



# Finance Committee

*City of Arts & Innovation*

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**TO: FINANCE COMMITTEE** **DATE: MARCH 13, 2019**  
**FROM: FINANCE DEPARTMENT** **WARDS: ALL**  
**SUBJECT: ESTIMATED FISCAL IMPACT OF THE PARTNERSHIP COMPENSATION  
MODEL - DIRECT SUBMITTAL**

## **ISSUE:**

Receive and file a report on the estimated fiscal impact of the Partnership Compensation Model.

## **RECOMMENDATION:**

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

## **BACKGROUND:**

In August 2016, City leadership introduced the Partnership Compensation Model (PCM) intended to link employee earnings with the City's economic performance. The PCM was based on three core principles:

- Salary increases tied to the City's financial health;
- Shared pension costs, with each employee making meaningful contributions toward their retirement; and
- 50/50 share of healthcare premium increases.

Salary increases include two features designed to assure employees of minimum increases while setting limits when the City's revenues do not perform well:

1. Salary increases are computed as one-half of the percentage increase in a Balanced Revenue Index (BRI) comprised of General Fund revenues: Sales and Use Tax, Property Tax, Transient Occupancy Tax, and Utility Consumption Tax.
2. "Brackets will be established for every annual increase so that employees can expect some minimum raise while the City is protected by establishing the maximum limit on the increases that can be granted in any given year." <sup>1</sup> (Attachment 1)

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<sup>1</sup> Source: RiversideTV, "Riverside introduces its new Partnership Compensation Model"

The PCM includes incremental increases in the California Public Employees' Retirement System (PERS) contributions for Tier 1 or "Classic" PERS members "until they [employees] are paying 8% toward their pensions"<sup>1</sup>. These increases are tied to salary increases, and will only trigger if a minimum salary increase is achieved.

Additionally, "future premium increases" in healthcare are shared 50/50 by the employee and the City.

## **DISCUSSION:**

### **Purpose and Scope**

The PCM analysis provides the estimated fiscal impact of PCM salary increases and changes in employee PERS contributions (PERS Givebacks) through June 30, 2021, for all applicable employee groups. Refer to Attachment 1 for a summary of negotiated salary increases and PERS Givebacks. Projections related to the 50/50 share of health premium increases are beyond the scope of this analysis.

<b>Union/Employee Group</b>	<b>Contract End Date</b>
Riverside Fire Management Group (RFMG)	December 31, 2021
Riverside Firefighters' Association (RCFA)	December 31, 2021
Riverside Police Administrators' Association (RPAA)	December 31, 2021
Riverside Police Officers' Association – Supervisory	December 31, 2021
Riverside Police Officers' Association (RPOA)	December 31, 2021
Service Employees International Union – Refuse (SEIU-Refuse)	June 30, 2020
Service Employees International Union (SEIU)	June 30, 2020
Unrepresented: Confidential, Executive <sup>2</sup> , Management I and Management II	N/A

### **Methodology**

**BRI:** During the development of the General Fund and Measure Z Fund Five-Year Financial Plans encompassing FY 2018/19 through FY 2022/23, certain baseline revenue forecasts were made based on historical trends, economic data, and the advice of the City's sales tax consultant. Those revenue forecasts provided the basis for BRI assumptions and development of the Five-Year Financial Plans. The resulting salary increases and PERS Givebacks budgeted and applied to this PCM analysis are summarized in Attachment 2.

**Salary Increases:** All negotiated salary increases, including minimum and deferred salary increases, are considered PCM impacts for the purposes of this analysis. The PCM analysis estimates the fiscal impact of the PCM as compared to no salary adjustments and no changes in employee PERS contributions.

<sup>2</sup> Individual employee contracts take precedence and may not include a PCM provision.

Each fiscal year's impact was estimated using the following salary bases:

- FY 2017/18: Actual salaries subject to PERS for pay period ending (PPE) December 28, 2017, which is the pay period prior to the first application of the PCM (PPE January 11, 2018).
- FY 2018/19: Actual salaries subject to PERS for PPE January 10, 2019, which is the pay period prior to the 2019 calendar year application of the PCM (PPE January 24, 2019).
- FY 2019/20: Based on the salaries resulting from the PCM impact analysis for FY 2018/19.
- FY 2020/21: Based on the salaries resulting from the PCM impact analysis for FY 2019/20.

