

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7a
Date of Meeting September 11, 2014

DATE: August 22, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Dan Thomas, Chief Financial & Administrative Officer
Michael Tong, Corporate Budget Manager
SUBJECT: 2015 Payroll Budget Assumptions Briefing

SYNOPSIS:

The purpose of this briefing is to discuss with the Commission key payroll assumptions to be used in preparing the 2015 budget.

BACKGROUND

The Port is preparing the 2015 budget. The budget process includes setting up and testing new budget modules in the budget system, budget user training, department and division strategic and business planning, publishing budget guidelines, establishing budget targets, entering budget data into the system, running budget allocations and budget reports, conducting department and division reviews, Executive reviews, and Commission reviews, publishing the preliminary budget for public comments, adopting the final budget, filing the statutory budget with the King County Council and Assessor's Office, and the preparation and release of the final budget document.

PAYROLL BUDGET ASSUMPTIONS

The 2015 payroll budget assumptions are outlined as follows:

1) Pay for Performance

As a reminder, our Total Rewards Philosophy as approved by the Commission calls for pay and pay increases to be market competitive. Similar to the past several years, we are projecting an average 3.0% Pay for Performance increase for non-represented employees in 2015 based on preliminary market survey data. With inflation and the economy continuing to show relatively slow growth it is unlikely that this assumption will significantly change. However, as more data becomes available later in the budget process it may be revisited.

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2) Salary Ranges Increase

We currently anticipate needing to increase non-represented salary ranges by up to 2.0% to maintain market competitive pay ranges for 2015, which is also consistent with the past several years. This increase will affect only a small number of employees and the financial impact will be negligible.

3) Intern Pay Rates

With the recent City of Seattle Minimum Wage Ordinance, we have updated the methodology for calculating intern rates to ensure compliance with this new requirement. Intern rates were previously based on the Washington State minimum wage but effective 1/1/15 they will be based on the City of Seattle minimum wage. In 2015 the high school intern rate will be \$11.00/hour and college and graduate intern rates will be scaled using that as a base.

4) Port-Sponsored Medical/Dental Benefits (covers all non-represented and some represented employees)

The budgeted net cost for our self-funded medical/dental and fully-insured Group Health benefits plan is projected to increase by 1.6% compared to 2014. This reflects continued progress in managing medical costs through our healthcare strategy.

5) PERS Retirement Contributions

We have no firm information regarding potential changes to employer contributions to PERS next year, which must be adopted by the Legislature. Based on information from the Office of the State Actuary, we are projecting that next year's full year blended rate will increase to 9.86% compared to 9.21% this year.

6) Benefits for Interns

The requirement of the Affordable Care Act to provide medical coverage to employees working more than 30 hours per week also applies to interns who currently do not receive benefits beyond holiday pay. Intern hours are already limited to ensure proper application of DRS regulations for PERS eligibility. Beginning in 2015, intern hours worked will also be limited to no more than 1,300 per calendar year.

7) Represented Employees

Pay increases for represented employees are governed by individual contracts – most are based on CPI (0-6%), while some include negotiated increases and/or STEP increases. Health & Welfare and pension contributions for employees not covered by

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Port-sponsored plans are also governed by contract. We have been successful in incorporating employee healthcare cost sharing in all of our union contract renewals.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 19, 2015 – Tourism and OSR Strategies/Programs Discussion.
- August 5, 2014 – 2015 Seaport and Real Estate Business Plans Discussion.
- July 29, 2014 – 2015 Aviation Business Plan Discussion.
- June 10, 2014 – Briefing on 2015 Business Plan and Budget Process.