

COUNCIL AGENDA SYNOPSIS



-----Initials-----				ITEM No.
Meeting Date	Prepared by	Mayor's review	Council review	4.D.
10/22/18	LH	<i>ame</i>	<i>W</i>	
11/05/18	LH			

ITEM INFORMATION

	STAFF SPONSOR: DAVID CLINE	ORIGINAL AGENDA DATE: 10/22/18
AGENDA ITEM TITLE A resolution regarding employee compensation		
CATEGORY	<input checked="" type="checkbox"/> Discussion Mtg Date 10/22/18	<input type="checkbox"/> Motion Mtg Date
	<input checked="" type="checkbox"/> Resolution Mtg Date 11/5/18	<input type="checkbox"/> Ordinance Mtg Date
	<input type="checkbox"/> Bid Award Mtg Date	<input type="checkbox"/> Public Hearing Mtg Date
	<input type="checkbox"/> Other Mtg Date	
SPONSOR	<input type="checkbox"/> Council <input checked="" type="checkbox"/> Mayor <input checked="" type="checkbox"/> HR <input type="checkbox"/> DCD <input type="checkbox"/> Finance <input type="checkbox"/> Fire <input type="checkbox"/> TS <input type="checkbox"/> P&R <input type="checkbox"/> Police <input type="checkbox"/> PW <input type="checkbox"/> Court	
SPONSOR'S SUMMARY	<p>The draft resolution adopts revisions to the compensation policy for city employees, reflecting amendments and direction from the Finance Committee over the past several months. The review process began in March and concluded with a Committee recommendation on October 16. A full Council work session was held on June 19, 2018.</p>	
REVIEWED BY	<input type="checkbox"/> C.O.W. Mtg. <input type="checkbox"/> CDN Comm <input checked="" type="checkbox"/> Finance Comm. <input type="checkbox"/> Public Safety Comm. <input type="checkbox"/> Trans & Infrastructure <input type="checkbox"/> Arts Comm. <input type="checkbox"/> Parks Comm. <input type="checkbox"/> Planning Comm.	
	DATE: MARCH - OCTOBER 2018 COMMITTEE CHAIR: QUINN	
RECOMMENDATIONS:		
	SPONSOR/ADMIN. _____ COMMITTEE Majority Approval 10/16	
COST IMPACT / FUND SOURCE		
EXPENDITURE REQUIRED	AMOUNT BUDGETED	APPROPRIATION REQUIRED
\$	\$	\$
Fund Source: GENERAL FUND		
Comments:		
MTG. DATE	RECORD OF COUNCIL ACTION	
10/22/18		
11/5/18		
MTG. DATE	ATTACHMENTS	
10/22/18	Informational Memo dated October 10, 2018 Draft resolution Finance Committee minutes 3/20, 5/22, 7/5, 7/18, 8/21, 9/5, 9/18, 10/2, 10/16	
11/5/18		



INFORMATIONAL MEMORANDUM

TO: **Finance Committee**

FROM: **David Cline, City Administrator**
Rachel Bianchi, Deputy City Administrator
Erika Eddins, Human Resources Analyst

CC: **Mayor Allan Ekberg**

DATE: **October 10, 2018**

SUBJECT: **Review of Compensation Policy Resolution No. 1796**
Update from October 2, Finance Committee Meeting

Note: This is a new informational memorandum with the intent to capture the compensation policy review and discussion outcomes in preparation for discussion with the full Council.

At the July 17, Finance Committee meeting, Administration sought committee direction to finalize the scope of the review of the City Council compensation policy. The committee requested that Administration bring back recommendations on the following proposed policy change considerations of above and below market adjustments, comparable cities, compression, recruitment incentives, and the process for non-represented compensation review.

In addition, as directed by the Council, Administration has conducted the external market study using the Association of Washington Cities and County Employee Salary and Benefit Survey for 2018. Once the regressions analysis was applied to the raw data, the results show we are still close to market and are considered very competitive (Exhibit A.1 and A.2). This was also the case when we did the regression analysis for 2017.

In future years, to address the potential for above and below market wage adjustments, it is recommended that Council adopt the Market Competitiveness standard provided by our Mr. Lawson, our compensation consultant as it provides an objective guide to address when positions are out of alignment with the market.

Option 1

The Market Competitiveness Standard:

- +/-5% to +/-10% - Competitive with market
- +/-10% to +/-15% - Possibly Misaligned with market
- +/-15% and above - Significantly Misaligned with market

For positions that are possibly and significantly misaligned with the market would require review of the data to ensure the appropriateness of market data and review of job classifications to ensure appropriate placement.

Below are three examples of a process Council could adopt using the Market Competitiveness Standard:

OPTION A – External Market Study

- During External Market Study (for even numbered years) – Positions that are 5% or more below market and up to 10% above are considered competitive with the market and will receive a market adjustment the year the market adjustment is to occur.
- Those positions 10% to 15% above the market will not receive an adjustment during the year the market adjustment is to occur and will warrant further evaluation and possible reclassification. If further analysis results in reclassification, any adjustments will be made in alignment with City policy.

OPTION B – Internal Equity

- Considerations for cost of living adjustment (COLA) for odd numbered years will be based upon internal equity with represented groups to determine if an adjustment is warranted. Administration will inform City Council if an adjustment is warranted prior to implementation.

OPTION C – Written Justification for Misaligned Positions

The other option would be to update the current language in Resolution No. 1796 Section B.2. to state “If the City’s pay schedule for any classification that does not represent the average of comparable salary ranges (+/-10%) written justification must be provided to the City Council.”

2. Compression

As it relates to defining Compression, Council Resolution No. 1796, states, “The goal of the City is to mitigate or avoid salary compression issues where possible. An example of salary compression would be when a non-represented supervisor earns less or is projected to earn less than those that he/she supervises due to contracted wage increase.”

During the Council work session Mr. Lawson, our consultant expressed that compression cannot be totally mitigated. Therefore, Administration recommends that Council retain the current definition reflected in the resolution as it is referenced above. It is further recommended to review the salary structure more frequently preferably in the year a market study is done to ensure that wage adjustments that occur over time do not create compression between salary bands.

3. Comparability

During even numbered years when an external market study is conducted, the Administration uses Council Resolution No. 1796 parameters for comparability which looks at “All Puget Sound jurisdictions with +/-50% of Tukwila’s annual assessed valuation, based upon the Department of Revenue data, will be used to create the list of comparable jurisdictions for evaluation of salary information.” The issue of comparability has been discussed during the review of this resolution, specifically, do the parameters of +/-50% reflect the market to which we compare, or should the Committee also consider other factors to determine external market comparability.

Mr. Lawson, our compensation consultant shared with the Council at their work session on June 19, that comparability factors could include employee population, assessed valuation double or half the size of Tukwila, geography, and demographics. Whereas, Administration would not recommend considering assessed valuation of double the size of Tukwila, consideration of going above +50% would provide more consistency where jurisdictions come in and out for comparison. For example, in the 2017 Market Study Issaquah and Shoreline were included since they were within +50% of A.V. In the 2018 Market Study, these two cities increased to 54% and 57% of A.V. and therefore were excluded (see table below).

Assessed valuation changes annually as reported by the Department of Revenue, Taxing District Levy Table 30.

City	2017 Assessed Value	Assessed Value % of Tukwila	2018 Assessed Value	Assessed Value % of Tukwila
Tukwila	\$5.040	1.00%	\$5.736	1.00%
Shoreline	\$7.426	1.47%	\$8.848	1.54%
Issaquah	\$7.385	1.46%	\$8.989	1.57%

Assessed Value represented in Billions

In addition, given that these concerns have been raised by the Non-Represented Employees group and in previous discussions, the following are some suggested options for your consideration that will mitigate the inconsistency the current policy parameters impose.

OPTION 1

“All Puget sound jurisdictions with +75/-50% of Tukwila’s annual assessed valuation, using the most current data from County Assessors, will be used to create the list of comparable jurisdictions for evaluation of salary information.” As reflected in Exhibit B, the assessed valuation comparison table, this would serve to eliminate the in and out annually of comparator jurisdictions. If consideration were given to this option, Administration recommends a “second criteria to assessed valuation, to include employee population of similar size”. As Exhibit B also shows, by increasing to +75% of assessed valuation there would be more similar employee populations to compare to Tukwila.

OPTION 2

Make no change and retain current policy statement of comparison to “All Puget Sound jurisdictions of +/-50% of Tukwila’s annual assessed valuation”.

New Recruitment Incentives

The Finance Committee requested more information on what other cities do to recruit and retain employees. Twenty- five (25) Puget Sound Cities were surveyed and responded to our request on the attached Exhibit C. The data shows that some cities offer hiring bonuses specifically to law enforcement positions, additional vacation hours, or the ability to use vacation sooner than the typical six months. Several cities did not offer any recruitment incentives.

As has been discussed in previous committee meetings, Tukwila currently offers hiring bonuses to attract applicants to highly competitive positions such as Building and Construction Inspector, or Law Enforcement positions. Mr. Lawson, our compensation consultant, shared with the Council that a market premium may be appropriate to implement specifically when you want to attract and retain jobs that are competitive in the labor market.

