

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 287 Establishing Benefits for City Councilmembers
DEPARTMENT:	City Manager
PRESENTED BY:	Larry Bauman, Assistant City Manager

PROBLEM/ISSUE STATEMENT: The City Council's salaries and benefits were initially set in 1995 by Ordinance No. 7 as the City was incorporated, and were increased to the current levels in January 1998 by Ordinance No. 122. The current salaries are \$700 a month for Councilmembers and \$875 per month for the Mayor. Council salaries have not increased since January 1, 1998. Since that time, inflation has eroded the value of those salaries. As a result, options have been developed that would provide no increase for salaries or benefits, provide a new amount for benefits only, provide a combination of increases in salaries and benefits, or to move toward the creation of an independent salary commission.

ALTERNATIVES ANALYZED: In order to provide a range of alternate approaches to salaries and benefits from which to choose, staff has developed four options for Council review:

- 1) No action—salaries would remain at current levels, \$700 per month for all Councilmembers except the Mayor; \$875 per month for the Mayor
- 2) Provide benefits amount for Councilmembers and Mayor, at the rate of \$350 per month. This would allow all members of Council to receive an amount of benefits at a level slightly more than half of the amount (\$632) proposed to be provided to full-time employees beginning in 2002. Salaries would remain at \$700 for Councilmembers and \$875 for the Mayor
- 3) Provide a salary increase to \$900 per month for Councilmembers and to \$1,125 for the Mayor plus a lower-level package of pro-rated benefits at \$395 per month for all members of Council
- 4) Direct staff to prepare necessary information and propose actions to establish a salary commission that would be appointed by Council and be given independent authority to set salary and benefit levels for Council beginning in 2002

FINANCIAL IMPACT: The full cost of options 2 and 3 would not be realized until beginning of the new terms for Council positions 2, 4 and 6 in 2004 when the increased salaries and/or benefits would also take effect for those positions. Initial costs as listed below would be only for positions 1, 3, 5 and 7 in 2002.

Option 1: No action and \$0 additional cost

Option 2: No salary increase with benefits at \$350 per member of Council

- Initial costs in 2002 of \$16,800
- Full costs in 2004 of \$29,400

Option 3: A salary increase to \$900 for Councilmembers and to \$1,125 for the Mayor plus pro-rated benefits at \$395 per month

- Initial costs in 2002 of \$30,154
- Full costs in 2004 of \$52,278

Option 4: Unknown

The funding source for any of the options above would be the City's General Fund.

RECOMMENDATION

Staff recommends that Council adopt Ordinance No. 287 establishing benefits for City Councilmembers in the amount of \$350 per month effective January 1, 2002 for Council positions 1, 3, 5 and 7 and on January 1, 2004 for Council positions 2, 4 and 6.

Approved By:

City Manager



City Attorney



INTRODUCTION

State law restricts the ability of city councils to adopt pay increases during their term of office. All compensation increases must be effective upon the initiation of a new term of office. As a result pay changes are not effective for all positions for two or more years following council action. A survey of compensation provided for elected officials of similar cities in the region indicates that the current compensation for Shoreline's Councilmembers has fallen below the median.

BACKGROUND

- Council initially set salaries in 1995 at \$400 for Councilmembers and \$500 for the Mayor. Council subsequently increased the salaries to \$700 and \$875 effective January 1, 1998.
- Since 1998, no action has been taken to keep Council salaries current with the rate of inflation or to establish any benefits as part of the total compensation package for these positions. Councilmembers, unlike regular employees of the City, receive no annual cost-of-living increases, which are designed to keep salary levels competitive with other cities in the region. As a result, it is appropriate for Council to review its own salary and benefits.
- State law proscribes the manner and the timing permitted for the increase of city council salaries and benefits to ensure that sitting councilmembers are not allowed to vote to increase their own salaries.
- With the upcoming general election of four Council positions (Positions 1, 3, 5 and 7) on November 6, it is necessary to approve any increased salaries or benefits prior to that date in order for the changes to take effect for those newly elected positions beginning January 1, 2002.
- No changes for salaries and benefits—if any are approved by the Council—would be possible for the remaining Council positions (Positions 2, 4 and 6) until they begin new terms on January 1, 2004.

