

MEMORANDUM



DATE: January 5, 2022
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director
SUBJECT: Eaglecrest Compensation

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As you are aware, CBJ has received many questions recently regarding the rates of pay at Eaglecrest. This memo is not exhaustive, but it attempts to put several factors into context.

Eaglecrest Structure and Authorities

Eaglecrest is a quasi-Enterprise, unique among all CBJ organizations. CBJ Enterprises operate as “business-type” organizations and make business-oriented operational decisions—generally speaking, they are required to balance planned expenditures with forecasted revenue. Those other Enterprises do not receive regular general fund operating support, but they do occasionally receive special funding for capital improvements or specific initiatives. On an accounting basis, Eaglecrest is a Special Revenue Fund, which specifies that revenue earned by Eaglecrest will be spent on Eaglecrest services. On a governance basis, Eaglecrest has a fully empowered board that appoints its own chief executive. Hence, the City/Borough Manager has no direct authority over Eaglecrest operations. Importantly, the Eaglecrest Board has the sole authority to authorize and implement wage increases and other compensation measures. Eaglecrest’s governance and management structure stands in contrast to the Aquatics/Pool Program, for example, which has an Advisory Board but is under the executive authority of the City/Borough Manager, follows the CBJ Personnel Rules, and uses the MEBA/Un-Rep salary schedule to set wages.

Eaglecrest Salary Schedule

Eaglecrest has its own unique salary schedule with 13 ranges (from 101 to 117) and 20 steps (from 1 to 20). As has been noted in the media, a Range 101 Step 1 employee at Eaglecrest would earn \$8.50/hour. However, in current practice, employees are not hired at ranges 101 or 102. Lift operators and non-certified ski instructors are the lowest compensated employees on the mountain and they are hired at range 103. Also, many Eaglecrest employees are frequently hired at range 3 or 4 upon entry. Lift operators and non-certified ski instructors earn \$9.50/hour at step 1, \$10.00/hour at step 2, \$10.50/hour at step 3, and \$11.00/hour at step 4. Of all currently active Eaglecrest employees, three employees currently earn \$9.50/hour and six employees currently earn \$10.00/hour. Hence, in practice, only nine Eaglecrest employees earn a base wage of less than Alaska minimum wage of \$10.34/hour.

Additional Monetary and Non-Monetary Compensation

Additionally, the Eaglecrest Board authorizes several compensatory perks for Eaglecrest employees. First, a year-end bonus is one tool that incentivizes employees to continue working through the end of the season. Last year, those year-end bonuses averaged out to about \$1/hour for seasonal hourly employees. Second, Eaglecrest offers employees a free ski pass and various discounts for mountain services. The ski pass alone is worth in excess of \$500—which for most seasonal employees equates to a non-monetary benefit of about \$1/hour. Hence, the year-end bonus and the free ski pass can add approximately \$2/hour to the total compensation received by all seasonal employees. Taking these into consideration, the lowest compensated employee at Eaglecrest is making \$9.50/hour in wages and receiving \$2/hour of other compensation, for a total hourly compensation of approximately \$11.50/hour—which exceeds Alaska minimum wage of \$10.34/hour. Again, importantly, decisions about these compensation measures are fully and wholly within the authority of the Eaglecrest Board. For example, the board could decide at any time to raise the lowest hourly wage from \$9.50/hour to \$11.50/hour by eliminating the year-end bonus and free ski passes—with little net impact on the budget.

Alternative Structures for Determining Wages

Because Eaglecrest is exempt from the CBJ Personnel Rules and does not use the MEBA/Un-Rep salary schedule, the Eaglecrest Board is not required to implement wage increases negotiated between CBJ and MEBA. The Eaglecrest Board has not authorized an increase to base wages since 2014. The Assembly could take action to require Eaglecrest to follow CBJ Personnel Rules and use the MEBA/Un-Rep salary schedule. The lowest hourly wage currently on the MEBA/Un-Rep schedule is \$11.19/hour. Placing all Eaglecrest employees on the MEBA/Un-Rep schedule would also result in Eaglecrest wages increasing in the future by the amount of the increases annually negotiated with MEBA (assuming that the Assembly continues its past practice of applying MEBA negotiated increases to un-represented employees). This would result in direct wage parity between Eaglecrest employees and other similarly situated CBJ employees (recreation aides, lifeguards, landscape staff, mechanics, equipment operators, etc). However, placing all Eaglecrest employees on the MEBA/Un-Rep schedule would come at significant additional cost to the ski area—current estimates indicate at least \$300,000 of new wage cost. Additionally, Eaglecrest currently enjoys significant flexibility in recruiting and hiring, and that flexibility would largely be lost under the CBJ Personnel Rules.