Administration recommends the Committee define in its policy a statement that reflects its philosophy of providing above average benefits, hiring incentives and competitive pay to attract, and retain a highly skilled, qualified and trained workforce.

Non-Represented Compensation Review Process

The final item for discussion is should the process for non-represented compensation review change. Currently Resolution No. 1796, provides that non-represented employee compensation be reviewed annually to consider external market or a cost of living adjustment. Unlike represented groups, the non-represented compensation review typically is presented in the fall prior to the year of implementation. This is a more public process. Administration recommends adopting review of non-represented compensation at the time the budget is being adopted so that external market and cola wage adjustments are a more efficient and seamless transition covering a two-year period versus an annual review process.

The remainder of schedule for review of the City Council Resolution No. 1796 is as follows

- September 5 – Finalize recommendations for City Council consideration
- September 10- Bring recommendation to the City Council for review and discussion
- September 17 – Adoption of changes to Resolution No. 1796 for implementation

We look forward to discussing these recommendations and options at the Finance Committee meeting on August 21, 2018.

Follow Up from the August 21, Finance Committee Meeting

At the August 21, Finance Committee Meeting, Administration reviewed the following recommendations with the Committee members:

- Reviewed results of the 2018 External Market Study for Non-Represented Employees;
- Recommendations and options for consideration on above and below market adjustments;
- Recommendations regarding how to address compression;
- Recommendations and options for consideration on comparability; and
- Recommendation on new recruitment incentives and the process for review of Non-represented compensation.

The Committee reviewed the recommendations, provided input, and asked these recommendations be discussed further at the Sept 5 Finance Committee meeting. In addition, based upon the results from both the 2017 and 2018 external market studies, the regression shows that we are competitive with the market. It was requested that Administration continue the current policy of conducting the external market study.

The Finance Committee asked for Administration to supplement the tables in Exhibits A.1 and A.2 to show the 2018 market study regression results based upon +60 of Assessed Valuation to include the two cities that were excluded from the original study based upon the +/-50% Assessed Valuation criteria. Those cities are Issaquah and Shoreline and the Committee can see the impact of this change now reflected in Exhibits A.1.1 and A.2.1. This analysis shows that the City remains competitive within the market averages.

It was also requested that the table in Exhibit B be updated to include columns showing City populations as a percentage of Tukwila's. Exhibit B.1 includes the population information as well as a column showing the 2018 Assessed Values by County data. The County data provides the most current assessed valuation figures available for cities and is included for comparison to the State Department of Revenue which lags a year behind.

Follow Up from the September 5, Finance Committee Meeting

Following the September 5 Finance Committee meeting, staff updated the resolution to reflect the following changes from Committee members:

- Increase timeliness of information – *edits to A.2 and addition of A.3*
- Update comparability definitions – *edits to B.1*
 - Use most current data from the County Assessors
 - Update the policy to +75% in order to maintain stability in the comparable cities year after year to mitigate changes in assessed valuation
 - Include a secondary criteria of FTE count as a refining factor to provide a manageable number of comparable jurisdictions
- Include policy direction on what makes a position considered to be in market – *addition of B.3*
- Include policy direction on what would happen if positions are found to be above the market during a market survey year – *addition of B.3*
- Provide policy language on internal equity between non-represented and represented employees during COLA years – *edits to B.4*

After the September 5 meeting, staff learned that effective January 2018 the Bureau of Labor Statistics introduced the first changes to CPI since 1998. The former Seattle-Tacoma-Bremerton index, which included King, Pierce, Island, Kitsap and Thurston Counties, is now the Seattle-Tacoma-Bellevue index, which includes King, Pierce and Snohomish Counties only. Staff recommends that the policy be updated to reflect this new index and use this definition for “Puget Sound jurisdictions” referenced in section B.1. This change would remove Bainbridge Island as a comparable jurisdiction. *Edits to B.4.*

Staff was asked to provide information on the market effect of these changes on non-represented employees. Analysis shows that raising the assessed value to +75% keeps all City employees consistent with the market. There is no significant variance between what was presented when just Issaquah and Shoreline were added. The attached tables provide this analysis for non-represented employees.

The remainder of the schedule for review of the City Council Resolution No. 1796 is as follows

September 18 – Finalize recommendations for City Council consideration

September 24 - Bring recommendation to the City Council for review and discussion

October 1 – Adoption of changes to Resolution No. 1796 for implementation

Follow Up from the September 18, Finance Committee Meeting

Following the September 18 Finance Committee meeting, staff updated the resolution to reflect the following changes from Committee members:

- Updated timeliness of information – *edits to A.2 and deletion of A.3*
- Provided a definition for comparable employee population based on city police departments – *edits to B.1*
- Updated documentation and process for positions above market – *edits to B.3*
- Updated documentation and process for adjustments to COLA – *edits to B.4*
- Provided a new definition for compression – *edits to B.6*
 - “An example of salary compression is when there is only a small difference in pay between employees regardless of their skills, level, seniority or experience.”
- Updated process to have an annual review of the compensation policy if warranted – *edits to B.7*

A revised schedule is provided for your review

October 2 – Finalize recommendations for City Council consideration

October 8 or 22 - Forward recommendation to the City Council for review and discussion

October 15 or Nov 5 – Adoption of changes to Resolution No. 1796 for implementation

Follow Up from the October 2nd, Finance Committee Meeting

Following the October 2nd Finance Committee meeting, staff was asked to provide updated market study data (Exhibit D) reflecting the proposed second set of criteria for defining comparable jurisdictions based on having a city police department. The proposed language is unchanged:

- “A second criteria to be used to refine comparable jurisdictions is to include cities with their own police departments.”

The justification for this additional criteria was to better match comparable cities. For example, in Exhibit B.1, it shows several cities that have comparable assessed values by percentages, but significantly lower total FTE’s. For example, based on Tukwila’s assessed value, SeaTac is at 100% and Burien is at 103%. When compared with the number of Tukwila’s FTE’s, SeaTac is at 35% and Burien is at 24%, mainly due to not having a city police department. Most other comparable cities with similar assessed values and a police department had much closer percentages of FTE’s. The effect of this criteria removes Burien, Shoreline, Maple Valley, and SeaTac. The overall impact of removing these jurisdictions did not significantly change the analysis. In preparing the updated data, staff noted and corrected a data error with the regression line at the lower bands.

Staff updated the resolution to reflect the following changes from Committee members:

- Clarified the first sentence to remove the words “or more” – edits to B.3
- Added to the definition for compression to include a process to follow when it is observed and action to be taken for council - edits to B.6
 - “Administration will provide a written justification for the City Council’s review documenting that an adjustment is warranted prior to implementation.”

A revised schedule is provided for your review:

October 16 – Finalize recommendations for City Council consideration

October 22 – Forward recommendation to the City Council for review and discussion

