



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 6b

**ACTION ITEM**

**Date of Meeting** February 25, 2020

**DATE:** February 17, 2020

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Tammy Woodard, Human Resources Director – Total Rewards

**SUBJECT:** Contract to provide consulting services supporting a comprehensive review of the Port’s non-represented compensation program.

**Amount of this request:** \$450,000

**Total estimated project cost:** \$450,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to advertise and execute a contract for consulting services in support of a comprehensive review of the Port’s non-represented compensation program for a total amount estimated at \$450,000.

**EXECUTIVE SUMMARY**

The Port’s non-represented compensation program has not undergone a comprehensive review in more than 20 years. Human Resources staff has updated aspects of the compensation program to align with changing needs at the Port; however, it has been many years since a comprehensive review was conducted. To attract and retain employees with the skills and abilities necessary for the Port to fulfill its mission the Port must offer a competitive Total Rewards Package. With the evolving labor market, changes in pay regulations, and how both public and private employers determine pay for their employees the Port needs to assess the non-represented pay program and determine where updates are needed or will be beneficial. This review is necessary to ensure the Port’s compensation program remains compliant and competitive, and effectively supports retention and attraction of the employee talent the Port requires.

The proposed comprehensive review will include two phases. The first phase will include the consultant gaining a thorough understanding of the current compensation program and engaging multiple stakeholder groups to determine where the pain points with the program are, what works with the program, and what could work better. The consultant will then develop recommendations to improve the Port’s compensation program so it can better support retention and attraction efforts, the Port’s high performing organization goal, and ensure alignment with potential new regulations. The second phase of the project will include updating, changing, deleting or adding elements to the compensation program based on the recommendations from the first phase the Port agrees are needed or beneficial.

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This project is expected to take at least two and a half years and may take up to four years to complete. The time required to complete the project will depend on the magnitude of the recommendations coming from the first phase of the project. Similarly, the total cost of the project will depend on what is recommended in the first phase and what the Port agrees is needed or beneficial. We are estimating the total project cost could be up to \$450,000. Funding is available in the Human Resources budget for 2020 and is anticipated through 2022.

### **JUSTIFICATION**

To fulfill its mission the Port strives to be a highly effective and equitable public agency. This requires employees with the skills and abilities necessary to complete the Port's work. To attract and retain these employees the Port must offer a competitive Total Rewards package. Over the past few years the Port's Human Resources department has focused on ensuring the benefits program, employee recognition program, learning and development opportunities, and other programs associated with Port employment contribute to a competitive Total Rewards package. The focus of the compensation program has been limited to alignment with changing regulations rather than a strategic look at how the program aligns with current and future Port staffing needs and what will be required to provide a compliant and competitive compensation program to support retention and attraction of employees into the future.

This comprehensive review of the Port's compensation program will include ensuring the program will be strategically aligned with Port priorities into the future. Further, the review will help the program support retention and attraction of employees with skills and abilities necessary to for the Port's work now and into the future, and support developing a compensation program that it is positioned to remain compliant as the regulatory environment continues to evolve.

### ***Diversity in Contracting***

There is no Diversity in Contracting goal associated with this contract. The procurement will, however, include outreach to the Women and Minority Owned Business community to notify potential proposing firms of the opportunity and encourage interested firms to submit proposals.

### **DETAILS**

This project will result in recommendations for updates and improvements to the Port's non-represented compensation program followed by implementing the recommended and approved updates and improvements.

### ***Scope of Work***

The Port's compensation program includes the programs and practices that impact pay for non-represented employees. This includes how a new employee's starting pay is determined as well as how employees' pay progresses via performance increases, promotional increases, and other pay adjustments. It also includes the methodology for determining pay grades and the number

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of grades as well as pay ranges and the width of the ranges. How pay ranges are adjusted, how jobs are assigned to the pay grades, and all other plans and programs related to pay are also part of compensation program.

To thoroughly understand the current program, and thus the starting point for the project, the selected consultant will review documents, talk with staff who administer components of the compensation program, understand the Port's unique requirements for the Port Commission to authorize compensation programs, and become very familiar with the policies and philosophies that guide the compensation program. The intent of the project is not to modify the philosophies that guide the compensation program, rather to understand what drives the design and administrative decisions of the compensation program and incorporate that knowledge into recommendations for enhancing the program. The consultant will also need to understand the Port's technology environment, how it currently supports the compensation program, and how technology may impact potential changes to the compensation program.

