



ESTIMATED FISCAL IMPACT OF THE PARTNERSHIP COMPENSATION MODEL

Finance Department

Finance Committee

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BACKGROUND

1. August 2016: Partnership Compensation Model (PCM) introduced
 - a. Salary increases tied to City's financial health
 - b. Shared pension costs
 - c. 50/50 share of increases in healthcare premiums
2. All employee groups except IBEW and IBEW - Supervisory adopted PCM provisions
 - a. Salary increases tied to Balanced Revenue Index (BRI)
 - b. Increase in employee CalPERS contributions (PERS Givebacks), triggered by minimum salary increases



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SCOPE OF PCM IMPACT ANALYSIS

1. Includes salary increases and PERS givebacks through June 30, 2021
 - a. Point in time; FY 2017/18 and FY 2018/19 based on actuals
 - b. FY 2018/19 estimates become the basis for future years

2. Outside of scope (excluded from analysis):
 - a. Healthcare premiums
 - b. Merit increases, salary survey adjustments, and other changes to salaries
 - c. Ancillary costs (e.g. Medicare)
 - d. Changes in employee population and demographics
 - e. Overtime impacts, leave payoffs and annual pay-downs



BRI CALCULATION

Revenue Category	Audited FY 15/16	Audited FY 16/17	Audited FY 17/18	Forecasted FY 18/19	Forecasted FY 19/20
Sales Tax – General Fund	\$ 59,409,127	\$ 61,664,322	\$ 62,440,075	\$ 63,837,989	\$ 64,476,369
Measure Z TUT	-	12,605,474	56,201,937	56,560,000	57,125,600
Property Tax	50,449,888	54,157,938	58,159,259	59,552,720	61,635,128
Utility Users Tax	27,828,010	27,957,999	27,497,677	28,088,439	28,837,532
Transient Occupancy Tax	6,093,430	6,621,721	6,793,041	7,300,447	7,592,465
Total BRI	\$ 143,780,455	\$ 163,007,454	\$ 211,091,989	\$ 215,339,595	\$ 219,667,094
Annual Change		13.37%	29.50%	2.01%	2.01%
50% of Annual Change		6.69%	14.75%	1.01%	1.00%
Effective Date of PCM		January 2018	January 2019	January 2020	January 2021



MEASURE Z EFFECT

Change in 50% BRI	FY 2017/18	FY 2018/19
With Measure Z	6.69%	14.75%
Without Measure Z	2.30%	1.49%



PCM TO DATE

Bargaining Unit	Actual FY 17/18		Actual FY 18/19	
	Salary Increase	Increase in PERS Giveback	Salary Increase	Increase in PERS Giveback
RPOA	6%	1.5%	6%	1.5%
RPOA Supervisory	6%	1.5%	6%	1.5%
RPAA	6%	1.5%	6%	1.5%
RCFA	4 %	0%	6.5%	2.5%
RFMG	4 %	0%	6.25%	2.5%
SEIU – General	4 %	0%	6%	1%
SEIU – Refuse	4 %	0%	6%	1%
Unrepresented	4 %	2%	5%	2%



RESULTS

Individual Impact of PCM by Fiscal Year – All City Funds					
Category	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Total Impact
Salaries	\$ 3,504,568	\$ 8,213,909	\$ 7,428,911	\$ 3,643,792	\$ 22,791,180
PERS	49,305	(354,593)	(763,574)	(434,950)	(1,503,812)
Grand Total	\$ 3,553,873	\$ 7,859,316	\$ 6,665,337	\$ 3,208,842	\$ 21,287,368

General Fund – Individual Impact of PCM by Fiscal Year					
Category	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	Total Impact
Salaries	\$ 2,529,721	\$ 5,886,336	\$ 5,197,447	\$ 2,504,557	\$ 16,118,061
PERS	68,455	(241,146)	(484,607)	(188,337)	(845,635)
Grand Total	\$ 2,598,176	\$ 5,645,190	\$ 4,712,840	\$ 2,316,220	\$ 15,272,426

Cumulative Impact of PCM				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21 and thereafter
All City Funds	\$3,553,873	\$11,413,189	\$18,078,526	\$21,287,368
General Fund	\$2,598,176	\$8,243,366	\$12,956,206	\$15,272,426



CUMULATIVE PCM – ACTUAL THROUGH POTENTIAL

Bargaining Unit	Total Actual (FY 2017-2019)		Potential Raises and PERS Givebacks through FY 2020/21			
	Raise	PERS Giveback	Raise		PERS Giveback	
			Minimum	Maximum	Minimum	Maximum
RPOA	12%	3%	12%	24%	3%	6%
RPOA Supervisory	12%	3%	12%	24%	3%	6%
RPAA	12%	3%	12%	24%	3%	6%
RCFA	10.5%	2.5%	17%	21%	7%	7%
RFMG	10.25%	2.5%	16.5%	20.5%	7%	7%
SEIU – General	10%	7%	13%	15%	8%	8%
SEIU – Refuse	10%	7%	13%	15%	8%	8%
Unrepresented	9%	4%	14%	18%	8%	8%



CITY-PAID EMPLOYEE AND EMPLOYER SHARE OF PERS (TIER 1)

**Before
PCM**

Group	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Miscellaneous – Employer Share	12.136%	12.314%	12.866%	13.500%
Miscellaneous – Employee Share	7.910%	7.874%	7.798%	Not Projected
Safety – Employer Share	19.867%	20.436%	21.363%	22.700%
Safety – Employee Share	9.131%	9.174%	9.234%	Not Projected

**After
PCM**

Group	Actual FY 17/18	Actual FY 18/19	Potential FY 19/20	Potential FY 20/21
Miscellaneous – Employer Share	12.136%	12.314%	12.866%	13.500%
Miscellaneous – Employee Share – SEIU & SEIU - Refuse	1.910%	0.874%	0%	0%
Miscellaneous – Employee Share – Unrepresented	5.910%	3.874%	1.798%	0%
Miscellaneous – Employee Share – IBEW & IBEW - Supervisory	5.910%	3.874%	1.798%	0%
Safety – Employer Share - Police	18.367%	17.436%	16.863% - 18.363%	16.7% - 19.7%
Safety – Employer Share - Fire	19.867%	17.936%	16.363%	15.7%
Safety – Employee Share	9.131%	9.174%	9.234%	Not Projected



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FISCAL IMPACT

	Cumulative Impact of PCM			
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21 and thereafter
All City Funds	\$3,553,873	\$11,413,189	\$18,078,526	\$21,287,368
General Fund	\$2,598,176	\$8,243,366	\$12,956,206	\$15,272,426

1. Incorporated into FY 2018-2020 Two-Year Budget
2. PCM vs. COLA
 - a. PCM: Sudden and significant impact due to Measure Z, and higher than standard COLA as a result.
 - i. Minimum salary increases included in PCM to offset PERS Givebacks.
 - b. COLA: Potentially higher than PCM in years of declining revenue growth.



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RECOMMENDATION

That the Finance Committee receive and file a report on the estimated fiscal impact of the Partnership Compensation Model.

