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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** March 20, 2009

**SUBJECT:** **CITIZENS' COMPENSATION ADVISORY COMMITTEE ANNUAL REPORT**

**STAFF REPORT BY:** Sylvia Richards

**cc:** Lyn Creswell, Debra Alexander, Gina Chamness, and David Salazar

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The Citizens Compensation Advisory Committee (CCAC) was established to evaluate and make recommendations to the Mayor and City Council regarding compensation levels. The Committee's annual report contains recommendations that are advisory in nature and subject to the city's fiscal ability.

By ordinance, the CCAC report is forwarded to the Council in February; however, because of current economic conditions, the Committee requested additional time in order to appropriately address the city's compensation issues with the most current information. The Council does not need to take any action at this time. Members of the Advisory Committee will be present at the briefing to respond to questions from the Council. David Salazar from the Human Resource Division serves as Administrative staff for the Committee.

Following are highlights from the Committee's report:

1. The Committee states that the city continues to remain competitive in its compensation practices. Salt Lake City Corporation's actual average salary rates generally exceed the local market's actual average salary rates. (Please refer to the graphs included in the Administration's transmittal.) The Committee has provided a salary recommendation for the fiscal year beginning July 1st; however, given the current volatility of the economy, the Committee recommends another review of the city's financial position, consumer prices, market conditions and trends in six months.
2. If pay increases are granted, the Committee suggests a total compensation package (or salary) increase between 1.5% and 2.5%, including any combination of a cost of living and/or merit increase. For those who are at the maximum of their salary range, lump sum payments in the form of cash bonuses may be considered.
3. The Committee strongly recommends that city management make a special effort to communicate and discuss compensation information with employees, particularly those decisions which will influence employees this next fiscal year, given the current financial climate.

4. According to the Committee, voluntary furloughs, temporary salary reductions, a general salary freeze, and other cost-cutting practices would be preferable to layoffs.
5. The Department of Workforce Services anticipates that Utah's employment growth rate will show a decline from 4% in 2007 to 0.2% in 2008. More recent months indicate Utah's job growth is in the negative.
6. Last year, the Council asked the Advisory Committee to review the methodology used to determine the salary for Elected Officials. A subcommittee was formed to study the salary and compensation for elected officials and appointed department directors. The subcommittee reports that the data received was inconclusive, thus, there is no recommendation at this time. The subcommittee is continuing their review of comparable cities, including western-region cities, and anticipates forwarding a recommendation later this fall.
7. The Committee recommends that the city consider alternatives to the current practice of using cost-of-living (COLA) adjustments. If the city chooses to form a subcommittee to study alternatives and options, the Committee has offered to assist and recognizes this process would take some time.
8. Additionally, the Committee recommends that the city conduct a thorough investigation of consumer-directed health plans, such as HSA's (Health Savings Accounts) and HRA's (Health Reimbursement Arrangements) as cost-cutting measures.
9. Council staff inquired with regards to city employee turnover. According to Administrative staff, from July 1, 2008 thru March 7, 2009, the city has experienced an overall turnover rate (including employees who either "quit", "retired" or were "dismissed") of 6.9%; without dismissals, the rate is 5.49%. This rate is lower compared to the annual turnover seen in FY 07-08, which was 10.0%. Without dismissals, the rate was 7.93%.

#### **MATTERS AT ISSUE:**

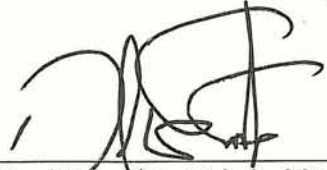
- Depending on the actual percentage of salary increase, the net effect, including the increase in the cost of benefits, may actually decrease some employees' take-home pay.
- Given the City's projected revenue shortfall for the upcoming fiscal year, the Council may wish to discuss the options and ramifications of different compensation approaches.
- The Council may wish to note that the Matrix Consulting Group has submitted a second draft of their Human Resource audit report. One of the issues the consultants were asked to address included a review of the city's compensation plans. The consultants recommend that the city complete a comprehensive review of the current salary and benefits structure by an outside entity, as well as a review of the city's compensation guidelines and procedures. This issue and the associated costs can be discussed in greater detail during the Council briefing on the Human Resource audit.

