

KIRKLAND SALARY COMMISSION MEETING

Minutes

Thursday, December 8, 2005

1. CALL TO ORDER

On December 8, 2005, the Kirkland Salary Commission held a meeting in the Norkirk Conference Room at the Kirkland City Hall, 123 Fifth Avenue. The meeting was called to order at 5:08 p.m.

Members present were: Doreen Marchione; Bea L. Nahon; and Dave Russell. Staff members present were: Marilynne Beard, Director, Finance & Administration; Robin Jenkinson, City Attorney; and Bill Kenny, Director, Human Resources.

2. NEW BUSINESS

Dave Russell opened the meeting by discussing the background of the establishment of the Salary Commission and the fact that the last adjustment to the City Council compensation was nine years ago. Mr. Russell noted that the legislative authority for the establishment of citizen salary commissions was somewhat recent in origin. He explained that salary adjustments determined by a salary commission do not require City Council action. He further explained that salary increases can go into effect immediately, without regard to the terms of the Council Members. Decreases may not go into effect until the subsequent terms of office.

He noted that if one estimated the time devoted by City Council Members to City Council work, conservatively, at ten hours per week, it was equivalent to a one-quarter time position. He further observed that it is difficult to estimate the amount of time expended on Council work by Mayors as there considerable variance based upon an individual Mayor's circumstances, i.e., whether they have full-time outside employment.

Mr. Russell addressed some of the materials provided by staff, specifically the council member compensation and benefit surveys. Staff explained that these surveys were developed based upon the ten cities that the City regularly uses for salary comparisons for Management and Confidential Employees: Auburn; Bellevue; Bothell; Edmonds; Everett; Federal Way; Kent; Lynnwood; Redmond; and Renton.

Kirkland City Council Members are currently paid \$650 a month and the Kirkland Mayor is paid \$950 a month. The matrices prepared by staff comparing the Kirkland City Council with city council compensation and benefits in the ten comparable cities reflected that the Kirkland compensation is below the average of cities by \$482 and \$392, for the Council Members and Mayor, respectively. Seven

of the comparable cities offer medical insurance and one city offers a flat amount for medical expenses. The average of the benefits provided by comparable cities is \$307 monthly for medical insurance, per employee, and \$704 monthly for a family.

Ms. Nahon asked whether the Commission should look at a different salary for the Deputy Mayor. Mr. Russell responded that there has been such wide variation in the responsibilities assumed by the Deputy Mayor and the amount of hours devoted to the position, that it would be difficult to try to assign a salary to the position.

The Commission discussed the presence of seven strong mayor cities in the list of comparable cities. These are cities with a mayor-council form of government, in which the mayor is the chief executive of the city and manages its day-to-day business. Because these cities have full-time mayors, they were not used as comparison with the Mayor's position in Kirkland.

Staff suggested that in lieu of good comparisons for the Mayor's position, the Commission could simply maintain the same percentage of difference between the compensation for the Council Members and Mayor as currently exists.

Ms. Nahon noted that the Report of the City of Spokane Valley Salary Commission, which she had located online, was included in the Commission materials and considered cities in the State of Washington which operate under a council-manager form of government. Staff pointed out that this other group had fewer members in the Puget Sound vicinity, making it less useful as a set of comparables.

Ms. Marchione suggested and the Commission discussed removing Everett and Bellevue as the outliers, based upon having greater population and paying among the highest compensation and benefits. Discussion followed about what might be appropriate to bring the Kirkland Council Members and Mayor closer in line with the comparable cities. With respect to benefits, the Commission discussed the fact that Kirkland does not currently pay for Council Members' medical benefits or related programs. It was observed from the benefit survey information in the Commission materials, that seven of the comparable cities offered council members medical insurance ranging from 50% to 100% coverage. Only two of the comparable cities offered no medical benefits or related programs.

Staff explained that the seven comparable cities which offered council members medical benefits, provided benefits which are basically equivalent to what Kirkland paid, in 2005, for Management and Confidential employees: \$349.75 per month for Association of Washington Cities ("AWC") Regence Blue Shield Medical Plan B; or \$311.96 per month for Group Health Cooperative. The Commission discussed the available benefits options. Staff noted that in order to offer AWC medical benefits, 50% of the City Council would have to be enrolled. In order to offer the dental and vision program provided to Kirkland employees, 100% of the Council would have to be enrolled. Staff explained that Kirkland does have a Flexible

Spending Account program which enables individuals to set aside money on a pre-tax basis to pay for health and day care costs. The Commission discussed the merits of providing the Mayor and Council Members a monthly dollar amount in lieu of offering benefits directly, to provide more flexibility based upon personal circumstances and need.

The Commission Members summarized what they thought, preliminarily, was appropriate as an increase in the compensation: a \$250 increase in monthly compensation for Council Members to \$900 a month; a \$250 increase in monthly compensation for the Mayor to \$1,200 a month; and a \$250 monthly allowance, in lieu of benefits, for the Council Members and Mayor. The Commission agreed to conduct a meeting which the public could attend to provide comment on the approach the Commission had discussed. The Commission asked that staff make the information about the Commission's discussion and thinking, in the form of minutes, readily accessible in advance of the meeting. The information about the upcoming meeting should be posted on the City's website along with minutes of the Commission's meeting. Citizens should also be encouraged to provide written comments. There was discussion about utilizing the "Items of the Audience" portion of an upcoming City Council agenda as one way of letting citizens know about the Commission's meeting. The Commission would meet, consider correspondence as well as comments received from those in attendance, and vote on the Mayor and Council Members' compensation. The Commission talked about meeting during January 2006, with a potential effective date for any compensation adjustments of February 1, 2006.

3. ADJOURNMENT

The December 8, 2005 meeting of the Kirkland Salary Commission adjourned at 5:30 p.m.

Kirkland Salary Commission

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3. COMPENSATION SURVEY AND BENEFIT PROGRAMS.
4. BACKGROUND MATERIAL: CITY OF SPOKANE VALLEY INDEPENDENT SALARY COMMISSION FINAL REPORT DATED AUGUST 2, 2004.

ORDINANCE 4022

AN ORDINANCE OF THE CITY OF KIRKLAND ESTABLISHING A SALARY COMMISSION FOR THE CITY AND ADDING A NEW CHAPTER 3.11 OF THE KIRKLAND MUNICIPAL CODE.

WHEREAS, the salaries for the Mayor and City Council have been adjusted, from time to time, by Council ordinance as provided in RCW 35A.13.040; and

WHEREAS, the current salaries for the City Council have not been adjusted in more than nine years; and

WHEREAS, RCW 35.21.015 authorizes the City to establish an independent salary commission, by ordinance, with authority to set the salary of the members of the City Council; and

WHEREAS, the City Council desires to have a comparative salary study conducted and recommendations for future salary adjustments provided by a commission composed of citizens from the community; and

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. A new Chapter 3.11 entitled "Salary Commission" is added to the Kirkland Municipal Code to read as follows:

3.11.010 Commission Created – Membership, appointment, compensation, term.

- A. There is created a salary commission for the city. The commission shall consist of three members, to be appointed by the Mayor with the approval of the city council.
- B. A member of the commission shall serve for a three year term without compensation, and shall be a resident of the city. The initial members shall be appointed for staggered terms.
- C. No member of the commission shall be appointed to more than two terms.
- D. A member of the commission shall not be an officer, official, or employee of the city or an immediate family member of an officer, official, or employee of the city. For purposes of this section, "immediate family member" means the parents, spouse, siblings, children, or dependent relatives of an officer, official, or employee of the city, whether or not living in the household of the officer, official, or employee.

3.11.020 Vacancies.

In the event of a vacancy in the office of commissioner, the Mayor shall appoint, subject to approval of the city council, a person to serve the unexpired portion of the term of the expired position.

3.11.030 Removal.

A member of the commission shall only be removed from office for cause of incapacity, incompetence, neglect of duty, or malfeasance in office, or for a disqualifying change of residence.

3.11.040 Duties.

- A. The commission shall have the duty to review the salaries paid by the City to the Mayor and city council. If after such review the commission determines that the salary paid to the Mayor or city council should be increased or decreased, the commission shall file a written salary schedule with the city clerk indicating the increase or decrease in salary.
- B. The commission shall convene and complete its first review of the salaries paid to the Mayor and city council within 90 days of the appointment of the commission. Should the commission determine that the salary paid to the Mayor or city council should be increased or decreased, the commission shall file its initial schedule of salaries for the Mayor and city council with the city clerk no later than the 91st day following the appointment of the commission.
- C. For subsequent years, the commission shall meet no less than one time per year, during the months of August or September of each year.
- D. All meetings of the commission shall be open to the public. Citizens of the city shall have an opportunity to comment or submit comments in writing prior to a commission vote to increase or decrease salaries.
- E. Any increase or decrease in salary shall become effective and incorporated into the city budget without further action of the city council or the commission.
- F. Salary increases established by the commission shall be effective as to all members of the city council, regardless of their terms of office.
- G. Salary decreases established by the commission shall not be effective as to incumbent city council members until the commencement of their next term of office.
- H. Any adjustment of salary by the Commission shall supersede any City ordinance related to the budget or fixing of salaries, but only to the extent there is a conflict.

