

# **Office of Audit Services**



## **Public Agency Review**

### **City of Pleasant Hill**

**CalPERS ID: 7166539881**

**Employer Code: 0510**

**Job Number: P10-045**

**June 2013**



California Public Employees' Retirement System  
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June 3, 2013

Employer Code: 0510  
CalPERS ID: 7166539881  
Job Number: P10-045

City of Pleasant Hill  
Freda Warren, Human Resources Manager  
100 Gregory Lane  
Pleasant Hill, CA 94523

Dear Ms. Warren:

Enclosed is our final report on the results of the public agency review completed for the City of Pleasant Hill. Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Findings 8 and 11. Subsequent to receiving the City's response, OAS discussed Finding 8 with City staff to clarify the erroneous reporting. City staff indicated they understood the clarification and the Finding remains unchanged. OAS also reviewed information provided by the City pertaining to Finding 11. The review resulted in a change to the condition; however, the recommendations remain as stated in the report. In accordance with OAS resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker  
MARGARET JUNKER, Chief  
Office of Audit Services

Enclosure

cc: Risk and Audit Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Karen DeFrank, Chief, CASD, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS

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# CITY OF PLEASANT HILL

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# CITY OF PLEASANT HILL

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## RESULTS IN BRIEF

The California Employees' Public Retirement System (CalPERS) Office of Audit Services (OAS) reviewed the City of Pleasant Hill's (City) enrolled individuals, member compensation, retirement information and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- The value of uniforms and maintenance of uniforms were not reported.
- Holiday pay cash outs were not reported.
- Fair Labor Standards Act premium pay was not reported.
- Employer paid member contributions were not reported for all special compensation items.
- Payrate and earnings were erroneously reported.
- Management incentive pay was erroneously reported.
- Special compensation was reported with payrate and earnings.
- Special compensation was erroneously calculated.
- Payrates were not listed in a public pay schedule.
- Work schedule code was erroneously reported.
- Unused sick leave was erroneously reported.

This review did not include a determination as to whether the individuals reported by the City were City employees or employees of another entity and therefore expresses no opinion or finding with respect to whether these individuals were employees of the City or another entity. OAS will continue with a separate review on the employee/employer relationship of the individuals and will issue a second report pertaining to the employee/employer status determination upon conclusion of our focused review.

## CITY BACKGROUND

The City of Pleasant Hill was incorporated as a general law city on November 14, 1961. The City operates under a Council-Manager form of government and provides services such as police, highways and streets, public improvements, planning and zoning, general administrative services and redevelopment. Memoranda of Understanding (MOU) and employment agreements outline all City employees' salaries and benefits and state the terms of employment agreed upon between the City and its employees. The City contracted with CalPERS effective July 1, 1963 and provides retirement benefits for miscellaneous, police and fire employees.

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# CITY OF PLEASANT HILL

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All contracting public agencies, including the City, are responsible for the following:

- Determining CalPERS membership eligibility for its employees.
- Enrolling employees into CalPERS upon meeting membership eligibility criteria.
- Enrolling employees in the appropriate membership category.
- Establishing the payrates for its employees.
- Approving and adopting all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publishing all employees' payrates in a publicly available pay schedule.
- Identifying and reporting compensation for the period earned.
- Ensuring special compensation is properly identified and reported.
- Reporting payroll accurately.
- Notifying CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensuring the employment of a retired annuitant is lawful and reinstating retired annuitants that work more than 960 hours in a fiscal year.

## SCOPE

As part of the Board approved plan for fiscal year 2011/2012, the OAS reviewed the City's payroll reporting and member enrollment processes as these processes relate to the City's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from January 1, 2008 through December 31, 2010. The on-site fieldwork for this review was conducted on July 26, 2011 through July 29, 2011 and August 4, 2011. This review did not include a determination as to whether the individuals reported by the City were City employees or employees of another entity and therefore expresses no opinion or finding with respect to whether these individuals were employees of the City or another entity. The review objectives and a summary of the procedures performed are listed in Appendix B.

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# CITY OF PLEASANT HILL

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**Finding 1:** The value of uniforms and the maintenance of uniforms were not reported.

### ***Recommendations:***

The City should ensure that the monetary value for the purchase and maintenance of uniforms is reported to CalPERS.

OAS recommends that the City work with CalPERS Customer Account Services Division (CASD) to determine the impact of this non-reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

OAS recommends that the City work with CASD to ensure the required language is contained in the City's labor policy or agreement for all statutory items reported pursuant to Government Code Section 20636 and California Code of Regulations Section 571.

