

RESOLUTION NO. 43-24

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
AMENDING AND RESTATING THE PREVIOUSLY ADOPTED MAXIMUM
COMPENSATION AND BENEFITS FOR CERTAIN CITY DEPARTMENT HEAD
POSITIONS**

**THE CITY COUNCIL
City of Morro Bay, California**

WHEREAS, Section 36506 of the California Government Code requires that a city council fix the compensation of all appointive officers and employees by resolution or ordinance; and

WHEREAS, Morro Bay Municipal Code Section 2.20.020 also provides that the salaries and compensation of officers and employees of the City of Morro Bay ("City") shall be as fixed and determined by resolution of the City Council, except as fixed in Chapter 2.20 of the Morro Bay Municipal Code; and

WHEREAS, the Morro Bay City Manager has the authority to appoint, remove, promote and demote any officers and employees of the City, including Directors, except the city attorney, pursuant to Morro Bay Municipal Code Section 2.12.090; and

WHEREAS, the City currently has department heads that include the Community Development Director, Finance Director, Fire Chief, Harbor Director, Police Chief, and Public Works Director (hereinafter collectively referred to as "Directors"); and

WHEREAS, the salaries and compensation of the Directors have been fixed pursuant to the Combined Salary Schedule adopted by the City as part of the fiscal year budget process as updated from year to year; and

WHEREAS, the City Council now desires to approve the compensation range and benefits for the City's Directors such that the City Manager shall be authorized to appoint Directors and provide for salary and benefits within the limitations of this resolution, without requiring the City Council to individually approve each Director's employment contract; and

WHEREAS, the City Council now desires to adopt a resolution of salaries, compensation and benefits for the Directors.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay as follows:

Section 1. The City Council hereby approves the Executive Salary Schedule effective July 1, 2024 attached as **Attachment A**.

Section 2. The City Council hereby approves the Executive Salary Schedule effective July 1, 2025 attached as **Attachment B**.

Section 3. The City Council hereby approves the Executive Salary Schedule effective July 1, 2026 attached as **Attachment C**.

Section 4. Annual Cost of Living Adjustments (COLA) and/or equity adjustments may be given to Director employees, as recommended by the City Manager and approved by the City Council, though neither is guaranteed.

1. Effective the pay period including July 1, 2024, City shall provide a 5% COLA increase to base salaries for all Director employees (see Exhibit A updated salary table).
2. Effective the pay period including July 1, 2025, City shall provide a 5% COLA increase to base salaries for all Director employees (see Exhibit B updated salary table).
3. Effective the pay period including July 1, 2026, City shall provide a 5% COLA increase to base salaries for all Director employees (see Exhibit C updated salary table).

Section 5. Directors with an existing employment contract with the City are entitled only to the level of salary and benefits contained herein or already existing in their respective contracts prior to the adoption of this resolution should those pre-existing contracts be amended or replaced with new contracts. Accordingly, this resolution shall not be deemed to limit compensation or benefits provided for in an existing employment contract with the City that is inconsistent with this resolution. Implementation of the accrual caps herein shall not result in loss of existing or vested leave balances as of the date of adoption of this resolution.

Section 6. The City Council hereby approves the maximum level of benefits and other compensation, not including salary, for Directors as set forth below. In the event the City Manager desires to exceed any of the parameters set forth herein, City Council authorization shall be required.

A. Workweek and Hours. Directors are expected to engage in the hours of work that are necessary to fulfill the obligations of the position, must be available at all times, and must devote a great deal of time outside the normal office hours to the business of the City. The proper performance of duties will require Directors to generally observe normal business hours (currently 8:00 a.m. to 5:00 p.m., Monday through Friday, including a standard one-hour lunch period), as set by the City and as may be duly revised from time-to-time and approved by the City Manager, and will also often require the performance of necessary services outside of normal business hours.

