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To: Board of Commissioners
From: Amy Jewell
Date: March 15, 2022
RE: Ad Hoc Committee – Salary & Benefits – Report to the Board

Background/ History

CSWD issued a Request for Proposal for a Competitive Salary and Benefits Study in March 2021. The scope of the RFP was to conduct a comprehensive wage/salary and benefits market study for the purpose of ensuring that CSWD's pay plans and pay structures possess external equity, and labor market competitiveness. CSWD has conducted similar studies about every 5-8 years. Gallagher Flynn (GF) was awarded the contract. Their report was reviewed with the Executive Board and Finance Committee in May and June of 2021. The report was sent to the full Board but was not presented due to a lengthy meeting. The GF reports and Ad Hoc Committee meeting information is available on our website at <https://cswd.net/about-cswd/cswd-board-committees/#adhoc>.

In July, the Finance Committee recommended that a Salary and Compensation Ad Hoc Committee be appointed by Chair Ruess and authorized by the Board. The Committee is a temporary committee formed for a specific task which is then dissolved after the task is completed. There are no formal votes taken by the committee, and the actions of the committee will not bind the Board or the District to any course of action. The meetings were publicly warned, and minutes taken. The key role of the Commissioners on the committee was to ensure that the critical components of the study are considered and that any other options for improvements in compensation policy and their impacts to the District are also considered. The committee included the following Board members: Liz Hamlin Volz (Colchester), Alan Nye (Essex Town & Essex Jct), Leslie Nulty (Jericho), Paul Stabler (South Burlington), Tim Loucks (Shelburne), Paul Ruess (Underhill), Kelton Bogasky (Williston), and Bryn Oakleaf (Winooski). Five Ad Hoc Committee meetings were held from September 2021 through February 2022. Below is a summary of the GF report and a report of the Committee. *Note: the committee recommendations cited below were determined by consensus of those Commissioners present at the meeting where the recommendations were discussed.*

The Finance Committee has started review of the FY 23 Draft Budget. The total compensation package will be presented to the Finance Committee on March 29, 2022. The Ad Hoc Committee recommendations are detailed below in the Report from the Committee. However, the Finance Committee may recommend changes based on the final budget roll-up. Any proposed changes and costs will be specifically outlined when the FY 23 Draft Budget is presented for approval in April. In addition, some benefit changes (holidays and vacation carry over) will require a separate Board approval, because it is a change to CSWD's Personnel Rules & Regulations Policy.

Summary of the Gallagher Flynn Report

The GF Report looked at the Total Compensation packages for CSWD employees and divided the report into three detailed categories. GF used the GF Salary Survey, the Economic Research Institute, the Vermont State Economic and Labor Market Information, CompAnalyst/Salary.com, and PayFactor as sources for comparison. GF reviewed CSWD's 41 positions (59 employees) and compared to like positions. A full copy of the GF Report can be found in the Ad Hoc packet from 9/14/2021, posted on CSWD's website. <https://cswd.net/about-cswd/cswd-board-committees/#adhoc>.

- 1) **Salaries & Wages** - The project purpose was to evaluate the appropriateness of CSWD's current pay ranges by pulling competitive salary data for as many jobs as they could find appropriate matches, to provide salary adjustments if recommended, and to develop a strategy to close the wage gap if any issues were identified.

GF Results: GF felt that all but four positions fell within market range. They recommended moving away from our current Pay Grade & Step Schedule model noting that this type of model does not reward employee contributions. GF recommended moving to a Competitive Base Market Model. GF felt the pay ranges in this model are better able to recognize learning curves and performance variations of employees in their roles.

- 2) **Benefits** - GF compared CSWD's benefit package to other Vermont employers and discussed the competitiveness of our current offerings compared to those companies.

GF Results: CSWD's total benefit package is very competitive. It was noted that CSWD's contribution to medical insurance premiums is particularly generous and the number of paid vacation and carry over rates for employees with under 15 years of service are greater than average. GF broke down each benefit (medical, opt-out, dental, life/disability, retirement, and paid time off) and provided further detail by each individual benefit.

- 3) **Incentive Opportunities** – GF included incentive data from various salary survey subscriptions and included recommendations for competitive incentive ranges for each position.

GF Results: Each of the 41 positions were listed with a suggested incentive pay range for each position.

Report from the Ad Hoc Committee

1) Total Compensation Philosophy - GF recommended that CSWD develop a Total Compensation Philosophy, which is a formal statement documenting the position of employee compensation. It explains the “why” behind employee pay and creates a framework for consistency. Below is the wording that the Committee agreed upon.

Chittenden Solid Waste District – Total Compensation Philosophy

CSWD recognizes that our most valuable asset is our people. CSWD’s total compensation philosophy will be implemented without regard to race, color, religion, sex, gender identity, orientation, family structure, disability, or other factors that differentiate us. We will ensure that our employees know that we are supportive and value the contributions they make in the community. Investing in our staff is critical to ensuring the long-term achievement of our organizational mission in service to our community.

Our goal is to be competitive in recruiting and retaining employees through our high-quality total compensation practices. We also aim to incentivize and reward staff who exceed the performance expectations as outlined in their job descriptions.

We believe in a total compensation philosophy that will provide an attractive, flexible, market-based competitive salary, benefits, and perquisites that are aligned with maintaining a sound, sustainable, and responsible fiscal structure.