ALTERNATIVES ANALYSIS

Elected members of city councils are paid at various levels in the cities occupying our region. Cities must pay competitive salaries and benefits to attract and retain employees. This competitive pressure, however, does not exist for elected officials since all competition for positions is internal within the jurisdiction of the city.

No additional compensation is currently provided to Shoreline Councilmembers in the form of medical, dental, vision or other benefits. Councilmembers are permitted to participate in the City's deferred compensation program.

Staff has surveyed 11 other similar cities to compare salaries and benefits for councilmembers (see Attachment A). The median salary for these cities in 2002 will be \$800 for councilmembers and \$1,000 for mayors. Five of these cities pay no benefits to members of their councils. Of the cities that do pay some level of benefits, one

(Kirkland) provides a life insurance benefit at a value of twice the amount of annual salary. Five cities pay some level of medical or other benefits as indicated below:

- University Place—pays to each member of its Council \$273 to either medical benefits or deferred compensation, or \$125 in cash to those who decline the benefits or deferred compensation
- Kent—provides full medical, dental and life insurance benefits to only the elected councilmembers (not dependents)
- Everett—provides the same level of benefits (medical, vision, life insurance) offered to full-time employees
- Renton—provides full medical, dental and life insurance benefits to only the elected councilmembers (not dependents)
- Bellevue—provides the same level of benefits (medical, vision, life insurance) offered to full-time employees

The proposed Ordinance No. 287 (Attachment B) would provide benefits as indicated under Option 2: no salary increase, only a benefits amount set at \$350 per month. A minimum of four members of the Council must be enrolled at any one time to be eligible for the Association of Washington Cities (AWC) Trust medical insurance benefits program that the City subscribes to for employees. If Councilmembers chose not to participate in the AWC benefits program, they would have to purchase these benefits on the open market just as other individuals do. Other benefits programs—dental, vision and life insurance—offered to City employees within the AWC Trust are not being recommended for the Council's benefit program at this time. The reason these benefits are not being recommended is because these programs would require 100 percent participation by the Council, while the medical program requires only a simple majority of the group. It is assumed at this point that 100 percent of the Council is not interested in participating in the dental, vision and life insurance programs.

VEBA is an option in which some Councilmembers have expressed interest. VEBA is a program that theoretically could be used for establishing a medical savings account for each Councilmember. It is a tax-exempt trust that is authorized by federal tax laws allowing the employer to make tax-free deposits into an account on behalf of the employee. These deposits may be used for tax-free reimbursements for medical expenses and medical insurance premium payments. The one stipulation that may be problematic is that 100 percent participation of the employee group is required to permit this program to be used. It is also required that all employees participate at the same level—either as a percentage of salary or at the same dollar amount. Although the City of Seatac is currently offering this program for its councilmembers, the Attorney General has not yet issued an opinion regarding whether councilmembers can be considered a distinct employee group for the purposes of this program. Currently this program is being used primarily for police and fire employees. Again, due to the 100 percent participation requirement, this program is not being recommended at this time.

Of the four options analyzed, only two would have immediate cost impact that could be anticipated for the 2002 Budget. Below is an analysis of costs for these options:

Proposed Council Compensation Packages				
<u>Option # 2</u>		Monthly Cost	Full Cost	2002 Only
Council receives a partial benefits package at proposed rate of \$350 per month		Total	\$29,400.00	\$16,800.00
<u>Option # 3</u>	Council receives prorated portion of benefits package (62.61%)		\$33,238.80	\$18,993.60
<u>Salary Increases as follows:</u>	\$ 13,500	(\$1,125 per month)		
Mayor			\$19,039.00	\$11,161.00
	\$ 10,800	(\$900 per month)		
Council				
		Total	\$52,277.80	\$30,154.60

Option 4, which would direct staff to develop the information necessary to allow Council to establish a salary commission, is possible under recently enacted state law that allows such a commission to implement salary and benefit increases without waiting for new council terms to begin. Under this new law, the Council would appoint the commission members for defined terms. Once established, however, the commission would have completely independent authority to set Council salaries and benefits.