B. At-Will Employment. The employment of Directors with the City is “at-will,” and Directors serve at the pleasure of the City Manager pursuant to Section

2.12.090 of the Morro Bay Municipal Code. As such, subject to Section 4 of this resolution, the City Manager may terminate a Director's employment at any time, with or without cause and with or without advance notice.

C. Exempt Status. Employees subject to this resolution are considered to be "exempt" employees within the definition of the Fair Labor Standards Act (FLSA) and shall not receive overtime compensation for time worked outside of the regular work schedule.

D. Professional Development and Professional Dues.

1. Professional development. Subject to the prior written approval of the City Manager, the City shall pay for travel and subsistence expenses of Directors for official travel, meetings and seminars necessary to continue professional development, and to adequately pursue necessary official and other functions for the City in accordance with approved budgetary limitations.

2. Professional dues. Subject to the prior written approval of the City Manager, the City shall pay the professional dues and subscriptions necessary for Directors' participation in such national, regional, state, and/or local associations and organizations as are necessary and desirable for continued professional participation growth and advancement and for the good of the City, in accordance with approved budgetary limitations.

E. Vacation Leave.

1. Accrual rate. Directors shall be entitled to paid vacation leave as provided below. City Manager shall have the authority to decide service years as the City Manager sees fit.

Service Years	Vacation Days
0-2	12
2-4	14
4-6	16
6-8	18
8+	20

2. Advances. The City Manager shall have the authority, in his or her discretion, to advance up to a total of ten (10) vacation days to a new Director at the start of the Director's appointment and at no other time.

3. Other Vacation Leave Requirements. All other contract language relating to vacation leave, including Accrual Caps, Cash Out and Usage, will be consistent with the adopted City Council Management Employees Compensation and Benefit Resolution in force at the time the Department Head contract is executed. Vacation leave time must be taken off on an hour-for-hour basis equaling employee actual time off, regardless of accumulation rates.

F. Holiday Leave.

1. The following days are paid holidays for Director employees:

New Year's Day
Martin Luther King Day
Spring Break Holiday
President's Day
Memorial Day
Juneteenth
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Day after Thanksgiving Day
Christmas Day
Two (2) floating holidays

2. Employees may accumulate up to a maximum of forty-eight (48) hours holiday time. Hours of holiday accumulated over forty-eight (48) hours will be paid off. Holiday time is a compensable leave, and any hours remaining in the employee's holiday bank will be paid out upon separation from City service, at the employee's current hourly rate of pay.

G. Administrative Leave.

1. Accrual rate. Each Director is eligible to earn up to eighty (80) hours of administrative leave per fiscal year. The time during the fiscal year, at which an employee may take administrative leave, shall be determined by the City Manager. The City Manager may, due to exceptional and documented circumstances warranting additional administrative leave, grant administrative leave in excess of the eighty (80) hour limit but no more than one hundred twenty (120) hours.

2. Accrual cap/cash-out. The administrative leave bank may never accrue more than one hundred twenty (120) total banked hours which may limit the number of hours credited to the employee's administrative leave bank on July 1st of each year. Administrative leave is a compensable leave, and any hours remaining in the employee's administrative leave bank will be paid out upon separation from City service, at the employee's current hourly rate of pay.

3. Advances. The City Manager shall have the authority, in his or her discretion, to advance up to a total of five (5) days administrative leave to a new Director.

4. Usage. Administrative leave time must be taken off on an hour-for-hour basis equaling employee actual time off, regardless of accumulation rates. Up to eighty (80) hours of administrative leave per fiscal year may be taken by a Director, subject to written advance approval of the City Manager.

H. Sick Leave.

1. Accrual rate. Directors shall accrue one (1) day paid sick leave per month. Directors shall be entitled to receive cash payment for up to 50% of unused sick leave upon termination of employment, provided that such amount shall not exceed \$4,500. Directors are entitled to payment for unused sick leave, pursuant to this section, upon resignation, only if thirty (30) days written notice of intent to resign is given to the City.