November 5 – Adoption of changes to Resolution No. 1796 for implementation

EXHIBIT A.1

City of Tukwila, WA
Market Data Regression

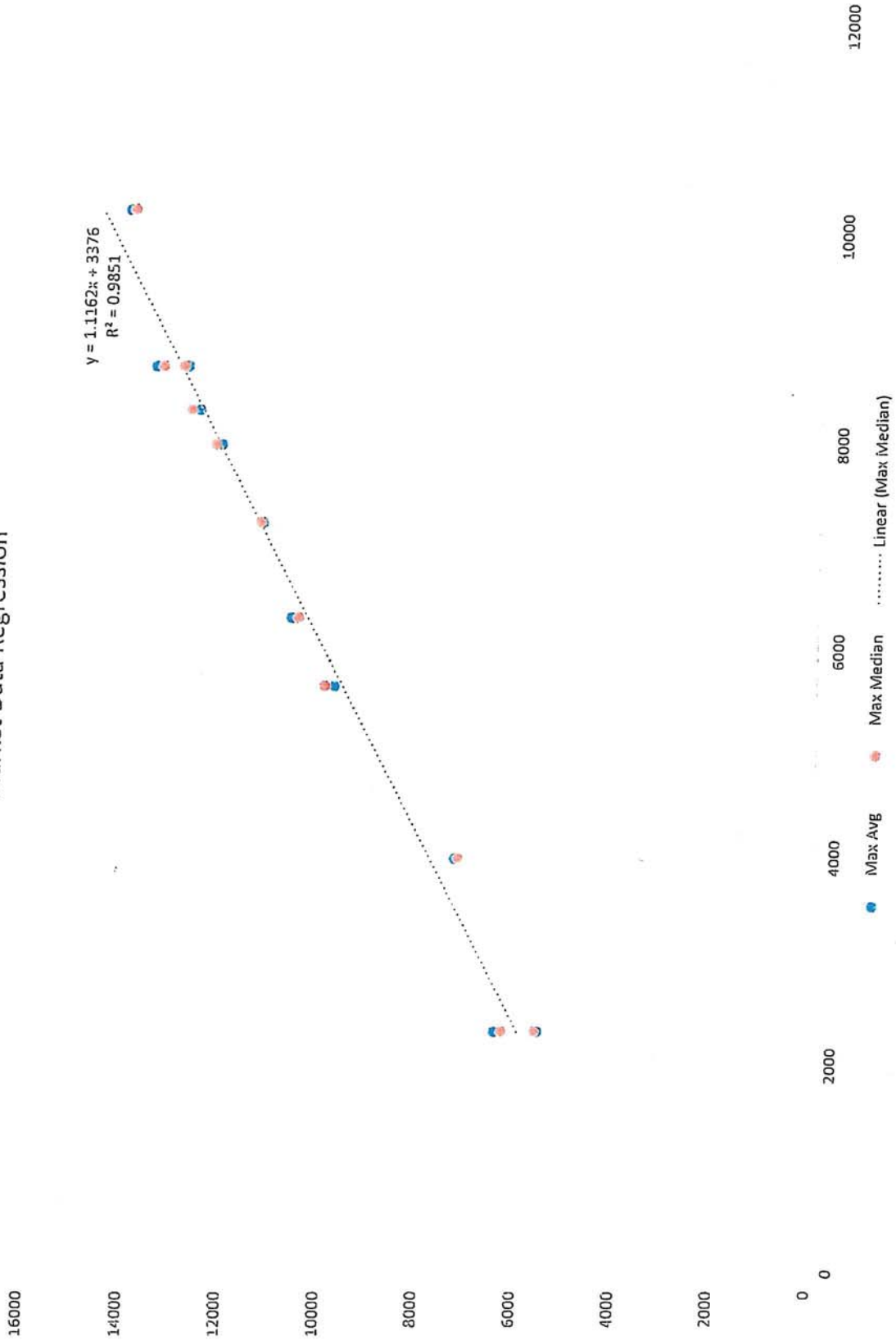
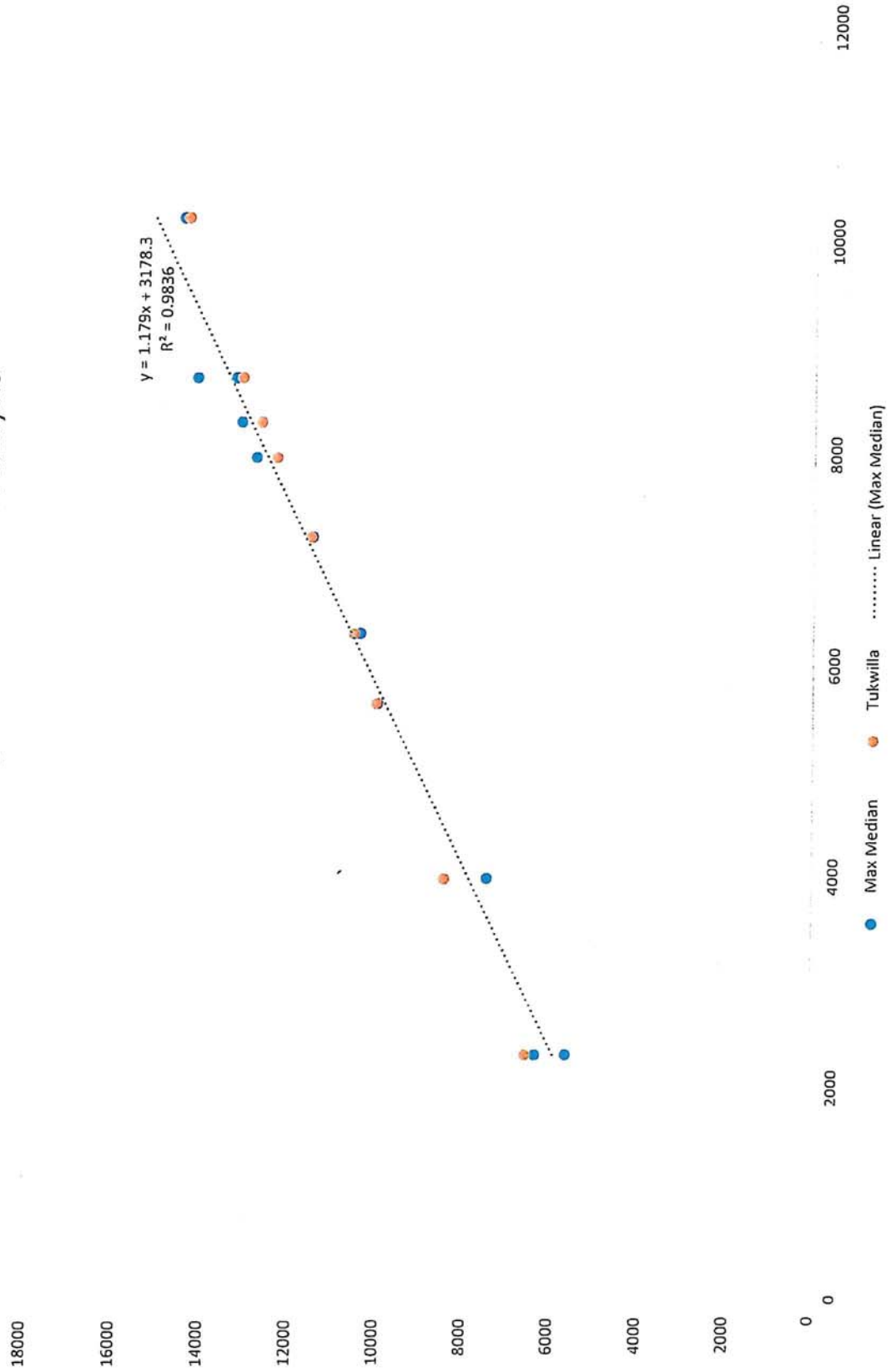
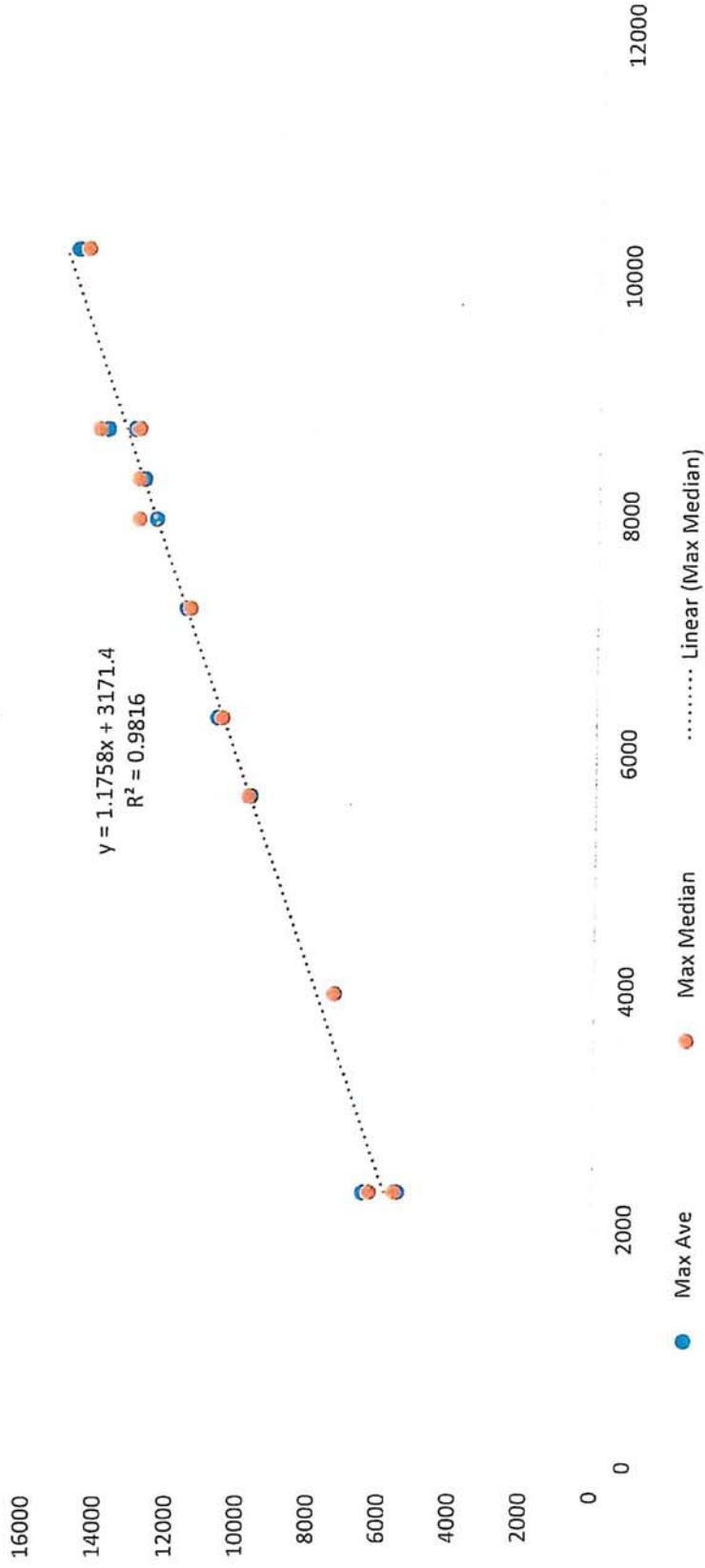