Section 2. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance, or the application of the provision to other persons or circumstances is not affected.

Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this 15th day of November, 2005.

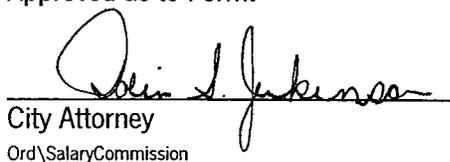
Signed in authentication thereof this 15th day of November, 2005.


MAYOR

Attest:


City Clerk

Approved as to Form:


City Attorney
Ord\SalaryCommission

**NOTICE
CITY OF KIRKLAND
SALARY COMMISSION
MEETING DATE & TIME**

The recently created Kirkland Salary Commission will hold their initial meeting on December 8, 2005. The meeting will begin at 4:00 p.m. in the Norkirk Room at Kirkland City Hall, 123 Fifth Avenue. Any person requiring a disability accommodation should contact the City in advance at 425-587-3190 or for TTY service call 425-587-3111.

Kathi Anderson, City Clerk

Publishing Date: December 6, 2005

Received by: _____ for the Daily Journal American

Date: _____

Bill to No. 900012

RCW 35.21.015

Salary commissions.

(1) Salaries for elected officials of towns and cities may be set by salary commissions established in accordance with city charter or by ordinance and in conformity with this section.

(2) The members of such commissions shall be appointed in accordance with the provisions of a city charter, or as specified in this subsection:

(a) Shall be appointed by the mayor with approval of the city council;

(b) May not be appointed to more than two terms;

(c) May only be removed during their terms of office for cause of incapacity, incompetence, neglect of duty, or malfeasance in office or for a disqualifying change of residence; and

(d) May not include any officer, official, or employee of the city or town or any of their immediate family members. "Immediate family member" as used in this subsection means the parents, spouse, siblings, children, or dependent relatives of the officer, official, or employee, whether or not living in the household of the officer, official, or employee.

(3) Any change in salary shall be filed by the commission with the city clerk and shall become effective and incorporated into the city or town budget without further action of the city council or salary commission.

(4) Salary increases established by the commission shall be effective as to all city or town elected officials, regardless of their terms of office.

(5) Salary decreases established by the commission shall become effective as to incumbent city or town elected officials at the commencement of their next subsequent terms of office.

(6) Salary increases and decreases shall be subject to referendum petition by the people of the town or city in the same manner as a city ordinance upon filing of such petition with the city clerk within thirty days after filing of the salary schedule. In the event of the filing of a valid referendum petition, the salary increase or decrease shall not go into effect until approved by vote of the people.

(7) Referendum measures under this section shall be submitted to the voters of the city or town at the next following general or municipal election occurring thirty days or more after the petition is filed, and shall be otherwise governed by the provisions of the state Constitution, or city charter, or laws generally applicable to referendum measures.

(8) The action fixing the salary by a commission established in conformity with this section shall supersede any other provision of state statute or city or town ordinance related to municipal budgets or to the fixing of salaries.

(9) Salaries for mayors and councilmembers established under an ordinance or charter provision in existence on July 22, 2001, that substantially complies with this section shall remain in effect unless and until changed in accordance with such charter provision or ordinance.

[2001 c 73 § 4.]

NOTES:

Findings -- Intent -- 2001 c 73: "The legislature hereby finds and declares that:

(1) Article XXX, section 1 of the state Constitution permits midterm salary increases for municipal officers who do not fix their own compensation;

(2) The Washington citizens' commission on salaries for elected officials established pursuant to Article XXVIII, section 1 of the state Constitution with voter approval has assured that the compensation for state and county elected officials will be fair and certain, while minimizing the dangers of midterm salary increases being used to influence those officers in the performance of their duties;

(3) The same public benefits of independent salary commissions should be extended to the setting of compensation of municipal elected officers; and

(4) This act is intended to clarify the intent of the legislature that existing state law authorizes:

(a) The establishment of independent salary commissions to set the salaries of city or town elected officials, county commissioners, and county councilmembers; and

(b) The authority of the voters of such cities, towns, and counties to review commission decisions to increase or decrease such salaries by means of referendum." [2001 c 73 § 1.]

Severability -- 2001 c 73: "If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected." [2001 c 73 § 6.]

Council Member Compensation Survey

City	Population	Meeting Frequency	Typical Length of Meetings	Monthly Compensation for Council	Monthly Compensation for Mayor	Other Benefits Provided
Alburt	45,355	2x per month	1.5 - 3 hours	\$800	n/a Full-time Mayor	74% Medical, 100% Dental & Vision
Bellevue	106,400	4x per month	n/a	\$1,650	\$1,950	\$150 car allowance, medical, dental, MEBT & PERS
Bothell	32,900	3x per month	4 - 6 hours	\$500	\$700	None
Edmonds	39,580	4x per month	3 hours	\$800 (1)	n/a Full-time Mayor	Medical Insurance
Everett	96,840	4x per month		\$1,723	n/a Full-time Mayor	Full health benefits
Federal Way	83,590	2x per month		\$1,075	\$1,375	\$350/month contribution to VEBA health account
Kent	84,210	2x per month	1 - 2 hours	\$1,676	n/a Full-time Mayor	100%/90% paid medical insurance
Lynnwood	34,500	5x per month	3 hours	\$1,350 (2)	n/a Full-time Mayor	None
Redmond	46,480	4x per month	2 - 4 hours	\$800	n/a Full-time Mayor	50% medical, life & limited insurance
Renton	54,900	4x per month	2 hours	\$950	n/a Full-time Mayor	100% medical benefits & 2% deferred comp.
Average for all cities				\$1,132	\$1,342	
Kirkland	45,630	2x per month	3.5 hours	\$650	\$950	Life Insurance and Flex Pass

(1) Base salary of \$700/month + \$50 per meeting

(2) Base salary of \$725/month + \$125 per meeting

Council Member Compensation Survey Benefits

City	Population	Monthly Compensation for Council	Health Care Benefits	City Pays EE Only	City Pays EE, Sp + Dep.	Other Benefits Provided
Albany	45,355	\$800	74% medical, 100% dental & vision	\$279	\$756	None
Belleuve	106,400	\$1,650	2005-92%-82% medical & dental*	\$465	\$1,069	MEBT & PERS
Bothell	32,900	\$500	None	\$0	\$0	None
Edmonds	39,580	\$800 (1)	90% medical, dental & vision	\$414	\$1,147	None
Everett	96,840	\$1,723	100% medical, dental & vision	\$662	\$1,188	None
Federal Way	83,590	\$1,075	None	\$350	\$350	\$350/month contribution to VEBA health account
Kent	84,210	\$1,676	100% medical only, 90% dependents	\$419	\$1,233	None
Lynnwood	34,500	\$1,350 (2)	None	\$0	\$0	None
Redmond	46,480	\$800	50% medical only	\$162	\$414	life & limited insurance
Renton	54,900	\$950	80% medical & dental	\$322	\$1,243	2% deferred comp.
Average for all cities		\$1,132		\$307	\$740	
Kirkland	45,630	\$650	None	\$0	\$0	life insurance and PERS

(1) Base salary of \$700/month + \$50 per meeting

(2) Base salary of \$725/month + \$125 per meeting

*Percentage changes each year, any annual premium increase is split between the City and EE

BENEFITS PROGRAMS DESCRIPTOR

Health Care Coverage

Health care coverage is available to elected officials through the Association of Washington Cities (AWC) Benefit Trust. In order for medical coverage to be available, 50% of all elected officials must be enrolled on a Trust-sponsored plan. For the City of Kirkland, four of the seven elected council members would need to be enrolled in the City's medical plan.

The following keys items concerning participation rules and underwriting requirements that apply specifically to elected officials:

- Elected officials may participate in the health plans currently being offered by their city.
- Elected officials who do not enroll in the medical plan when initially offered may do so only during the open enrollment period.
- As is applicable to all participants, 100% participation of elected officials is required on the dental and vision insurance programs. (100% of the premium must be paid by the city as well.)
- Should participation by the elected officials group drop below 50% during the year, coverage on all officials must be terminated the following January 1.
- Newly elected officials will be allowed to join the plan(s) when they assume their position as mayor or councilmember. Re-elected officials initially offered the plan may only enroll during the carrier's open enrollment period (if one exists).

