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To: Board of Commissioners
From: Amy Jewell
Date: April 20, 2022
RE: Total Compensation Package Review and Discussion

Annually, CSWD presents the proposed fiscal year budget to the Board of Commissioners, and upon approval, the budget is presented to the 18 member cities/towns. Typically, the Compensation package is rolled into the budget process and discussed within the highlights of each year's proposed budget. However, after issuing a *Request for Proposal* and entering into a contract with Gallagher Flynn to review our Total Compensation package, it was determined that this topic be discussed at the beginning of this year's budget presentation. Over the past year, the Ad Hoc Committee had an in-depth review of CSWD's employee compensation package. Following that review the Committee made recommendations that were then brought to the Finance Committee in preparation of the budget.

At the March board meeting, the *Ad Hoc Committee – Salaries & Benefits Report (attached)*, was discussed and the full Board approved the Total Compensation Philosophy and disbanded the Ad Hoc Committee.

Staff appreciates the work of the Ad Hoc Committee, which held five meetings from September to February. The Committee reviewed the Gallagher Flynn report, was presented and reviewed CSWD's existing compensation system and benefits package and reviewed the results of the staff survey.

Following review, the Ad-hoc committee recommended moving forward with the following changes to be considered for implementation into the FY 23 Budget:

1. A revised *Pay Grade & Step Schedule* that includes 25 steps
2. An increase to the existing *Incentive Pay* program
3. Adjustments to employees identified as out-of-market range
4. Life Insurance – change the coverage from 1x salary to 2x salary
5. Retirement – change the 1 year waiting period to a six-month waiting period
6. Vacation Carry Over – Reduce the carry over from 2x the accrual rate to 1x the accrual rate with an effective date of July 1, 2023 (to allow staff time to use any excess vacation)

The Proposed changes were brought to the Finance Committee during the budget development. The Committee held discussions on the proposed changes and was in agreement with #2-6 listed above. They were not in favor of changing to a 25-step schedule for FY 23 and requested more time to review the long-term impacts of the proposed change. Staff was asked to prepare the budget with our current 20 step schedule but to be prepared to answer questions regarding the 25-step schedule. In preparation for those questions, the following information is provided:

A 22 Grade/ 25 Step Schedule includes the following:

- Broadens the salary range for each position from 35/40% range to a 66.9% range.
- Recognizes tenure by increasing steps in later years (2%, 2.15%, and 2.20%)
- Provides additional growth within positions. Currently 58 employees are on the plan. 17 are in steps 1-6, 34 are in steps 7-19 and 7 are at step 20.
- Fits employees identified as out-of-market range to the plan and allows for future step opportunities for those positions.

Costs associated with implementing a 25-step schedule:

CSWD's total salaries and wages as presented in the FY 23 Budget, with a 20-step schedule is **\$4,760,308**. The FY 22 Budget is **\$4,683,232**. This is a \$77,000 increase or 1.6% increase over the current budget.

The one-year cost to change to the 25-step schedule is \$77,768, which would increase the budgeted amount to \$4,838,076 or a 3.3% increase over FY 22.

In projecting out future years, several assumptions were made including staffing remaining at status quo, cola at 2%, health with an 8% increase, dental at 5% and life/disability 2%.

FY 24 – estimated \$100,000 increase

FY 25 – estimated \$135,000 increase

FY 26 - estimated \$175,000 increase

Based on recommendations from Gallagher Flynn and the Ad Hoc Committee, staff is proposing that the 25 Step schedule be implemented with the FY 23 Budget. If approved, the budget would be updated and sent out to the towns for review by the end of the week. The Total Compensation Philosophy approved by this Board, also states that we will review our total compensation philosophy on a regular cadence to ensure the value remains competitive.

In summary, the next agenda item is the FY 23 Budget presentation. If the Board agreed with moving forward with a 25-step schedule, the proposed budget as presented will need to be adjusted and will increase by roughly \$77,000.