SALT LAKE CITY COUNCIL STAFF REPORT

DATE:	February 21, 2006
SUBJECT:	**CITIZENS COMPENSATION ADVISORY COMMITTEE ANNUAL REPORT**
STAFF REPORT BY:	Sylvia Jones
ADMINISTRATIVE DEPT. AND CONTACT PERSON:	Department of Management Services – Human Resource Division Vic Blanton, Classification & Compensation Program Manager
CC:	Rocky Fluhart, Jamey Knighton, Vic Blanton, Cori Petersen, Allen Miller

The Citizens Compensation Advisory Committee was established to evaluate and make recommendations to the Mayor and City Council regarding compensation levels. The annual report of the Committee contains recommendations that are advisory and subject to the City's fiscal ability.

The City Council does not need to take any action at this time. The Committee Chair and Vice Chair will be present at the briefing to respond to questions from the Council. Vic Blanton from the City's Human Resource Division serves as staff for the Committee.

Following are highlights from the Committee's report:

1. Based on a study of western region Class B/C cities (populations of 50 thousand to 1.5 million), the Consumer Price Index (CPI) has been increasing for the past four years as indicated on page 5 of the report. As of December 2005, the CPI was 2.9%, as compared to 2.7% at the end of 2004, and 1.9% at the end of 2003.

2. Data suggests the total compensation value (TCV) of the City employee pay package is slightly above the local market average. According to the report, however, the higher wages paid to Salt Lake City employees are offset by more liberal benefit packages provided by other public agencies and employers along the Wasatch Front. For instance, some employers provide larger contributions to retirement plans and require lower employee co-pays for medical and dental benefits.

3. A national survey polling public and private employers indicates that salary structure increases (often referred to as COLA adjustments) are projected to increase during 2006 by 2.5%. The same survey indicates the total salary budget (combining COLA adjustments with merit step and/or other awards and raises) will increase by 3.8% in 2006. With the exception of fiscal year 04-05, the City's total salary budget increase during the past several years has been approximately 3.5%.

4. City employee voluntary turnover (including retirement) reached a high of over 10.0% during the third quarter of 2005; however, the average turnover rate for the year 2005 was 6.1%. In 2004, total voluntary turnover was 5.27%, while in 2003, the total was 5.09%. According to the report, retirement is a contributing factor. Some employees are retiring from City employment and taking jobs with other local government agencies in order to maintain salary, insurance, and pension, etc.

5. Given that job growth in Utah appears to be steady and employee turnover is trending upwards, the report suggests that it may become increasingly difficult for the City to attract and retain qualified personnel.

6. The report notes the results of the employee satisfaction survey. Seventy percent of City employees felt that a job well-done often goes unrecognized by management. The committee emphasizes the importance of using non-monetary means to recognize and reward employees. The Committee also supports the practice of issuing cash awards to individuals/groups for completing mission-critical projects above and beyond normal job responsibilities.

7. There were no studies this year regarding executive compensation; however, last year's results indicated that Salt Lake City's executive salaries were approximately 6% lower than the national public sector average, and approximately 10% higher than the local government average. Council Members may wish to note that with some executive positions, for instance, the Police Chief or Airport Director, the City may need to compete on a national level.

8. In addition to making recommendations to the Mayor and City Council regarding compensation levels for the City's employees, the Committee also works on other compensation-related issues that come to the Committee's attention. The Citizens Compensation Advisory Committee indicates that they welcome the opportunity to address the Council's compensation or benefit issues during the coming year.

   During the Council Work Session on February 7, 2006, the Council asked the Citizen Compensation Advisory Committee to review the top management positions at the Airport, in addition to the Director, to determine the appropriate 'market' comparisons, etc.

MATTERS AT ISSUE:

- Employee Retirement – *The Council may wish to ask whether the Administration is anticipating a large percentage of baby boomer retirees during the next five to ten years, and if so, what strategies are in place to deal with the loss of historical knowledge, and what the fiscal impact may be from a retirement payout standpoint.*
- Employee Turnover – According to the report, agencies such as Sandy, Murray, West Valley City, West Jordan and Salt Lake County use compensation strategies to attract and retain personnel (especially with fire and police personnel). *Given the projected*

increase in competition to retain and attract employees, the Council may wish to ask the Administration to discuss retention methods and strategies employed by the City.

- Recommended Increases – For the upcoming fiscal year, the Committee recommends a general salary structure or cost of living (COLA) increase of 2.0 to 2.5% for employees, as well as a one-time lump sum supplement for employees topped out or on the short end of a general increase due to being high in the pay range. *As mentioned previously, the Committee's role is advisory in nature, and the recommendations are subject to the City's fiscal ability.*

- Issues mentioned by Council Members – Council Members have recently raised the following issues:
    - Opportunities to increase employee satisfaction through regular public recognition opportunities.
    - Concerns relating to the high number of employees eligible for retirement.
    - The auto allowance for SLC department directors as compared to the allowance for other governmental entities.
    - The employee tuition reimbursement program as compared to the programs available for staff employed by other governmental entities.

COUNCIL TRANSMITTAL DRAFT

TO: Rocky J. Fluhart, Chief Administrative Officer

DATE: January 37, 2006

FROM: Jamey Knighton, Acting Human Resource Director

SUBJECT: 2006-20067 Report of the Citizens Compensation Advisory Committee

STAFF CONTACT: Vic Blanton, Classification and Compensation Program Mgr., 535-6026

