Council Finance Committee & URA Finance Committee

Agenda Planning Calendar 2016

RVSD 03/17 ct

Mar 22	TOPIC	TIME	WHO
CFC	BFO Assumptions - Sales Tax Growth	30 min	T. Smith
	BFO Assumptions - Benefits Cost	30 min	K. Hess S. Engemoen
	BFO Assumptions - Salary Adjustment	30 min.	K. DiMartino C. Martinez
URA			

Apr 18	TOPIC	TIME	WHO
CFC	Utility Water CIP & LTFP Review	60 min	L. Smith
	CML Tax Code Definitions	20 min	T. Smith
	Unclaimed Financial Asset: Recommended Code Modifications	15 min	J. Voss
URA			

May 16	TOPIC	TIME	WHO
CFC	Revenue Diversification Recommendations	45 min	T. Smith
	Downtown Parking	30 min	K. Ravenschlag
	Vine / Lemay / BNSF project	30 min	T. Kemp
URA			

June 20	TOPIC	TIME	WHO
CFC	2015 Year End Fund Balances - June	30 min	T. Storin
	Capital Expansion Fee - Revision	30 min	T. Smith
	Waste Water Bond Refinancing	20 min	J. Voss
URA			

Future Council Finance Committee Topics:

CAP Financing Strategies
2015 Year End Financial Summary - July
Parking Garage Financing

Future URA Committee Topics:

Finance Administration
215 N. Mason
2nd Floor
PO Box 580
Fort Collins, CO 80522

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AGENDA

Council Finance & Audit Committee
March 22, 2016
7:30 – 9 a.m.
CIC Room – City Hall

Approval of the Minutes from the February 22, 2016 meeting

1. BFO Assumptions - Sales Tax Growth	30 minutes	T. Smith
2. BFO Assumptions - Benefits Cost	30 minutes	K. Hess S. Engemoen
3. BFO Assumptions - Salary Adjustment	30 minutes	K. DiMartino C. Martinez

OTHER BUSINESS:

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Council Audit & Finance Committee
Minutes
02/22/16
9:30 – 11:30 a.m.
CIC Room

Council Attendees: Mayor Wade Troxell, Gerry Horak, Ross Cunniff

Staff: Darin Atteberry, Tyler Marr, Mike Beckstead, John Duvall, Tiana Smith, John Voss, Lisa Rosintoski, Kim DeVoe, Kelly Bernish, Ken Mannon, Jolene Buxman, Travis Storin, Noelle Currell, Tracy Ochsner, Claire Turney

Others: Kevin Jones, Dustin Caravaglia, Dale Adamy, Rob Panos

Absent:

Meeting started 9:32 am

APPROVAL OF MINUTES

Gerry Horak made a motion to approve the January 25, 2016 Council Finance Committee minutes. Wade Troxell made a second to the motion. The minutes were approved unanimously.

MALL LEASING AND REVENUE UPDATE

Mike Beckstead and John Gaffney presented the Mall Leasing and Revenue Update.

Update from Mike Beckstead: original assumptions were 95% leased at year end, average for 2015 was 59% and by end of 2016 would be 95%. Current expectations are 64% by end of 2015 and still 95% by end of 2016. A meeting is scheduled on March 11th with Alberta to review current leasing activity. Construction timing is behind by about 6-9 months which has slowed lease-up and sales tax revenue. Original model built on annual assumptions; it is difficult to provide monthly comparisons. 216,000 square feet still to be leased.

Update from John Gaffney: Currently between 65-70% leased; however only roughly 50-60% is currently open. Cinemark opened in October 2015 and actual sales per square foot are significantly greater than projection. Nordstrom Rack is exceeding projections by 30%. H&M is exceeding by 40%. Bar Louie (one of first restaurants) near Cinemark is over double. Pre-existing tenants are not yet at

their projected sales due to being inside the construction zone, but the stores are meeting/exceeding their own internal goals.

Ross Cunniff question #1: have we factored in the recent property value assessment? Mike Beckstead answered: we have not factored in the recent rise into projections. We can look at that in the future.

Ross Cunniff question #2: Constituents don't understand the PIF. John Gaffney responded: they brought their PIF collection agent to the Mall and talked directly with the tenants to go over what it means. Mike Beckstead also responded: the City Sales Tax Department has also been in contact with the PIF collection agent and reinforced the requirement of placards at each register and accurate reporting on customer receipts.

