

**From:** Phil Koen <[REDACTED]>  
**Sent:** Friday, May 7, 2021 7:28 AM  
**To:** Ron Dickel; Kyle Park; [ricktinsley](#)[REDACTED]; [loreen](#)[REDACTED];  
[stacey.del](#)[REDACTED] Matthew Hudes; Rob Rennie  
**Cc:** Laurel Prevetti; Arn Andrews; [jvannada](#)[REDACTED] Lee Fagot; Catherine Somers; Jim Foley  
**Subject:** Agenda Item #2 - revised salary and benefit schedule

Dear Finance Commission members,

I requested Staff to correct the original analysis so that it would agree to schedule C-14 in the FY 2022 Financial Summary section and to include estimates for FY 2021 and the plan for FY 2022. While some corrections were made, schedule C-14 is showing higher salary and benefit expenditures than what is reflected in the latest version of the salary and benefit schedule. While the differences are not material, it is concerning that the schedules still don't agree. I would request that the Finance Commission request Staff to correct the schedule, so a total Town view is presented. Additionally, please ask the Staff to include FY 2021 estimates and the FY 2022 plan numbers. These numbers are disclosed in aggregate on C-14 so it would be helpful to include FY 2021 and FY 2022 in the trend analysis.

I have made my own attempt to include FY 2021 estimate by using the total salary and benefit number on schedule C-8 and assuming a split between salary and benefit. Schedule C-8 presents information for just the General Fund and was used to obtain the total amount for salary and benefit expenditures. The salary and benefit schedule presents combined data for the General Fund and the Internal Service Fund. Starting in FY 2019, all salary and benefit expenditures previously expensed in the Internal Services Fund were move to the General Fund. Therefore, C-8 is consistent with the data on the schedule.

The analysis shows that over the 6-year period, FY 2015 – FY 2021, total compensation expenditures have increased 41.3% which reflects a compounded annual growth rate of 5.9%. What is more eye opening, is that for the two-year period FY 15 – FY 17, the average increase in salary cost was 1%. For the most recent two-year period FY 19 – FY 21, the average increase was 7%. Clearly there has been a material change in how the Town is managing its salary costs. What is even more staggering is the average 7% increase occurred when 60% of all employees were at the maximum step pay!

Hopefully, we can now move on from the debate about the “numbers” and begin a debate as to what is the Town prepared to do to address this run-away freight train. The Town cannot continue on the path where 70% of the Town's general fund operating expenses (salary and benefits) are increasing at a rate that is 2x the rate of growth of general tax revenues. This is not sustainable. It is deeply troubling that the Five-Year Plan makes no assumption about future salary increases and thus provides no insight as to what might happen. The Council is simply flying blind to the future cost of 70% of the general fund operating expenditures. The Town Manager needs to prepare a Five-Year plan which can be relied upon so the Council can make informed decisions. This is an easy recommendation that hopefully the Finance Commission will support.

The Town Council has, perhaps unknowingly, allowed this to happen. A cumulative impact of a 41% increase in salary and benefit costs over a six- year period has placed the Town in a very difficult financial position. The Town is now running structural deficits. This Commission must provide the Council with sound financial advice/recommendation so appropriate corrective actions can be taken.

Phil Koen

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 SUBJECT: Commissioner Questions and Comments  
 DATE: May 5, 2021

Please provide a revised salary and benefits table which includes the % changes for benefits as well as salary.

Combined GF & ISF Fund Salaries						
	2014_15	2015_16	2016_17	2017_18	2018_19	2019_20
Salaries-Total	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973
Salaries-Temp	\$ 867,364	\$ 869,152	\$ 913,362	\$ 811,194	\$ 648,097	\$ 881,908
Salaries-OT	\$ 436,917	\$ 415,372	\$ 545,427	\$ 583,001	\$ 707,046	\$ 708,955
Benefits-Total	\$ 6,526,096	\$ 7,224,479	\$ 9,470,413	\$ 8,238,405	\$ 8,861,044	\$ 9,678,595
Benefits-PERS	\$ 3,362,328	\$ 3,818,073	\$ 6,088,841	\$ 4,739,853	\$ 5,282,681	\$ 6,059,646

FY 21  
 20,707,692  
 10,194,544

**Adjustments for Temporary & OT Salaries**

Salaries	\$ 15,324,291	\$ 15,416,095	\$ 15,758,451	\$ 16,921,167	\$ 17,942,181	\$ 19,254,973
Less: Temp Salaries	(867,364)	(869,152)	(913,362)	(811,194)	(648,097)	(881,908)
OT Salaries	(436,917)	(415,372)	(545,427)	(583,001)	(707,046)	(708,955)
	\$ 14,020,010	\$ 14,131,571	\$ 14,299,662	\$ 15,526,972	\$ 16,587,038	\$ 17,664,110