EXHIBIT A.1.1
Issaquah and Shoreline

City of Tukwila, WA
Market Data Regression - Revised Analysis



City of Tukwila, WA Market Data Regression



Structure Comparison: Max Comparisons					
	Market Median	Market Median Hrly	Current Max	Max Based on Regression Results	% Diff
A11	N/A	N/A	\$27.12	\$23.77	-12%
A12	N/A	N/A	\$29.30	\$25.92	-12%
A13	N/A	N/A	\$31.47	\$28.06	-11%
B21	N/A	N/A	\$33.65	\$30.21	-10%
B22	N/A	N/A	\$35.83	\$32.36	-10%
B23	\$5,975	\$34.47	\$38.00	\$34.50	-9%
C41	N/A	N/A	\$46.26	\$43.09	-7%
C42	\$7,276	\$41.97	\$48.89	\$45.24	-7%
C43	N/A	N/A	\$51.06	\$47.38	-7%
C51	N/A	N/A	\$53.79	\$50.07	-7%
C52	N/A	N/A	\$57.06	\$53.28	-7%
D61	\$10,071	\$58.10	\$58.04	\$55.97	-4%
D62	N/A	N/A	\$59.07	\$58.11	-2%
D63	\$10,639	\$61.38	\$61.15	\$60.26	-1%
D71	N/A	N/A	\$63.77	\$62.94	-1%
D72	\$11,453	\$66.08	\$66.88	\$66.16	-1%
E81	N/A	N/A	\$69.48	\$68.85	-1%
E82	\$12,416	\$71.63	\$71.58	\$70.99	-1%
E83	\$12,932	\$74.61	\$73.66	\$73.14	-1%
E91	\$13,302	\$76.74	\$76.23	\$75.82	-1%
E92	N/A	N/A	\$79.40	\$79.04	0%
F101	N/A	N/A	\$82.56	\$82.26	0%
F102	\$14,163	\$81.71	\$83.65	\$85.48	2%

Negative % = leading market Positive % = lagging market

Average % Difference

-4.8%

There are no current Non-Represented positions in Bands A11, A12, A13

Observations:

Current maximums for DBM ranges A11 - C52 currently lead the market

Beginning with D61, the ranges are aligned with market in a highly competitive manner

Structure Comparison: Max Comparisons - Revised Analysis w/Issaquah & Shoreline				
	Market Median Hrly	Current Max	Max Based on Regression Results: Original	% Diff
A11	N/A	\$27.12	\$22.87	-16%
A12	N/A	\$29.30	\$25.14	-14%
A13	N/A	\$31.47	\$27.40	-13%
B21	N/A	\$33.65	\$29.68	-12%
B22	N/A	\$35.83	\$31.94	-11%
B23	\$36.61	\$38.00	\$34.21	-10%
C41	N/A	\$46.26	\$43.28	-6%
C42	\$43.19	\$48.89	\$45.54	-7%
C43	N/A	\$51.06	\$47.81	-6%
C51	N/A	\$53.79	\$50.65	-6%
C52	N/A	\$57.06	\$54.05	-5%
D61	\$57.89	\$58.04	\$56.88	-2%
D62	N/A	\$59.07	\$59.15	0%
D63	\$60.26	\$61.15	\$61.41	0%
D71	N/A	\$63.77	\$64.25	1%
D72	\$66.77	\$66.88	\$67.65	1%
E81	N/A	\$69.48	\$70.49	1%
E82	\$74.26	\$71.58	\$72.75	2%
E83	\$76.31	\$73.66	\$75.02	2%
E91	\$77.08	\$76.23	\$77.85	2%
E92	N/A	\$79.40	\$81.25	2%
F101	N/A	\$82.56	\$84.66	3%
F102	\$84.25	\$83.65	\$88.06	5%
Average % Difference				-3.9%

There are no current Non-Represented positions in Bands A11, A12, A13

Negative % = leading market

Positive % lagging market

Observations: Pay structure better aligned with market with inclusion of Issaquah and Shoreline

Structure Comparison: Max Comparisons +75%/-50%				
	Market Median Hrly	Current Max	Max Based on Regression Results	% Diff
A11	N/A	\$27.12	\$22.82	-16%
A12	N/A	\$29.30	\$25.08	-14%
A13	N/A	\$31.47	\$27.34	-13%
B21	N/A	\$33.65	\$29.60	-12%
B22	N/A	\$35.83	\$31.86	-11%
B23	\$36.61	\$38.00	\$34.12	-10%
C41	N/A	\$46.26	\$43.17	-7%
C42	\$42.61	\$48.89	\$45.43	-7%
C43	N/A	\$51.06	\$47.69	-7%
C51	N/A	\$53.79	\$50.52	-6%
C52	N/A	\$57.06	\$53.91	-6%
D61	\$56.94	\$58.04	\$56.74	-2%
D62	N/A	\$59.07	\$59.00	0%
D63	\$61.38	\$61.15	\$61.26	0%
D71	N/A	\$63.77	\$64.08	0%
D72	\$66.83	\$66.88	\$67.48	1%
E81	N/A	\$69.48	\$70.31	1%
E82	\$75.43	\$71.58	\$72.56	1%
E83	\$75.54	\$73.66	\$74.82	2%
E91	\$75.54	\$76.23	\$77.65	2%
E92	N/A	\$79.40	\$81.04	2%
F101	N/A	\$82.56	\$84.44	2%
F102	\$84.25	\$83.65	\$87.83	5%

Negative % = leading market Positive % = lagging market
Average % Difference -4.09%

There are no current Non-Represented positions in Bands A11, A12, A13

Observations:

Current maximums for DBM ranges A11 - C52 currently lead the market
Beginning with D61, the ranges are aligned with market in a highly competitive manner

EXHIBIT B

Puget Sound City
Comparisons within
+75%/-50% AV

City	County	Assessed Value	Assessed Value %	FTE	City Fire Dept
Des Moines	King	\$ 3,194,299,789	0.55	132	
Maple Valley	King	\$ 3,268,616,351	0.56	46	
Lake Stevens	Snohomish	\$ 3,324,196,683	0.57	93	
Mukilteo	Snohomish	\$ 4,354,213,237	0.75	124	X
Puyallup	Pierce	\$ 5,148,032,791	0.89	269	
SeaTac	King	\$ 5,405,585,665	0.94	112	
Lakewood	Pierce	\$ 5,410,414,843	0.94	209	
Burien	King	\$ 5,608,165,807	0.97	78	
Lynnwood	Snohomish	\$ 5,654,422,666	0.98	350	
Tukwila	King	\$ 5,736,568,228	1.00	321	X
Marysville	Snohomish	\$ 6,425,149,097	1.12	277	
Bainbridge Island	Kitsap	\$ 6,898,602,203	1.20	122	
Edmonds	Snohomish	\$ 8,177,283,180	1.42	220	
Bothell	King/Snohomish	\$ 8,760,887,474	1.52	328	X
Shoreline	Snohomish	\$ 8,848,561,852	1.54	176	
Issaquah	King	\$ 8,989,557,112	1.56	248	
Federal Way	King	\$ 9,420,224,291	1.64	323	
Auburn	King/Pierce	\$ 9,555,039,113	1.66	437	

2017 AV Cities for Market Survey	2018 AV Cities for Market Survey	Proposed Comp Cities	City	County	*2017 State DOR Assessed Value	% of Tukwila 2017 DOR Assessed Value	FTE	% of Tukwila FTE	Population	% of Tukwila Population	2018 County Assessed Values	% of Tukwila County Assessed Value	Has Fire Dept	Has Police Dept
X	X	X	Maple Valley	King	\$ 3,268,616,351	56%	46	14%	24,900	127%	\$ 3,680,189,655	60%		
X	X	X	Lake Stevens	Snohomish	\$ 3,324,196,683	57%	93	29%	31,740	161%	\$ 3,784,529,975	61%		X
X	X	X	Des Moines	King	\$ 3,194,299,789	55%	132	41%	30,860	157%	\$ 3,823,309,451	62%		X
X	X	X	Mukilteo	Snohomish	\$ 4,354,213,237	75%	124	39%	21,240	108%	\$ 4,745,542,557	77%	X	X
X	X	X	Puyallup	Pierce	\$ 5,148,032,791	89%	269	84%	40,500	206%	\$ 5,666,549,214	92%		X
X	X	X	Lakewood	Pierce	\$ 5,410,414,843	94%	209	65%	59,280	302%	\$ 6,002,783,089	97%		X
X	X	X	SeaTac	King	\$ 5,405,585,665	94%	112	35%	28,850	147%	\$ 6,165,328,557	100%		X
X	X	X	Tukwila	King	\$ 5,736,568,228	100%	321	100%	19,660	100%	\$ 6,184,943,263	100%	X	X
X	X	X	Lynnwood	Snohomish	\$ 5,654,422,666	98%	300	109%	36,950	188%	\$ 6,272,081,312	101%		X
X	X	X	Burien	King	\$ 5,608,165,807	97%	78	24%	50,680	258%	\$ 6,385,711,481	103%		X
X	X	X	Marysville	Snohomish	\$ 6,425,149,097	112%	277	86%	65,900	335%	\$ 7,144,089,843	116%		X
X	X	X	Bainbridge Island	Kitsap	\$ 6,898,602,203	120%	122	38%	23,950	122%	\$ 7,542,154,879	122%		X
X	X	X	Edmonds	Snohomish	\$ 8,177,283,180	143%	220	69%	41,260	210%	\$ 9,107,284,679	147%		X
X	X	X	Bothell	King/Snohomish	\$ 8,760,887,474	153%	328	102%	44,370	226%	\$ 9,900,884,044	160%	X	X
X	X	X	Issaquah	King	\$ 8,989,557,112	157%	248	77%	36,030	183%	\$ 10,152,241,433	164%		X
X	X	X	Shoreline	King	\$ 8,848,561,852	154%	176	55%	55,060	280%	\$ 10,228,874,349	165%		X
X	X	X	Federal Way	King	\$ 9,420,224,291	164%	323	101%	96,350	490%	\$ 10,301,293,691	167%		X
X	X	X	Auburn	King/Pierce	\$ 9,555,039,113	167%	437	135%	78,960	402%	\$ 10,600,014,202	171%		X
X	X	X	Mercer Island	King	\$ 12,083,477,559	211%	205	64%	24,210	123%	\$ 13,326,314,672	215%	X	X
X	X	X	Renton	King	\$ 15,035,333,726	262%	540	168%	102,700	522%	\$ 16,909,050,051	273%		X
X	X	X	Kent	King	\$ 16,335,686,545	285%	691	215%	127,100	646%	\$ 18,597,339,729	301%		X
X	X	X	Redmond	King	\$ 18,631,080,894	325%	642	200%	62,110	316%	\$ 20,770,064,850	336%	X	X