### ***Condition:***

The monetary value for the purchase, rental and/or maintenance of required clothing is a statutory item reportable to CalPERS as compensation earnable. The City provided uniforms and uniform maintenance to maintenance and building department employees; however, OAS found the uniform allowance for those employees was not contained in a written labor policy or agreement and the monetary value of uniforms and uniform maintenance provided to those employees was not reported to CalPERS. Uniform allowance is a statutory item and must be contained in a written labor policy or agreement, and the monetary value of the benefit must be reported to CalPERS as special compensation.

### ***Criteria:***

Government Code: § 20049, § 20160, § 20636(a), § 20636(c)(1), (c)(2) and (c)(6), § 20636(d)

California Code of Regulations: § 571(a)(5), § 571(b)

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# CITY OF PLEASANT HILL

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**Finding 2:** Holiday pay cash outs were not reported.

***Recommendation:***

The City should ensure the value of holiday pay cash outs, a statutory item for eligible employees, is reported as special compensation to CalPERS.

OAS recommends that the City work with CASD to determine the impact of this non-reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Condition:***

The Police Association MOU provided that employees eligible for holiday premium pay could choose whether to be paid or given time off for a holiday, as well as compensatory time earned. Once per year the City agreed to buy back the accumulated holiday time or other compensatory time. OAS found that during service period 12/10-2, employees who worked during a scheduled holiday as part of their regularly scheduled shift were compensated for the holiday time worked and the premium pay was properly reported as special compensation to CalPERS.

OAS also reviewed documentation to determine whether the City reported the value of accrued holiday cash outs to CalPERS and found the City did not report the value of holiday cash outs. The City was not aware cash out of accumulated holiday credit was reportable to CalPERS as special compensation. California Code of Regulation section 571(a)(5), states that, if employees are paid over and above their normal monthly rate of pay for approved holidays, the additional compensation is holiday pay and reportable to PERS. For those employees with written labor agreements providing holiday credit and allowing employees to cash out accumulated holiday credit, the cash out must be done at least annually and reported in the period earned.

***Criteria:***

Government Code: § 20160, § 20630(a), § 20636(a), § 20636(c)(1), § 20636(c)(5), § 20636(c)(6)

California Code of Regulations: § 571(a)(5)

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# CITY OF PLEASANT HILL

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**Finding 3:** Fair Labor Standards Act premium pay was not reported.

***Recommendation:***

The City should report Fair Labor Standards Act (FLSA) premium pay for eligible employees.

OAS recommends that the City work with CASD to determine the impact of this non-reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Condition:***

The MOU for police employees provided that sworn employees working a 3-12 shift schedule would have a 28-day work period under FLSA section 7(k) rather than a 40-hour workweek, and shall be paid overtime in accordance with the requirements of FLSA, 7(k). The City utilized the actual hours worked method for computing FLSA premium pay.

OAS reviewed documentation for two sampled employees covering a 28-day cycle period from January 13, 2008, through February 9, 2008. OAS found that one sampled employee received FLSA premium pay; however, the pay was not reported to CalPERS. The City indicated they were not aware FLSA pay is a statutory item reportable to CalPERS as earnable compensation per California Code of Regulations section 571(a)(5).

***Criteria:***

Government Code: § 20160, § 20630(a), § 20636(a), § 20636(c)(1), § 20636(c)(5), § 20636(c)(6)

California Code of Regulations: § 571(a)(5)



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**Finding 4:** Employer paid member contributions were not reported for all special compensation items.

***Recommendations:***

The City should report the value of employer paid member contributions (EPMC) on all compensation earnable.

OAS recommends that the City work with CASD to determine the impact of this non-reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Conditions:***

On December 4, 2000, the City passed and adopted Resolution No. 123-00 to pay and report the value of EPMC as compensation earnable for all employees represented by the Pleasant Hill Police Association, and all employees represented by the Pleasant Hill Management Group. The City correctly reported the value of EPMC on regular earnings; however, OAS found that the value of EPMC for special compensation items was not reported to CalPERS. Specifically, OAS found that in service periods 7/10-2 and 12/10-2, the City reported holiday pay and/or education incentives for three sampled employees; however, the value of EPMC was not reported to CalPERS as special compensation for those items. The value of EPMC must be calculated and reported as special compensation for all items of compensation.

***Criteria:***

Government Code: § 20160, § 20636(a), § 20636(c)(4)

California Code of Regulations: § 571(a)(1)

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# CITY OF PLEASANT HILL

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**Finding 5:** Payrate and earnings were erroneously reported.

***Recommendation:***

The City should pay and report payrate and earnings in accordance with the appropriate pay schedules.

