



## Staff Report

**Subject:** Employee Compensation – Budget Assumptions

**Explanation:**

Personnel expenses make up the largest portion of the City’s operating expenses – 65%. 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 2021. A step increase of 3% is required under the police officer’s collective bargaining agreement, unless the City’s sales tax revenue would fall below 90% of the amount budgeted in calendar year 2019. Administration will formally request an amount for merit increases in February after receipt of final 2020 sales taxes. The cost to implement a 3% merit increase in 2021 will be \$269,377, including FICA and LAGERS.

**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 ten people who are eligible for these checks. With a 3% merit increase they total \$12,528.

**Range adjustments:** The annual 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. Nine 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 the salaries thrown out, seven were from Clayton. Below is a table which shows which cities had either the highest minimum or maximum salary for each of the ranges.

Peer City	# of Highest Salaries		Peer City	# of Highest Salaries
Bridgeton	4		Kirkwood	11
Chesterfield	4		Maryland Heights	16
Clayton	12		O’Fallon	3
Creve Coeur	2		University City	13
Hazelwood	2		Webster Groves	1

With a 3% merit increase all full time employees will be at or above the minimum for their range except for two. \$6,917 will be needed to bring these employees to their minimums.

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**Part time pay:**

With the passage of Proposition B in 2018, the minimum wage rate in Missouri began a five year schedule of 85 cent annual increases which caps out at \$12.00 per hour in 2023. In the first two years this only impacted entry level part time employees such as lifeguards and camp counselors. With year three, however, wage compression must be addressed. While the entry level employees will receive the statutory 9% increase, more experienced employees will receive a 2% increase. The overall average increase will be 5%.

**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 2021 will increase by .9%, just below the 1% maximum allowed annually. For police employees the increase is .4%.

**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
2021	8.6	12.5

**Health / Dental insurance:** For the upcoming year we will budget a 5.0% increase for health insurance premiums and a 2% increase for dental insurance. We have not received a dental increase since 2016. The renewals for our plans occur mid-year so the increases in premiums are budgeted for one half of the year.

**Life insurance:** 2021 is the second 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 a new employee retirement health plan. This enables employees who retire early with 15 years of service to maintain single health and dental coverage at the same cost as active employees. In 2021, seventeen employees will meet the age and service requirements to participate in the plan. The expected cost to the City in 2021 for the current participants is \$37,631. To keep this program affordable we recommend increasing the age requirement from 60 years to 62 years, effective January 1, 2021.

**Submitted By:** Denise Keller

**Date:** September 3, 2020