**Limitations:** Staff believe the PCM analysis provides a reasonable and conservative estimation of PCM impacts. However, due to the ever-changing nature of the employee population, demographics, and salaries, the projections provided should not be considered an exact representation of the full cost of the PCM. The PCM analysis was performed based on a snapshot in time: specific pay periods were selected as the starting point for the PCM cost projections, as described above. Therefore, the following items that have a fiscal impact as a direct result of the PCM are not included in the analysis:

- Merit increases, salary survey adjustments, and other personnel changes that impact employee salaries.
- Ancillary cost impacts resulting from salary increases, such as Medicare.
- Employee separations, new hires, or other changes in the employee population.
- Overtime is outside the scope of the analysis, but is paid at the new salary rate.
- Leave payoffs, including annual pay-downs, are outside the scope of the analysis, but are paid at the new salary rate.

### Results

The following tables show the impact of the PCM attributable to that fiscal year. All City Funds and for the General Fund. Of the total City-wide impact, 72% is borne by the General Fund. The estimated PCM impact by employee group is provided in Attachment 3.

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)
<b>Grand Total</b>	<b>\$ 3,553,873</b>	<b>\$ 7,859,316</b>	<b>\$ 6,665,337</b>	<b>\$ 3,208,842</b>	<b>\$ 21,287,368</b>

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)
<b>Grand Total</b>	<b>\$ 2,598,176</b>	<b>\$ 5,645,190</b>	<b>\$ 4,712,840</b>	<b>\$ 2,316,220</b>	<b>\$ 15,272,426</b>

The estimated cumulative impact of the PCM over the life of the program is shown in the table below. For instance, at the end of FY2020/2021 and thereafter, the cumulative annual General Fund impact of the PCM will be approximately \$15.3 million per year not factoring in assumptions that aren't presently known such as future merit increases and their compounding effect.

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

The impact of the Measure Z Transaction and Use Tax revenues on two fiscal years of salary increases should not be overlooked. Due in large part to Measure Z, the BRI revenue growth in FY 2017/18 and FY 2018/19 was 13.37% and 29.50% respectively (Attachment 2, page 2). Salary increases are based upon 50% of the BRI growth rate; subsequently, employee salary increases based on the BRI were granted at the top of the negotiated ranges for FY 2017/18 and FY 2018/19.

Had Measure Z been excluded from the BRI, the BRI would have reflected the flattening of the General Fund's core revenue sources and would have produced revenue growth rates of just 4.61% and 2.98% in FY 2017/18 and FY 2018/19, respectively. Salary increases would have been capped at 2.30% and 1.49% for those fiscal years, respectively. However, the 1.49% increase in FY 2018/19 would have been insufficient to trigger the PERS Giveback provision for the Police employee groups (RPAA, RPOA, and RPOA – Supervisory).

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

It is important to note that some level of salary increases may have been negotiated in the absence of the PCM, and some Memorandums of Understanding (MOU) and the Fringe Benefits and Salary Plan (FBSP) do in fact include minimum salary increases for some years (Attachment 1). In some cases, the projected PCM salary increases of FY 2019/20 and beyond may be less than what traditional agreements and COLAs may have produced (Attachment 2).

### **FISCAL IMPACT:**

There is no direct fiscal impact to the current budget cycle (FY 2018-2020) associated with this report. The projected impacts of the PCM were incorporated into the FY 2018-2020 Two-Year Budget during the budget development process.

Prepared by:	Kristie Thomas, Budget & Revenue Manager
Approved as to availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Carlie Myers, Deputy City Manager
Approved as to form:	Gary G. Geuss, City Attorney

**Attachments:**

1. Salary Increases and Employee PERS Contributions for Active Agreements
2. BRI Calculations
3. Estimated PCM Impacts by Employee Group
4. Presentation

# Attachment 1

## Salary Increases and Employee PERS Contributions for Active Agreements

### Negotiated Raises and PERS Givebacks

The active agreements for the following employee groups include minimum/maximum salary increases and minimum/maximum increases in employee PERS contributions (PERS Givebacks) as listed below. For ranges expressed, the minimum amount is applicable regardless of the BRI and resulting salary increases; the maximum amount is dictated by the BRI. PERS Givebacks are triggered by minimum salary increases for Police groups, and are set amounts for all other groups, offset by minimum salary increases. The effective date of the negotiated terms is the first full pay period in January of each calendar year.

