

SALT LAKE CITY COUNCIL STAFF REPORT

DATE: May 23, 2003
BUDGET FOR: **COMPENSATION ORDINANCES; FISCAL YEAR 2003-04**
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The Administration forwarded proposed compensation ordinances to the City Council that will implement the compensation adjustments included in the Mayor's Recommended Budget for fiscal year 2003-04. The proposed budget contains a \$3,180,000 increase in salaries and wages for General Fund employees. Attached is a survey conducted by the Human Resource Division of pay adjustments for a sample of other governments in Utah.

ANALYSIS

A synopsis of each proposed ordinance follows. There are variations between the pay plans based on the specific needs of the different employee groups. The Administration is proposing compensation increases that fund existing bargaining contracts. Pay range adjustments are essentially consistent with increases recommended by the Citizens Compensation Advisory Committee (CCAC) for non-bargained employees. The Committee recommended that the City consider a general pay increase that keeps costs within fiscal ability.

The City classifies various employee groups under pay "series" or groups. The pay structure for each series has either pay ranges or pay steps. The following discussion includes information regarding:

Percentage increase to pay steps

- Changes in pay steps deliver a corresponding change in pay

Average percentage of merit increases (changes in steps)

- Merit increases are available on employee's anniversary date for satisfactory performance.
- Only a portion of the cost of a merit increase will be incurred in fiscal year 2003-04 unless the employee's anniversary date is July 1st.
- Many employees are already at the top pay level and not eligible for a merit increase. For example, 100 series employees with satisfactory performance only take three years to reach the top step.

Percentage increases to pay ranges

- An increase to a pay scale with ranges rather than steps does not, in itself, create a salary change; it changes the potential for pay adjustment.

Pay ranges general pay increase

- The general pay increase will be applied by determining whether each employee is below the midpoint or above the midpoint. Those below the midpoint will receive a greater increase depending on how much below the midpoint.

Employees above the midpoint will receive less of an increase than the general pay increase percentage. (Midpoint is considered to be the 'market rate' for each position. Under the City's system most employees start at below the 'market rate' pay for their position and their salary is generally increased annually to get to midpoint and the salary increases after that point are minimal in order to prevent situations where employees are paid significantly above market rate just based on longevity.)

100 Series (AFSCME operations and maintenance): The proposed ordinance funds the second year of a memorandum of understanding agreed to by the City and the American Federation of State County & Municipal Employees Local 1004 (AFSCME). The term of agreement was for three years beginning July 2002 and ending June 2005. The memorandum of understanding has been amended to provide for military leave benefits in the same manner as other City employees (two weeks per year of paid military leave). Some other clarifications have been made the wording of the memorandum of understanding.

- Fiscal year 2003-04
 - 2.75% increase on June 22, 2003
 - Merit pay increases averaging 0.16% on the employee's employment anniversary date.
- Fiscal year 2004-05
 - 2.5% average increase on June 20, 2004
 - Merit pay increases averaging 0.09% on the employee's employment anniversary date.
- The memorandum of understanding has been modified to address a number of non-economic issues including (1) requests for information relating to grievances, (2) seniority and length of service clarification, (3) City's responsibilities when it changes an employee's regular work schedule, (4) clarification of ambiguous language regarding employee meal allowances, (5) removal of a provision that was inconsistent with the Family Medical Leave Act, (6) limitation on revoking an employee's previously approved vacation, and (7) requirement for employees to keep an inventory of their personal tools used on the job.

200 Series (AFSCME technical and clerical): The proposed ordinance funds the second year of a memorandum of understanding agreed to by the City and the American Federation of State County & Municipal Employees Local 1004 (AFSCME). The term of agreement is for the period July 2002 through June 2005. The memorandum of understanding has been amended to provide for military leave benefits in the same manner as other City employees (two weeks per year of paid military leave). Some other clarifications have been made the wording of the memorandum of understanding.