**Year Over Year % Change Based Upon Actuals**

Salaries	0.80%	1.19%	8.58%	6.83%	6.49%	7.5%
Benefits	10.70%	31.09%*	-13.01%	7.56%	9.23%	5.3

**SALARY CHANGE ANALYSIS**

Total Change FY 14/15 to FY 19/20	\$ 3,644,100
Total % Change	25.99%
Annual Change Unadjusted	5.20%

Total Change FY 14/15 to FY 19/20	\$ 3,644,100
Less One-Time Equity Adjustments FY 18/19 & 19/20 (salary only)	\$ (1,558,864)
Total Adjusted Change	\$ 2,085,236

Total Five Year % Change Adjusted	14.87%
Annual Change Adjusted For One-Time Equity Adj.	2.97%

**BENEFITS CHANGE ANALYSIS**

Total Change FY 14/15 to FY 19/20	\$ 3,152,499
Total % Change	48.31%
Annual Change Unadjusted	9.66%

Total Change FY 14/15 to FY 19/20	\$ 3,152,499
Less One-Time Equity Adjustments FY 18/19 & 19/20 (benefits only)	\$ (580,321)
Total Adjusted Change	\$ 2,572,178

Total Five Year % Change Adjusted	39.41%
Annual Change Adjusted For One-Time Equity Adj.	7.88%

\* Benefits impacted by Implementation beginng in FY 2016/17 of annual calculated Pension Expense for Internal Service Funds as per provisions of GASB 68- (Accounting and Financial Reporting for Pensions)

6 yr GASB  
 5.14%  
 7.7%  
 5.9%  
 Total Comp

Total Δ %  
 35.1  
 56.2  
 41.3

2021 (e)  
 Salary 20,707,692  
 Benefits 10,194,544  
30,892,559

2019 26,803,225  
 2020 28,933,568  
 2021 30,892,559  
 2015 21,850,387

**TOTAL TOWN  
REVENUES AND EXPENDITURES**

**GENERAL FUND**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Estimated</b>	<b>Proposed</b>
<b>REVENUES</b>					
Property Tax	\$ 12,510,822	\$ 13,636,099	\$ 14,454,513	\$ 14,652,355	\$ 15,710,152
VLFF Backfill	3,447,584	3,685,247	3,875,914	4,053,000	4,154,320
Sales & Use Tax	7,592,206	8,158,152	7,531,425	7,135,131	8,177,859
Franchise Fees	2,474,814	2,475,916	2,495,792	2,521,970	2,597,630
Transient Occupancy Tax	2,628,927	2,692,043	1,869,685	707,723	920,040
Other Taxes	1,686,251	1,526,894	1,357,080	1,300,000	1,250,000
Licenses & Permits	3,011,309	3,067,994	2,696,457	2,912,257	2,641,779
Intergovernmental	1,010,166	945,191	1,104,075	4,257,997	3,881,836
Town Services	4,630,893	4,640,804	4,447,213	3,900,311	3,860,490
Internal Srvc Reimbursement	-	-	-	-	-
Fines & Forfeitures	676,212	510,266	271,117	102,332	203,450
Interest	244,762	1,689,575	2,266,134	597,371	441,233
Other Sources	3,397,720	7,292,833	1,381,187	1,545,409	720,498
Debt Service Reimbursement	1,914,739	1,909,073	1,905,024	1,908,494	1,899,850
Transfers In	544,836	1,578,911	599,669	609,492	633,352
<b>TOTAL REVENUES</b>	<b>\$ 45,771,241</b>	<b>\$ 53,808,998</b>	<b>\$ 46,255,285</b>	<b>\$ 46,203,842</b>	<b>\$ 47,092,489</b>
<b>EXPENDITURES</b>					
Salaries & Benefits	\$ 23,574,425	\$ 26,803,225	\$ 28,933,568	\$ 30,892,559	\$ 31,748,291
Operating Expenditures	9,457,424	11,955,327	13,397,031	14,083,222	8,905,832
Grants & Awards	194,808	248,533	274,249	576,000	541,382
Fixed Assets	-	38,307	138,384	2,365	-
Interest	-	-	-	13,003	-
Internal Service Charges	3,867,445	2,527,470	2,188,211	2,378,580	2,666,807
Capital Projects	-	-	-	-	-
Capital Acquisitions	-	-	-	-	-
Debt Service	1,914,739	1,909,073	1,905,024	1,908,494	1,899,850
Transfers Out	3,484,330	2,785,220	8,053,847	3,401,479	550,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 42,493,171</b>	<b>\$ 46,267,155</b>	<b>\$ 54,890,314</b>	<b>\$ 53,255,702</b>	<b>\$ 46,312,162</b>
<b>Net Increase (Decrease)</b>	<b>3,278,070</b>	<b>7,541,843</b>	<b>(8,635,029)</b>	<b>(7,051,860)</b>	<b>780,327</b>
<b>Beginning Fund Balance</b>	<b>27,150,613</b>	<b>30,428,683</b>	<b>37,970,526</b>	<b>29,335,497</b>	<b>22,283,637</b>
<b>Ending Fund Balance*</b>	<b>\$ 30,428,683</b>	<b>\$ 37,970,526</b>	<b>\$ 29,335,497</b>	<b>\$ 22,283,637</b>	<b>\$ 23,063,964</b>

\* Year End Fund Balance represents General Fund 111 (Long Term Compensated Absences were accounted in Fund 961 prior to FY 2018/19, Pension Trust Fund 731 was incorporated in FY 2018/19).