2. Conversion. Directors may convert up to ninety-six (96) hours of unused, accumulated sick leave into paid vacation once during the following fiscal year on a ration of two sick leave hours for one vacation hour. At least twenty-four (24) hours shall remain in a Director's sick leave bank after any conversion is authorized. In addition, the right to convert does not carry over or rollover from calendar year to calendar year; failure to request conversion, in any calendar year, eliminates the right to do so for that calendar year. Sick leave that is compensated or converted to vacation cannot be used towards the California Public Employees' Retirement System ("CalPERS") sick leave credit option at retirement.

3. Advances. The City Manager shall have the authority, in his or her discretion, to advance up to a total of five (5) days sick leave to a new Director.

4. Usage. Sick leave time must be taken off on an hour-for-hour basis equaling employee actual time off during normal City business hours, regardless of accumulation rates.

I. Retirement Benefits.

1. City contributions. The City will pay the employer portion of retirement contribution to the California Public Employees' Retirement System (CalPERS). Employees are required to pay their full member contributions for whichever plan they are eligible for pursuant to the City's contract with CalPERS. (As of the date of adoption of this resolution, contributions rates are as follows: 1) classic members, Tier 1 - 8% Miscellaneous/9% Safety; 2) classic members, Tier 2 - 7% Miscellaneous/9% Safety; or 3) PEPRA members, Tier 3 — 6.75% Miscellaneous/13% Safety.)

2. Employee Cost Sharing. CalPERS Classic Member Tier 1 & 2 employees shall make a 1% cost sharing contribution to the employer's contribution to CalPERS effective the first full payroll period after City Council approval of a CalPERS Contract Amendment providing for such payment commencing FY 23/24, but in no event sooner than the pay period including July 1, 2023.

3. CalPERS contract provisions.

(a) Tier I Miscellaneous– Miscellaneous Directors who were hired prior to January 1, 2012 shall be provided with the following CalPERS retirement formula and optional benefits (existing employees promoted to another position within the City will not be considered new hires with respect to retirement formulas):

- (i) 2.7% @ 55 formula (Section 21354.5)
- (ii) Unused Sick Leave Credit (Section 20965)
- (iii) Military Service Credit (Section 21024 & 21027)
- (iv) Final Compensation 1 Year (Section 20042)
- (v) 1959 Survivor Benefit, Level 4 (Section 21574)
- (vi) Pre-Retirement Option 2W Death Benefit (Section 21548)

(b) Tier II Miscellaneous– Miscellaneous Directors who were hired on or after January 1, 2012, but before January 1, 2013, and those hired on or after January 1, 2013 who are determined to be a “classic” member by CalPERS shall be provided with the following CalPERS retirement formula and optional benefits:

- (i) 2% @ 60 formula (benefit factor increases to 2.418% @ 63+) (Section 21353)
- (ii) Unused Sick Leave Credit (Section 20965)
- (iii) Military Service Credit (Section 21024 & 21027)
- (iv) Final Compensation 3 Years (Section 20037)
- (v) 1959 Survivor Benefit, Level 4 (Section 21574)
- (vi) Pre-Retirement Option 2W Death Benefit (Section 21548)

(c) Tier III (PEPRA) Miscellaneous– Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, Directors hired, who meet the definition of “new” member under PEPRA as determined by CalPERS, will be covered by following retirement formula and receive the following CalPERS optional benefits:

- (i) 2% @ 62 formula (benefit factor increases to 2.5% @ 67+) (Section 7522.20)
- (ii) Final Compensation 3 Years (Section 20037)
- (iii) Member contribution rate of fifty (50) percent of the expected normal cost rate, which is currently 13.5% (6.75% is employee's portion)
- (iv) Unused Sick Leave Credit (Section 20965)
- (v) Military Service Credit (Section 21024 and 21027)
- (vi) 1959 Survivor Benefit, Level 4 (21574)
- (vii) Pre-Retirement Option 2W Death Benefit (Section 21548)

(d) Tier I Safety– CalPERS Safety Directors, who were hired prior to September 17, 2011, shall be provided the following CalPERS retirement formula and optional benefits (existing employees, promoted to another position within the City, will not be considered new hires, with respect to retirement formulas):