Seven of the ten cities comparable to Kirkland currently provide medical coverage in some form or percentage to Council members. Most are equivalent to what they provide to their "MAC employees.

Two alternatives to providing direct health care coverage are a Flexible Spending Account (FSA) and Voluntary Employee's Benefit Association (VEBA). The rules for both are set by the IRS, as they provide for the utilization of pre-tax dollars.

Flexible Spending Account

FSA, also known as a Section 125 plan, allows pre-tax contributions to be used for health care premiums or medical expenses, including prescriptions and a specified list of "off-the-shelf" medical and health items. Dollars contributed to this account generally must be used within the calendar year. A "grace period" allows for expenses and claims to be made until March 15th of the following year. Funds not used by the end of the calendar year are forfeited back to the employer and cannot roll-over.

The maximum FSA medical expenses enrollment is \$2400 per plan year.

In place of providing health care benefits, the City could make a comparable contribution to an FSA in behalf of each councilmember. A Health Care FSA is pre-funded, access to these funds are available any time during the plan year regardless of the account balance. When a councilmember is no longer in office, expenses incurred prior to the last day in office would be reimbursed; or an accelerated benefit option may be utilized. The City currently provides this benefit to City staff and it is confidentiality and process is assured through by a third party administrator, Flex-Plan of Bellevue.

Voluntary Employee's Benefit Association

A VEBA account is similar to an FSA in that pre-tax contributions are placed into a fund to be used to pay for health care expenses for an individual, his or her spouse and dependents. Funds in this account can also be used to pay for post-retirement medical, dental, vision or life insurance, Medicare or Long Term Care insurance premiums. Funds can also be used to pay for out-of-pocket health care expenses. Participants self-direct the contribution amount into one or several predetermined investment funds.

VEBA funds can rollover from one year to the next. An individual account remains active as long as there are funds remaining in the account, whether the individual remains employed with the City or not. In order to provide participation, Kirkland would have to be up a qualified plan or join a multi-employer plan.

Medical Plan Open Enrollment runs from October 25th – November 30th

2006 Health Care Premium Costs

The premium increases for 2006 for AWC health care plans are as follows: Regence Blue Shield Plan A: 8.8%, Plan B: 10.1%; Group Health: 4.1%; Washington Dental Service: 10.1%; Vision Service Plan: 0%. Note: AFSCME & Teamsters contracts currently being negotiated—rates/plans subject to change depending on contract outcome.

AFSCME , MAC, POLICE COMMISSIONED & NON-COMMISSIONED Employees

Regence Plan B

	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only	\$0	\$349.75	\$0	\$385.20
Employee & Spouse	\$0	\$699.50	\$0	\$770.95
Employee, Spouse, 1 dep	\$0	\$861.85	\$0	\$950.15
Employee, Spouse, 2+ dep	\$0	\$1,002.00	\$0	\$1,104.85
Employee & 1 dep	\$0	\$512.10	\$0	\$564.40
Employee & 2+ dep	\$0	\$652.25	\$0	\$719.10

Group Health (Plan 2)

	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only	\$0	\$311.96	\$0	\$324.83
Employee & Spouse	\$0	\$614.57	\$0	\$639.81
Employee, Spouse, 1 dep	\$0	\$768.68	\$0	\$800.19
Employee, Spouse, 2+ dep	\$0	\$922.79	\$0	\$960.57
Employee & 1 dep	\$0	\$466.07	\$0	\$485.21
Employee & 2+ dep	\$0	\$620.18	\$0	\$645.59

Vision

	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Full Family	\$0	\$18.78	\$0	\$18.78

Washington Dental

	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only	\$0	\$46.50	\$0	\$51.20
Employee & 1 dep	\$0	\$87.90	\$0	\$96.75
Employee & 2+ dep	\$0	\$138.70	\$0	\$152.70

Teamster Dental

	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only or EE + dep	\$0	\$104.10	\$0	\$104.10 (2005)



TEAMSTERS & IAFF Employees

Regence Plan A (Teamsters)	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only	\$0	\$393.40	\$0	\$427.85
Employee & Spouse	\$37.88	\$734.32	\$41.28	\$799.32
Employee, Spouse, 1 dep	\$55.12	\$889.53	\$60.06	\$968.34
Employee, Spouse, 2+ dep	\$70.40	\$1,027.00	\$76.70	\$1,118.05
Employee & 1 dep	\$17.25	\$548.60	\$18.78	\$596.87
Employee & 2+ dep	\$32.52	\$686.08	\$35.42	\$746.58

Regence Plan A (IAFF)	2005 Rates		2006 Rates	
	Employee	City	Employee*	City
Employee Only	\$0	\$393.40	\$0	\$427.85
Employee & Spouse	\$37.88	\$734.32	\$66.28 (\$41.28 + \$25.00)	\$774.32
Employee, Spouse, 1 dep	\$55.12	\$889.53	\$85.06 (\$60.06 + \$25.00)	\$943.34
Employee, Spouse, 2+ dep	\$70.40	\$1,027.00	\$101.70 (\$76.70 + \$25.00)	\$1,093.05
Employee & 1 dep	\$17.25	\$548.60	\$43.78 (\$18.78 + \$25.00)	\$571.87
Employee & 2+ dep	\$32.52	\$686.08	\$60.42 (\$35.42 + \$25.00)	\$721.58

*Per IAFF Contract on 1/1/06 employee pays 10% of the premium cost plus \$25.00 per month for dependent medical coverage.

Group Health (Plan 1) (Teamsters & IAFF)	2005 Rates		2006 Rates	
	Employee	City	Employee	City
Employee Only	\$0	\$352.19	\$0	\$366.72
Employee & Spouse	\$34.28	\$660.75	\$35.69	\$687.90
Employee, Spouse, 1 dep	\$51.73	\$817.78	\$53.85	\$851.32
Employee, Spouse, 2+ dep	\$69.18	\$974.81	\$72.01	\$1,014.74
Employee & 1 dep	\$17.45	\$509.22	\$18.16	\$530.14
Employee & 2+ dep	\$34.90	\$666.25	\$36.32	\$693.56

Maximizing Pre-Tax Contributions for 2006

The limits for tax-deferred (pre-tax) contributions to MEBT and ICMA are increasing for 2006.

MEBT Plan – Employees can defer up to \$15,000 in 2006. Employees who are 50 or older may contribute an extra \$5,000 in “catch-up” contributions.

ICMA 457 Plan – Employees can defer up to \$15,000 in 2006. Employees who are 50 or older may contribute an extra \$5,000 in “catch-up” contributions. Note: You can defer up to these limits in both the MEBT and ICMA Plans.

Questions? Please contact the Human Resources Department.

Flexible Spending Accounts

Enrollment Information

Save 25-40% on your eligible expenses!

Save money on your common medical and day care expenses and put more money in your pocket.

SAVE MONEY ON:

- * **Copays**
- * **Prescriptions**
- * **Day Care**
- * **Over-the-counter Drugs**
- * **Glasses**
- * **Contacts**
- * **Dental Work**
- * **Physical Therapy**
- * **Chiropractic**
- * **Orthodontia**

CONTACT US

Flex-Plan Services, Inc.

www.flex-plan.com

(425) 452-3500

(800) 669-FLEX (3539)

PO Box 70366
Bellevue, WA 98007

330 120th Ave. NE #200
Bellevue, WA 98005

Customer Service Hours:

8:00 am – 5:00 pm PT

flexplan@flex-plan.com

YOUR BENEFITS

A Flexible Spending Account (FSA) program enables you to set aside money on a pre-tax basis to pay for health and day care costs. An FSA is the only benefit that actually saves you money on the cost of health and day care expenses.

CHOICES, CHOICES, CHOICES

There are three (3) components to an FSA program and each has its own rules. The **Health Care FSA** is for out-of-pocket health care expenses for you and your dependents.

The **Day Care FSA** is for day care expenses for your child. The Day Care FSA can also be used for any elder day care expense, but there are some extra considerations you will need to take.

Deductions for your company-sponsored benefits are taken pre-tax from your paycheck through the **Premium Conversion** portion of the plan. Please refer to the enrollment form to find more information about this account and your participation status.

HOW DOES IT WORK?

Estimate your expenses for the **Plan Year** and enroll in an FSA for that amount. The money is deducted pre-tax from each paycheck and is deposited into an account. Claims for expenses are submitted to the account and the reimbursement is issued to you accordingly.

