THE CITY OF ASHEVILLE

MEMORANDUM

TO: Mayor Manheimer, Vice Mayor Mosley and Council Members

FROM: DK Wesley, City Manager

DATE: May 28, 2026

SUBJECT: FY27 Compensation Follow-Up

This memo is in response to several Council Member questions at the May 26th City Council Meeting during the budget hearing. During this discussion, Human Resources Director Emily Provance provided a brief explanation of the compensation related recommendation in the FY2027 Proposed Budget. Below please find this explanation as well as responses to the questions.

Recommended 2.8% COLA Increase

Implementing a uniform 2.8% Cost-of-Living Adjustment (COLA) based on the 2026 CPI (Consumer Price Index) will help stabilize our compensation structure until we can complete a compensation study. The organization hasn't benchmarked compensation since 2020. Over the last six years, we have relied on budget-driven decisions rather than data to inform increases which has eroded our comp structure. This approach coupled with the practice of awarding flat-rate increases to lower-paid staff while granting percentage-based raises to higher earners, has compounded structural issues such as compression and inversion. Applying a uniform percentage adjustment now avoids widening gaps and gives every employee an equitable baseline adjustment to offset rising living costs.

This FY27 strategy avoids building on misalignment, while also acknowledging the real pressures of cost increases. It allows us to complete a comprehensive compensation study which will consider local geographic costs and broader economic trends to recalibrate our pay framework. Implementing the 2.8% COLA now, signals a shift toward a more systemic approach to pay. This step will boost team morale, stop existing structural flaws from getting worse, and establish a neutral baseline from which the organization can successfully transition to a data-driven pay structure.

The City of Asheville remains deeply committed to investing in our workforce and ensuring competitive compensation for all employees. To support this commitment, this year's budget also includes a 1.5% increase to all pay grades, raising the City's minimum hourly rate to $19.70 for employees working a 37.5 or 40 hour a week schedule.

Raising the Minimum from the proposed $19.70/ Hour to $20/Hour

Moving the minimum to $20.00/hour would impact 6 vacant budgeted positions that if hired at the bottom of the range, would fall below $20/hour ($41,600 annual salary). Ensuring that individuals hired into these positions make no less than $20/hour will cost $6,833. This cost assumes that no other pay grades minimums/maximums are adjusted above the proposed budget recommendation.

Temporary & Seasonal Employee Follow Up

City policy defines Temporary/Seasonal employees (T/S) as follows: An employee who works on a variable and/or seasonal basis in a position with a defined start and end date that is expected to continue for up to four consecutive months and whose total work hours do not exceed 1,000 in a 12-month calendar year (January 1 - December 31). As of today, there are approximately 300 people working for the City in a T/S. The hours and hourly rates vary across those individuals.

Many T/S positions—such as Summer Parks workers and limited-basis staff at Harrah's or other DCREF locations—were designed to provide short-term, supplemental employment. They were never intended to serve as a primary source of financial support for the individuals in these roles. Some departments have been using T/S positions in a slightly different way to provide labor that should be covered by full-time headcount. This introduces severe operational and legal risks:

- **Affordable Care Act (ACA):** Risk of non-compliance if temporary employees average 30+ hours/week over measurement periods without health insurance offers.
- **Equal Pay Act & Discrimination Risks:** While employers may legally pay permanent staff more than temporary staff, temporary status cannot be used as a loophole. If protected class employees are disproportionately assigned to T/S roles, it exposes the City to pay-discrimination lawsuits.

For these reasons, Human Resources and Finance began planning a T/S audit in August 2025 and is currently working with departments to evaluate classifications, understand operational needs, and improve staffing models to meet operational goals while ensuring that the T/S status is appropriately assigned to positions. To bring all temporary/seasonal staff up to a $20/hour baseline, the financial impact depends on the inclusion of tipped employees (typically paid $15/hour):

Scenario	Cost Estimate	Assumptions
Lower Range	**$329,020**	Tipped workers receive a minor wage increase, but tips bring effective pay to ~$20/hr.
Upper Range	**$415,238**	Tipped workers are explicitly raised to a $20/hr base wage.
Average Estimate	**$372,129**	Blended implementation strategy.

Staff does not recommend raising the T/S employee pay rate to $20.00 per hour at this time. Implementing a uniform rate increase at this stage would be premature. The organization needs to complete its upcoming comprehensive compensation study first to determine if $20.00 per hour is the appropriate, data-driven rate for these positions.