

FY 2011 Budget Work Session

Human Resource and Compensation Issues

February 16, 2010



Topics for Discussion

- **FY 2011 Overview of Pay and Compensation Costs**
- **City Workforce Staffing Levels**
- **Pay Issues**
- **Benefits Issues**
- **Labor Market Trends**



Total Compensation Increased By 1.9%

All Funds Budget (Excludes Schools)

Title	FY 2010 Approved	FY 2011 Proposed	\$Change FY10/11	%Change FY10/11
Total Salary	\$178.9	\$181.1	2.17	1.2%
<u>Fringe</u>				
FICA	12.9	12.9	(0.01)	(0.1%)
Retirement	31.2	32.8	1.62	5.2%
Health	18.9	19.5	0.61	3.2%
Other*	1.7	1.8	0.14	8.3%
Total Fringe	64.7	67.0	2.36	3.6%
Total Personnel	\$243.6	\$248.1	4.53	1.9%

*Includes Group Life; Workers Compensation; Clothing/Car Allowances; Unemployment; Recruitment; Long Term Disability

Reference: Page 8-4 of the FY 2011 Proposed Budget

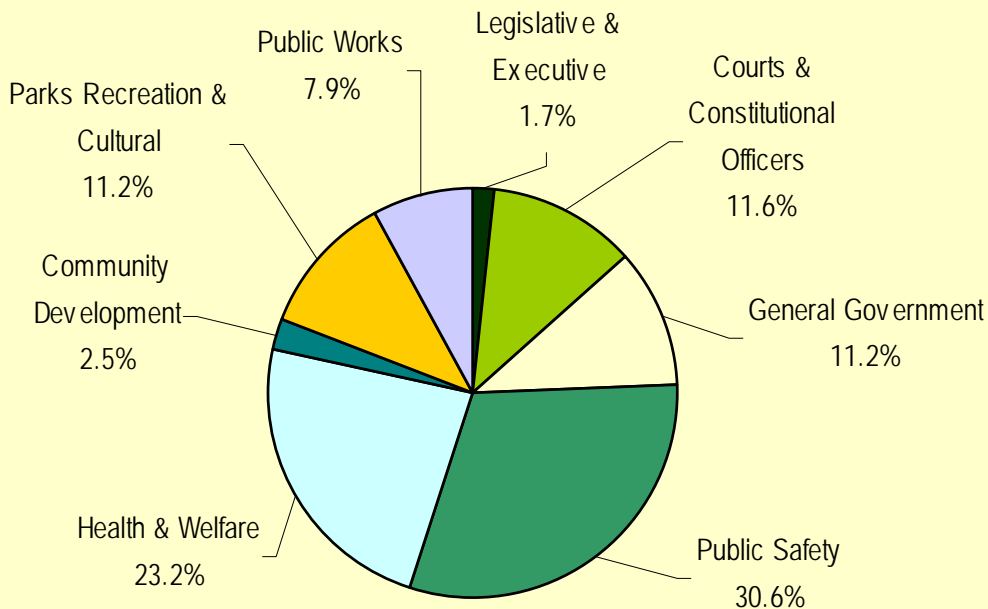


City Workforce: Overview

The chart to the right shows percent of full-time equivalents (FTEs) by line of business for FY 2011

Over half of the City's employees work in the Public Safety and Health & Welfare lines of business