Here are some things to keep in mind:

- The money deducted from your paycheck will be pre-tax, so you don't pay FICA (7.65%), Federal Income Tax (10-35%) or any state income tax.
- Anybody claimed as a dependent on your federal tax return is eligible for this benefit.
- You can enroll in more than one FSA account, but the money in one account cannot be transferred to another account.
- Your benefit operates on a plan year basis. The plan year will be indicated on the enrollment form. The claimed expenses must have dates of service that fall within the plan year.

SOME BASICS ABOUT ENROLLMENT

Enrollment for this valuable benefit is simple. You will have a period before the start of each plan year to enroll for these benefits – this is the **Open Enrollment** period. Once open enrollment is over, you cannot make any changes to your enrollment. Here are some important things to keep in mind when enrolling.

1. Your election amount will be deducted evenly out of each paycheck during the plan year. Refer to the enrollment form for any plan limits.
2. Once enrolled, we will send you a confirmation letter with general plan information, instructions on accessing online account features, and a claim form.
3. You are not allowed to make any changes after the plan year starts unless you have a **Qualifying Event**. Common qualifying events include birth, death, adoption, marriage or divorce.
4. There will be a **Grace Period** after the end of the plan year in which to submit old claims. The account will be closed at the end of the grace period and no further claims will be processed.
5. Money left in the account at the end of the grace period cannot be refunded to you. These funds will be forfeited back to your employer — this is referred to as the **Use-it or Lose-it** rule.

REIMBURSEMENTS

Getting a reimbursement is simple; all you need is a claim form and proper documentation. The documentation needs to show the date of service(s), your cost and the type(s) of expense you are claiming. The date of service for your expense must be within the current plan year.

Let's take a look at how you get reimbursed:

1. Complete and sign a claim form and attach your documentation showing the date, type and cost of service (bills from your providers or statements from your insurance company are perfect forms of documentation). Do not submit copies of cancelled checks, credit or debit card receipts.
2. Either fax or mail the claims to Flex-Plan. The contact information is located on the claim form.
3. Your claim will be processed within a few days and a reimbursement will be issued according to your company's reimbursement schedule. Specific information regarding your reimbursement schedule and method will be sent with the enrollment confirmation.

MYTHS

- ✓ *I have to have medical insurance to sign up for an FSA.*

This is false. The Section 125 plan is a federal tax benefit and not an insurance plan. Your enrollment in an FSA does not depend on your medical insurance enrollment.

- ✓ *This is just another way for the IRS to get more money from me.*

This is false. Current statistics show that less than 5% of participants leave a balance in their account and that the average account balance is less than 5% of the participant's annual limit. The participant may have lost 5%, but they gained 30% in tax savings, so their overall saving was reduced to 25%. If you're still unsure about your election, be conservative.

- ✓ *Signing up for an FSA will reduce my Social Security Benefits.*

This is generally false. In most cases, your Social Security benefits will not be reduced. In very rare circumstances, your Social Security benefits may be reduced since you do not pay FICA taxes on your FSA deductions. You should consult a tax advisor if you have any concerns regarding benefits.

ONLINE ACCOUNT ACCESS

You can access your account through our Web site at www.flex-plan.com. Select the link "Online Statements" and login to your account.

HEALTH CARE FSA

WHAT'S IT GOOD FOR?

The Health Care FSA is used to pay for out-of-pocket medical expenses. Most medical expenses are eligible for reimbursement. Common eligible expenses are prescriptions and office visit copays; over-the-counter (OTC) drugs; glasses; contacts; dental work; orthodontia; and the expenses that are applied to your plan deductibles. Expenses that are for one's general well-being, cosmetic in nature or not medically necessary are not eligible. A more detailed list of eligible and noneligible expenses is included in this packet.

ACCOUNT BALANCE

The Health Care FSA is a **Prefunded** account. This feature gives you full access to your annual election amount at any time during the plan year, regardless of the account balance. Think of the Health Care FSA as a tax-free, interest-free loan to help you pay for those larger medical expenses.

TERMINATION

If you cease employment during the plan year, you have some options regarding your participation. Here are the choices.

1. **STOP** – Your final paycheck will have the normal deduction and the account will be closed. We will record a termination date and you will be reimbursed for services incurred before the termination date.
2. **ACCELERATE** – You can authorize your employer to take the remaining deductions from your final paycheck. This deduction will be pre-tax and you can participate in the plan through the end of the plan year.
3. **COBRA** – Under certain circumstances, you may be eligible to continue participation on an after-tax basis through COBRA. You will be required to make the monthly payments on your own and your eligibility would be intact for each month that you participate.

HOT TOPICS

Several types of expenses may be allowable in certain circumstances. Before you enroll, please visit our Web site for more information on these types of expenses and many more.

OVER-THE-COUNTER DRUGS
WEIGHT LOSS PROGRAMS
PSYCHOTHERAPY

ORTHODONTIA

You will need to consider the length of treatment and the total cost before you enroll. If the orthodontic treatment spans more than one plan year, you can only enroll for the portion of the orthodontic care that falls within the current plan year.

OVER-THE-COUNTER DRUGS

Recent changes in IRS regulations opened the door for OTC drugs. Visit our Web site for a more complete list of what types of drugs are allowed.

WWW.FLEX-PLAN.COM

STOCKPILING

IRS regulations prohibit you from purchasing an unusually large amount of a particular over-the-counter drug at the end of the plan year. It would be reasonable if you purchased two or three bottles of the same item, but anything over that would be considered stockpiling and would not be reimbursed.

DOCUMENTATION

When you submit a claim, make sure that your documentation includes the following information.

- Dates of Service
- Cost of Service
- Type of Expense

WHAT'S COVERED?

A Health Care FSA can cover a wide variety of expenses. We've assembled a list of common expenses that are eligible for reimbursement. Some expenses may be eligible if you meet certain criteria. For a more complete list of services, please visit our Web site at www.flex-plan.com.

ELIGIBLE HEALTH CARE EXPENSE

Ace bandages	Contact lens solution	Lab work	Pregnancy tests
Acupuncture	Cortaid	Lactose intolerance pills	Prenatal vitamins
Actifed	Cough medicine	Lamisil	Preparation H
Allergy medication	Crowns	LASIK	Prescription drugs
Ambulance fees	Crutches	Lotrimin	Primatine Mist
Advil	Dayquil	Laxatives	Prilosec
Aleve	Desenex	Little Colds	Psychotherapy
Alka Seltzer	Desitin	Little Noses	Reading glasses
Antacids	Dimetapp	Maalox	Riopan Plus
Anacin	Diabetic supplies	Marazine	Robitussin
Anti-diarrhea medicine	Diaper rash ointments	Micatin	Rolaids
Bactine	Doctor visits	Midol	Root canals
Balmax	Dulcolax	Midwives	Rubbing alcohol
Bayer	Dramamine	Mentholatum	Saline solution
Bandage tape	Drixoral	Milk-o-Magnesia	Simply Cough
Band-Aids	Excedrin	Monistat	Sinus medication
Ben Gay	Ex-Lax	Mylanta	Sudafed
Benadryl	Eye drops	Motrin	Surgery
Bufferin	Eye exams	Naturopathic Dr. Visits	Syrup of Ipecac
Burn creams	Fillings	Neosporin	Sterilization procedures
Calamine	First Aid creams	Nicoderm	Tagamet
Caladryl	First Aid kits	Nicorette	Thera-Flu
Carmex	First Aid supplies	Nicotrol	Thermometers
Chiropractic	Flexall	Nicotine gum/patch	Tiger Balm
Chlor-Trimitron	Gauze	Nyquil	Tinactin
Chloraseptic	Gaviscon	Orthodontia	Triaminic
Claritin	Gas-X	Orajel	Tums
Copays	Glasses	Pamprin	Tylenol
Cold medicine	Gyne-Lotrimin	Pain relievers	Vaccinations
Compound W	Hearing aids	PediaCare	Vagisil
Condoms	Hemorrhoid medication	Pepcid AC	Visone
Contac	Hydrocortisone	Pepto-Bismal	Vicks
Contraceptive foams	Immodium AD	Physical exams	X-Rays
Contacts	Kaopectate	Physical therapy	Zantac

INELIGIBLE HEALTH CARE EXPENSE

These expenses are not allowable through a Health Care FSA under any circumstances.

