



COUNCIL BUDGET STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

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TO: City Council Members

FROM: Ben Luedtke
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DATE: May 19, 2020

RE: Fiscal Year 2020-21 Compensation Budget

Project Timeline:

Briefing: May 19, 2020

Budget Hearings: May 19, and June 2

Potential Action: June 9 (TBD)

ISSUE AT-A-GLANCE

Historically, personnel and payroll costs make up approximately two-thirds or 67% of the City's General Fund budget. Included in this figure are salaries, supplemental pay, health insurance, pension costs, and other benefits. The FY2021 budget includes \$204.1 million for compensation which is 63% of the General Fund budget. The compensation budget increased \$2.2 million (1.1%) over last year due to new positions, planned merit increases for represented employees and insurance increases. There is also a \$544,981 pension increase caused by a new legislative mandate for police and fire Tier 2 retirement systems. Other than merit step increases previously agreed upon for represented employees, the Administration is proposing no cost of living/labor pay increase for FY21 and a six-month hiring freeze until January 2021. The Citizens' Compensation Advisory Committee (CCAC) annual report is Attachment 1 and a summary of their recommendations is in part A of the Additional Info section. The proposed compensation budget includes:

1. **Medical Insurance (\$986,980 from General Fund)** – A 4.5% increase to premiums for the Summit STAR high deductible health plan (HDHP), the City's only medical insurance plan. The Utah Retirement System (URS) requires cities to hold a medical plan reserve sufficient to cover 55 – 100 days of typical claims. The table below summarizes medical insurance premium increases and plan reserve funding since FY17. PEHP indicates national average medical insurance increases are 5% to 7%. See Attachment 3 for a chart of the City's historical medical claims from FY2010-FY2019.

Fiscal Year	Premium Change	Medical Reserve Account	
		# of Days to Cover Typical Claims	\$ Amount
2017	6.6%	76	\$ 5,500,311
2018	3.5%	76	\$ 5,900,962
2019	7.0%	72	\$ 6,036,805
2020*	7.5%	68	\$ 6,200,000
2021	4.5%	TBD	TBD

*FY 20 are estimates and includes two premium holidays

Premium Holidays – Premium holiday for medical insurance means the City and employees do not pay premiums for a pay period. The FY21 proposed budget has two premium holidays which adds a one-



time \$1.8 million transfer to the General Fund. In FY20 the City had one premium holiday. In FY18 the City had two premium holidays.

Medical Insurance Premium Cost Increases by Plan Type for City and Employees – The two tables below summarize the premium increase cost impact to the City and to employees. The increase reflects required annual actuarial contributions.

Plan	City's Biweekly Contribution	Biweekly Increase to City	Annual Increase to City
Single	\$194.42	\$8.37	\$217.62
Double	\$437.44	\$18.83	\$489.58
Family	\$583.25	\$25.11	\$652.86

Plan	Employee's Biweekly Contribution	Biweekly Increase to Employees	Annual Increase to Employees
Single	\$10.23	\$0.44	\$11.44
Double	\$23.02	\$0.99	\$25.74
Family	\$30.70	\$1.32	\$34.32

2. **Represented Employee Merit Increases (\$1.2 million)** – The \$1,196,415 million covers step increases, previously agreed upon, based on years of service. There is no pay increase for non-represented City employees.
3. **No General Pay Increase** – The City has provided general pay increases to all employees in recent years when incoming revenues were growing. The proposed FY21 budget includes no general pay increase due to the current economic situation, expected revenue decreases, reliance on General Fund fund balance (savings), and use of unexpended project budgets to balance the budget.
4. **Health Savings Accounts (HSA) (\$3.1 million)** – The Administration is proposing to continue the one-time annual contribution to front-load employees' HSAs in the amounts of \$750 for singles and \$1,500 for doubles and families. Of the total cost, \$2,465,251 is for General Fund employees.
5. **Pension Contributions** – The Utah State Retirement System (URS) did not require increases for employer pension contribution rates for FY21. The Legislature did require increases for police and fire Tier 2 pension systems at an estimated cost to the City of \$544,981. Large mandatory contributions were common in the years after the Great Recession to make up for retirement system funds lost during the financial crisis. Retirement funding and rates are based on a rolling five-year average of investment returns. URS has an established process to change rates that requires audited financial and investment return information as of December 31 annually. The Administration is monitoring the rate setting process and Retirement Board preliminary rate approvals. Recent volatility in the stock market, bond market and economic downturn indicate the City's mandatory pension contributions could increase next fiscal year. However, the magnitude of investment losses and mandatory pension contribution increases the City must pay, if any, are unknown at this time.
6. **No Market Adjustments** – Salary adjustments for benchmarked employee groups who lag local market pay rates are reported annually by the Citizens' Compensation Advisory Committee (CCAC). See summary chart of benchmarked positions in the Additional Information below. This year 17 positions were identified. The Administration did not propose market-based adjustments in the annual budget despite the City's longstanding practice. These job benchmarks lagging local market pay rates will be revisited for potential adjustments when revenues and other indicators reflect a growing economy. The total estimated cost for these adjustments is \$360,000, of which \$50,000 are for positions significantly lagging the market.