Mayor Wade Troxell question: how is the underpass and progressing? Darin Atteberry answered: working on a solution for the underpass, the CDOT process is complex and we are close to a solution. There is a potential local share cost that the City will be contributing. Construction of the FAC is nearly complete. SEARS is planning on moving into their space within the next month.

POOL SAFETY APPROPRIATION

Kelly Bernish and Ken Mannon presented the Pool Safety Appropriation request to address safety concerns regarding the usage of gaseous chlorine to treat our City pools.

Kelly Bernish presentation: Started with a complete overlook & overhaul of the way safety is handled across the City. A full Safety plan is in development. Currently gas is used at EPIC, City Park & Mulberry. The Senior Center doesn't use gas. At the time the pools were built they used the correct current standards, but standards have changed. Chlorine gas is dangerous and is a potential hazard to the community. New construction has moved away from chlorine gas. There were three alternatives that were looked at: 1) stay with gas, 2) use chlorine tabs or 3) use liquid aka bleach. Liquid is considered the best option with the fewest hazards.

Ken Mannon update: EPIC has a down-time coming due to construction starting in May. City park pool & Mulberry pool can have the new systems installed and then be down for only 1-2 days to switch over to the liquid.

The request consists of asking the Council Finance Committee to consider a Mid-Cycle Appropriation of approximately $200k to change the three pools to liquid chlorine.

Mike Beckstead update: The money being asked for will come out of general fund reserves.

Ross Cunniff question #1: what are the additional operational costs? Kelly Bernish answered: slightly higher cost. Tracy Ochsner also responded: the cost will be roughly $12,000 per year for all of the pools.

Ross Cunniff question #2: will additional training be needed to handle the chlorine liquid compared to the gas? Kelly Bernish answered: less training will be needed than what is currently given. Full hazmat suits and masks won't be needed as they currently are for handling the gas.

Ross Cunniff comment: it is important to note that approving this mid-budget cycle will save us money in the long run since EPIC will be down anyway.

Council Finance Committee was unanimously supportive of bringing forward the appropriation to convert the City's three pools to liquid chlorine.

ON-BILL FINANCING: UPDATE & FUTURE DIRECTION

Lisa Rosintoski and Kim DeVoe presented the On-Bill Financing topic with regards to Capital Planning for the project also known as the Home Efficiency Loan Program.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council have feedback regarding the proposed two-step process to provide capital funding for the Home Efficiency Loan Program?
- Clarify intent for use of Utilities reserves as an ongoing revolving loan fund.
- Is Council ready to consider a resolution for increasing the outstanding loan balance from Utilities reserve funds at an upcoming meeting?

The Home Efficiency Loan Program is estimated to have reduced carbon emissions by an average of 10% per residence involved. The Number of loan participants increased from 6 in 2013 to 17 in 2015 and to 37 in 2016. Staff proposed 1) an increase of $800k to a maximum of $1.6M in total loan balance authorization and 2) transition to third party capital once the $1.6M maximum has been reached.

Mike Beckstead comment: There are some potential legal questions that will need to be answered prior to transitioning over to a third party loan carrier, such as the use of the Utility billing system to collect third party loans, UCC filings, ability to disconnect service in the event of non-payment, however, discussions with local banks indicates strong potential for the use of third party financing.

Ross Cunniff question #1: why are we considering increasing the interest rate? Mike Beckstead answered: Market interest rates are currently 5% -6% range, whereas we are currently at 2.5%. We need to test the program at something closer to market rates to ensure program viability. Ross Cunniff question #2: are we continuing to market to contractors? Are we telling them that the interest rate will be increasing? He would like to see feedback from the contractors and potential users of the loan before the rate is increased.

Ross Cunniff question #3: how are the estimates on the carbon emissions reduction impacting our Climate action plan? Lisa Rosintoski responded: this is something that her department will work on getting for a future meeting.

Ross Cunniff question #4: what are the types of projects that are being done with the loans? Kim DeVoe answered: insulation, some solar projects and HVAC upgrades.

Gerry Horak question: are we coordinating with Larimer county energy savings? Kim DeVoe answered: they do general assessments. The City does a more in depth assessment as far as energy audits.

Kim DeVoe commented: their department is creating a packaged streamlined process for homeowners to do more through the efficiency program. They are trying to help those that don't have disposal income to do energy upgrades by using the HELP loan program.

The Finance Committee recommended the maximum loan value be increased. Mike Beckstead said: a resolution will be brought forward in a future meeting.