FY 2011 Employees by Line of Business



Reference: Page 8-7 of the FY 2011 Proposed Budget

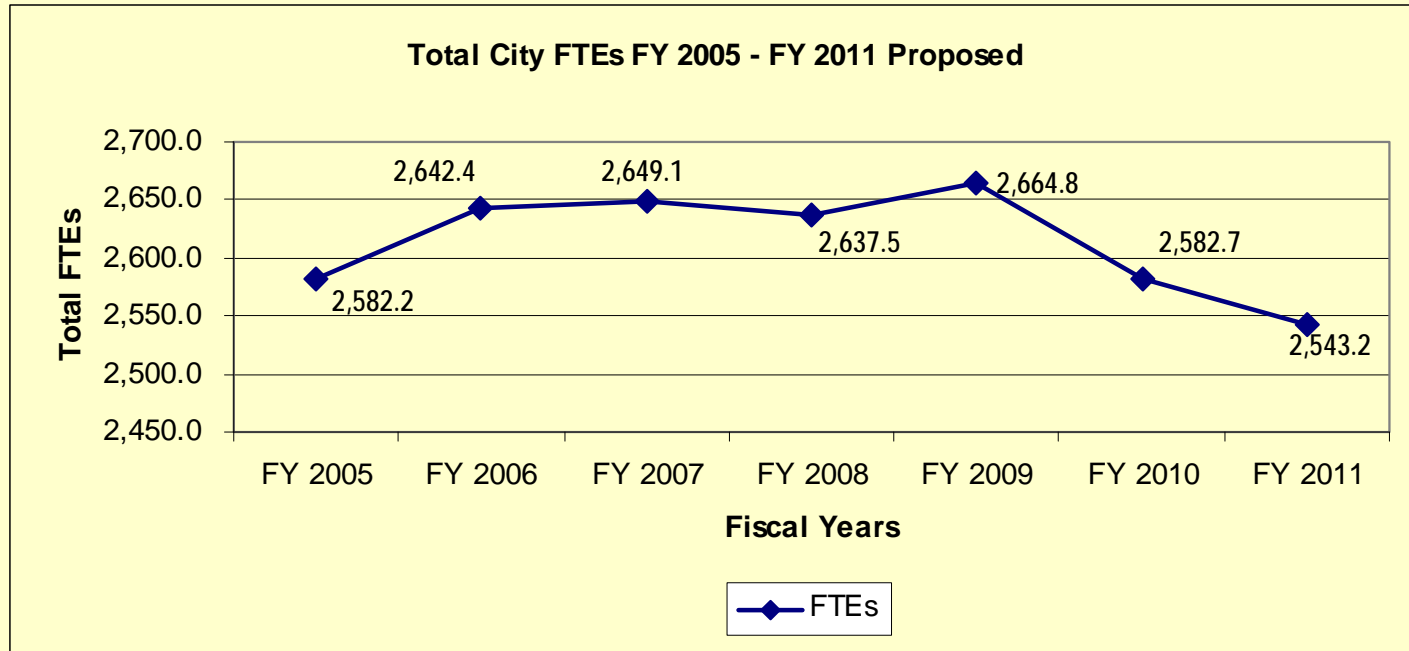


City Workforce: Historical Trends

The chart to the right shows total City FTE levels from FY 2005 – FY 2011 Proposed

The FTE reductions proposed for FY 2011 would represent the second consecutive year FTEs are reduced

The total number of FTEs proposed in FY 2011 is 39.0 below those funded in FY 2005



Reference: Page 8-8 of the FY 2011 Proposed Budget



City Workforce: Staffing Reductions

- Proposed budget reduces the City workforce by 67 funded full and part-time positions
 - 50 vacant positions are being eliminated
 - 17 positions may be subject to a reduction of force (RIF)
- Human Resources will seek alternative placements, if possible, for the 17 employees whose positions are being eliminated
- The elimination of 67 positions reduces the City's full-time equivalent (FTE) count by 55



City Workforce: New Positions

- **12 new positions are proposed in FY 2011:**
 - **Fire Department – 7.00**
 - **Emergency Communications – 1.00**
 - **Transportation & Environmental Services – 2.00**
 - **Health Department – 1.00**
 - **Real Estate Assessment – 1.00**



City Workforce: Net FTE Reductions

FTE Summary

FTE Changes from FY 2010 - FY 2011 Proposed

	FY 2010			FY 2011	Change	
	Amended	New	Deleted	Proposed	#	%
Full-time Permanent	2,346.0	12.0	(39.0)	2,319.0	(27.0)	(1.2%)
Part-time (FTE)	195.7	0.0	(12.0)	183.7	(12.0)	(6.1%)
Approved Overhire	41.0	0.0	(4.0)	37.0	(4.0)	(9.8%)
Total (FTE)	2,582.7	12.0	(55.0)	2,539.7	(43.0)	(1.7%)