Bargaining Unit	FY 17/18		FY 18/19		FY 19/20		FY 20/21	
	Raise	PERS Giveback	Raise	PERS Giveback	Raise	PERS Giveback	Raise	PERS Giveback
RPOA <sup>1, 2</sup>	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%
RPOA Supervisory <sup>1, 2</sup>	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%
RPAA <sup>1, 2</sup>	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%	0 - 6%	0 - 1.5%
RCFA <sup>2</sup>	2 - 4 %	0%	3 - 5% +1.5%	2.5%	3 - 5% +1.5%	2.5%	2 - 4%	2%
RFMG <sup>2</sup>	2 - 4 %	0%	3 - 5% + 1.25%	2.5%	3 - 5% + 1.25%	2.5%	2 - 4%	2%
SEIU - General	2 - 4 %	0%	3 - 6%	1%	3 - 5%	1%	N/A	N/A
SEIU - Refuse	2 - 4 %	0%	3 - 6%	1%	3 - 5%	1%	N/A	N/A
Unrepresented	2 - 4 %	2%	3 - 5%	2%	3 - 5%	2%	2 - 4 %	2%

The following groups are excluded from the PCM Impact Analysis because the current agreements do not include a PCM provision. The effective date of the negotiated terms is the first full pay period in November of each calendar year.

IBEW	4%	2%	4%	2%	4%	2%	3.5%	2%
IBEW - Supervisory	4%	2%	4%	2%	4%	2%	3.5%	2%

### City-paid PERS Employer Share (Normal Cost) and Employee Share<sup>3</sup>

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

<sup>1</sup> PERS Giveback will trigger if the salary increase is at least 2%; otherwise, there will be no change.

<sup>2</sup> PERS Giveback is on the PERS Employer Share (Normal Cost); the City pays the full PERS Employee Share.

<sup>3</sup> Source: City of Riverside Annual Valuation Reports prepared by the California PERS Actuarial Office.

### Actual Raises and PERS Givebacks to Date

The following table lists the salary increases and PERS Givebacks that were implemented in FY 2017/18 and FY 2018/19, based on the BRI and PERS triggers. For the Police employee groups (RPOA, RPOA – Supervisory, and RPAA), a minimum raise of 2% will trigger a PERS Giveback of 1.5%. In the absence of the minimum raise, no change in employee PERS contributions will occur for these employee groups. All other employee groups have a set PERS Giveback amount each year, offset by a minimum salary increase.

The value of the PERS employee share paid by the City is considered a benefit subject to PERS, in the same manner that base wages are subject to PERS. For all Safety employee groups (Police and Fire), the PERS Giveback is applicable to the employer's normal cost, and the City continues to pay the full employee share. For all Miscellaneous Groups, the PERS Giveback is applied to the employee share. By the end of the active agreements (MOUs and FBSP), all employees in the Miscellaneous Group will be paying their full employee share of PERS.

In FY 2017/18 and FY 2018/19, the maximum salary increases were granted to each employee group due to the 50% BRI exceeding the maximum salary increase ranges. As a result, the maximum PERS Givebacks for those years were also implemented.

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 <sup>4</sup>	4 %	0%	6%	1%
SEIU – Refuse <sup>4</sup>	4 %	0%	6%	1%
Unrepresented	4 %	2%	5%	2%

<sup>4</sup> As of FY 2016/17, the employee group pays 6% toward the PERS Employee Share.

### Cumulative Raises and PERS Givebacks – Actual and Potential

The following table includes the cumulative percentage of salary increases and PERS Givebacks implemented in the first two years of the active MOUs and FBSP. The Potential Raises and PERS Givebacks represents the minimum and maximum potential cumulative raises and PERS Givebacks through FY 2020/21, based on the negotiated ranges for each item.