Birthing coach	Health club dues	Insurance premiums	Rogaine
Breast pumps	Herbs	Marriage counseling	Sex change
Cosmetic surgery	Humidifiers	Marijuana	Sonicare products
Dental bleaching	Hygiene products	Medicated shampoo	Supplements
Electrolysis	Hypoallergenic linens	Naturopathic medicines	Toiletries
Family counseling	Hypoallergenic pillows	Neck support pillows	Weight loss meals

PLEASE SEE REVERSE FOR IMPORTANT INFORMATION REGARDING THE ELIGIBILITY OF CERTAIN ITEMS AND SERVICES

DOCUMENTATION REQUIRED

There is a small group of items that may be allowed if you are diagnosed by a medical doctor (M.D.) with a specific medical condition and the specific item is medically necessary to treat the condition. These items cannot be for preventive purposes.

Acne treatment	Chondroitin*	Glucosamine*	St. John's Wort*
Adult diapers	Custom orthotics	Hormone therapy	Sunscreen
Blood pressure monitor*	Fiber supplements	Massage therapy*	Vitamins*

For Example:

An individual suffers from anemia and a doctor prescribes iron supplements to treat the anemia. The medical doctor would need to diagnose the participant with anemia and provide a letter stating the diagnosis and that iron supplements are medically necessary to treat the condition.

Remember, it will be your responsibility to find out if a service is eligible before you sign up for the benefit.

SPECIAL INFO

MASSAGE THERAPY

Massage Therapy is an allowable expense only if it is being used to treat an injury or trauma. You must provide a prescription and a letter from a medical doctor stating that the therapy is necessary for treatment.

The letter from the physician must:

1. be written by a Medical Doctor
2. describe the type of injury/trauma being treated
3. give an expiration date for treatment

BLOOD PRESSURE MONITORS

Blood pressure monitors are allowable if there is a letter from a medical doctor stating that the participant suffers from high blood pressure or has had a stroke and needs to monitor blood pressure.

VITAMINS

Vitamins are rarely allowed. The participant must be diagnosed with a specific medical condition and the prescribed vitamin must be medically necessary to treat the condition. There must be a letter from a medical doctor stating the diagnosis and the medical necessity of the vitamin to treat the condition. The prescribed treatment must have an expiration date. Please see the example above.

CHONDROITIN / GLUCOSAMINE / ST. JOHN'S WORT

These items are allowable under the same guidelines as VITAMINS. The medical diagnoses and prescription must be from a medical doctor (M.D.).

DAY CARE FSA

Day Care is one of the single largest expenses for a family with children. A Day Care FSA can be used to pay for your qualified day care expenses with pre-tax dollars. The day care provider can be a licensed day care facility or a private individual.

THE RULES

There are some rules to consider before enrolling in a Day Care FSA.

1. The day care expense must be allowing you and your spouse to work, actively look for work or be a full-time student.
2. Your dependent must live with you and must be 12 years old or younger. A dependent age 13 or older can be eligible if you can provide proof that the dependent cannot physically or mentally care for him/her self.
3. The day care provider cannot be a dependent on your tax return or your child under the age of 19.
4. A Day Care FSA works like a bank account. The reimbursement cannot exceed the account balance.
5. Some types of expenses are **not** eligible. These include tuition for school at the kindergarten level or above, overnight camp, nursing home expenses, and transportation costs.

PLAN LIMITS

The Day Care FSA limit is set by the IRS and is a calendar year limit of \$5000 per family. If your plan year is not on a calendar year, take extra care in calculating your annual election. Please consult the enrollment form for important information on plan limitations to the Day Care FSA.

CHANGES

You can make a change to your annual limit if you have a qualifying event. The election change must be consistent with the qualifying event. In addition to the normal list of qualifying events, there are some special events exclusive to the Day Care FSA.

1. A change in your day care costs, such as a rate decrease or receiving free day care.
2. A change in your need for day care (your spouse loses employment or has a change in work schedule).
3. Your dependent ceases to satisfy the eligibility requirements.

PLAN AHEAD

Estimate your day care expense for the entire plan year and take into consideration any school holidays, breaks and summer vacation. Your election will be taken out evenly from each paycheck.

DOCUMENTATION

When you submit a claim, make sure that your documentation includes the following information.

- Dates/Period of service
- Cost of Service
- Provider's name
- Provider's SSN or Tax ID

TERMINATION

If you terminate your employment during the plan year, your benefit will cease. However, you can still access the funds in your account through the end of the plan year (even if the dates of service are after your termination date).

FSA OR CHILD TAX CREDIT?

Wondering if a Day Care FSA is better for you than the child tax credit?

Visit our site at www.flex-plan.com and click the link "Tax savings calculator" to use an interactive tax calculator.

CITY OF KIRKLAND

FLEXIBLE SPENDING ACCOUNTS ENROLLMENT FORM FOR PLAN YEAR JANUARY 1, 2005 through DECEMBER 31, 2005

Section I – Employee Information

Last Name, First Name		Employee SSN	
<input type="text"/>		<input type="text"/>	
Address		City	St Zip
Email		DOB (MM-DD-YYYY)	<input type="checkbox"/> New Enrollee <input type="checkbox"/> Renewal Enrollment

Instructions

1. Complete Section I — Employee Information. Fill this section out completely to ensure proper enrollment.
2. Complete Section II — Elections. Indicate the accounts you will enroll in and the per plan year and per paycheck deduction amounts.
3. Complete Section III — Signature. Return the enrollment form to the appropriate contact by the specified deadline.

I understand that the rules of IRC Section 125 allow me to use part of my salary on a pre-tax basis to purchase one or more of the following qualified benefits. I hereby elect to participate in my employer's Section 125 Flexible Benefits Plan as indicated below.

Premium Conversion The group insurance premiums you pay through your paycheck	Automatic
-----------------------------------------------------------------------------------------	-----------

Section II – Elections

Benefit	Yes/No	Annual Election	No. of Paychecks	Paycheck Deduction
Health Care FSA Maximum of \$2,400.00 per plan year	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____ per plan year	24	\$ _____ per paycheck
Benny™ FSA Debit Card A debit card that pays for your expenses from the Health Care FSA	<input type="checkbox"/> Yes <input type="checkbox"/> No	There is no cost for you to receive the Benny™ Debit Card. You must provide an email address to use the Benny™ Debit Card.		
Day Care FSA Maximum of \$5,000.00 per plan year (\$2,500 if married, filing separately)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____ per plan year	24	\$ _____ per paycheck
Direct Deposit Reimbursements are electronically deposited into your bank account	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Checking (23) <input type="checkbox"/> Savings (33)	Routing # _____ Account # _____	

This election form will remain in effect and cannot be revoked or changed during the plan year, unless the revocation and new election are on account of and consistent with federal regulations. I hereby authorize and direct my employer to reduce my salary by the amount necessary to pay for the benefit(s) as shown above for the plan year indicated above.

Section III – Signature

<input type="checkbox"/> YES, the above benefits have been explained to me and I elect to participate as indicated.
<input type="checkbox"/> NO, the above benefits have been explained to me and I decline participation.
X _____ Employee Signature Date

Completed enrollment form must be returned to:

Human Resources by **NOVEMBER 29th, 2004**

Please see the reverse for important information regarding the above benefits

Additional Information for Premium Conversion

- If the enrollment status is marked as 'AUTOMATIC', you must notify your employer in writing to decline enrollment in this benefit. Premium Conversion is subject to the change in status rules and is considered an election equal to the amount of your premium deductions.

Additional Information for Health Care FSA

- Reimbursement for this benefit will only be for qualified medical care as set forth in the Plan Document and Section 213 of the Internal Revenue Code. It is your responsibility to check the eligibility of an expense prior to enrollment.
- Do not include the cost for any types of premiums in your annual election amount. Premiums cannot be reimbursed through the Health Care FSA and will be deducted pre-tax through the Premium Conversion.
- Most domestic partners will not meet the IRS Code 152 definition for a tax dependant and will not be eligible for coverage under the plan.

Additional Information for Day Care FSA

- Participation in a Day Care FSA will require you to complete tax form 2441 when filing federal taxes. If you or your spouse is a full-time student, please consult IRS Publication 503.
- If the Plan Year is less than twelve (12) months, the plan limit may be prorated to be less than the \$5,000 calendar year limit mandated by the IRS.

Additional Information for Premium Reimbursement

- Only qualified, individually-owned insurance policies are eligible for reimbursement. The employee must be covered under the policy. If the policy does not include the employee in the coverage, then it is not eligible for reimbursement.
- Life Insurance, Long-Term Care or COBRA premiums (for a dependent) are not eligible for reimbursement. A policy that builds cash value or allows for a refund of the premium, if the benefit is not utilized, is not a qualified policy.

Lost Checks and Reissues

- Lost or stale dated FSA checks can be reissued 10 business days after the original check date. There is a \$25.00 check reissue fee. The check reissue request will require at least one business day to process.

