

COUNCIL SPECIAL MEETING

1

SEPTEMBER 1, 2017

CITY MANAGER RECRUITMENT

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REVIEW OF RECRUITMENT PROCESS

Recruitment Process

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- **Process Overview**
- **Request for Quotations – Recruitment Firm**
- **Sub-Committee Role**
- **Community Input**
- **Tentative Schedule**

Process Overview

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- **City Council review of recruitment process**
- **Request for Quotations**
 - Evaluate proposals and track record of recruiting qualified CMs
- **Selection of Recruitment Firm**
 - Brochure development based on job description/qualifications/input from City Councilmembers/and ELT
 - Candidate outreach
 - Candidate assessment and initial screening
 - Presentation of finalist candidates and selection of candidates to interview
 - Candidate interviews/process
 - Candidate selection/background/second interviews/selection/contract negotiations and Open Session approval of contract
- **Identify Community Input for Process**
 - Previous recruitments included community panel interviews
 - Peak Democracy can be a tool to gather input quickly and broadly from the community

Request for Quotations

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- Human Resources Director can start immediately with RFQ to obtain quotes from recruitment firms
- Based on quote and quality of firm make recommendation to full Council for approval
 - Provide authority to Sub-Committee to select firm
 - Target September 12 meeting if full Council would like input
- Process may take 20 weeks once firm selected
(challenging to recruit during holiday months, may have unintended impacts to schedule)

Role of Sub-Committee

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- Determine how frequently Sub-Committee will report to the City Council for transparency about the process
- Determine key milestones that the Sub-Committee can complete to expedite the process: recruiter selection, select CM candidates to advance for interviews, community panelists, contract negotiation terms, etc.
- Review RFQ's and make recommendation to Council
 - Recommendation: provide authority to sub-committee to approve recruitment firm and CM will execute contract
- Determine Community Input
 - Solicit volunteers to serve on panel from following:
 - ✦ Community & Business leaders
 - Application for participation in process was completed and commitment to hold dates on calendar for interview process
 - Recommendation: Sub-committee recommended panel members to full Council
 - ✦ Option: Sub-committee selects community and business leaders

Tentative Schedule

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Action	Effective Date	Alternative Dates Sub-Committee Authority
Request for Quotations and Council Action on CM Salary Range	September 14, 2017	September 14, 2017
Sub-Committee to Review Quotations	September 15, 2017	September 15, 2017
Council or Sub-Committee confirms Recruitment Firm	September 26, 2017	September 15, 2017
Develop and Finalize Recruitment Brochure	October 10, 2017	September 29, 2017
Applications for Business Leader and Community Member Interview Panelists Posted	October 16-November 5, 2017	October 2 -23, 2017
City Manager Position Posted	October 16-November 10, 2017	October 2 – 30, 2017
Full Council OR Sub-Committee Reviews Applicants and Selects Candidates for the Interview Process (and submitted to City Council for Approval)	November 14, 2017	November 3, 2017
Full Council OR Sub-Committee Reviews Business Leader and Community Member Interview Panelists (and submitted to City Council for Approval)	November 14, 2017	November 3, 2017
Interviews with Candidates (Multiple Panels)	November 27, 2017 (week of)	November 13, 2017 (week of)
Final Interviews with City Council	December 11, 2017	November 28, 2017
Reference Checks Completed	January 8, 2018	December 11, 2017
Closed Session – Council discusses offer for selected candidate	January 23, 2018	December 12, 2017
Job Offer and Negotiations	January 24, 2018 (to begin)	December 13, 2017 (to begin)
Council Meeting to Approval City Manager Contract	February 6, 2018	January 9, 2018
Start Date	March 12, 2018	February 12, 2018

Depending on Subcommittee role, timeline can be reduced as identified above

Preparing the Organization For a New City Manager

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- 1. GOVERNANCE: ROLE OF CITY COUNCIL**
- 2. EXECUTIVE COMPENSATION STRATEGY**

League of California Cities

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- **Comments from John Nagel, City Attorney**
- **Resource materials:**
 - *Relationship Between City Council and City Manager Staff*

Desirable Employer

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- City Council behavior can make a difference in the recruitment and quality of City Manager candidates
- City Manager candidates will likely view past City Council meetings, seek input from executive staff and City Manager, and ask around about workplace satisfaction, Council relations, and community issues
- Behavior impacts all areas of organization and, more importantly, ability to attract candidates