- (i) 3% @ 50 plan (Section 21362.2)
- (ii) Unused Sick Leave Credit (Section 20965)
- (iii) Military Service Credit (Section 21024 & 21027)
- (iv) Final Compensation 1 Year (Section 20042)
- (v) 1959 Survivor Benefit, Level 4 (Section 21574)
- (vi) Pre-Retirement Option 2W Death Benefit (Section 21548)

(e) Tier II Safety– CalPERS Safety Directors, who were hired on or after September 17, 2011, and those hired on or after January 1, 2013 who meet the definition of a “classic” member under PEPRA as determined by CalPERS, shall be provided the following CalPERS retirement formula and optional benefits:

- (i) 3% @ 55 plan (Section 21363.1)
- (ii) Unused Sick Leave Credit (Section 20965)
- (iii) Military Service Credit (Section 21024 & 21027)
- (iv) Final Compensation 3 Years (Section 20037)
- (v) 1959 Survivor Benefit, Level 4 (Section 21574)
- (vi) Pre-Retirement Option 2W Death Benefit (Section 21548)

(f) Tier III (PEPRA) Safety- Pursuant to PEPRA, effective January 1, 2013, Safety Directors hired, who meet the definition of “new” member under PEPRA as determined by CalPERS, will be covered by following retirement formula and receive the following CalPERS optional benefits:

- (i) 2.7% @ 57 formula (benefit increases to ...)
- (ii) Final Compensation 3 Years (20037)
- (iii) Member contribution rate of fifty (50) percent of the expected normal cost rate (currently 13%)
- (iv) Sick Leave Option (Section 20965)
- (v) Military Service Credit (Section 21024)
- (vi) 1959 Survivor Benefit Level 4 (Section 21574)
- (vii) Pre-Retirement Death Option 2W (Section 21548)

J. Health, Life, Dental and Vision. All Directors shall receive the following contribution toward the purchase of CalPERS health insurance, which includes the required CalPERS monthly contribution:

City will pay an amount equal to 100% of Employee-only premium, 90% of Employee + one premium, and 89% of Employee + two or more (family coverage) premium for the **lowest-cost PPO plan offered by CalPERS.**

For calendar years 2024 and 2025, City will contribute 100% of the dental and vision premiums for Employees and their dependents.

City will pay up to a 5% increase in premiums for calendar year 2026 and up to a 5% increase for calendar year 2027 through the end of the 2027 calendar year. Employees will pay for any increase beyond 5%.

Life insurance is provided at \$50,000 per employee.

For retired Directors, City contributes the required CalPERS monthly contribution towards CalPERS health plans, as selected by retiree.

K. Long-Term Disability (“LTD”) Insurance Program. Management employees do not participate in the California State Disability Insurance program. City provides LTD to its management employees and pays the cost for the plan.

L. Deferred Compensation. Directors shall have the option to participate in the deferred compensation program offered by the City, subject to the terms and conditions of the 1978 Revenue Act and Section 457 of the Internal Revenue Code. The City will contribute up to \$3,500 per calendar year to the deferred compensation program. Any required match, from no match to a 2:1 match, will be negotiated by the City Manager.

M. Longevity Incentive. Once annually, for employees who have been continuously employed with City for ten (10) years of full-time employment, City shall contribute to the employee's deferred compensation plan (Section 457 account) \$25 per year for each whole year of continuous full-time employment with City, plus an additional \$25 per year for each whole year of continuous full-time employment completed after ten (10) years.

For example:

If an employee has been employed full-time with the City for 10 years, the City will contribute \$250 that year (\$25 for each year of continuous full-time employment).

If an employee has been employed full-time with the City for 14 years, the City will contribute \$350 that year (\$25 for each year of continuous full-time employment).

Whole years of full-time employment shall be determined on September 1st of each year.

Fractions of a year will be rounded down to the nearest whole year.

