

Addressing Compensation & Benefits in Uncertain Times

Presented by

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Compensation & Benefits in Uncertain Times

- I. Introduction
- II. Compensation
- III. Benefits
- IV. Other Unique Approaches by Panelists
- V. Questions or Comments



INTRODUCTION

- A. Traditional Approaches in Compensation & Benefits
- B. Where we are
- C. Why do we focus on Compensation & Benefits?
- D. Change is Necessary

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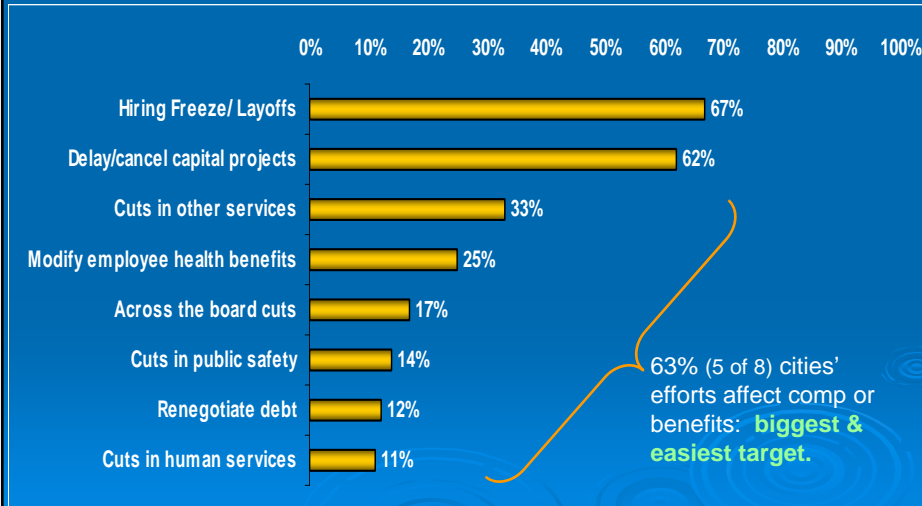
INTRODUCTION

- A. Traditional Approaches in Compensation & Benefits
 - Provide “common” benefits to meet employee needs
 - Health and dental insurance
 - Life insurance and long term disability
 - Retirement
 - Maintain or exceed market rates on Job evaluation
 - Comparing internal compensation with other Cities and external structures
 - Market based salary surveys

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INTRODUCTION

A. Traditional Approaches



Source: "City Fiscal Conditions in 2009", Nations Cities Weekly, September 7, 2009; Vol. 32, No 33

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INTRODUCTION

B. Where we are: *Waxahachie*

- Reduction in Force
- 12 furlough days
- No pay increases
- No change in employee benefits
- No training or travel except for certifications
- Hiring freeze

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INTRODUCTION

B. Where we are: *Midlothian*

- Maintain competitive recruiting and retention position in the market
- No salary increases for 2009, or 2010
- Employee benefits to remain the same
- May initiate up to 5 furlough days

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INTRODUCTION

B. Where we are: *Grand Prairie*

- Lump Sum Merit
- Reduced Bereavement Leave
- 59 positions cut
 - Early Exit Incentive
 - RIF's/Transfers
- Part-time reductions
- Limited Benefit changes
- Hiring Freeze unless CMO approved

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INTRODUCTION

C. Why do we focus on Compensation & Benefits?

- Largest % of our operating expenses within total budget and general fund
- Critical in employee recruitment
(KSOAs & experience)
- Critical in employee retention
(KSOAs & organization specific knowledge)

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INTRODUCTION

Change is Necessary!

Ensure change fits your organizational goals, values, and culture

It is NOT one-size-fits-all!

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COMPENSATION

- A. Job Sharing
- B. High School Interns
- C. One Time Lump Sum Increases
- D. Early Retirement Incentives



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COMPENSATION

A. Job Sharing:

Waxahachie

- Receptionist and Administrative Clerks
- Parks responsible for lawn care
- Custodial employees

Midlothian

- **Senior Center:** 4 Part-time hired in place of 1 FTE Bus Driver, Dishwasher, Breakfast Cook, Lunch Cook positions
- **Police:** 3 Part-time Dispatchers hired in place of 1 FTE

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COMPENSATION



B. High School / College Interns

Waxahachie

Vocational Office Education: High School students gain useful work experience and training

Midlothian

Human Resources: partner with UTA graduate program: part-time intern for special projects, volunteer; gave her experience (savings approx. \$15,000)

Grand Prairie

Public Works Intern: partner with ISD Streets; skill based system; Equipment Operators.

