

Legislation Text

File #: 21-0216, **Version:** 1

Summary

To: Town Commission
From: Ashley L.A. Bernal, Town Staff
Date: 7/20/2021

Subject:

Pay and Compensation Study Related to Non-Exempt, Exempt, and Bargaining Unit Employees

Summary:

Previously, Evergreen Solutions LLC completed their data collection and provided a summary and analysis of their findings. After this presentation was made to the Finance Board, members deemed utilizing a combination of salary enhancement methods as the best route for this scenario.

The Finance Board recommended utilizing the range-penetration methodology for non-exempt and bargaining unit individuals, which means that a calculation is performed to determine the percentage through the current range an employee's salary falls. The employee's recommended salary calculation will place him/her the same percentage through the proposed range. For example, if an individual is at 40% of the current range, he/she is brought to 40% through the recommended range. This option includes the "Bring to Minimum" cost.

As for exempt employees, the Board recommended range-penetration capped at midpoint. This means that a calculation is performed to determine the percentage through the current range an employee's salary falls. The employee's recommended salary calculation will place him/her the same percentage through the proposed range. For example, if an individual is at 40% of the current range, he/she is brought to 40% through the recommended range. This option includes the "Bring to Minimum" cost.

Merit and Cost of Living adjustments were initially set to total 7% this year, but will largely be replaced by the salary studies. Additionally, it is important to note that contract employees will be discussed at the next meeting.

Previous Commission Action: In February of this year Town Commission approved a compensation philosophy consisting of open pay ranges with merit-based enhancement.

Commission sought to pursue a pay and compensation study in order to ensure the town remains competitive in the marketplace, as well as ensuring that our employees are paid adequately. Evergreen Solutions LLC, the selected vendor, is nearing completion of this study. For the study they collected data on compensation in its various forms among sixteen local government employers in Pinellas County. This includes base pay, health insurance, retirement, accrued leaves and other fringe benefits. In terms of base pay, the study compared the pay ranges for each of the Town's positions to their equivalents among the peers. This study identified that Belleair's average pay ranges were well below average. With an average of -23.1% among the survey minimum for all grades, -13.1% for the midpoint for all grades, and -7.7% for the survey maximum for all grades. For all but two positions, the pay ranges are well below market average.

Based on the study and general best practices Evergreen is recommending that the Town place each position in

a grade with a range of 55% between the minimum and maximum. This would mean that the maximum for each grade would be 155% of the minimum, or 55% greater than the minimum. Overall, the Town's existing pay ranges for positions would be increasing. Out of 76 employees included in the study, including full-time and part-time positions, only 2 positions were recommended to have a lower range than current.

Increases vary, but Evergreen has brought forward several options for implementing the pay study in Belleair, describing each in terms of estimated cost and methodology. Keep in mind that the implementation cost provided covers all positions and the actual adjustment varies by position. Those are provided in more detail in the attached documents, however the overall increase for non-Contract positions is less than 9% for all solutions presented. In general, base pay increases at a rate of close to 5%, so maximum exposure for non-Contract employees would be equivalent to less than twice the normal annual increase. To limit cost and maximize impact, the Town Commission may consider a different implementation strategy for some positions and/or employee classifications. Based on challenges in recent years with recruitment for positions, particularly in Solid Waste, it may be beneficial to take different implement strategies for some employee classifications. The proposals also assume a minimum \$15 rate of pay for any regular full-time positions.

Comparing health insurances, the study showed mixed results. While the Town's employer cost share and coverage for single member health plans was slightly more generous than the peer average there was a significant disparity for spouse and family coverage. For example, in the HMO 55 the Town's employer share only covers 34.1% of employee plus family premium cost, the peer average was 69.3%. Currently the Town does not provide additional subsidy to general employees for spouse and dependent health premiums, however in the most recent police union contract negotiation the Town began offering an additional \$500 per month to assist officers with health costs for their family members. We believe this new benefit has helped with recruitment and retention in the Police Department.

Retirement benefits in Belleair are ahead of the peer averages, both in terms of minimum vesting as well as employer contribution. The Town's 401k includes a 3-year vesting as opposed to the peer average of 5.2 years, and a 9% employer contribution compared to the peer average of 7.9%. For Police Pension the Town has two plans depending on hire date. The newer plan for officers hired 2020 and after is comparable to pension plans offered by peers in the study.

The study of leave accruals for the Town and peers will require some additional data collection and analysis. For certain elements such as minimum years required for maximum leave accrual, and rates of accrual by leave type, the Town is closely aligned to the peer average. The Town does not presently budget for the cost of leave payouts at separation. Instead, they are calculated each year as a long-term liability and generally paid from reserves as needed.

Financial Implications: Evergreen has provided cost estimates for pay study options. Additional breakdowns for each solution can be calculated for each employee classification. It is difficult to estimate costs for subsidizing health insurance for spouse and dependent as the cost would depend on participation. The Town will conduct a survey of employees once the new health plans are published by our insurance pool to estimate the budget impact. If 15 of the Town's full-time employees participated the cost would likely be in the range of \$125,000 to \$150,000 to offer a 75% employer subsidy of health insurance for employee plus spouse, dependent or family.

Recommendation: Staff recommends implementing the salary study for nonexempt and FOP bargaining employees to be adjusted via range penetration, or up to the limit of merit and cost of living adjustments combined. Final pay changes with the Police Union are subject to bargaining with the members up to the limit

provided.

Staff recommends implementing the salary study for exempt employees to be adjusted via range penetration with a cap at midpoint, or up to the limit of merit and cost of living adjustments combined.

Proposed Motion: I move approval for implementing the salary study range recommendations for non-exempt and FOP bargaining employees to be adjusted via the greater of range penetration, or up to the limit of merit and cost of living adjustments combined.

I move approval for implementing the salary study range recommendations for exempt employees to be adjusted via the greater range penetration with a cap at midpoint, or up to the limit of merit and cost of living adjustments combined.

Strategic Objective: Objective D.2.1 Conduct a salary survey to evaluate the market and make adjustments as necessary.

Objective D.2.1.1 Hire a consultant to conduct a salary and benefits survey every three years and align compensation targets with Commission goals.

Objective D.2.2 Research and analyze employees healthcare options and costs that better fit the need of the workforce.