FTE Changes from FY 2009 - FY 2011 Proposed

	FY 2009	FY 2010	FY 2011	Change FY 2009 - 2011	
	Approved	Amended	Proposed	#	%
Full-time Permanent	2,405.0	2,346.0	2,319.0	(86.0)	(3.6%)
Part-time (FTE)	202.7	195.7	183.7	(19.0)	(9.4%)
Approved Overhire	57.0	41.0	37.0	(20.0)	(35.1%)
Total (FTE)	2,664.7	2,582.7	2,539.7	(125.0)	(4.7%)

Reference: Page 8-6 of the FY 2011 Proposed Budget



City Workforce: Staffing Reductions

- A list of positions proposed for reduction can be found starting on page 8-10 of the proposed budget
- Additional details on each position can be found in each impacted department's budget text
- The City's RIF procedure can be found starting on page 23-18 of the proposed budget document



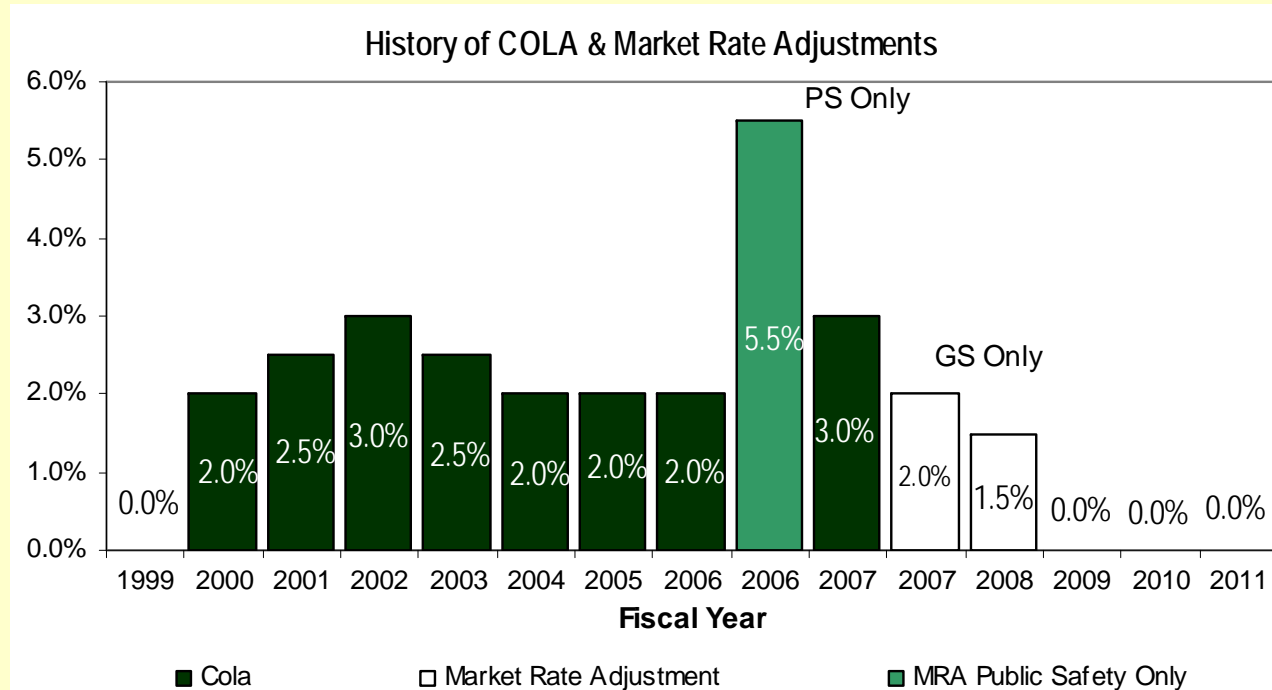
Employee Pay: Overview

Merit/Step Reinstated in Proposed Budget

No Market Rate Adjustment (MRA) for the 3rd straight year

No funding for pay upgrades for positions found below average pay levels (benchmarking)