Direct % Wage Increase

Alternatively, the Assembly could allow Eaglecrest to remain exempt from the Personnel Rules and to retain its own salary schedule, and it could direct the Eaglecrest Board to implement an across-the-board wage increase of some amount. Eaglecrest management has been

discussing the possibility of a 22% wage increase as part of the FY23 budget process. 22% was selected because it would raise the \$8.50/hour wage (which no employee is actually paid) up to Alaska minimum wage of \$10.34/hour. Implementing a 22% increase to wages across the board for all employees would result in a wage increase of \$290,000 annually. However, it has been suggested that Eaglecrest would also move employees backward in steps at the same time that wages were increased—doing so could keep many current employees' wages flat while making the overall wage schedule more competitive for new hires. Any increase to the Eaglecrest wage schedule needs to be equally applied to all ranges/steps to maintain pay equity under CBJ 44.05.010(b). One alternative to an across the board increase would be to contract for a 3rd party salary study/survey that could result in a different (but still demonstrably equitable) stratification of wages based on market factors.

An across the board wage increase (via a direct % wage increase, or conversion to the MEBA salary schedule) would come at substantial new cost. Eaglecrest management has indicated that implementation of a wage increase would need to be paid for by the CBJ Assembly via an increase to the amount of annual general funds support. Hence, the wage increase described above would require something on the order of \$300,000 of new general fund support. FY22 general fund support for Eaglecrest totals \$1,150,000 (\$875,000 operating and \$275,000 capital). Over the past decade, general fund support for Eaglecrest operations (ignoring capital) has ranged from 28.3% to 37.1% of expenditures and has averaged 31.5%. It could be amenable for the Assembly to work with the Eaglecrest Board on a wage increase under the conceptual understanding that additional general support would pay for approximately 30% of the wage increase while Eaglecrest would need to increase revenue to pay the other 70%. Doing so would preserve the relative level of cost recovery currently in place.

Re-Stepping the Eaglecrest Salary Schedule

It has been suggested that Eaglecrest could increase wages for just those positions that pay less than Alaska minimum wage, but such a strategy would fail to maintain pay equity between Eaglecrest positions which would violate the "merit principle" codified in CBJ 44.05.010(b). However, it may be possible to adjust the existing Eaglecrest salary schedule upward for all ranges by eliminating the wage at the lower steps and reestablishing step 1 at a higher wage for all ranges. For example, Eaglecrest could eliminate the wages at steps 1-3 and establish the current step 4 wage as the new step 1 wage. Current employees in those three eliminated steps would be placed at the new step 1 wage, which is today's step 4 wage. Those low-step employees (including all those currently working for less than Alaska minimum wage) would receive a wage increase. However, most longer-term employees (already at higher steps) would not see a pay increase. This solution may be the most straightforward for a near-term fix to the issue of Alaska minimum wage with a relatively modest total financial impact, but it may not fix Eaglecrest's broader concerns about the competitiveness of wages. Such a change to "re-step" the salary schedule is wholly within the authority of the Eaglecrest Board.

Eaglecrest Budget History

Snowfall is the largest determinant of Eaglecrest's total spending in any season, which makes year-to-year budget comparisons fraught and potentially misleading. But, as with all CBJ departments, expenditures have trended upward. FY14 was the last big snow year before the poor FY15 and FY16 seasons. Total expenditures in FY14 were \$2.65 million. The most recent fiscal year FY21 saw record-breaking earned revenue as well as extraordinary general fund support related to the pandemic. FY21 expenditures followed suit and totaled \$3.08 million—an increase of 16% over FY14, about 2.25% annualized. Eaglecrest management has already reported that FY22 earned revenues are likely to break last year's record (resulting in part from this year's record early snow), which is likely to result in total expenditures at or above FY21 spending.

In short, Eaglecrest's total expenditures have gone up, but wages have not. Obviously, Eaglecrest faces the same largely unavoidable non-personnel cost increases as every CBJ department—service contracts, commodities, fuel, allocated administrative costs, facility maintenance, etc. But Eaglecrest also makes countless independent business decisions about how to operate the mountain. A careful analysis of historical expenditures and revenues may be warranted but is outside the scope of this memo.

Next Steps

The Assembly will receive the Eaglecrest budget request in April 2022 with all of CBJ's budget proposals. You should likely expect that the budget will indicate some aspiration for a wage increase in FY23. The Assembly may need to confront the following questions:

- Is additional general fund support is warranted for wage increases?
- Should Eaglecrest to pay for a portion of that wage increase with earned revenue?
- Is Eaglecrest's exemption from the CBJ Personnel Rules and from the MEBA/Un-Rep Salary schedule is in the best interest of...
 - the City and Borough?
 - Eaglecrest employees?
- Is Eaglecrest's unique governance and financing structure continues to be in CBJ's best interest, or is a reconsideration of the governance structure warranted?