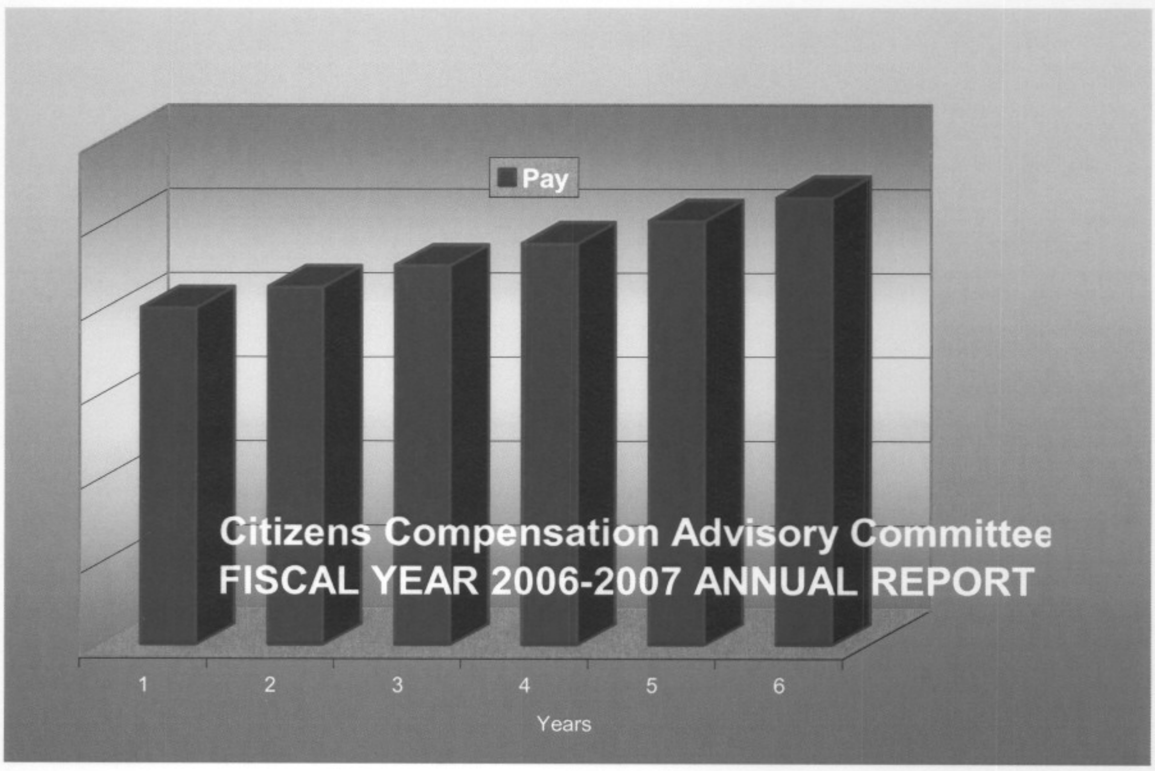
BUDGET IMPACT: If the committee recommendations are approved, funding impact would occur with Council approval of compensation plans for various pay classifications.

RECOMMENDATION: That the City Council receive a presentation of the attached report by the CCAC's Chair Cori Petersen and Vice Chair Allen Miller, and hold a discussion regarding the report.

BACKGROUND AND DISCUSSION: The Committee's 2006-2007 report cites developing labor market and cost-of-living changes that are likely to increase pressure for wage adjustments. This year's data regarding market salary and benefits comparisons essentially mirrors last year's information, according to the report. That is, for most of the employee population, data indicates that the City's salaries tend to be higher than market average but its benefits package tends to be lower based on the surveyed categories (retirement, and group health and life insurance). While concern is expressed about data reliability in one of the survey components, the composite data indicates that the value of the City's combined salary and benefits package is only slightly higher overall than that of the identified market—and may actually be slightly less depending on compensation adjustments made by other agencies next July.

Given an essentially neutral local market comparison, the Committee advises looking to cost-of-living and forecasted pay-increase trends for guidance in salary budget planning for the coming year. Planning should factor in the real possibility that Utah's strengthening job market will mean tougher competition ahead for attracting and retaining employees. Based on current indicators, the Committee recommends for 2006-2007 that within fiscal ability the City provide a general salary structure or cost-of-living adjustment of 2.0 to 2.5 percent, and consider giving one-time lump sum supplements to employees topped out or otherwise disadvantaged (in terms of general increase percentage) by high range positions.

The Committee also recommends increased emphasis on employee recognition through non-monetary means.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2006-2007 Annual Report to the Mayor and City Council
Citizens Compensation Advisory Committee

Executive Summary

INTRODUCTION

Each year, we advise the City on compensation adjustments for the upcoming fiscal period. While no one can predict with certainty the coming events, current indicators strongly suggest the climate for compensation decision making is changing. These indicators include competition for labor, cost of living changes, wage trends, and employee turnover. Present compensation comparisons should be viewed with these indicators in mind.

Following is an executive summary of our observations and recommendations to stay in step with prudent pay practice. We provide detail under the DISCUSSION heading, starting on page 4.

SIGNS SAY JOB MARKET WILL TIGHTEN; COST OF LIVING RUNNING HIGHER

Analysts report that Utah Jobs growth is healthy and holding steady—which may mean tougher competition ahead to attract and retain qualified personnel. Also, a 12-month average of the *Consumer Price Index* (CPI) suggests that the cost of living increase is running around 3.0 percent. That's up, compared to recent years' experience, and it may go higher if oil prices surge again this summer. The combination portends upward pressure on wages. Keeping pace will likely call for some adjustment during the 2006-2007 fiscal year.

MARKET TREND PREDICTIONS EDGE HIGHER FOR 'SALARY STRUCTURE' AND 'TOTAL SALARY BUDGET' INCREASES

A good predictor of "the pace" has been *WorldatWork's* annual forecast on *Salary Structure* and *Total Salary Budget* increases. The forecast is based on a national poll of all industry sectors, both public and private. Often called a cost-of-living adjustment (COLA), a "salary structure" increase refers to a wage schedule increase. This year's report puts 2005's actual salary structure adjustments at 2.2 percent, up from 2004's 2.0 percent, and projections for 2006 slightly higher yet, at 2.5 percent. The *total salary budget increase* forecast—which adds merit and promotional increases to the structure projection—is 3.8 percent.

INDICATORS SUGGEST CITY COMPETITIVE WITH LOCAL PAY PRACTICE, BUT CAUTION IS ADVISED

Departing little from previous years' results, current data suggests that the total compensation value (TCV) of the City employee's pay package is overall slightly better than the local market average. Lest this result be seen as cause to withhold pay increases, we reiterate advice given in previous reports about taking market data too literally. Such information is merely an indicator, not an absolute. Besides, if reliable, the difference is not large enough to assume that equity will be sustained without a general increase. It must be kept in mind that adjustments made by other local employers during 2006-2007 are not yet known.

TURNOVER PICKS UP

Although it is clear that monetary incentive is not the only reason employees stay with employers, we think increased turnover is yet another indicator that pressure for wage increases may be mounting. Voluntary separations by SLCC employees spiked during the third quarter of 2005, resulting in an annualized rate of more than 10 percent. This is nearly double the average of quarterly rates seen by the City since September 11, 2001. Notwithstanding that the 4th quarter experience brought the actual-year rate back down to 6.1 percent, voluntary separations from City employment are clearly trending upward.

OUR RECOMMENDATION FOR 2006-2007: PROVIDE A 'COLA' OF 2.0 TO 2.5% AND CONSIDER GIVING ONE-TIME-LUMP-SUM PAYMENTS

We believe that the indicators support the following advice: Within fiscal ability, increase pay structures by 2.0 to 2.5 percent, and consider giving a one-time lump sum supplement to employees topped out or on the short end of a general increase due to being high in the pay range. While we don't advocate basing pay on routine individual performance ratings, the City should also provide one-time lump sum awards to team members or individuals who complete mission-critical projects or other accomplishments that go beyond normal job duties.

