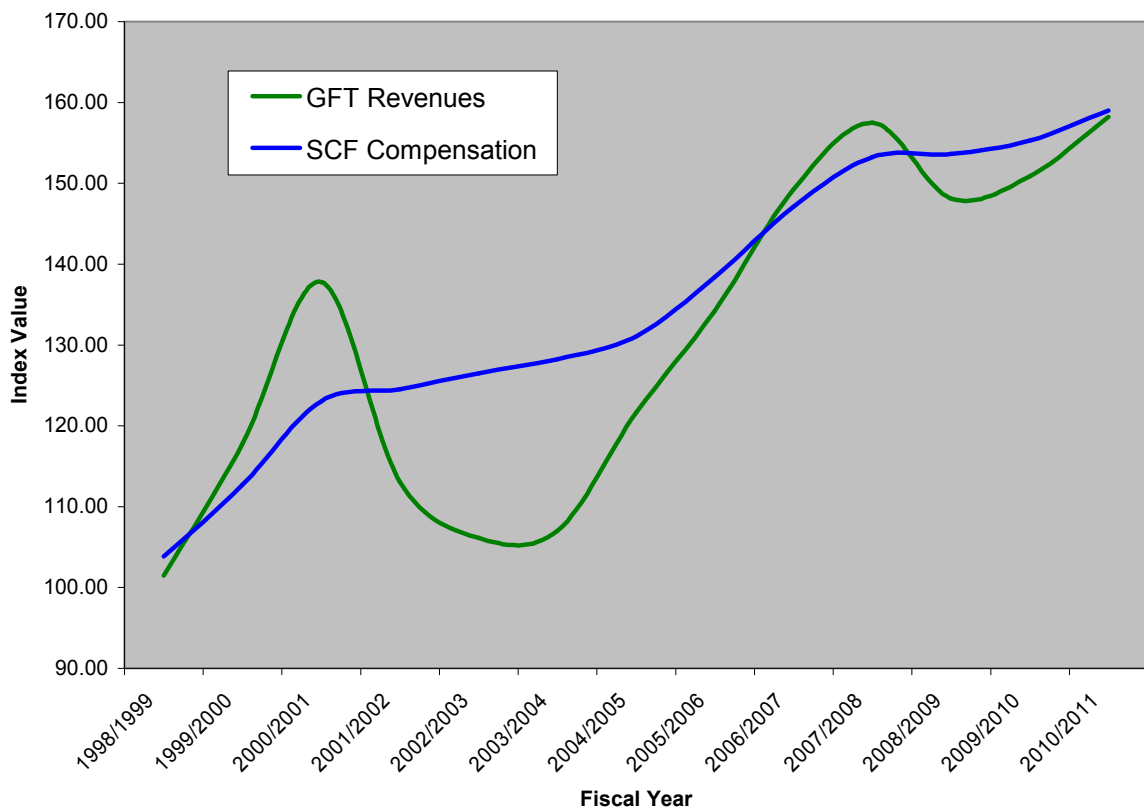


The Sustainable Compensation Formula:

A game changer for public sector compensation

Figure 3



By: James L. Roberts
August 21, 2012

Executive Summary:

From fiscal years 1997/1998 through 2010/2011 total compensation per full time employee for the City of Sunnyvale grew from \$88,948 per year to \$161,128 per year. This was an increase of 81.15% over the period studied, or an average of 6.24% per year. Inflation, as measured by the Bay Area consumer price index, increased by 41.18% over the same period, or an average of 3.17% per year. General fund tax revenues for the city grew by a total of 58.23% during this time, or an average of 4.48% per year.*

The fact that total compensation per employee grew by nearly twice the rate of inflation, and about 40% faster than tax revenues, created financial challenges for the city which resulted in service level reductions and reduced staffing. In fact, headcount fell from a high of 1,009 full time employees in 2002/2003 to a low of 820 in 2010/2011.* This reduction in staffing cannot be explained by increased productivity.

While headcount was falling, total personnel costs for the city as a whole continued to rise. This troubling reality was caused by the fact that total compensation per employee increased rapidly, even as staffing levels and services were being reduced. This resulted in a “service gap” for taxpayers and means that they were paying more, while getting less.

The solution to this problem, caused by rapidly rising employee compensation, is to reduce the rate of growth in compensation to a sustainable level that is consistent with the city’s ability to pay. The sustainable compensation formula (SCF) does precisely this.

The SCF is an innovative concept that creates a relationship between city tax revenues and the total compensation paid to each city employee. The SCF allows compensation to grow with tax revenues, but makes sure there are sufficient resources left over to properly fund city services. By linking tax revenues to compensation, the SCF creates a self-regulating mechanism that makes sure the two move in harmony. The result is fair and sustainable compensation for city employees, while at the same time protecting city services for taxpayers.

Background and Methodology:

An analysis of the compensation costs for the City of Sunnyvale was done covering the period from fiscal years 1997/1998 through 2010/2011. This period was chosen because it includes two economic cycles; beginning with the rapid growth in the late 1990’s and ending with the recovery from the “Great Recession.”

* See Exhibit A

The data gathered for the period studied are detailed in Exhibit A, which is entitled, Sustainable Compensation Formula Worksheet: Sunnyvale. This exhibit contains data collected regarding general fund tax (GFT) revenues, population, inflation, total personnel costs for the city as a whole (TPC) and total full time equivalent employees (FTE). TPC includes pensions, health insurance and all personnel costs.