Deposits into the deferred compensation plan shall be made in one lump sum no later than the second pay period in September.

N. Automobile Allowance. Directors shall receive \$250.00 per month or the use of a take home City vehicle as determined by the City Manager.

O. Cost of Living Adjustments (COLA). Salary increases to the established salary ranges in Attachment A, B, and C shall only be as dictated and approved by City Council. The movement between steps of a salary range are entirely within the purview of the City Manager.

P. Uniforms. The Police Chief and Fire Chief shall receive uniform allowances in an amount consistent with the highest-ranking subordinate classification in their Department.

Q. Bonding. The City shall bear the full cost of any fidelity or other bonds required for a Director under any law or ordinance.

R. Education Incentives. The City shall reimburse the costs for job-related and job-required certifications, correspondence courses, and licenses upon successful completion of the examination or course by the employee, having written authorization in advance from the City Manager. This shall include application fees, examination fees, and certificate fees. Renewal fees may be paid in advance by the City. This provision does not apply to continuing education requirements.

S. Severance. Directors shall be entitled to severance only as provided in this section. Any and all severance rights are conditioned upon and in consideration for execution of a standard agreement of separation, severance, and general release in a form acceptable to and approved by the City Attorney. The severance rights provided for herein shall constitute the sole and only entitlement of a Director with respect to severance pay in the event of the termination, other than for cause.

1. Amount. In the event a Director is terminated without cause and does not challenge such termination, including but not limited to by means of appeal or civil or administrative claim, then the City shall pay severance in an amount equal to the monthly base salary of the Director then in effect (excluding the value of any other benefits) multiplied by four (4). The severance payment shall not include the monetary value of benefits during said time, but salary only. Prior to such termination, in order to be eligible for severance as provided in this Section, a Director must have worked for the City a minimum of six (6) months.

Should a Director be terminated for cause, as defined in this section below, the City shall have no obligation to pay the severance provided for above. Additionally, should a Director resign or otherwise initiate termination of his or her employment with the City, then the City shall have no obligation to pay the severance provided for above.

2. “Cause” defined. For the purposes of this resolution, “cause” for termination shall include, but not be limited to, the following: (1) willful or persistent material breach of duties or inattention to duties, (2) résumé fraud or other acts of material dishonesty, (3) unauthorized or excessive absence or leave, (4) conviction of a misdemeanor involving moral turpitude (i.e., offenses contrary to justice, honesty, or morality), (5) conviction of a felony under

California law, (6) violation of the City's anti-harassment policies and/or a finding that legally prohibited personal acts of harassment against a City official or employee or legally prohibited personal acts of discrimination against a City official or employee has occurred, (7) violation of state law or the City's Municipal Code or ordinances, rules, and regulations, (8) use or possession of illegal drugs in violation of state law and/or City policy, (9) engaging in conduct tending to bring embarrassment or disrepute to the City, (10) any illegal or unethical act involving personal gain, including conviction of theft or attempted theft, (11) significant mismanagement of City finances, (12) any pattern of repeated, willful and intentional failure to carry out materially significant and legally constituted directions or policy decisions of the City Council or City Manager, (13) gross misfeasance or gross malfeasance, or (14) any similar cause. For any of the foregoing, the City may, in its discretion, place a Director on paid or unpaid administrative leave until resolution.

3. Limitation. Government Code Section 53260 provides that all contracts of employment with a city must include a provision limiting the maximum cash settlement for the termination of the contract to the monthly salary (excluding benefits) multiplied by the number of months left on the unexpired term, but not more than eighteen (18) months if the unexpired term exceeds eighteen (18) months. Accordingly, should such proposed severance payment exceed the amount authorized to be paid under Government Code Section 53260, then the amount paid to Employee shall be reduced in the amount necessary to comply with such statute. (For example, if termination occurs with two (2) months left in the term, severance would be equal to the monthly base salary multiplied by two (2) rather than the four (4) months provided herein.)