Living wage rate remains frozen at FY 2009 level of \$13.13 per hour



Reference: Page 8-16 of the FY 2011 Proposed Budget



Employee Pay: Merit/Step

Merit/Step for City Employees = \$2.8 Million

- The Proposed Budget reinstates the Merit/Step after a year in which pay was frozen.
- Fully funded steps are for all City employees, however, not all employees may receive a step increase
 - All employees may not meet performance expectations
 - For the over 450 employees are at the top of the pay scale an additional step is proposed – “Q” step
- Salary increases will range from 2.3/3.5/5.0% of salary, depending on the employee’s salary, step and grade. The “average” employee salary increase will be \$2,280.



Employee Pay: MRA

1% MRA for City & School Employees = \$3.9 Million

- For the 3rd straight year the Proposed Budget does not provide funding for a MRA

City, DASH & Health Employees	\$2.4 Million
School Employees	<u>\$1.5 Million</u>
Total 1% MRA	\$3.9 Million



Employee Pay: Watson Wyatt Study

Competency Based Classification System = \$0.3 Million

\$0.7 million designated in City Council Contingent Reserves for Watson Wyatt Implementation

- **\$0.3 million to be carried over in FY 2011 to fund implementation of new system, assuming City Council authorization**
- **Implementation of the new system to begin in Spring / Summer 2010.**

Reference: Page 8-16 of the FY 2011 Proposed Budget



Employee Pay: Benchmark Pay Adjustments

- Although indicated by benchmark surveys, funding is not provided for pay upgrades for positions found to be below average pay levels of our comparator jurisdictions.

Reference: Page 8-15 of the FY 2011 Proposed Budget



Employee Pay: Furloughs

1 Day Furlough = \$0.6 Million*

- Furloughs are not included as a cost savings option in the FY 2011 Proposed Budget as in some other jurisdictions
- Furloughs are back door pay cuts and have undisclosed and unintended consequences on services to the public
- Would have to be continued for years to come
- More permanent, reoccurring reductions options have been proposed instead.

*FY 2010 Cost Estimate



Employee Benefits and Incentives Satisfaction Survey

- **To assess employee's level of satisfaction and value of current City benefits and incentives**
- **Survey was administered in Fall 2009:**
 - 851 surveys were completed (21% of total eligible employees).
 - 33 departments represented
 - 1/3 of respondents have 20 + years of service with the City
- **Benefits most valued: Health, Pension and Prescription Drugs**
- **Areas of Concern: Dental Plan, Flexible Spending Accounts (FSA) and Communications to employees about benefits**



Employee Benefits: Health

- Budgeted City healthcare costs increase by \$0.6 million
- Healthcare premiums will increase by 6% (Kaiser) and 12% (United Healthcare)
- Health insurance premium cost sharing rates will increase for current and future employees
 - Current Employees – will pay a 3% greater share (13% minimum) in FY 2011, and gradually reach 20% minimum cost sharing rate by FY 2013
 - New Employees – will immediately pay 20% of the premium cost sharing rate



Employee Benefits: Health

- Changing cost sharing rates allows the City to contain healthcare cost increases to 5.1% over next three years as opposed to 9.1%
- City expects to save \$750,000 in FY 2011 due to changes in employee cost sharing rates
- Employees' share of healthcare premiums will range from 13% – 33% depending on the plan they choose (see shaded columns on next page).
- Employees will pay \$192 to \$868 annually more in health care premiums depending on which plan they participate in, which is less than the average step increase of \$2,280.