HS Interns: provided by Workforce Solutions of Greater Dallas: 50 interns age 16-24; county paid all salary/WC; recruiter placed interns; (\$58,000 est. savings)

COMPENSATION

C. One-Time Lump Sum Merit: **Grand Prairie**

- \$1,000 for Full-time in 08/09; \$1,500 in 09/10
- Pros:
 - exact cost known and budgeted
 - No ongoing increase to other associated costs – city-paid life, LTD, retirement, SS, Medicare, OT, etc.
 - Provides something to employees rather than nothing
- Cons:
 - can create external market issues if continued long term
 - Flat amount can be perceived as inequitable when % of pay is considered.

COMPENSATION



D. Early Retirement Incentive: *Grand Prairie*

- 34% of workforce eligible to retire within 5 years; 44% of those currently eligible.
- Department Heads verified with employees of estimated retirement year.
- Reviewed leave unfunded liability of the payout.
\$5.8 MILLION over 5 years; **\$353,000** in 2009
- Decided to offer voluntary early exit before involuntary

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COMPENSATION

Early Retirement Incentive cont.



- Formed Diverse Executive Team
- Talked with other cities who had done this
- Spoke with outside employment law attorney
- Created program that would work for our culture and funding ability

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COMPENSATION

GP Early Retirement Incentive cont.

- Interest letters and response reviewed
- Met with Department Directors to review business impact
- Decided on Incentive
- Narrowed criteria, Early Exit Application sent
- Group meetings held



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COMPENSATION

Early Retirement Incentive cont.

- **Incentive Package:**
 - Based on GP years of service
 - Minimum 4 weeks, maximum 16 weeks base salary
 - All normal retirement benefit rules apply
 - Must retire through TMRS by 5/31/09

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BENEFITS

- A. Wellness Programs
- B. Communication Efforts
- C. Request For Proposals
- D. The Value of the “Hidden Paycheck”

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BENEFITS

A. Wellness Programs: *Waxahachie*

- Healthy Initiatives Health Plan
 - Community based biometric screenings
 - Health Power Assessment
 - Medical Management Team
 - Web Wellness Portal
 - Health Initiatives Incentive Plan



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BENEFITS

A. Wellness Programs: *Midlothian* Fitness Challenge

- City divided into 4 teams
- Measure body weight, body fat, cholesterol via annual physicals (blood draw)
- Results sent by lab to employees
- Team with largest percentage decrease from previous year wins event and prizes
- Through fewer hours of sick leave used, employees have provided approx **\$100,000** more in services over the life of this program

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BENEFITS

A. Wellness Programs: *Midlothian* Fitness Challenge results

Calendar Year	# of Employees	Sick Leave Taken	
		Hours	Hrs /EE ¹
2003	110	4,345	39
2004	121	4,606	38
2005	130	3,919	30
2006	147	4,104	28
2007	150	5,441	36
2008	157	5,547	35

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BENEFITS

A. Wellness Program: *Grand Prairie*

- Started WOW! (Working on Wellness) in Feb 2007
- Formed Committee
- Focused on improving behaviors
- Cooperative effort between carrier, City, Benefits Consultant and City Management
- Incentive Based

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BENEFITS

Wellness Focus: *Grand Prairie*

- Issues Specific to our employees
- Creating Awareness
- Variety of topics
- Diabetes/ Stress Programs
- Outreach by engaging employees
- Use community resources

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BENEFITS

- A Quick Rearview Look

How Important are they really?

➤ According to a recent survey of Aspects of Employee Satisfaction: Benefits rank 2nd to Job Security ¹

1. Job Security
2. **Benefits**
3. Compensation/ Pay
4. Opportunities to use Skills and Abilities
5. Feeling Safe in the Work Environment

1. Source: 2009 Employee Job Satisfaction: A Survey Report by the Society for Human Resource Management, *Workplace Visions, Issue 3 of 4, 2009*

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BENEFITS

Wellness: Grand Prairie

Biometric Screenings

- 771 (66% Participation)

Nurse Line Promotion

- 179 calls in 08, 270% increase from 2007
(est. \$27K savings for the calls triaged)

Wellness Events

- 33 in 2008



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BENEFITS

Wellness: Grand Prairie

- 79 Mammograms
- 82 Prostate Blood PSA Exams
- 610 Flu shots
- 300 participants in Lunch-N-Learns
- 75 **FREE** Diabetes Glucose Monitors (\$6,000 savings)
- 181 Employees Biggest Loser **Mobile** Weigh-in



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BENEFITS

Wellness: Grand Prairie Results

- 3-year PEPM claims paid = **-15%**
 - 3-year trend High claims (>\$50K) = **-30%**
 - Prescriptions = Generic use **up 26%**
 - Risk Status improved
 - Stress decreased by 3%
 - Preventative Screening Compliance Increased
- As a result – no Medical contribution increases**

