CITY OF SHORELINE

SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING

Monday, November 2, 2015 Conference Room 303 - Shoreline City Hall
5:45 p.m. 17500 Midvale Avenue North

PRESENT: Mayor Winstead (joined by telephone from 5:45 p.m. to 6:02 p.m.), Deputy Mayor Eggen, Councilmembers McGlashan, Hall, McConnell, Salomon, and Roberts

STAFF: Debbie Tarry, City Manager; John Norris, Assistant City Manager; Paula Itaoka, Human Resources Director; Sara Lane, Administrative Services Director; and Jessica Simulcik Smith, City Clerk

GUESTS: Doug Johnson, Ralph Andersen & Associates

At 5:48 p.m., the meeting was called to order by Deputy Mayor Eggen. He noted Mayor Winstead was telephonically participating in the meeting.

Ms. Tarry said Mr. Johnson from Ralph Andersen & Associates was present to provide an update to Council on the Compensation Study, including specifics on implementation options. She said staff is looking for Council feedback on three policy questions: market position; step implementation methodology; and Compensation Study implementation.

Councilmember McConnell arrived at 5:51 p.m.

Market Position
Mr. Johnson reviewed the foundation for the Compensation Plan. He reported that out of the 67 jobs that were surveyed, 40 were between -5% to +5% of the comparable labor market median, 22 were below, and 5 were above. On average the City's cumulative base compensation is roughly 2.7% below the comparable labor market median. From the original 67 jobs surveyed, Mr. Johnson stated that his recommendation is to use 44 of the positions as market benchmarks and other positions will then have internal alignment considerations for determining their placement in the City's salary table.

Due to audio issues, Mayor Winstead stopped telephonically participating in the meeting at 6:02 p.m.

Mr. Johnson reviewed the number of job classifications that would need to move ranges to align with the comparable labor market median. He reported that if staff's recommendation was implemented, 57 of the 67 jobs surveyed would be between -5% to 5% of the market median, 3 would be below, and 7 would be above. The City's cumulative base compensation would be 1.2% above the comparable labor market median.

Councilmembers asked if staff's recommendation was implemented, why would there still be jobs below and above the -5%/+5% market median range. Mr. Johnson replied that based on the City's current range table, a job classification can only move 2.5%. The reason 10 jobs are still outside the market median range is because they have an internal relationship that needs to be considered.

Councilmember Hall shared that it is important for the City to offer competitive compensation in order to attract and retain an excellent workforce and he supports implementation of the Study as staff recommends. However, he said it is a little harder to justify bringing the cumulative compensation to 1.2% above the market median. He questioned if the entire pay table could be reduced by 1.2% to bring it back in line with the median. Mr. Johnson said it could be done but it would cause more jobs to fall below the median.

Step Implementation

Mr. Johnson reviewed staff's recommendation to use the 'nearest dollar' step implementation methodology. He described that this method would round a current salary into the nearest highest step in a new range. Current employees would at a minimum be placed in Step 2, unless the employee is at Step 1, or if placing them in Step 2 results in greater than a 10% increase.

Compensation Study Implementation

Mr. Johnson reviewed the options for implementing the Study are 1) full implementation in 2016 or 2) implementation over a period of two years. He described the latter is a two-year phased approach to moving jobs up to their new range. In 2016, jobs would be moved up to one range less than their new recommended range, and in 2017 the jobs would move up the last step to their recommended range. He reviewed the number of employees that would experience a pay change under both of these implementation options. He noted the two-year implementation option would result in a onetime savings of $185,000. He explained that it simply delays the full cost impacts and there is no need to go with this option unless there is a budget issue.

Councilmembers asked how employee moral would be affected if the two-year implementation option was selected. Ms. Tarry responded that employees are watching this Study closely and this option could affect short-term recruitment and be disruptive to the Organization. Mr. Johnson pointed out staff's recommendation is already a phased implementation of the Study as full implementation would be moving employees/jobs to their current step in the new range. Staff's recommendation is to move employees/jobs to the nearest highest step (to their current step) in the new range.