The City should work with CalPERS CASD to determine the impact of this erroneous reporting and determine what adjustments are needed to reported payrates, service credit or other areas needing adjustments pursuant to Government Code Section 20160 and to deny all erroneously reported payrates and earnings.

***Condition:***

OAS reviewed the payrates reported to CalPERS for a sample of 15 employees in service period 12/10-2. OAS found the City did not report the payrate and earnings for one sampled employee in accordance with the City's publicly available pay schedule. Specifically, the pay schedule listed a maximum monthly payrate of \$5,784.00 for the employee's position, Dispatcher II; however, the City paid and reported a monthly payrate of \$6,073 and semi-monthly earnings of \$3,036.50. The reported payrate and earnings exceeded the maximum payrate listed in the pay schedule. The City should ensure all payrates reported to CalPERS are in accordance with the publicly approved pay schedule.

***Criteria:***

Government Code: § 20160, § 20160 (a), § 20630, § 20636(b)(1)

California Code of Regulations: § 570.5(a)

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## CITY OF PLEASANT HILL

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**Finding 6:** Management incentive pay was erroneously reported.

***Recommendation:***

The City should stop reporting management incentive pay not available to similarly situated members of a group or class of employment.

OAS recommends that the City work with CASD to determine the impact of this erroneous reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Condition:***

The City reported management incentive pay for the City Manager beginning September 1, 2008. The amount reported was five percent of regular salary or \$452.75 each pay period. However, further review showed management incentive pay was only available to one employee, the City Manager. The closest group or class of employees to the City Manager is the management group; however, management incentive pay was not available to the management group. Therefore, management incentive pay should not have been reported to CalPERS as the special compensation is limited to what which is received by similarly situated members of a group or class of employment.

***Criteria:***

Government Code: § 20160, § 20630, § 20636(c)(2), § 20636(c)(5)

California Code of Regulations: § 571(a)

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# CITY OF PLEASANT HILL

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**Finding 7:** Special compensation was reported with base payrate and regular earnings.

***Recommendation:***

The City should immediately begin reporting items of special compensation separately from base payrate and regular earnings.

OAS recommends that the City work with CASD to determine the impact of reporting special compensation with base payrate and regular earnings and make the necessary adjustments, if any, pursuant to Government Code Section 20160.

***Condition:***

OAS found that three of the sampled employees had special compensation reported as part of their payrate in service period 12/10-2. The items of special compensation should have been reported separately from payrate. Specifically, the following employees' payrate contained special compensation items:

- Police Officer (Corporal): The pay schedule listed a payrate for a Police Officer as \$6,593.00; however, the City incorrectly added special compensation of two and one half percent for Evidence/Forensics assignment to the payrate and reported a payrate of \$6,758.00.
- Police Sergeant (Master Sergeant): The pay schedule listed a maximum payrate for a Police Sergeant as \$7,733.00 per month. However, the City incorrectly added special compensation of five percent for Master Sergeant pay to the payrate and reported a payrate of \$8,120.00.
- Maintenance Worker II: The pay schedule listed the maximum payrate for a Maintenance Worker II as \$4,985 per month. However, the City incorrectly added special compensation for five percent longevity, two percent pesticide certificate pay and five percent longevity in the reported payrate of \$5,606.00 in service period 12/10-2. In addition, OAS found the employee's special compensation was erroneously calculated using a compounding method. As a result, the special compensation amount reported to CalPERS was overstated and is discussed in Finding 8.

***Criteria:***

Government Code: § 20160, § 20636(a), § 20636(b)(1), § 20636(c)(1), § 20636(c)(2)

California Code of Regulations: § 571

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# CITY OF PLEASANT HILL

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**Finding 8:** Special compensation was erroneously calculated.

***Recommendation:***

The City should immediately stop reporting the compounded special compensation amounts that are calculated on compensation other than base pay.

OAS recommends that the City work with CASD to determine the impact of the incorrect reporting of compounded compensation amounts, and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Condition:***

OAS found the City incorrectly calculated special compensation amounts by compounding longevity and pesticide certificate pay for a sampled employee. The employee's MOU stated that "employees 55 years of age with 10 full years of City service shall be given a 5% benefit computed on their normal monthly base salary, and employees 60 years of age with 15 full years of City service shall be given an additional 5% benefit computed on their normal monthly base salary." The MOU did not specifically state whether pesticide certificate pay was calculated on base salary; however, City staff clarified the pesticide certificate pay was also computed on base salary.