Exhibit A also includes several calculations and analytical tools that are explained in more detail throughout the report. One such tool that is critical to the analysis detailed in this report is the concept of the index. An index, as used in economics, is simply a way of expressing a series of numbers over time in terms of their relationship to a certain base year. An example of such an index is the consumer price index, which is used to track changes in price levels for a certain basket of goods over time.

An index is created by taking each number in a time series, dividing it by the base year number and then multiplying by 100. This makes the base year equal to 100. The resulting index values show the total change from the base year to a given year. For example, if the value of an index was 110 for a given year, that would represent a 10% increase over the base year. An index value of 150 would represent an increase of 50% over the base year, and so on.

One of the benefits of converting time series data into indices is that it puts all numbers on the same scale for easy comparison. For example, total personnel costs over the period studied ranged from about \$74 million to about \$132 million, while headcount ranged from 820 to 1,009.* These vastly different scales become easier to compare over time when expressed in terms of an index with a base year value of 100.

The charts shown in Figures 1 through 4 begin with fiscal year 1998/1999. The reason for this is because the first year of the period studied is the base year and therefore equals 100 for each of the various indices. Because each index has the same value in the first year, it was decided to begin these charts in the second year. Figure 5 uses actual dollar amounts instead of index values and begins with fiscal year 1997/1998.

Average total compensation (ATC) was used in the analysis to show what annual total compensation was for the average city employee. When the terms “compensation,” “total compensation” or “compensation per employee” are used in this report, they also refer to ATC. The terms are used interchangeably and should be construed to have the same meaning for purposes of this report. The terms “headcount,” “full time employees” or “employees” are used synonymously and refer to FTE. Likewise, when the terms “taxes” or “tax revenues” are used, they refer to GFT revenues.

* See Exhibit A

Actual compensation was calculated using data provided by the City of Sunnyvale. Compensation was also calculated using the SCF to see what it would have been with the formula. Baseline actual compensation for fiscal year 1997/1998 was first established by dividing total personnel costs by total headcount for that year. Once the compensation adjustment factor was derived for a given fiscal year on the worksheet, this factor was multiplied by compensation in the previous year to yield compensation for that year. This was repeated for each year of the period studied. Actual compensation is also shown just above the SCF compensation numbers on the bottom of both pages of Exhibit A, for easy comparison.

The Problem:

Compensation for Sunnyvale city employees has been growing at a significantly higher rate than inflation and tax revenues, which has resulted in reduced staffing and service level reductions for taxpayers. As Figure 1 clearly shows, actual compensation grew more slowly than inflation for a few years. Then, in 2003/2004, it took off like a rocket and never looked back. In fact, compensation increased by 81.15% over the period from 1997/1998 through 2010/2011. That is nearly twice the rate of inflation over the same period. This rate of growth is not financially sustainable for the city and must be addressed.

Figure 1

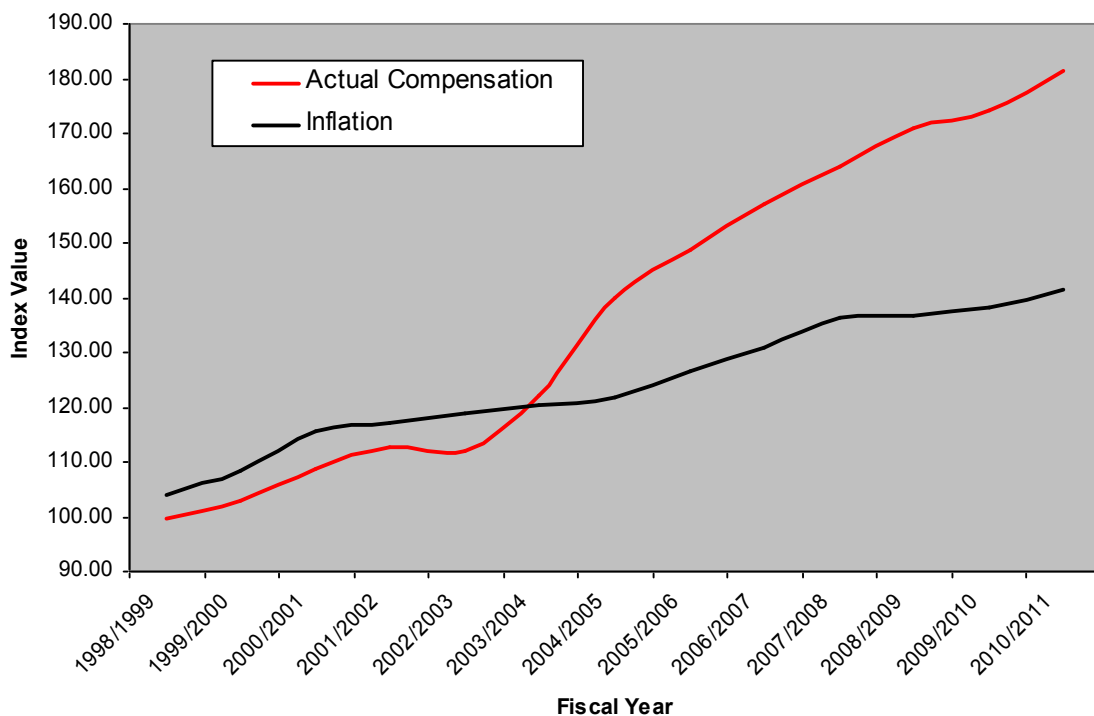
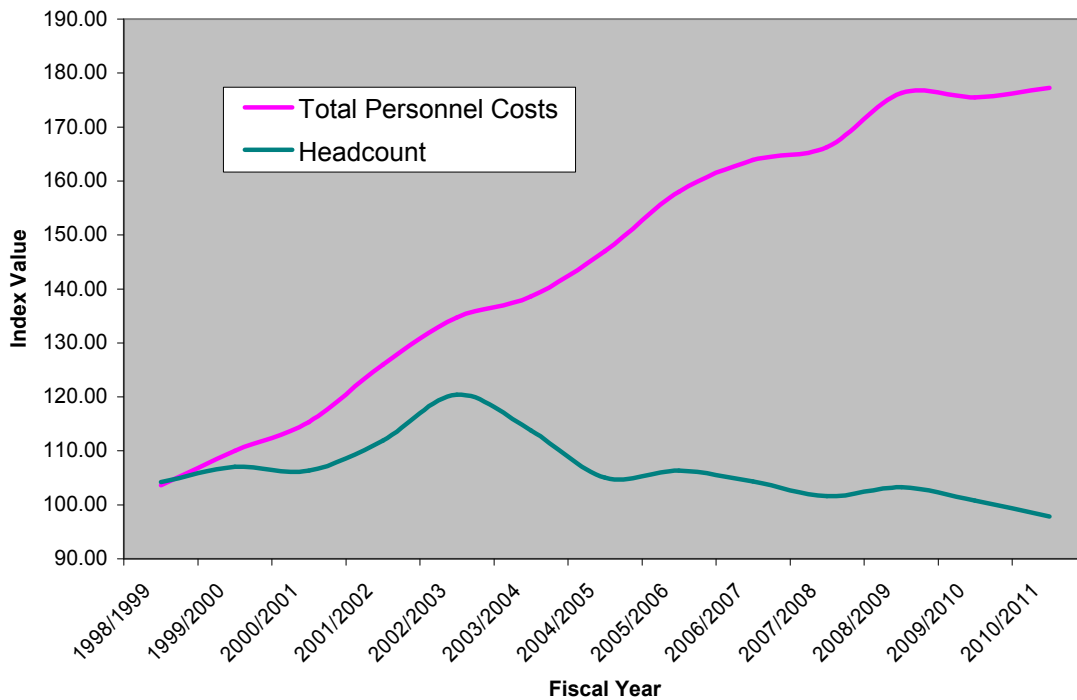


