



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting December 8, 2020

DATE: November 17, 2020

TO: Stephen P. Metruck, Executive Director

FROM: Tammy Woodard, Director HR – Total Rewards
Ann McClellan, Total Rewards Manager

SUBJECT: Consulting Services for Non-Represented Compensation Program Review

Amount of this request: \$450,000
Total estimated project cost: \$450,000

ACTION REQUESTED

Request Commission Authorization for the Executive Director to execute a contract not-to-exceed \$450,000 for consulting services to support a comprehensive review of the Port’s current compensation program for non-represented employees. The review will assess what works well and what can be improved, recommend program improvements and a schedule for making them, and assist the Port in developing and implementing new or updated compensation program elements. This will be a three-year contract.

EXECUTIVE SUMMARY

The Port’s current compensation program includes the pay structure with 45 pay grades and associated pay ranges, the point-factor job evaluation (JE) program, the market pricing program, the Pay for Performance program that rewards employee’s performance, and a set of policies and guidelines for establishing pay levels and increases to employees’ base pay. To identify options for improving the Port’s compensation program we need to retain a consultant to conduct a comprehensive review of the current program and understand what we have, what drove decisions leading to the current program, what is different today from decisions about the program were made, and how the differences may suggest different compensation program elements.

JUSTIFICATION

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

Meeting Date: December 8, 2020

public and private employers determine pay for their employees, the Port needs to assess the non-represented Compensation Program and determine where updates are needed or will be beneficial. This review is necessary to ensure the Port's Compensation Program for non-represented employees will be strategically aligned with Port priorities, remains compliant and competitive into the future, and effectively supports retention and attraction of the employee talent the Port requires.

Diversity in Contracting

The Diversity in Contracting analysis determined that no goals were appropriate as the project does not lend itself to subcontractors. With this project work in each successive step will build on work in the prior step and consistency with the consultant from step to step will be far more efficient, and thus less expensive, with a single consultant. A project of this breadth will require a consultant with considerable experience supporting similar work and it is possible that the consultant ultimately selected to support the project could be a small business or a WMBE business.

DETAILS

This project will be completed in phases. The first phase is for the selected consultant to understand the Port's current Compensation Program for non-represented employees. The second phase is for the consultant to understand the perspective of the Compensation Program's stakeholders. During the third phase the consultant will bring the results of the first two phases together and incorporate their understanding of options and best practices for Compensation Programs at organizations similar to the Port. This information will be presented to the Port's project team along with recommendations on what changes to make to the current program and the sequence and timeline for making the changes. The fourth and final phase will be to implement the agreed upon changes to the Compensation program. Details of each phase of the project are detailed below.

Scope of Work

1. Understand the Port's current non-represented Compensation Program. 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 (including Equity Adjustments and Retention Adjustments). It also includes the methodology for determining pay grades, and the number 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 for non-represented employees are also part of compensation program.

Understanding the Port's current program also includes understanding the Port's Total Rewards and Pay Philosophies that guide the Program, as well as the history of work that led to the current program.

Meeting Date: December 8, 2020

2. Assess stakeholder perspectives on the current Compensation Program, including perspectives of leaders (managers, directors, executives), employees (in general) and Human Resources staff who direct, manage, administer and utilize the current program. Assessing stakeholder perspectives will include identifying aspects of the program that work well and don't work well, aspects that are a source of frustration and that are easy and efficient to use, aspects that are well understood and those that are not.

Assessing perspectives of stakeholders also includes understanding what is possible and what is not possible from an administration perspective. It also includes assessing perspectives keeping the Total Rewards and Compensation Philosophies in mind.

3. Prepare recommendations for updating, adding, deleting, and maintaining components of the current Compensation Program. The recommendations will include a suggested sequence, schedule and timeline for the recommended changes to the Compensation Program. All areas of the current non-represented pay program will be reviewed for potential enhancements including, but not limited to:

- The pay range structure including the number pay grades and width of the pay ranges, the mid-point progression, etc.
- The way the pay range structure is reviewed and updated, including the frequency of the review.
- The way jobs are evaluated or assigned to pay grades.
- Ways for defining, reviewing and maintaining pay equity, ways for defining and applying promotional increases, options for ensuring pay remains market competitive, and options for adjusting pay on a regular basis. Options for aligning pay on a regular basis may be, or may not be, aligned with performance evaluations.

4. Following consultation with the Port, and agreement on which changes (updates, additions and deletions) will be made to the Port's Compensation Program for non-represented employees and the sequencing and timeframe for the changes; establish project plans and timelines for making changes. Also, recommend, and provide requested support for, a communication strategy, plan, and timeline for sharing the plans and timeline for updated the Compensation Program with Port employees.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 –Maintain our current compensation program elements.

Cost Implications: This alternative has no additional financial cost to the Port.

Pros:

- (1) This alternative has no additional financial cost.

Meeting Date: December 8, 2020

Cons:

- (1) This will not address the feedback and concerns we've received from Port leaders and employees.
- (2) We cannot be assured that our current compensation methods, which have been in place for more than two decades, are the most appropriate and efficient way to ensure internal alignment, external competitiveness and compliance with applicable laws and regulations including pay equity legislation and internal equity goals.

This is not the recommended alternative.

Alternative 2 – Conduct the review of the current compensation program elements in-house.

Cost Implications: This alternative has no additional financial cost to the Port.

Pros:

- (1) This alternative has no additional financial cost.
- (2) Could provide development opportunities for existing staff.

Cons:

- (1) Adding a project this large and complex to existing workloads will severely impact ongoing (day-to-day and unscheduled priority) work and our ability to provide an acceptable level of customer service on compensation and other total rewards related topics.
- (2) Current staff does not have the necessary breadth of knowledge and experience about different compensation programs and which ones work most effectively in which situations.

This is not the recommended alternative.

Alternative 3 – Retain a consultant to conduct a comprehensive review of the current compensation program and recommend improvements and enhancements.

Cost Implications: The estimated cost is \$450,000 dispersed over a three-year contract.

Pros:

- (1) Having a consultant lead this work will bring expertise and experience with multiple organizations and multiple types of programs to the project.
- (2) Utilizing a consultant will help ensure we are able to thoroughly consider multiple options. This additional perspective will increase the likelihood that we will identify the best compensation program components for the Port's program.
- (3) A consultant will help to ensure we have programs that support effective compliance with statutory requirements including those addressing pay equity.
- (4) A consultant will bring someone from outside the organization into the project to help ensure an objective assessment of the current program as well as possible changes and help guide the process of determining what changes will most effectively meet the Port's needs, including equity, diversity and inclusion goals.

Cons:

- (1) Port staff time will be required to work closely with consultants to provide information and coordinate support during the project.

Meeting Date: December 8, 2020

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Annual Budget Status and Source of Funds

\$150,000 is included in the 2021 HR Department budget for phases 1, 2, 3 and potentially a small amount of phase 4 work. The majority of phase 4 work will take place in 2022 with the final updates being implemented in 2023.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.