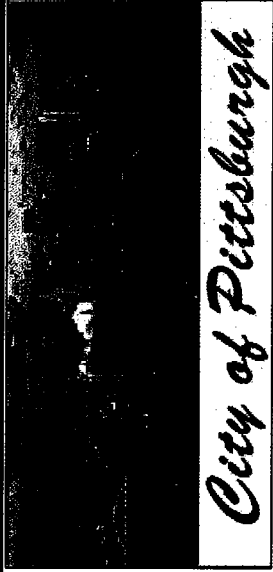


*Compensation Consulting*



Inter-Governmental Cooperation Authority  
for Cities of the Second Class

*Preliminary Analysis  
Cost-Saving Ideas Related to Compensation  
for the City of Pittsburgh*

May, 2004

Presented by



Aon Consulting

One Fayette Street • Two Tower Bridge • Conshohocken, PA 19428

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# Background

- **The City of Pittsburgh (“the City”) has asked Aon Consulting to assist it in reviewing from an overview perspective the Total Direct Compensation (TDC) package for City workers. The goal is to determine viable cost-saving ideas in the compensation realm.**
- **In a survey conducted last year by the National League of Cities, four out of five city finance officers (79%) reported that their city was less able to meet financial needs in 2003 compared to 2002.\***
- **One of the City’s key goals is, to the extent possible, to continue to maintain essential services to the broad population.**
- **The City must also continue to make inroads against a significant deficit for this year and future years. This is a “brainstorming” report in the sense that no idea is “off the table” at this time.**
- **It is important to add that any single idea or group of ideas may face significant political opposition or be difficult to implement from a practical standpoint.**

\*National League of Cities, Research Brief Issue 2003-02 “Cities Confront Tough Choices as Fiscal Conditions Decline-Economic Recovery Threatened” by Michael A. Pagano and Christopher W. Hoene, (5/2003), page 4.

# Objective

- The City has provided us with its payroll expenses and its list of employees by pay level. (See the pages 10-15)
- In the pages that follow, we will analyze the various major cost-saving ideas that we believe are worthwhile for the City to explore.
- One goal is to fully explore cost-saving solutions that might avoid workforce reduction. This goal is being pursued in spite of an increasing national trend – nearly one in five (17%) city finance officers reported in a recent survey that their city is laying off city staff. Public safety personnel have been particularly hard hit – of the responding cities, 24% were firefighters and police officers.\*
- We have attempted to keep the City’s critically-important mission in mind — that of providing essential services to the broad population that works and lives in and around the City of Pittsburgh.

\*Ibid at p.6

# Executive Summary

- In the report that follows, we have provided roughly 14 cost-saving ideas, some of which can produce immediate cost savings, and some of which can produce longer-term cost savings.
- These are ideas that are utilized commonly as best practices in this arena by governmental and for-profit businesses alike.
- We have attempted, where possible, to assign numbers to an idea in terms of the potential value to the City.
- Many of these ideas are fairly costly to implement, others are not very costly by comparison.
- Where possible, we have attempted to ask similarly-sized municipalities what steps they have taken in this regard.

# Executive Summary

- **Overall, the best approach is to adopt certain tried and proven techniques singly or in combination depending on the City's overall priorities and specific facts and circumstances such as:**
  - Wage freeze;
  - Potential early retirement inducements;
  - Selective workforce reductions;
  - Shorter workweek;
  - Rollback of a certain percentage of the workforce's base salary;
  - Minimize the use of overtime and properly identifying exempt vs. non-exempt workers using the new FLSA guidelines.
  - Adopting a retention plan with deferred payouts for certain key players and to keep essential services well managed;
  - Salary structure review; and
  - Consider more fully utilizing temporary workers during peak periods.

