current and previous contributions to a Retirement Medical Savings Account of which no employees were vested; and

WHEREAS, unrepresented employees are commended for agreeing to changes in the City's health and welfare benefits, which contained tremendous plan design flaws and resulted in a variety of different benefits for employees and over \$25M OPEB liability for the City of South Lake Tahoe based on current healthcare industry costs; and

WHEREAS, as a result of the agreement by unrepresented employees to accept "Plan A," as the City's Medical Plan, the City will realize sufficient reductions in expenses when combined with all of the provisions of the wage and benefit changes as defined below, along with a portion of the financial strategy adopted by the City Council on August 5, 2014, including reductions in the City's OPEB liability and projected increases in tourism revenue over the next three years to sufficiently fund the wage and benefit changes for unrepresented employees as described below; and

WHEREAS, adoption of this resolution rescinds and replaces all other wage and benefit packages for unrepresented employees and elected officials.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH LAKE TAHOE HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The City Council directs the City Manager to take the necessary steps to implement the changes and modifications to wages and benefits as approved and hereby authorizes the Mayor to execute all necessary documents, if any, in accordance and in substantial compliance with these agreed upon terms described herein.

Section 3. "City Medical Plan". Effective January 1, 2015, the City's Medical Plan for all unrepresented classifications as indicated in this resolution shall be "Plan A" of which the City will cover 100% of the premium at the single, two-party or family rate for employees. Unrepresented "early retirees" (under the age of 65) eligible for the City's Medical Plan shall receive the same plan as unrepresented employees ("Plan A"), of which the City will pay the percentage of the premium for single, two-party or family rate for the retiree in accordance with their eligibility and premium vesting schedule as authorized at the time of their retirement. As it has always been, the City's Medical Plan remains subject to change at any time by agreement of the City and Employees and shall continue for as long as the City retains such a plan without guarantee that a City Medical Plan will exist for any defined period of time. The City's Medical Plan is limited to medical benefits as defined in "Plan A." Dental insurance will no longer be provided. Plan participants may elect to purchase dental and vision insurance coverage at their own expense.

**Section 4. Medicare Age Retirees.** Unrepresented employees, who have since retired and who are or become of Medicare age or eligibility ("Medicare Age Retirees") remain required to join Medicare at the time they are eligible. As it has always been, the City's Medical Plan remains subject to change at any time and shall continue for as long as the City retains such a plan without guarantee that a City Medical Plan will exist for any defined period of time.

**Section 5. Optional Plans.** Eligible plan participants have the option to purchase other available medical plans by paying the difference between the amount of premium paid by the City (and/or City and Retiree) for the City's "Plan A" Medical Plan and other available plans, which may vary from year to year. Participants may also elect, at their own expense to purchase dental, vision, additional life insurance and other optional benefits.

**Section 6. Retiree Health Benefit.** Unrepresented employees who have not yet retired are not eligible to participate in the City's Medical Plan upon retirement unless the participant pays 100% of a monthly premium (to be determined), which may be different than employee premium rate; the City makes no guarantee that a City Medical Plan will exist upon retirement nor that it will continue for any defined period of time during retirement. The City's contributions to a Retiree Medical Savings Account (RMSA) for non-represented employees and elected officials, which began in January 2008, are hereby terminated. All funds in the City's RMSA Trust Fund for these employees and elected officials are hereby directed to be transferred to the City's Other Post Employment Benefit trust.

**Section 7. Transitional Retiree Health Benefit.** Eligible unrepresented employees, who elect to retire before December 31, 2018 shall be afforded the option to receive the following Transitional Retirement Health Benefit:

**Transitional Retirement Health Benefit Plan**

Retirement Date	Contribution	
	EE+	Single
Between October 1, 2014 - December 31, 2014 +Subsequent Years	\$12,000	\$7,000
Between January 1, 2015 - December 31, 2015 +Subsequent Years	\$10,000	\$5,500
Between January 1, 2016 - December 31, 2016 +Subsequent Years	\$8,000	\$4,000
Between January 1, 2017 - December 31, 2017 +Subsequent Year	\$6,000	\$2,500
Between January 1, 2018 - December 31, 2018	\$4,000	\$1,000

**Section 8. Salary Compensation.** The following wage increases are authorized for unrepresented positions, excluding elected officials except the City Clerk:

Classification	October, 2014	October, 2015	October, 2016
Department Directors, including City Clerk	2.5%	2.5%	2.5%
Management and non-management employees	3.0%	3.0%	2.5%
City Manager & City Attorney	3.0%		

