

# TOWN OF PALM BEACH

Information for Town Council Meeting on: May 8, 2018

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To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Danielle Olson, Director of Human Resources

Re: **Post-CRTO Items Related to Employee Compensation and Benefits**

Date: April 27, 2018

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## **STAFF RECOMMENDATION**

Staff is providing follow up information subsequent to the Comprehensive Review of Town Operations relative to employment compensation and benefits. Following a review by Town Council, staff recommends consideration be given to issuing a Request for Proposal for a Town wide compensation and benefits study to be performed by an external consultant. An external compensation consultant would review the Town's existing pay and benefit programs, evaluate market competitiveness, and recommend best practice solutions and/or changes that meet the organizational objectives. Depending on responses received for services to be rendered, partial budget funds are available within the existing Human Resources department budget to cover the cost of this analysis; however, additional funding from General Fund Contingency will be required.

## **GENERAL INFORMATION**

During the Comprehensive Review of Town Operations (CRTO) presented to Town Council on March 5, 2018, there was a request for several items relating to employee compensation and benefits to be compiled and brought back to Town Council for further review.

- **Exhibit I - Compilation of Employee Compensation and Benefit Data with Benchmarks:** During the CRTO several elements of employee compensation and benefits were presented to include but not limited to pay, incentives, leave benefits, insurance, and retirement benefits. Originally, the data was distributed across four different reports during CRTO. The original data presented in March 2018, has been reorganized and compiled into one document to include benchmark agency data obtained.
- **Exhibit II - Timeline of Compensation and Benefit Changes (2004 to 2018):** A timeline of actionable items and significant decision points relating to employee compensation and benefits considered over approximately the last 15 years.
- **Exhibit III – Variable Merit Pay Models (MPM) for Consideration:** During the CRTO on March 5, 2018, several models were presented to amend the Town's existing MPM. Staff was

asked to return to Town Council with amendments to the models, in addition to an estimate on the proposed lump sum payment policy.

As a reminder, the original proposal included reducing the current 3% to 7.5% MPM system to 1% to 6%, replacing the annual budget approved pay range adjustments with a lump sum policy, and implementing a cyclical evaluation of all position classifications to ensure each position would be organizationally and market evaluated (and adjusted if necessary) once every five years.

The proposed lump sum policy would be applied in lieu of annual pay range changes. The estimated FY17 flat cost of the lump sum payments (\$345,150) may be more than the cost of the FY17 pay range adjustment (\$123,561). However, savings would be realized due to the non-compounding of base salaries and non-pensionable earnings assigned to the lump sum payments.

As described during CRTO, the lump sum policy if implemented would be applicable when an employee cannot receive the full amount of their eligible pay increase due to being at or near the maximum of their assigned pay range. The remaining balance of the employee's eligible MTM pay increase would be paid as a lump sum. Lump sum payments would be non-pensionable income; however, it would not applied to base salary, nor would it be cumulative to future pay increases.

Exhibit III provides the following five different MPM Models:

1. **Current MPM** of 3% to 7.5%
2. **Model A:** Maintain MPM maximum of 7.5%; however, the minimum percentage increase provided would be tied to the rolling 5-year average Consumer Price Index for our geographical area (currently 2.2%).
3. **Model B:** Range of the MPM is reduced from the current 3% - 7.5% to 1% - 6%
4. **Model C:** Range of the MPM is reduced from the current 3% - 7.5% to 2.5% - 7%
5. **Model D:** Reduce the maximum range of the MPM to 7%; in addition, the minimum percentage increase provided would be tied to the rolling 5-year average Consumer Price Index for our geographical area (currently 2.2%).

Exhibit III also includes the cost of implementing the lump sum policy for each model (estimated costs for providing either the full amount or half of the eligible amount to employees). In addition, the difference between the lump sum payment and the cost of the FY17 pay range adjustment is also shown.

## **FUNDING/FISCAL IMPACT**

Due to the complexity of employee compensation and benefits, staff recommends hiring an external consultant to conduct a Townwide evaluation of employee compensation and benefits. Depending on the proposed costs provided by respondents to a request for proposal, the expense of this analysis would be funded partially by existing budget funds available in Human Resources and general fund contingency funds.

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