



Memorandum

DATE: August 30, 2022

TO: Shoreline City Council Salary Commission

FROM: John Norris, Assistant City Manager
Melissa Muir, Human Resources & Organizational Development Director

RE: **Shoreline City Council Salary Commission Compensation Structure Decisions and Outline of Final Salary Commission Report**

At the City Council Salary Commission meeting of August 25, 2022, the Commission made initial decisions regarding the compensation structure for the City Council. To document their final decision and work to arrive at it, the Commission requested that staff draft an outline for the Salary Commission Final Report. This memo documents these decisions and a report outline.

City Council Compensation Structure Decisions

The Salary Commission approved the following compensation structure for the Shoreline City Council at their meeting on August 25th:

- Eliminate the City Council's benefit package as currently established under [City Council Ordinance No. 287](#).
- Provide compensation to the Mayor, Deputy Mayor and Councilmembers as salary only at a yet to be determined amount.
- Allow Councilmembers to choose from 0% to 100% of their compensation to be taken as salary, to be allocated to deferred compensation as a retirement benefit, or to any combination of the two.

The Commission tabled a motion to their next meeting on September 1st to set Councilmember total compensation at \$2,300 per month, with an extra \$100 per month for Deputy Mayor and an extra \$250 per month for Mayor, which maintains the current compensation differential between Councilmembers and the Mayor and Deputy Mayor.

Staff Review of Compensation Structure Decisions

Staff was also asked to confirm with City administrative and legal staff that the compensation structural decisions made by the Commission were administratively feasible and that there were no legal or statutory concerns with this structure. Staff followed up on this request and determined that deferred compensation elections are subject to [IRS limits](#) that depend on other deferred compensation elections, age, and time

to retire. These limits start with a base of \$20,500 for 2022. Thus, depending on a Councilmember's circumstance and the final salary that the Commission sets for Councilmembers, it is possible that a Councilmember would not be able to allocate 100% of their salary to deferred compensation. However, by including "subject to IRS limits" in the statement for the allowance to dedicate up to 100% percent of their salary to deferred compensation, the compensation structure set by the Salary Commission is legal and administratively feasible. The City Attorney's Office also reviewed this structure and did not have any legal concerns beyond the issue of IRS limits. Staff therefore recommends that 'subject to IRS limits' be added to the compensation structure statement above as follows:

- Allow Councilmembers to choose from 0% to 100% of their compensation, subject to IRS limits, to be taken as salary, to be allocated to deferred compensation as a retirement benefit, or to any combination of the two.

Staff also asked our administrative services staff how the implementation of the deferred compensation election amount could work. Staff recommends the following procedures for this:

- As per the Shoreline Municipal Code, the change in salary for 2022, assuming that Council salaries will increase, would be effective immediately and staff would offer Councilmembers an initial "open season" election of 0-100% for their contribution to their 457 deferred compensation plans.
- The initial election for 2022 could be implemented within 30 days and would be effective until the end of the calendar year.
- For 2023, staff would offer a second open season election at the end of the year. The timeframe of this open season would track with the staff benefit election open season, which typically happens in November/early December each year. Councilmembers could make changes to their deferred compensation percentage during this annual open season or if they have a "life qualifying event" throughout the year, which provides for a change in their personal circumstances.

Final Salary Commission Report Outline

At the Salary Commission's request, staff proposes the following outline for the Final Report to document the Commission's work and decisions. This report will be submitted to the City Clerk and effective as soon as submitted.

- **Title Page/Acknowledgements**
- **Executive Summary** – final decision of the Salary Commission in a short, summarized format.
- **Background** – a synopsis of the formation and meetings of the Commission, their mandate as codified by the Shoreline Municipal Code, and how the Commission structured their work.
- **Discussion of Market Analysis and Other Inputs Reviewed by the Commission** – a descriptive overview of the results of the market analysis performed by Ralph Anderson & Associates; the methodology used as part of the analysis; and a description of the current Councilmember survey question request.

Details of comparable jurisdiction data and survey results, however, will not be included.

- **Findings** – documentation of the compensation findings of the Commission, including those captured by Commissioner McClelland in her “Data Points” document and others identified by staff.
- **Salary Commission Decision** –the final compensation structure and amount that Salary Commission will set for the City Council, Mayor and Deputy, and directions to the City Clerk as outlined in the Shoreline Municipal Code.

Staff would like to receive feedback from the Salary Commission if this outline/structure of the Final Report is in alignment with the Commission’s thoughts on this.