* WA State Department of Revenue (DOR) data was used for the 2018 Market Survey. The most recent DOR data available at the time of survey is 2017 figures (data lags by one year.)

FTE = Full Time Equivalent Employees
County Assessed Values from County Assessor Data current 2018 values
Sorted by 2018 County Assessed Values

Comparison on Recruiting Incentives

EXHIBIT C
 Surveyed 25 Puget Sound Cities below are the responses received.

Puget Sound Cities	Recruiting Incentives Offered
Auburn	None
Bainbridge Island	None
Bremerton	Hiring Incentives Policy for difficult to fill positions. Bonus up to \$5k
Burien	At times offer a bank of vacation hours (management positions)
Edmonds	None
Federal Way	Hiring bonus offered to lateral police officers; Director level positions receive 40 hours vac upon hire; have paid up to \$5k in relocation expenses when applicable
Issaquah	None
Kent	Can offer vacation immediately upon hire; signing bonuses for PD; may advance to next salary step after 6 months instead of one year. Have paid for travel to and from for final interviews
Kirkland	Hiring bonus for police officer
Lake Stevens	May provide more vacation to non-reps at hire
Lakewood	Management level non-reps may receive initial leave upon hire, and an on occasion a higher vacation accrual rate
Lynnwood	None
Maple Valley	Managers & Directors may negotiate for additional vacation
Mt. Lake Terrace	Can offer higher vacation accruals and/or ability to use accrued vacation before 6 months
Mukilteo	On occasion have offered higher management positions vacation (2-3 weeks) upfront
Renton	Hiring bonus to lateral police officers; on occasion have given lump sum vacation or accelerated vacation accrual rate.
SeaTac	None

Exhibit D

Structure Comparison: Max Comparisons +75%/-50% AV					
	Market Median	Market Median Hrly	Current Max	Max Based on Regression Results	% Diff
A11	N/A	N/A	\$27.12	\$24.10	-11%
A12	N/A	N/A	\$29.30	\$26.32	-10%
A13	N/A	N/A	\$31.47	\$28.54	-9%
B21	N/A	N/A	\$33.65	\$30.76	-9%
B22	N/A	N/A	\$35.83	\$32.98	-8%
B23	\$6,307	\$36.38	\$38.00	\$35.19	-7%
C41	#N/A	N/A	\$46.26	\$44.08	-5%
C42	\$7,201	\$41.54	\$48.89	\$46.29	-5%
C43	#N/A	N/A	\$51.06	\$48.51	-5%
C51	#N/A	N/A	\$53.79	\$51.29	-5%
C52	#N/A	N/A	\$57.06	\$54.62	-4%
D61	\$9,739	\$56.19	\$58.04	\$57.39	-1%
D62	#N/A	N/A	\$59.07	\$59.61	1%
D63	\$11,333	\$65.38	\$61.15	\$61.83	1%
D71	#N/A	N/A	\$63.77	\$64.60	1%
D72	\$12,114	\$69.89	\$66.88	\$67.93	2%
E81	#N/A	N/A	\$69.48	\$70.71	2%
E82	\$13,074	\$75.43	\$71.58	\$72.93	2%
E83	\$12,932	\$74.61	\$73.66	\$75.14	2%
E91	\$12,961	\$74.78	\$76.23	\$77.92	2%
E92	#N/A	N/A	\$79.40	\$81.25	2%
F101	#N/A	N/A	\$82.56	\$84.58	2%
F102	\$14,604	\$84.25	\$83.65	\$87.91	5%

Negative % = leading market Positive % = lagging market

2018 data with proposed criteria for comparable cities with police departments: excludes Burien, Seatac, Shoreline, Maple Valley

NOTE: Shaded text in various locations reflects changes made after review by the Finance Committee on October 16, 2018.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, ESTABLISHING A COMPENSATION POLICY FOR CITY OF TUKWILA EMPLOYEES AND REPEALING RESOLUTION NO. 1796.

WHEREAS, the City believes that the purpose of a compensation program is to facilitate recruiting, retention, development and productivity of employees; and

WHEREAS, the City desires to utilize standardized policies, procedures and processes, wherever possible, for compensating all employee groups, both represented and non-represented; and

WHEREAS, the City recognizes that current economic conditions and forecasts, long-range City budget forecasts, and position rates for comparable jurisdictions, as well as internal equity considerations, should assist in guiding the compensation of employees; and

WHEREAS, the City has made a determination to, when economic conditions allow, review and adjust non-represented employee salaries via a market analysis to that of the average of comparable jurisdictions in even-numbered years, and to provide a cost-of-living (COLA) allowance in odd-numbered years; and

WHEREAS, the City has made a determination to, when economic conditions and negotiations allow, provide represented employees with salaries that reflect the average of comparable jurisdictions; and

WHEREAS, the City has made a determination to, when economic conditions allow, provide benefits to represented and non-represented employees that are slightly above the average of comparable jurisdictions; and

WHEREAS, the City Council will participate in setting negotiation expectations and reviewing and approving represented employee group contracts;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The following statements and processes are adopted for the purpose of guiding compensation programs for employees of the City of Tukwila.

A. Information to be provided to the City Council.

1. **For Represented Employees.** A written presentation of current internal and local external public agency salary and benefit trends, including a salary and benefits market survey of comparable jurisdictions, as defined herein, will be provided to the City Council. This presentation must be made to the Council prior to the commencement of negotiations with the bargaining units regarding salary and benefits. The City Council and Administration will discuss represented employee group negotiation expectations, negotiating points, salary and benefit change floors and/or ceilings prior to the beginning of, and at appropriate points during, negotiation sessions.

2. **For Non-Represented Employees.** A written presentation of current internal and local external public agency salary and benefit trends, including a salary and benefits market survey of comparable jurisdictions, as defined herein, will be provided to the City Council by Administration every year by the end of the third quarter that a non-represented salary increase is due. Relevant Association of Washington Cities (AWC) data from the previous year's Washington City and County Employee Salary and Benefit Survey, for the comparable jurisdictions, will be used in the salary market survey.

~~3. It is the responsibility of the City Council Finance Committee (or successor) to ensure that the written presentations described above are delivered on schedule.~~

B. Compensation Policy.

1. All Puget Sound jurisdictions with +75/-50% of Tukwila's annual assessed valuation, ~~based upon the Department of Revenue data using the most current data from County Assessors,~~ will be used to create the list of comparable jurisdictions for evaluation of salary information. A second criteria to be used to refine comparable jurisdictions is to only include cities with their own police department employee population. It is desirable to use the same comparable jurisdictions for both represented and non-represented employee groups.

2. For non-represented employees, the City desires to pay the average salary for the particular pay scale, as derived from the comparable jurisdiction data described in Section B.1. If the City's pay scale for any classification does not represent the average of comparable salary ranges (+/-5%), written justification must be provided to the City Council. For represented employees, the City desires to pay salaries that are competitive to the City's comparable jurisdictions.

3. Positions that are 5% or more below the market and up to 10% above the market are considered competitive with the market and will receive a market adjustment the year the study survey is to occur. Those positions more than 10% above the market will not receive an adjustment during the year the market adjustment is to occur and will warrant further evaluation and possible reclassification. Documented justification of potential reclassification will be provided to the City Council for review and approval. If further analysis the documented justification results in reclassification, any adjustments will be made in alignment with City policy.