Employee Benefits: Health

FY 2011 Approximate Healthcare Rates

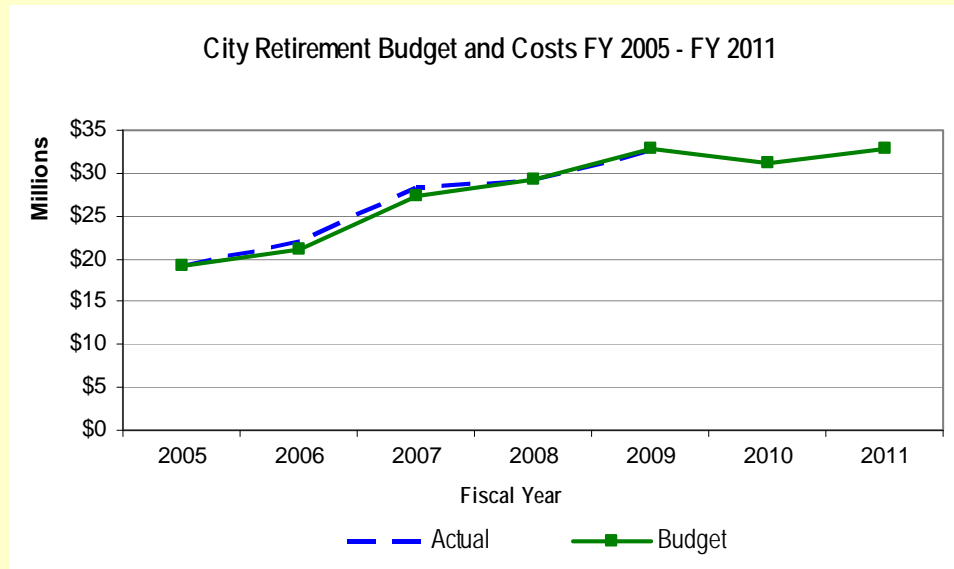
CITY PLANS	HMO (In Plan Coverage Only)					POS Coverage (In Plan or out of Plan Coverage)				
	TOTAL COST	CITY SHARE		EMPLOYEE SHARE		TOTAL COST	CITY SHARE		EMPLOYEE SHARE (13% + POS)	
Kaiser Permanente										
Individual										
Monthly	\$447.69	\$389.49	87%	\$58.20	13%	\$584.77	\$389.49	67%	\$195.28	33%
Bi-Weekly*				29.10					97.64	
Family										
Monthly	1,056.27	918.95	87%	137.32	13%	1,367.88	918.95	67%	448.93	33%
Bi-Weekly*				68.66					224.46	
United Health Care										
Individual										
Monthly	\$506.87	\$440.97	87%	\$65.90	13%	\$605.40	\$440.97	73%	\$164.44	27%
Bi-Weekly*				32.95					82.22	
Family										
Monthly	1,195.99	1,040.50	87%	155.49	13%	1,416.20	1,040.50	73%	\$375.69	27%
Bi-Weekly*				77.75					187.85	

Reference: Page 8-21 of the FY 2011 Proposed Budget



Employee Benefits: Retirement

- The budget for all retirement costs (civilian and sworn VRS and supplemental) increases by \$1.6 million or 5.2%
- The increase is partly the result of rate increases, which was expected given major stock market declines in 2009



Reference: Page 8-18 of the FY 2011 Proposed Budget



Employee Benefits: Retirement

- Retirement contribution percentages by the City vary by retirement plan in FY 2011:
 - City Contributions for General Salary employees range from 17.25% - 19.25% depending on the employee's start date
 - The City contribution for Sworn Fire and Police officers is 25.58%
 - The City contribution for Deputy Sheriffs, Fire Marshals and ERTs is 22.60%

Reference: Page 8-19 of the FY 2011 Proposed Budget



Employee Benefits: OPEB

- The City continues to address unfunded liabilities associated with Other Post Employment Benefits (OPEB)
- In FY 2011, \$1.7 million is provided from the General Fund operating budget to the trust fund established to pay for benefits to City employees after retirement.
- This is \$1.0 million less than the FY 2010 GF contribution.
- The City's estimated unfunded liability is \$86.5 million, and the annual required contribution (ARC) rate is \$10.9 million, to be reached by FY 2018.
- The retiree health insurance subsidy annual maximum of \$3,120 is proposed to remain unchanged