LYN L. CRESWELL  
DIRECTOR

**SALT LAKE CITY CORPORATION**  
DEPARTMENT OF MANAGEMENT SERVICES

RALPH BECKER  
MAYOR

**CITY COUNCIL TRANSMITTAL**

  
David Everitt, Chief of Staff

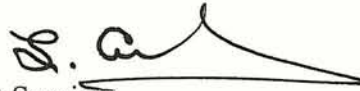


Date Received: \_\_\_\_\_  
Date sent to Council: 3/16/2009

**TO:** Salt Lake City Council  
Carlton Christensen, Chair

**DATE:** March 13, 2009

**FROM:** Lyn Creswell, Director  
Department of Management Services



**SUBJECT:** 2009-2010 Annual Report of the Citizens' Compensation Advisory Committee

**STAFF CONTACT:** David Salazar, Compensation Program Administrator, 535-7906  
Allen Miller, Chair, CCAC, 444-9919  
Lourdes Cooke, Co-Chair, CCAC, 428-2292

**DOCUMENT TYPE:** CCAC Annual Report for FY 2009-2010

**RECOMMENDATION:** That the City Council receives a presentation of the CCAC FY 2009/2010 annual report by the CCAC Chair and Co-Chair.

**BACKGROUND/DISCUSSION:** The CAC is ready to present its 2009-2010 recommendations on general pay increases and various pay program issues brought about by the current tight labor market.

This report includes the following recommendations: Conduct a mid-year re-examination of the City's pay position relative to pay trends, consumer prices and market comparisons; consider alternative pay practices; share compensation information with employees; if pay increases are to be granted, consider total compensation increases between 1.5% and 2.5%; caution on potential net decrease of employee pay due to increased benefits cost; implementation of a general salary freeze, voluntary furloughs, temporary salary reductions or similar cost-cutting measures before RIF's; conduct additional future study of pay for elected officials and appointed directors. The Committee also encourages careful examination of consumer-directed health plans as a cost savings benefit for the City and its employees.



# **CITIZENS COMPENSATION ADVISORY COMMITTEE**

**FY 2009-2010 ANNUAL REPORT**





## Executive Summary

The Citizens' Compensation Advisory Committee (CCAC) was formed with the purpose of "...evaluating the compensation levels of the city's elected officials and employees and making recommendations to the mayor and the city council..." (City Code Title 2, Chapter 2.35.060).

Each year the Committee is responsible for preparing and submitting a written report to the Mayor and City Council containing, among other things, recommendations of the "appropriate competitive position for the city relative to the compensation practices of comparable employers", "wages and benefits of the city's elected officials and executive employees" and "general recommendations regarding the mix of compensation for the city's employees" (City Code Title 2, Chapter 2.35.060.7)

Based upon a review of current economic trends, local market data and other significant considerations, the Committee now recommends that the Mayor and City Council consider the following when deciding appropriate measures to be taken regarding the City's compensation plan(s):

1. Based upon current data that indicates Salt Lake City Corporation's (SLCC) actual average salary rates generally exceed the local market's actual average salary rates, the Committee feels confident with the City's pay position. However, due to the anticipated volatility of the local and national economies, the Committee recommends that a mid-year re-examination of SLCC's pay position relative to pay trends, consumer prices and market comparisons be conducted within six months of this report.
2. While not a specific recommendation for immediate implementation, the Committee suggests that the City consider alternative pay practices to cost-of-living (COLA) adjustments, such as "pay for performance". If City leaders desire to form a sub-committee to consider and develop specific pay practice recommendations, the Committee is pleased to assist and provide advice.
3. Especially due to the tenuous state of the economy and the uncertainty felt by many employees about its impact in the workplace, the Committee urges city officials and management to communicate and share compensation information with employees, particularly regarding the decisions affecting them this year.
4. In consideration of the structure and salary budget predictions data available at the time of this report, we suggest a total compensation (or salary) package between 1.5% and 2.5%. The total package may be comprised of any combination of a cost of living and/or merit increase deemed appropriate by the Mayor and City Council. Lump sum payments in the form of cash bonuses may be considered for those at maximum of their respective salary range.
5. Dependent on the amount of increase associated with the cost of benefits provided by the City to its employees, the Committee cautions the Mayor and



City Council that the potential net effect on employee pay may result in an actual decrease in take-home pay.

