



# City of Palo Alto City Manager's Report

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**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER DEPARTMENT: HUMAN RESOURCES**

**DATE: DECEMBER 14, 2009 CMR: 459:09**

**REPORT TYPE: CONSENT**

**SUBJECT: Adoption of Resolution Amending the FY2007-FY2009 Compensation Plan for Limited Hourly Personnel Adopted by Resolution No. 8759 to Revise the Provisions Related to Term of Employment**

## **RECOMMENDATION**

Staff recommends that the Council adopt a resolution amending the FY2007-FY2009 Compensation Plan for limited hourly personnel to revise the provisions related to term of employment allowing for limited hourly personnel to work more than 1,000 hours in a fiscal year with the approval of the City Manager.

## **DISCUSSION**

As part of ongoing discussions about the City's financial and budget situation, the City Manager has been meeting with staff from Human Resources and Administrative Services to identify opportunities to create additional flexibility for meeting organizational staffing needs while working within a constrained fiscal environment. The City must maintain the ability to provide services but with a higher degree of flexibility and responsiveness. One of these ways is through a mechanism that allows the City Manager to make temporary assignments, which allow for the continuation of services while organizational structure reviews occur, and giving the City time to determine the most effective ways for providing the services or whether the services are in fact critical to the community and City operations. Temporarily filling positions on a limited basis also generates some level of salary and benefit savings as these temporary positions do not receive the City's full benefit package.

For management level duties, the Limited Hourly Compensation Plan generally provides the mechanism for making temporary assignments. However, the current provisions in the Plan only allow employees in such assignments to work less than 1,000 hours in a given fiscal year (about 6 months of full time employment). Given the current economic uncertainties and organizational restructuring, staff had identified a need to expand this provision of the Limited Hourly Compensation Plans in such a way that would allow certain management assignments to be filled temporarily on a full-time basis for longer than the approximate six month period imposed by the current provisions. Additionally, it sometimes takes longer than 6 months to recruit for positions. Staff recommends amending the provisions of Sections I and V to allow for the extension of limited hourly employment terms beyond 1,000 hours. This provision would only

allow an extension with the approval of the City Manager. Staff anticipates that extensions would only be granted on a limited basis, and the new language would require staff to review any extension every six months.

Typically, the Limited Hourly Compensation Plan would be amended concurrently with the SEIU hourly contract and brought forward to Council at the conclusion of those negotiations. However, SEIU hourly negotiations are just beginning and this limited scope amendment to the Plan is necessary now given current organizational needs. This change is part of an ongoing process by Human Resources and Administrative Services staff to evaluate opportunities that will allow for organizational restructuring and flexibility. Staff anticipates returning to Council in the near future with updated plans, and as necessary with amendments to accommodate City needs.

### **RESOURCE IMPACT**

As mentioned above, limited hourly employees are not eligible for the City's full benefit package. They can receive holiday and/or overtime pay depending on hours worked, but they do not receive paid leave or health or retirement benefits. Limited Hourly personnel also contribute 7.5% of their salary to the alternative PTS retirement plan (instead of contributions toward Social Security) if they work less than 1,000 hours in a fiscal year.

By allowing limited hourly employees to work in excess of 1,000 hours in a fiscal year, the City would be required to enroll these limited hourly employees in CalPERS (California Public Employee Retirement System). This enrollment would create an added cost to the City, where the City would contribute 18% of salary for each limited hourly employee working over 1,000 hours. The average hourly rate for the Management Specialist classification is \$54.87. If this individual worked 1,500 hours, the City would pay \$82,305 in salary costs and \$14,815 in PERS costs. However, if the employee is temporarily filling a permanent position that is vacant, there will likely be net savings to the City due to the reduced benefit costs. For comparison purposes, a regular permanent position has a benefit expense of approximately 50 percent of salary.

### **POLICY IMPLICATIONS**

The 1,000 hour limit on hourly employment has been a longstanding provision in City compensation plans; however, this change will enhance management's ability to be flexible and responsive to changing needs as the City works to address and correct its fiscal restraints.

### **ENVIRONMENTAL REVIEW**

This report is not a project requiring review under the California Environmental Quality Act (CEQA).

