



THE WOODLANDS TOWNSHIP

The Woodlands, TX

EXECUTIVE SUMMARY

July 27, 2011

ISSUE: 2012 Proposed Personnel Services Budget (Salaries and Benefits)

FACTS:

Staff has included projected costs for employee salaries and benefits in the 2012 budget. These projected costs are based on recommendations by staff and Gallagher Benefit Services.

NON-BARGAINING UNIT SALARIES

Each year, staff recommends a base salary increase for inclusion in the budget. Twenty comparable municipalities and government agencies are surveyed to assist with this recommendation. The majority of these agencies have not yet determined what percent base salary increase will be included in their budget, yet they will share this information as these decisions are made. Information received thus far is detailed in the table below:

Government Agency	Amount Given 2011	Amount Projected 2012
Baytown	0%	5%
Conroe	3%	3.5%
CISD	3%	0%
Houston	3% + 1.25% performance	0%
Montgomery County	3% COLA + 3% merit	TBD
Oak Ridge North	3%	3%
Shenandoah	2.1%	2%
Sugar Land	0%	2%
West University Place	3%	3%
The Woodlands Fire Dept. (Bargaining Unit)	3%	2.7%
The Woodlands Township	2%	3%

Human Resource consultants The Hay Group recently projected base salary increases for 2011 to be 3.1% and these projected increases are consistent across executive, middle management, supervisory and clerical positions. These firms survey a broad group of workers, including both salaried and hourly employees in most industries. The 2011 Culpepper Salary Increase Budget Update Survey recently projected salary increases to rise from 2.7% in 2010 to 3.18% in 2011. This survey also reported that fewer than 5% of companies in the United States are freezing

salaries, compared to 14% in 2010. Staff has included a 3% salary increase in the 2012 budget with an April 1, 2011 effective date.

In 2009, a compensation and benefits study was conducted by Waters Consulting Group. The Board of Directors adopted a salaries and benefits plan as a result of this study. The Township's compensation philosophy has been to appropriately align our base salary for jobs at around the middle competitive market (100% of comparable market) within budget restraints. All jobs are paid at least the minimum of their salary range, and any job at or above the maximum of the salary range has been frozen and will not receive an increase. Time in Position adjustments were also approved in 2009 which were based on an employee moving through their salary range and being paid at the midpoint of their range after seven years service. Time in Position adjustments were not included in the 2011 budget due to economic conditions. Staff has reviewed the Township salary structure and comparable market in 2011, and recommends the inclusion of equity or time in position adjustments following the process adopted in 2009. Eighty employees are recommended to receive time in position adjustments in 2012 for a total cost of \$90,748.

BARGAINING UNIT SALARIES

Fire suppression personnel have been covered by a Collective Bargaining Agreement since April 1, 2000. Battalion Chiefs, Deputy Chiefs and the Fire Chief are not covered by a Collective Bargaining Agreement. The Labor Agreement addresses conditions of employment, for example, rates of pay, hours of work, benefits, and uniforms. The term of the current Labor Agreement was January 1, 2006 until December 31, 2008; it was extended by mutual agreement with management through December 31, 2011.

Firefighter salaries are compared each year to the salaries paid in twelve Texas cities. The actual average salaries for each of the ranks (Firefighter, Driver Operator, Lieutenant, and Captain) are placed at 102% of the average market pay and a Schedule of Wages is created each year. The projected increase in firefighter salaries for 2012 is 2.7%. Historical increases for firefighter salaries are below:

2011	3.0%
2010	4.52%
2009	5.9%
2008	9.4%
2007	6.5%

Dispatch personnel (with the exception of the Dispatch Manager) have been covered by a Labor Agreement since April 4, 2004. The term of the current agreement is January 2010 through December 2011 and contains a similar process for determining salaries as the Firefighter's CBA. Dispatch salaries are compared to the salaries paid in fourteen Texas cities. The actual average salaries are placed at 100% of the average market pay and a Schedule of Wages is created. The projected increase in dispatcher salaries for 2012 is 3.5%. Historical increases for dispatch salaries are below:

2011	6.3%
2010	5%
2009	3.6%
2008	3.6%
2007	4.0%

BENEFITS

In January 2011, The Woodlands Township began providing its employee medical insurance on a self-insured basis. A reserve account in the amount of \$800,000 was created to be used for larger than expected claims and to pay for claims should The Township decide to become fully insured at some point in the future. Gallagher Benefits Services provides a monthly claim analysis to The Township which reports increases/decreases to the reserve account as well as compares 2011 self-insured costs to projected 2011 fully-insured costs. Through June 30, 2011, projected claims costs have not been as large as was budgeted, and \$108,941 has been added to the health care reserve account. It is projected that The Township will save \$633,841 in 2011 compared to projected fully insured costs, resulting in a 16.5% decrease over projected fully-insured costs.

It is difficult to project 2012 medical costs since The Township has only been providing self-insured medical insurance for six months in 2011. Stop-loss insurance providers will not firm renewal rates until 90 days prior to the beginning of a plan year. Gallagher’s actuary has reviewed The Township’s medical costs and conservatively projected a 10.3% increase in 2012. Staff and Gallagher Benefits Services’ consultants believe this increase will be lower should our claims trend continue as it has since January, and as we receive actual stop-loss renewal rates. Insurance rate increases on a national basis are projected to increase by 11% from 2011 – 2012; this is often referred to as trend. Even with conservative projections, The Township’s increase in medical costs in 2012 is below trend. The cost of medical insurance will continue to be split 80/20 – the Township will pay 80% of medical costs and employees will contribute the remaining 20%.

Dental insurance premiums are not projected to increase in 2012. Non-medical insurance premiums – life insurance, short-term disability insurance and long-term disability insurance – are provided with a three-year premium rate guarantee, and will remain the same as 2011 costs.

The Township implemented a 401a and 457b retirement benefit plans for its employees on January 1, 2010. Employees who make a salary deferral contribution into their 457b plan will receive a 2:1 match into their 401a plan. In October 2009, the Board approved the 2:1 match so long as the Township costs did not exceed 9.3% of total payroll. Staff will use year-end compliance testing data and subsequent reports to determine the actual costs of the Township match each year. The following table shows the % of payroll attributed to the match for the past three years:

Year	Township	WFD	Combined
2008	7.66%	12.44%	10.03%
2009	8.94%	12.14%	10.50%
2010	9.84%	12.47%	11.12%

The current labor agreement with The Woodlands Professional Firefighters Association calls for a 2:1 match to a maximum of 14%.

RECOMMENDATION:

None. This data is provided to the Board of Directors regarding the details of the salaries and benefits costs included in the 2012 proposed budget.