ANNUAL RE-APPROPRIATION ORDINANCE

Jolene Buxman presented the Annual Re-appropriation Ordinance. What qualifies: funds that were originally appropriated in 2015, but were not fully expensed or encumbered by the end of the fiscal year.

Monies re-appropriated for each City fund by this Ordinance are as follows:

General Fund	$ 1,102,694
Golf Fund	40,329
Keep Fort Collins Great Fund	1,027,535
Light & Power Fund	276,088
Recreation Fund	91,260
Transportation Fund	84,209
Utility CS&A Fund	187,000
	$ 2,809,115

Mike Beckstead commented: these numbers are consistent with what has happened over the prior 5 years. The typical amount to be re-appropriated has been between $2.2 and $2.9 million.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support putting re-appropriation on the Consent Agenda of the March 15th, 2016 City Council meeting?

The Finance Committee concurred with the request.

CODE CHANGE: WAIVER OF CLAIMS

Tiana Smith presented on a Code Change with regards to Waiver of Claims. Specifically to amend City code to allow the Chief Financial Officer the authority to waive liability of tax claims up to $100,000.00. Two online vendors want to sign disclosure agreements to start paying sales tax, but they want to have past taxes "waived." Staff does not have the ability to determine any prior tax liability and little if any tax liability would be due without some form of physical presence within Fort Collins on the part of

each company. The $100,000 was established consistent with the financial limits within a current Risk Management policy.

The categories being explored are: <$2,500 can be waived without documentation, >$2,500 can be waived with written documentation & >$100,000 requires City Manager approval & notification to the City Council.

Code already provides the Chief Financial Officer the ability to waive penalties/interest, but doesn't allow for waiving of taxes owed in a dispute resolution.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

The City of Fort Collins Revenue and Project Manager seeks approval to take the proposed code language to City Council on consent agenda on March 15th.

The Finance Committee concurred with the request. Gerry Horak commented: the slides need more info regarding what type of Vendors this started from prior to the City Council meeting.

OTHER DISCUSSIONS:

Gerry Horak question: How are construction delays with regards to weather factored? Darin Atteberry answered: Large construction typically has insurance to cover damages due to weather. Gerry Horak comment: If contractors on projects claim a weather delay, we need more details that caused the delay.

Ross Cunniff comment: It would be nice to have a way to bundle raises to report total increase in salary/benefits. Darin Atteberry answered: we are coming back to that at the March 21st meeting.

Ross Cunniff request: can we also have analysis of our benefits versus market analysis at the March 21st meeting.

Wade Troxell question: Is the use tax collection changing to more appropriate level of reporting and paying. Tiana Smith answered: we are currently looking at the thresholds that are being used to pay sales tax to collect use tax as well. The State threshold is $250, so we should not go above that.

Meeting Adjourned at 11:11 a.m.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Mike Beckstead, Blaine Dunn, Chris Martinez, Janet Miller, Kristi Hess, Tiana Smith, Lawrence Pollack

Date: March 21, 2016

SUBJECT FOR DISCUSSION (a short title)

2016 BFO Assumptions for sales tax growth, benefits costs and salary adjustments

EXECUTIVE SUMMARY (a brief paragraph or two that succinctly summarizes important points that are covered in more detail in the body of the AIS.)

In 2016 the City will again use Budgeting for Outcomes (BFO) to prepare the City Manager's Recommended Budget for 2017-18. Key assumptions are established at the beginning of the process and will be reviewed with Council Finance.

1. The sales and use tax forecast is an important revenue stream necessary to support ongoing costs. General Fund sales tax is allocated across all seven Outcomes, while the voter approved dedicated sales tax forecasts are allocated to specific Outcomes where applicable Offers can utilize that as a funding source.
2. Benefits costs are entered into the budgeting tool and are then used to calculate total benefit costs for employees in 2017-18.
3. Salary adjustments are entered into the budgeting tool and are then applied to the current 2016 salaries on staff to calculate the salary and total compensation costs for employees in 2017-18.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
(Work session questions should be designed to gather direction from Council without requiring Councilmembers to make a decision.)

1) What questions does CFC have about these 2016 BFO assumptions?
2) Is CFC supportive of these assumptions?

BACKGROUND/DISCUSSION (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

All background information is contained in the attachments and will be discussed in detail during the meeting.