6. Given potential budgetary constraints and based on current best practices, the Committee recommends implementing a general salary freeze, voluntary furloughs, temporary salary reductions or similar cost-cutting measures before initiating actual reductions-in-force.
7. Regarding the salaries for elected officials and appointed department directors, we recommend that these individuals receive the same salary adjustment given to all other employees. In addition, the Committee suggests that SLCC continue to review, analyze and compare the salaries of elected officials and appointed department heads with market. This information, along with consideration of the City's existing internal pay structure for all other employees, will be used by the Committee to formulate a recommendation to the Mayor and City Council (not earlier than September 2009) regarding pay for elected officials and appointed department directors.
8. The Committee recommends that SLCC carefully examine consumer-directed health plans (i.e. HSA's, HRA's, etc.) as a cost-savings benefit offering and service improvement for the City and its employees.

We are hopeful that these recommendations and the detailed information that is contained within this report are both helpful and beneficial to you in the difficult and challenging decision-making process ahead.

Sincerely,

Citizen's Compensation Advisory Committee

D. Allen Miller, Chair  
Lourdes Cooke, Vice Chair  
John Campbell  
Larene Wyss  
Cori-Dawn Petersen  
Diane Wood

## CCAC ANNUAL REPORT 2009-2010

This report has the following four brief sections plus attachments:

- 1) Current outlook, which includes market trend and cost of living data
- 2) Local market comparison for non-appointed employees
- 3) Elected officials salary survey
- 4) Committee recommendations

### Current Outlook

Utah's nonfarm wage and salaried job count is significantly down from a year ago, and the slide is expected to continue as Utah's economy slumps in most sectors. Mark Knold, Chief Economist for the Utah Department of Workforce Services, anticipates that calendar-year average will show that Utah's employment growth rate has fallen from a 4 percent growth rate in 2007 to only 0.2 percent in 2008. Current reports have Utah's employment change hovering just above zero in recent months, later dipping into the negative. A "sluggish" and "very slow" rebound is predicted, from which recovery may not emerge until 2010 (Source: "TrendLines Magazine", January/February 2009 issue, Utah Dept of Workforce Services).

The end result and impact on the future of the local job market is likely eased pressure on wages and salaries as labor availability becomes more abundant and employers address burgeoning budget challenges.

Such predictions are uncertain, however. There will always be some level of competition with other employers to attract and retain qualified personnel. And, while fiscal ability to pay employees must certainly be a limiting factor, we believe that the primary mix of indicators on which employers should rely to decide pay increases are published pay trends, consumer prices and market comparisons.

The following chart shows national market trend for *salary structure* and *salary budget* increases predicted for 2009—and cost of living changes, as measured by the Bureau of Labor Statistics' *Consumer Price Index* (CPI). The December 2008 index declined by 1.72 percent compared to the November 2008 report.

Structure & Salary Budget Increase Predictions				CPI-U, West Region, Class B/C Cities*		
Category	Non-Exempt	Exempt	Executive	Base Period:	Index	Percent Increase
Structure ("COLA")	2.2%	2.3%	2.4%	December 2007	130.5	
Salary Budget	3.1%	3.2%	3.1%	December 2008	129.7	-0.58%
				Prev. 12 Months Avg	128.8	
				Last 12 Months Avg	133.3	3.47%
Source: <i>WorldatWork, January 2009</i>				* Population of 50,000 to 1,500,000		

"Salary structure" refers to a system of pay grades. When the pay structure consists of grades with steps, a salary structure increase is sometimes referred to as a Cost of Living Adjustment (COLA). The "salary budget" increase adds the cost of any expected merit increases to the planned cost of the structure increase. CPI-U stands for Consumer Price index, all urban consumers.

## Local Market Comparison – Non-Appointed Employees

Based upon local survey data, compensation at Salt Lake City Corporation (SLCC) continues to be competitive. Comparative data comes from the *July 1, 2008 Western Management Group (WMG) Salt Lake Area Survey* and the on-line Technology Net Survey System provided by the Wasatch Compensation Group (WCG). The WMG survey includes both private and public employers; the WCG survey includes public agencies only. Benefits data for both survey groups is limited to retirement, health, life, AD&D and other government-mandated benefits (e.g. FICA/Medicare).

In presenting compensation survey data, we repeat our usual cautions: Due to many uncontrollable variables, salary survey results should be seen as indicators, not absolutes. We also urge extra caution about drawing hard-fast conclusions when comparing benefits practices. It is typically very difficult to ensure reporting accuracy and *apples-to-apples* comparisons in benefits surveys involving a substantial number of employers with varying benefits packages.