Direct Deposit

- All electronic funds transfers (EFT) will be initiated on the same day as the normal check reimbursement date. Deposits may take up to two (2) business days to appear in the designated account. The first reimbursement will be in the form of a check, to verify banking information.
- Returned items due to incorrect banking information will be assessed a \$10.00 fee.

Deductions

- FSA deductions will be deducted from your paycheck evenly throughout the plan year. You must indicate an annual election and a per paycheck deduction on your enrollment form.

Change in Status

- All elections set forth are considered irrevocable for the entire plan year unless there is a qualified change in status. Please consult the plan document for a list of qualifying events.
- The change in election must be consistent with the qualifying event. The Web site www.changeofstatus.com lists all the possible qualifying events.

Eligibility

- Any employee who is a 2%-Shareholder or greater of an S-Corporation, LLC, PLLC, Partnership or LP will not be eligible to participate in any aspect of a Section 125 plan.

CITY OF SPOKANE VALLEY
INDEPENDENT SALARY COMMISSION

Final Report: August 2, 2004

Members:

- **Dave Gregory, Chair**
- **Rod Grondel, Vice Chair**
- **Diane Brown**
- **Frankie DeWitt**
- **Michele Eickerman**
- **Jim Huttenmeier, Alternate**

- **Nina Regor, Deputy City Manager, Staff Liaison**

Introduction

The City of Spokane Valley was incorporated effective March 31, 2003. It was the largest incorporation in Washington State, and the second largest incorporation in the country. With a population of 83,950, it is the eighth largest city in Washington.

Spokane Valley operates under a Council-Manager form of government. The legislative branch is made up of a seven member Council, with the Mayor chosen by his or her fellow Councilors. The City Council hires a professional City Manager as the City's Chief Executive Officer. He or she is responsible for the administration of the city, and carrying out the policy directives of Council.

According to the state laws on incorporation, The Mayor receives \$500 per month, and the Council members receive \$400 per month. The Spokane Valley City Council adopted this salary schedule until they could form an independent salary commission to provide a more in-depth analysis.

Description of Commission

On May 25, 2004, the City of Spokane Valley City Council approved Ordinance 04-018, creating a five-member Independent Salary Commission. The purpose of the Commission was to review and establish the salaries of the Mayor and Council.

The City advertised the Commission openings, received applications, and on June 8 appointed five members and one alternate. The term of the Commission is one year, and the commissioners serve without compensation.

According to Ordinance 04-018, the Independent Salary Commission was to begin meeting no later than June 23, 2004, and was to file its schedule of salaries with the City Clerk no later than August 2, 2004. Appendix III contains a summary of each meeting.

The Commission met on June 16, June 30, July 8, and July 20, 2004, and submitted its report on August 2, 2004.

The Process

The Salary Commission looked at Mayor and Council salary information compiled by the Association of Washington Cities of over 250 cities throughout the state. They narrowed their comparison to the ten cities closest in size to Spokane Valley who also operated under the Council-Manager form of government. See Appendix I for more information on comparables.

The Commission members focused on two priorities in their deliberation: thorough understanding of the work of Spokane Valley Council members; and public opinion of a fair salary to pay the Mayor and Council.

The Commission sent a questionnaire to City Council, soliciting information about the work they did as elected officials. Appendix IV provides a copy of the questionnaire. All seven Council members responded. See below for a description of Council roles and responsibilities.

The Commission held public meetings, and the City posted the meeting agendas and meeting summaries on its web site. Commission members also conducted interviews with the media, who agreed to run articles requesting public input. In addition, some of the members distributed a mini-survey, and randomly asked general citizens their opinion on a fair salary for the Mayor and Council. See Appendix II for a summary of public input results.

Each Commission member crafted a preliminary proposal. The Commission as a whole discussed the five proposals and reached consensus on a final salary schedule.

Council Roles and Responsibilities

The Salary Commission was surprised to discover how much time the Mayor and Council spend on City business. They were not alone. As they spoke with members of the community, the Commission found that in general, citizens are unaware of the amount of time involved in being a City of Spokane Valley elected official.

On average, the Mayor of Spokane Valley devotes 30 – 32 hours per week for Council commitments, plus an additional 10 – 20 hours per month for community commitments. The Deputy Mayor devotes 20 – 25 hours per week for Council commitments, and 12 – 32 hours per month for additional community commitments. The remaining five Councilors devote 18 – 45 hours per week for Council commitments, along with 5 – 80 hours per month for additional community commitments.

There are typically two regular Council meetings and two study sessions per month. These meetings last two to three hours each. In addition to the meeting attendance, the Mayor and Council prepare for each meeting by reading the material and sometimes following up in advance with questions they may have.

In their role as policy makers for the City, they need to stay informed on issues such as provision of public services; land use and zoning; level of taxation and spending; and regional, state and federal legislative proposals.

In addition to these regular commitments, Council members represent the City's interests on various regional Boards and Commissions. For instance, Councilors are currently Board members of the Spokane Transit Authority, the Regional Health District, the Convention & Visitors Bureau and the International Trade Alliance. They also represent the City at the state and national level, with a Councilor serving on the Board of the Association of Washington Cities, and on the National League of Cities Information & Technology Committee.

They interact both formally and informally with other elected officials in the region, representing Spokane Valley's interests on a broader level. Examples of current issues include the future of wastewater treatment, regional emergency management, and a regional approach to animal control.

The responsibilities of the Mayor and Council also include maintaining contact with the community. They are active in community organizations and events such as the Spokane Valley Chamber of Commerce, the Economic Development Council, the Spokane Valley Business Association and ValleyFest.

On a periodic basis, they hold *Conversations with the Community*, at various locations around the city. During the school year, they also visit area high schools to discuss issues of importance to Spokane Valley's youth. They regularly receive and respond to letters, e-mails and telephone calls.

The Mayor and Council develop and deliver presentations to community organizations, such as the Spokane Valley Chamber of Commerce. They write articles and guest editorials, and conduct press conferences and on-air interviews. They attend ribbon cuttings, ground breakings, grand openings, open houses and graduations. At some of these events they are simply in attendance, and at others they are writing and delivering speeches or acting as master of ceremonies.

In addition to the above responsibilities, the Mayor manages the agenda and presides at Council meetings. The Deputy Mayor assumes the responsibilities of the Mayor in his or her absence.

Rationale for the Proposal

The City of Spokane Valley adopted the state-declared \$500 per month for the Mayor and \$400 per month for Council until an independent salary commission could be appointed to review the amounts. In many cases, this meant that Council members were paid in effect less than half the minimum wage. The Commission members uniformly agreed that the amount was too low for the amount of time elected officials were obliged to devote to the City.

The Salary Commission believes that the City should compensate its elected officials in the form of a stipend – not a full salary reflecting the full value of the time and effort put in by the Mayor and Council.

Every Commission member expressed appreciation for the work of each member of the City Council. However, they want the basis for the Spokane Valley City Council to be grounded in a sense of volunteerism, and a desire to serve the community.

The Commission recognized that a City Council member is never "off-duty." He or she is approached by citizens not only at official events, but also in his or her every day life,

such as at work, at the grocery store and at church. The Commission members feel this accessibility is important to the community, and want it to continue.

While the Commission didn't feel it was appropriate to propose a full salary, they did feel the City should compensate its elected officials at a higher stipend than they currently receive, for the significant impact to their personal lives and that of their families.

The Commission looked at other benefits offered to the Mayor and Council, and the fact that the City does not offer them a retirement benefit. They weighed this information as they developed the proposal; however, they recognized that the scope of their work was limited to the salary.

Looking at the ten comparable cities, the proposed salary schedule is less than the average monthly salary for the Mayor and the Council members, and slightly above average for the Deputy Mayor. It should be noted that only three of the seven cities paid a different amount to the Deputy Mayor, than to their Council members. However, in Spokane Valley's case, the Deputy Mayor does carry responsibilities in addition to that of the Council members.

Salary Schedule Proposal

The Spokane Valley Independent Salary Commission proposes the following salary schedule for the City of Spokane Valley Mayor and Council:

Position	Current Monthly Salary	Proposed Monthly Salary
Mayor	\$500	\$1,200
Deputy Mayor	\$400	\$1,000
Councilor	\$400	\$900

The Commission recommends no automatic annual cost of living increase.

Pursuant to state law (RCW 35.21.015), this salary schedule shall become effective and incorporated into the city budget without further action of the City Council or Salary Commission, subject to a referendum of the people.