Section 9 Section 125. In accordance with IRS regulations, agreements must be made, by group, for the acceptance of compensation as either taxable or non-taxable. The unrepresented employees (excluding elected officials) met and conferred with the City of South Lake Tahoe and elected to have proposed "one-time" non-CalPERSable funds placed into an "IRS" Section 125 plan from which employees may make elective decisions. Group participants (in this case, unrepresented employees) are provided an opportunity to apply the funds on a pretax basis through the City's Section 125 Plan to benefits that may include, but are not limited to, monthly premiums for medical, dental, vision, accident and other health related benefits; employees may also choose IRS defined taxable options. The City will deposit in equal installments for each pay period, the following into the City's Employer-Sponsored Section 125 Plan for unrepresented group participants in the manner prescribed by law, which shall equate to \$2,500 in 2015; \$2,500 in 2016; and \$500 in 2017. The City will make an annual contribution into the City's Employer-Sponsored Section 125 or Health Reimbursement Account or other appropriate non-CalPERSable IRS approved pre-tax vehicle for Active (non-retired) Elected Officials of \$3,500 to be utilized exclusively for medical expenses as defined by the IRS.

Section 10. "Opt Out" Provision. Unrepresented employees, including the City Clerk, but excluding all other elected officials, shall be eligible to "Opt-Out" of the City's Medical Plan with evidence of medical coverage provided elsewhere. Employees making an annual election to "Opt Out" of the City's Medical Plan must make the election during Open Enrollment. Employees will receive an "Opt Out" non-CalPERSable payment in March of the calendar year following open enrollment in which they make the election. Employees who elect to "Opt Out" and who have a Qualified Event in the same year authorizing a change to their election, may re-elect to participate in the City's Medical Plan, however, they will be required to repay the "Opt Out" payment on a prorated (by month) basis. If electing the "Opt Out" provision, it is mutually exclusive of and in addition to the "one-time" funds provided in Section 8.

Section 11. Deferred Compensation to 457 or 401(a) / 50% Matching. Unrepresented employees, including the City Clerk, but excluding all other elected officials, with five years of service at the time of adoption of this resolution (and in any month following an employee's fifth year of service), have the option to participate in the City's Deferred Compensation Retirement Plan. For employees electing to participate in this optional benefit, the City will provide a matching contribution of up to 50% of the employees' contribution up to a maximum contribution of \$1,500 per employee, per fiscal year, payable in equal installments, rounded to the nearest dollar. Employees choosing the City's matching contribution benefits must make the election during Open Enrollment each year.

Section 12. Sixth Step Pay & Merit Pay. The City currently offers additional compensation for employees with five (5) years of service and a balance of 520 hours sick leave in their sick leave "bank" payable at 6% non-CalPERSable compensation, which converts to a 5% CalPERSable compensation after 15 years of service. For unrepresented employees, this current benefit is hereby eliminated and replaced with a 5% CalPERSable compensation upon reaching 10 years of service as a Longevity Pay benefit, which shall not linked or dependent upon sick leave or vacation leave in an employees' bank. All unrepresented benefited employees, excluding the City Manager and City Attorney, and including the City Clerk, but excluding other elected officials, are eligible to receive this benefit.

Section 13. Vacation Accrual Limits. The City's maximum vacation accrual hours of 240 shall be enforced for all unrepresented employees beginning June, 2015. Unrepresented employees with vacation hours above the maximum of 240 hours shall not be permitted to

accrue additional vacation hours until the employee reduces the amount of vacation hours below 240 hours in their vacation accrual bank, after which time the employee may again accrue vacation. Reinstatement of vacation accrual shall begin the pay period following the period in which their hours are below the 240 maximum accrual.

Section 14. Non-CalPERSable Compensation. Unrepresented employees provided non-CalPERSable compensation shall be eliminated and rolled into a lesser, but CalPERSable compensation, which will be neutral to the City's budget. These benefits include car allowance for the Public Works Director; the Chiefs of Police and Fire are provided a vehicle for their use for City business and shall therefore not receive a car allowance.

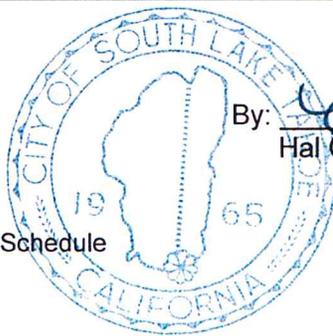
Section 15. Other benefits. The City's unrepresented benefited positions are eligible for other standard benefits including, but not limited to the following:

- Administrative Leave, up to 80 hours annually, provided at the discretion of the City Manager as recognition for the additional, non-compensated hours worked of salaried (non-hourly) employees.
- Public Safety Uniform Pay provided to Police Chief and Fire Chief.
- Management Incentive / Education Pay.
- Tuition Reimbursement and Bi-Lingual Pay, Use of a City-issued cell phone.
- Transfer and sell-back of leave – Unrepresented retain the option as other employees have to donate banked leave to other employees in need and to sell back vacation hours in accordance with the City's Personnel Policies, which shall not result in the selling of more than 40 hours vacation in any calendar year and only in a calendar year in which at least 40 hours of vacation was utilized by the employee.
- Other standard benefits provided to administrative management and confidential employees including but not limited to, holidays and paid time off, sick leave accruals, vacation accruals dependent upon years of service, mileage and business reimbursements.