Bargaining Unit	Total Actual (FY 2017-2019) <sup>5</sup>		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 <sup>5</sup>	10%	7% <sup>5</sup>	13%	15%	8%	8%
SEIU – Refuse <sup>5</sup>	10%	7% <sup>5</sup>	13%	15%	8%	8%
Unrepresented	9%	4%	14%	18%	8%	8%

### City-paid PERS Employer Share (Normal Cost) and Employee Share

The costs to the City for the employee and employer share of PERS will vary depending on the employee group. By FY 2020/21, all Miscellaneous groups will be paying their full employee share (approximately 8%). The PERS Giveback may not be triggered in FY 2019/20 and FY 2020/21 for Police groups, therefore a potential minimum and maximum City cost is shown for Police. As shown in the table above, by January 2021, Police will be paying between 3% and 6% toward PERS; Fire will be paying 7% toward PERS.

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

<sup>5</sup> As of FY 2016/17, the employee group paid 6% toward the PERS Employee Share. That amount has been added to the 1% PERS Giveback implemented in FY 2018/19.



## Attachment 2 BRI Calculation

### BRI Background

The current MOU and FBSP agreements are consistent in their definition of the revenue components of the BRI. As described in the RPOA MOU:

*Wage increases during the term of this agreement are based on the rate of growth in the total combined dollar amount of the Balanced Revenue Index (BRI) in the General Fund, not to exceed one half (i.e. 50%) of the year-over-year rate of growth. The BRI is comprised of the Bradley Burns (1%) and any City of Riverside voter approved portion of the Sales Tax, the City's portion of the Property Tax (general property tax only, excluding local measures), the Transient Occupancy Tax, and the Utility Consumption Tax. Payments will be based on audited financials for each fiscal year.*

Fifty percent of the annual change in the BRI results in the maximum percentage increase in salaries tied directly to the BRI. The table below demonstrates raises for a negotiated salary increase of 2% to 6%, given various BRI results.

Scenario	Minimum Raise	Raise based on BRI					
BRI = -1%	2% Minimum Raise	No Additional Raise					
BRI = 2%	2% Minimum Raise	2% Additional Raise					
BRI = 4%	2% Minimum Raise	4% Additional Raise					
BRI = 6%	2% Minimum Raise	4% Additional Raise					
	0%	1%	2%	3%	4%	5%	6%

### BRI Budget Assumptions (FY 2018-2023)

During the development of the General Fund and Measure Z Fund Five-Year Financial Plans encompassing FY 2018/19 through FY 2022/23, certain baseline revenue forecasts were made based on historical trends, economic data, and the advice of the City's sales tax consultant. Those baseline revenue forecasts provided the basis for the BRI assumptions used to develop the personnel budget that was subsequently adopted in the FY 2018-2020 Two-Year Budget and presented in the General Fund Five-Year Financial Plan (FY 2018-2023).

Revenue Category	Audited FY 15/16	Audited FY 16/17	Estimated FY 17/18	Forecasted FY 18/19	Forecasted FY 19/20
Sales Tax – General Fund	\$ 59,409,127	\$ 61,664,322	\$ 63,205,930	\$ 64,470,049	\$ 65,437,099
Measure Z TUT	-	12,605,474	51,557,000	52,072,570	52,593,296
Property Tax	50,449,888	54,157,938	56,633,614	58,852,720	61,160,129
Utility Users Tax	27,828,010	27,957,999	28,370,996	27,777,804	27,910,251
Transient Occupancy Tax	6,093,430	6,621,721	6,952,807	7,300,447	7,519,461
<b>Total BRI</b>	<b>\$ 143,780,455</b>	<b>\$ 163,007,454</b>	<b>\$ 206,720,347</b>	<b>\$ 210,473,590</b>	<b>\$ 214,620,236</b>
Annual Change		13.37%	26.82%	1.82%	1.97%
50% of Annual Change		6.69%	13.41%	0.91%	0.99%
Effective Date of PCM		January 2018	January 2019	January 2020	January 2021

### BRI Assumptions applied to the PCM Impact Analysis

Since the development of the baseline budget for FY 2018-2020, adjustments to revenue forecasts were made as follows:

- General Fund baseline revenue assumptions were updated based on new information and presented in the adopted FY 2018-2020 Two-Year Budget and FY 2018-2023 Five-Year Financial Plan.
- Following the completion of the FY 2017/18 audit of the City's financial statements,
  - Adjustments were made to the FY 2017/18 General Fund revenues to reflect actual revenues received.
  - The Measure Z revenue forecast was updated to reflect the new FY 2017/18 basis (audited actuals) for forecasted revenue growth.

