

## **BACKGROUND**

ON May 18, 2016 the Department of Labor announced the publication of the final rules updating the overtime regulations protected by the FLSA's minimum wage and overtime standards.

The final rules focus on updating the salary and compensation levels needed for Executive, Administrative and Professional workers to be exempt. Specifically, the Final Rule:

1. Sets the standard salary level for full-time salaried workers at (\$913 per week; \$47,476 annually for a full-year worker);
2. Sets the total annual compensation requirement for highly compensated employees to (\$134,004); and
3. Establishes a mechanism for automatically updating the salary and compensation levels every three years to maintain the levels.
4. Additionally, the Final Rule amends the salary basis test to allow employers to use nondiscretionary bonuses and incentive payments (including commissions) to satisfy up to 10 percent of the new standard salary level.

The effective date of the final rules is December 1, 2016. The future automatic updates to the thresholds will begin January 1, 2020.

## **IMPACT**

The impacted classifications in the City's Compensation Plan include the exempt positions found in Pay Grade I and the Part-time Public Health Nurses found in Pay Grade J. The positions in Pay Grade I include: Clubhouse Supervisor-PRFM (1 employee), Environmentalist II (2 employees), Librarians (9 employees), Library Assistant Supervisors (2 employees) and Road Supervisor-VT (2 employees). The 2016 Minimum for Pay Grade I is \$21.44 per hour or \$44,595 annually. In order to meet the new requirements, the minimum salary must be at least \$913 per week, which based on a 2080 hour year, equates to \$22.83 per hour or \$47,476 annually, for any position's classified exempt in this paygrade. There is only one person, holding a Librarian position, in Pay Grade I, who does not meet the minimum weekly threshold.

Pay Grade J has the five (5) Part-time Health Nurses, who are currently classified as exempt. Four (4) of these positions working 50% will be impacted by not meeting the \$913 weekly threshold which applies to both part-time and full-time positions. The fifth position currently works 90% and does meet the \$913 weekly threshold.

## **RECOMMENDATION**

Effective December 1, 2016 I would recommend that the Library increase the one Librarian's pay, who is currently at \$22.50 per hour to \$22.83 per hour to meet the minimum \$913 weekly threshold. This will preserve the exemption status. Since the **positions** listed above all meet the exemption status for being exempt, I would not recommend changing the status of those positions from exempt to non-exempt due to the new salary requirements. Exempt positions give the City more flexibility with the scheduling and expectations of these professional positions.

Additionally, the Public Health Nurses in Pay Grade J are currently classified as exempt. It would be unlikely for the positions that currently work 50% to work more than 40 hours per week. Therefore, I recommend that the Part-time Nurses holding the 50% positions be changed from exempt to non-exempt and the Part-time Nurse working the 90% position remain exempt.

To ensure that we are able to differentiate this in the pay plan, I would recommend we create a separation of the non-exempt and exempt positions in Pay Grade I and include the new minimum rate for the exempt positions. In Pay Grade J I recommend we differentiate between the exempt Public Health Nurses and classify the 50% positions as non-exempt. Additionally, there is a Public Health Nurse classification in the Part-time non-benefit plan as well. I would recommend we change this classification from exempt to non-exempt. These types of positions generally work 10-15 hours per week.

**COST IMPACT**

The cost impact for adjusting the one position by \$.33 for the remainder of 2016 is \$57.20 and on an annual basis would be \$686.40. If the current pay plan is increased by 1.5% for 2017, the hourly rate will meet the minimum threshold.

There is no cost impact for the 50% Part-time Public Health Nurses and the Part-time Non-Benefitted Nurses because they already hold positions less than 40 hours per week and we do not anticipate they will exceed their budgeted hours.