



MEMORANDUM

Date: May 6, 2014 6:00 p.m.
To: Mayor Dickson and City Council
From: Dara MacDonald
Re: Work Session Items

- I. Employee Benefit Changes (Jan Schmidt)



WORK SESSION AGENDA ITEM

MEETING DATE: May 6, 2014

AGENDA ITEM TITLE: Employee Benefit Changes

PRESENTED BY: Jan Schmidt, Finance Director

Background:

Staff plans to bring proposed changes to Personnel Manual and Pay Plan to the city council at the May 13th regular meeting. In order to allow the council more time for consideration, we would like to initiate discussion of the proposed changes during this work session.

Employees are crucial in providing services for our community, and the benefits offered to employees are an important component of their total compensation. The pay and benefits package affects the City's ability to recruit and retain a workforce with the skills and performance traits essential to complete successful capital projects and provide general services for the public. Employee insurance, retirement and other benefits are also significant budgetary items. An evaluation of the City's benefits was identified as an important project in 2013, and we plan to implement insurance changes with the next renewal date of July 1st. Certain policy changes must be made at the same time, while others may be made effective at the first of the next calendar year.

The primary decisions we are seeking from city council revolve around two main topics:

1. Implementation of Paid Time Off (PTO) and possible changes to the holiday schedule
2. Which optional benefits to offer employees working less than 40 hours per week

Project Scope & Objectives:

Goals of this project are two-fold. One is to manage future costs and the second is to offer a competitive total compensation package to employees that will enable the City to retain and, when needed, recruit qualified people into open positions. We evaluated different providers for various insurance products and considered policy changes related to various forms of leave that employees may take.

We want to be sure we have designed an overall benefits package that addresses needs effectively and that we are paying competitive rates.

Specific Policy Considerations:

The topics being considered that represent policy changes that will need to be reflected in either the Personnel Manual or the Pay Plan are listed below.

I. Personnel Manual Sections

- a. Section 2.1 – Pay Status and Classifications (benefits eligibility)
 - i. Healthcare Reform is requiring employers to offer medical insurance to employees working 30 hours or more; may want to voluntarily to extend additional benefits to the group working 30 to 39 hours.
 - ii. The City may want to voluntarily extend more than the current benefits to employees working less than 30 hours per week.
 - iii. Definitions in this section need to be revised based on decisions about which benefits to offer to which classes of employees (medical insurance, other insurance, retirement, paid time off, etc.)
- b. Section 3.1 – Employee Benefits (listing of benefits & eligibility will need to be updated)
 - i. Revise listing to provide flexibility for future changes rather than adding the new policies (STD, LTD, tele-doctor, wellness, etc.)
 - ii. May need an additional class of workers and revisions to discussion of benefits offered to part-time employees to make Section 2.1
- c. Section 3.3 – Vacation Time
 - i. Consider combining vacation, sick and personal days into one PTO accrual; if combined, also revise the carry-over
 - ii. Consider adding another milestone to increase the vacation accrual for employees with 15 or 20 years tenure
- d. Section 3.4 – Paid Holidays (consider reducing the number of scheduled holidays)
 - i. More employee flexibility (eg. when kids are out of school)
 - ii. More days when offices are open to provide services
 - iii. Reduction in holiday pay for seven-day per week operations (police, fire, water plant, wastewater plant)
 - iv. Also, consider eliminating the “personal floating holiday” if PTO is introduced
- e. Section 3.5 – Sick Leave
 - i. Consider combining into a PTO accrual
 - ii. Reduce carry over due to introduction of disability policies
 - iii. No change in monthly accrual
 - iv. Scale back approved use for family members (only spouse, child or other legal dependents)
 - v. Eliminate donation policy due to introduction of disability policies
- f. Section 3.10 Bereavement leave changes
 - i. Propose keeping separate from PTO if implemented
 - ii. Match sick leave section for listing of eligible family members

II. Pay Plan

- a. Policy statement
 - i. Current is very specific about the employer / employee share of costs for medical coverage
 - ii. Proposal is to make this language make more generic than current wording
- b. Costs per employee
 - i. Currently, costs per full-time employee average \$11,000 but differ depending on which plan the employee selects and whether or not dependents are covered
 - ii. Proposal is to set a flat amount during the annual budget process for each level of insurance coverage (Employee only, Employee + Spouse, Employee + Child(ren), Family)
 - iii. What, if any, costs would be paid for employees working less than 30 hours per week

Council Discussion:

During our discussion, we will share additional details about costs and employee feedback. Some changes are administrative in nature. However, we are seeking direction from the city council with regard to the policy changes outlined above.