

Personnel Compensation Overview

June 5, 2019

Number and types of positions determined to be needed to provide City services

Every year, a management review of City staff positions and services is done as part of the preparation of the Annual Budget. Some positions remain pretty much the same each year unless there are major technology changes or changes in desired level of services. For example, there are a certain number of trash collection routes in the City and a certain number of staff needed for the trucks, so a certain number of driver and sanitation employee positions are needed. The number of temporary, part-time and intern positions vary quite a bit each year and are based on recreational programming, seasonal work and special projects. Other permanent positions vary less often, based on changes to services or opportunities for some restructuring due to vacancies. The evaluation looks at service areas where more help is needed or where consolidation of work can be done.

In Takoma Park, of the 91 different titles for permanent positions, 68 titles represent only one employee. Most of the 23 titles with multiple employees are in the Police and Public Works departments.

Recommended changes in the number and type of permanent positions are included as part of the annual Budget approval process.

Laws and regulations regarding wages, benefits and working conditions

City management staff must be aware of labor laws, City laws and collective bargaining agreements when overseeing staff and determining compensation levels. Besides specific federal, state and county laws that affect wages (particularly minimum wages and overtime rules), City laws and the collective bargaining agreement with AFSCME (most non-management employees) and UFCW (police officers under the rank of Sergeant) dictate the personnel compensation provisions.

Approximately 20 years ago, the Council changed to a pay system that was tied to area market wages, with additional compensation for employees who earned the rating of Distinguished on their evaluations. For a number of years, the annual

base increases were quite large – the collective bargaining agreements had a minimum annual increase of 3%. However, once the Recession hit, a number of employees were laid off and the collective bargaining provisions were changed to a minimum increase of 0%. The provisions require compensation studies every three years and generally look to the Bureau of Labor Statistics' Employment Cost Index for Wages for State and Local Government as a proxy for an annual base increase.

In 2015, the Council directed that no full-time employee earn a salary less than \$40,000. That minimum level has been worked into our wage structure. It does mean that certain lower-level positions in the City have wages that are above the market wage for that type of work. It also means that positions at higher classification levels also had to be increased to address the compression issues.

Besides the collective bargaining agreements, the Council, in Resolution #2007-52, required that no part-time or contractual employee be retained in an ongoing way in lieu of having a permanent position. This was to avoid having a person perform an ongoing responsibility without receiving the benefits that come with a permanent position, which had occurred in several departments. Temporary, part-time, intern and contract positions remain valid options for certain seasonal or special project situations.

Wage scales of entities with whom the City competes to attract and retain employees

Pursuant to the collective bargaining agreements, the City compares its wages for its various positions with specified area jurisdictions: Rockville, Gaithersburg, Greenbelt, Hyattsville, College Park, Annapolis, Bowie and Laurel. Wages in Montgomery County and Prince George's County are reviewed as well for informational purposes.

Costs and array of benefits, including retirement plans

The City offers an excellent benefit package for most positions. All employees receive full health insurance for themselves, and 80% of the cost of health insurance for their dependents. The City spends over \$2 million per year on employee health insurance.

Other benefits are similar to those offered by other jurisdictions. The one area where we offer less than our competing jurisdictions, particular for police

agencies, is in regard to retirement plans. Specifically, we do not pay for retiree health care. Some jurisdictions allow police officers to retire after fewer years of service than that provided by the City of Takoma Park.

Most employees participate in the Maryland Retirement program, which generally requires an employee contribution of 7%. The City's annual contribution is set by the State program and costs about \$600,000 annually. Police officers participate in the Takoma Park Police Retirement Program, which also requires a 7% employee contribution. However, as a City-run, relatively young program, the City contributes large amounts for every police officer each year. The amount the City is to contribute is recommended by actuaries at a level that ensures solvency based on regular reviews of the investment levels and performance and costs about \$1,195,000 annually. The Takoma Park Police Retirement Program is overseen by the City's Pension Board that meets semi-annually and includes two Council-appointed residents.

Impact of accidents and illness on personnel compensation costs

Every year, we receive the quotes for the health insurance rates and Workers Compensation expenses. Health insurance rates are based on usage (including the number of employees with costly medical expenses) and the options chosen by employees. Workers Compensation costs are based on the number and types of injuries and the riskiness of certain jobs. Public works and police positions usually have a higher risk, so the number of employees in those positions increases our Workers Compensation expenses.

Over the years, we have kept our health insurance rate increases to a reasonable level by changing some of the co-pay rates and adding a Health Savings Account option for employees, which has been gaining in popularity.

Making sure we encourage a healthy lifestyle by employees and work to limit accidents by risk-management techniques are critical to keeping these expensive components of our personnel costs down.

Budget preparation

At the very beginning of the preparation of the proposed budget, the Human Resources Director meets with each department to confirm the number and type of positions they feel are needed, and learn if there are any retirements or changes in services expected. The information goes into a large spreadsheet with

expected wages and benefits for each employee. An estimated increase in the cost of health insurance is included. And, an estimated amount is added to accommodate merit pay for those who receive a Distinguished on their evaluations. As the Proposed Budget is being prepared, questions are raised by the City Manager about proposed staffing levels and opportunities to be more efficient. Any proposed changes in staffing and services must be consistent with the Council's Priorities.

In addition to the information on positions and wages, funds are identified in the "Nondepartmental" section of the Budget for tuition assistance, Workers Compensation, and similar personnel costs. Human Resources budgets funds for employee recruitment and assistance. The City also budgets for legal costs for labor negotiations, lawsuits, etc. related to personnel.