SIDE-NOTE: RECOGNITION AIDS EMPLOYEE RETENTION

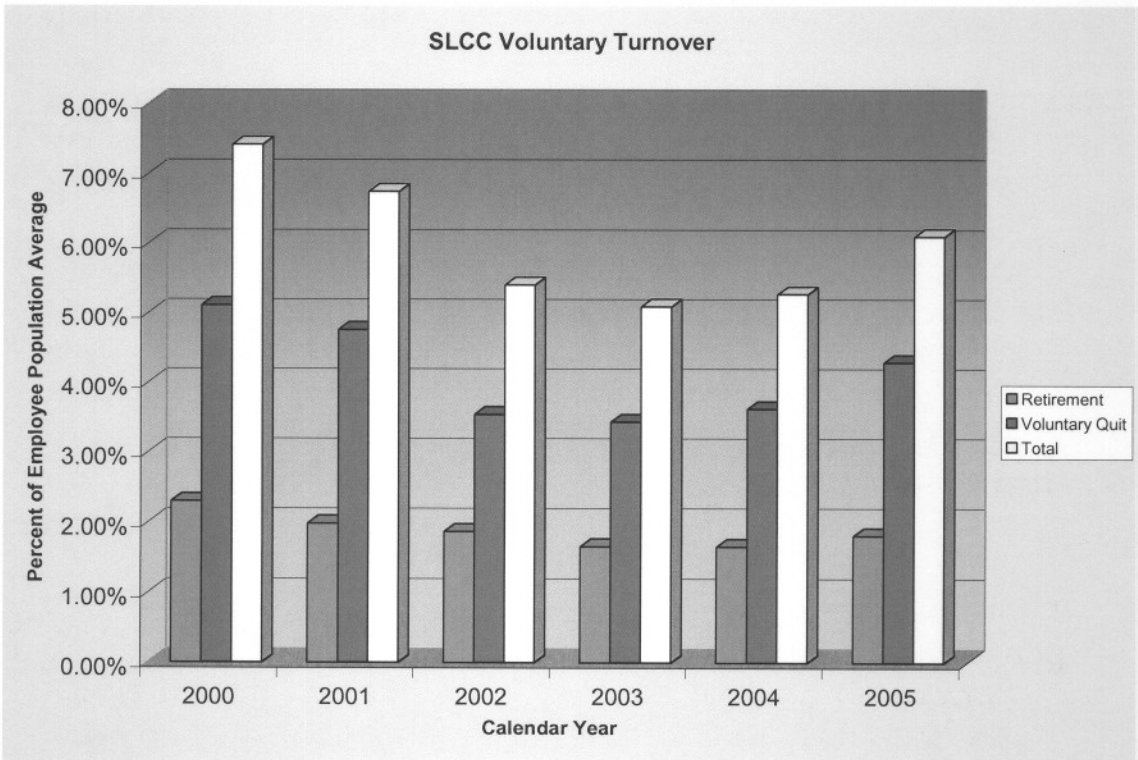
As we have urged in the past, it is important to use non-monetary means to recognize and reward employees. A recent job-satisfaction poll conducted by the City cited lack of recognition as one of city employees' principal concerns. Seventy percent felt that a job well done often goes unrecognized by management.

DISCUSSION

Jobs Growth Portends Increased Competition

A recent *Salt Lake Tribune* article states that Utah's economy is adding jobs at a "blistering pace." The article, entitled "Continued Economic Boom Far Outpaces Most Other States," puts Utah's job growth rate at 3.6 percent compared to a national rate of 1.5 percent. Relying on advice provided by the Utah Department of Workforce Services' senior economist Mark Knold, the article also notes, "Jobs are being added in all income ranges, from those paying near minimum wage to high-paying skilled positions." Knold indicates that the new jobs represent a wide variety of industries, so he doesn't see Utah becoming too dependent on any one sector.

With a strong job market comes tougher competition to attract and retain employees. Although applicants are still answering City employment ads in large numbers, voluntary turnover appears to be on the upswing, as the following chart shows:



While the year 2005 ended with a voluntary separation rate of 6.1 percent, the *annualized* quit rate for the third quarter actually exceeded 10 percent! This is a level not seen in decades, according to staff.

Although not normally associated with lure from other employers, retirements are a contributor. Staff reports seeing an increased incidence of long-service employees retiring and going to work for other local government agencies. The apparent incentive is the ability to stay covered under group medical insurance, and draw salary, pension, and liberal 401(k) contributions—all at the same time. From a compensation standpoint, there may be cases wherein the City must concede the futility of competing with such an arrangement. Be that as it may, failure to keep pace with market trends will further encourage the loss of valuable skills and experience, regardless of outside lures.

Consumer Price Index on the Rise

Most employees see keeping pace with the cost of living as a minimal requirement of fair pay. Accordingly, it is generally factored into employers' annual wage adjustment decisions. As we prepare this report, the *Consumer Price Index for all Urban Consumers* (CPI-U) is trending upward. During the past several years, the City has relied on the *West Region* CPI-U for *Class B/C Cities* (populations of 50 thousand to 1.5 million) for pay decision insight. The following chart tracks this index's annual averages, starting with the increase from December of 2001 to December of 2002.

CPI-U, West Region, Class B/C Cities

Base Period: December 1996 = 100

12 Month Average Increase Ending Each December

2002	2003	2004	2005
1.5%	1.9%	2.7%	2.9%

Analysts do not see a reversal of this trend happening any time soon, especially if gasoline prices surge again during the months ahead. Combined with increased competition for qualified personnel, such a picture boosts the market pressure for pay raises.

What is the Predicted Trend for Pay Raises?

Many employers and compensation consultants alike rely on *WorldatWork's* annual survey to answer this question. We believe it to be a credible source, and have consistently used it to prepare our annual report. Formerly known as the *American Compensation Association*, *WorldatWork* polls both public and private employers throughout the country regarding their plans to increase (or not increase) salaries during the year ahead.

The survey is organized into two basic categories: *Structure* increases and *Total Salary Budget* increases.

A *salary structure* consists of a schedule of pay grades, each grade with a minimum and maximum level. Some pay grades will have one or more steps through which progression is obtained on the basis of merit or longevity. Other pay grades will take the form of ranges, usually using the range *midpoint* as a means of controlling or influencing general increases. Structure increases are often called cost-of-living adjustments (COLAs).

The *total salary budget* combines structure increases with the anticipated cost of merit step and/or other awards and promotional raises.

WorldatWork's survey forecasts for 2006:

- *Salary structure* increase: 2.5 percent
- *Total salary budget* increase: 3.8 percent

According to the report, these forecasted figures are slightly higher than the actual experience for 2005.