This would mean the Council would have no role in accepting or rejecting any of the decisions of the commission, and the commission's decisions would then have to be implemented directly as part of current and future budgets. If Council wishes to pursue the creation of such a commission, staff would return with additional information and a recommendation about the size of the commission, terms of its members, selection procedures and other details necessary to implement this option.

RECOMMENDATION

Staff recommends that Council adopt Ordinance No. 287 establishing benefits for City Councilmembers in the amount of \$350 per month effective January 1, 2002 for Council positions 1, 3, 5 and 7 and on January 1, 2004 for Council positions 2, 4 and 6.

ATTACHMENTS

Attachment A, 2001 Council Survey Results
Attachment B, Ordinance No. 287

ATTACHMENT A

February 2001 Survey Results Supplemented by AWC 2000 Survey Salary Data							
JURISDICTION	Mayor	Rate	Council	Rate	Use	1997	Benefit Paid By City/Comment
		#2	Salary	#2	Rate #2	Salary	
OLYMPIA	933		620		620	580	None (Can purchase on own)
KIRKLAND	950		650		650	650	Pay life at 2x annual salary; can be in PERS/MEBT
FEDERAL WAY	900		750		750	750	None. Can be in PERS or deferred comp
AUBURN	full time		675	800	800	675	None
KENT	full time		900		900	500	med/dental paid for council (not dependents)
RENTON	full time		700	950	950	700	Pay for med/dent/life (not dependents) Can be in PERS/def comp
EVERETT	full time		1594		1594	1126	100% for full family (\$691)
BELLEVUE	1200	1950	1000	1650	1650	1000	Same medical/vision/life as employees
LAKEWOOD					700	400	Using salary data from AWC 2000 Survey
EDMONDS*					750	750	Using salary data from AWC 2000 Survey
REDMOND					800	600	Using salary data from AWC 2000 Survey
Median	942	933	725		800	675	
Mayor 25% more			906.25		1000	843.75	
Mayor rounded			950			850	
Shoreline (now)	875				700		

ORDINANCE NO. 287

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
ESTABLISHING BENEFITS FOR CITY COUNCILMEMBERS

WHEREAS, RCW 35A.13.040 establishes the minimum salary for the first City Councilmembers of a newly incorporated code city until a salary ordinance can be passed; and

WHEREAS, on June 9, 1997, the City Council adopted Ordinance No. 122 which established Council salaries at the level of \$700 for all Councilmembers and \$875 for the Mayor, a motion for benefits was rejected at that time and no ordinance establishing benefits for these positions has been enacted; and

WHEREAS, it is appropriate that Shoreline City Council benefits be established at a level consistent with City benefits in some other Puget Sound cities of comparable size; and

WHEREAS, under state law, any increase or reduction in the compensation of councilmembers shall not become effective until the expiration of the term then being served by the incumbent;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE DO ORDAIN AS FOLLOWS:

Section 1. Benefit Levels Established. Effective January 1, 2002, City Councilmembers elected after the effective date of this ordinance shall be entitled to receive, in addition to salaries established by Ordinance No. 122, benefits equal to a value of \$350.00 per month, payable twice monthly on regular City paydays. Any amount of these benefits not used to pay for benefit program premiums may be deposited in an individual §457 deferred compensation account.

Section 2. Benefit Plan Adopted. The Association of Washington Cities (AWC) benefit plan available for Washington city councilmembers is approved as the Shoreline City Council Benefit Plan, and election of benefits under this plan shall be available to Councilmembers according to this plan's terms and benefits.

Section 3. Publication. This ordinance or a summary thereof, shall be published in the official newspaper of the City and shall become effective five days after publication.

PASSED BY THE CITY COUNCIL ON OCTOBER 22, 2002.

Mayor Scott Jepsen

ATTEST:

APPROVED AS TO FORM:

Sharon Mattioli, CMC
City Clerk

Ian Sievers
City Attorney

Date of Publication: October 25, 2001

Effective Date: October 30, 2001