43. The cost-of-living adjustment (COLA) in odd-numbered years for non-represented employees shall be based upon 90% of the Seattle-Tacoma-Bellevue Bremerton Consumer Price Index (CPI-W) Average (June to June). It is desirable to calculate represented cost-of-living adjustments the same way, unless a different method is authorized by the Council. Considerations for cost-of-living adjustment for odd-numbered years will be based upon internal equity with represented groups to determine if an adjustment is warranted. Administration will inform provide a written justification documenting that an adjustment is warranted for the City Council's review and approval to the City Council documenting that if an adjustment is warranted prior to implementation.

54. The goal of the City is to establish parity between represented and non-represented employees' benefits. The City desires to provide employee benefits that are competitive to the comparable cities described herein. The City will endeavor to keep increases to annual health care costs under market averages. If costs exceed market averages, adjustments will be made to reduce benefit costs.

65. The goal of the City is to mitigate or avoid salary compression issues where possible. An example of salary compression is when there is only a small difference in pay between employees regardless of their skills, level, seniority or experience would be when a non-represented supervisor earns less, or is projected to earn less than those that he/she supervises due to contracted wage increases. Administration will provide a written justification for the City Council's review documenting that an adjustment is warranted for the City Council's review and approval prior to implementation.

76. The City Council shall review the compensation policy described herein on an annual basis to assess efficacy and make adjustments if warranted. If the Administration determines that a deviation from the above process (in its entirety or for individual positions) is necessary, it will provide justification to the City Council for review and approval prior to the adoption of any process change.

Section 2. Resolution No. 1796 is hereby repealed.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON,
at a Regular Meeting thereof this _____ day of _____, 2018.

ATTEST/AUTHENTICATED:

Christy O'Flaherty, MMC, City Clerk

Verna Seal, Council President

APPROVED AS TO FORM BY:

Rachel B. Turpin, City Attorney

Filed with the City Clerk: _____
Passed by the City Council: _____
Resolution Number: _____

B. Employee Compensation Policy



The current policy for compensation and benefits for City employees is directed in Resolution 1796, and the City Council has expressed intent to review and possibly update this policy in 2018. Staff presented a proposed timeline for the Committee’s review, culminating in final Council decision making by June. Staff also suggested that policy considerations could include above and below market adjustments, compression, comparability, and recruitment. Committee members discussed the proposals and requested the following components be included in the analysis and review process:

- An updated market study, as one has not been completed since 2015
- Input and recommendations from the non-represented employee group
- Background and evaluation of decision band methodology
- Analysis on gender neutrality, desk audits and appeal process, performance reviews, and merit pay
- Understanding of compression and when it has been an issue

The Committee would like to have a full Council workshop or Committee of the Whole session devoted to the contents and background of Resolution 1796, past studies, and information about benefits, compression, and decision band methodology. Chair Quinn stressed the importance of providing high quality and comprehensive background information to educate all members of the Council and to help the Committee arrive at a recommendation. The Committee indicated that June may not be possible to arrive at a thoroughly vetted recommendation and would be willing to carry this work into September so it us more in alignment with the 2019-2020 budget.

RETURN TO COMMITTEE.

III. MISCELLANEOUS

Adjourned at 6:55 p.m.


 _____ Committee Chair Approval
 Summary by LH



City of Tukwila

City Council Finance Committee

FINANCE COMMITTEE

Meeting Minutes

May 22, 2018 – 5:30 p.m. – Hazelnut Conference Room, City Hall

Councilmembers: De'Sean Quinn, Chair; Dennis Robertson, Kate Kruller

Staff: David Cline, Stephanie Brown, Erika Eddins, Gail Labanara, Jay Wittwer, Vicky Carlsen, Laura Crandall, Rachel Bianchi

Guest: Mohamed Ahmed, student

CALL TO ORDER: Committee Chair Quinn called the meeting to order at 5:30 p.m.

I. PRESENTATIONS

II. BUSINESS AGENDA

A. Compensation Policy Proposed Timeline



Staff updated the Committee on a proposed process and timeline for the review and potential amendment to Resolution 1796, which sets the policy for compensation and benefits for employees. At the March 20, 2018 meeting, the Finance Committee requested that the process include an updated market study, input from non-represented employees, background on decision band methodology, analysis on gender neutrality, desk audits, performance reviews, appeals, merit pay and compression, and a full Council work session to understand the background. The Committee agreed with the proposed timeline, which includes a June Council work session, Committee review over July and August, and potential action in September. Staff will work with the Chair on the work session agenda. **DISCUSSION ONLY.**

B. Preliminary Six-Year Financial Forecast/Public Safety Plan Financing

Staff presented the first preliminary six-year financial forecast using the new financial modeling tool Whitebirch, which was previewed for the Committee at the last meeting. The new tool provides greater predictive accuracy, monitors for structural deficits, and models flexible scenarios. As before with "Attachment A," the projections show a decrease in the third biennium, which the City addresses through course corrections each year via the budget. The preliminary results show that 2018 is balanced and meets our financial policies. As expected, ongoing revenues are not in alignment with ongoing expenses due to decreasing sales tax and capital project. Staff included an unidentified new revenue source beginning in 2019 to address the flattening sales tax and elimination of sales tax mitigation.

Committee members discussed the forecast and requested the following changes:

- Update the History of Six-Year Plan Forecasts vs. Actuals graph to include 2017.
- Expand the forecast to the next level of detail (for example, open the Business Tax line to show the sub categories and amounts)

C. Compensation Policy



Committee members continued discussing the compensation policy for City employees. The City Council held a work session on June 19, 2018 where there was consensus for the Finance Committee to continue discussing COLA and market adjustments, compression, positions above and below market, and new incentives. On July 2, the City Council received a letter from a coalition of non-represented employees asking for reconsideration of comparable cities, salary process, recruitment and retention, and compression. Chair Quinn asked for comment from those in the room. Staff stated that the main concern for non-represented employees is the comparable cities. Resolution No. 1796 currently states that comparable cities will be all Puget Sound jurisdictions with +/- 50% of Tukwila's annual assessed valuation. However, cities like Burien and Shoreline that appear on that list do not provide the same services, such as police, fire, and utilities. Tukwila's staffing reflects service levels for the daytime population of 150k+. It may be more appropriate to compare salaries to cities with the same number of employees and/or that offer the same levels of service. Many non-rep employees would also like a full salary study and would like retention and incentives to be re-evaluated. Committee members requested copies of the full Association of Washington Cities Salary and Benefit Survey for both 2017 and 2018. Councilmember Kruller asked that the desired criteria for comparable cities be provided in writing.

Staff presented the results of the 2017 market study for the positions of City Administrator, Public Works Director, Police Chief, Parks Director, Deputy Police Chief, Deputy Public Works Director, Deputy Finance Director, Building Official, Human Resources Analyst, Deputy City Clerk, and Administrative Assistant. The regression analysis results show that the City is in alignment overall and that COLA adjustments have kept salaries on pace. Councilmember Robertson requested a column showing how the comparable cities classify jobs, be it decision band methodology or something else. Councilmember Quinn commented on the delay in doing the market study and stated that in the future they should be done on schedule per the policy regardless of what else is going on. Although none of the comparable cities have a Fire Chief, Councilmember Robertson asked that a column be added for that position, listing cities that have it. He also asked that staff provide a list of jobs deemed not benchmarkable. Councilmember Kruller asked that the salaries be listed in annual, not monthly, amounts. The Committee also asked for more information on benefits that other cities provide for recruitment, motivation, and retention. **DISCUSSION ONLY.**

D. 2018 1st Quarter Sales Tax and Miscellaneous Revenue Report

Staff presented the 2018 First Quarter Sales Tax and Miscellaneous Revenue Report, including details on retail sales tax, gambling tax, and admissions tax revenues with sales tax broken out by industry classifications. Total sales tax collections for the 1st quarter were \$33,000, or 1%, above those for the same period last year. Construction sales tax is up 15% compared with the same period last year, and sales tax from other industries decreased by \$17,000. It is possible that the 2018 budget for sales tax revenue will not be met. Committee members discussed concerns about flattening sales tax and asked that the full Council receive the report. Councilmember Kruller stated that she has asked several times if Administration is aware of other cities that have built as many construction projects in the same time frame as the Public Safety Plan Projects, and staff will follow up. **DISCUSSION ONLY.**

allocated budget by \$506K and expenditures are below budget by \$169K. There is strong development activity, bringing in permit revenue. Committee members asked clarifying questions and made comments. Because a large percentage of the departmental savings is in labor costs due to retirements and transfers, the Council should be prepared to consider what savings are planned and sustainable. **FORWARD TO JULY 23, 2018 COMMITTEE OF THE WHOLE.**