For perspective, staff advises that except for FY 2004-2005 the City's *total salary budget* increases during the past several years has been running around an estimated 3.5 percent. (Only AFSCME-covered employees received a salary structure increase during 2004-2005.) This has generally been within plus or minus one-tenth of one percent of national trend.

City Salaries Compared to Local Market

The following chart suggests that not much has changed since last year, i.e., the picture appears to be one of higher SLCC wage rates, offset by more liberal benefits packages offered by other employers—especially public agencies along the Wasatch Front.

	2004-2005		2005-2006	
EMPLOYEE GROUP	**Actual Average Salary Only SLCC/MKT**	**Actual Average Salary Plus Benefits SLCC/MKT**	**Actual Average Salary Only SLCC/MKT**	**Actual Average Salary Plus Benefits SLCC/MKT**
Operations/Maintenance	101.5%	102.9%	107.4%	107.6%
Clerical/Technical	125.4%	120.6%	122.5%	117.9%
Non-Exempt Professional	105.9%	104.2%	107.6%	107.6%
Exempt Professional	111.8%	108.6%	102.6%	102.2%
Police Officer	101.4%	96.0%	111.1%	103.1%
Sergeant	104.9%	96.0%	104.0%	97.7%
Lieutenant	101.3%	96.3%	101.7%	96.1%
Police Captain	96.9%	96.6%	99.1%	94.7%
Firefighter EMT	112.0%	101.0%	113.5%	100.3%
Firefighter Paramedic	119.6%	107.0%	120.8%	106.8%
Firefighter Engineer	108.0%	98.4%	109.6%	98.4%
Fire Captain	114.3%	103.5%	111.9%	100.6%
Battalion Chief	109.0%	99.3%	112.4%	101.3%
Average	108.6%	102.3%	109.5%	102.6%

Where public sector benefits factor heavily in the equation, the offset is especially pronounced. It primarily reflects more liberal employer-paid retirement plan contributions than those afforded by SLCC, along with lower employee co-pays on medical and dental benefits.

Obviously, while the “bottom line” for the combined salary and benefits column suggests SLCC is high overall by 2.6 percent, individual categories convey different messages. Some SLCC rates are substantially higher than market; some substantially lower. Should the City's leadership scale back or freeze salaries where the comparison indicates a large excess—such as in the cases of the first three employee groups listed? For that matter, is there cause to plan a reduced increase to account for the apparent overall 2.6 excess?

We believe the answer is negative on both counts. As stated in the preceding *Executive Summary*, we caution against taking market data too literally. It is an indicator, not an absolute. This year the point is underscored. Staff has detected flaws in one of the main data source reports on salary, which accounts for the inordinate increase in the numbers for the *Operations and Maintenance* group. Although a merge with other data sources has salvaged the presentation as an "indicator," it should be viewed with reservation. We urge close scrutiny of individual cases, along with a general policy of incremental adjustment rather than precipitous action.

The same advice applies to positions that appear to be undervalued based on survey data.

Breakdown of the Employee Groups

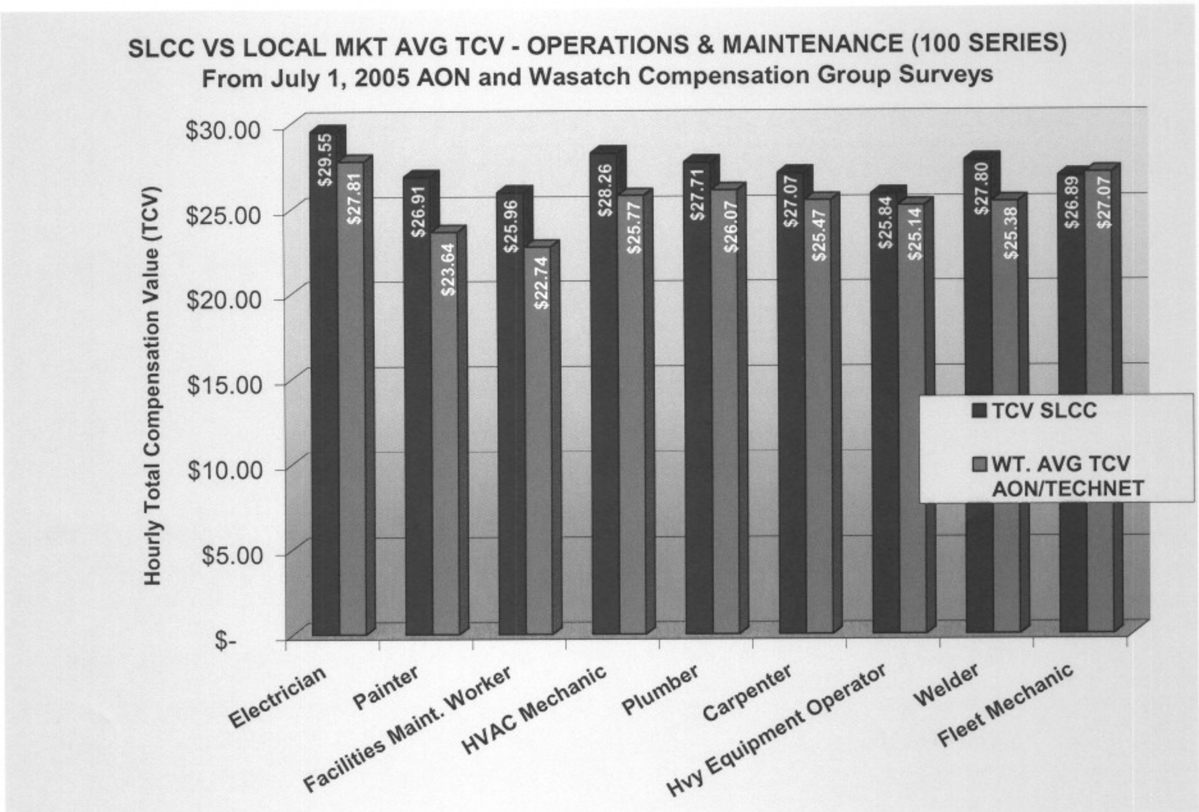
With the foregoing caution in mind, following are individual depictions based on a merge of two data sources: the 2005 AON SALT LAKE AREA SALARY & BENEFITS SURVEY and the online survey provided by the *Wasatch Compensation Group* (WCG) referred to as *Technology Net*. We have borrowed from WCG the term *total compensation value* (TCV), to reflect the combined value of salary and such core benefits as retirement and group health/life insurance.