Respectfully Submitted,

Dave Gregory,
Chair of the Spokane Valley Independent Salary Commission

APPENDIX I: Comparables

The Salary Commission selected as its comparables the ten cities closest in size to Spokane Valley who also operated under the Council-Manager form of government

City	Population	Average time committed	Compensation Per month
Vancouver	145,300	90 hours per month is reported for retirement service credits	Mayor \$1,885.00 Council \$1,260.00
Bellevue	111,500		Mayor \$1,950.00 Council \$1,650.00
Federal Way	83,890	Considered part time employees	Mayor \$1,375.00 Council \$1,075.00
Yakima	73,040	Council 15-20 hours per week Mayor 30 – 40 hours per week	Mayor \$1,043.95 Deputy \$800.37 Council \$695.97
Lakewood	58,190		Mayor \$900.00 Council \$700.00
Kennewick	55,780		Mayor \$1,191.00 Deputy \$1,091.00 Council \$992.00
Shoreline	53,421	# of hours reported to L&I per month: Mayor 95; Deputy 78; Council 60	Mayor \$875.00 Council \$700.00
Kirkland	45,770		Mayor \$950.00 Council \$650.00
Olympia	42,530	25 hours per week	Mayor \$933.40 Deputy \$738.66 Council \$656.08
Richland	39,350	Estimate 160 hours per month for pay checks	Mayor \$1,125.00 Council \$875.00
Average			Mayor \$1,223.00 Deputy \$954.00 Council \$925.00
Spokane Valley	83,950	See below	Mayor \$500.00 Council \$400.00

In comparison, the following estimates apply for Spokane Valley Council members:

- Mayor: 30 – 32 hours per week for Council commitments, plus 10 – 20 hours per month for additional community commitments;
- Deputy Mayor: 20 – 25 hours per week for Council commitments, plus 12 – 32 hours per month for additional community commitments;
- Councilors (5): 18 – 45 hours per week for Council commitments, plus 5 – 80 hours per month for additional community commitments.

APPENDIX II: Summary of Public Input Results

The Salary Commission took both a proactive and reactive approach to seeking public input. Among the reactive approaches were the following:

- The meeting agendas and minutes were published on the City web site.
- The Commission meetings were held in a public setting, with public input allowed at the beginning and the end of each meeting. A total of four people attended the meetings.

In order to proactively seek public input, the Commission took the following additional steps:

- Conducted interviews with the media to encourage citizens to call, e-mail or write letters to the City to voice their opinions. As a result of the media coverage, the City received thirteen e-mails, one mailed letter and eleven telephone calls. Seven people spoke in favor of an increase, and eighteen opposed an increase, at least at this time.
- Developed and handed out a brief written survey. About 35 responded, and all respondents favored a salary increase for the Mayor and Council.
- Asked individuals with whom they came in contact. Almost 100 individuals offered their opinion. The general feeling was surprise that so much time and work was involved in the completion of their jobs. Every person supported the idea of an increase in the payment of the Mayor, the Deputy Mayor and the Council to a level that would retain people of integrity and quality for the positions.

The Salary Commission members observed that people were more likely to support a salary increase using one of the two direct communication approaches. The direct approaches gave the Commission members the opportunity to describe the Mayor and Council's responsibilities, and to tell them what the Council was currently being paid.

Virtually all of the citizens using these approaches supported some form of salary increase. By contrast, about 28% of those who offered their opinions by telephone, e-mail or letter supported an increase.

APPENDIX III: Meeting Summaries

SPOKANE VALLEY INDEPENDENT SALARY COMMISSION Spokane Valley City Hall Opportunity Conference Room, 4:30 p.m. June 16, 2004 – Meeting Summary

Commission Members Present: Diane Brown; Frankie DeWitt; Michele Eickerman;
Rod Grondel

Commission Members Absent: Dave Gregory

Staff Present: Nina Regor, Deputy City Manager

Summary of Meeting:

The meeting began at 4:30 p.m.

The Commission decided to defer election of a Chair and Vice Chair until the next meeting, when all members would be present. They reviewed Ordinance 04-018, which established the Commission.

After reviewing the 2003 Mayor and Council salary data compiled by the Association of Washington Cities, the Commission decided to seek comparable information from the following cities: Vancouver; Bellevue; Federal Way; Yakima; Lakewood; Kennewick; Shoreline; Kirkland; Olympia; and Richland.

These cities are the ten cities closest in size to Spokane Valley. Like Spokane Valley, they operate under a Council-Manager form of government. The cities range in population from 150,700 to 41,650.

The Commission also identified information they will seek from the Spokane Valley City Council, to help compare their responsibilities to those of the other ten cities. Per Ordinance 04-018, that request will be made in writing.

The Commission decided to schedule public comment at the beginning and the end of each meeting. There was no general public present at the June 16 meeting.

The next meeting was tentatively scheduled for June 30 at 4:30 p.m. in the Opportunity Conference Room of Spokane Valley City Hall.

The meeting adjourned at 5:15 p.m.

Meeting Summaries, continued

**SPOKANE VALLEY INDEPENDENT SALARY COMMISSION
Spokane Valley City Hall
Council Chambers, 4:30 p.m.
June 30, 2004 – Meeting Summary**

Commission Members Present: Diane Brown; Frankie DeWitt; Michele Eickerman; Dave Gregory; Rod Grondel

Staff Present: Nina Regor, Deputy City Manager

Summary of Meeting:

The meeting began at 4:30 p.m. The Commission chose Dave Gregory as Chair, and Rod Grondel as Vice Chair.

During the first public comment period, Bob Blum provided some general background comments.

The Commission reviewed and made no changes to the summary of the June 16 meeting.

The Commission reviewed and discussed various background documents, including RCW 35A; a table of information on comparable cities (chosen at the last meeting using population as a guide); information on the City of Vancouver's Salary; Commission; and survey responses from Spokane Valley Council members. They requested information on retirement and other benefits available to the Spokane Valley City Council.

Given the short timeframe of the task force, they agreed to each craft a proposal and submit it by Wednesday morning, July 7. The proposal would address salary for the Mayor, Deputy Mayor and Councilors, and provide input on an escalator clause. Along with the proposal, Commission members will describe how they came to their proposal, i.e., what factors were most important to them in drawing a conclusion. Staff will compile the information and provide it at the next meeting.

During the second public comment period, Bob Blum expressed how important it would be for the Commission to describe the rationale behind its recommendations.

The next meeting was scheduled for July 8 at 7:00 p.m. in the 2nd Floor Conference Room at the Spokane Valley City Hall site (11707 E. Sprague Ave.).

The meeting adjourned at 5:30 p.m.

Meeting Summaries, continued

**SPOKANE VALLEY INDEPENDENT SALARY COMMISSION
Spokane Valley City Hall
Conference Room 204, 7:00 p.m.
July 8, 2004 – Meeting Summary**

Commission Members Present: Diane Brown; Frankie DeWitt; Michele Eickerman; Dave Gregory; Rod Grondel

Staff Present: Nina Regor, Deputy City Manager

Summary of Meeting:

The meeting began at 7:00 p.m. During the first public comment period, Tony Lazanis stated that Council should get paid, because they spend a lot of time for the City. However, the Mayor is not the administrative head of the City.

Glenn Kivet said that the time being spent by the Council members is enormous, and they are vastly underpaid, but any compensation increase should go into effect at the next term, and should be placed before the people for a vote.

The Commission reviewed and made no changes to the summary of the June 30 meeting.

The Commission reviewed the written comments provided by the public via e-mail and letter; then each Commission member summarized his or her draft salary proposal.

During the second public comment period, Don Flock said that the current salary level was a little low, and they were probably deserving of a little raise. Mr. Kivet said it was most important to hold the cost down to the absolute minimum. Mr. Lazanis said he supported an increase, but that it should go into effect at the next election.

The Commission as a whole reached the following consensus: The Mayor to receive a monthly salary of \$1,200; the Deputy Mayor to receive a monthly salary of \$1,000; and the Council members to receive a monthly salary of \$900. The proposal does not include an annual cost of living adjustment.

The Commission discussed the rationale for the proposal, including the amount of time and effort the Mayor and Council devote to the City. The proposal is slightly below the average of the ten comparable cities for the Mayor and Councilor positions, and slightly above the average for the Deputy Mayor position.

The Commission discussed its report, and what components should be included. The members felt it was particularly important to describe the process, and to articulate the roles and responsibilities of the Mayor and Council, to educate the public on the complexity of the jobs, and how time consuming they are.

The next meeting was scheduled for Tuesday July 20 at 4:30 p.m. in the 2nd Floor Conference Room at Spokane Valley City Hall (11707 E. Sprague Ave.).

The meeting adjourned at 8:55 p.m.

