

March 26, 2024

MEMORANDUM

To: Seattle City Council
From: Ben Noble, Director and Karina Bull, Analyst
Subject: CB 120758: Non-Represented Employee Economic Items

On April 2, 2024, the City Council (Council) will discuss and may vote on a legislative package that will impact the wages, benefits, and other working conditions of most City of Seattle (City) employees. The legislative package includes the following Council Bills (CBs):

CB 120757 **Coalition Collective Bargaining Agreements 2023-2026**, authorizing the execution of collective bargaining agreements with the City and the Coalition of City Unions (Coalition) for annual wage increases and other changes to terms and conditions of work.

CB 120758 **Non-Represented Employee Economic Items**, establishing comparable changes for City employees who are not represented by a union, but who work in comparable positions with pay determined by “step progressions” (i.e., salary increments awarded in discrete steps as tenure with the City increases).

CB 120759 **Pay Zone 2023-2024**, establishing comparable changes in the “pay bands” (i.e., minimum and maximum compensation levels) for discretionary pay programs where salary adjustments for non-represented employees are subject to management discretion. Examples of job titles in discretionary pay programs include Strategic Advisors, Managers, and Executives.

This memo provides a high-level summary and describes the financial impacts of the Non-Represented Employee Economic Items in CB 120758. Separate memos address the components and financial impacts of CB 120757 and CB 120759.

Summary

This legislation will establish annual wage increases and other changes to the terms and conditions of work that are comparable to those included in the Coalition agreements (CB 120757) for City employees who are not represented by a union. Historically, the City has provided the same benefits and other conditions of employment, and opportunities for wage increases for employees represented by Coalition unions as for non-represented employees.

1. Annual wage increases (AWIs)

Most non-represented employees in step progression job titles (i.e., job titles not in the discretionary pay programs) will receive AWIs as follows¹:

- 2023 – 5 percent
- 2024 – 4 percent
- 2025 – Local inflation (as measured by the regional Consumer Price Index), minimum 2 percent & maximum 4 percent
- 2026 – Local inflation + 1 percent, minimum 2 percent & maximum 5 percent

2. Negotiated wage adjustments

A total of 13 job titles will receive a “negotiated wage adjustment” based on the market rates for similarly situated, public sector positions. These negotiated wage adjustments will be consistent with adjustments for identical titles represented in the Coalition agreement. For job titles paid less than \$48,000 per year, the entire wage adjustment will become effective as of January 1, 2023. For job titles paid more than \$48,000 per year, the wage will gradually increase by certain percentage over three years.

3. Overtime meal compensation

Overtime meal compensation will be extended to employees directed to work two or more consecutive overtime hours at the beginning of their work shift. Employees also will receive more time (i.e., until the end of the following pay period) to provide receipts for purchased meals.

4. Vacation accrual

Vacation accrual will start accelerating in the fourth year of City service and cap at 30 days in the 25th year of service. Currently, [vacation accrual](#) starts accelerating in the fifth year of City service and caps at 30 days in the 30th year of service. Table 1 provides a summary of the proposed vacation accrual.

Table 1: Vacation accrual.

Accrual years	Number of days
Years 0 through 3	12
Years 4 through 7	16
Years 8 through 13	20
Years 14 through 18	23
Years 19+	One additional day per year (up to 30 days)

¹ These wage increases will not apply to non-represented employees in Library step progression positions or discretionary pay programs.

5. Bereavement leave

Employees will have expanded access to 40 hours of bereavement leave. Employees will be able to use the leave in full day or one-hour increments for “any person related to the employee by blood, marriage, adoption, fostering, guardianship, in loco parentis, or domestic partnership.” Currently, employees can use [bereavement leave](#) only for the death of a “close relative” (e.g., spouse or domestic partner, child, parent, sibling, grandparent, grandchild), and must use accrued leave (e.g., vacation, sick leave, merit leave) for the death of a “relative other than a close relative” (e.g., cousin, parent’s sibling, parent’s sibling’s child, spouse or domestic partner of a sibling, child, or grandchild).