Figure 2 shows the relationship between total personnel costs and headcount over the period studied. The graph illustrates the grim reality that total personnel costs have grown steadily, even as headcount has fallen. There is only one explanation as to how this could be; the cost of each remaining employee went up. In fact, from 2002/2003 through 2010/2011 headcount fell from 1,009 to 820, while compensation rose from \$99,470 per year to \$161,128 per year.* Stated differently, headcount fell by almost 19%, while compensation per employee increased by nearly 62% over that eight year period.

Such a reduction in headcount could have been the result of increased productivity. This was not the case, however, as services were also reduced. The reality for Sunnyvale taxpayers was that they were paying more, while getting less. This “service gap” shortchanges taxpayers and needs to be corrected. The rate of growth in employee compensation must be reduced to a sustainable level for the long-term.

Figure 2



* See Exhibit A

The Solution:

An effective way to reduce the rate of growth in compensation to a sustainable level is to link compensation to tax revenues. This is done by creating an index of tax revenues, adjusted for population growth and inflation. Once taxes are adjusted in this way, the index measures their real per capita growth. Increases in total compensation are then tied to increases in the index. The sustainable compensation formula does precisely this and makes sure that tax revenues and compensation remain in balance. Here is how the formula works:

- Establish a baseline for total compensation for each employee (including benefits and all costs), general fund tax (GFT) revenues, population and the Bay Area consumer price index (CPI). The baseline year shall be the most recent fiscal year ended where the budget is balanced without the use of reserves.
- Create an index of real GFT revenues per capita, where the baseline year equals 100 and all future changes in real GFT per capita are recorded relative to the baseline year. For example, if real GFT per capita increases by 3% in the first year after the baseline, the index would equal 103 for that year.
- Total compensation for each employee shall increase annually by a factor equal to the annual percentage increase in the real GFT per capita index, or the annual percentage increase in the CPI, whichever is greater. The resulting compensation adjustment factor shall not be greater than twice the annual percentage increase in the CPI for that year.

The baseline year should be the most recent fiscal year ended with a truly balanced budget. A truly balanced budget is achieved when current resources equal current requirements, without the use of reserves. The reason for this is because the formula should begin at a point where total compensation for each employee is funded by current revenues and not subsidized by reserves. If total compensation has to be financed by the use of reserves, it is not at a sustainable level.

The real GFT per capita index should include the following revenues: property tax, sales tax, transient occupancy tax, utility users' tax, business license tax and other general fund taxes. It should not include: permits, fees, fines, inter-fund revenues, in-lieu charges, one-time non-recurring revenues or other items. The reason the real GFT per capita index should not include

items like permits and fees is because these items are heavily influenced by compensation costs for employees. If such items were included in the index, there would likely be a circular and self-perpetuating affect that would cause both fees and compensation to spiral upward.

Real GFT per capita is used in the formula to adjust the growth in GFT revenues for increases in population and inflation. The annual percentage increase in real GFT per capita represents the true growth in these revenues and is not distorted by the affects of inflation and population.

The reason the formula caps the maximum annual increase in total compensation for each employee to twice the rate of inflation is because total compensation does not go down when real GFT per capita growth is negative. The minimum annual increase under the formula is the Bay Area CPI. If compensation were allowed to go down as well as up, then no upper limit would be necessary.