Attachment A: Resolution of the Council of the City of Palo Alto Amending the FY2007-FY2009 Compensation Plan for Limited Hourly Personnel Adopted by Resolution No. 8759 to Revise the Provisions Related to Term of Employment

**PREPARED BY:** SANDRA T. R. BLANCH  
Assistant Human Resources Director

**DEPARTMENT APPROVAL:**   
RUSS CARLSEN  
Human Resources Director

**CITY MANAGER APPROVAL:**   
JAMES KEENE  
City Manager

**\* \* \* NOT YET APPROVED \* \* \***

Resolution No. \_\_\_\_\_  
Resolution of the Council of the City of Palo Alto  
Amending the 2007-2009 Compensation Plan for Limited  
Hourly Personnel Adopted by Resolution No. 8759 to  
Revise the Provisions Related to Employment

WHEREAS, on October 1, 2007 the Council Adopted Resolution No. 8759, approving the 2007-2009 Compensation Plan for Limited Hourly personnel (the "Compensation Plan"); and

WHEREAS, Sections I and V of the Compensation Plan provide provisions for terms of limited hourly employment; and

WHEREAS, the Compensation plan currently limits hourly employment to a maximum of 1000 hours per fiscal year; and

WHEREAS, working within the currently constrained fiscal environment, City staff has identified a need to give the City additional flexibility in meeting organizational staffing needs at the management level while it reviews organizational structures; and

WHEREAS, allowing extension of limited hourly employment beyond 1,000 hours in a fiscal year, on a limited basis and subject to the approval of the City Manager, will give the City the additional flexibility it needs to make permanent staffing decisions.

NOW, THEREFORE, the Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Compensation Plan for Management and Professional Personnel and Council Appointees adopted by Resolution No. 8759, is hereby amended to revise Section I as follows (new language shown in underline):

"SECTION 1. DEFINITIONS

At-Will Employment: Employee or Employer may terminate employment at any time with or without notice or cause.

Limited Hourly Employee: An "At-Will" employee working full time or part time on a temporary basis (Intermittent), employees who work on an on-call basis or an employee working hours up to six consecutive months in support of a specified seasonal program such as summer camps or Internships (Seasonal). Limited Hourly Employees work less than 1000 hours per fiscal year, unless otherwise authorized as provided in Section V of this Plan.

\* \* \* NOT YET APPROVED \* \* \*

PERS-Retiree: An individual that has retired from the Public Service System and returns to work on an intermittent or seasonal basis in a Limited Hourly classification not to exceed 960 hours within a calendar year.

Intern: An individual who has earned or completed course work toward an Associate Bachelor's or Master's Degree and offers his or her services for a limited and specific period of time in exchange for gaining actual work experience. Internships may be paid or unpaid depending on the assignment and budget of the requesting department. Summer internships typically consist of 6-12 week assignments between June and September. Assignments for interns working during the school year may be for the entire duration of a course or semester."

SECTION 2. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Compensation Plan for Limited Hourly Personnel adopted by Resolution No. 8759 is hereby amended to revise Section V as follows (new language shown in underline):

"A. Limited Hourly Classifications.

The maximum employment terms for limited hourly employees shall be less than 1000 hours during any fiscal year, unless otherwise approved as provided in section V(B). The maximum hours for a retired PERS employee is 960 hours in a calendar year. Limited hourly employees are "At-Will" employees and may be terminated at any time without right of appeal.

Limited Hourly employment will not affect the probationary period or the service hire date of regular classified employment.

B. Extension of Limited Hourly Employment.

The City Manager may authorize a Limited Hourly Employee to work more than 1000 hours per fiscal year, subject to all applicable rules and regulations. Such authorization, along with a statement of the anticipated duration shall be provided in writing to Human Resources in advance of the extension of limited hourly employment. The duration of the employment assignment shall be reviewed every six months to ensure appropriateness of extension and ability to fund the extension within a department's allocated hourly budget."

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**\*\*\* NOT YET APPROVED \*\*\***

SECTION 3. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: December \_\_\_\_, 2009

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Sr. Deputy City Attorney

\_\_\_\_\_  
City Manager

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Director of Administrative Services

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Director of Human Resources