7. **Expanding Military Paid Leave Benefit** – The FY21 Compensation Plan for non-represented City employees proposes to expand the allowed military paid leave from 11 days to 15 days. The change is to align the benefit for all employees regardless of whether they're represented by a union or not.
8. **Mayoral Emergency Power to Suspend / Modify Parts of Compensation Plan** – The FY21 Compensation Plan for non-represented City employees includes a new section stating “If a local emergency is declared, any provision in this compensation plan may be temporarily modified, suspended, or revoked for the duration (or any portion thereof) of the period of local emergency, if so authorized by the mayor and/or city council.” See Attachment 2 for the redlined version of the FY21 Compensation Plan.
 - a. This addition is intended to align the Compensation Plan with the Mayor’s existing authority during local emergencies. The Council could add further language for clarification. Council staff worked with the Attorney’s Office on this draft language: However, prior to any such temporary modification, suspension, or revocation, the Mayor must provide written notice to the Council of the specific provision(s) being modified, suspended, or revoked, as well as justification for the necessity of the action and the proposed duration of the modification, suspension, or revocation.

American Federation of State, County and Municipal Employees (AFSCME) National Salary Survey Conducted by Mercer *(Attachment 4)*

The full Mercer report had a written brief for the Council at the March 24, 2020 work session and is included as Attachment 4. The survey compared salaries for the City’s three AFSCME represented bargaining units and evaluated the pay scale for job benchmarks and actual pay. The executive summary slides can be found on the following pages of the PDF:

- Pages 22 and 23 for Trade & Craft, Semi-skilled and Non-skilled
- Pages 47 and 48 for Clerical and Operations Support Jobs
- Pages 61 and 62 for Paraprofessional and Technical Jobs

Aggregate Employee Groups Compared to Market

The aggregate results on page 19 show actual pay for the three employee groups are -10%/+10% of market median. Mercer concluded that “across all jobs, SLC is well-aligned to market, though competitiveness varies by position.” However, the minimum pay scale for clerical and operations support jobs was found to be 13% below comparable employers, and the maximum pay scale for paraprofessional and technical jobs was found to be nearly 12% below comparable employers. Considering results of the Mercer survey, the CCAC recommends the City place more weight on the local area survey comparisons, recognizing that the vast majority of individuals filling the selected jobs come from the local market.

2019 Benefits Study *(Attachment 5)*

The executive summary is available on pages 6-11. The CCAC and contracted Benefits consultant agreed the City should conduct a benefits study every three to five year which is an industry best practice. Most of the City’s individual benefits were found to be generous and leading the market. The value of the City’s benefits package was significantly leading the market in some benefits such as offering a nearby health clinic (Midtown Employee’s Clinic), tuition reimbursement amounts, longevity pay and employee participation in ancillary programs.

The study concluded that overall the City’s benefits exceed the average value of benefits from the comparative survey sample of employers and thus add value to compensation (compared to market), as shown below (from page 19 of Attachment 1).

- Compared to other Public Sector organizations: \$3,152.37
- Compared to Private Sector organizations: \$3,568.41
- For Public Safety compared to Public Sector organizations: \$4,694.33
- For Public Safety compared to Private Sector organizations: \$5,110.37

The one benefit that significant detracted in value was the dental plan which was found to be \$593.37 less economically valuable compared to market

Updating Compensation Philosophy (Attachment 2)

The proposed FY21 Compensation Plan for Non-represented Employees adds the following language to reflect the CCAC's recommended compensation philosophy: "The city shall consider itself competitive when data indicates actual median employee pay rates plus the overall additional economic value of benefits equals at least 100% compared to market" (page 4). This philosophy mirrors the CCAC's latest recommendation the City rely on a combination of actual median pay plus the additional economic value of benefits to gauge the City's overall market pay competitiveness. To date, the City's longstanding salary practice identified no less than 95% of market as the preferred range for setting employee compensation, which is then supplemented by offering generous benefits to make up or exceed the other 5%.