Once the consultant has obtained a thorough understanding of the current compensation program they will seek insights and perspectives of the overall compensation program and its elements from stakeholders. Stakeholders will include, and may not be limited to, Port non-represented employees, Port leaders, and employees who administer aspects of the compensation program. The consultant will provide guidance to the Port on the different ways this information can be obtained, and the Port's project team will work with the consultant to determine which approaches will be most effective.

Once the information gathering work is complete the consultant will incorporate their knowledge of the external compensation environment and develop recommendations for modifications to address stakeholder concerns and support the compensation program's alignment with Port needs not and into the future. The consultant's recommendations will include proposed sequencing of improvements along with rationale for the sequence and required resources (time, the required Port staff, funding) for each recommended improvement.

After the consultant has reviewed their recommendations with the Port, and the Port has approved the modifications to be made, the consultant and Port staff will begin the work to develop new or updated compensation program elements. The project will be complete when the modifications the consultant recommended, and the Port approved, are fully implemented and functioning as expected.

Throughout the project the consultant will assist the Port in communicating information about the project to Port employees. This will likely include providing project updates with recommended key messages so the project status can be communicated to employees in a manner aligned with Port preferred employee communication methods and formats.

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**Schedule**

*Activity*

Commission authorization	2020 Quarter 1
Procurement complete, project work begins	2020 Quarter 3
Project Phase 1 Completed	2020 End of Year
Project Phase 2 begins	2021 Quarter 1
Project Phase 2 Completed	TBD

**Cost Breakdown**

This Request

Commission Project Authorization	\$450,000
Total	\$450,000

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Maintain the status quo and do not do this work.

Cost Implications: There is no cost associated with this alternative.

Pros:

- (1) The Port would not incur the cost of paying a consultant to support the Port in this work.
- (2) The Port would not need to devote staff resources to the procurement process needed to select and contract with a consultant, or to work with the consultant to complete this project.

Cons:

- (1) The Port would not realize the benefits of reviewing and assessing the current non-represented employees’ compensation program and would not have the option to update aspects of the program that no longer support the Port’s needs.
- (2) Some aspects of the current compensation program are beginning to indicate they may no longer support alignment with market pay rates. Maintaining our current programs may put the Port’s ability to retain and attract employees at risk.

This is not the recommended alternative.

**Alternative 2** – Manage the project with multiple contracts, one to complete the first phase and then one or more subsequent contracts, for approved compensation program element to be updated or added.

Cost Implications: Cost is estimated at \$570,000.

Pros:

- (1) Additional, and possibly multiple, contracts for implementing enhancements to the compensation program would permit the Port to contract with the best proposing vendor for each unique program element that will be added or updated.

Cons:

- (1) The cost for this option would exceed the cost of the recommended option.

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- (2) Each additional contract will require additional staff time from Human Resources and the Central Procurement Office. Both groups have heavy workloads and adding additional contracting work would take resources away from other important work.
- (3) Completing the final and critical implementation phase of the work will take longer, requiring additional staff time, and additional consultant cost, to bring potentially new consultants up to date on previous work that led to the work the selected consultant will be performing.
- (4) New consultants selected to implement enhancements to the compensation program may be reluctant to implement work recommended by other consultants.

This is not the recommended alternative.

**Alternative 3** – Conduct a competitive procurement process to select one consultant to assist the Port with a comprehensive review of the non-represented compensation program, recommend improvements, and implement Port-approved improvements.

Cost Implications: \$450,000.

Pros:

- (1) Hiring one consultant for the entire body of work will result in consistency throughout the project as well as continued alignment with project goals and the Port’s guiding philosophies in the most efficient way.
- (2) Using one consultant throughout the project supports the most efficient timeline. The Port and consultant will have the ability to focus on the entire project schedule and planning for each subsequent phase can begin before the previous one is completed.
- (3) This alternative requires less financial and staff resources than conducting multiple procurements while completing important work to ensure the Port’s non-represented compensation program can support retention and attraction of skilled employees into the future.

Cons:

- (1) This option is more expensive than not completing the project.
- (2) A considerable amount of staff time will be needed to complete the procurement and project work; the Human Resources Department, however, has planned for this work.

***This is the recommended alternative.***

**ATTACHMENTS TO THIS REQUEST**

None

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None