T. Relocation Reimbursement. The City Manager shall have the discretion to reimburse a newly hired Director for the Director's actual costs of relocation in order to work for the City, up to \$5,000 for in-state relocations, and up to \$10,000 for out of state relocations. Prior to such reimbursement, the newly hired Director shall provide to the City Manager receipts or other reasonable proof documenting the costs incurred in relocation. The expenses eligible for reimbursement shall be only those expressly stated herein and only include the following items/categories: hiring of a moving service or rental of a moving truck or equipment; renting a temporary home, apartment or hotel costs while house-hunting for a more permanent residence; lease cancelation fees; shipping and temporary storage of personal belongings and furniture; ad travel costs from prior residence to new residence, whether temporary or not.

If, following reimbursement for relocation expenses as provided in this section, a Director voluntarily leaves City employment, then Director shall be responsible for repayment to the City the amount of relocation reimbursement as follows:

Duration of employment	Percentage of relocation reimbursement owed to City
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Less than one year	100%
1 – 2 years	50%
2 – 3 years	25%
3 + years	0%

Any relocation reimbursement repayment required pursuant to this section shall be made to the City no later than the Director’s last day of City employment. The City shall have the right but is not limited to this form of recovery only, to deduct any relocation reimbursement amount owed to the City pursuant to this section from a Director’s accrued leave to be paid out upon separation.

In the event a Director is terminated, then no repayment to the City for relocation reimbursement shall be required.

Section 7. The position of Police Chief remains entitled to all protections and rights afforded under California law, including, but not limited to, those set forth in the Public Safety Officers Procedural Bill of Rights Act (Gov’t Code 3300-3313). The position of Fire Chief remains entitled to all protections and rights afforded under California law, including, but not limited to, those set forth in the Firefighters Procedural Bill of Rights Act (Gov’t Code 3250-3262).

PASSED AND ADOPTED by the City Council, City of Morro Bay at a regular meeting thereof held on the 25th day of June 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSE:

CARLA WIXOM, Mayor

ATTEST:

DANA SWANSON, City Clerk

ATTACHMENT A
DIRECTORS PAY SCHEDULE
EFFECTIVE JULY 1, 2024

ANNUAL SALARY					
POSITION	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
COMMUNITY DEVELOPMENT DIRECTOR	157,310	165,173	173,451	182,125	191,235
PUBLIC WORKS DIRECTOR	157,310	165,173	173,451	182,125	191,235
FINANCE DIRECTOR	157,310	165,173	173,451	182,125	191,235
HARBOR DIRECTOR	160,264	168,272	176,696	185,515	194,792
FIRE CHIEF (Sworn)	160,264	168,272	176,696	185,515	194,792
POLICE CHIEF (Sworn)	160,264	168,272	176,696	185,515	194,792

ATTACHMENT B
DIRECTORS PAY SCHEDULE
EFFECTIVE JULY 1, 2025

	ANNUAL SALARY				
POSITION	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
COMMUNITY DEVELOPMENT DIRECTOR	165,173	173,430	182,125	191,235	200,803
PUBLIC WORKS DIRECTOR	165,173	173,430	182,125	191,235	200,803
FINANCE DIRECTOR	165,173	173,430	182,125	191,235	200,803
FIRE CHIEF (Sworn)	168,272	176,696	185,536	194,792	204,526
POLICE CHIEF (Sworn)	168,272	176,696	185,536	194,792	204,526

ATTACHMENT C
DIRECTORS PAY SCHEDULE
EFFECTIVE JULY 1, 2026

	ANNUAL SALARY				
POSITION	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
COMMUNITY DEVELOPMENT DIRECTOR	173,430	182,104	191,235	200,803	210,850
PUBLIC WORKS DIRECTOR	173,430	182,104	191,235	200,803	210,850
FINANCE DIRECTOR	173,430	182,104	191,235	200,803	210,850
FIRE CHIEF (Sworn)	176,696	185,536	194,813	204,526	214,760
POLICE CHIEF (Sworn)	176,696	185,536	194,813	204,526	214,760