Next Steps

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- Would Council like a study session to discuss governance issues, roles & responsibilities City Council and City Manager, etc.?
- If yes, Mayor to schedule session
- If no, maintain status quo

EXECUTIVE COMPENSATION REVIEW

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CITY MANAGER COMPENSATION

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KEY TRENDS

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- Salary Range requires updating – candidates will want to know where they fit in the range and opportunity for wage growth
- Likely your next City Manager is employed and you will need a recruiter to convince s/he to apply and show interest. Good City Managers are employed and highly sought after...it is very competitive.
- City Manager salary is below market: Has not been corrected for 9 years and not kept up with internal COLAs granted. This is a matter of public record.
- CalPERS Tier 2 – Seasoned City Managers are likely in Tier 1, making it more difficult to recruit

City Manager Comparable Data

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Compensation Survey - City Manager California Large to Mid-Size Cities

Information as of June 2017
Updated 8/25/17

	All Annual - Based on Current Incumbents														
Agency	Salary	Car Allowance	Other Allowance	Total \$: Salary & Cash	City Paid Deferred Compensation	Total \$: Deferred Compensation	CalPERS Formula	Employee Paid PERS (include paying for City)	Total \$: Employee Paid PERS	Max City Paid Medical	Bonus	TOTAL COMPENSATION	Pension at Retirement - % of Final Comp ⁽¹⁾	Pension at Retirement - Estimated Amt ⁽¹⁾	
Carlsbad	\$303,160	\$12,000	\$0	\$315,160	\$24,000	\$24,000	2% @ 60	7.00%	(\$21,221)	\$17,664	\$0	\$335,603	60.00%	\$181,896	
Fremont	\$304,448	\$0	\$0	\$304,448	401(a): 2%+\$11,344 + 457: \$5,400	\$22,833	2.5% @ 55	8.00%	(\$24,356)	\$24,362	\$0	\$327,286	75.00%	\$228,336	
Mountain View ⁽²⁾	\$278,334	\$0	\$600	\$278,934	2%	\$5,567	2.7% @ 55	11.50%	(\$32,008)	\$33,457	\$0	\$285,950	81.00%	\$225,451	
Palo Alto	\$298,542	\$7,200	\$0	\$305,742	\$54,000	\$54,000	2.7% @ 55	8.50%	(\$25,376)	\$24,096	\$0	\$358,462	81.00%	\$241,819	
Redwood City ⁽³⁾	\$266,412	\$4,800	\$0	\$271,212	2%	\$5,328	2% @ 60	14.00%	(\$37,298)	\$20,594	\$0	\$259,836	60.00%	\$159,847	
San Mateo	\$255,938	\$4,500	\$0	\$260,438	none	\$0	2% @ 55	7.50%	(\$19,195)	\$20,594	\$0	\$261,837	67.86%	\$173,680	
Santa Clara ⁽³⁾	\$372,886	\$6,600	\$45,000	\$424,486	401(a): 5% + 457: \$18,000	\$36,644	2.7% @ 55	8.00%	(\$29,831)	\$33,143	\$0	\$464,442	81.00%	\$302,038	
Torrance	\$268,380	\$5,352	\$0	\$273,732	0.5% matching	\$1,342	2% @ 55	0.00%	\$0	\$12,252	\$0	\$287,326	67.86%	\$182,123	
Average	\$293,513	\$5,057	\$5,700	\$304,269		\$18,714		8.06%	(\$23,661)	\$23,270	\$0	\$322,593	71.72%	\$211,893	
Sunnyvale	\$274,713	\$6,000	\$0	\$280,713	401(a): 2% + 457: \$17,500	\$22,994	2% @ 60	4.00%	(\$10,989)	\$33,143	\$0	\$325,861	60.00%	\$164,828	
Sunnyvale above/(below) average - in \$:	(\$18,800)	\$944	(\$5,700)	(\$23,556)		\$4,280		-4.1%	\$12,672	\$9,873	\$0	\$3,268	-11.7%	(\$47,071)	
Sunnyvale above/(below) average - in %:	-6.4%	18.7%	-100.0%	-7.7%		22.9%		-50.4%	-\$3.6%	42.4%	0.0%	1.0%	-16.3%	-22.2%	