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BENEFITS

Grand Prairie Risk Status Improvement

	2008	2009
Low (0-2 Risks)	63%	64%
Medium (3-4 Risks)	25%	25%
High (5+ Risks)	13%	11%
Avg # of Risks	2.3	2.2

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BENEFITS

B. Communication Efforts: *Waxahachie*

- Annual Health Fair
- Annual Benefit Meetings
- Quarterly newsletter
- One-on-one HR personal touch



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Benefits

B. Communication Efforts: *Grand Prairie*

- Claims review
- Tie in claims concerns with goals for Wellness
- Health Fair; Newsletter
- Engage employees – reach out; fun

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BENEFITS

C. Request For Proposals: *Waxahachie*

- Been with TMLIEBP for 29 years
- RFP's for benefits this year
- Surprising results

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BENEFITS



C. Request For Proposals

GP: Prop/Liability/WC RFP

- Reviewed costs over last 5 years.
 - self-insuring most losses
- RFP:
 - savings of \$56K to \$303K depending upon deductible change
- Net result: **\$233,000/yr savings** by modifying deductibles

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Benefits

D. The Value of the “Hidden Paycheck:” *Midlothian*

- Every spring, HR sends out Personal Benefits Statement to all employees
- Includes a summary of all employee benefits, and personalized break down and total of the dollar worth of an employee's benefits

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BENEFITS

D. The Value of the “Hidden Paycheck”

2009
Personal Benefit Statement
For
Joe Employee

You are our most valuable ASSET!

As an employee of the City of Middletown you are our most valuable asset. That's why we make every effort to provide competitive compensation, benefits and personnel policies that contribute to your personal security and well-being.

While your paycheck provides your primary earnings, City contributions to your employee benefits serve as a "second paycheck." It is important that you understand the value that these benefits provide for you and your family.

Government Benefits

You pay 7.65% of gross wages per year to Social Security and Medicare. The City of Middletown matches these contributions dollar for dollar. The City pays 100% of your workers compensation insurance and state unemployment taxes. Upon completion of each year of continuous service, you receive \$4.00 per month per year for longevity pay. Which is paid at the end of November.

Medical, Dental, Life, & Disability

Your medical, dental and one-time-year salary plus \$10,000 of life insurance and accidental death and dismemberment (AD&D) benefits are paid for by the City. In addition, the City also pays 100% of your long-term disability insurance and provides you with a sick leave program.

The City has an IRS Section 125 agreement which allows you to pay your family health and dental premiums with pre-tax dollars and a Healthcare Savings Account (HSA). Your dependent care (HSA-only) allows you to pay for certain dependent care expenses with pre-tax dollars. Your participation in these programs increases your take-home pay.

Retirement Benefits

Your retirement benefits are provided through Three Municipal Retirement Systems (TMRSS). You contribute 7% and the City contributes another 14%, towards your retirement plan. You are vested after 5 years and can retire at any age after 20 years or 5 years of service at age 60. You also have the option to participate in a self-directed IRS Section 457 retirement plan. This plan is tax-deferred and payroll deducted. For 2009, your maximum contribution is \$15,500. But if you are over age 50 you can make a catch-up contribution of an additional \$3,500.

Paid time off

You have 10 paid holidays which include 1 personal day paid by the City. Your vacation compensation is based on your date of hire and length of service. Other benefits, varying by department are: Employee Assistance Program (EAP), tuition reimbursement, computer, paid sick leave, paid duty leave under the Family Medical Leave Act (FMLA), bereavement leave and if eligible, City-owned uniforms and cleaning, City-owned vehicles and insurance, paid certification training and other optional payroll deduction benefits.

The VALUE of working for the City

Joe Employee	
Social Security	\$3,148.97
Medicare	726.75
Workers Compensation	2,078.62
State Unemployment	99.00
Employee Paid Life Insurance	148.35
Medical Insurance	9,869.51
Dental Insurance	362.26
Long Term Disability	173.21
Paid Sick Leave	
Paid Holidays	1,498.14
Paid Vacations	2,422.87
TMRSS	17,738.22
Longevity	356.08
EMT	
Certification Pay	1,208.00
Field Training Officer	1,374.00
Auto Home Insurance	
Total	\$32,014.02

Look closely at the COST of YOUR youth benefits and add that number to your Gross Pay.