The City reported a payrate of \$5,606 for the sampled employee in service period 12/10-2, and arrived at the amount in the following manner; \$4,985 monthly regular earnings, times five percent longevity (\$249.25) = \$5,234.25, times two percent pesticide certificate (\$104.69) = \$5,338.94, times five percent longevity pay (\$266.94) = \$5,605.88. As a result, the special compensation amounts reported to CalPERS were overstated. Each of the special compensation amounts should be calculated utilizing the employee's base salary.

***Criteria:***

Government Code: § 20160, § 20636(a), § 20636(c)(2)

California Code of Regulations: § 571

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# CITY OF PLEASANT HILL

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**Finding 9:** Payrates were not listed in a public pay schedule.

***Recommendation:***

The City should ensure that all positions and payrates are listed on a publicly available pay schedule, and that payrates are paid and reported pursuant to the pay schedule.

OAS recommends CASD ensure that the City implement the recommendations noted above and make all necessary adjustments to active and retired member accounts, if any, pursuant to Government Code Section 20160.

***Condition:***

OAS found the City did not have a publicly available pay schedule containing the payrate information for the City Manager and the City Attorney during the review period. It was noted that the salary increase percentages given to the City Manager and the City Attorney were indicated on some of the Employment Agreements and Amended Employment Agreements; however, the documents did not indicate the new payrates. The City provided a chart documenting the payrates for the City Manager and City Attorney subsequent to cost of living increases and salary increases; however, it was an internal document not available to the public. The payrate for each City position should be listed on a publicly available pay schedule that has been duly approved and adopted by its governing body in accordance with requirements of applicable public meeting laws.

***Criteria:***

Government Code: § 20160, § 20636(b)(1), § 20636(d)

California Code of Regulations: § 570.5(a)

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## CITY OF PLEASANT HILL

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**Finding 10:** Work schedule code was erroneously reported.

***Recommendation:***

OAS recommends that the City work with CASD to determine the impact of the erroneous reporting and make the necessary adjustments, if any, pursuant to Government Code Section 20160.

***Condition:***

OAS reviewed the CalPERS listings report for service period 12/10-2 to determine whether the City correctly reported work schedule codes, pay codes, contribution codes, and service period types for the sampled employees. OAS found the City correctly reported the codes for all employees except for the work schedule code for one sampled employee. Specifically, the City reported work schedule code 173 for an employee who worked an average of 37.5 hours per week. The correct work schedule code for an employee working an average of 37.5 hours per week is 163.

***Criteria:***

*CalPERS* Public Agency and Schools Reference Guide, page 99

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## CITY OF PLEASANT HILL

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**Finding 11:** Unused sick leave was erroneously reported.

***Recommendation:***

The City should ensure the correct amount of unused sick leave is reported to CalPERS for retiring members.

OAS recommends CalPERS Benefit Services Division (BNSD) deny unused sick leave that was over-reported and adjust retired members' allowance pursuant to Government Code Section 20160.

***Condition:***

OAS reviewed a sample of three members who retired during the review period to determine whether the unused sick leave balances were correctly reported to CalPERS. OAS found the City erroneously certified the unused sick leave balance for two retirees. Specifically, the City reported an unused sick leave balance of 240.11 days for a retiring member; however, the retiring member converted the entire unused sick leave balance to cash to pay for medical insurance after retirement, another City benefit. The cash conversion resulted in a zero balance of sick leave. The City also certified an unused sick leave balance of 78.25 days for another retiring member; however, after cashing out 156.61 hours, the member had 469.14 unused sick hours left or 58.64 reportable days. The City did not amend the prior certified unused sick leave balance; as a result the unused sick leave balance certified was overstated by 19.61 days.

Once unused sick leave days are converted to another benefit, or cashed-out, they are not reportable to CalPERS for additional service credit. Unused sick leave balances should be correctly certified to CalPERS.

***Criteria:***

Government Code: § 20160, § 20965



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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the agency's payroll records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code except as noted.

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the City of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code Section 20134 and Sections 555-555.4, Title 2, California Code of Regulations.

Since OAS did not review whether the individuals reported by the City were City employees or employees of another entity, this report expresses no opinion or finding with respect to whether the employees are employed by the City.

Respectfully submitted,

Original Signed by Margaret Junker  
MARGARET JUNKER, CPA, CIA, CIDA  
Chief, Office of Audit Services

Date: June 2013  
Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Michael Dutil, CIA, CRMA, Manager  
Alan Feblowitz, CFE, Manager  
Edward Fama  
Jose Martinez

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**CITY OF PLEASANT HILL**

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# **APPENDIX A**

## **BACKGROUND**

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# CITY OF PLEASANT HILL

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## BACKGROUND

### California Public Employees' Retirement System

CalPERS provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CASD manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. In addition, CASD provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employer's knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

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# **APPENDIX B**

## **OBJECTIVES**

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# CITY OF PLEASANT HILL

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## OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the City complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the City's retirement contract with CalPERS were followed.

