

2016-17 SALARY & WAGE RECOMMENDATION

Summary:

Salaries & Wages

The District Governing Board at the Board Retreat held on March 9, 2016 requested staff prepare three different options related to the salary and wage increase. The information below and documents that follow address their request.

At the February 2016 District Governing Board meeting, Staff recommended an increase in salaries and wages of two percent for all eligible employees in fiscal year 2016-17. The recommendation was developed using the Board approved budget assumptions listed below, reviewing the recommendation from CASO and Faculty Association for a three percent increase, and reviewing the Consumer Price Index which is expected to average 2.15 percent for the next 10 years. The annual cost of the two percent salary was estimated at \$250,000.

The Board approved budget assumptions for salary include the following criteria:

- a) *incrementally increasing rates;*
- b) *consideration to competitive market conditions by maintaining a comparative position to the average increases/rates at other local public entities, other Arizona community colleges, and other similar institutions; and*
- c) *consideration to salary recommendations received through the shared governance process.*

Since the recommendation was developed NPC received it 2016 Levy Limit Worksheet for assessed values used to establish the property tax levy rate and amount. According to the Navajo County Assessor's office local valuations have increased nearly \$7 million but are offset by decreases of \$31 million related to properties that are centrally valued such as utilities and mines. The reduction in centrally valued properties includes closures at the Cholla Power Plant. If NPC levied property taxes at the maximum rate it increases the current tax rate of \$1.7423/\$100 NAV to a rate of \$1.7884 but the levy amount (revenues) would decrease nearly \$150,000.

Further, NPC has received the 2016-17 health insurance rates from the Navajo County School Employee Benefit Trust; those rates are increasing 12-13 percent. This is a significant increase compared to the last four years where annual increases were 3-4 percent. The original estimate for health insurance cost was a 10 percent increase in 2016-17 for a total annual cost of \$150,000. The revised projected cost is now \$180,000.

Decreases in property tax revenues and increases in health insurance costs are factors that need to be considered in evaluating any salary and wage increase for fiscal year 2016-17.



Employee Related Expenses

Health Insurance: The Navajo County School Employee Benefit Trust (NCSEBT or Trust) experienced unusually high claims in late 2015 and several of those claims will continue in 2016. The high medical claims, cost for medical services in our rural region, and costs of new prescription drugs all contributed to the double-digit increase in health insurance for 2016-17. The Trust evaluated different options to reduce overall costs while preserving the existing health insurance options, nevertheless it resulted in an increase of 12-13 percent. NPC will still be able to offer two health insurance plans to its employees; a high deductible health insurance plan and the PPO plan. However there are two key changes to the benefit plan that will directly impact employees.

- (1) Employees selecting the PPO plan will now be required to pay \$30 per month for the coverage instead of NPC paying 100% of the cost, and
- (2) All employees will now have to pay for dental coverage instead of NPC paying 100% of the cost.

These are significant changes to our employees and are being considered in conjunction with the salary and wage recommendation.

Open enrollment for employees will occur in April.

ASRS: Employee and employer ASRS contributions will increase from 11.47 percent to 11.48 percent. The institutional impact is expected to be an increase in expenditures of approximately \$1,500. The Alternate Contribution Rate (ACR) will be applied to all ASRS retirees who are functioning as employees through ASRS Return to Work (RTW) provisions. The ACR will continue to be split evenly with RTW employees. The institutional impact is expected to remain unchanged.

Cost of Living

The Consumer Price Index for **All Urban Consumers (CPI-U)** for a 12 month period ending in December rose 0.7 percent in 2015. The index has declined when compared to the last two years; in 2014 that index showed an increase of 0.8 percent and 2013 had an increase of 1.5 percent.

The **energy index** continues to decline, it fell 12.6 percent in 2015. The index had decreased 10.6 percent in 2014 and had a slight increase of .5 percent in 2013. All the energy component indexes have declined in the past year (gasoline, fuel oil, natural gas, & electricity). The fuel oil index fell 31.4 percent and gasoline fell 19.7 percent.