- Fiscal year 2003-04
 - 2.75% average increase on June 22, 2003

- Merit pay increases averaging 1.02% on the employee's employment anniversary date.)
- Fiscal year 2004-05
 - 2.5% average increase on June 20, 2004
 - Merit pay increases averaging 0.92% on the employee's employment anniversary date. (Merit increase for fiscal year 2004-05 is based on the present-year employee population.)
- The memorandum of understanding was modified to address non-economic issues. (See explanation under 100 Series.)

400 Series (Fire Union): The proposed ordinance funds the second years of a memorandum of understanding agreed to by the City and the Fire Fighters Local. The term of agreement is for July 2002 through June 2005.

- Fiscal year 2003-04
 - 2.8% average increase on June 22, 2003
 - Merit pay increases averaging 1.03% on the employee's employment anniversary date (unless the employee is already at the top of the pay scale).
- Fiscal year 2004-05
 - 2.8% average increase on June 20, 2004
 - Merit pay increases averaging 1.03% on the employee's employment anniversary date (unless the employee is already at the top of the pay scale).

500 Series (Police Union): The proposed ordinance funds the third year of the memorandum of understanding agreed to by the City and the International Union of Police Associations, Local 75, AFL-CIO in June 2001: The term of agreement is from July 2001 to June 2004.

- Fiscal year 2003-04
 - 3.5% for top step officer; 2.9% average increase on June 22, 2003
 - Merit pay increases averaging 1.26% on the employee's employment anniversary date (unless the employee is already at the top of the pay scale).

300/600 Series (Professional - non-union): The ordinance prepared for 300/600 Series compensation is not negotiated with a bargaining unit. However, the Administration does work with a group of employee representatives called the Professional Employees Council (PEC) to review the implications of proposed changes.

- 2% increase to salary ranges for the 300 and 600 Series.
- 2.7% *general percentage pay increase* applied by determining whether each employee is below the midpoint or above the midpoint. Those below the midpoint will receive a greater increase than the 2.7% depending on how much below the midpoint. Employees above the midpoint will receive less than the 2.7%. Since more City employees are below the midpoint than above the

midpoint, the total estimated cost for the City is 3.7%. Merit increases are not provided to 300/600 series employees.

- Employees designated as members of the Snow Fighter Corps are to receive pay differential pay of \$300 per month not to exceed \$1200 per year. Qualified employees can volunteer to serve on the Snow Fighter Corps. If there are not enough volunteers, the Department of Public Services will assign employees to the corps on a seniority basis with the junior employees assigned first.

700 Series (Regular Part-Time employees who perform essentially the same duties of employees classified by the City as 100 and 200 series): The ordinance prepared for 700 Series compensation is not negotiated with a bargaining unit. The proposed ordinance funds:

- 2.75% average increase paid in accordance with salary structure of full-time employees in the 100 and 200 series. Merit increases are not provided.

800 Series (Police non-union - sergeants, lieutenants, captains): The ordinance prepared for 800 Series compensation is not negotiated with a bargaining unit. However, the Administration does work with a group of employee representatives (PEC) to review the implications of proposed changes. The ordinance proposes the following based on a study of the local market:

- 3.5% increase to steps for sergeants, lieutenants and captains

Merit increases averaging .04% for eligible employees. The amount is small, because most employees in this series are currently at the top step.

900 Series (Fire non-union - captain, battalion chief): The ordinance prepared for the 900 Series compensation is not negotiated with a bargaining unit. However, the Administration does work with a group of employee representatives (PEC) to review the implications of proposed changes.

- 3% increase in steps
- 0.03% cost of merit increases (applies to those not already at the top of the pay scale). The amount is small, because most employees in this series are currently at the top step.

Unclassified Employees (Appointed staff in the Mayor's Office, Council Office, and City Attorney's Office): Employees in the unclassified compensation plan are "at will" and subject to termination without cause. These employees receive a severance benefit of one week for each year of service up to a maximum of six weeks but do not have longevity or lay-off benefits (professional employees not in this pay plan have bumping rights and, for one year, can fill a vacant position anywhere in the City if satisfying minimum qualifications). This compensation plan provides greater discretion of the appointing authority in deciding the unclassified employee's salary. The proposed budget includes an average increase of 2.5% for fiscal year 2003-04.

