



Department: Human Resources
Cost Center: 3001
For Agenda of: 10/15/2024
Placement: Consent
Estimated Time: N/A

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SUBJECT: AUTHORIZATION TO RECLASSIFY ENGINEERING MANAGEMENT CLASSIFICATIONS

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, authorizing an amendment to the FY 2024-25 Budget Appropriation to fund compensation changes to the Engineering Management Classifications and adopt a revised Regular and Contract Employee Salary Schedule."

POLICY CONTEXT

The City's [Compensation Philosophy](#) states that the City strives to provide excellent service to the community at all times, and to achieve our service standards, the City must attract and retain well qualified employees by providing competitive compensation. In evaluating competitive compensation, the City considers financial sustainability, community acceptability, the relevant labor market, and internal relationships, among other relevant factors.

City Charter [Section 804](#), Adoption of the Budget, allows City Council to amend or supplement the budget by motion adopted by a majority vote of the Council.

This request aligns with the 2023-25 Diversity, Equity and Inclusion (DEI) [Major City Goal](#) work under Strategy 2.3 (Foster and Promote Equitable Recruiting, Hiring, Retention, and Promotion Practices, whereby the City will "develop and implement innovative and proven strategies, programs, and policies that successfully attract, engage, retain, develop, and support a diverse workforce.") The recommendation reflects a necessary recruitment and retention strategy for critical engineering classifications in multiple departments.

DISCUSSION

Background

Over the past year, the City of San Luis Obispo has experienced recruitment challenges for key engineering management positions, particularly in the classifications of Construction Engineering Manager, Supervising Civil Engineer, and Senior Civil Engineer. These positions are critical to the City's ability to deliver services and projects to the community in line with existing work plans. During the recent recruitment for the Construction Engineering Manager position, the City received only four qualified applicants. Of the three individuals who were successfully interviewed, all declined offers or subsequent interviews because they found jobs with competing agencies. Additionally, the City has been accepting applications for a Supervising Civil Engineer position in the Community Development Department since April 2024. Two applications have been submitted, but neither met minimum requirements for the job. A recruitment for the Senior Civil Engineer position in the Community Development Department was open from September 2023 to January 2024 and the City did not receive any qualified applications. Engineer positions in the Utilities Department have also been extremely difficult to fill, with minimal applicants for the past two recruitments, and qualified staff leaving for higher paying positions with nearby agencies. Over the past year, there have been 3 failed recruitments and there are currently 4 vacant management engineering positions.

Due to these recruitment and retention challenges, the Directors of Public Works, Community Development, and Utilities have expressed concern that the current salary structure for engineering management roles may not be competitive enough to attract experienced candidates for management positions in a highly competitive labor market. This is especially concerning given the high turnover rate among non-exempt level engineers, which makes it even more critical to have managers who can effectively train and mentor new staff as they come on board. Additionally, the requirement for a Professional Engineer (PE) license for the Construction Engineering Manager role is thought to be a potential barrier to recruitment, as many qualified candidates with substantial construction management experience may lack this specific credential but possess the necessary skills to succeed in the role.

To address the departments' concerns, the Human Resources Department conducted a classification study for six engineering management classifications: Construction Engineering Manager, Supervising Civil Engineer, Transportation Manager, Senior Civil Engineer, Utilities Engineer, and Utilities Special Projects Manager. It was necessary to include all six classifications to ensure that internal equity is maintained between the classifications. An informal salary survey revealed that the City's Construction Engineering Manager, Senior Civil Engineer, and Supervising Civil Engineer salaries are between 7% and 13% below the relevant labor market. This disparity is likely contributing to the challenges in recruiting and retaining qualified candidates.

In addition, the Public Works and Human Resources departments determined that while a PE (Professional Engineer) license would be beneficial, it would not be required for the Construction Engineering Manager position. A review of the City's comparison agencies

revealed that many do not require a PE license for similar construction management roles. Staff is recommending the revision of the Construction Engineering Manager job description to create two flexibly staffed classifications (with and without PE). To maintain internal equity, the same is recommended for the Transportation Manager and Utilities Special Projects Manager positions.