The index for **food** rose 0.8 percent in 2015, a significant drop from its 2014 increase of 3.4 percent and more in line with the increase of 1.1 percent in 2013. The index for food at home decreased 0.4 percent in 2015, significantly lower than the increase in 2014 of 3.7 percent. That same index had an increase of 0.4 percent in 2013. The index for food away from home had increases the last three years – 2015 was 2.6 percent, 2014 was 3.0 percent and 2013 was 2.1 percent.

The index for **all items less food and energy** was an increase of 2.1 percent in 2015, 1.6 percent increase in 2014 and 1.7 percent increase in 2013. Several of the component indexes such as



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shelter, medical care, motor vehicle insurance, education and tobacco had increases greater than the 2.1 percent increase in 2015.

January 2016 CPI data are scheduled to be released on February 19, 2016.

The Survey of Professional Forecasters, which consolidates multiple well-regarded national macroeconomic forecasts, is the oldest quarterly survey of its kind in the United States. The most recent report was released November 13, 2015: The Fourth Quarter 2015 Survey of Professional Forecasters. The forecasters expect fourth-quarter headline CPI inflation to average 0.9 percent, lower than the last survey's estimate of 1.8 percent. Measured on a fourth-quarter over fourth-quarter basis, headline CPI inflation is expected to average 2.0 percent in 2016 and 2.3 percent in 2017. The annual averages for headline CPI for years 2015-2019 is 1.90 percent. While the next 10 years, 2015 to 2024, the forecasters expect headline CPI inflation to average 2.15 percent.



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Options for FY1617 Salary & Wage Increase

Assumptions:

1% Salary Increase = \$125,000

Total employees = 225

45% on PPO medical insurance plan or 101 employees

55% on HDHP medical insurance plan or 124 employees with Health Savings Account (HSA)

FY1617 Medical / Dental Insurance Cost

PPO = 95% of cost for employee coverage paid by NPC

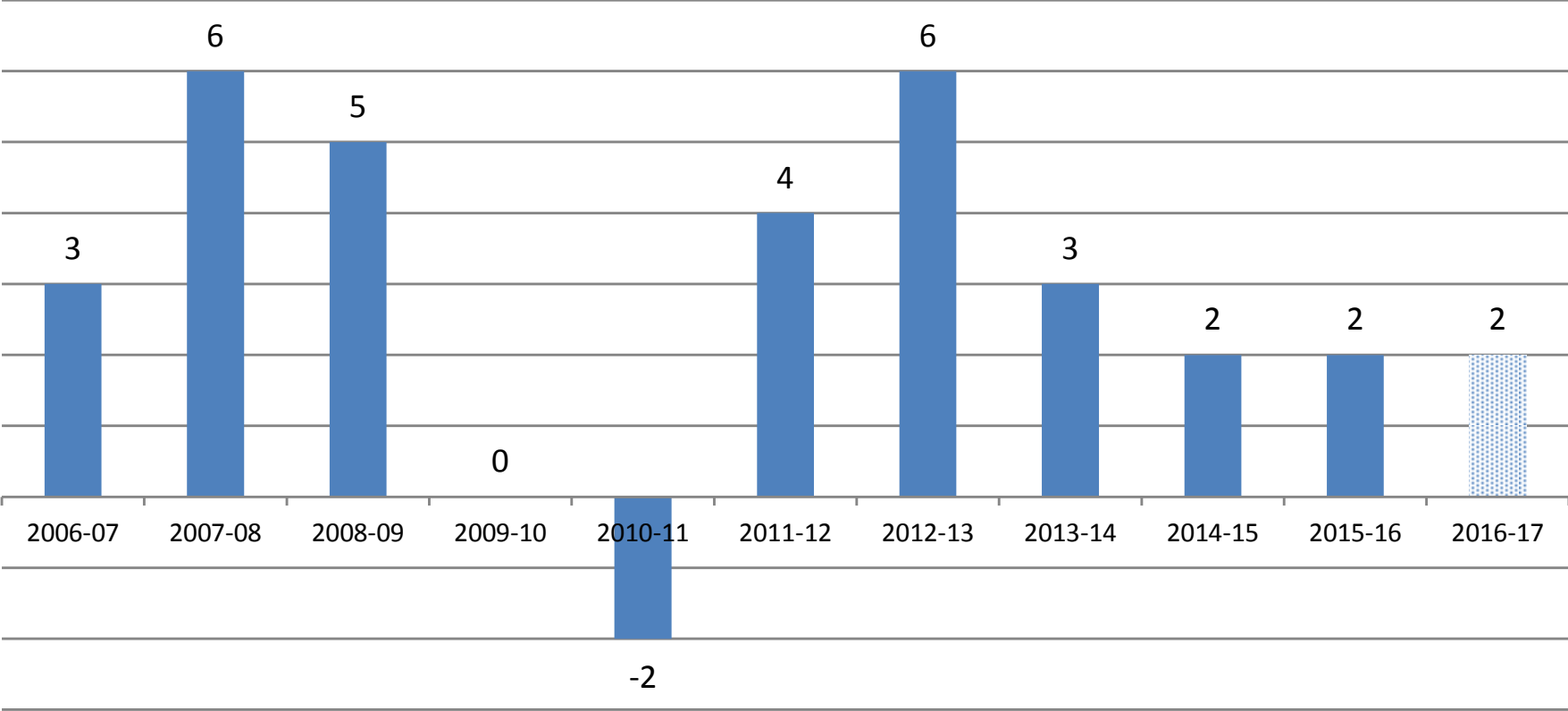
HDHP = 100% of cost for employee coverage paid by NPC