Any annual increase in total compensation for employees must first be allocated to benefit costs to ensure any increase in these costs is taken into account. If this is not done, there would be no check on such benefits and they would likely cause total compensation to rise at an unsustainable rate. If the annual increase produced by the formula is too small to even cover the rise of benefit costs for a given year, then benefit costs shall be allowed to increase, but no new or expanded benefits may be added.

An example of how increases in total compensation would be allocated is as follows: For purposes of illustration, total compensation for the given employee shall be \$100,000, including a burden rate of 35% for salary related benefits (pension, workers' compensation, etc.). If the SCF yields an increase of 5% for a given year, total compensation for the employee would be increased by \$5,000. If the cost of health insurance and other fixed dollar benefits increase by \$800 for the year, that would leave \$4,200 for everything else. To determine the increase in salary, the \$4,200 would be divided by 1.35 (1 plus the burden rate), with a resulting value of \$3,111.11. That would leave \$1,088.89 for pension and related benefits. So, the employee would receive a \$5,000 increase in total compensation; comprised of \$3,111.11 in salary, \$1,088.89 in pension and \$800 in health insurance.

A reserve, such as the budget stabilization fund (BSF), should be established at a level consistent with the volatility of the city's revenue stream. While the precise amount is debatable, this reserve must be sufficient to withstand even the most severe economic downturns. The BSF should be drawn down during periods of declining revenues and used to maintain service levels and prevent layoffs. Once economic growth resumes, the BSF should be replenished.

The SCF in Practice:

As explained in the Background and Methodology section of the report, compensation was calculated using the SCF for each year of the period studied. This number was then analyzed and compared to actual compensation derived from actual city data. The detailed calculations can be seen in Exhibit A.

Figure 3 shows the relationship between SCF compensation and tax revenues. The GFT revenues curve winds its way around the SCF curve, intersecting it at key points during the business cycle. The curves perform a harmonious dance which draws them back together, if they should stray too far apart in either direction. This graph shows perfectly why the SCF works so well. Tax revenues and compensation move in accord with one another.

Figure 3 also shows that the downturn which began in 2001 was much harder on city tax revenues than the most recent recession. In the earlier downturn, GFT revenues fell by 17.96% in fiscal year 2001/2002, followed by a 6.14% drop the following year. GFT revenues did not recover to their previous high for six years. This is why keeping a sufficient reserve in the budget is so important. The city must be able to withstand even a deep and sustained downturn without sacrificing service levels.

Figure 3

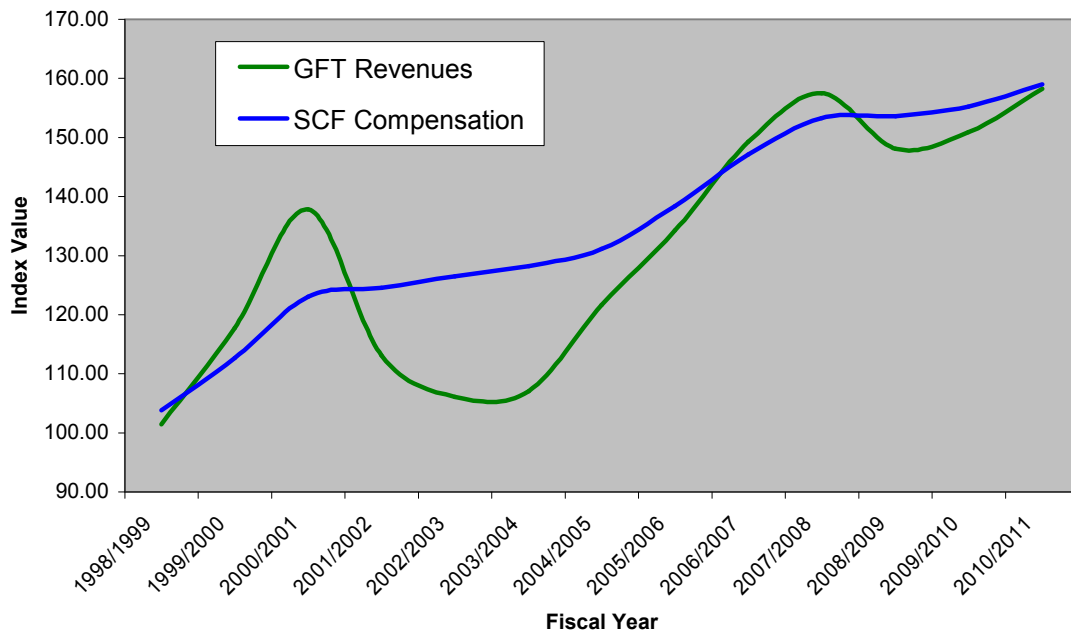


Figure 4 demonstrates how the SCF just about splits the middle between inflation and actual compensation over the period studied. It provides for real inflation adjusted growth in compensation, while at the same time moderating the rate of growth to a level consistent with prudent fiscal discipline.