**PASSED AND ADOPTED** by the City Council of the City of South Lake Tahoe at a duly noticed meeting held on October 10, 2014 by the following vote:

AYES: Councilmember(s): COLE, LAINE, CONNER, DAVIS & SWANSON  
NOES: Councilmember(s): \_\_\_\_\_  
ABSENT: Councilmember(s): \_\_\_\_\_  
ABSTAIN: Councilmember(s): \_\_\_\_\_

ATTEST:  
By: Susan Alessi  
Susan Alessi, City Clerk



By: Hal Cole  
Hal Cole, Mayor

Attachment:  
• Updated Unrepresented Salary Schedule

City of South Lake Tahoe  
Salary Table by Bargaining Unit

**Bargaining Unit 1100 - City Clerk**

10 CITY CLERK

Index Key Value	Hourly	Monthly
1100/1138/01	38.5826	6,688
1100/1138/02	40.5074	7,021
1100/1138/03	42.5364	7,373
1100/1138/04	44.6615	7,741
1100/1138/05	46.8991	8,129

City of South Lake Tahoe  
Salary Table by Bargaining Unit

**Bargaining Unit 1300 - Department Heads/Unrepresented**

**1620 CHIEF OF POLICE**

Index Key Value		
1300/1362/01	60.6632	10,515
1300/1362/02	63.6964	11,041
1300/1362/03	66.8854	11,593
1300/1362/04	70.2301	12,173
1300/1362/05	73.7397	12,782

**2120 DIRECTOR OF PUBLIC WORKS**

Index Key Value		
1300/1445/01	58.8480	10,200
1300/1445/02	61.7904	10,710
1300/1445/03	64.8799	11,246
1300/1445/04	68.1240	11,808
1300/1445/05	71.5301	12,399

**1350 DIR OF DEVELOPMENT SERVICES**

Index Key Value		
1300/1350/01	57.7745	10,014
1300/1350/02	60.6633	10,515
1300/1350/03	63.7004	11,041
1300/1350/04	66.8859	11,594
1300/1350/05	70.2284	12,173

**1342 FIRE CHIEF**

Index Key Value		
1300/1320/01	60.6632	10,515
1300/1320/02	63.6964	11,041
1300/1320/03	66.8854	11,593
1300/1320/04	70.2301	12,173
1300/1320/05	73.7397	12,782

**1345 DIRECTOR OF ADMIN SERVICES**

Index Key Value		
1300/1380/01	57.7745	10,014
1300/1380/02	60.6633	10,515
1300/1380/03	63.7004	11,041
1300/1380/04	66.8859	11,594
1300/1380/05	70.2284	12,173

**1240 ASSISTANT CITY ATTORNEY**

Index Key Value		
1301/1240/01	46.9901	8,145
1301/1240/02	49.3404	8,552
1301/1240/03	51.8042	8,979
1301/1240/04	54.3923	9,428
1301/1240/05	57.1149	9,900

City of South Lake Tahoe  
Salary Table by Bargaining Unit

**Bargaining Unit 1401 - Unrepresented**

1431 AIRPORT DIRECTOR

Index Key Value

1401/1493/01	45.2609	7,845
1401/1493/02	47.5194	8,237
1401/1493/03	49.8954	8,649
1401/1493/04	52.3979	9,082
1401/1493/05	55.0178	9,536

1091 HUMAN RESOURCE MANAGER

Index Key Value

1401/1435/01	44.9808	7,797
1401/1435/02	47.2248	8,186
1401/1435/03	49.5895	8,596
1401/1435/04	52.0650	9,025
1401/1435/05	54.6713	9,476

1475 DEPUTY DEVELOPMENT SRV DIR

Index Key Value

1401/1475/01	46.4050	8,044
1401/1475/02	48.7253	8,446
1401/1475/03	51.1615	8,868
1401/1475/04	53.7202	9,311
1401/1475/05	56.4062	9,777

1470 PUBLIC INFORMATION OFFICER

Index Key Value

1401/1470/01	27.8369	4,825
1401/1470/02	29.2310	5,067
1401/1470/03	30.6941	5,320
1401/1470/04	32.2261	5,586
1401/1470/05	33.8348	5,865

City of South Lake Tahoe  
Salary Table by Bargaining Unit

**Bargaining Unit 1501 - Unrepresented**

3330 MANAGEMENT ANALYST-CM

Index Key Value

1501/1450/01	30.6106	5,306
1501/1450/02	32.1444	5,572
1501/1450/03	33.7547	5,851
1501/1450/04	35.4414	6,143
1501/1450/05	37.2119	6,450