Notes:

- (1) Pension at retirement estimation is based on retiring at age 60, with 30 years of service, and not accounting for EPMC (not all agencies contracted EPMC as compensation).
 (2) Mountain View: Other allowance - Cell phone
 Deanna Santana
 (3) Santa Clara: Other allowance - Housing

City of Sunnyvale Savings for Tier 2 Miscellaneous Employees

Based on June 30, 2015 Valuation

	Tier 1	Tier 2	Annual Pension Cost Savings for City Manager position (Tier 2):
Employer Normal Cost	10.085%	6.900%	\$52,388
EPMC	4.000%	4.000%	
Unfunded Liability *	15.885%	-	
	29.970%	10.900%	

* Currently, the City's valuation does not allocate the Unfunded Liability and provide Unfunded Liability Rate by Tiers. Tier 2 and Tier 3 plans have only been in place for about 18 months as of the June 30, 2014 Valuation. Therefore, it is assumed that the unfunded liability related to Tier 2 members is negligible.

City Manager Comparable Data Bay Area Cities

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Compensation Survey - City Manager

California Large to Mid-Size Cities

Information as of June 2017

Updated 8/30/17

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Average	\$296,093	\$3,850	\$7,600	\$307,543		\$20,729		9.58%	(\$28,011)	\$26,041	\$0	\$326,302	74.31%	\$221,862
Sunnyvale	\$274,713	\$6,000	\$0	\$280,713	401(a): 2% + 457: \$17,500	\$22,994	2% @ 60	4.00%	(\$10,989)	\$33,143	\$0	\$325,861	60.00%	\$164,828
Sunnyvale above/(below) average - in \$:	(\$21,381)	\$2,150	(\$7,600)	(\$26,831)		\$2,266		-5.6%	\$17,022	\$7,102	\$0	(\$441)	-14.3%	(\$57,034)
Sunnyvale above/(below) average - in %:	-7.2%	55.8%	-100.0%	-8.7%		10.9%		-58.3%	-60.8%	27.3%	0.0%	-0.1%	-19.3%	-25.7%

Notes:

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City Manager Salary Growth

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- Over the past 9 years City Manager salary growth has been 6% (offset by 2% re-directed to CalPERS), resulting in net 4.12% increase

Effective date	Annual	Increase	Notes
12/2/2008	\$ 258,868		
8/18/2013	\$ 264,045	2.00%	
6/2/2014	\$ 264,045	0%	Not awarded/granted
6/7/2015	\$ 269,326	2.00%	
7/3/2016	\$ 274,713	2.00%	
7/1/2017	\$ 274,713	0%	
		6.12%	9 year time period (with 2% re-directed to CalPERS)

Consider Options for Compensation

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- Recruit with current salary range
- Modify salary range before recruitment brochure is developed
 - Consider applicant pool Council is seeking
 - ✦ Comparable in silicon valley
 - ✦ Experienced, seasoned City Manager
 - ✦ Ability to effectively manage all aspects of job, with low learning-curve
 - Manage council relations
 - Effectively run the City
 - Maintain momentum on projects and Council Priorities
 - Negotiate with Developers
 - Strategic thinking to leverage opportunities that are frequent
- Recruit with “salary to be negotiated” with final candidate
 - Brochure would read: Competitive Compensation Negotiable at time of selection

Recommendation: Modify salary range before recruitment is started and adopt automatic COLA increases

Compensation Recommendation

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- Compensation Sub-Committee is recommending a salary range for the City Manager classification

Classification	Minimum	Maximum
City Manager	\$302,041	\$362,449

- This range is 15% above the proposed Assistant City Manager range

Areas to Highlight

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- Recruitment will occur concurrent to possibly two other regional recruitments – may impact candidate pool
- Very competitive hiring market, cost of living and ability to enter the market is a large barrier for recruitment
- City's Tier 2, CalPERS
- Below market-rate City Manager salary history and practice of compensation with past two City Managers

Next Steps

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- City Council should consider measures to correct or mitigate potential impacts and present itself as an employer of choice for qualified candidates.