ATTACHMENTS (numbered Attachment 1, 2, 3,…)

Attachment 1 – Sales tax growth assumptions
Attachment 2 – Benefits cost assumptions
Attachment 3 – Employee average salary assumptions

Sales Tax Forecast: 2017-2018

OBJECTIVE:

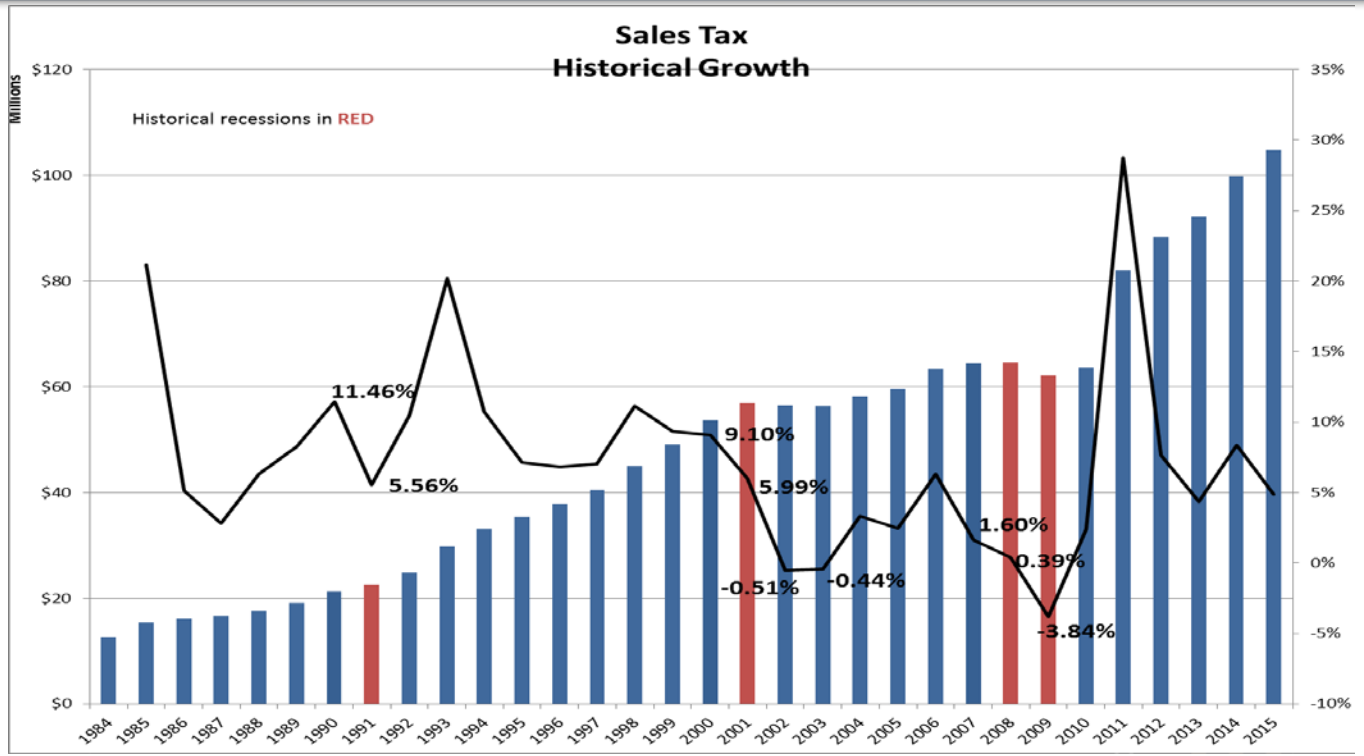
Seek feedback on Sales and Use Tax forecast recommendation to be used in 2017-2018 Budgeting for Outcomes

What We Know in 2016

- ✓ Economist Forecast - Recession likelihood 50%- 75% within next 30 months, 10% - 25% in next 12 months
- ✓ Economists not very accurate predicting downturns
- ✓ Historical 1 year lag in Fort Collins from impact in previous recessions; diversified economy = insulation
- ✓ Population & CPI and Mall ramp up provides a degree of insulation
- ✓ Per policy- reserves built since 2010 to lessen impact of a downturn