6. Union leave

The definition of “term-limited assignment” (i.e., assignment to perform time-limited work for a specified time) will be amended to include replacement of a regularly appointed employee using “union leave.” Currently, term-limited assignments are only available for employee absences due to assignment to special time-limited projects, disability time loss, military leave of absence, or authorized absence for medical reasons. This change will allow departments to hire term-limited temporary employees to perform the work of represented employees who are on union leave.

Financial Impacts

In cooperation with the City Budget Office, the Council’s Central Staff has estimated the incremental cost of implementing (1) the non-represented employee economic items included in this legislation and (2) the full legislative package. As detailed below, the full financial implications of approving the Coalition agreements are best understood by assessing the joint impact of all three pieces of related legislation.

1. Non-represented employee economic items

The estimated costs for the non-represented employee economic items include all elements of employee compensation, including wages, retirement contributions, Social Security, and Medicare. While this legislation is limited to 2023 and 2024, the City’s past practices indicate that compensation increases provided under the Coalition agreement will be proposed for non-represented employees in 2025 and 2026. Therefore, the estimated costs for this legislation, and the legislative package as whole, assume that these additional changes will be enacted for those two years. Table 2 summarizes the costs of the non-represented employee economic items.

Table 2: Estimated costs of non-represented employee economic items.

	<i>Salary Base</i>	2023	2024	2025 est.	2026 est.	2027 est.	2028 est.
Expenditure Change (\$) General Fund	\$65,094,000	\$3,986,800	\$7,250,200	\$10,259,500	\$13,273,600	\$13,273,600	\$13,273,600
Expenditure Change (\$) Other Funds	\$124,579,000	\$7,509,000	\$13,603,000	\$19,261,000	\$25,015,000	\$25,015,000	\$25,015,000
Total – All Funds	\$189,673,000	\$11,495,800	\$20,853,200	\$29,520,500	\$38,288,600	\$38,288,600	\$38,288,600

Notes:

- Costs for compensating employees affected by this legislation increase at roughly 6 percent per year for the first three years. This is consistent with overall AWIs of 5 percent plus the cost of the negotiated wage adjustments which are phased in during a three-year period.
- Costs for 2023 will be paid in 2024 as retroactive payments for work performed in 2023. These costs will be in addition to the increased 2024 costs.
- Costs for 2025, 2026, and beyond are noted as estimates; future wage increases will depend on the realized rate of annual inflation, and those results are not yet known.
- Costs for 2027 and 2028 exactly match those for 2026 because the terms of the Coalition agreements that are driving the changes in compensation for non-represented employees extend only through 2026. The City and the Coalition will need to negotiate terms for 2027, 2028, and beyond, at some future date. Additional financial impacts will result from the outcome of those negotiations and the application of comparable terms to non-represented employees.

2. Legislative Package

The summary of costs for the legislative package includes separate estimates for the General Fund and all other City funds, taken collectively.

This approach provides the best opportunity to summarize the specific budgetary impacts of the proposed package of legislation that will affect over 11,000 employees. There will be immediate budgetary impacts in 2024, as the City will need to make retroactive payments for all of 2023 and the first part of 2024. Additionally, the legislation will increase wage costs for 2025 and beyond. These increased wages will affect the budget forecasts and ongoing budget building work for the 2025-2026 biennium, and the longer-term financial planning for 2027 and 2028.

Note, the City anticipated significant aspects of the compensation terms reflected in the proposed bills and held financial reserves to address the immediate needs and developed long-term financial plans for additional labor costs that will be incurred in the future. However, the cost of the final terms of the Coalition agreement, and the comparable terms to be provided to other City employees, exceed the costs anticipated and planned for in the 2024 budget process. The amounts of these unplanned expenses are shown in **bold** in the tables below, with separate presentations for both the General Fund and (all) Other Funds. Table 3 summarizes estimated costs of the legislative package.

