

TO: Mayor Pogue, Board of Aldermen

FROM: Denise Keller, Finance Officer

DATE: September 6, 2018

RE: Employee compensation

Personnel expenses make up the largest portion of the City’s operating expenses – 66%. The annual budget process for the City therefore begins by establishing the assumptions on which personnel expenses are projected.

Merit Increases: As in 2017, the City will budget for a 3% merit increase. Administration will formally request an amount for merit increases in February after an evaluation of final 2018 sales tax receipts. The cost to implement a 3% merit increase in 2019 will be \$188,900, including FICA and LAGERS. Each 1% increment is approximately \$59,600. The table below reflects the maximum percentage merit increase granted to employees over the past 10 years.

Year Granted	% Increase	Year Granted	% Increase
1/1/09	4.0%	4/1/14	2.0%
1/1/10	2.0%	4/1/15	3.0%
4/1/11	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%

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 five who are eligible for these checks. At 3% merit they total \$4,973.

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. Of those salaries thrown out, five were from Clayton.

The cost to bring employees’ salaries up to the new minimum for their respective ranges, above and beyond the 3% merit raises, will be \$2,002. This affects ten people in four ranges who will receive additional increases of between .1% and 2.7%.

Compression adjustments: None of the ranges meet the criteria for a compression adjustment in 2019. Ranges are adjusted only once and are done in response to the hiring of a new employee.

LAGERS: The contribution rate for LAGERS in 2019 will decrease 7% for general employees but increase slightly for police employees.

LAGERS Contribution Rates

Year	Plan	General Employees	Police Employees
2018	L-3	2.3	10.1
2018	L-12	7.2	11.4
2019	L-12	6.7	11.5

Health / Dental insurance: For the upcoming year we will budget a 5.0% increase for health and a 2.0% increase for dental. The renewals for our plans are mid-year so the increases are budgeted for one half of the year.

Life insurance: 2019 is the final year of a three year term where rates are locked for life insurance. No increase of 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. The expected cost to the city in 2019 is \$11,184, however, this is expected to be offset entirely by savings in salary expense.