With these cautions in mind, the following charts indicate: 1) SLCC's actual average salary rates generally exceed the local market's actual average salary rates. 2) Other government agencies' comparatively generous benefits—especially in the retirement plan category—appear to somewhat reduce this advantage in most cases. The following set of tables show the comparative data gathered for the City's various employee workgroups.

**PUBLIC SAFETY:** It should be noted that in stepped plans for police and fire, the difference is negligible in the *salary-plus-benefits* comparison between SLCC and the market at the top pay steps (see Attachments C and D). The notable decrease in the City's compensation position compared to the market when adding benefits is due to the significant difference in employer-paid benefits provided to employees.

<b>PUBLIC SAFETY</b>	<b>Actual Average Salary Only SLCC/MKT</b>	<b>Actual Average Salary Plus Benefits SLCC/MKT</b>	<b>Attached Chart</b>
Police Officer	107.5%	105.2%	C
Sergeant	106.1%	104.9%	C
Lieutenant	104.2%	103.1%	C
Police Captain	102.4%	102.0%	C
Firefighter EMT	103.4%	98.9%	D
Firefighter Paramedic	116.5%	108.9%	D
Firefighter Engineer	102.4%	97.4%	D
Fire Captain	110.2%	103.4%	D
Battalion Chief	103.5%	97.6%	D
Combined Average	106.2%	102.4%	



UNION EMPLOYEES: Pay plans for AFSCME-covered employees are also stepped. Most employees in the operations/maintenance group are presently paid at the top step, thus, actual average salary approximates the top step rate. In contrast, most employees in the clerical/technical group are not topped out. This is due primarily to higher employee turnover relative to other groups plus a greater number of pay steps associated with their respective pay system. Actual average salary and salary plus benefits comparisons for SLCC's Clerical/Technical category of jobs are high enough to merit a review for the potential of structural changes in salary ranges and actual pay.

<b>UNION EMPLOYEE GROUP</b>	<b>Actual Average Salary Only SLCC/WMG</b>	<b>Actual Average Salary Only SLCC/WCG</b>	<b>Actual Average Salary Plus Benefits SLCC/WMG</b>	<b>Actual Average Salary Plus Benefits SLCC/WCG</b>	<b>Attached Chart</b>
Operations/Maintenance (e.g. Electrician, Painter, Plumber, Carpenter, etc.)	108.5%	108.2%	113.6%	110.2%	A
Clerical/Technical (e.g. Customer Svc Rep, Accounting Clerk, Secretary, etc.)	128.9%	113.4%	131.3%	111.7%	B
<b>Combined Average</b>	112.7%		114.7%		

PROFESSIONAL EMPLOYEES: Pay plans for professional employees are not stepped, but rather are open ranges with set salary minimums and maximums. Market comparisons for non-union, professional employee groups are shown below.

<b>NON-UNION EMPLOYEE GROUP</b>	<b>Actual Average Salary Only SLCC/WMG</b>	<b>Actual Average Salary Only SLCC/WCG</b>	<b>Actual Average Salary Plus Benefits SLCC/WMG</b>	<b>Actual Average Salary Plus Benefits SLCC/WCG</b>	<b>Attached Chart</b>
Non-Exempt Professional (e.g. Accountant, Lab Chemist, Paralegal, Surveyor, etc.)	102.7%	104.9%	106.9%	105.1%	-
Exempt Professional (e.g. Economist, HR Consultant, Golf Professional, Engineer, etc.)	98.5%	105.8%	107.4%	106.0%	-
<b>Combined Average</b>	101.8%		105.7%		E

Many professional employees (300 & 600 Series) in engineering and maintenance job families received market-driven pay grade increases during the latter part of fiscal year 2008 and early part of fiscal year 2009. Pursuant to City policy, such pay grade increases were not accompanied by immediate salary increases. The effect is an expansion of the population of employees whose salaries are below range midpoint. As of December 2008, the salaries of 51 percent of the City's professional employees are below midpoint; 19 percent are above; and 30 percent are at midpoint.

## **Elected Officials & Department Directors Salary Survey**

Following a sub-committee recommendation, the Committee initiated a study of salary and other compensation (i.e. bonus/variable pay, etc.) paid to SLCC's elected officials and appointed department directors compared to the same in major, western-region cities. The data received was inconclusive and, therefore, did not provide the Committee with the confidence necessary to formulate any specific recommendations at this time. Therefore, the Committee concludes that further study is needed.