This review covers the period of January 1, 2008 through December 31, 2010. Since OAS did not review whether the individuals reported by the City were City employees or employees of another entity, this report expresses no opinion or finding with respect to whether the employees are employed by the City.

## SUMMARY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the City's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
  - Provisions of the Contract and contract amendments between the City and CalPERS
  - Correspondence files maintained at CalPERS
  - City Council minutes and City Council resolutions
  - City written labor policies and agreements
  - City salary, wage and benefit agreements including applicable resolutions
  - City personnel records and employee hours worked records
  - City payroll information including Summary Reports and CalPERS listings
  - Other documents used to specify payrate, special compensation, and benefits for all employees
  - City ordinances as necessary
  - Various other documents as necessary
- ✓ Reviewed City payroll records and compared the records to data reported to CalPERS to determine whether the City correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to City public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the City's

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## CITY OF PLEASANT HILL

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governing body in accordance with requirements of applicable public meeting laws.

- ✓ Reviewed CalPERS listing reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the City's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the City's enrollment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when 960 hours were worked in a fiscal year.
- ✓ Reviewed the City's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the City's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

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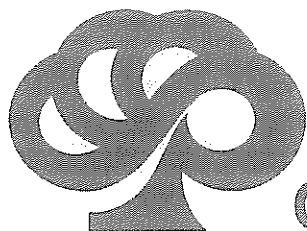
**CITY OF PLEASANT HILL**

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# APPENDIX C

## CITY'S WRITTEN RESPONSE

**Note: The City provided an attachment to the response that was intentionally omitted from this appendix.**



# City of Pleasant Hill

May 6, 2013

CalPERS  
Office of Audit Services  
Attn: Margaret Junker, Chief  
P. O. Box 942701  
Sacramento, CA 94229-2701

The City of Pleasant Hill is in receipt of the draft report on your review of our agency. (Employer Code 0510, Job Number P10-045). We have reviewed the draft report of the review of our agency and below are our responses.

Finding 1: The value of uniforms and the maintenance of uniforms were not reported.

City Response: The City agrees with the findings and made the adjustment on reporting the value of uniforms and maintenance of uniforms July 1, 2012.

Finding 2: Holiday pay cash outs were not reported.

City Response: The city agrees with the findings and has corrected the reporting of Holiday Time cashed out as special compensation.

Finding 3: Fair Labor Standards Act premium pay was not reported.

City Response: The City agrees with the findings for the one employee.

Finding 4: Employer paid member contributions were not reported for all special compensation items.

City Response: The City agrees with the finding and has taken corrective action.

Finding 5: Payrate and earnings were erroneously reported.

City Response: This was a result of a confidential personnel matter which cannot be discussed publicly and the City will rectify the salary reporting.

Finding 6: Management Incentive Pay was erroneously reported.

City Response: This pay was reported after contacting CalPERS prior to implementation of the incentive pay. We are no longer reporting this pay as compensation.



Finding 7: The City agrees with the finding and will report these amounts separately in the future.

City Response: City has corrected reporting of special compensation for those affected.

Finding 8: Special compensation amounts were erroneously calculated

City Response: The City needs further clarification regarding this finding.

Finding 9: City payrates were not listed in a public pay schedule.

City Response: The two contract positions (i.e., City Manager and City Attorney) appointed by the City Council were added to the pay schedule.

Finding 10: Work schedule code was erroneously reported.

City Response: Work schedule code 173 for the City Attorney was corrected to work schedule code 163.

Finding 11: Unused sick leave was erroneously reported.

City Response: Member reporting of 240.11 days of sick leave was not in error. The sick leave hours were used in conjunction with a benefit where the City used it as a baseline to calculate a contribution to a Retiree Health Savings Plan. The City did not pay out sick leave to the individual and report it as compensation but used the sick leave balance as a basis to calculate a contribution into the employee's Retiree Health Savings Plan as per the POA MOU.

Member reporting of unused sick leave balance of 61 days was correctly reported. The employee retired with an effective date of November 5, 2008 and did not have a separation date of September 7, 2006. Member was contacted to find out why there was a discrepancy in the retirement date as she was employed by the City through November 4, 2008. Employee informed the City that she had submitted a retirement application with a separation date of September 7, 2006 and successfully withdrew the application and retired with an effective date of November 4, 2008 as shown on the attached CalPERS documentation.

Sincerely,



Freda Warren  
Human Resources Manager

cc: City Manager  
Finance Manager