

March 26, 2024

## MEMORANDUM

**To:** Seattle City Council  
**From:** Ben Noble, Director and Karina Bull, Analyst  
**Subject:** CB 120759: Pay Zone Ordinance 2023-2024

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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 18 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.

This memo provides a high-level summary and describes the financial impacts of the Pay Zone adjustments in CB 120759. Separate memos address the components and financial impacts of CB 120757 and CB 120758.

### Summary

CB 120759 will adjust the pay bands for City discretionary pay programs by 9.7 percent to reflect a 5 percent increase in 2023 and a 4.5 increase in 2024. The City’s discretionary pay programs<sup>1</sup> include:

1. Broad categories of job titles that are filled by many employees, such as the Accountability Pay Executives Program (APEX), the Strategic Advisor and Manager Compensation (SAM) Programs, and Information Technology Professionals; and
2. Individual compensation programs, such as those for the City Light General Manager & CEO, Police Chief, and Fire Chief.

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<sup>1</sup> Attachment A provides a list of the City’s discretionary pay programs.

The Seattle Department of Human Resources (SDHR) Director periodically recommends adjustments to the pay bands to ensure compliance with discretionary pay program requirements in the Seattle Municipal Code and establish competitive salary structures. The last comprehensive adjustment to these pay bands occurred in 2022 ([ORD 126504](#)).

The SDHR Director's current recommendation to increase the pay bands by 9.7 percent will align with the 2023 and 2024 annual wage increases (AWIs) for employees represented by the Coalition (CB 120757). Historically, the City has provided the same benefits and other conditions of employment, and opportunities for wage increases for employees represented by Coalition unions for non-represented employees.

Currently, there are 2,500 employees in discretionary pay programs, including 900 represented employees<sup>2</sup> and 1,600 non-represented employees. Represented employees in these programs will receive a salary increase subject to the terms of their collective bargaining agreement (e.g., Coalition members will receive a 9.7 percent increase). Non-represented employees in these programs will be eligible for a salary increase subject to the discretion of their appointing authority (i.e., head of department).

## **Financial Impacts**

In cooperation with the City Budget Office (CBO), the Council's Central Staff has estimated the incremental cost of implementing (1) the pay zone 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. Pay zones**

Compensation increases for non-represented employees in discretionary pay programs will be subject to the discretion of appointing authorities, and in this sense, this legislation will not have an immediate fiscal impact. However, the Executive intends to request appropriations for each City department to provide employees with compensation increases that are consistent with the percentage growth in each pay zone. The below estimates reflect the cost of providing those compensation increases.

Also, while this legislation is limited to 2023 and 2024, past practices indicate that the Executive will propose pay zone changes (consistent with the compensation increases in the Coalition agreement) for 2025 and 2026. Therefore, the estimated costs for this legislation and the legislative package as a whole, assume that these additional changes will be enacted for those two years. Table 1 summarizes the costs of providing compensation increases for employees in discretionary pay programs.

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<sup>2</sup> About half of represented employees in discretionary pay programs are members of Coalition bargaining units.

Table 1: Estimated costs of pay zone changes.

	<i>Salary Base</i>	<b>2023</b>	<b>2024</b>	<b>2025 est.</b>	<b>2026 est.</b>	<b>2027 est.</b>	<b>2028 est.</b>
<b>Expenditure Change (\$) General Fund</b>	<i>\$123,985,000</i>	\$5,878,000	\$11,577,200	\$16,999,700	\$22,639,100	\$22,639,100	\$22,639,100
<b>Expenditure Change (\$) Other Funds</b>	<i>\$144,239,000</i>	\$6,822,000	\$13,444,000	\$19,752,000	\$26,311,000	\$26,311,000	\$26,311,000
<b>Total – All Funds</b>	<i>\$268,224,000</i>	<b>\$12,700,000</b>	<b>\$25,021,200</b>	<b>\$36,751,700</b>	<b>\$48,950,100</b>	<b>\$48,950,100</b>	<b>\$48,950,100</b>

Notes:

- Costs for compensating employees affected by this legislation increase at a rate of 4 percent to 5 percent per year for the first four years, consistent with annual wage increases provided in the Coalition agreement.
- 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 employees affected by the pay zones 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 employees affected by the pay zones.

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 2 summarizes estimated costs of the legislative package.

Table 2: Estimated costs of legislative package.

**General Fund**

	Salary Base	2023	2024	2025 est.	2026 est.	2027 est.	2028 est.
<b>Expenditure Change - General Fund</b>	\$403,281,000	\$22,835,000	\$45,423,000	\$66,112,000	\$84,888,000	\$84,888,000	\$84,888,000
<b>Expenditure Change Assumed in '24 Budget - Gen. Fund</b>		(\$20,371,000)	(\$37,483,000)	(\$55,434,000)	(\$69,436,000)	(\$69,436,000)	(\$69,436,000)
<b>Cost Above Budget/Reserves - Gen. Fund</b>		\$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.
<b>Expenditure Change - Other Funds</b>	\$692,912,000	\$42,675,000	\$83,359,000	\$121,444,000	\$154,018,000	\$154,018,000	\$154,018,000
<b>Expenditure Change Assumed in '24 Budget - Other Funds</b>		(\$31,549,000)	(\$58,050,000)	(\$85,611,000)	(\$107,109,000)	(\$107,109,000)	(\$107,109,000)
<b>Cost Above Budget/Reserves - Other Funds</b>		\$11,126,000	\$25,309,000	\$35,833,000	\$46,909,000	\$46,909,000	\$46,909,000

**All Funds**

<b>Total Costs Above Budget/Financial Plans - ALL FUNDS</b>		\$13,590,000	\$33,249,000	\$46,511,000	\$62,361,000	\$62,361,000	\$62,361,000
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**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 then 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 120759, CBO intends to transmit legislation later this year to authorize appropriations for City departments to provide employees in the affected job titles with compensation increases that are consistent with the percentage growth in each pay zone. 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.

### **Attachment**

- A. List of discretionary pay programs

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

**Attachment A****List of discretionary pay programs:**

- Accountability Pay for Executives (APEX) Discretionary Pay Program
- Strategic Advisor and Manager (SA/M) Discretionary Pay Program
- Investments/Debt Director Compensation Program
- Electric Utility Executive (EUE) Compensation Program
- Legislative Department's Broadbands
- Mayoral Staff Assistant Discretionary Pay Program
- Assistant City Attorney Discretionary Pay Program
- Seattle Police Chief Compensation Program
- Seattle Fire Chief Compensation Program
- Seattle City Light General Manager and Chief Executive Officer Compensation Program
- Magistrate Compensation Program
- Seattle Public Utilities General Manager and Chief Executive Officer Compensation Program
- Seattle Information Technology Chief Technology Officer Compensation Program.