

Reply to Common Council File No. 110881  
From DOA-Budget and Management Division

October 25, 2011

Ref: BF12

File number 110881 contains a communication from the Budget and Management Division pertaining to potential uses of the Compensation and Fringe Benefit Reserve special purpose account.

The 2012 Proposed Executive Budget includes a Special Purpose Account titled "Compensation and Fringe Benefit Reserve" with a funding level of \$8.2 million. This account is intended to provide funding needed for the Annuity (employer-paid member) Contribution if it is determined that the city is legally obligated to continue to pay the entire 5.5% member contribution for general city employees hired prior to January 1, 2010. On the other hand, if it is determined that all general city employees, regardless of hiring date, may legally be required to pay their member contribution, this fund can be used for compensation and benefit changes for general city employees. In order to pursue this alternative, the Common Council would need to enact a Charter ordinance change to amend Chapter 36 regarding member contributions for those employees hired prior to January 1, 2010.

This communication presents two possible approaches to adjusting general city compensation for 2012, in the event that all general city employees pay the 5.5% member contribution. Both approaches provide for the elimination of unpaid mandatory furlough days in 2012, at an estimated cost of approximately \$2.44 million. Both options also include a 2.6% across the board "base building" increase for 2012.

The primary difference between the two approaches is a "non-base building" component, which only applies to 2012 and does not automatically carry forward into 2013. Under Option A, this amount would be distributed as an identical lump sum amount to all general city employees. Therefore, relatively lower-paid employees would have a proportionately larger wage improvement from this component. Under Option B, the non-base building component is distributed in a traditional "across the board" fashion.

It is possible to develop other approaches. Improvements to general city wages and the reduction or elimination of furloughs could only be funded from this special purpose account in the event that the Common Council enacts a Charter ordinance change to provide that all general city employees pay the 5.5% member contribution.

Under both approaches the 2013 cost-to-continue these adjustments, including the complete elimination of furloughs, is an estimated \$6,563,000, or approximately 80% of the total 2012 fiscal impact. The remaining \$1,586,000 of the estimated 2012 fiscal impact (20% of the total) relates to non-base building increases. These amounts could be reallocated in the 2013 budget, including to a base-building increase of approximately 1% to occur for 2013.

**RECOMMENDATION: HOLD FILE NUMBER 110881 TO THE CALL OF THE CHAIR**



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