



December 20, 2016

Memo to: City Council
 From: Brian Carlson, Finance Director
 Re: 2017 COLA

SUMMARY:

- Council reached a consensus on a COLA during the final workshop, which is built into the adopted 2017 budget.
- Finance Director’s understanding of the COLA is that it has following attributes:
 - A budgeted cost equivalent to a typical COLA at 2%
 - Increased costs only in 2017
 - No change to the underlying step/grad pay schedule
 - Equal payment to all FTEs, with pro-rated payments to partial FTEs
- The unusual structure of the 2017 COLA has caused confusion among all stakeholders. The main point of confusion is that the COLA was to be a \$2,000 payment to each employee.
- This agenda item clarifies what is currently adopted. If Council wishes to revise the COLA, this can be done via Resolution in January

BACKGROUND:

- **2% COLA:** Council’s discussion of a COLA began with a review of the Finance Director’s estimate of the costs of a typical percentage-based COLA, shown below. A 2% COLA costs about **\$250,000** in 2017.

Base Salaries and Benefits	\$	12,518,404	Cost
0.50%	\$	12,580,996	\$ 62,592
1.00%	\$	12,643,588	\$ 125,184
1.50%	\$	12,706,180	\$ 187,776
2.00%	\$	12,768,772	\$ 250,368
2.50%	\$	12,831,364	\$ 312,960
3.00%	\$	12,893,956	\$ 375,552

- **One-Time vs. Ongoing Costs:** Council wanted to provide additional pay to all employees in 2017, and they were agreeable to a \$250,000 increase, but they did not want the increased costs to continue

beyond 2017. They stipulated a one-time increase in 2017, while leaving the step/grade schedule unchanged.

- **Equal Payment to All Employees:** Council recognized that a typical COLA is paid as a percentage of salary/wage, and therefore it provides a higher dollar-benefit to higher earners. Council preferred to pay an equal dollar amount to each employee.
- **\$2,000 Cost vs. \$2,000 Payment:** Council roughly calculated that \$250,000, divided by 125 FTEs, is \$2,000 per employee COST, which is comprised of:
 - **Salary/Wage payment to employees, plus:**
 - City contribution to PERS (22%)
 - City contribution to Medicare (1.45%)
 - City contribution to 401a (6.2% or 9.3%)
 - Budgeted unemployment costs (1.5%)
 - Workman's Compensation Insurance Premium (varies...apprx 4.5%)

Finance Director's task was to solve for the "**salary/wage**" payment that meets the other conditions:

- equal payment to everyone, and
- cost increase ONLY in 2017, and
- \$250,000 total cost.

That figure is \$1,500, which is taxable income, though it can be partially or entirely deposited in the employee 457 account pre-tax.

RECOMMENDATION:

If Council is agreeable to the details of the COLA herein described, it need not take any action, as this is what is built into the adopted 2017 budget. A \$1,500 payment will be made to each employee in January.

If Council wishes to specify a PAYMENT, the resulting change in budgeted COST will be approximately \$17,000 per \$100 change in payment. Example: increasing the \$1,500 COLA payment to \$1,600 will increase total budgeted payroll costs by \$17,000. This can be formalized via budget resolution in January, prior to COLA implementation.