Director Compensation

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Areas to Highlight

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- In addition to existing CM vacancy:
 - ACM
 - ESD
 - DPW
- Already aware of other public agencies calling to attract employees to stabilize their own organizations (mostly in public works)
- Morale among Directors is low, this issue surfaced for over a year...delayed in addressing it has taken a toll
- Findings of department directors compensation review:
 - Below market rate in salary
 - Absence of traditional compensation, retention features (e.g., severance, etc.)
 - Internal compensation distortion (significant issue)
 - Wage growth opportunity not present for the majority of ELT staff and has been a driver for departures
 - Salary range presents challenges for recruitment, some regional agencies aware of below market salaries

How Did We Get Here?

Externally vs Internally Controlled Wage & Absolute Differentials

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- July 2017 - Deputy Chief: \$227,674 (top salary, including 2.5% education premium) – Externally Controlled Wage Growth
- Directors: Internally Controlled Wage Growth
- Internal, External and CPI-U Comparability

<u>Directors Employee Group</u>	<u>Top Salary</u>	<u>Difference from DC</u>
Director of Public Safety	\$227,702	0.00%
Director of Employment Development	\$190,123	-19.75%
Chief Information Officer	\$209,406	-8.72%
Director of Human Resources	\$209,406	-8.72%
Director of Library and Community Services	\$209,406	-8.72%
Director of Community Development	\$215,688	-5.56%
Director of Finance	\$215,688	-5.56%
Director of Environmental Services	\$222,158	-2.48%
Director of Public Works	\$222,158	-2.48%
Assistant City Manager	\$228,823	0.50%

How did we get here?

Existing Public Safety MOU Differentials in Comparison to Directors

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Adopted Compensation Model from 2006:

Effective July 2017

Classification	Annual Salary	Differential	Director Differential based on 2006 model	Modified Annual Salary based on 2006 model
Chief	\$227,702	0.00%	12%	\$256,133
Director (lowest paid)	\$209,406	-8.72%	3%	\$234,504
Deputy Chief*	\$227,674	14.80%		
Captain	\$198,324	23.65%		
Lieutenant	\$160,387	17.10%		
PS Officer II	\$136,972	13.89%		
PS Officer I	\$120,268	5.00%		
PS Officer-in-Training	\$114,541			

*Includes 2.5% education stipend

PSO II and Lieutenant salaries are determined by survey

How did we get Here?

10-Year Internal Comparability and CPI-U

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	CPI		PSOA					MGMT		
<i>Fiscal Year</i>	<i>CPI-W *</i>	<i>CPI-U *</i>	<i>Officer</i>	<i>Lieutenant</i>	<i>COA</i>	<i>SEIU</i>	<i>SEA</i>	<i>SMA</i>	<i>UNREP</i>	<i>PSMA</i>
2009/2010	1.40%	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%
2010/2011	2.90%	2.40%	5.95%	5.48%	6.26%	2.00%	2.00%	2.00%	0.00%	5.48%
2011/2012	2.70%	2.60%	1.25%	1.30%	0.00%	2.00%	2.00%	3.00%	0.00%	1.30%
2012/2013	2.60%	2.60%	-0.37%	-0.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013/2014	2.90%	3.00%	1.86%	1.68%	0.00%	0.00%	0.00%	0.00%	2.00%	1.68%
2014/2015	1.90%	2.30%	2.49%	2.36%	0.00%	3.00%	3.00%	2.00%	2.00%	2.36%
2015/2016	2.50%	2.70%	3.18%	3.23%	6.50%	0.00%	0.00%	3.50%	2.00%	3.23%
2016/2017		2.20% **	1.37%	1.34%	3.92%	5.50%	5.50%	2.50%	2.00%	1.34%
2017/2018		2.20% **	3.11%	3.61%		4.00%	4.00%	1.50%	2.00%	3.61%
2018/2019		2.20% **	Survey	Survey		2.00%	2.00%	2.00%		Follow Leut.
Total	16.90%	23.30%	18.84%	18.49%	16.68%	18.50%	18.50%	18.50%	10.00%	19.00%
Average	2.41%	2.33%	2.09%	2.05%	2.09%	1.85%	1.85%	1.85%	1.11%	2.11%
Compound Total	18.16%	17.93%	20.33%	19.93%	17.60%	19.93%	19.93%	20.05%	10.41%	20.54%
Compound Average	2.59%	1.79%	2.26%	2.21%	2.20%	1.99%	1.99%	2.01%	1.16%	2.28%

* CPI = CPI-W or CPI-U of June each year.

