



STAFF REPORT

To: Summit County Council
From: David Warnock - Personnel Director
Date of Meeting: 31 October 2022
Type of Item: COLA Increase
Process: Discussion

Purpose

Cost of Living Adjustments, aka “COLA’s”, are salary increases organizations use to counteract the effects of rising prices in the economy, i.e. inflation. COLA’s are usually based on the Consumer Price Index (CPI) for their geographical location. The CPI is a measurement that estimates the additional money a typical household needs to maintain their standard of living or purchasing power over time.

The proposed 10% COLA is to help employees manage the cost of inflation, continue to afford their standard of living and offset their need to look for other employment – retention of our current employees is crucial to fulfilling the counties responsibilities. It will also leverage our ability to recruit quality candidates for our open positions.

Overview

INFLATION:

We are all experiencing high inflation with the national average at 8.2% for September 2022 while the inflation rate in Utah was at 9.6% for September. The cost of housing, food, gas, utilities and almost every other basic living commodity has increased hurting our employee’s ability to afford the basics.

According to US Congress’s Joint Economic Committee, the state inflation for Utah has increased 16% since January 2021. This increase costs the average Utah household \$949 more per month (\$11,385/year) to purchase the same items they did a year and half ago. Just a few months ago (March 2022) the same report indicated those costs were \$511/month. In the past 6 months, the increase in monthly cost to families for the same goods has dramatically increased.

In addition to the increase in monthly cost for employees, the cost of living in Summit County is 15% or higher than living in Salt Lake/surrounding valleys. Given these factors, below are recent examples of the struggles of our employees:

- Currently have employees whom we have hired, live out of state but having difficulties relocating to Utah because they cannot afford housing.
- Have made multiple offers to out of state applicants who have declined our offer because the offered salary is too low to afford housing in Utah as their main reason.
- Have lost employees who took jobs closer to their homes due to cost of commute.
- Have several employees who are working multiple jobs to try and keep up with rising costs. This is leading to burn out of our employees, lost productivity, health concerns, etc.

TURNOVER (Retention):

Our current employee turnover rate is 13% through September and trending to be above 15% by end of the year. Our average 10 year turnover ratio is 10%. A 5% higher trend from the average is equal to an increase of 18 additional employees leaving.

- 70% of employees who left the County are resignations
 - This is a 5%-8% increase from previous years resignations
- 62% of resignation reasons were for more money or closer to home
 - Closer to home employees lived in Salt Lake County, Heber, Evanston, and Davis County – which are only 30-45 minute drives.
 - Cost of gas, commute times were specific reasons employees provided
- 77% of employees who resigned live outside of Summit County.
 - Difficult to keep employees who commute to Summit County.
- 90% of resignations are full time employees vs. 10% part time
- 88% of turnover is non-supervisory positions, 12% of turnover is supervisory positions.

The following chart shows the turnover ratio is increasing causing concern about the stability of keeping employees at Summit County

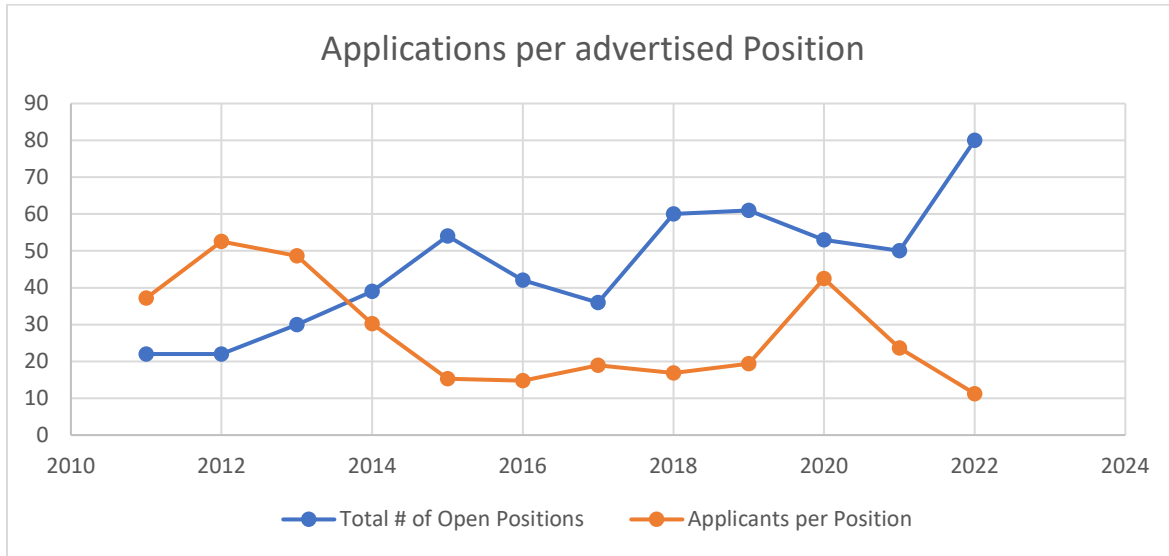


RECRUITMENT/APPLICATIONS:

At the same time that the turnover rate is increasing we are seeing a decrease in the number of applications applying for our open positions.