Meeting Summaries, continued

**SPOKANE VALLEY INDEPENDENT SALARY COMMISSION
Spokane Valley City Hall
Conference Room 204, 4:30 p.m.
July 20, 2004 – Meeting Summary**

Commission Members Present: Diane Brown; Frankie DeWitt; Dave Gregory; Rod Grondel

Commission Member Absent: Michele Eickerman

Staff Present: Nina Regor, Deputy City Manager

Summary of Meeting:

The meeting began at 4:40 p.m. There was no public in attendance.

The Commission reviewed and made no changes to the summary of the July 8 meeting.

The Commission reviewed and revised the draft report, but made no substantive changes to content.

The Commission decided that no additional meetings were necessary – the report could be finalized via e-mail correspondence.

The meeting adjourned at 5:05 p.m.

APPENDIX IV: Council Questionnaire

Spokane Valley Mayor & Council Survey of Roles and Responsibilities

Name:

Please summarize your role and responsibilities as Mayor/Deputy Mayor/Councilor of Spokane Valley.

Are there written guidelines for your role and responsibilities and, if so, do you feel you're doing anything outside of those guidelines?

About how many hours per week would you say you spend fulfilling the commitments of the Mayor/Deputy Mayor/Councilor?

Are there other community expectations you feel you do or should meet (for example, participation at community events; membership in community organizations, such as the Chamber of Commerce; volunteer work outside of Council)?

If so, what is the time commitment for that participation?

Are there any other comments you feel the Commission should take into consideration as it compares the work of Spokane Valley's elected officials with those of other cities?

CITY OF KIRKLAND

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**CITY MANAGER'S OFFICE
MEMORANDUM**

To: MAC Team Members
From: David Ramsay 
Date: December 19, 2000
Subject: MAC Labor Market Survey Model

Please find below a description of the labor market based salary survey model for Management and Confidential (MAC) employees. We plan to implement this model in 2001 to be ready for the 2002 budget process. Previously a draft of the proposed model was made available to all MAC Team members for your information and input. Two meetings were held on this matter and it was discussed several times at Directors' staff meetings. A number of helpful comments were provided that resulted in some changes and clarifications being made to the proposed model. A final draft was distributed on December 1. Based upon the comments received, a few edits have been made. This model is now considered to be ready for implementation.

The underlying principle of this labor market model is to pay fair and competitive compensation so that we can attract and retain high quality staff. The first step in developing this model was to define our labor market with which we will compare ourselves. We took a look at 15 cities in our general area ranging all the way from Everett on the north to Federal Way to the south. We then reviewed populations; services provided and number of employees. From this we identified the following 10 cities that we believe are the most comparable. (Population and employee numbers used were provided before the most recent State update and budget process.)

City	Population	FTE's
Auburn	37,440	385
Bellevue	105,700	1,042
Bothell	27,300	225
Edmonds	38,610	255
Everett	84,330	999
Federal Way	76,820	255
Kent	71,610	710
Lynnwood	33,110	307
Redmond	43,310	466
Renton	46,270	531
Average	56,450	518
Kirkland	44,220	332

By way of background, a city that was considered but not selected was Shoreline. Even though their population is comparable (50,390), they contract for many of their services and only have 81 employees. Therefore, we did not believe that our positions would match-up well with theirs. The other four cities that were not selected were Mercer Island, Mountlake Terrace, SeaTac and Tukwilla.

These 10 cities will be considered as our "labor market cities" and will form the basis for our survey model. From this basis, determinations will be made as to which cities have comparable positions (see below for description of process). The salaries for these positions will then be averaged and compared to that in Kirkland. There is the additional issue of whether or not to factor in the private sector. This is a difficult issue to which a good deal of thought was given. In order to be competitive, the private sector needs to be considered. However, not all MAC positions have direct comparisons. This could result in some unfairness. Taking all of this into consideration, for **appropriate** positions the model will use the following: a weight of 75% based on the average of the labor market cities and 25% based on a private sector survey. As with the labor market cities, direct private sector comparisons will have to be determined ahead of time. This will include the actual survey instrument to be used (e.g. Consulting Engineers Council of Washington) and the comparable positions.

Fundamental to the validity of a labor market model is making accurate comparisons of positions with the other cities (and where appropriate the private sector) – the so-called "apples to apples" factor. Prior to any salary survey being conducted, it is essential that the proper comparisons have been identified. Human Resources staff will be responsible for this task and will use the following process.

1. All MAC positions' job descriptions will be reviewed for accuracy along with Department organizational charts. Individual employees and Directors will be involved in this process.
2. Human Resources staff will make contact with each of the labor market cities and acquire job descriptions and organizational charts for what are potentially comparable positions. Pre-determined private sector salary surveys will also be collected for appropriate positions.
3. Human Resources staff will make an initial assessment of comparable positions from the 10 labor market cities and develop a list of "hits" for each MAC position.
4. The list of comparable positions from other cities will then be shared and discussed with all MAC employees in that position and their Director. The goal will be to reach agreement on a set of comparable positions. A minimum of five (5) comparable positions is needed. If this cannot be achieved, then there will be a need to go to a second set of cities, the private sector or other comparable organizations. These will need to be determined on a case-by-case basis.
5. If an agreement cannot be reached between Human Resources staff and certain MAC employees concerning comparable positions, there is a two-step appeal process. The first step is to meet with the Human Resources Manager in an attempt to resolve the matter. If this is not successful, it will be referred to the City Manager's Office for review and final determination.

Once the list of comparables for each position has been determined, then Human Resources staff will conduct the actual labor market survey. The top step of all positions will be used as the basis for comparison. The results of this survey will be made available for review. The intent will be to adjust the salary range to bring the position to the labor market average. The percentage increase needed to do this will be known as a labor market adjustment. This will be the first step. In addition there will be a Cost of Living Adjustment (COLA) that is designed to keep pace with inflation. 90% CPI-W will continue to be used as the basis for the COLA. Of course all of these adjustments will be dependent on the City's financial capability at that time.

In some situations, the results of the survey model may determine that a Kirkland position is above the labor market average. In these cases the salary ranges will be "frozen" until the market catches up. This matter is complicated by the factor of a COLA. The following rules will apply.

- If a Kirkland position is above the average by more than the COLA, then there will be no salary increase for that year. A COLA will be provided in future years once the labor market average reaches that position.
- If the position is above the average but by an amount less than the COLA, then there will be an adjustment that will bring it to the COLA amount.
- If a position is at the average, then it will receive the COLA only.

This model will also take into account the salary spread between supervisor and subordinate positions. A minimum spread of 10% will be considered acceptable. This will be measured from the top step of both positions. If the spread is less than 10%, then a situation of "compaction" will have been determined to exist. An adjustment in the supervisor's salary will then be made to establish a 10% differential.

There are certain MAC positions that over time have been determined to be comparable in terms of job duties and salary ranges. Under this model they will be designated as having "internal equity." They may be found in the same department or may cut across departmental lines. Those positions that qualify as having internal equity will be determined before the survey is conducted. These selections will be made very carefully with input from the employees involved and their Directors. Human Resources staff will make recommendations on these requests with final decisions made by the City Manager's Office. All internal inequity comparisons will be based upon the position within the group that according to the survey results has the highest salary. The other positions within the "internal equity group" will be brought to within 2.5% of the highest paid position.

There will be two possible exceptions to this model. The first is for particularly unique positions that are not commonly found in the other labor market cities. These will be handled in the same manner as positions for which there are less than five (5) comparables (see step #4 on previous page). The second is for Departments in which the MAC employees choose to have their salaries determined by internal comparisons. Under this method, a pre-determined spread will be developed between a position in a bargaining unit and the MAC position (e.g. Police Sergeant and Lieutenant) and between MAC positions if one supervised another (e.g. Lieutenant and Captain). Once the particular bargaining unit salary has been determined, the MAC salaries will then be calculated. A majority of MAC employees in a Department (with the exception of Directors) will have to agree to the use of internal comparisons before this exception will be considered. Human Resources staff will provide an analysis of this request and the City Manager's Office will make the final decision. There will be the situation of new employees to a Department not having the opportunity to vote on this matter. In recognition of this factor, a Department may have the opportunity to reconsider the option of internal comparisons every five years, but not sooner.

This labor market survey process will be conducted every three years. Prior to the next survey being conducted, a review will be done of the survey model to make sure that it is still accurate (job title changes, reorganizations etc.). In the interim two years a COLA will be used to increase the salary ranges.

In summary, the goal of our compensation policy is attract and retain high quality employees. This labor market based salary setting system is designed to keep us competitive. Again, it should be emphasized that the ability to implement the results of the salary survey will depend on the City's financial situation at that particular time.