**TOTAL TOWN  
REVENUES AND EXPENDITURES**

**TOTAL ALL FUNDS**

	<b>2017/18</b>		<b>2018/19</b>		<b>2019/20</b>		<b>2020/21</b>		<b>2021/22</b>
	<b>Actuals</b>		<b>Actuals</b>		<b>Actuals</b>		<b>Estimated</b>		<b>Proposed</b>
<b>REVENUES</b>									
Property Tax	\$ 12,510,996	\$	13,636,099	\$	14,454,542	\$	14,652,355	\$	15,710,152
VLF Backfill	3,447,584		3,685,247		3,875,914		4,053,000		4,154,320
Sales & Use Tax	7,592,206		8,158,152		7,531,425		7,135,131		8,177,859
Franchise Fees	2,474,814		2,475,916		2,495,792		2,521,970		2,597,630
Transient Occupancy Tax	2,628,927		2,692,043		1,869,685		707,723		920,040
Other Taxes	1,784,327		1,621,762		1,463,966		1,418,220		1,358,220
Licenses & Permits	4,624,222		4,148,509		4,081,144		3,993,370		3,871,278
Intergovernmental	4,275,547		4,532,465		6,214,369		7,749,682		9,178,731
Town Services	5,137,853		5,186,462		4,785,845		4,269,934		3,945,490
Internal Srvc Reimbursement	4,880,836		3,529,840		3,094,669		3,348,173		3,679,055
Fines & Forfeitures	676,212		510,266		271,117		102,332		203,450
Interest	369,893		1,874,225		2,470,607		638,971		486,094
Other Sources	4,239,472		11,298,859		2,542,672		4,626,312		800,498
CIP Proj Reimbursement	3,829,478		3,818,146		3,810,048		3,816,988		3,899,700
SCC RPTTF Reimbursement	-		-		-		-		-
Transfers In	3,886,431		4,714,131		9,996,516		4,010,971		1,183,352
<b>TOTAL REVENUES</b>	<b>\$ 62,358,798</b>	<b>\$</b>	<b>71,882,122</b>	<b>\$</b>	<b>68,958,311</b>	<b>\$</b>	<b>63,045,132</b>	<b>\$</b>	<b>60,165,869</b>
<b>EXPENDITURES</b>									
Salaries & Benefits	\$ 25,296,305	\$	26,948,325	\$	29,069,533	\$	31,029,519	\$	31,935,989
Operating Expenditures	13,539,894		16,190,402		17,424,281		18,505,510		13,704,045
Grants & Awards	194,808		248,533		274,249		576,000		541,382
Fixed Assets	627,785		661,316		807,829		1,609,958		557,710
Interest	756,482		823,734		1,195,635		1,263,003		1,300,000
Internal Service Charges	3,874,398		2,529,889		2,191,235		2,383,784		2,671,435
Capital Projects	10,041,532		8,987,510		7,907,339		8,556,898		6,385,736
Capital Acquisitions	-		-		-		-		-
Debt Service	4,927,828		4,845,861		4,767,807		4,475,482		4,399,550
Transfers Out	4,127,166		4,714,131		9,996,516		4,010,972		1,183,352
<b>TOTAL EXPENDITURES</b>	<b>\$ 63,386,198</b>	<b>\$</b>	<b>65,949,701</b>	<b>\$</b>	<b>73,634,424</b>	<b>\$</b>	<b>72,411,126</b>	<b>\$</b>	<b>62,679,199</b>
<b>Net Increase (Decrease)</b>	<b>(1,027,400)</b>		<b>5,932,421</b>		<b>(4,676,113)</b>		<b>(9,365,994)</b>		<b>(2,513,330)</b>
<b>Beginning Fund Balance</b>	<b>61,562,455</b>		<b>60,535,055</b>		<b>66,467,476</b>		<b>61,791,363</b>		<b>52,425,369</b>
<b>Ending Fund Balance</b>	<b>\$ 60,535,055</b>	<b>\$</b>	<b>66,467,476</b>	<b>\$</b>	<b>61,791,363</b>	<b>\$</b>	<b>52,425,369</b>	<b>\$</b>	<b>49,912,039</b>

*Note: Expenditures and Transfers Out may exceed Revenues due to the inclusion of planned and carry-forward capital projects and payments from General Fund reserves to the Town Pension and OPEB Trusts.*