- Over the past 10 years we have averaged 22 applications per open position.
- This year we are averaging 11 applications per open position – a drop of 50% and the lowest number of applications we have seen in the past 10 years.
- 40 unemployed Utahans for every 100 jobs available – 2.5 jobs open for each available worker. *How do you fill the remaining jobs....raise pay to attract employees from other employers.
- Utah currently has a 2.1% unemployment rate which is considered extremely low and the 2nd lowest in the country.
- National unemployment rate is 3.5%, a 50 year low.

The chart below represents the applications we have received per open position for the past many years.



The trend of having higher turnover combined with fewer people applying for our jobs is very concerning.

The chart below illustrates the departments which have had turnover this past year:

Oct 21-Oct 22	# of FTE's	Turnover #	Turnover Ratio	Reason
Animal Control	7	3	43%	All resignation
Assessor	12	2	17%	All resignation
Attorney	17	4	24%	All resignation
Bldg Inspector	10	2	20%	Both Retirement
County Admin	8	2	25%	All resignation
Comm Develop	16	1	6%	All resignation
Health	46	9	20%	Mix retire, resign, term
Engineer	12	3	25%	Mix resign, retire
Facilities	13	1	8%	Resignation
Finance	6	1	17%	Resignation
I.T.	10	2	20%	Retire
Library	24	3	13%	All resignation
Public Safety	98	10	10%	Mix retire, term, resign
Dispatch	19	5	26%	All resignation
Public Works	29	7	24%	Mix resign, retire, term
Recorder	9	1	11%	Resignation
TOTAL		56		70% resignation
				30% retire

COST OF TURNOVER

The cost of losing an employee varies dramatically based on the employees job function, pay rate, ability to cover lost productivity time by others, knowledge, experience and years of service in the job, just to name a few.

A calculation of the following costs would be necessary to establish the true cost of any one employee leaving the County:

- Hard Costs:
 - Exit Interviews and time spent learning the functions of employee leaving by others
 - Payout of annual leave of employee
 - Overtime for other employees to cover functions
 - Temporary hire (if any) to assist
 - Time spent posting job, reviewing applications and communication between HR and specific department
 - Advertisement costs for vacant position
 - Interviewing applicants
 - Reference checks
 - Time spent on offer of employment, answering questions, negotiation back and forth on job offer
 - Onboarding Costs
 - Orientation/New Hire training
- Soft/Intangible Costs
 - Loss of productivity – commonly 50% to 75% during vacancy of position
 - Loss of co-workers productivity covering vacant positions necessary duties
 - Increased work load of other remaining employees
 - Supervisor time spent redirecting workloads, training other staff, training new employee, etc.
 - Training of new hire – loss of productivity for learning curve
 - Remaining employees loss of productivity while helping train new employee
 - Lost knowledge of expertise, skill level, knowledge

HR does have a calculator to run specific cost scenarios per the above. For example, an employee who makes \$25/hour with a supervisor who makes \$45/hour and HR/Payroll/Recruiting average cost of \$30/hour, factoring in **ONLY** the hard costs noted above would cost around \$6,000. Factoring in the soft/intangible costs increases the cost, on a conservative approach, to around \$10,000 to \$12,000. The intangible costs increase dramatically the longer the position remains vacant/unable to fill. See attached calculator.

YEARS OF SERVICE:

A compounding factor we are seeing on top of our high turnover rate is that the average years of service employees are staying employed with Summit County is dropping.

- Average years of service to Summit County of employees who left employment this year is 6 years.
- Average years of service to Summit County of employees who left employment past three years was 8 years.
- Employees are leaving sooner and more often than in previous years

EMPLOYEE RESIDENCY:

Employee make up of Summit County employees is changing:

- A few years ago, only 30% of employees lived outside of Summit County
- Today, 45% of employees live outside of Summit County
 - Trend is more employees are living outside of Summit County as cost to live in Summit County is unaffordable for the salaries we can offer.

In order to attract employees to “drive” to Summit County for work, we need to pay **more** than the average salary that they can get along the Wasatch Front with a shorter & less expensive commute. There is very little, if any, public transportation available to employees who live outside of Summit County to utilize to travel here for work.