<u>AFSCME 100 Series—Operations and Maintenance</u>

Covered by contract with the American Federation of State, County and Municipal Employees (AFSCME), operations and maintenance employees (*100 Series*) number approximately 700, making it the largest single group of SLCC workers. The *100 Series* pay structure consists of salary grades with 5 steps

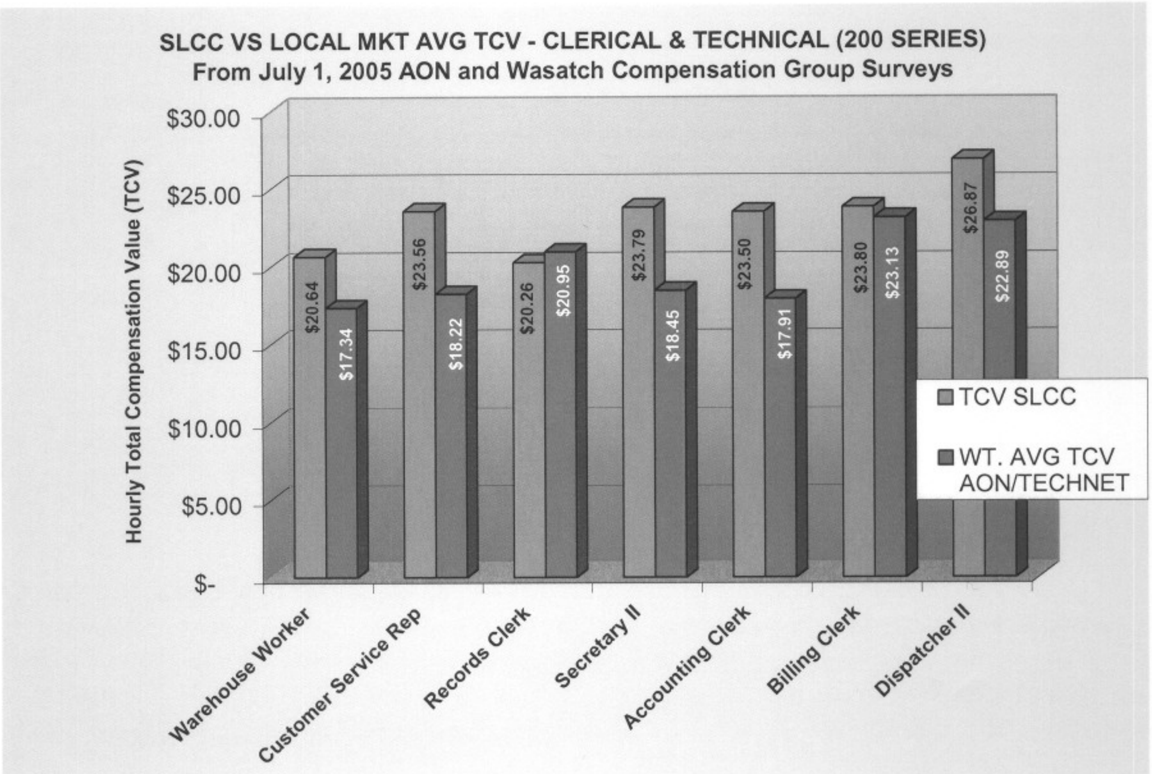
(A to E). Most *100 Series* employees are topped out, so the cost of funding merit steps is relatively very low.

The nine operations and maintenance positions selected for comparison are all standard benchmarks in the local market place, being common to both private and public employers.



AFSCME 200 Series—Clerical and Technical

The City has approximately 370 clerical and technical employees (*200 Series*). Also covered by AFSCME, the salary structure for this series is made up of pay grades containing 10 steps. With twice the steps as the 100 Series pay structure (and a routinely higher turnover rate), there are many 200 Series employees who are not topped out. Given the same structure increase, the average total salary increase for the *200 Series*—as a percentage—is going to be predictably higher than for the *100 Series*—but the smaller population will account for comparably less total cost.

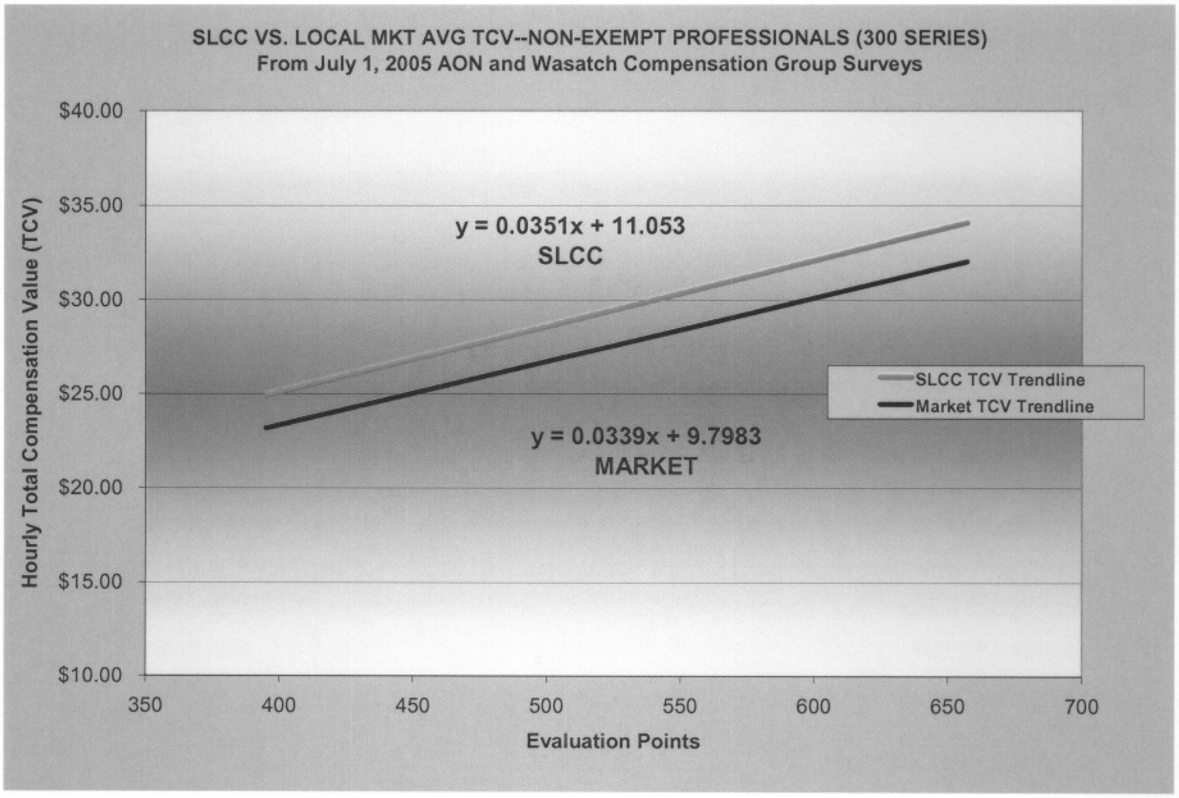


300/600 (Professional) Series

There are approximately 340 *300 Series* employees in the City's pay program. These are professionals considered to be subject to the Fair Labor Standards Act (FLSA) overtime pay requirements . The number of professionals treated as FLSA exempt (*600 Series*) is about 360. Both pay programs use ranges rather than steps to define the salary grade limits. Hence, there are no merit steps and thus no merit-step costs are associated with these pay series.

