



Staff Report

Subject: Employee Compensation – Budget Assumptions

Explanation:

Personnel expenses make up the largest portion of the City’s operating expenses – 67%. The annual budget process for the City therefore begins by establishing the assumptions on which personnel expenses are projected.

Merit Increases: The City will budget for a 3% merit increase in 2020. Administration will formally request an amount for merit increases in February after an evaluation of final 2019 sales tax receipts. The cost to implement a 3% merit increase in 2020 will be \$210,242, including integration into the new step plan for collective bargaining members and FICA and LAGERS. The table below reflects the maximum percentage merit increase granted to employees over the past 10 years.

Year Granted	% Increase	Year Granted	% Increase
1/1/10	2.0%	4/1/15	3.0%
1/1/11	2.0%	4/1/16	3.0%
4/1/12	2.0%	4/1/17	2.0%
4/1/13	3.0%	4/1/18	3.0%
4/1/14	2.0%	4/1/19	3.0%

Merit checks: These are checks given to employees whose salaries are at the maximum for their ranges. They do not increase the employee’s base salaries. There are currently eight people who are eligible for these checks. With a 3% merit increase they total \$10,198.

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. Eleven 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. No single city skewed the results.

The cost to bring employees’ salaries up to the new minimum for their respective ranges, above and beyond the 3% merit raises, will be \$15,340. This affects seven people in four ranges who will receive additional increases of between 1.8% and 9.5%.

Compression adjustments: None of the ranges meet the criteria for a compression adjustment in 2020. Ranges are adjusted only once and are done in response to the hiring of a new employee.

Part time pay:

With the passage of Proposition B on November 6, 2018, the minimum wage rate in Missouri will increase each year by 85 cents and cap out at \$12.00 per hour in 2023. Initially this only impacts entry level part time employees such as lifeguards and camp counselors. Over time as the rate increases, however, wage compression will occur. Rates for more experienced employees will have to be raised as well.

Missouri minimum wage rate

Year	Rate
2019	\$8.60
2020	\$9.45
2021	\$10.30
2022	\$11.15
2023	\$12.00

LAGERS: The contribution rate for LAGERS for general employees in 2020 will increase by the 1% maximum allowed annually. For police employees the increase is .6%.

LAGERS Contribution Rates L-12

Year	General Employees	Police Employees
2018	7.2	11.4
2019	6.7	11.5
2020	7.7	12.1

Health / Dental insurance: For the upcoming year we will budget a 5.0% increase for health insurance premiums and no increase for dental insurance, as we have a two year rate lock. The renewals for our plans are mid-year so the increase for health is budgeted for one half of the year.

Life insurance: 2020 is the first year of a three year term where rates are locked for life insurance. No additional funds will need to be budgeted for this benefit.

Employee retirement: In September of 2017, the Board adopted the new employee retirement health plan. To date, two employees have taken advantage of this program. Six more are anticipated to participate by the end of 2020. The expected cost to the city in 2020 is \$34,724, however, the net savings after factoring in lower salaries for replacement hires is \$49,000.

Submitted By: Denise Keller

Date: September 13, 2019