# Executive Summary (2)

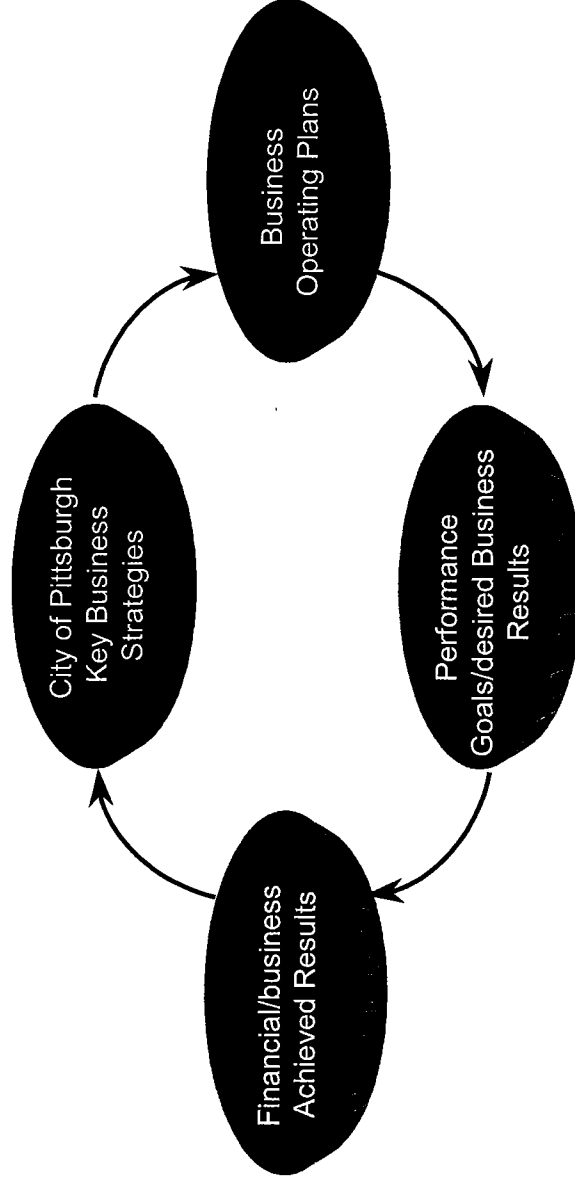
- **Other best practices include:**
  - Improved communications including total benefits and compensation statements;
  - Outsourcing certain key functions and using techniques more effectively;
  - Instituting broadbanding, a method of simplifying the pay structure overall;
  - Instituting certain pay-for-performance initiatives including an annual incentive plan;
  - Develop an outsourcing plan for certain non-core functions;
- **Ballpark estimates for cost savings can be extremely difficult for us to make with any degree of precision because of their dependence on a whole host of factors but we have attempted to do so by way of illustration.**
- **The overall cost savings for many of these ideas in the aggregate can be roughly \$5.9 million to \$8.1 million or more, depending on which ideas are adopted in what combination, and how they are implemented over what period of time.**
- **The rest of the report will list in detail and analyze the information that we have used to develop this list of cost-saving methodologies in the compensation area.**

# Overall Compensation Structure — Key Linkages for the City of Pittsburgh

## ▪ Suggested Planning Concept and Process

### Key Linkages

The suggested planning concept and business planning process create the following linkages.



# Demographic Analysis

- In the pages that follow, we have utilized the same demographic analysis that was used in our “Health and Welfare Benefit Plan Review” report dated April, 2004.

# Demographic Analysis

## City of Pittsburgh Identifier Codes

| Non-Union/Union Codes | Description         | Name  | Contract Dates      |
|-----------------------|---------------------|---|---------------------|
| 01                    | Non-Union           | City of Pittsburgh Non-Union Employees  | N/A                 |
| 02                    | Police              | The Fraternal Order of Police - Fort Pitt Lodge No. 1   | 01/01/03 - 12/31/04 |
| 03                    | Fire Fighters       | Pittsburgh Fire Fighters - Local No. 1  | 01/01/97 - 12/31/04 |
| 04                    | PJCBC               | Pittsburgh Joint Collective Bargaining Committee (PJCBC)  | 01/01/03 - 12/31/06 |
| 05                    | Teamsters           | Animal Control, City Refuse, Rodent Control Teamsters Local 249   | 01/01/99 - 12/31/03 |
| 06                    | Foreman             | American Federation of State, County, and Municipal Employees (AFSCME) AFL-CLO Local 2037                           | 01/01/01 - 12/31/04 |
| 07                    | Recreation Teachers | Service Employees International Union - Local 585<br>Parks and Recreation Department<br>Pittsburgh Recreation Union | 01/01/01 - 12/31/04 |
| 08                    | School Guards       | Service Employees International Union<br>Local 192-B  | 01/01/01 - 12/31/03 |
| 09                    | White Collar        | American Federation of State, County, and Municipal Employees (AFSCME)<br>District Council 84 - Local 2719          | 01/01/01 - 12/31/04 |
| 10                    | Paramedics          | The Fraternal Association of Professional Paramedics (FAPP)   | 01/01/01 - 12/31/05 |