These adjustments are reflected in BRI calculation used for the PCM impact analysis.

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
<b>Total BRI</b>	<b>\$ 143,780,455</b>	<b>\$ 163,007,454</b>	<b>\$ 211,091,989</b>	<b>\$ 215,339,595</b>	<b>\$ 219,667,094</b>
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

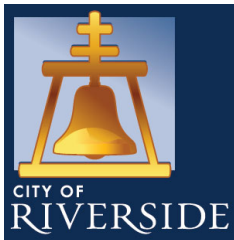
**Attachment 3**  
**Estimated PCM Impacts by Employee Group**

**PCM Impact by Employee Group – All Funds**

<b>Year-over-Year Impact of PCM by Employee Group – All City Funds</b>					
<b>Category</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>Total Impact</b>
RCFA	\$ 534,129	\$ 1,200,802	\$ 1,118,532	\$ 688,231	\$ 3,541,694
RFMG	51,839	107,392	87,774	49,033	296,038
RPAA	139,076	243,592	158,051	66,217	606,936
RPOA	648,456	1,419,534	1,073,061	411,285	3,552,336
RPOA-S	188,962	342,539	227,147	95,401	854,049
SEIU	912,281	2,234,037	2,061,890	795,141	6,003,349
SEIU-Refuse	34,356	82,627	75,098	28,910	220,991
Unrepresented	1,044,774	2,228,793	1,863,784	1,074,624	6,211,975
<b>Grand Total</b>	<b>\$ 3,553,873</b>	<b>\$ 7,859,316</b>	<b>\$ 6,665,337</b>	<b>\$ 3,208,842</b>	<b>\$ 21,287,368</b>

**PCM Impact by Employee Group – General Fund**

<b>Year-over-Year Impact of PCM by Employee Group – General Fund</b>					
<b>Category</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>Total Impact</b>
RCFA	\$ 534,129	\$ 1,200,802	\$ 1,118,532	\$ 688,231	\$ 3,541,694
RFMG	51,839	107,392	87,774	49,033	296,038
RPAA	139,076	243,592	158,051	66,217	606,936
RPOA	648,456	1,419,534	1,073,061	411,285	3,552,336
RPOA-S	188,962	342,539	227,147	95,401	854,049
SEIU	460,660	1,148,108	1,076,258	416,737	3,101,763
Unrepresented	575,054	1,183,223	972,017	589,316	3,319,610
<b>Grand Total</b>	<b>\$ 2,598,176</b>	<b>\$ 5,645,190</b>	<b>\$ 4,712,840</b>	<b>\$ 2,316,220</b>	<b>\$ 15,272,426</b>



## ESTIMATED FISCAL IMPACT OF THE PARTNERSHIP COMPENSATION MODEL

Finance Department

Finance Committee

March 13, 2019

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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



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## 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
<b>Total BRI</b>	<b>\$ 143,780,455</b>	<b>\$ 163,007,454</b>	<b>\$ 211,091,989</b>	<b>\$ 215,339,595</b>	<b>\$ 219,667,094</b>
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



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## 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%



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## 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%



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## 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)
<b>Grand Total</b>	<b>\$ 3,553,873</b>	<b>\$ 7,859,316</b>	<b>\$ 6,665,337</b>	<b>\$ 3,208,842</b>	<b>\$ 21,287,368</b>

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)
<b>Grand Total</b>	<b>\$ 2,598,176</b>	<b>\$ 5,645,190</b>	<b>\$ 4,712,840</b>	<b>\$ 2,316,220</b>	<b>\$ 15,272,426</b>

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



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## 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%



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## 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 <b>PCM</b>				
	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.