Figure 4

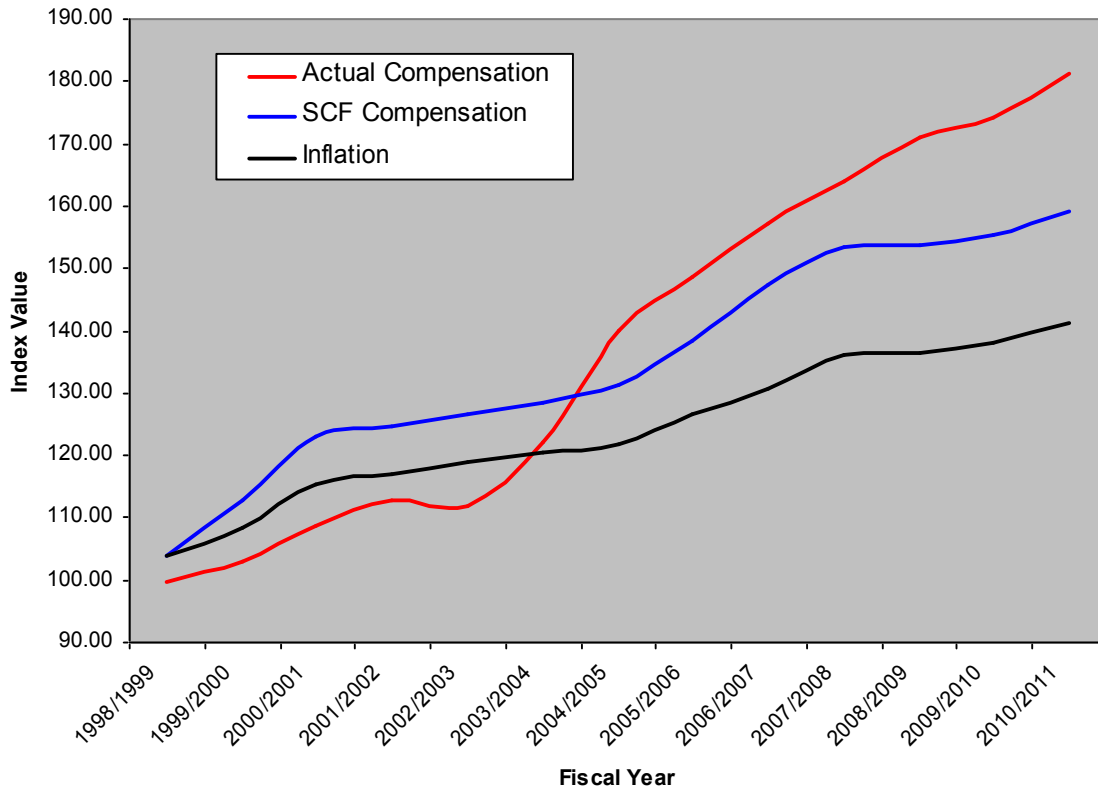
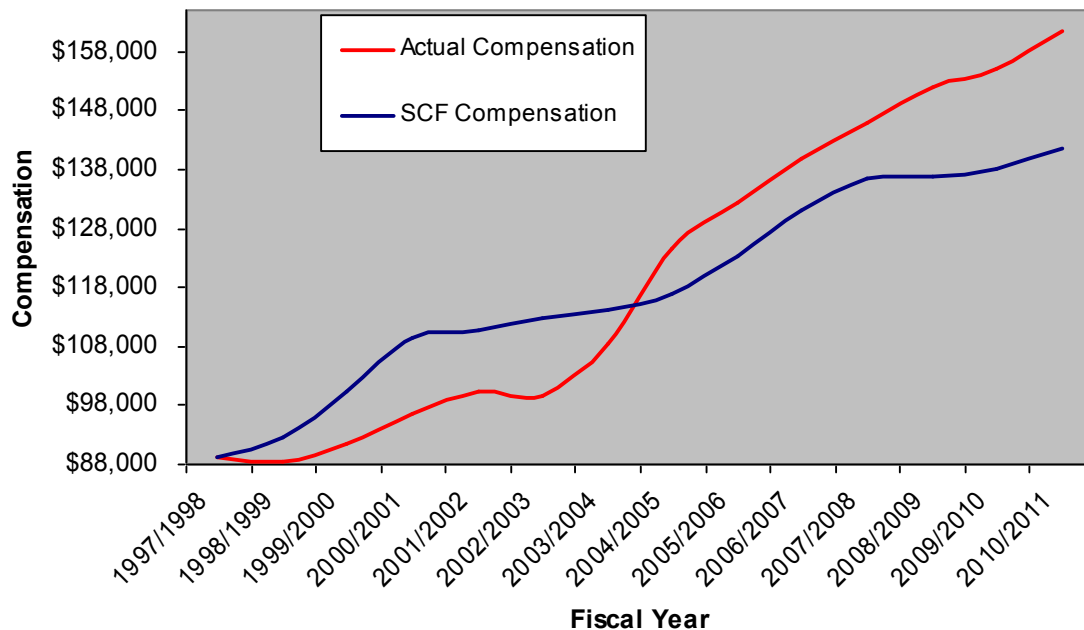


Figure 5 (on the following page) shows the contrast between actual compensation and SCF compensation, but in dollar terms instead of index values. These curves behave identically to their index counterparts, but are shown on the scale of dollars of annual average total compensation.

Figure 5



For the first six years of the period studied, actual compensation grew more slowly than SCF compensation. This period from 1997/1998 through 2002/2003 was a time of staunch fiscal discipline for the city and labor costs were kept well in check. The period from 2003/2004 through 2010/2011, however, was a completely different story. Actual compensation began to grow at a much faster rate and quickly overtook SCF compensation in 2004/2005.

By the end of 2010/2011, actual compensation was \$161,128 per year versus \$141,438 for SCF compensation. This difference of \$19,690 per year is significant and represents a premium of 13.92% for actual compensation, over and above the level reached using the SCF. If this \$19,690 is multiplied by the actual headcount in 2010/2011 (820), the savings equals \$16,145,800 per year for the city.