## **Recommendations for 2009-2010**

1. Based upon current data that indicates Salt Lake City Corporation's (SLCC) actual average salary rates generally exceed the local market's actual average salary rates, the Committee feels confident with the City's pay position. However, due to the anticipated volatility of the local and national economies, the Committee recommends that a mid-year re-examination of SLCC's pay position relative to pay trends, consumer prices and market comparisons be conducted within six months of this report.
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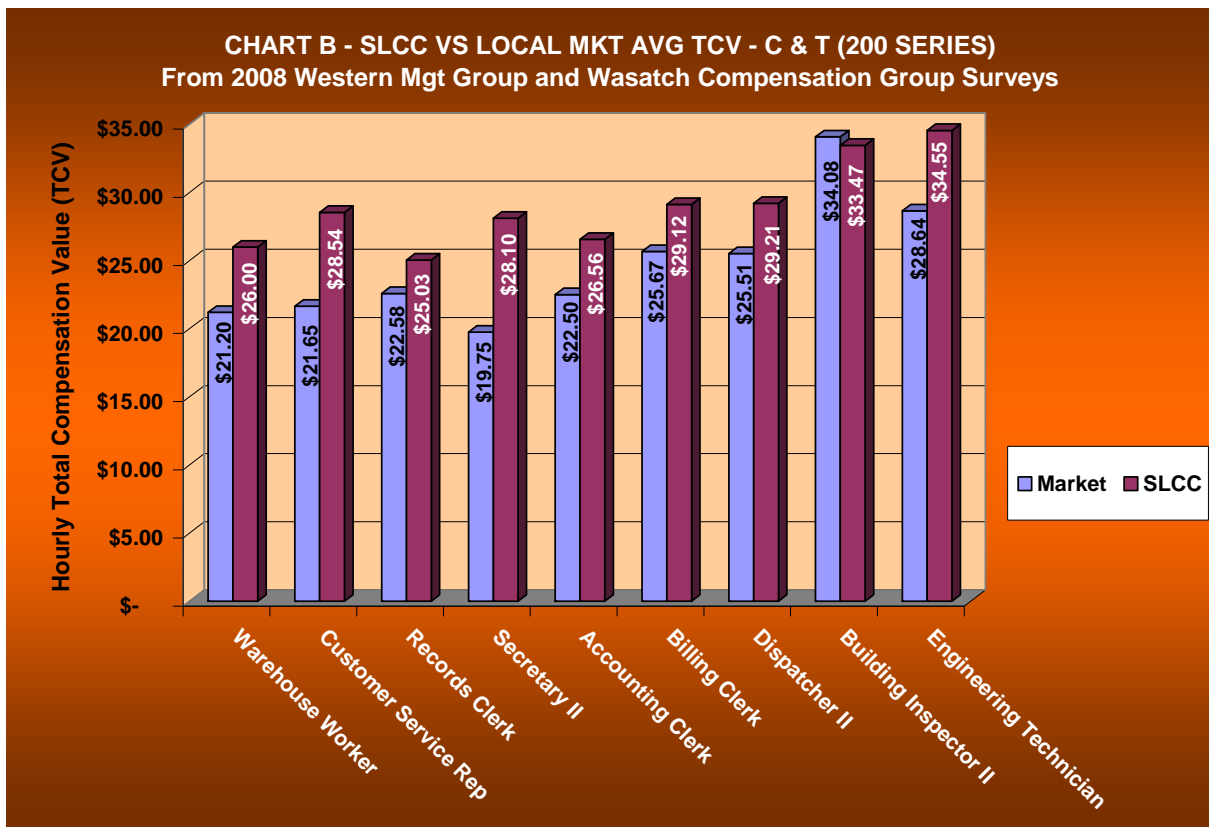
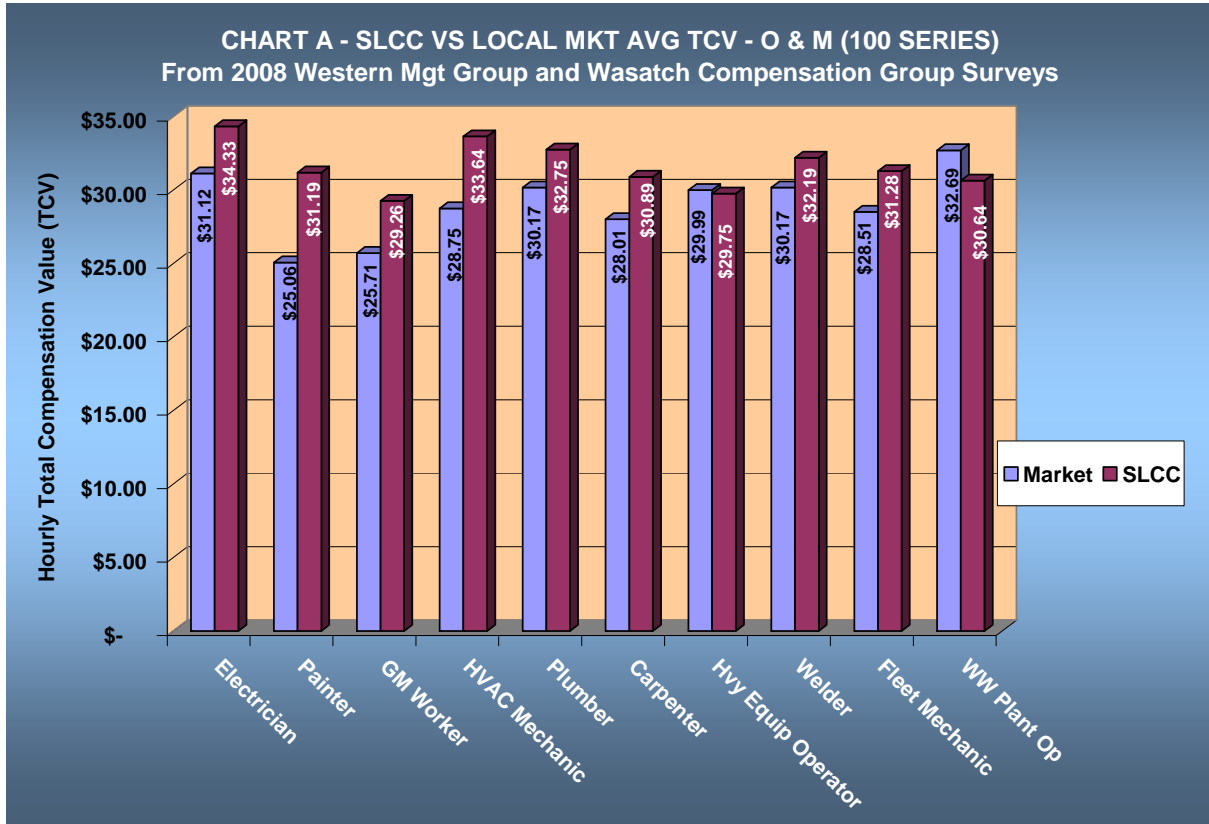
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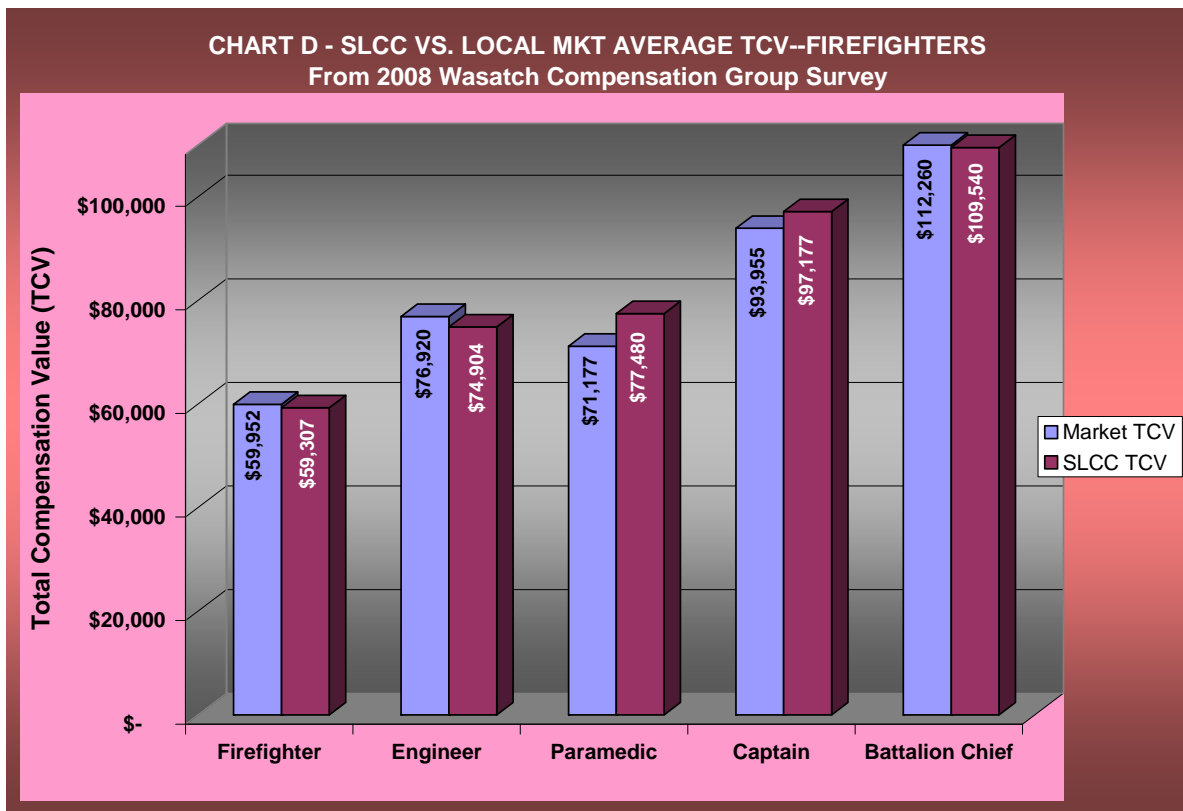
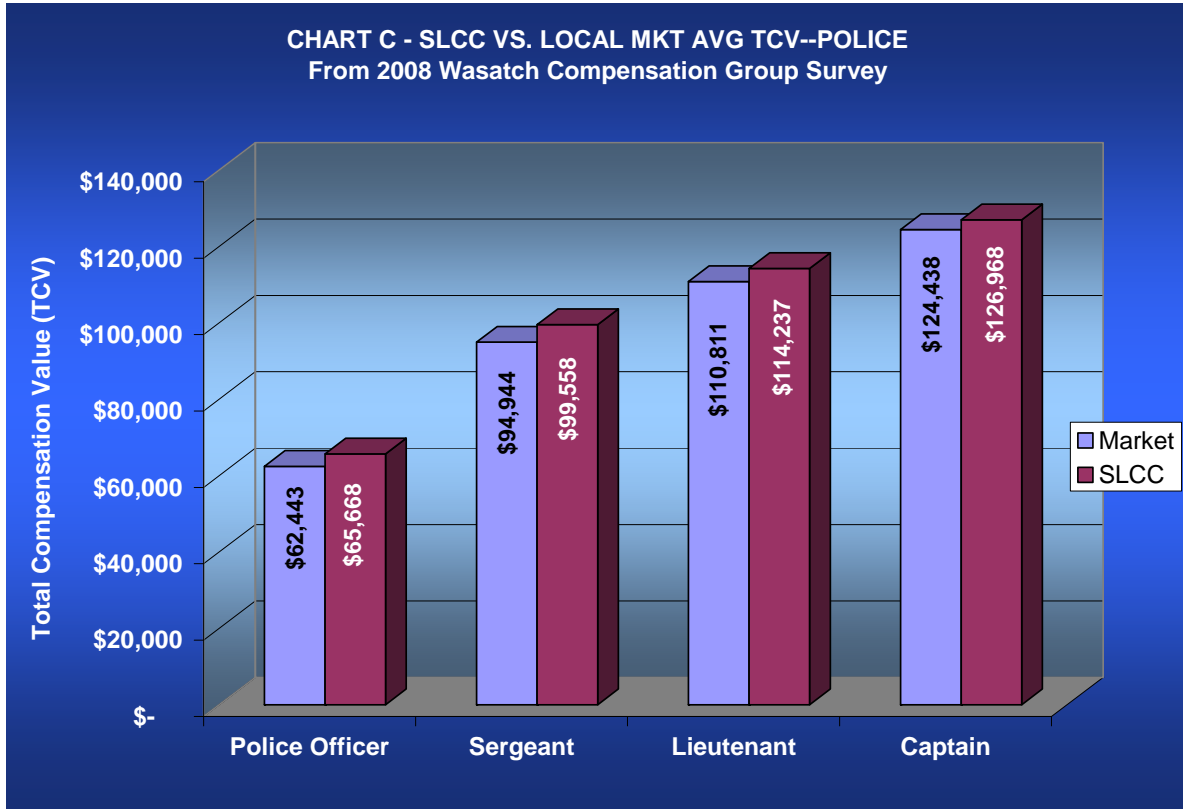
### **In Closing**