C. Business & Occupation Tax Next Steps

Staff is seeking Committee direction on next steps for consideration of a Business & Occupation (B&O) Tax. The Committee previously discussed this topic with regard to the Public Safety Plan financing and decided to set it aside to potentially be part of the biennial budget discussions. Because sales tax revenue is flattening and sales tax mitigation payments are ending, the City is facing revenue shortfalls with a potential budget gap of more than \$2 million. Of options previously discussed, a B&O tax would provide the greatest additional revenue. B&O tax rates are calculated on gross receipts and a city can provide an exemption threshold. 43 cities in Washington State have a B&O tax with varying approaches, and varying costs associated with staffing and implementation. Staff estimates that a B&O tax could provide revenue of \$3 million or more. Councilmember Robertson asked if there could be more business sector categories than just retail, wholesale, manufacturing and service. He would also like more information about the logic used by neighboring cities in setting their rates. He suggested that Finance and Police/Fire collaborate to determine service impacts from different sectors. Councilmember Seal stated that the City needs to be clear on why it is considering a B&O tax and how the money would fund City services. Chair Quinn stated that the Council needs to have enough information in order to make a sound, data-driven, policy decision. The Committee agreed that staff should bring forward additional research and a future budget work session should include this item. **DISCUSSION ONLY.**

D. Compensation Policy Update



Staff is seeking Committee direction to finalize the scope of the review of the compensation policy as formalized in Resolution 1796. The City Council had previously requested that compression, above and below market adjustments, comparable cities, and recruitment incentives be discussed. Non-represented employees asked the Committee to focus on comparable cities, the process for setting non-represented position compensation, compression, incentives, and direct staff to do a full market survey of all non-rep positions. The Committee requested that staff bring at least 2-3 of these topics forward at a time at future meetings. **DISCUSSION ONLY.**

B. Ordinance and Resolution: Updating Commercial Parking Tax

Staff is seeking Council approval of an ordinance and resolution to amend Tukwila Municipal Code 3.48 to gradually increase the commercial parking tax from 5% to 15% and impose a late penalty of 10% per month. The Committee of the Whole sent the legislation back to Committee, asking for information on the legality of exempting nonprofits based upon public comment received. Staff presented an option that would retain the 5% rate for nonprofits operating on City property, which would currently apply only to Starfire Sports. Doing so would reduce projected revenue by approximately \$10K in 2019, \$21K in 2020, and \$36K in 2021. To offset this revenue loss, the tax could be increased in two steps rather than three, going to 10% in 2019 and 15% in 2020. Councilmember Robertson spoke in favor of exempting Starfire with the two-step increase. Councilmembers Quinn and Kruller supported exempting Starfire with the three-step increase. Staff will draft the ordinance reflecting this majority recommendation and present it to the Committee of the Whole. **MAJORITY APPROVAL. FORWARD TO AUGUST 27, 2018 COMMITTEE OF THE WHOLE.**

C. Employee Compensation Policy



Staff presented policy recommendations in the areas of above and below market adjustments, comparable cities, compression, recruitment incentives, and compensation review process for non-represented employees. Staff also performed a market study with the newly released 2018 salary data from AWC and the results show that the City is still close to the market and considered competitive. Councilmember Robertson requested that the table in Exhibit A be updated to include cities +60% assessed valuation. He requested that the table in Exhibit B include columns showing population and percentage change. Chair Quinn said these should be additional tables not to replace those already in the Exhibits. **DISCUSSION ONLY. RETURN TO COMMITTEE**

D. 2018 2nd Quarter Financial Report

Staff presented the Committee with the City’s 2018 2nd Quarter Financial Report which captures the general state of financial affairs and highlights significant items and trends. General Fund results are positive with an increase in fund balance of \$3.2 million, and revenues of \$32.7 million coming in close to budget. Sales tax collected through May reflects a 4% year over year increase, and admission tax and building permit fees are both strong. Departmental under expenditures reached almost \$2 million. Councilmember Robertson asked that the revenue table on page 75 call out retail sales tax by itself in a new line or a footnote. Chair Quinn would like a better understanding of the 3% departmental reductions to be discussed at the upcoming budget work session. Committee members also asked for an explanation of the decline in utility tax. **DISCUSSION ONLY.**

E. 2019-2020 Biennial Budget: City Council

Staff presented the proposal for the 2019-2020 City Council departmental budget, which includes salaries and wages, benefits, supplies, and services. As the City is transitioning to Priority Based Budgeting, staff defined the City Council’s programs as “Community Engagement and Events,” “Governmental Affairs and Appointments,” and “Legislative Oversight.” Budget Oversight may be pulled out into its own category for the purpose of scoring accurately against the City’s strategic goals. The proposed Council budget includes reductions



City of Tukwila

City Council Finance Committee

FINANCE COMMITTEE

Meeting Minutes

September 5, 2018 – 5:30 p.m. – Hazelnut Conference Room, City Hall

Councilmembers: De'Sean Quinn, Chair; Dennis Robertson, Kate Kruller

Staff: David Cline, Brandon Miles, Rachel Bianchi, Leon Richardson, Jay Wittwer, Peggy McCarthy, Vicky Carlsen, Aaron Williams, Wynetta Bivens, Richard Takechi, Jeff Friend, Derek Speck, Olin Johansen, Anthony Murietta, Laurel Humphrey

Guest: Andrea Reay, Seattle Southside Chamber of Commerce

CALL TO ORDER: Committee Chair Quinn called the meeting to order at 5:30 p.m.

I. PRESENTATIONS

II. BUSINESS AGENDA

A. Ordinance: Amending Gambling Tax

Staff is proposing an amendment to the Tukwila Municipal Code to increase the gambling activities tax on cardrooms from 10% to 11%. There are currently four cardrooms in Tukwila, and there is a provision in the code that the rate would become 15% when more than five are operating. Gambling taxes are used primarily for public safety, and state law caps the tax at 20%. Jurisdictions vary on regulation of card rooms. Auburn has a rate of 4% and Redmond has 12%. Kent and King County are at 11%. The proposed 1% increase would generate approximately \$350,000 in additional revenue. Committee members briefly discussed the proposal and decided to forward the item for full Council discussion with no recommendation. **NO RECOMMENDATION. FORWARD TO SEPTEMBER 10, 2018 COMMITTEE OF THE WHOLE.**

B. Employee Compensation Policy



Staff returned with policy recommendations in the areas of above and below market adjustments, comparable cities, compression, recruitment incentives, and compensation review process for non-represented employees. The committee discussed these items and requested the policy return to committee with additional information as follows:

Market Competitiveness: No recommendation. The three proposals will be discussed at a future meeting.

Compression: Retain current language in Resolution 1796.

Comparability: Prepare resolution showing both options 1 and 2 in context. Update Table B-1 with the following:



- Rename “State DOR Assessed Value %” column to “Percent of Tukwila’s A/V”
- Rename “Population Value %” column to “Percent of Tukwila’s Population”
- Asterisk cities that do not have Police or Fire

Information to be Provided to the City Council: Add language to the draft resolution clarifying that it is the responsibility of the Finance Committee to ensure the information specified in A(1) and A(2) is received by staff on the expected schedule, unless a decision is made by a majority of the Council to deviate from that schedule.

DISCUSSION ONLY. RETURN TO COMMITTEE

C. 2018 2nd Quarter Sales Tax and Miscellaneous Revenue Report

Staff presented the 2018 Second Quarter Sales Tax and Miscellaneous Revenue Report, including details on retail sales tax, gambling tax, and admissions tax revenues with sales tax broken out by industry classifications. Sales tax collections increased \$584 thousand or 13% over the same period last year. Construction related sales tax accounted for 28% while all other industries accounted for 12% when compared to the same period in 2017. **DISCUSSION ONLY.**

D. Interlocal Agreement: Transfer of Surface Water Billing to King County

Staff is seeking Council approval of an interlocal agreement with King County authorizing the County to bill Tukwila property owners for the City’s surface water services beginning in 2019. Finance staff currently bills and maintains 5,286 accounts. Transferring the billing and receipting to King County will allow staff to devote time add capacity to other existing and potential work items. This could also be a convenience to property owners as they could pay both surface water and property tax with one payment. In addition, King County’s low income and age threshold are broader than Tukwila’s, so more customers will qualify. King County’s one-time setup fee and annual charge (based on number of accounts) will be paid by the Surface Water Fund. Committee members expressed support but would like to know more detail about the increased staff capacity created since the intent is not to reduce or eliminate positions. **UNANIMOUS APPROVAL. FORWARD TO SEPTEMBER 10, 2018 COMMITTEE OF THE WHOLE.**

E. 2019-2020 Biennial Budget

Staff presented the proposals for the Finance Department, Contingency Fund (105 Fund), Urban Renewal (302 Fund), and General Improvements (303 Fund)

Finance

The proposed Finance Department budget reflects a decrease of 2.26% for 2019 and a 2.84% increase for 2020, yielding a net biennial increase of less than 1%. Staffing levels remain at 12, and the additional capacity resulting from the transfer of business licenses to the State and the potential transfer of surface water billing to King County will be redirected to other work as discussed above. Reductions occurred in extra labor and claims and judgements based upon actual usage.



City of Tukwila

City Council Finance Committee

FINANCE COMMITTEE

Meeting Minutes

September 18, 2018 – 5:30 p.m. – Hazelnut Conference Room, City Hall

Councilmembers: De'Sean Quinn, Chair; Dennis Robertson, Kate Kruller

Staff: David Cline, Joseph Todd, Joel Bush, Jay Wittwer, Gail Labanara, Wynetta Bivens, Christy O'Flaherty, Vicky Carlsen, Olin Johansen, Bill Kolden, Laurel Humphrey


CALL TO ORDER: Committee Chair Quinn called the meeting to order at 5:30 p.m.