An interesting way to look at this huge amount of savings is to calculate how many additional full time employees could be hired if they each made an average of \$141,438, instead of \$161,128. The answer is 114. That would equate to a substantial increase in city services. If that many employees were not needed to provide the optimal level of services for taxpayers, the difference could be used to lower fees and other non-tax revenues, put towards additional capital improvements, saved for a rainy day or any number of beneficial uses.

Discussion:

The best part about the SCF is that it works. It establishes a range of total compensation growth for city employees between one and two times the rate of inflation. When times are good and tax revenue growth is strong, total compensation grows at a faster rate. When times are tough and tax revenues are falling, total compensation still keeps pace with inflation, but growth slows down to let tax revenues catch up. The SCF creates a self-regulating mechanism that makes sure the city's single largest cost moves in harmony with its ability to pay. This synchronization of cash flows provides for great financial stability, which benefits both city employees and taxpayers.

While the SCF would provide considerable savings to taxpayers, from the perspective of employee unions, it would likely be seen as a negative. Any such negativity, however, is completely unfounded. The SCF will actually benefit city employees by providing fair and sustainable compensation, as well as improved job security. It is better to have more people working in a stable environment, rather than fewer who make more money, but are vulnerable to the violent swings of the business cycle.

While the SCF provides fair and reasonable compensation growth for city employees, it is possible that over a long period of time total compensation may fall out of step with the market. This can be addressed through the use of market surveys. Every three years (or some other appropriate time frame) a survey that includes public and private sector jobs within Santa Clara County could be conducted to compare total compensation for city employees versus the rest of the county. It is critical that this survey accurately reflect labor market conditions relevant to Sunnyvale, in both the public and private sector, and that it is not manipulated to yield an inflated value.

One of the problems with such surveys is that they tend to become circular and self-perpetuating. Because everyone is surveying everyone else, when compensation increases in one city, it causes increases in the rest. This in turn causes additional increases in the first city, and so on. The cycle continues to repeat itself causing compensation to spiral upward. This is an important reason why such surveys should be used sparingly and not tied directly to any compensation formula.

A question can be raised as to why any formula is needed at all. In the private sector wages, salaries and benefits are determined by the market. It seems logical that the same should be true for public sector agencies. The problem, however, is that public sector agencies in California are not allowed to simply go out into the marketplace and hire someone at mutually agreeable terms. State labor law requires that the city collectively bargain

with its unions to determine wages, hours and working conditions. Because of this, the “market” in the public sector is largely determined by the power of the unions. Particularly in California, public employee unions are very politically active and have great influence with elected officials.

In Sunnyvale, according to the City Manager’s budget message for fiscal year 2012/2013, the average public safety officer now receives \$250,000 per year in total compensation. Clearly, the public employee unions in Sunnyvale have been very successful in representing the interests of their members. The problem, however, is that employee compensation has grown so fast that it is outpacing the city’s ability to pay. This is why staffing levels have fallen and services have been cut. Tax revenues have fully recovered to their pre-recession levels, but compensation has increased so much, services and headcount have not been fully restored. This is why the SCF is needed. If past history is any indication, it is doubtful that the city would be able to reduce the rate of growth in compensation to a sustainable level without such a formula.

It is critical that only tax revenues be used in the SCF. The reason for this is to prevent a circular and self-perpetuating affect. City fees are substantially influenced by compensation costs and not subject to voter approval. If such revenues were included in the SCF, an increase in these revenues would result in an increase in compensation, which would in turn cause an increase in fees, and so on. The result would be an upward spiral of both fees and compensation.

Even with only tax revenues as part of the SCF, there is still a danger this may encourage a focus on revenue enhancement, at the expense of efficiency and improvement in service delivery. Because of this, management compensation should contain a “pay for performance” element to ensure there are proper incentives to improve productivity.

Likewise, compensation for all bargaining units should contain bonus incentives that reward employees for increased productivity and suggesting operational improvements which result in real measurable cost savings. All such productivity and operational improvements would need to be objectively measured and quantified. The savings to the city could be shared between the employee and the city at some mutually agreeable ratio; perhaps 50/50.

If policy makers feel that tax revenues are not growing fast enough, and therefore employee compensation is not growing fast enough, policy makers always have the option to increase taxes. They can place such tax measures on the ballot and make their case to the electorate. This is an open and transparent process that allows the citizens to decide.

While the SCF performed very well over the period studied in this report, each economic cycle poses unique challenges and it is possible

conditions could arise that would give the formula problems. One such example is the Great Depression. This period experienced deflation. This means that inflation was actually negative in several years. According to the way the SCF is structured, this may cause total compensation for city employees to decrease. Of course, if an economic event as severe as the Great Depression occurred again, the vast majority of Americans would experience reduced compensation. As unlikely as such an event is, if deflation should occur, policy makers will have to decide the extent to which city employees should share in the sacrifice. If reserves are large enough, such reductions in compensation may not be necessary.

It is more likely that future economic cycles will experience higher levels of inflation than those in the recent past. Because of federal monetary and fiscal policy, there is an increased probability that the economic experience of the 1970's may return for a time. If this should occur, it should not pose a problem for the SCF. Rapid inflation would also cause tax revenues to rise in step and therefore remain in balance with compensation.

There are those who might argue against the SCF on the grounds that it is too generous and does not go far enough to rein in the growth in compensation. A case could be made that compensation should only increase with productivity, without regard to inflation. While this argument might be popular with some, such an approach would not be practical. It would likely cause compensation to grow at such a slow rate that the city would have difficulty retaining its workforce.

