

## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
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### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to City employment, commonly referred to as the Pay Zone Ordinance; adjusting the pay zone structures for 2023 and 2024 for the City’s discretionary pay programs; and ratifying and confirming certain prior acts.

**Summary and Background of the Legislation:** This legislation proposes the adjustments to the pay structures for various discretionary pay programs for 2023 and 2024.

The Executive submitted this bill as part of a “legislative package” that includes the following:

- 1. Coalition Collective Bargaining Agreements 2023-2026**, authorizing the execution of 18 collective bargaining agreements with the City and the Coalition of City Unions (“Coalition”) that would establish annual wage increases and other changes to terms and conditions of work;
- 2. 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 progression” (i.e., salary increments awarded in discrete steps as tenure with the City increases); and
- 3. Pay Zone 2023-2024**, establishing comparable changes in the “pay bands” (i.e., minimum/maximum compensation levels) for discretionary pay programs where salary adjustments for non-represented employees are subject to the discretion of the appointing authority (i.e., head of department).

Note, the City has historically 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.

### **Pay Zone 2023-2024**

This legislation proposes adjustments to the pay structures for various discretionary pay programs for 2023 and 2024. The last comprehensive adjustment to these pay structures occurred in 2022 ([ORD 126504](#)). Covered programs include the Accountability Pay for Executives (APEX) Discretionary Pay Program; the Strategic Advisor and Manager (SA/M) Discretionary Pay Program; the Investments/Debt Director Compensation Program; the Electric Utility Executive (EUE) Compensation Program; the Legislative Department’s Broadbands; the Mayoral Staff Assistant Discretionary Pay Program; the Assistant City Attorney Discretionary Pay Program; the Seattle Police Chief Compensation Program; the Seattle Fire Chief Compensation Program; the Seattle City Light General Manager and Chief Executive Officer

Compensation Program; the Magistrate Compensation Program; Seattle Public Utilities General Manager and Chief Executive Officer Compensation Program; and the Seattle Information Technology Chief Technology Officer Compensation Program. The proposed adjustments are consistent with the percentage increases that are reflected in the City’s negotiated agreements with the Coalition of City Unions (“Coalition”).

Various pay programs, collectively known as discretionary pay programs, provide for annual or biennial review of the salary structures to remain competitive in the labor market. These adjustments do not automatically create additional costs. However, the Executive intends to submit legislation that will grant all City departments the appropriation authority needed to increase compensation rates consistent with the percentage increases associated with the legislated changes in the discretionary pay programs.

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project?  Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation have financial impacts to the City?  Yes  No

This financial assessment includes two components:

1. Detailed assessment of the financial impacts of the specific legislation associated with this summary and fiscal note; and
2. Overall summary of the net impact of the three pieces of legislation that authorize (or facilitate) new compensation levels for (a) Coalition employees; (b) non-represented employees working in comparable titles; and (c) employees working in discretionary pay programs (i.e., “broad band” titles), including but not limited to Strategic Advisors, Managers, and Executives.

**Fiscal Impacts – Pay Zone Changes**

In cooperation with the City Budget Office, the City Council’s Central Staff has estimated the incremental cost of implementing this legislation. As noted above, compensation changes to non-represented employees who serve in affected titles are discretionary, and in this sense this legislation has no immediate fiscal impact. However, the Executive intends to provide the resources needed for each City department to award affected employees compensation increases that are consistent with the percentage growth in each pay zone. The estimates provided reflect the cost of providing those increases in compensation. In addition, past practice indicates that while this legislation is limited to 2023 and 2024, pay zone changes consistent with the compensation increases provided under the Coalition agreement will be proposed for 2025 and 2026. The analyses that follow assume that these additional changes will be enacted for those two years.

The estimates include a comparison of the costs relative to (a) existing compensation levels, and (b) reserves that the City held last fall in adopting the 2024 Budget in anticipation of completing negotiations with the Coalition. The estimated costs include all elements of employee compensation, including wages, retirement contributions, Social Security, and Medicare.

	<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>	<b>\$268,224,000</b>	<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:

- Total costs of the non-represented employee economic items are divided roughly 45% General Fund and 55% Other Funds.
- Compensation costs for employees affected by this legislation increase at a rate of 4% to 5% 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, which will partially be paid as retroactive awards for work through the first part of the year, and then as ongoing costs for the remainder of the year.
- 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. The estimates presented here are consistent with the inflation forecasts generated by the City’s Office of Economic and Revenue Forecasts.
- 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, and these impacts will be additive to the estimates presented here for 2027 and 2028.

There are no new revenues associated with this legislation. This legislation does not authorize the creation of new positions.

**Fiscal impacts – legislative package:**

When taken as a whole, the three pieces of related legislation authorize compensation changes (or authorize pay band increases) for over 11,000 employees. The table below\* provides a summary of the joint financial impacts of this legislative package, with separate estimates provided for the General Fund and all other City funds, taken collectively.

This portion of the analysis provides the best opportunity to summarize the specific budgetary impacts of the proposed package of legislation. As described above, 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. Looking forward, 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 has 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.

**General Fund**

	<i>Salary Base</i>	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>		<b>\$2,464,000</b>	<b>\$7,940,000</b>	<b>\$10,678,000</b>	<b>\$15,452,000</b>	<b>\$15,452,000</b>	<b>\$15,452,000</b>

**Other Funds**

	<i>Salary Base</i>	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>		<b>\$11,126,000</b>	<b>\$25,309,000</b>	<b>\$35,833,000</b>	<b>\$46,909,000</b>	<b>\$46,909,000</b>	<b>\$46,909,000</b>

**All Funds**

<b>Total Costs Above Budget/Financial Plans - ALL FUNDS</b>		<b>\$13,590,000</b>	<b>\$33,249,000</b>	<b>\$46,511,000</b>	<b>\$62,361,000</b>	<b>\$62,361,000</b>	<b>\$62,361,000</b>
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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 (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 (so 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.

### 3.a. Appropriations

**This legislation adds, changes, or deletes appropriations.**

**Appropriations Notes:** Legislation modifying appropriations to support additional costs to City departments as a result of this legislation will be advanced for consideration later in 2024.

### 3.b. Revenues/Reimbursements

**This legislation adds, changes, or deletes revenues or reimbursements.**

### 3.c. Positions

**This legislation adds, changes, or deletes positions.**

### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

While this legislation provides adjustments to the pay structures for the various discretionary pay programs, it does not set individual employee pay rates or provide additional appropriation authority. Companion legislation impacts wages for individual represented and non-represented employees and cost estimates for each of those pieces of legislation can be found in their corresponding Summary and Fiscal Notes.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

N/A

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

The legislation is needed to implement elements of collective bargaining agreements and other labor agreements authorized by other legislation.

### 4. OTHER IMPLICATIONS

**a. Please describe how this legislation may affect any departments besides the originating department.**

This legislation provides adjustments to the pay structures for the various discretionary pay programs. The discretionary pay programs include positions across all City departments.

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

**i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

N/A

**ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

N/A

**iii. What is the Language Access Plan for any communications to the public?**

N/A

**d. Climate Change Implications**

**i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

N/A

**ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

N/A

**e. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

N/A

**5. CHECKLIST**

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

**6. ATTACHMENTS**

**Summary Attachments:**