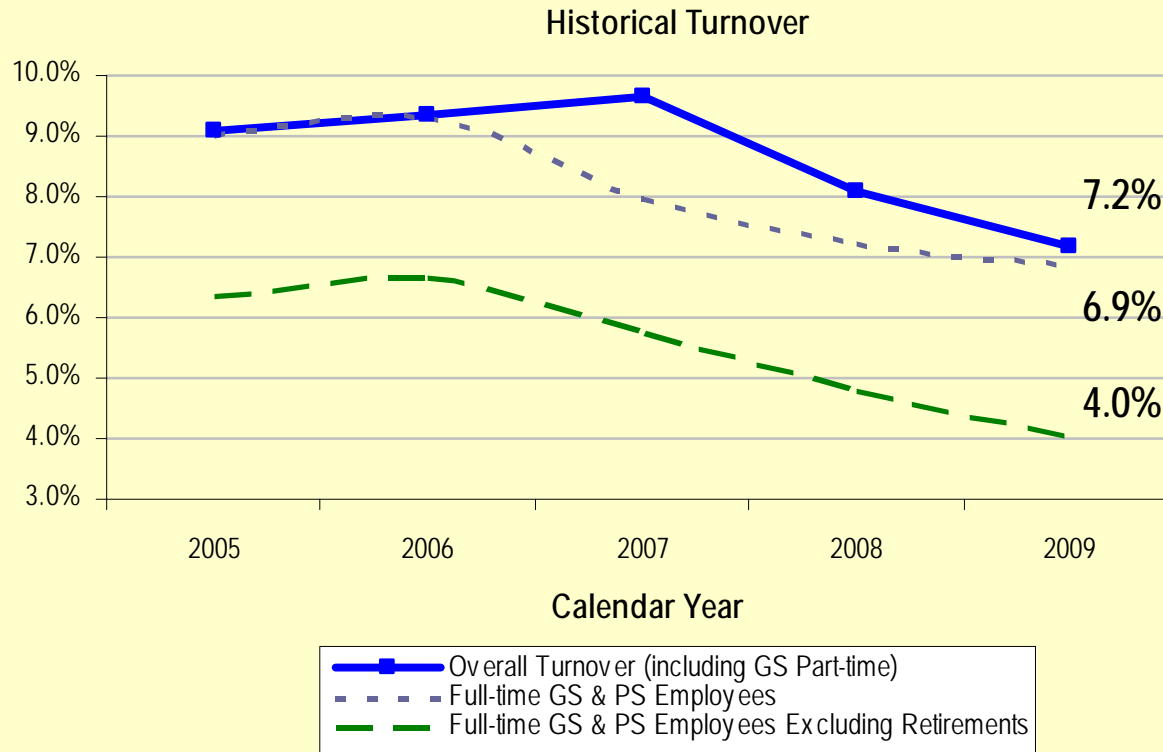
Other Forms of Compensation

- In FY 2011 the City Manager's budget continues to provide alternative forms of compensation for City employees:
 - Transit Benefit
 - Wellness Program (reduced and being restructured)
 - Tuition Assistance Program
 - Telecommuting Program
- For additional details see page 8-24 of the proposed budget document.