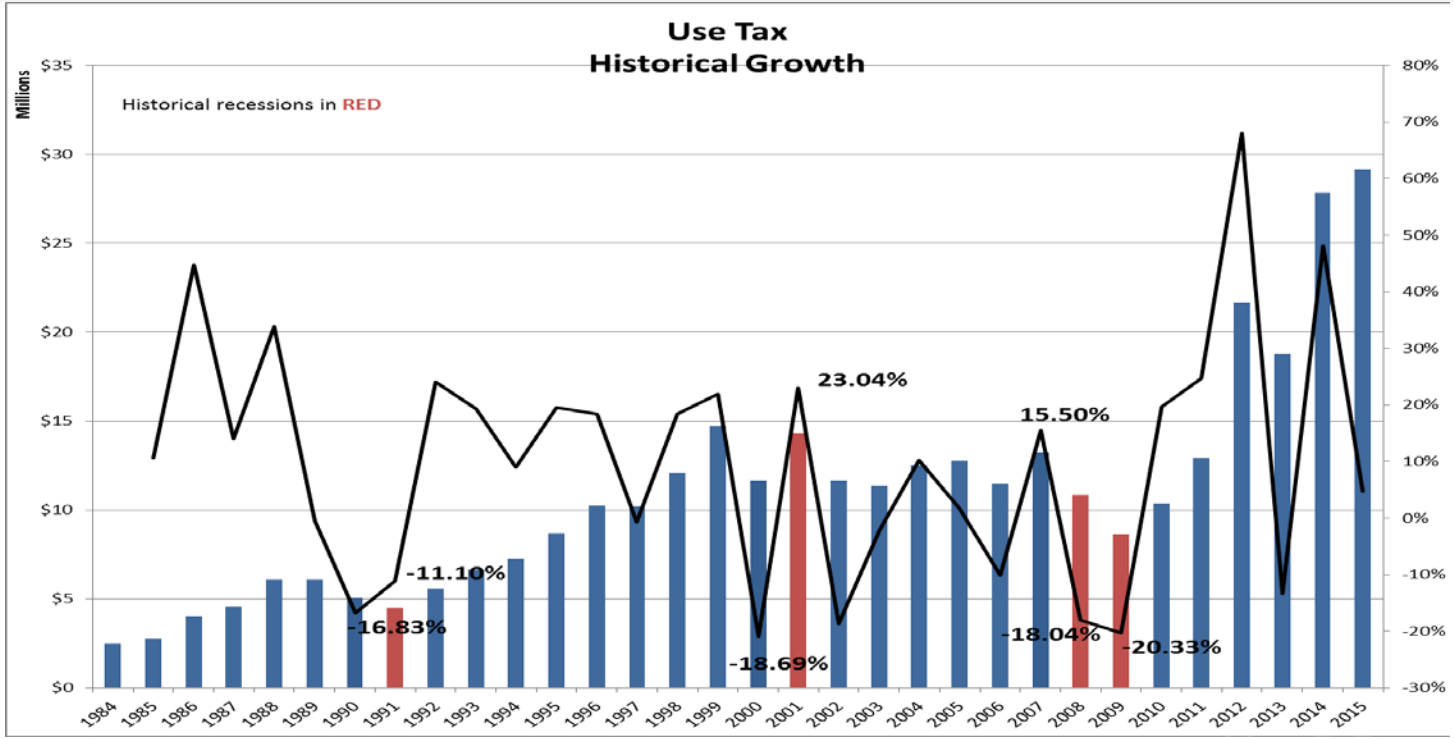
Historically, the City Forecasts Conservatively…..
90% Confidence of Achieving the Forecast

Recessions and Fort Collins- Sales Tax



In '08-'09, with the Biggest Recession Since Great Depression Fort Collins Sales Tax Decreased 3.84%

Recessions and Fort Collins- Use Tax



Use Tax growth is volatile and difficult to predict
Development in Fort Collins projected to slow but continue in 2017

Economic Factors

Quantitative-

- ✓ Employment/ Unemployment
- ✓ Denver/Boulder CPI
- ✓ Nat'l, State and FC GDP
- ✓ Population
- ✓ Nat'l, State, FC Income
- ✓ Building permits
- ✓ Interest Rates

