

STAFF REPORT

TO: Summit County Council
FROM: David Warnock – Summit County Personnel Director
Matt Leavitt – Summit County Financial Officer
DATE: April 21, 2021
SUBJECT: Discussion regarding employee compensation



BACKGROUND:

In the initial 2020 adopted budget the Summit County Council adopted what included an average 3.0% merit increase per department. As a result of the pandemic and subsequent County budget amendments any further merit increases were suspended beginning April 1, 2020. As a result of the suspension 48 employees did receive a merit increase while the majority (approximately 298 positions) of employees did not have that salary adjustment made available to them.

Furthermore, due to budget reductions that carried over into 2021 no cost of living (COLA) increase was afforded to County employees, nor merit increases budgeted. It was a decision of the County Council to defer any COLA consideration until mid-year 2021 after evaluating actual revenues by the County in order to not incur additional costs without offsetting resources.

In March 2021 President Biden signed into law the American Rescue Plan Act of 2021 (ARPA) that provided \$1.9 trillion for economic stimulus throughout the Nation. As a result, Summit County has been awarded approximately \$8.1 million of direct assistance with additional funds that may come available through application. While still awaiting specific direction from the United States Department of the Treasury, which is anticipated before mid-May 2021, these funds may be used to offset costs to local governments as a result of a reduction of revenues.

The County administration and elected officials are requesting that the County Council address both an appreciation to County employees for their dedication and continued work during the pandemic as well as addressing increasing employee turnover and improve employee retention.

COUNCIL REQUIRED ACTION:

The Council may approve, reject or delay approval of staff recommendations. Actual implementation of any approved recommendation would be done through a future meeting's agenda and proposed budget amendment.

SUMMARY INFORMATION:

Summit County has been awarded \$8,173,763 of direct allocation of ARPA funds to be delivered in two separate tranches – the first 50 percent to be delivered within 60 days after enactment (approximately

mid-May) and the second 50 percent to be delivered no earlier than 12 months after the first payment (May 2022). One of the specific allowable uses of the ARPA funds is to provide government services to the extent of the reduction in revenues as a result of the COVID-19 pandemic.

At the onset of the pandemic impacting Summit County (March 2020) the Council reacted by reducing anticipated revenues in operating funds by \$7.1 million (11.7 percent) by amending the operating budget in April and May of 2020. The budget amendments included no longer funding a merit related pay increase for County employees. Between January 1, 2020 and March 30, 2020 there were 48 employees (13.8 percent) who did receive an average 2.96 percent merit increase. The estimated budget savings related to defunding the merit program is \$356 thousand.

Recommendation 1: Staff recommends that the Council approve using ARPA funds to compensate County employees who did not receive a merit increase during 2020. The estimated cost of funding a 3.0 percent merit increase for impacted County employees is approximately \$530 thousand and will apply to 298 County employees. A merit increase may not be 3.0% for all impacted employees if a specific employee is at the top of their current pay range.

During the 2021 budget process the County considered ongoing impacts of the COVID-19 pandemic and County resources. The adopted 2021 budget did not include a cost of living adjustment (COLA). Historically the County has recognized the importance of budgeting for a COLA in order to help County employees maintain purchasing power over time, be competitive in the labor market, and as an effort to retain employees.

The following table shows three different sources related to CPI and COLA for 2021:

Agency	Percent	Source
National CPI	1.8%	U.S. Bureau of Labor Statistics
Social Security COLA	1.3%	Social Security Administration
State of Utah COLA	3.0%	Utah Public Employees Association (State Base 2021 budget)

In addition, demonstrating the competitive job market for government employees the following table shows average earnings for all government employees in the selected areas¹. For reference, the average annual pay for Summit County employees is \$65,327. To further illustrate labor market competition the Cost of Living Index is provided. The Cost of Living Index compares the expenses an average person can expect to incur compared to different regions. For example, the cost of living in Summit County is 37.1 percent higher than the national average.

¹ Source: Emsi developer

Area	Avg Earnings	Cost of Living Index
Summit County	\$63,854	137.1
Salt Lake County	\$74,588	109.6
State of Utah	\$67,620	103.9
National	\$81,796	100.0

Recommendation 2: In order to remain competitive in the labor market and retain County employees **staff recommends that the Council consider a 1.0% COLA increase for all County employees.** The recommendation is that the COLA be retroactive to the first pay period in 2021 which would amount to approximately \$235 thousand.

Since January 2020 there were 55 total employees who left Summit County employment – a 17 percent turnover ratio during a time of high unemployment rates (fewer jobs) compared to a turnover ratio of 12 percent in 2019. Of those employees that left in 2020

- 37, or 67 percent, were voluntary resignations;
- 11, or 20 percent, were retirees;
- 7, or 13 percent, left for other reasons such as terminations, job abandonment, etc.

The County has made employee recruitment and retention a priority during the past several budget cycles. In order to address this priority the County has historically funded COLA and merit increases as a part of the annual budget. The adopted 2021 County operating budget did not include either a COLA or a merit adjustment. While employees have been somewhat understanding of the County’s need to adopt a balanced budget against estimated available resources that understanding has not curtailed the high turnover ratio.

When preparing the 2021 budget the County was not aware that ARPA funds would be made available. Since ARPA funds may be used to offset reductions in County revenues they can be used for County operations. Analyzing historical growth of sales tax revenues alone, growing at a rate of approximately 5.6 percent per year, the County estimated sales tax revenues for 2021 were on track to be more than \$12.4 million for operating funds. Due to the uncertainty surrounding the pandemic and its impacts on the local economy these sales tax revenues were estimated to be a little more than \$10.5 million. Despite the estimated reduction in sales tax revenues the 2021 budget did include \$470 thousand as a place holder for mid-2021 consideration for a one-time incentive pay.

The opportunity afforded by the ARPA funds allows the County to once again prioritize employee recruitment and retention. **Recommendation 3: staff recommends the Council consider implementing a merit increase program as part of the 2021 budget.** Staff recommends that departments be allowed an average 3.0 percent merit increase for their employees similar to what has been done in previous years. The estimated impact of a 3.0 percent average merit increase is approximately \$695 thousand.

Summary:

The combined estimated costs of implementing all three recommendations approximately (all estimates are annual and would need to be adjusted for date of implementation):

- Recommendation 1: \$530 thousand
 - Recommendation 2: \$235 thousand
 - Recommendation 3: \$695 thousand
- Total of recommendations: \$1.46 million

To be funded initially by the first tranche of the ARPA funds. As the County moves towards full economic recovery it is anticipated that the compensation considerations be absorbed into the annual operating budget of the County.

Please address comments or questions to:

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