POLICY QUESTIONS

1. **Compensation During the Great Recession** – The Council may wish to ask the Administration how the City handled compensation during the Great Recession, and what lessons learned may be applicable to the current economic downturn.
2. **Increasing Mental Health Resources for Employees**– Some Council Members expressed interest in providing additional flexibility to the Administration for employees suffering from mental health issues such as PTSD. Ideas mentioned in prior discussions were purchasing retirement years to help reach full retirement, increase clinical advisory resources at the Midtown Clinic, suicide prevention training like Question, Persuade, Refer (QPR) or increased flexibility necessary for alternate work arrangements. The Council may wish to ask the Administration what resources would be helpful and if the CCAC could research options and provide recommendations in their 2021 annual report. See Additional Info section for recent enhancements to mental health benefits.
3. **Expanding Employee Reimbursable Expense Options** – City policy allows employees with gym memberships to be reimbursed for those expenses using vacation hours. Personal leave hours more than 80 may be cashed out at a 50% discount. The Council may wish to discuss whether there is interest in expanding the allowable expenses for reimbursement using vacation and/or personal leave hours. In recent discussions, some Council Members expressed interest to explore ways the City could assist employees with costs for childcare, transportation and affordable housing.
4. **Add Voting Leave Benefit** – The Council may wish to discuss with the Administration if there's value in adding a voting leave benefit to the annual compensation plan. The benefit could be subject to administrative / departmental policies to ensure city services are not unduly impacted or suspended. State law (20A-3a-105) currently requires employers to allow two hours of absence for an employee on Election Day if the employee submits the request in advance.

ADDITIONAL & BACKGROUND INFORMATION

A. Citizen's Compensation Advisory Committee (CCAC) Findings and Recommendations (Attachment 1)

Each year the CCAC is responsible for preparing and submitting a written report, with any recommendations, to the Mayor and City Council for their consideration. The full CCAC report had a written briefing for the Council at the March 24, 2020 work session and is included as Attachment 1. A summary of the Committee's recommendations is available on pages 20 and 21 of the attachment. One role of this Committee is to study and compare the City's salary groups, or job benchmarks, against the salaries of comparable employers, especially those that compete with the City for talent, to see if the City's salaries are competitive.

1. Limit Pay Increases to Competitive Market Salary Adjustments – The Committee recommends instead of a general pay increase that the City selectively fund market-based salary adjustments to ensure salaries for identified job benchmarks are competitive.
2. Bring Lagging Job Benchmarks Up to 100% of Market – Based on its findings, the Committee recommends that resources be appropriated to give market salary adjustments for employees whose annual salary significantly lags market after factoring in the economic value of benefits compared to the public sector sample of other employers. The below table identifies these job benchmarks which in total represent 122 City employees.

Job Benchmarks Lagging Market

SLC Salary Benchmark	SLC Median Salary*	Market Median Salary	SLC/MKT	# of Incumbents
Police Intelligence Specialist	\$47,539	\$58,400	81%	3
Redevelopment Agency Property Manager	\$70,419	\$77,700	91%	1
Business Licensing Processor II	\$47,602	\$52,100	91%	2
Golf Superintendent 18 Holes	\$64,886	\$70,500	92%	3
Plans Examiner	\$63,545	\$68,700	92%	2
Water Meter Technician II	\$48,267	\$51,400	94%	2
HR Business Partner II	\$77,117	\$80,700	96%	5
Financial Analyst III	\$74,725	\$77,500	96%	5
HR Information Systems Analyst	\$82,483	\$85,200	97%	1
Senior Secretary	\$40,010	\$40,900	98%	2
Crime Scene Technician II	\$48,371	\$49,400	98%	7
Golf Club Professional	\$80,944	\$82,500	98%	5
Access Control Specialist	\$38,970	\$39,712	98%	5
Engineer IV	\$81,548	\$83,100	98%	9
LCSW / Mental Health Counselor	\$59,166	\$60,200	98%	1
Office Facilitator II	\$52,282	\$52,800	99%	27
Fleet Mechanic	\$58,002	\$58,300	99%	42

**Note: These figures include the additional \$3,152 economic value of benefits above market average compared to the survey sample of other public sector employers*