SALARY COMPARISON:

Due to the comprehensive compensation study we did last year and the salary adjustments the Council approved, many of our positions are within the “average” of what the market is paying for similar positions. We do have positions that are “outside” of the market average, but with a 10% COLA most of the positions below the market average will come into alignment.

See the attached chart that compares our positions salary with similar situated positions of other public entities in Utah. *Please note the cover letter remarks as you review that information.*

COLA TREND:

The labor shortage and the great resignation, that every organization is facing, is affecting Summit County employment. Due to this trend nationally and in Utah, organizations are becoming aggressive with their COLA’s.

- Market trend for COLA’s in Utah public entities for 2022 was 5%, Social Security did 5.9%
 - Summit County provided a 4% COLA in 2022, 1% below the market average
- Market trend indicators for 2023 show Utah public entities average COLA is 6.5% - 7%. Social Security just announced an 8.7% increase for 2023.
- Summit County COLA history:

YEAR	COLA %	CPI Rate
2013	0%	1.5%
2014	1%	1.6%
2015	1%	.01%
2016	2%	1.3%
2017	2.20%	2.1%
2018	2%	2.4%
2019	3%	1.8%
2020	2%	1.2%
2021	2%	4.7%
2022	4%	8.6%

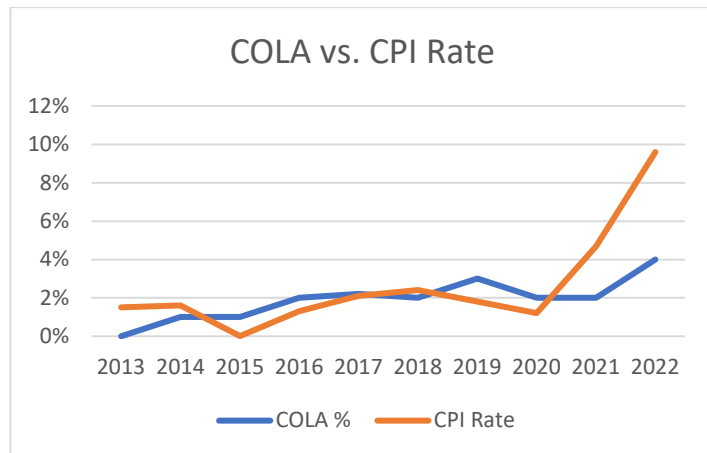


Chart below shows the COLA's given/proposed for other public entities:

City	COLA Increases During FY22	Proposed COLA/Market % FY23
Box Elder County		8.5
Brigham City		7
Cache County		8
Centerville		7.10
Davis County	9	5
Draper	2	5
Herriman	5	4
Layton	5	5
Lehi	5	4
Logan	4	4
Midvale	3	8
Murray		5.5
Ogden	3	13
Orem City	5	5
Park City	8	10.5
Pleasant Grove		8
Provo	2.5	5
Riverdale City	7	8
Riverton		4
Salt Lake County		8
Sandy		6.6
South Jordan		6
Springville City		5
Syracuse	8	5
Taylorsville		7
Tooele City		9.5
Tooele County		6.5
Utah County	2.35	7
West Jordan		6
West Valley		8
Weber County		9%
	5% average	6.5%+ average
Summit County	4%	10% proposed

Summary

While a 10% COLA is a large number compared with previous years, the inflation and costs of living that we are experiencing is larger than most of us have ever seen in the past 40 years. Referring back to the US Congress's Joint Economic Committee, the state inflation for Utah has increased 16% since January

2021. This increase costs the average Utah household \$949 more per month (\$11,385/year) to purchase the same items they did a year and half ago.

The trends that we are seeing with County employment is concerning:

- Increased number of employees leaving County employment
- Decreasing number of applicants for our open positions
- Decreasing number of years that employees stay with the County
- Increasing number of employees that have to travel to Summit County
- Increasing COLA's that other public entities are providing to stay competitive in the market

Would an increase in pay solve the current retention and recruitment issues? That is a fair question to ask. It will most definitely help, but it won't completely solve the issue. We do have a point of reference that salary increases do help reverse the trends we are experiencing:

A couple of years ago the Sheriff's office was really struggling with this exact issue. We restructured the Sheriff's office pay plan and they have been very successful in filling their positions and slowing the resignation trend. During budget meetings the Sheriff commented that this is the fullest his department has ever been.

Being aggressive in our pay plans would bring positive results, similar to the experience in the Sheriff's office.

Departments lowered their requests for other services and budgetary items to accommodate the 10% COLA request. Our other major employee costs such as URS, Health insurance and other benefits are not increasing in 2023.

Retention of our current employees and the ability to hire and fill our open positions is crucial to maintain the services the County provides.