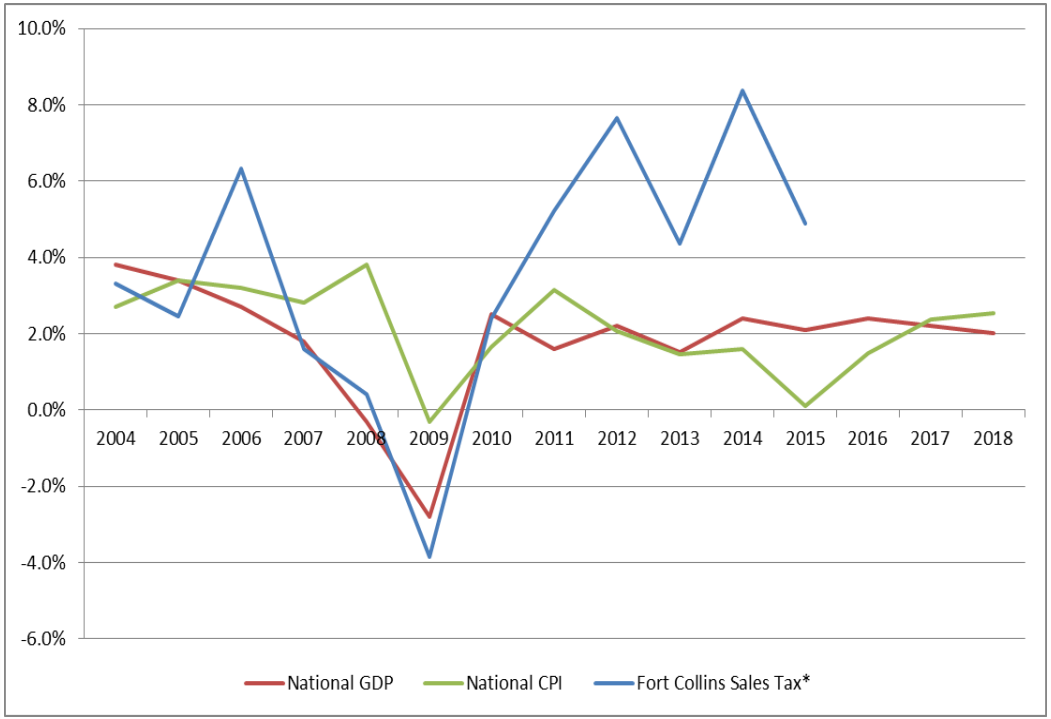
Qualitative-

- ✓ Peer cities projections
- ✓ Future economic development projections
- ✓ Foothills Mall projections
- ✓ Industry specific projections
- ✓ Utilities infrastructure planning
- ✓ Regional retail sales
- ✓ Forecasts from PDT, CU Boulder

Several inputs considered, looking both historically and forward, to understand the relationship to sales and use tax growth

National Projections ‘17-’18

- Despite media attention around impending recession, national GDP and CPI projections for ‘17-’18 show growth slowing, but sustaining



Sales Tax Forecast Options Considered

1

2017 – 3% 2018 – 2%

- Sales Tax growth avg since 2008 = 2.8%
- Nat'l GDP and CU Boulder project sluggish growth
- **Assign $4.4M of General Fund reserves**

2

2017 – -1% 2018- 0%

- Worst case scenario
- Anticipates recession will hit in late 2016
- Will likely result in reduction in services

90% Confidence
With Assignment of General Fund Reserves

Recommendation

Year	Sales Tax	Use Tax
2017	3% GF assignment of $4.4M	$18M budget
2018	2% Maintain GF assignment	$18M budget

- ✓ National/CO GDP forecasts not showing recession
- ✓ National and CO personal income projected flat
- ✓ Economists not historically accurate
- ✓ Regional retail sales: Foothills growing, no leakage predicted
- ✓ Slower but continued growth predicted (PDT & CU Boulder)

GF Assignment Provides Recession Offset, Less Stress On Services, Allows Time to Reduce Costs if/when Recession Occurs

Back up Data

	Year	Sales Tax* Year over year	National GDP	Colorado GDP	Fort Collins GDP	Denver/Boulder/Greeley CPI	Fort Collins Population	Fort Collins Income
Historical Data	2004	3.32%	3.8%	1.8%	1.6%	0.11%	1.10%	4.50%
	2005	2.46%	3.4%	4.5%	2.1%	2.09%	1.30%	5.60%
	2006	6.32%	2.7%	1.7%	1.3%	3.56%	2.00%	7.20%
	2007	1.60%	1.8%	2.1%	2.5%	2.19%	1.90%	6.50%
	2008	0.39%	-0.3%	1.6%	0.1%	3.90%	1.90%	3.10%
	2009	-3.84%	-2.8%	-1.3%	-1.8%	-0.65%	1.70%	-1.70%
	2010	2.40%	2.5%	1.3%	3.6%	1.87%	1.30%	2.20%
	2011	5.21%	1.6%	1.1%	1.9%	3.69%	1.60%	6.90%
	2012	7.67%	2.2%	1.9%	2.3%	1.94%	1.80%	5.40%
	2013	4.36%	1.5%	2.0%	3.5%	2.77%	1.80%	4.70%
	2014	8.37%	2.4%	5.0%	5.9%	2.78%	2.40%	6.70%
	2015	4.87%	2.1%			1.18%		
Projections	2016		2.4%					
	2017		2.2%					
	2018		2.0%					

Strongest correlations to Sales Tax growth are:
Fort Collins GDP, Fort Collins income,

City of Fort Collins

3-21-16

2017-2018 Benefits Fund Projections

City Benefits Offerings

Benefits Approach:

- Market-competitive premiums
- Financially sound plan design - contain costs
- Support recruitment goals

Premiums, plan design, claims, along with employer and employee cost share data are analyzed and adjustments may be made based on experience, risk analysis, industry trends and market data.