Employee's base salary: \$47,000 /yr

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BENEFITS

IV. Other Unique Approaches by Panelists

- A. Sharing Costs
- B. Grants & Alternative Funding Sources
- C. Employee Morale Programs

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OTHER UNIQUE APPROACHES

A. Sharing Costs: *Midlothian (Police)*

- **NEEDS Center** – North Ellis Combined Emergency Dispatch Center - Interlocal agreement with other area cities for Police & Fire dispatch and 911 calls: funds 7 additional Dispatcher positions & partially funds a Commander position: **\$328,000 per year**
- **School Resources Officer Program (SRO)** – School district (MISD) funds Police Officer and Police Sergeant for 10/12 months of the year: **\$114,000 per year**
- **HIDA** – High Intensity Drug Activity – Police Taskforce made up of IRS, ICE, ATF, and local area cities. Permits City to use funds from convicted drug cases to be used for training, equipment: **\$100,000+**

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OTHER UNIQUE APPROACHES

A. Sharing Costs: *Midlothian (Police)*

- **SRRG Program** - Southern Regional Response Group
 - Made up of 8 member agencies
 - Creates a regional SWAT TEAM to assist cities' police forces with critical incidents
 - Funded though Homeland Security Grant (\$250,000)
 - Cities can still join

NOTES: 1. See link <http://www.nctcoq.org/ep/HSGP/>
2. Northern Illinois Police Alarm System - Emergency Services Team

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OTHER UNIQUE APPROACHES

A. Sharing Costs: *Midlothian–Waxahachie (Fire)*

➤ Air Pack Program - Regional Grant



- Grant proceeds used to purchase scuba equipment
- Grant split 50/50 between both cities
- Funded through Assistance to Fire Fighters Grant
- Total Grant \$200,000

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OTHER UNIQUE APPROACHES

A. Sharing Costs: *Midlothian–Waxahachie (Airport)*

➤ Mid Way Airport - Regional Airport shared between both cities:

- Share board positions
- Departmental services to cover operating costs (HR, City Attorney, etc.)
- Each pay additional set fees to cover other operating expenses (\$40,000 annual)
- Accessible by air



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OTHER UNIQUE APPROACHES

A. Sharing Costs: **Grand Prairie-Cedar Hill (Fire Station)**

- Issue: GP had 20% of land area for first response, can't justify station.
- City Managers and Fire Chiefs worked together for common mission to establish best emergency response for their cities
- Construction Costs (land and engine) split 50/50: \$1.7M ea.
- Operation Costs
 - Cedar Hill 75% (staffing + portion of operation)
 - GP 25% (operation - fuel, maintenance, etc)

Cedar Hill/GP station



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OTHER UNIQUE APPROACHES

B. Grants & Alternative Funding:

Waxahachie

- Summer Youth Employment Program
- Senior Community Service Employment Program
- SAFER Grant
 - \$316,275 in 2008
 - 5-year grant
 - Hire 3 firefighters

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OTHER UNIQUE APPROACHES

B. Grants & Alternative Funding Sources:

Midlothian

1. Staffing for Adequate Fire & Emergency Response Grant (SAFER)
 - Fire Department secured a grant through Department of Homeland Security Pays for 6 full-time Firefighters
 - During 5-year life of contract, grant pays for approx 37% of cost or \$650,280.
 - City's obligation only \$48,000 in the first year

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OTHER UNIQUE APPROACHES

B. Grants & Alternative Funding Approaches Sources: **Midlothian (Senior Center)**

2. **Senior Community Service Employment Program (SCSEP)**
 - Senior Center coordinates with Department of Labor for employment of persons (must be older persons) paid through DOL: max. 2-year work periods. Link (<http://www.doleta.gov/SENIORS/>)
 - Savings: approx. \$17,500 (over 2 years)

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OTHER UNIQUE APPROACHES

B. Grants & Alternative Funding Sources **Midlothian (Senior Center)** continued:

3. **Students with Disabilities Program** – Offered through and coordinated with local college
 - Students work a minimum of 2 hours per day at the Senior Center
 - Savings: approx. \$15,500 (over 4 years)

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OTHER UNIQUE APPROACHES

B. Grants & Alternative Funding Sources: *Midlothian*

4. 2009 Summer Youth Employment Program
 - City participating in the Workforce Initiative Act (WIA) sponsored through the American Recovery & Reinvestment Act (ARRA).
 - City has hired 10 persons for 8 Departments
 - Savings: approx. \$34,320 (annual)

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OTHER UNIQUE APPROACHES

C. Employee Morale Programs

City of Midlothian:

- Safety Incentive Plan (SIP)
- Reward employees for safely performing their jobs
- Insurance refund for reduction in claims history for FY 2008-2009: \$41,000

City of Grand Prairie: Raving Fans Program

- Coupons; thank you cards; raving fan wall
- Council Recognition
- Banquet
- Quarter-Century Club

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Compensation & Benefits in Uncertain Times

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