As a citizen advisory committee, we appreciate the opportunity to provide input and guidance for the City's compensation and benefits practice. We look forward to reviewing this report with the Mayor and the City Council, and we will be glad to answer any questions or discuss any needed follow-up.

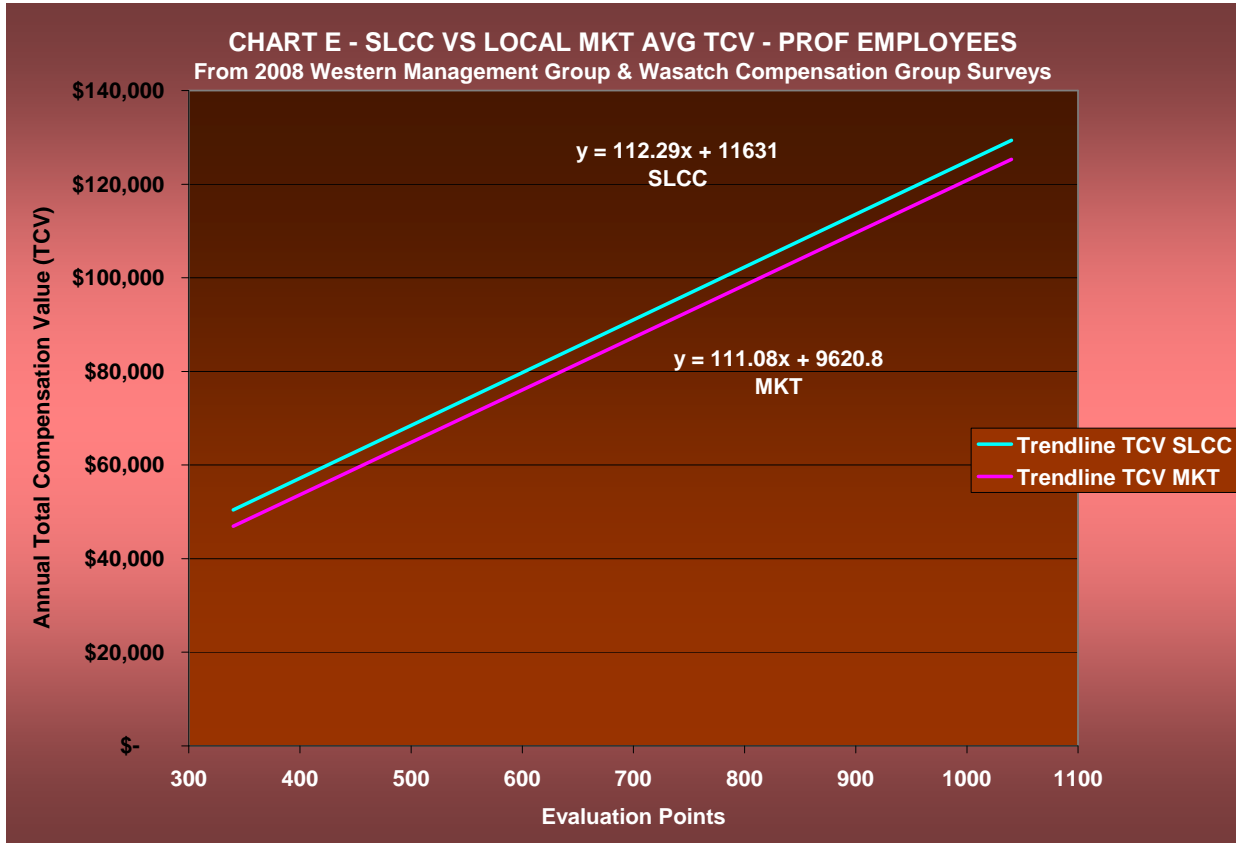
#### Citizen's Compensation Advisory Committee

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Diane Wood









Solving for Y, at the low end of the salary scale (X=400 evaluation points), data indicates SLCC is 4.6 percent above market average in total compensation value; at the high end (X=1000 evaluation points), data indicates SLCC is 2.7 percent above market average in total compensation value.



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