Market Comparison

Three Primary Sources for Market Data (as of Feb. 2016):

- Mountain States Employers Council (MSEC) Health and Welfare Plans
- Mercer National Survey
- Benergy Survey – Public Administration

Employee Only
ee+sp

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	85%	15%
MSEC (Colorado)	85%	15%
Benergy	90%	10%
Mercer (City 500+)	86%	14%
Mercer (Government 500+)	88%	12%
Mercer (West 500+)	74%	26%
City of Fort Collins (2016)	86.8%	13.2%

Employee + Family (premium cost-share for and ee+child(ren)

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	66%	34%
MSEC (Colorado)	69%	31%
Benergy	75%	25%
Mercer (City 500+)	72%	28%
Mercer (Government 500+)	74%	26%
Mercer (Western 500+)	67%	33%
City of Fort Collins (2016)	71.5%	28.5%

5-year Plan Actuals

The growth rate (Medical and Rx combined) for the City for the last 5 years is 8.5%.

Medical Claims 5yr Breakdown and Trend (in thousands)							
Expenses	2011	2012	2013	2014	2015	5yr CAGR	3yr CAGR
Routine/Small Claims	9,419	10,218	8,972	10,837	10,163	1.9%	6.4%
Large Claims	1,960	1,779	3,957	2,657	4,174	20.8%	2.7%
Rx Claims	1,853	2,100	2,437	3,027	3,991	21.1%	28.0%
Total Med/Rx	13,232	14,097	15,366	16,520	18,328	8.5%	9.2%

Minimum Fund Balance

Current policy states Benefits Fund must maintain a minimum reserve equal to 30% of medical and dental expenses.

2015 Medical and Dental Claims = $19.47M

Minimum Reserve Required = $5.8M

***Projected* Shortfall: $200K**

Plans to address:

- Implement increases to restore fund balance
- Review best practices to determine if the reserve policy for the Benefits Fund minimum reserve requirements should be adjusted

Key Assumptions and Projections

The following key assumptions were utilized to establish the projections for the 2017-2018 Benefit Budget given current trends and utilization as well as market data:

- Medical and Rx claim projection based on utilization through December, 2015 and projected forward using trend factor of 7% for medical and 10% for Rx**.
- Assumes 9% increase to City medical and dental cost in 2017 and 5% in 2018.
- Assumes 10.5% increase to employee contributions for medical and dental in 2017 and 10% in 2018.

	Current 2016	Projected 2017	Projected 2018
Combined Medical & Dental Accrual	$25,927,578	$28,317,251	$30,074,446
Projected Actual Cost	$25,251,162	$27,151,649	$29,402,771
Projected Deficit/Surplus	$676,416	$1,165,062	$671,675
Projected Increase to the City		9%	5%
Projected Increase to Employees		10.5%	10%

***Source: Price Waterhouse Cooper Medical Cost Trend Report*

Impact on Premiums

2017
Employer-paid premium – 9%
Employee-paid premium – 10.5%

Medical Coverage	2016	2017	$ Increase	% Increase
Employee	$77.81	$85.98	$8.17	10.5%
Employee + Spouse	$375.29	$414.70	$39.41	10.5%
Employee + Child(ren)	$307.06	$339.30	$32.24	10.5%
Employee + Family	$477.64	$527.79	$50.15	10.5%

2018
Employer-paid premium – 5%
Employee-paid premium – 10.0%

Medical Coverage	2017	2018	$ Increase	% Incr
Employee	$85.98	$94.58	$8.60	10.0%
Employee + Spouse	$414.70	$456.16	$41.46	10.0%
Employee + Child(ren)	$339.30	$373.23	$33.93	10.0%
Employee + Family	$527.79	$580.57	$52.78	10.0%

Additional Cost to City (Medical & Dental contributions)
2017 - $1.5 M
2018 - $900k