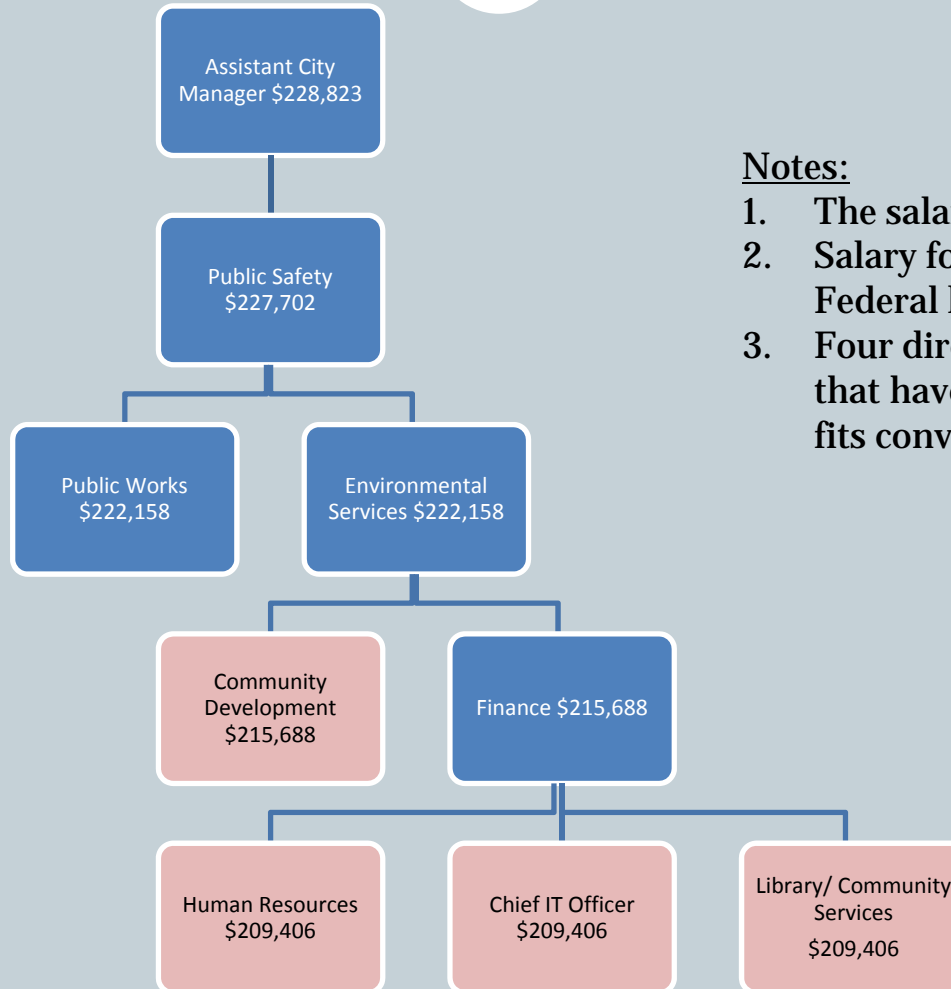
Data from the Bureau of Labor Statistics CPI-U, San Francisco-Oakland-San Jose region

** Projection by the Public Law Group

How did we get here?

Multiple Salary Ranges for Directors Not Market Related

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Notes:

1. The salary shown is top step
2. Salary for NOVA is capped by Federal law at \$190,123
3. Four director salary ranges that have no business case that fits conventional practices

Recruitment Overview

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- **Recruitment Dependent on City Manager's Professional Network, which will no longer be available for future recruitments:**
 - Interim City Manager candidates - Network
 - Assistant City Manager - Network
 - Library Community Services Director - Network
 - Public Safety Director - Network
 - Chief Information Officer
 - Finance Director – Internal
 - Community Development - Internal
 - **Candidate pool for past recruitments has been shallow, CM must work hard to create talent pool**
 - **Current recruitment efforts**
 - Environmental Services Director
 - ✦ Using second recruitment firm, after an extended process with the first recruiter
 - ✦ Using one of the most reputable professional executive recruiters in public sector
 - ✦ No viable applicants, had to extend recruitment by 1 month – there is no viable pool of candidates
 - ✦ One eligible candidate initially interested, declined because of salary and Tier 2
 - ✦ New pool is underwhelming, possibility of one or two candidates
- DPW = TBD
ACM = TBD