We believe in providing a total compensation philosophy that includes competitive wages and benefits that will enable us to compete for and retain talented staff and will aim to benchmark the total compensation of our staff --including wages and benefits-- at or above Vermont’s livable wage as calculated for the communities in which we operate, and within our financial resources.

We will review our total compensation and philosophy on a regular cadence to ensure the value remains competitive.

2) Salary & Wages - The committee reviewed CSWD's demographics including full-time equivalent historical data, retention rates (high), and specific turn-over(low) by position over the past five fiscal years. The current Salaries & Wage System was discussed, including the process for recommending new positions, the writing and rating of the job description and the current Pay Grade & Step Schedule. (22 Grade/20 Step Schedule) At CSWD, the position is fit to a Grade and annually employees are eligible for a Step increase based on a successful evaluation.

Although the GF report identified that most of CSWD positions are in market range, which is a good indication that our current system is working pretty well, the committee reviewed the pros and cons of moving to a *Market Priced Competitive Salary Range Model*. This recommendation would provide further incentive to our employees and offer flexibility within the ranges. The details of the proposed system and advantages and disadvantages were weighed by the committee. In the end, the Committee recommended continuing with the Pay Grade & Step Schedule but expressed concern about the current structure, which includes higher steps in earlier years, and doesn't account for longer tenure. Discussion was held on the need for salary caps and also acknowledging experience of employees over time. The Committee was in favor of asking GF to propose an alternate Pay Grade & Step Schedule that would provide further flexibility within the range and acknowledge experience. Three scenarios were brought to the Committee. The Committee was in favor of changing to a Schedule that will expand the range from a 22 Grade/20 step schedule to a 22 Grade/25 Step Schedule and increase steps over time, rather than decrease steps. It was agreed that it should be brought forward as Option 2 in the FY 23 Budget, which the Finance Committee will review.

If the Finance Committee is satisfied with the *Revised Step Schedule*, this will be brought to the Full Board for approval at the April meeting.

GF recommended a proposal for those positions that are identified as out of Market Range and the Committee felt that directionally, the Executive Director could provide the additional costs to adjust positions to the plan, but that would not require the Board to be diving into the details of specific positions. This adjustment will also be brought to the Finance Committee for review and if approved will be included in the FY 23 Budget.

3) Benefits - The GF Report stated that CSWD's benefit package is very competitive based on Vermont Market Data and highlighted areas where CSWD was higher than average businesses and lower than the average in benefits. GF recommended that additional information be gathered from staff. A comprehensive survey was sent to 56 staff members and the results were reviewed with the Ad Hoc Committee. 37 staff responded with 84% of respondents being satisfied with CSWD's total benefit package. The Committee discussed offering additional benefits while keeping in mind cost restraints. Staff had interest in group long-term care insurance, flexible work arrangements and health and fitness benefits. Additional benefit options will be reviewed during FY23 and brought back to the Board for consideration during the development of the FY 24 Budget.

Below is a list of CSWD current benefits, the GF summary, and the Ad Hoc Committee recommendations.

- a) **Medical Insurance** – Employer contributions for premiums and HSAs are particularly generous compared to other Vermont businesses. The committee recommended some cost shifting to the employee. The change was presented to the committee, and it was recommended that no changes be made to employee contributions in FY23.
- b) **Opt-Out Payment** – The amount paid for opting out of health insurance coverage is higher than average. Due to the significant savings to CSWD the Committee did not feel an adjustment needed to be made for the FY 23 Budget.
- c) **Dental Insurance** – Employee contribution is significantly lower than average. The committee did not feel the payment needed adjusting for the FY 23 Budget.
- d) **Life Insurance** – The 1x salary rate is low. The committee recommended making the change to 2x the salary rate. *This change is included in the FY 23 Draft Budget.*
- e) **Retirement** - CSWD’s one-year wait for eligibility for retirement is longer than most organizations. The Committee recommended tying the waiting period to the six-month orientation period. *This change, for new hires, is included in the Draft FY 23 Budget.*
- f) **Paid Time Off – Holiday, Vacation days & Carry Over** – CSWD’s 12 paid holidays are higher than average. Discussion was held on adding the Juneteenth Holiday to demonstrate to staff and our customers the importance of Juneteenth. *This recommendation will come to the full Board for consideration at the April meeting.* The amount of vacation and carry over for employees with fewer than 15 years-service is greater than average. No changes were recommended. *The Committee agreed with staff’s recommendation to reduce the carry-over of vacation from 2x the accrual rate to 1x t the accrual rate and to make that effective July 1, 2023, which will allow staff to use their vacation time and not lose it.*

4) Incentive Pay – The GF report includes a suggested Discretionary Incentive Policy to reward high achievers through incentives. The proposal suggests a \$1,500 (Grades 1-16) or \$2,500 (Grades 17-22) maximum incentive amount per employee. If CSWD budgeted the proposed amount for each employee (as a place holder), the budget would be \$100,500. CSWD’s current Achievement Award Budget is \$16,000. Due to the significant increase, it is not recommended that we implement the Proposed Incentive Pay at the rate included in the report, but that we discuss and consider implementing a lower threshold. This will be presented to the Finance Committee during the budget process as part of Option 2 (which also includes a revised Pay Grade & Step Schedule).

Board Action Requested:

BE IT RESOLVED that the Board of Commissioners approves the Total Compensation Philosophy as presented, which will be included in CSWD’s Personnel Rules & Regulations.

BE IT RESOLVED that the Board of Commissioners disband the 2021-2022 Compensation Review Ad Hoc Committee.