Councilmembers asked staff to discuss budget implications. Ms. Tarry stated the cost to fully implement the Study in 2016 is $482,000. The City Manager's Proposed 2016 Budget set aside $200,000 in contingency to fund the implementation. She reported a $282,000 difference and reviewed options for covering the difference.

Councilmember Salomon asked if implementation would add $482,000 to the budget each year. He cautioned Council that this policy choice comes with raising taxes. If the City asks citizens to vote for a levy lid lift and it fails, he questioned what the next options would be. He asked if it would be wise to impose a B&O Tax given Impact Fees were just implemented this year. Ms. Tarry responded that the base budget would be reset.

Councilmember Salomon asked if implementation of the Compensation Study would cause the City's forecasted deficit to start a year earlier. Ms. Lane responded that the deficit would occur in the same year but would be larger. Councilmember Salomon reiterated his concern over adding to the gap now given Council has not received any information over the revenue that could be generated by a B&O Tax, and there being no real possibility to cut expenditures.

Councilmember McConnell said she is supportive of staff's recommendation. If any of the financial sustainability strategies are unsuccessful, she said the City will have to cut expenses.

Councilmember Hall agreed that raising employee base pay will increases costs. Options to compensate for the increased cost are cutting services, raising taxes, or increasing the economic base. He stated his preference is to maintain a high level of service, find efficiencies, and increase the economic base. And in order to do this, the City needs to pay its employees market rate. He reiterated his concern over bringing cumulative compensation to 1.2% above the market median.

Councilmember McConnell said services are very important to the community and the quality of employees trickles down into the services that are provided. Councilmember Hall recalled that Shoreline voters pass almost all tax increases. He said when the Levy Lid Lift was on the ballot in 2010, the community ranked services that were important to them which informed the City about what direction to take if the Levy did not pass.

Deputy Mayor Eggen said as costs go up the City will be more financially stressed. He is not convinced implementing the Compensation Study will be the reason the City would need to examine increasing revenues. Ms. Lane agreed. Councilmember Hall discussed the work that is being done to ask the State Legislature to address the 1% levy limit because 1% cannot keep up with inflation.

Deputy Mayor Eggen said he wants to maintain outstanding staff by paying market rate salaries and he agrees with staff's recommendation. Councilmember Hall said he is fine with fully implementing the Study in 2016 but his only discomfort is overshooting by 1.2%. Mr. Johnson shared that in reviewing the 44 market benchmark positions the City's current salary compensation is on average 3.7% below the market median. Implementing staff's recommendation brings the City's compensation on average to 0.4% above median – or "at market."

Councilmember McGlashan and McConnell said they also agree with staff's recommendation, and Councilmember Roberts said he is comfortable with it as well. Councilmember Salomon said he does not disagree with the details of the Study or with staff's recommendation on how to implement it, but he wants to have a discussion over impacts to the financial sustainability of the City and what cuts will be made if they are necessary.

Councilmember Roberts asked about COLA practices and if the use of CPI over CPI-W could have led to the differentials between Shoreline and other cities in its comparable labor market. Ms. Tarry said staff could go back and compare. She advised that in 2012, Council approved half the COLA which could have been a factor. Ms. Itaoka said there is a slight difference between the two indexes but labor negotiations could have also made a difference. Mr. Johnson added that CPI-W is used to adjust Social Security benefits and represents a greater percentage of the population but over time there is not much of difference between the two.

Mr. Norris specified CPI is used to ensure salaries are in line with the cost of living. Every year the City performs a salary survey of 1/3 of its jobs to make sure they are in line with its comparable labor market. Councilmember Roberts asked to see the difference between the two indexes.

At 6:49 p.m. Deputy Mayor Eggen adjourned the meeting.

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Jessica Simulcik Smith, City Clerk