Implementation of the SCF is a low risk proposition for all stakeholders. From the perspective of taxpayers, the worst case scenario under the formula would be that compensation grows at twice the rate of inflation. As shown earlier in the report, this has essentially been the case for the past 13 years. Therefore, the worst case for taxpayers would be the status quo. If the SCF performs as expected, taxpayers would see significant savings in employee compensation costs with more resources available for city services.

From the perspective of the city employees, the worst case scenario would be that their compensation grows at the rate of inflation. Given that current levels of compensation are quite generous, the worst case for employees would be that these gains are protected. If the SCF performs as expected, city employees would see real inflation adjusted growth in compensation at a sustainable rate for the long-term. While the rate of growth would not be quite as high as in the past, it would be consistent with the city's ability to pay and therefore provide stability and additional job security.

Once the SCF is implemented, it will likely have a positive affect on employee relations and morale in the long-term. It should lessen the tension

created by the adversarial nature of traditional labor negotiations. The SCF replaces the “us versus them” mentality too often associated with such negotiations and creates an environment where the interests of both city employees and taxpayers are aligned. As the city and its taxpayers prosper, so will the city’s workforce.

Conclusion:

The sustainable compensation formula provides an effective solution to a problem shared by much of the public sector in California. Rising costs of compensation are straining the resources of even the most stalwart municipalities.

In Sunnyvale, compensation has grown to the point where reaching optimal service levels may prove financially challenging. Headcount is at its lowest level in at least 14 years, yet total personnel costs continue to rise. This is a troubling indicator that requires attention. Failure to put compensation on a sustainable growth path may threaten the city’s ability to provide the high quality services its taxpayers have a right to expect.

The SCF addresses this head-on by creating a relationship between total compensation and tax revenues that links the fortunes of taxpayers and city employees in a beneficial way. As the economy grows and tax revenues rise, so will compensation. When growth slows, city employees will still keep pace with inflation, while having the additional security of knowing the city is financially strong. The SCF will ensure all stakeholders share in the city’s prosperity, but also share in the sacrifice during tough times.

Because of the city’s enduring commitment to long-term financial planning and management, Sunnyvale is in a strong enough position to meet its compensation challenges by simply reducing the rate of growth in employee compensation and bringing it into line with tax revenues. The SCF will reduce the rate of growth in the city’s largest expense and put it on a sustainable path for the long-term benefit of city employees and taxpayers alike.

Sources:

- City of Sunnyvale, Department of Finance, Requests 21408 & 21789.
- State of California, Department of Finance, E-4 Historical Population Estimates for Cities, Counties and the State.
- U.S. Bureau of Labor Statistics, CPI-All Urban Consumers, San Francisco-Oakland-San Jose.

Acknowledgments:

I want to give special thanks to Dave Nieto, the former Director of Human Resources for the City of Sunnyvale; Mary Bradley, the former Director of Finance for the City of Sunnyvale and my son Robert. Each provided valuable feedback that helped to strengthen the final product.

Sustainable Compensation Formula Worksheet: Sunnyvale

	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
Property Tax	\$15,260,144	\$17,371,603	\$18,658,704	\$20,360,778	\$22,817,384	\$23,868,187	\$23,580,170
Sales Tax (all combined)	\$27,855,279	\$26,242,398	\$31,253,028	\$37,620,492	\$27,269,784	\$24,029,237	\$24,599,057
Transient Occupancy Tax	\$7,273,406	\$7,566,346	\$9,774,786	\$10,735,481	\$6,320,197	\$5,094,489	\$4,751,669
Utility Users' Tax	\$4,393,051	\$4,138,976	\$4,394,678	\$5,858,806	\$5,687,657	\$5,651,673	\$5,876,966
Business License Tax	\$270,491	\$265,738	\$263,252	\$287,252	\$249,753	\$269,263	\$244,286
Other General Fund Taxes	\$1,661,294	\$1,957,930	\$2,421,192	\$3,274,813	\$1,755,858	\$1,252,156	\$1,624,541
Total General Fund Taxes	\$56,713,665	\$57,542,991	\$66,765,640	\$78,137,622	\$64,100,633	\$60,165,005	\$60,676,689
Total Population (Jan. of second year)	129,464	131,141	131,531	132,198	132,119	131,769	131,647
General Fund Taxes Per Capita	\$438.07	\$438.79	\$507.60	\$591.07	\$485.17	\$456.59	\$460.90
Real GFT Per Capita (1998 dollars)	\$438.07	\$422.70	\$469.06	\$512.42	\$415.61	\$384.95	\$383.32
GFT Index	100.00	101.46	117.72	137.78	113.03	106.09	106.99
Annual % Change GFT Index		1.46%	16.03%	17.03%	-17.96%	-6.14%	0.85%
GFT Per Capita Index	100.00	100.16	115.87	134.93	110.75	104.23	105.21
Annual % Change in GFT per Capita		0.16%	15.68%	16.44%	-17.92%	-5.89%	0.94%
Bay Area CPI (June of second year)	165.500	171.800	179.100	190.900	193.200	196.300	199.000
Annual % Change in Bay Area CPI		3.81%	4.25%	6.59%	1.20%	1.60%	1.38%
Real GFT Per Capita Index	100.00	96.49	107.08	116.97	94.87	87.88	87.50
Annual % Change Real GFT per Capita		-3.51%	10.97%	9.24%	-18.89%	-7.38%	-0.43%
Compensation Adjustment Factor	1.0000	1.0381	1.0850	1.0924	1.0120	1.0160	1.0138
Total Personnel Costs	\$74,538,248	\$77,229,499	\$81,977,043	\$85,980,644	\$93,904,023	\$100,364,910	\$103,273,346
Total FTE Employees	838	873	897	891	938	1,009	953
Average Total Compensation (Actual)	\$88,948	\$88,464	\$91,390	\$96,499	\$100,111	\$99,470	\$108,367
Annual % Change		-0.54%	3.31%	5.59%	3.74%	-0.64%	8.94%
Average Total Compensation (SCF)	\$88,948	\$92,334	\$100,181	\$109,442	\$110,761	\$112,538	\$114,086
Annual % Change		3.81%	8.50%	9.24%	1.20%	1.60%	1.38%