We obtained survey data on approximately 40 professional position benchmarks. Because of the large data set, regression analysis is used to determine the general relationship between SLCC TCV rates and those of the market.

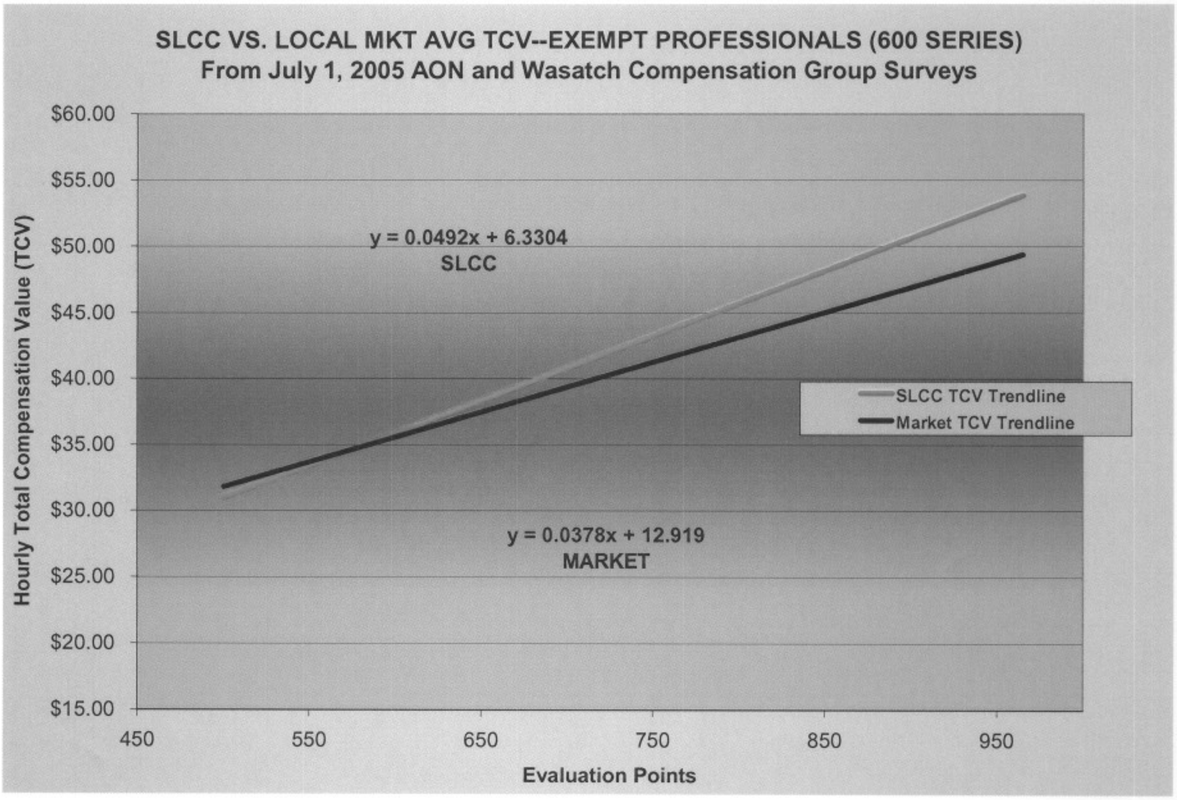
The next chart shows the comparison for the 300 Series. Solving for Y at 400 evaluation points (see equation on chart), data suggests that the City's TCV for lower level 300 Series positions is about 3 percent above market. Indications are that rates for the higher level jobs average approximately 6.4 percent above market, at 650 evaluation points.



Looking at the next chart, data for the 600 Series positions (exempt professionals) suggests substantial differences in terms of comparison with market at the lower level vs. the higher level jobs.

Indications are that SLCC's TCV is 2.8 percent below market at 500 evaluation points; 7.8 percent above market at 900 evaluation points. Despite the relatively large data set, there could be individual cases causing some skewing of results. For example, the City's TCV for the position of golf course superintendent—which is a maintenance supervisor—is less than 80 percent of market. On the other hand, the attorney TCV data puts SLCC at 115 percent of market.

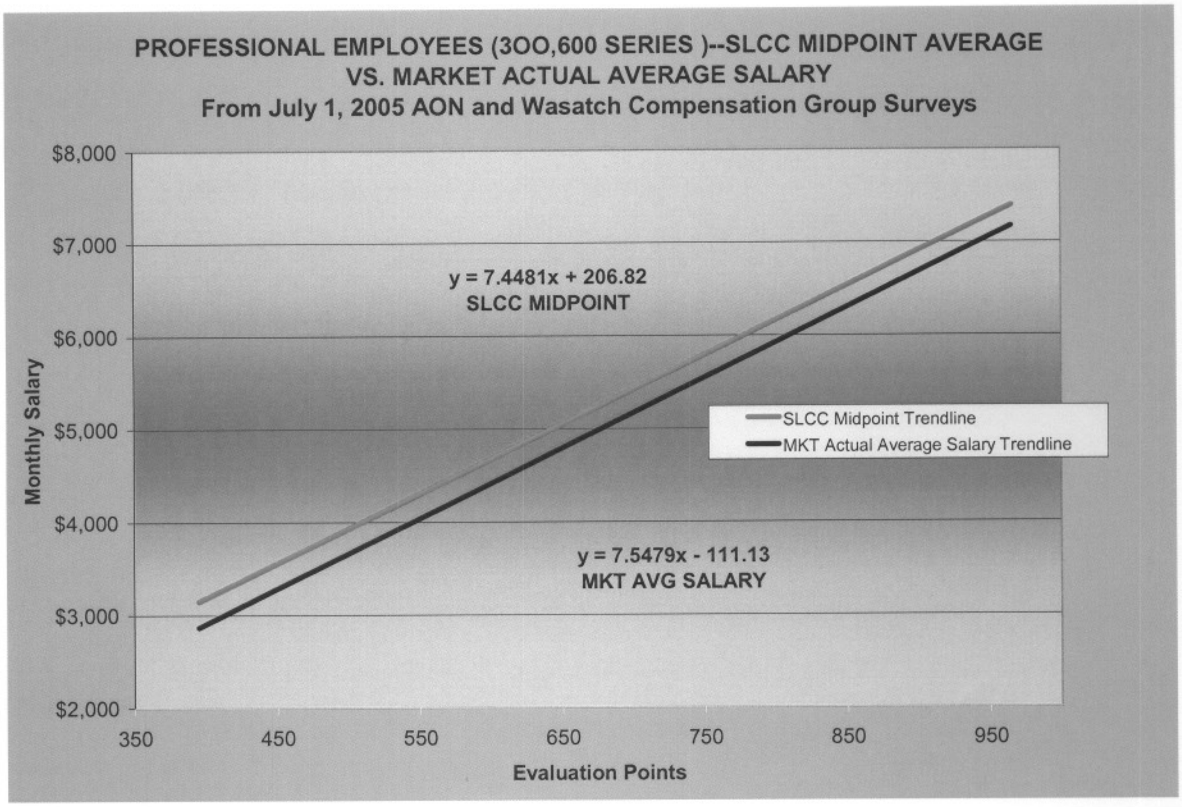
Again, caution is advised. Staff has reported detecting substantial differences in the number of private survey participants providing data for certain benchmarks this year vs. prior years. This raises credibility questions.