Table 3: Estimated costs of legislative package.

General Fund

	Salary Base	2023	2024	2025 est.	2026 est.	2027 est.	2028 est.
Expenditure Change - General Fund	\$403,281,000	\$22,835,000	\$45,423,000	\$66,112,000	\$84,888,000	\$84,888,000	\$84,888,000
Expenditure Change Assumed in '24 Budget - Gen. Fund		(\$20,371,000)	(\$37,483,000)	(\$55,434,000)	(\$69,436,000)	(\$69,436,000)	(\$69,436,000)
Cost Above Budget/Reserves - Gen. Fund		\$2,464,000	\$7,940,000	\$10,678,000	\$15,452,000	\$15,452,000	\$15,452,000

Other Funds

	Salary Base	2023	2024	2025 est.	2026 est.	2027 est.	2028 est.
Expenditure Change - Other Funds	\$692,912,000	\$42,675,000	\$83,359,000	\$121,444,000	\$154,018,000	\$154,018,000	\$154,018,000
Expenditure Change Assumed in '24 Budget - Other Funds		(\$31,549,000)	(\$58,050,000)	(\$85,611,000)	(\$107,109,000)	(\$107,109,000)	(\$107,109,000)
Cost Above Budget/Reserves - Other Funds		\$11,126,000	\$25,309,000	\$35,833,000	\$46,909,000	\$46,909,000	\$46,909,000

All Funds

Total Costs Above Budget/Financial Plans - ALL FUNDS		\$13,590,000	\$33,249,000	\$46,511,000	\$62,361,000	\$62,361,000	\$62,361,000
--	--	--------------	--------------	--------------	--------------	--------------	--------------

Notes:

- To address the 2024 incremental costs, the Executive will request additional appropriations as part of the mid-year supplemental budget request that will likely be submitted in June or July of this year. This request will allocate the available reserves to the appropriate departments and may request appropriations beyond those reserves, likely relying on unanticipated unspent resources from 2023 and savings from actions taken in 2024 to generate additional resources to cover any additional need.
- As the table illustrates, the incremental cost of the agreements exceeds the existing reserves, which indicates that some amount of additional resources will be needed. For example, in 2024, total General Fund costs will exceed budgeted resources by \$10.4 million (the sum of the additional \$2.46 million needed for 2023 and the \$7.94 million needed for 2024). However, the Executive has taken steps to reduce overall 2024 expenditures, including a hiring freeze, and these actions may be sufficient to address the portion of the incremental costs that exceed the reserves. If not, unspent resources from 2023 will likely be sufficient to close the gap. The Council would have to approve the use of such unspent resources for this purpose, but it is almost certain that sufficient funding will exist.

- For 2025, 2026, and beyond, the financial impact of these agreements is to increase the projected deficit beyond the levels anticipated when the budget and its associated financial plans were adopted last November. At that time, the ongoing General Fund deficit was projected to be approximately \$230 million in 2025. Per the table above, the cost of the agreement with the Coalition of City Unions exceeds the amount held in reserve for the General Fund by \$10.68 million for 2025. This implies that the projected General Fund deficit has grown to \$240+ million (i.e., the original \$230 million plus this additional \$10.68 million). For 2026 and beyond, the annual impact is to increase the annual projected deficit by \$15.45 million (i.e., an increase to \$245+ million).
- The table provides comparable information about increased expenses and unanticipated costs for all Other Funds, and in the final row, for the City budget overall.

Next Steps

If the Council approves CB 120758, the Executive will implement the AWI and other changes in this legislation and CBO will transmit legislation to authorize appropriations for City departments. The amounts included in those appropriations will likely be less than the above estimated costs because the City has taken steps in early 2024 to reduce spending. Future appropriations are anticipated to be net of those administratively derived savings.

Please contact Ben Noble or Karina Bull if you have questions about this legislation.

cc: Aly Pennucci, Deputy Director
Lish Whitson, Supervising Analyst