Recruitment Overview

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- **Director positions when vacant**
 - Interest in positions mostly from less seasoned candidates (e.g., would be first time Director candidates)
 - Cost of Living and salary range discourage applicants. For some, the move is just a lateral move which is not enough to attract (meaning you must start at top of salary range, with no wage growth opportunity)
 - Necessary to take pay cut or pension tier loss to enter the City of Sunnyvale
 - Necessary to offer top of the range beginning of employment because candidate is already there, which results in no pay growth because of the lack of executive compensation program
 - Seasoned candidates are generally at or above-market and data show that our control point is generally below market
 - Necessary to make internal changes/moves to retain existing staff
 - Transition of Directors is a significant loss in institutional knowledge
 - Difficult to attain “Employer of Choice” status or recognition at executive level

Director Salary Range

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Recommended Ranges:

Classification	Minimum (83% of CP)	Maximum	Range
NOVA *		\$190,123	
Directors	\$234,504	\$281,405	20%
Director of Public Safety	\$254,995	\$305,993	20%
Assistant City Manager	\$262,644	\$315,173	20%

**NOVA salary amount is limited by Federal regulations*

Floor will cure internal compaction and below market rate issue

Recommended Salary Placement

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Placement of Current Incumbents

<u>Directors</u>	<u>Actual July 2017</u>	<u>Placement on Current Range</u>	<u>New Salary</u>	
Director Of Employment Development	\$190,123	100.0%	\$190,123	Same as current
Chief Information Officer	\$209,406	100.0%	\$234,500	DC max + 3.0%
Director Of Human Resources	\$209,406	100.0%	\$234,500	
Director Of Library & Community Services	\$209,406	100.0%	\$234,500	
Director Of Finance	\$203,258	94.2%	\$234,500	
Director Of Community Development	\$214,049	100%	\$234,500	
Director Of Environmental Services	\$222,158	100.0%	\$234,500	
Director Of Public Works	\$222,158	100.0%	\$234,500	
Director Of Public Safety	\$227,702	100.0%	\$254,995	DC max + 12.0%
Assistant City Manager	\$228,823	100.0%	\$262,644	Highest paid Dir + 3.0%

Salary Resolution Amendments

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- **Merit Based Pay Increases**

- Modify the salary resolution to provide for merit based pay increases for Department Directors.
- Eliminate the 6 months and then every 12 months for regular salary increases
- Evaluation at 12 months to qualify for merit increase and annually thereafter

- **Severance Pay for Department Directors**

- Modify the salary resolution to provide for severance pay for Department Directors.
- Directors serve at-will to the City Manager
- Recommendation is minimum of 3 and maximum of 6 months severance based on years of service

Next Steps

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Option 1

- Prepare the organization and correct a long standing problem
- Correct compensation ranges for directors at September 12 City Council meeting
- City Manager to correct below market compensation before departure
- City Manager to work with Finance Director to address fiscal impact for Council review in mid-year budget

Option 2

- Take no action (risk additional departures)

Summary of Actions Recommended

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- **City Manager Recruitment Process**
 - Authorize Director of Human Resources to start RFQ
 - Determine Sub-Committee Role: This will speed up or slow down process
 - ✦ Select the recruitment firm
 - ✦ Develop and finalize recruitment brochure
 - ✦ Select the business and community leaders for panel interviews
 - ✦ Meet with recruiter and identify top candidates to move forward
 - ✦ Review reference checks with recruiter
 - ✦ Serve as chief negotiator with final candidate
- **Governance Initiative**
 - Determine if study session is to be scheduled

Summary of Actions Recommended

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- **Executive Compensation**
 - **City Manager Salary Range**
 - ✦ Modify salary range prior to recruitment
 - **Director Compensation**
 - ✦ Modify salary ranges as recommended
 - ✦ Modify salary resolution as recommended
 - ✦ City Council action on September 12, 2017