Dental = \$39.48 per month; entire amount paid by employee

	FY1617	FY1516	\$ Change	% Change
	Monthly Cost			
PPO - NPC	\$ 609.00	\$ 541.00	\$ 68.00	13%
PPO - Employee	\$ 30.00	\$ -		
PPO Total	\$ 639.00	\$ 541.00		
HDHP - NPC	\$ 605.00	\$ 541.00	\$ 64.00	12%
Dental - Employee	\$ 39.48	\$ 41.00	\$ (1.52)	-4%

NPC portion of health insurance cost	FY1617 \$ 178,200
2% salary & wage increase	Option 1 \$ 250,000
NPC portion of health insurance cost	\$ 178,200
Total Cost	\$ 428,200
No salary & wage increase	Option 2 \$ -
NPC pays employee cost of \$30 per month for those selecting PPO medical plan	\$ 36,360
NPC contributes \$30 per month to HSA for employees selecting HDHP medical insurance	\$ 44,640
NPC pays employee portion of \$40 per month for dental coverage	\$ 108,000
	\$ 189,000
NPC portion of health insurance cost	\$ 178,200
Total Cost	\$ 367,200
1% salary & wage increase	Option 3 \$ 125,000
NPC pays employee cost of \$30 per month for those selecting PPO medical plan	\$ 36,360
NPC contributes \$30 per month to HSA for employees selecting HDHP medical insurance	\$ 44,640
NPC pays employee portion of \$40 per month for dental coverage	\$ 108,000
	\$ 314,000
NPC portion of health insurance cost	\$ 178,200
Total Cost	\$ 492,200

Annual Percentage Change in Wages



**Arizona Community College
Preliminary Info
FY1617**

County	College	Salary Increase	Health Insurance
Cochise	Cochise	TBD	Up 5%
Coconino	Coconino	3.2%	Up 5%
Graham	Eastern	<1%	
Maricopa	Maricopa	TBD	Min increase
Mohave	Mohave	2.4%	Up 3.6%
Navajo	Northland	2.0%	Up 12-13%
Pima	Pima	0.0%	Increases
Pinal	Central	TBD	Up 11%
Yavapai	Yavapai	2.6%	Up 2%
Yuma	Western	TBD	Up 17%