3. Pay Equity Study – The Committee recommends the City conduct a pay equity study to look at salaries along age, ethnicity, gender and other factors. A third-party consultant is suggested. HR staff and the Committee have reviewed gender pay equity in recent years and concluded current differences in pay between male and female employees in the same job are accounted for by differences in education, experience or both.
4. Turnover Rates – The Committee found the City’s turnover rates continue to be significantly below the national average. However, the following departments experienced turnover rates in 2019 that exceeded the national average: 911 Bureau, Attorney’s Office, Economic Development and Human Resources. Also, the Committee concluded that “of the 244 employees that voluntarily left the city throughout the past year, 75 retired reducing the voluntary turnover rate from 7.4% to 4.8%” (page 8). Average employer costs from turnover are shown on pages 32 and 33.
5. Weighing Local vs. National Salary Data – “The committee recommends that the mayor and city council place more weight on the local area survey comparisons, recognizing that the vast majority of individuals filling the selected jobs come from the local market. The committee also recommends that the mayor and city council continue to conduct national market surveys every three to five years to keep ahead of possible changes or shifts in the source of qualified applicants.” (page 15)
6. Pay Leader for Public Safety – In response to the City Council’s February 2019 letter to the CCAC, the Committee recommends that “the City maintain a relative pay position including actual median employee pay rates plus the overall additional economic value of (public sector) benefits between 105-120% compared to the local area market.” (page 17)
7. Engagement Surveys and Exit Interviews – The Committee “recommends the city begin to ask questions and compile answers via engagement surveys, exit interviews, and other methods to diagnose where and why turnover is specifically occurring. We recommend that the city retain a third-party culture/retention expert to conduct a cultural study.” (page 18). Specific suggestions for these studies, surveys and interviews are available on page 18 of Attachment 1.

8. Continue the City's Living Wage at \$10.87/hour – The City's current minimum wage for a single adult is estimated at \$12.05/hour. No increase is recommended this year. The Committee's analysis found the only employees receiving the living wage are temporary and seasonal positions. The CCAC was provided analysis of several factors to determine the current living wage. This is available in Appendix B of Attachment 1.

B. Recent Enhancements for Mental Health Benefits

Note that utilization reports for City benefits are typically available each fall. If Council Members have questions about specific benefits or overall benefit utilization, then Council staff can request these reports from the Administration.

1. Residential Treatment Expansion in FY2020 Budget – Part of the medical insurance premium increase was to expand the residential treatment program for PTSD and substance abuse to provide up to 30 days of treatment per fiscal year at 13 available locations of which two specialize in PTSD and one specializes in fire fighter behavioral health treatment programs.
2. Additional Counseling Sessions for Public Safety Employees – All City employees have access to 10 counseling sessions at no additional cost. In FY19 a Request for Proposals (RFP) was issued to increase available counseling sessions with providers specializing in PTSD up to 15 sessions for public safety employees. The budget included \$50,000 to cover the higher than expected cost.
3. Peer Support Groups – All three public safety departments (911 dispatch, fire and police) have established peer support groups with employees who completed training in mental health and wellness.

C. Longevity Pay

As a long-standing policy, the City offers employees, except elected officials, a monthly longevity pay benefit based on years of employment as detailed in the below table. Last year, the Council expanded eligibility for this benefit to include the City's appointed employees. In total, 48% of the City's total workforce receive a longevity pay increase.

Years of Employment	Monthly Benefit	Annual Benefit	Number of Employees	Total by Category
Six	\$50	\$600	357	\$214,200
Ten	\$75	\$900	496	\$446,400
Sixteen	\$100	\$1,200	242	\$290,400
Twenty	\$125	\$1,500	492	\$738,000
TOTALS			1587	\$1,689,000

D. Bargaining Units

The City has three bargaining units with which the Administration negotiates compensation and comes to agreements through three-year Memorandums of Understanding (MOU) – Police, Fire, and the American Federation of State, County, and Municipal Employees (AFSCME). Agreements with City bargaining units are developed prior to and after the Mayor presents the recommended annual budget. The recommended budget includes total compensation adjustments for all City employees, both union represented and non-represented alike. However, depending on the outcome of negotiations, recommendations for union employees may be modified.

ATTACHMENTS

1. CCAC 2020 Annual Report
2. Redlined FY 2021 Annual Compensation Plan for Non-represented Employees
3. City's Historical Medical Claims from FY2010-FY2019
4. 2020 Mercer AFSCME Salary Survey Report
5. 2019 Benefits Study

ACRONYMS

AFSCME – American Federation of State, County and Municipal Employees

CCAC – Citizens Compensation Advisory Committee

COLA – Cost-of-living-adjustment OR Cost-of-labor-adjustment

FTE – Full-time Employee
FY – Fiscal Year
HDHP – High Deductible Healthcare Plan
HR – Human Resources
HSA – Health Savings Account
MOU – Memorandum of Understanding
PTSD – Post Traumatic Stress Disorder
RFP – Request for Proposals
SLCPD – Salt Lake City Police Department
TBD – To Be Determined
URS – Utah Retirement System