Based on the information reviewed and analyzed, Human Resources is recommending the following changes to the engineering management classifications and salary ranges. Table 1 shows the proposed changes to the classifications, including current classification titles, job description changes for each classification, and salary changes. Table 2 shows the current and proposed maximum annual salaries for each classification.

Table 1: Proposed Classification Changes

| Current Classification | Job Description Changes |
|--|---|
| Construction Engineering Manager (CEM) | Create two levels: CEM and CEM-PE (Professional Engineer) |
| Supervising Civil Engineer | Create departmental specialties |
| Transportation Manager (TM) | Create two levels: TM and TM-PE/TE (Traffic Engineer) |
| Senior Civil Engineer | Create departmental specialties |
| Utilities Engineer | Reclassify to Senior Civil Engineer |
| Utilities Special Projects Manager (USPM) | Create two levels: USPM and USPM-PE |

Table 2: Proposed Salary Changes

| Proposed Classification (Sorted by Proposed Maximum Salary) | Current Max Annual Salary | Proposed Max Annual Salary | Approx. Percent Increase |
|---|---------------------------|----------------------------|--------------------------|
| Construction Engineering Manager – PE | \$143,442 | \$162,786 | 13% |
| Supervising Civil Engineer – PE | \$143,442 | \$162,786 | 13% |
| Transportation Manager – PE/TE | \$143,442 | \$162,786 | 13% |
| Construction Engineering Manager – No PE | \$143,442 | \$154,648 | 8% |
| Transportation Manager – No PE/TE | \$143,442 | \$154,648 | 8% |
| Senior Civil Engineer – PE | \$130,000 | \$140,608 | 8% |
| Utilities Special Projects Manager – PE | \$130,000 | \$140,608 | 8% |
| Utilities Special Projects Manager – No PE | \$130,000 | \$133,952 | 3% |

The above recommendations are intended to improve the current recruitment issues for Construction Engineering Manager, Senior Civil Engineer, and Supervising Civil Engineer positions by bringing the salaries closer to the relevant labor market. The recommended changes to the other management classifications will ensure internal equity. Moreover, the creation of specialties within the Senior Civil Engineer and Supervising Civil Engineer job descriptions is expected to assist with recruitment efforts.

If the above recommendations are approved, the current incumbents in the engineering management classifications will be reclassified in alignment with the City's Personnel Rules and Regulations. For example, current and future employees that obtain a PE will be placed in the higher-level classification that is 5% above the non-PE classification.

Potential Impact of Reclassifications

This action represents a step toward solving the ongoing issues of engineering management recruitment and retention, which are not unique to the City of San Luis Obispo but are part of a broader national shortage of engineers. By the Council approving adjustments to the salary grades now, the City will have a better chance of recruiting and retaining well qualified engineering management employees in alignment with the Council-adopted Compensation Philosophy. The attrition of engineering management staff results in significant additional costs for the City, including the screening, hiring, onboarding and training of new staff on City processes, or alternatively, an even greater financial cost for engineering consultants, estimated at over \$200 per hour per consultant. Community Development has had to temporarily change the structure of the Engineering division and to supplement existing staff with consultants due to the inability to successfully recruit for a Supervising Civil Engineer or to fill other vacant management engineer positions. Ongoing vacancies may begin to impact timing of project reviews if they continue and cannot be addressed by consultants.

It is important to note that even with these adjustments, the departments may struggle to attract or hire experienced engineering staff, and additional action may need to be taken by Council in the future. This may include potential salary modifications to the non-management engineers represented under the City's general bargaining unit, the San Luis Obispo City Employees' Association (SLOCEA). Staff recommends that any ongoing changes to salaries for classifications represented by SLOCEA be addressed during successor contract negotiations. The existing SLOCEA Memorandum of Understanding is set to expire on June 30, 2025, with negotiations starting in approximately March 2025.

