

Minutes for
Work Session
February 2, 2010
6:30 p.m.

Those Present: Mayor Kenneth Romney, George Biada, John Baza, James Bruhn, Valerie Shaw, Mark Preece, Craig Howe, Heidi Voordeckers, Randy Lloyd, Ben White, Mindi Tullis, Mike Eggett, Jeremy Brown, Corie Hamilton, Mike Buchanan, and John Rasmussen

Meeting called to order by Mayor Romney at 6:42 p.m.

1. 401(k) in Lieu

Mayor Romney described the current 401(k) in lieu practice, explaining that it is a benefit to employees who are enrolled at either the single or double level, or those that opt to waive coverage entirely due to being covered on another plan. These employees receive the dollar difference between the family plan and their enrollment plan into their 401(k) every month, where those waiving coverage get the full amount contributed to their 401(k) monthly.

The plan was implemented 4-5 years ago without the knowledge of council as was discovered by the current administration at the time of reviewing benefit structures (as a result of the rising cost of benefits).

John Baza stated that his main concern upon reviewing the practice at the Finance Committee meeting was that it was never voted on or approved by council. He continued that this represents a fair amount of cost to the city and addressed the need to look at alternate options as presented in the memo from staff.

Craig recommended that the funding supporting the 401(k) in lieu practice be applied to salaries and wages to allow employees the opportunity to advance. Craig emphasized that this benefits employee's in two ways: 1) it increases employee's retirement potential (because URS is based on the highest 5 years of income) and 2) with the rising cost of medical premiums, the City will begin looking in to charging a portion of the premium back to employees ... we need to keep wages progressing to defray the impact this has on take home pay.

Mayor Romney indicated that in order to maintain step increases and continue to pay 100% of the medical premium for employees, some change will have to be made with the 401(k) in Lieu practice. Ken also informed council that there are employees who chose employment with West Bountiful City specifically because of this benefit.

George Biada responded that this has been construed as an additional benefit, but that current times mean that we are faced with difficult decisions. The bottom line is "what is the cost per employee?" The emphasis needs to be on keeping employees "whole" and employed while finding the best possible budgetary solution.

John brought up the fact that the practice confuses benefits with compensation, whereas compensation is equal to step increases and colas while benefits need to be equal for all.

James responded that this is an unearned benefit and not part of a wage package.

Val stated that she struggles with it because not all employees are able to benefit from it. She continued that she has heard multiple times over her two years on council how poorly compensated West Bountiful City employees are meanwhile having no knowledge of the 401(k) in lieu practice. This makes her think differently about salary surveys and the subsequent wage increases given to employees. She also felt it was unfair that those participating employees benefit every time medical premiums are increased. If anything, she recommended the practice not be continued for new hires. Val also stated that she wasn't sure about the city continuing to pay 100% of the medical premiums ... she has always had to pay some portion of her premium working for the government.

Mark stated that it is hard to find these benefits anywhere in the private sector and that it needs to end.

Heidi recommended that the 401(k) in Lieu be discontinued effective March 1st, but that council consider implementing a true 401(k) with a 3% match next budget year as well as continue with the step increases next budget year.

Craig emphasized the importance of keeping step increases so that any employee premium contribution would not result in a reduction of take home pay.

Val suggested that the medical plan be put out to bid. Heidi responded that her discussions with employees indicated that there was a concern that employee's doctors would not be covered under an Altius or Select Health plan. She also mentioned that she was concerned the city would be lured in with a low rate and then face even larger annual increases than they are currently receiving from PEHP. George Biada suggested the City put it out to bid every year and always select the lowest bidder as a means of saving money.

Randy Lloyd addressed the issue by explaining that he took a cut in pay when he came to work at West Bountiful at a rate that was \$15,000 per year under that of surrounding cities. He considered the 401(k) in lieu as it was offered as part of his compensation. Randy indicated that terminating the 401(k) in lieu would not mean equal benefits for everybody because the city would pay more in benefits for a family than they would for a single employee (dollar for dollar). Randy requested that officer Jeremy Brown bring his concerns to council, at which point Jeremy responded that "their minds are already made up".

George responded to Officer Brown explaining that this is something no one wants to talk about it because it is an uncomfortable subject. The bottom line is the City cannot afford to continue the practice and needs determine what is best for the City as well as it's employees.

Jeremy responded that there is not a whole lot else the police department has to offer (in way of tuition reimbursement, canine programs, etc.)

Val concluded that the City cannot continue to turn a blind eye to the problem and that council would have done something about it a couple of years ago had they been aware of the practice.

With no further items of discussion, the work session was adjourned to the regularly scheduled City Council Meeting.

2. Adjournment – 7:25 p.m.



MAYOR KENNETH ROMNEY



HEIDI VOORDECKERS (CITY RECORDER)