Sustainable Compensation Formula Worksheet: Sunnyvale

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Property Tax	\$29,509,767	\$32,042,437	\$35,815,933	\$38,960,465	\$42,259,090	\$43,699,859	\$42,356,100
Sales Tax (all combined)	\$26,069,907	\$29,616,502	\$32,053,295	\$30,914,630	\$26,201,085	\$26,590,337	\$30,418,944
Transient Occupancy Tax	\$5,073,824	\$5,633,159	\$6,479,842	\$7,350,255	\$5,686,217	\$5,578,196	\$6,589,448
Utility Users' Tax	\$5,832,872	\$6,057,141	\$6,479,038	\$6,840,342	\$6,841,270	\$6,797,768	\$6,805,668
Business License Tax	\$214,895	\$286,349	\$686,604	\$1,075,004	\$1,199,364	\$1,363,638	\$1,494,340
Other General Fund Taxes	\$2,275,899	\$2,482,191	\$3,115,481	\$4,167,264	\$1,807,301	\$1,507,960	\$2,073,305
Total General Fund Taxes	\$68,977,164	\$76,117,779	\$84,630,193	\$89,307,960	\$83,994,327	\$85,537,758	\$89,737,805
Total Population (Jan. of second year)	131,853	132,630	134,232	136,296	138,213	139,865	140,898
General Fund Taxes Per Capita	\$523.14	\$573.91	\$630.48	\$655.25	\$607.72	\$611.57	\$636.90
Real GFT Per Capita (1998 dollars)	\$430.31	\$454.24	\$482.80	\$481.59	\$445.64	\$443.71	\$451.14
GFT Index	121.62	134.21	149.22	157.47	148.10	150.82	158.23
Annual % Change GFT Index	13.68%	10.35%	11.18%	5.53%	-5.95%	1.84%	4.91%
GFT Per Capita Index	119.42	131.01	143.92	149.58	138.73	139.61	145.39
Annual % Change in GFT per Capita	13.50%	9.71%	9.86%	3.93%	-7.25%	0.63%	4.14%
Bay Area CPI (June of second year)	201.200	209.100	216.123	225.181	225.692	228.110	233.646
Annual % Change in Bay Area CPI	1.11%	3.93%	3.36%	4.19%	0.23%	1.07%	2.43%
Real GFT Per Capita Index	98.23	103.69	110.21	109.93	101.73	101.29	102.98
Annual % Change Real GFT per Capita	12.26%	5.56%	6.29%	-0.25%	-7.46%	-0.43%	1.67%
Compensation Adjustment Factor	1.0221	1.0556	1.0629	1.0419	1.0023	1.0107	1.0243
Total Personnel Costs	\$109,565,686	\$117,745,142	\$122,122,252	\$123,903,374	\$131,373,289	\$130,788,541	\$132,125,068
Total FTE Employees	880	891	874	851	865	845	820
Average Total Compensation (Actual)	\$124,506	\$132,149	\$139,728	\$145,597	\$151,877	\$154,779	\$161,128
Annual % Change	14.89%	6.14%	5.73%	4.20%	4.31%	1.91%	4.10%
Average Total Compensation (SCF)	\$116,608	\$123,093	\$130,831	\$136,314	\$136,623	\$138,087	\$141,438
Annual % Change	2.21%	5.56%	6.29%	4.19%	0.23%	1.07%	2.43%

Calculated Indices

	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
GFT Index	100.00	101.46	117.72	137.78	113.03	106.09	106.99
GFT Per Capita Index	100.00	100.16	115.87	134.93	110.75	104.23	105.21
ATC Index Using SCF	100.00	103.81	112.63	123.04	124.52	126.52	128.26
ATC Index Actual	100.00	99.46	102.75	108.49	112.55	111.83	121.83
Bay Area CPI	100.00	103.81	108.22	115.35	116.74	118.61	120.24
TPC Index	100.00	103.61	109.98	115.35	125.98	134.65	138.55
Headcount Index	100.00	104.18	107.04	106.32	111.93	120.41	113.72
Real GFT Per Capita Index	100.00	96.49	107.08	116.97	94.87	87.88	87.50

Calculated Indices

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
GFT Index	121.62	134.21	149.22	157.47	148.10	150.82	158.23
GFT Per Capita Index	119.42	131.01	143.92	149.58	138.73	139.61	145.39
ATC Index Using SCF	131.10	138.39	147.09	153.25	153.60	155.24	159.01
ATC Index Actual	139.98	148.57	157.09	163.69	170.75	174.01	181.15
Bay Area CPI	121.57	126.34	130.59	136.06	136.37	137.83	141.18
TPC Index	146.99	157.97	163.84	166.23	176.25	175.47	177.26
Headcount Index	105.01	106.32	104.30	101.55	103.22	100.84	97.85
Real GFT Per Capita Index	98.23	103.69	110.21	109.93	101.73	101.29	102.98