Labor Market: Turnover

- Overall employee turnover rates continue to decline since CY 2007

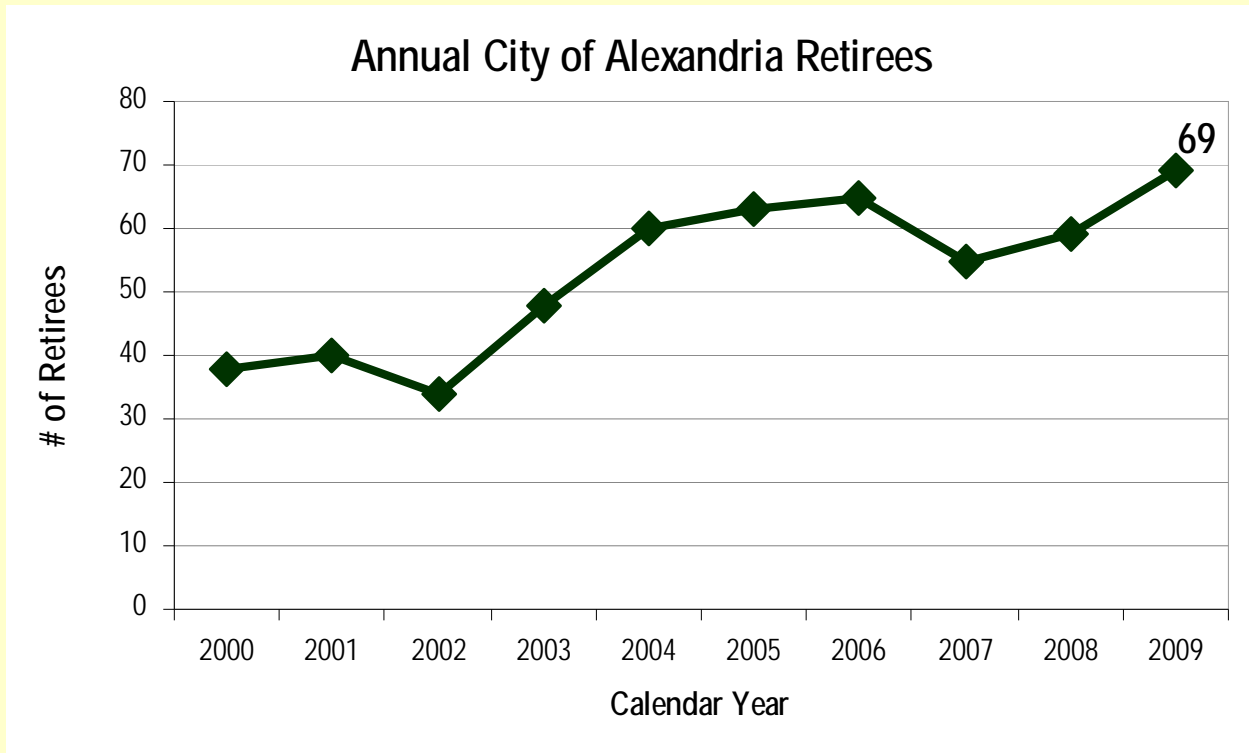


Reference: Page 8-14 of the FY 2011 Proposed Budget



Labor Market: Retirements

- The number of employees retiring from City service continued to increase for the second consecutive year



Reference: Page 8-14 of the FY 2011 Proposed Budget



Labor Market: Vacancies

- As of January 2010 there are 248 funded full and part-time positions vacant city-wide
- 248 vacancies equates to a current vacancy rate of 9.6%
- Of the 248 vacancies:
 - 134 are being held open for budgetary reasons (50 are cut from the FY 2011 Proposed Budget)
 - 12 are currently under consideration by the City Manager to be filled
 - 102 positions have been approved to be filled by the City Manager but are still vacant at this time as the hiring process is underway



Labor Market: Turnover Savings

- **\$3.8 million is budgeted for turnover savings, a decrease of \$2.2 million, or 36.5% from the FY 2010 vacancy savings amount.**
- **The reduced savings amount is the result of reductions of 119 positions in FY 2010 and 67 proposed for FY 2011. Also a result of slower rates of employee turnover.**
- **In FY 2011 an overall turnover rate of approximately 2% has been applied city-wide.**
 - **Rates for civilian departments will vary by the size of the department: 0% (small), 2% (medium) and 2.5% (large).**
 - **Public Safety departments will have a rate of 1.2%**
- **The goal of the adjustments is to have departmental turnover savings targets that are more accurate, fair and strategic city-wide.**