On a related note (next chart), this year's data *indicates* that the City's professional employee salary range midpoints—which serve as *control points* to cluster rates closer to market average—remain high, but not as much as in previous periods.

To lessen the risk of overcorrection and morale problems, we have advised modest increases rather than cut backs or freezes. Except for the 2004-2005 freeze, the City appears to have followed that advice. We advocate staying the course. Prudence suggests continuing to increase the midpoints in accordance with market trend.

Again, solving for Y, data indicates that on average SLCC salary range midpoints are approximately 8.3 percent high compared to market actual average salary at 450 evaluation points; 3.4 percent high at 900 evaluation points.

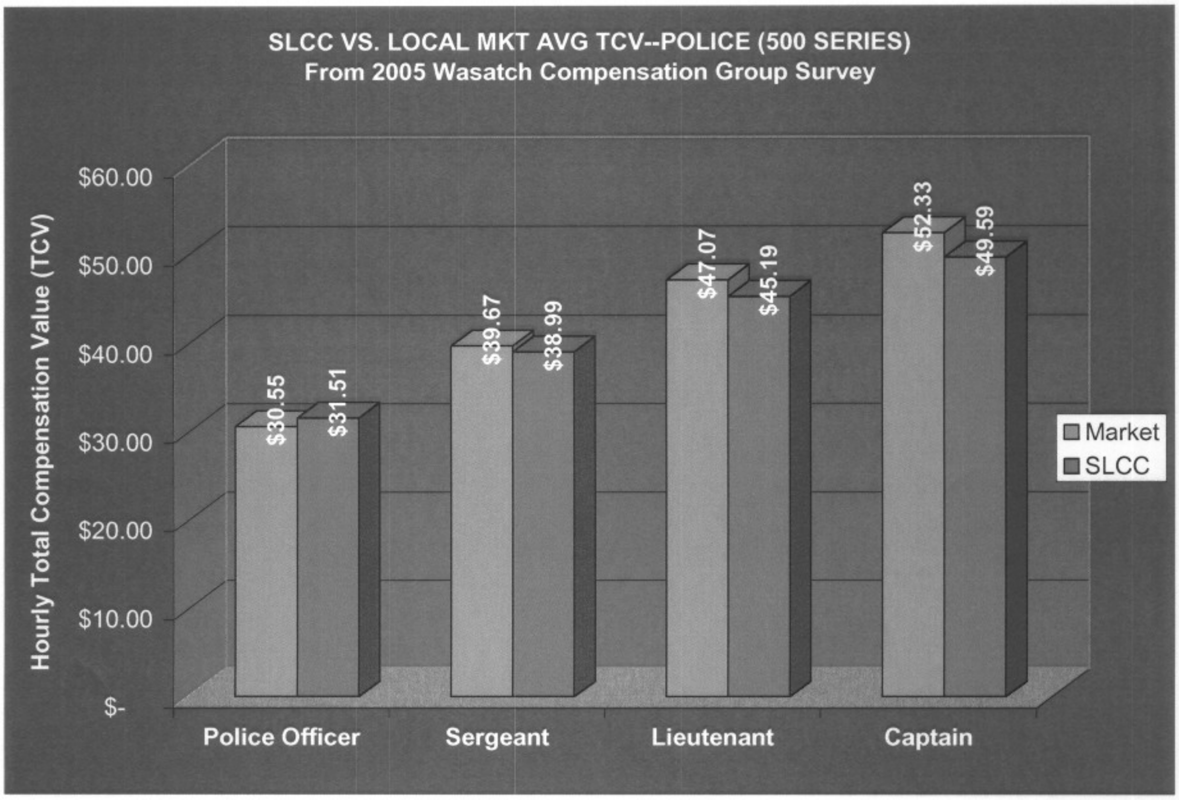


Police (500 and 800 Series)

Looking at the next chart, the City's non-supervisory police officers (500 Series) number around 330. Their salary plan has 10 steps, corresponding to years of service. Although many are topped out, there are still a substantial number of officers progressing through the steps. Thus, funding for merit step increases must be considered as significant in the total salary budget.

Regarding the supervisory law enforcement group, there are 48 Sergeants, 18 Lieutenants, and 6 Captains, all in a one-step salary structure. Only the sergeants are treated as non-exempt from FLSA requirements.

Competition for police recruits is most likely to come from local agencies who are relatively aggressive in use of compensation strategy to attract and retain personnel. Such agencies include Salt Lake County and the cities of Sandy, Murray, West Valley and West Jordan. These are the agencies used in comparing SLCC's pay practice with that of the local market. Data comes from the *Wasatch Compensation Group* survey.