Executive Employees: The ordinance prepared for executive employees' compensation contains the same pay adjustments as the compensation plan for the 600 series employees.

- 2.5% increase to the salary schedule. Raising the range minimums and maximums increases pay potential, but does not by itself create pay raises.
- 2.7% general percentage pay increase for executives, as a guideline for base pay and performance-based adjustments. Base pay increases may vary between individuals from zero percent to six percent or more, as the Mayor and the department heads deem appropriate. Department heads are expected to make judgments reflecting their perception of the value of each executive's contribution to the City, and how much money for raises should be distributed to maintain an equitable relationship between incumbents. Executives do not receive anniversary date or "merit step" changes.
- The proposed budget includes an average increase of 3.3% for fiscal year 2003-04.

Elected Officials: In accordance with *Resolution No. 70 of 1993*, it is proposed that the salary adjustment for elected officials be given the same salary increase (3.7%) as the approximate average increase for the City's professional employees. By the resolution, a market study is made every four years starting in Fiscal Year 1995-96, with adjustments in other years based on the average increase for the City's professional employees. In 1996 Council Members' salaries were set to be one-fifth of the Mayor's salary following a recommendation of the Citizens Compensation Advisory Committee.

Proposed Salaries for Elected Officials		
	Salary Fiscal Year 2002-03	Proposed Salary Fiscal Year 2003-04
Mayor	\$97,970	\$101,587
Council Members	\$19,398	\$20,317

Options & Matters at Issue:

The Council may wish to tentatively determine whether to fund the contract provisions for employees included in bargaining agreements. Although the Council may not be able to make this tentative decision until it has further discussed the proposed budget, the Administration will probably appreciate as much time as possible to reopen the contracts. Decisions relating to salary adjustments for non-bargained employees are not as time sensitive.

As noted in the contract information outlined above, the contracts have various effective dates for salary increases PRIOR to the end of this fiscal year. The Council may wish to ask the City Administration and the City Attorney to address this timing issue, particularly since the Council recently indicated that it might not have the budget adoption completed until later in June.

The following are relevant contract provisions relating to funding of wages and merit increases contained in the multiyear contracts.

Police Memorandum of Understanding. Article XXII. "All financial commitments by the City shall be subject to the availability of funds approved by the City Council and the limitations on future budget commitments provided under State Constitution and Statute." Article XXV. "It is understood by the parties that the provisions of the MEMORANDUM OF UNDERSTANDING shall not be binding upon the parties, either in whole or in part, until the City shall: . . . C. Act to appropriate necessary funds required to implement the full provisions of the MEMORANDUM OF UNDERSTANDING which requires funding for each year of its existence." Article XXI. "It is understood by the City and the Association that if the City Council, in its adoption of the City's final budget for fiscal years 2003 or 2004 does not appropriate monies to fund all wage and merit increases for fiscal years 2003 or 2004, this MEMORANDUM shall be reopened within ten (10) days after adoption of the fiscal year 2003 or 2004 final budget."

Fire Memorandum of Understanding. Article XXIII. "The provisions hereof shall be effective as provided herein, but subject to approval by the City Council and the City's appropriation of funds. During the term of this MEMORANDUM, it is the City's intent to make a reasonable effort to maintain a funding level sufficient to satisfy this understanding; however, the parties to this agreement mutually understand that emergencies or revenue shortfalls may alter the ability of the City to satisfy this agreement. Article XXV. "In the event laws are passed by the federal government, the state, or the City which conflict with the provisions of this MEMORANDUM relating to hours or wages, the provisions of this agreement which are in conflict therewith may be reopened for negotiations without affecting the remaining portions of this MEMORANDUM."

AFSCME Memorandum of Understanding. Article XXXIII. "It is understood by the City and the Union that if the City Council, in its adoption of the City's final budget for fiscal years 2003-04, or 2004-05, does not appropriate monies to fund all wages and merit increases for either of those fiscal years, this MEMORANDUM shall be reopened within ten (10) days after adoption of the fiscal year final budget. In any reopener, the parties' negotiations shall be limited to wages."