Impact On Fund Balance & Cost Share

Minimum Fund Balance		
	Required Balance	Projected Balance
2016	$6,379,024	$6,276,416
2017	$6,945,336	$7,445,336
2018	$7,575,479	$8,075,479

Total Cost Share		
	City Portion	Employee Portion
2016	72.3%	27.7%
2017	71.8%	28.2%
2018	71.3%	28.7%

Long-Term Strategy

Strategies to Address Cost Containment & Plan Management

- RFP Carrier Review in 2016 that *may* result in carrier change for health insurance third-party administrator
- Education and Communication Campaign to continue awareness and increase utilization of CityCare
- Explore Aggregate Insurance Addition to help provide stop-gap coverage for high claims
- Possible addition of consumer-driven health plan (high-deductible health insurance) in future year
- Review Reserve Policy Minimum Requirements

Compensation Review – 2016

Salary Forecasting for 2017/2018 Budget

- **Compensation Philosophy**

MARKET-BASED AND COMPETITIVE

- **Compensation Review – 2016**

Compensation Process

Annual Pay Increase Process

- Shifted away from forced distribution performance-based-pay model
- Discretion to Service Areas to determine employee awards within established budget pool

Annual Pay Increase Factors

- Performance: Results
- Performance: Behaviors
- Position in Pay Range / Step Level & Internal Equity

Compensation Budget

Budget Allocation

- Determined through Budgeting for Outcomes (BFO) Process
- Budget for 2016 = 2% of projected base salaries

Additional Funding: Departmental Budgets

- Reclassifications – not historically part of pay allocation
- Collective Bargaining – contractual obligations
- Market Adjustments for Step Pay Ranges – no market movement for 2 years

Compensation Summary

Reclassifications

- 53 employees received a reclassification of 6-10%
- 2% of each reclassification funded from Budget Allocation

Annual Pay Increases

- Pay Increases ranged from 0% - 14.25%
- Average Pay Increase: 2.47% *(excluding market adjustments)*

Salary Forecasting for 2017/2018 Budget

Methodology

Quantitative Analysis

- Reviewed economic factors
- Reviewed actual salary to market data

Qualitative Analysis

- Reached out to peer cities to gather information

Quantitative Analysis

Indexes and Source Data Analyzed:

- Mountain States Employers Council (MSEC)
  - Northern Colorado Pay Increases
- Consumer Price Index (CPI) – Local and National
- Real GDP Growth Rate
- Employment Cost Index (ECI) Salaries and Wages
  - Research pointed to this index being the most important factor
  - Focused on the State and Local Government category

2000 – 2015 strong correlation between GDP and ECI

In our research these are the major indicators economists take into account regarding jobs, salaries, and compensation

Quantitative Analysis (Cont.)

Factors and Considerations:

- Projected Real GDP growth 2.4% for 2017 and 2018
- Projected 2017 ECI 1.7% - 2.2%
  - 1.7% ECI for 2017 – Correlation to GDP method
  - 2.2% ECI for 2017 – Linear Regression Analysis
- MSEC pay increase data averaged 1.2% higher than ECI (‘10-’15)
  - MSEC reports a projected increase of 2.9% for 2016
- Local CPI 55% stronger than national CPI (‘10-’15)

Quantitative Analysis (Cont.)

Methodologies for Salary Adjustment:

- ECI based on GDP with MSEC adjustment: 2.9%
- ECI based on GDP with local CPI adjustment: 2.7%
- Linear regression of ECI with MSEC adjustment: 3.4%
- Linear regression of ECI with local CPI adjustment: 3.4%

ECI data reflects total actual wage change

Methodologies using ECI show increase of 2.7% - 3.4% for 2017/2018

Qualitative Analysis

Contacted Peer Cities:

- Average 2016 salary budget of peer cities: 2.87%
- No 2017 salary budget data – too early
- Asked peer cities what methodology they use in determining salary budget
  - Methodologies for projecting salary budget varied across all cities

The City's 2% budget for 2016 was lower than the average front range peer cities

Conclusions

- The City's budgeted salary adjustment of 2% for 2016 is lower than many of our Front Range peer cities
- Various estimations using ECI show 2.7% - 3.4% increase for salaries
- Our budget salary adjustment factor does not include mid cycle increases due to JAQ's, reclassifications/market adjustments, & exception adjustment requests – estimated to be about 0.2% - 0.5%
- The GDP/ECI estimated increase should be adjusted down to compensate for mid cycle increases

Recommended salary adjustment for 2017/2018: 2.5%
Will revisit 2018 recommendation in 2017 once more current data is available