This brief is being provided to inform the board, staff and public of the details of an agenda item that requires no action from the board. The President of the Board will provide board members, staff, and the public the opportunity to ask questions about this topic when this agenda item is announced.

**Date: December 11, 2020**

**Originator:** General Manager

**Purpose of Brief:** Address a concern expressed by 2020 Auditor

**Supporting Documents Included: Yes - Scroll down to review the supporting documentation**

**\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\***

1. **Agenda Topic Brief or Update:**

**Issue:** Our 2020 Audit highlighted that personnel expenses increased 22% over last year. Personnel costs include compensation, payroll taxes, and benefits. Auditors recommended that we examine alternatives to our benefits schedule, possibly capping the flexible spending program.

**Factors:** Increased personnel expenses were primarily due to bringing on a new Operator 1 to address District deferred maintenance requirements, support major infrastructure improvements, and to allow the Lead Operator to move into more of a manager role. Contributing factors include cost of living raises for staff and the associated increase in payroll taxes and benefits.

**Background:** In 2015 after going through three CSD Administrators in 5 years, and seeing competitive opportunities pressure our field staff, the GM recognized the need to provide more competitive compensation packages to retain qualified and experienced staff. At the request of the GM, the board appointed a Benefits Review Committee to conduct a compensation and benefits study of similar local agencies to determine whether GMCSD employees were property categorized, to ensure compensation was commensurate with other local agencies, and to review and implement a benefits program to retain employees. The committee determined that employee needs varied considerably and a “one size fits all” benefit program did not meet study objectives. The GM recommended providing a flexible spending program based on 30% of employee compensation, providing employees the option of taking their benefits in the form of (or combination):

* Pre-tax retirement account
* Health spending account
* Premium medical policy
* Dental plans
* Vision plans
* Taxable income plus up

As initially approved and implemented in 2015, the 30% benefit applied to all compensation (base, overtime (OT), and on-call) which in effect results in a benefit increase with each cost of living or merit pay raise and increases in OT pay. In 2019 we removed on-call time from the schedule to simply benefits calculations. Since implementation, the District has added two full-time entry-level field operators which has resulted in a steep increase in budgeted benefit commitments.

Existing Policy. Three GMCS Policies relate to this issue:

* GMCSD Policy 2080: Employee Status
  + Defines “regular”, “temporary”, “full-time” and “part-time” employee categorizations
* GMCSD Policy 2110: Health and Welfare Benefits
  + Requires the District to assist full-time employees in obtaining medical, dental, and vision insurance
  + Requires the District to provide Worker’s Compensation Insurance
* GMCSD Policy 2150: Compensation
  + Requires periodic (no less than every three years) competitive wage data reviews
  + Sets compensation policy at hiring and step advances
  + Provides guidance for salary advancement within range and requires performance evaluations prior to advancement
  + Provides promotion guidance
  + Includes schedule A, approved competitive wage and salary ranges for defined positions.
    - Defines ranges both with and without benefits
    - Defines the current benefit about as a 30% add on to competitive hourly rates

**Supporting Documents (attached):**

* GMCSD Policy 2080: Employee Status
* GMCSD Policy 2110: Health and Welfare Benefits
* GMCSD Policy 2150: Compensation
* GMCSD Policy 2150 Schedule A, Competitive Wage and Salary Ranges

**Recommendation:**

As a stopgap measure, I froze benefits at current levels which has marginal impact on the current budget but will provide time to review and modify as necessary our benefits policies. I do not believe there has been any substantial change in either the need or justification for providing benefits as our policies have worked as designed to retain a stable and very competent CSD staff. However financial realities dictate that we review the related policies to ensure benefits are sustainable and justifiable in today’s market. Considering the auditor’s comments, I recommend the policy committee complete an independent review of the related policies with an eye towards developing a documented benefits plan which is fair and equitable to District employees, but provides cost controls to support annual budgeting requirements. Actions to be considered:

* Establishing benefits on base compensation – exempting OT and On-call time from benefits calculations
* Capping benefits pending a three-year review aligned with competitive wage and data reviews
* Offering a formal retirement plan for employee participation
* Placing limitations on the cash benefits option (encouraging use of retirement, insurance, and spending plan options)

1. **Anticipated Impacts to the District -** (*Consider financial impact, change in procedures, customer and staff communication*): Potentially will provide minor cost savings for the district, but more important a written policy should clarify benefit expectations and provide more stability for personnel expenses in the annual budgeting process.
2. **Anticipated Impacts to the Customer –** *Standby, Residential, Commercial***:** No direct impact.
3. **Next Steps for this Topic**:
   1. Conduct and updated Compensation and Wage Data Review
   2. Refer related policies to the Policy Review Committee for consideration and possible revision

Attachments:

Text, letter

Description automatically generated

Text, letter

Description automatically generated

Text, letter

Description automatically generatedText, letter

Description automatically generatedText, letter

Description automatically generatedTable

Description automatically generated