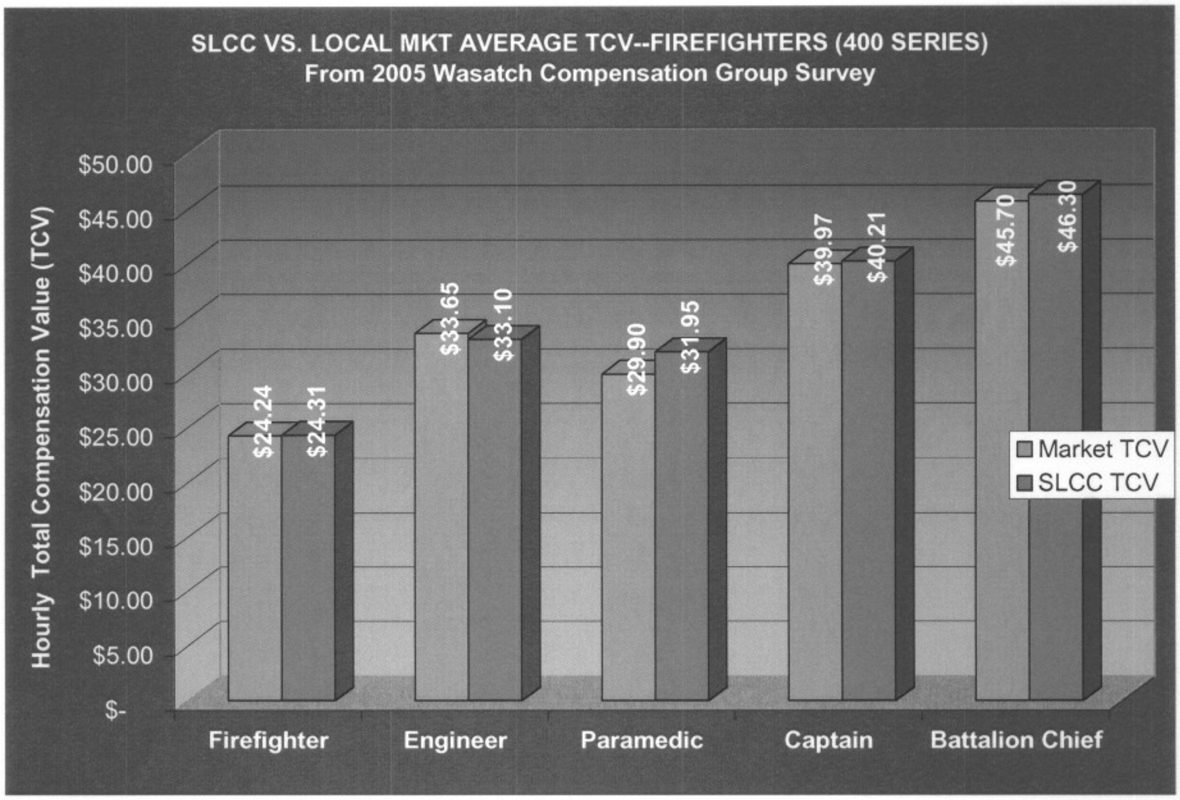


Fire (400 and 900 Series)

Approximate numbers of Firefighters are 60 Firefighter EMTs, 70 Paramedics, 115 Engineers, 8 Fire Captains, and 10 Battalion Chiefs. All personnel are on stepped salary plans; only the Battalion Chiefs are excluded from the FLSA overtime requirements. Non-supervisory personnel make up the *400 Series*. Fire Captains and Battalion Chiefs comprise the 900 Series.

There are only three steps in each of the wage schedules for Fire Captain and Battalion Chief, and most of the incumbent population is topped out. Merit-step increase cost, therefore, is negligible. On the other hand, there are many employees in the non-supervisory ranks still progressing through the pay steps, so merit-step increase costs must be a significant factor in the salary budget plan.

Like police personnel, lure for firefighter recruits is likely to be strongest with the higher paying local agencies. Thus the ones used for market comparison are the same ones used for police.



Executives (000 Series) and Unclassified Employees (U00 Series)

The City has 53 executives and 39 “unclassified” employees. Like executives, *Unclassified* employees are appointed, however, they do not have executive status. Both of these salary plans use ranges rather than steps, but the unclassified structure does not use a control point. Salaries are decided solely by executive discretion of the Administration and the City Council.

Except for attorneys, we have not conducted market salary comparisons for unclassified employees due to the lack of benchmark matches.

It should also be noted that we did not collect data on executive compensation this year, but last year's results indicated that SLCC's executive salaries were about 6 percent low compared to the national public sector average, and about 10 percent above the local government average. As we noted last year regarding the latter, It should be kept in mind that the scope of responsibilities may differ substantially between that of a Salt Lake City executive and a counterpart working in a much smaller agency.

Regarding the Market Comparison Data

It bears repeating that the foregoing data sets are merely indicators not dictates, and precipitous action based on such information is ill-advised. An apparent small excess in total compensation value over the local market should not be seen as cause to curtail pay increases—especially considering the newly developing climate for compensation decision making. Also, not yet known are upcoming fiscal-year adjustments by other local agencies. Such adjustments will likely reduce or may even eliminate the apparent excess.

In any case—if we are to rely on the data—the total value of SLCC's compensation package appears to approximate the local market average. Hence, we see it as a neutral factor in the mix of indicators that should influence the City's upcoming pay decisions. Analysts are reporting significant growth in Utah jobs at all levels and in a wide variety of employment sectors. Combined with increases in the cost of living, such information heralds a tighter labor market ahead. We believe these are factors with which the City will have to deal in order to maintain a competitive pay program.

Employee Recognition

The City recently conducted an employee satisfaction survey. Among the queries, employees were asked to agree or disagree with such statements as "Employees in my work area are recognized for outstanding performance," and "My department recognizes individuals based on performance." Only 40 percent agreed with the first statement; only 30 percent agreed with the second one.

Certainly there are effective means of recognizing employees that do not involve money. A simple *thank you* for a job well done is one of many. In fact, industry experts say that recognition for good work is at the very top of the job-satisfiers list. As the citizen committee that advises the City on "compensation," prompting improvement in the use of intrinsic motivators may be regarded as a bit out of our bailiwick. But as professionals familiar with the ways and means of employee retention in a tight labor market, we'll go out on that limb.

Turning to recognition via monetary means, we hold to the advice given in several of our previous reports that individual pay for performance is problematic for most of the employee population. Here, we refer to linking salary adjustments to routine ratings on how well *the job* is done. What we do support, however, are cash awards for doing more than the job's expectations. These may take the form of one-time, lump sum awards for accomplishment of a mission-critical project by a team or an individual, or simply an individual's temporary assumption and completion of tasks that go above and beyond the call of duty.

On a related note, we advocate for FY 2006-2007 the use of one-time, lump sum payments to employees who are topped out in stepped pay plans—or for any individual who receives an otherwise smaller increase because his or her salary exceeds the respective range midpoint. Regarding the latter case, we note that in previous years the City has used such a combination (*base pay* plus *supplemental pay*), not only to stay competitive with the competition, but also to let employees know they're appreciated.

In Closing

We direct the reader to the executive summary presented on this report's first three pages. It contains the highlights of our observations and recommendations for the Fiscal Year 2006-2007. We believe Utah's jobs growth is leading to significant competition among local employers to attract and retain qualified personnel. The cost of living appears to be on the rise, too. If so, there will be increased pressure for pay raises and the City will need to respond accordingly.

As a citizen advisory committee, we appreciate the opportunity to provide input and guidance for the City's compensation and benefits practice. We look forward to reviewing this report with the Mayor and the City Council, and we will be glad to answer any questions or discuss any needed follow-up.

Cori Petersen, Chair
Allen Miller, Vice Chair
Robert Baty
Lourdes Cooke
Diane Mansfield
Diane Wood
Larene Wyss