PERSONNEL COST OVERVIEW

CITYWIDE PERSONNEL COSTS

Citywide personnel costs account for about 26% of total budgeted expenditures for FY 2012 and FY 2013. The funds with the greatest percentage of personnel costs as part of total budgeted expenditures include the General Fund (69%), the Sewer Fund (37%), and the Fleet Services Fund (33%). The Boise Airport contracts out a variety of services such as fire, parking, and police services, which contribute to the fund having a relatively low percentage (18%). The City contracts for solid waste services, resulting in the Solid Waste Fund having a low percentage of less than 2% for personnel costs.

Total personnel costs are $139,187,271 and $144,345,484 for FY 2012 and FY 2013, respectively. For FY 2012, this represents a very moderate $714,000, or 0.52%, increase compared to the FY 2011 Adopted Budget – primarily due to the City’s efforts to align staffing with the current workload, achieve efficiencies, and attain fiscally sustainable levels of service, as proposed by the Mayor. FY 2012 does not include base wage increases for general employees, but it does include an increase of 2.5% for union members, per the labor agreements. The increase for FY 2013 is slightly more than $5.1 million, or 3.71%, over FY 2012. The increase is primarily due to union and general employee compensation increases, medical cost increases, and other related benefit increases that correlate with increased base salaries.

Unemployment insurance costs in FY 2012 and FY 2013 are expected to maintain the slightly elevated levels of the prior biennium; $250,000 in each year has been budgeted for this item. In the last five years, unemployment insurance costs have ranged from $92,000 (FY 2006) to $315,000 (FY 2009), and averaged $193,000 per year. Actual unemployment costs for FY 2011 have averaged $38,500 per month and, based on a straight-line calculation, are projected to end the year around $462,000.

The chart titled “Personnel Costs by Fund Type” gives an overview of the breakdown of total personnel costs between fund types within the City.
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GENERAL FUND PERSONNEL COSTS

Actual total personnel costs in the General Fund have experienced annual increases ranging from 1.4% (FY 2006) to as much as 10.7% (FY 2008). These increases include health care cost increases, additional staffing, market pay adjustments, union promotions, salary compensation increases, and other correlating benefit increases. The lower costs during FY 2006 are largely from the delayed settlement of the union contract that expired March 31, 2006. The police union contract was subsequently settled during FY 2007 whereby back pay was provided, contributing to the 10.5% increase. The 10.7% increase during FY 2008 is attributed to additional staff to meet growth-related demands, wage and benefit increases for general employees, police union compensation increases, and renegotiation of the fire union contract effective April 1, 2008.

Total personnel costs for FY 2012 and FY 2013 in the General Fund are $117,333,854 and $121,436,141, respectively. The chart titled “Total Personnel Cost v. General Inflation” shows the annual percentage change in General Fund personnel compared to the general inflation rate according to the Consumer Price Index (CPI).

The minor increase of almost $600,000, or 0.5%, in FY 2012 over FY 2011 Adopted General Fund personnel budget takes into consideration the 2.5% union wage increases and a health care increase of 7.9%, a 0% wage increase for general employees, and other benefit cost decreases related to salary changes. It also includes a net decrease in citywide staffing of 7.5 Full Time Equivalents (FTEs), and the strategy to hold several positions vacant through the two-year budgeting period. In accordance with the City’s Strategic Plan and the multi-year transition to performance pay, the Mayor recommends using FY 2011 end-of-year monies to fund any potential compensation increases for general employees during FY 2012.
PERSONNEL COST OVERVIEW

The $4.1 million, or 3.5%, increase in FY 2013 over FY 2012 is comprised of base and one-time compensation enhancements for general employees ($1.3 million) and union members ($2.6 million), and related benefits for the funded staffing level.

The chart titled “Personnel Costs as a Percentage of Total” shows General Fund salaries decreasing as a percentage of total compensation, while health care costs are generally increasing as a percentage of total compensation. The sharp decrease in FY 2012 in health care growth is caused by the cessation of premium contributions made by the City on union members’ behalf, as a result of the new union contract, under which the unions started their own health trust.

COMPENSATION INCREASE PROPOSAL

The Mayor recommends compensation increases for wages and “flexible” employee benefits in FY 2012 and FY 2013. The FY 2012 personnel budget includes a 7.9% increase in the City's contribution towards its “flexible” benefits plan for general employees (which includes health care, life insurance, accidental death and dismemberment insurance, and other supplemental insurance packages). Any FY 2012 salary increases will be funded from FY 2011 end-of-year monies and will be one-time. The amount will be determined based on the outcome of FY 2011.

The FY 2013 budgeted amount includes a 2.5% base wage increase for general employees, plus funding for one-time goal achievement awards (1.25%), and a 6.5% increase in the City's contribution towards its “flexible” benefits program. Contract increase contingencies equal 2.5% of base wages for both the police union and the fire union.

In January of 2010, the Public Employees Retirement System of Idaho (PERSI) board announced their decision to increase contribution rates for general employees and union members, using a 3-year phased approach that would begin on July 1, 2011. In January of 2011, the PERSI board postponed this action by one year, scheduling the first rate increase to begin on July 1, 2012. The
PERSONNEL COST OVERVIEW

Mayor’s recommended FY 2012/2013 budget includes these increases; for more information on the actual rates, please see PERSI’s website at www.persi.idaho.gov.

CITY HEALTH CARE COSTS & STRATEGY

During FY 2005, the City Council established a Health Trustee group to oversee the health insurance trust fund. The Trustees are responsible to provide health-related programs that will enhance Boise City’s total compensation philosophy in a manner that is fiscally responsible. The Trustees consider and address issues and recommendations brought forth by the Mayor, City Council, and employee representative groups.

The City’s cost is based on monthly contributions to the premium and does not represent the claims costs or total costs incurred in the Health Insurance Trust Fund. Budgeted amounts for FY 2012 and FY 2013 take into consideration union contract changes, the decrease in General Fund personnel, and the increase in the City’s contribution toward health care benefits of 7.9% in FY 2012 and 6.5% in FY 2013, achieving the City’s five-year goal to lower costs to no more than 6.5%. The police and fire unions opted out of City-funded premium contributions and formed their own health trust in October of 2010. However, the City will continue to make a per-employee-per-month contribution totaling $9.9 million in FY 2012 and $10.1 million in FY 2013.

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