I. PRESENTATIONS

Bill Kolden, the City's interim Human Resources Director, introduced himself to the Committee.

II. BUSINESS AGENDA

A. **Resolution: Employee Compensation Policy**



Staff presented a draft resolution incorporating feedback given in previous Committee meetings and containing policy items relating to timeliness, comparability, market ranking, and internal equity. The draft also includes a change from the former Seattle-Tacoma-Bremerton CPI index to the Seattle-Tacoma-Bellevue index introduced by the Bureau of Labor Statistics. Analysis shows that raising the assessed value for comparable cities to +75% keeps all employees consistent with the market. Mr. Kolden shared his perspective that Tukwila is to be commended for having a methodology in place, and that he recommends keeping flexibility within the salary schedule so there is discretion for market analysis. There are a lot of variables to consider with smaller organizations as employees often have a broad range of duties that are difficult to compare with other jurisdictions. Councilmember Robertson expressed concern with raising the market competitiveness standard to include up to 10% above, as he believes the number of employees at this level will increase. Chair Quinn noted that the Committee was tasked with addressing positions significantly above market. Mr. Kolden again encouraged flexibility so that highly skilled people are compensated fairly. Councilmember Kruller stated that Administration has a lot more flexibility with positions than certain other cities, and that once budgets are approved the Council does not have a lot of awareness of what goes on with positions. She would like the Council to have more awareness, including when positions become obsolete or change titles. Committee discussion outcomes include the following amendments and requests:

- Section 1(A)(1): "A written presentation of current internal and local external public agency salary and benefit trends, including a salary and benefits market survey of comparable jurisdictions, as defined herein, will be provided to the City Council by the Administration every year by the end of the third quarter that a non-represented salary increase is due."
- Section 1(A)(2): remove sentence



- Section 1(B)(3): “Those positions more than 10% above the market will not receive an adjustment during the year the market adjustment is to occur and will warrant further evaluation and possible reclassification. If further analysis results in reclassification, Documented justification of potential reclassification will be provided to the City Council for review and approval. If the documented justification results in reclassification, any adjustments will be made in alignment with City policy.
- Section 1(B)(4): Add language that strengthens the role of the City Council in reclassifications.
- Section 1(B)(1): Add language further defining how the employee population of other cities in relation to Tukwila will be used as a second criteria.
- Section 1(B)(6): Add language further defining compression.
- Section 1(B)(7): Add language requiring annual review by the City Council.

Non-represented employees in attendance were given the opportunity to address the Committee, and the following comments were shared:

- Appreciates the A/V adjustment to +75%, but still concerned that the new language doesn’t capture the proper comparability. Second criteria regarding number of employees should be more clearly defined. It may be worthwhile to call out cities with over 100 employees.
- Concerned about the number of non-represented employees whose pay will be frozen with the proposed market competitiveness language. Represented employees will not be bound by this policy and the internal inequity will get worse.
- Consider the consequences and impacts – certain positions will be frozen for 3 years or more. Consider the distinction between classifications and positions.
- Would like opportunity to continue to submit comments to the Committee.

Chair Quinn recognized these concerns and stated that the Council intends to continuously review the policy and its impacts. Councilmember Kruller stated that employees need to work with Administration when they feel classifications are not accurate. Chair Quinn said employees are always welcome to share with the Council how those conversations go. **RETURN TO COMMITTEE.**

B. 2019-2020 Biennial Budget: Technology & Innovation Services Department

Staff presented the proposed 2019-2020 budget for the Technology & Innovation Services Department, including descriptions of the programs identified as part of the Priority-Based Budgeting project. Proposed reductions are in the area of professional services, specifically cancelling the Dimensional contract for City Council video recording services and reducing the Tier 1 help desk service contract by 50%. The Committee requested removing reference to a new City Hall from the information memo, as no new City Hall is planned or budgeted. Councilmember Kruller inquired about the travel budget. Staff said that budget is used to send staff to relevant trainings and the department prioritizes local opportunities. **FORWARD TO SEPTEMBER 24, 2018 COMMITTEE OF THE WHOLE.**

C. Ordinance: Amending Business License Regulations

Staff is seeking Council approval of a code-amending ordinance that would be compliant with the new State-required model licensing ordinance that includes a minimum threshold to require a business license. Legislation passed by the State in 2017 requires cities to partner with a combined licensing service or no longer issue licenses after December 2022. The City has agreed in principle to partner with Washington State’s Business Licensing Service and now must amend Tukwila Municipal Code Title 5 with the model licensing language. **UNANIMOUS APPROVAL. FORWARD TO OCTOBER 8, 2018 COMMITTEE OF THE WHOLE.**

D. Employee Compensation Policy



Staff returned with a draft resolution incorporating feedback given in previous Committee meetings and containing policy items relating to timeliness, comparability, market ranking, and internal equity. The draft now proposes a second criteria for comparability being whether or not a city has its own police department, as that is a fairly predictable gauge of a city’s service and employee levels. The draft also proposes a new definition of compression, “when there is only a small difference in pay between employees regardless of their skills, level, seniority or experience.” The Committee discussed the proposed revisions, focusing on how to treat positions significantly under market. One possibility would be for the Finance Committee to review all positions out of alignment on a regular schedule. The Committee requested the resolution return to committee with additional information as follows:

Comparable Cities

- Return with results of the market study using the updated proposed criteria.

Market Competitiveness

- Correct typo in B(3): “Positions that are 5% ~~or more~~ below the market...”.

Compression

- Add “Administration will provide a written justification for the City Council’s review documenting that an adjustment is warranted prior to implementation.”

Non-represented employees in attendance addressed the Committee and comments included the following:

- Changing B(3) to fixed dollar amounts instead of percentage would create a depreciating band as you move up the position scale.
- Anything below 3% of market rate is probably not competitive. In labor negotiations, 3% is considered a significant move.
- Employees are not familiar with the methodology used in the market study. Accuracy of the market study will be extremely important if Council is considering a wage freeze based upon its results.
- True comparability includes more than just base wage.



- There is a morale problem when non-rep and union are in the same decision band and have different rates of pay. Compression exists between coworkers.
- Discrepancies between employees in the same band should be further researched.

Chair Quinn stated that the Committee is always open to these comments and he also stated that Administration should communicate the methodology used in the market study to employees.

III. MISCELLANEOUS

Adjourned at 6:48 p.m.



Minutes by LH

Committee Chair Approval

C. Ordinance: Business License Fees

Staff is seeking Council approval of a resolution that would increase the business license fee from \$70 to \$112 per full time employee and from \$35 to \$56 per part time employee, resulting in a revenue increase of \$1.5 million. The City is facing a budget shortfall due to flattening sales tax and the loss of streamlined sales tax mitigation payments. The Mayor’s proposed budget includes \$1.8 million in departmental reductions and additional revenues in the form of increases to gambling tax and business license fees. The proposed resolution adopts a revised business license fee schedule, changes outside contractors to a flat fee of \$100, and will remove reference to the archaic “panoram” category. Committee members discussed the proposal for contractors based outside of Tukwila and decided the flat rate should be evaluated after one year. Councilmember Kruller asked for rates for neighboring jurisdictions including whether they have B&O tax. Chair Quinn stressed the importance of ongoing communication with the business community, with consistent and clear messaging around why the City is considering this change. Staff has already conducted business outreach and is working on a communications plan in the event of Council passage. **NO RECOMMENDATION. FORWARD TO OCTOBER 22, 2018 COMMITTEE OF THE WHOLE.**

D. Resolution: Employee Compensation Policy



Staff presented the draft resolution incorporating feedback given in previous Committee meetings, which containing policy items relating to timeliness, comparability, market ranking, and internal equity. Committee members discussed the current proposal and requested the following changes:

- Amend B(1): “A second criteria to be used to refine comparable jurisdictions is to only include cities with their own police department.”
- Amend sentence at end of B(4:): “Administration will provide a written justification documenting that an adjustment is warranted for the City Council’s review and approval prior to implementation.”
- Amend sentence at end of B(5): “Administration will provide a written justification documenting that an adjustment is warranted for the City Council’s review and approval prior to implementation.”

Councilmember Robertson stated that he believes 10% above is too high for market competitiveness. The City should be paying the average of current comparables. Chair Quinn and Councilmember Kruller noted that the policy revisions add more opportunities to review anomalies as well as overall review of the policy itself. **MAJORITY RECOMMENDATION. FORWARD TO OCTOBER 22, 2018 COMMITTEE OF THE WHOLE.**

E. Contract Amendment: Interim Human Resources Director

Staff is seeking an amendment to Contract 18-132 with Prothman Company for an additional \$40,000 to allow the interim Human Resources Director to remain through January. The City is initiating a search for a new HR Director and anticipates having someone begin in January. **UNANIMOUS APPROVAL. FORWARD TO NOVEMBER 5, 2018 REGULAR CONSENT AGENDA.**