Revised Salary Schedule

In compliance with Public Employees' Retirement Law and the Public Employees' Pension Reform Act of 2013 (PEPRA), CalPERS requires publicly available pay schedules. It also defines eight (8) requirements for such schedules, including that the schedule be duly approved and adopted by the employer's governing body in accordance with requirement of applicable public meetings laws, that it is posted on the employer's website, and that it is retained by the employer and available for public inspection for not less than five years. Publicly available pay schedules are a critical component to verify all members' pay rates when calculating members' retirement benefits. Maintaining a

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compliant pay schedule will support transparency and expedite CalPERS' review process. The attached salary schedule meets these requirements for the proposed salary adjustments (Attachment B).

Previous Council or Advisory Body Action

On April 19, 2022, the City Council adopted a resolution amending the compensation for management employees, following a citywide compensation study.

Public Engagement

No specific public outreach was conducted for this item. However, public comment on the item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

CONCURRENCE

The Finance, Public Works, Community Development, and Utilities Departments have reviewed the assessment and concur with the recommendations.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: No

Budget Year: 2024-25 and ongoing

Funding Identified: Yes

Fiscal Analysis:

| Funding Sources | Total Budget Available | Current Funding Request | Remaining Balance | Annual Ongoing Cost |
|------------------------|-------------------------------|--------------------------------|--------------------------|----------------------------|
| General Fund | \$0 | \$133,212 | \$0 | \$133,212 |
| Water Fund | \$0 | \$12,544 | \$0 | \$12,544 |
| Sewer Fund | \$0 | \$14,774 | \$0 | \$14,774 |
| Whale Rock Fund | \$0 | \$2,230 | \$0 | \$2,230 |
| State | \$0 | \$0 | \$0 | \$0 |
| Federal | \$0 | \$0 | \$0 | \$0 |
| Fees | \$0 | \$0 | \$0 | \$0 |
| Other: | \$0 | \$0 | \$0 | \$0 |
| Total | \$0 | \$162,761 | \$0 | \$162,761 |

In the Public Works Department, five (5) positions would be impacted by this change, at an ongoing cost differential of \$78,615 that would be funded by the General Fund.

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In the Community Development Department, three (3) positions would be impacted by this change, at an ongoing cost differential of \$54,597 that would be funded by the General Fund.

In the Utilities Department, two (2) positions would be impacted by this change, at an ongoing cost differential of \$29,549 that would be funded through the following sources: \$12,544 from Water Fund, \$14,774 from the Sewer Fund and \$2,230 from the Whale Rock Fund.

The total ongoing cost of this reclassification is estimated at \$162,761: \$133,212 from General Fund, \$12,544 from Water Fund, \$14,775 from Sewer Fund, and \$2,230 from Whale Rock Fund.

Funding will be sourced from the unassigned fund balance of each respective fund. Based on unaudited FY 2023-24 year-end results, each fund can support the compensation changes in FY 2024-25. Future base budgets will be adjusted to account for the compensation changes as part of the 2025-27 financial planning process.

ALTERNATIVES

1. ***Council could direct staff to not implement the proposed reclassifications.*** This action is not recommended by staff as it could result in the loss of critical, seasoned engineering staff, and there will continue to be recruitment challenges to fill these important roles. Without engineering staff to deliver projects and services, the City would likely need to retain consultant assistance that historically has increased delivery cost and timeframe. Longer term staffing shortages in these divisions will begin to impact project timelines. Anything that delays project delivery time increases cost by the California Construction Cost Index (CCCI), which historically grows at a rate greater than the Consumer Price Index (CPI).
2. ***Council could direct staff to implement the proposed reclassifications with the next budget cycle.*** This action is not recommended by staff as the next budget cycle begins July 2025 and the negative impacts listed above will be exacerbated by a nine-month delay.
3. ***Council could direct staff to partially implement the proposed reclassifications.*** This action is not recommended as it would disrupt the City's internal classification and salary structure and could possibly create issues with salary compaction and/or parity for current or future incumbents.

ATTACHMENTS

- A - Draft Resolution adopting the ongoing appropriation necessary to fund the reclassification of Engineering Management Classifications
- B - Exhibit A to the Resolution - Regular and Contract Employee Salary Schedule