

TO: Mayor Pogue, Board of Aldermen

FROM: Denise Keller, Finance Officer

DATE: September 7, 2016

RE: Employee compensation

Personnel expenses make up the largest portion of the City’s operating expenses – 63%. The annual budget process for the City therefore begins by establishing the assumptions on which personnel expenses are projected.

**Merit Increases:** As in 2016, the City will budget for a 3% merit increase. Administration will formally request an amount for merit increases in February after an evaluation of current economics. The cost to implement a 3% merit increase in 2017 is \$164,500. Each 1% increment is approximately \$54,800. The table below reflects the maximum percentage merit increase granted to employees over the past 15 years.

Year Granted	% Increase	Year Granted	% Increase
7/1/02	3.5%	1/1/10	2.0%
7/1/03	0.0%	4/1/11	2.0%
1/1/04	4.0%	4/1/12	2.0%
1/1/05	2.0%	4/1/13	3.0%
1/1/06	4.0%	4/1/14	2.0%
1/1/07	3.0%	4/1/15	3.0%
1/1/08	3.0%	4/1/16	3.0%
1/1/09	4.0%		

**Merit checks:** These are checks given to employees whose salaries exceed the maximum for their ranges. They do not increase the employee’s base salaries. There are currently two who are eligible for these checks. At 3% merit they total \$3,942.

**Range adjustments:** The employee compensation survey has been updated to reflect salary minimums and maximums paid by our ten peer cities. The results of that survey are attached. Thirteen ranges were affected by the “spike rule” whereby the highest salary is thrown out if it exceeds the second highest salary by 10% or more. Of those salaries thrown out, five were from Maryland Heights, three were from Clayton, two were from Chesterfield and one each was from Bridgeton, Kirkwood and O’Fallon.

The cost to bring employees’ salaries up to the new minimum for their respective ranges, above and beyond the 3% merit raises, will be \$11,865. This affects eleven people who would receive additional increases of between .8% and 11.7%.

**Compression adjustments:** Three employees in the Recreation Manager ranges will receive compression adjustments in 2017 at a cost of \$3,859. The individual increases range from 1.5% to 5.9%. The compression plan was adopted in 2014 primarily to address compression amongst police officers. Ranges are adjusted only once and are done in response to the hiring of a new employee.

**LAGERS:** The contribution rate for LAGERS in 2017 will decrease for general employees but increase for police employees. The City will realize a savings of \$21,000 compared with the current year budget.

**LAGERS Contribution Rates**

Year	General Employees	Police Employees
2015	4.6%	8.9%
2016	2.7%	8.5%
2017	2.0%	9.5%

**Health / Dental insurance:** For the upcoming year we will budget a 5.0% increase for health and a 3.0% increase for dental. These are the averages of the rate increases we have received since 2008. The renewals for our plans are mid-year so the increases are budgeted for one half of the year.

**Life insurance:** November of 2016 is the beginning of a new three year term for life insurance. The City's current carrier has committed to an extension of the existing rates for this new term. No increase of funds will need to be budgeted for life insurance.