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COMMISSION

AGENDA MEMORANDUM Item No. 10c

ACTION ITEM Date of Meeting November 8, 2022

DATE : October 20, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Tammy Woodard, Human Resources Director – Total Rewards

Sandra Spellmeyer, Total Rewards Manager

SUBJECT: 2023 Salary and Benefits Program

ACTION REQUESTED

Request introduction of the Salary and Benefits Resolution No. 3807, amending the policy directive for salaries and benefits for employees not covered by a collective bargaining agreement established by Resolution No. 3790 and providing an effective date for all amendments of January 1, 2023.

This resolution establishes pay ranges for non-represented jobs and authorizing benefits that comprise the overall benefits package offered to non-represented Port employees.

Following this presentation and subsequent vote on introduction, staff will return to request adoption of the Resolution on November 29, 2022.

EXECUTIVE SUMMARY

The Salary and Benefits Resolution is the Port Commission's authorization to revise the pay and benefits programs that are part of the Port's overall Total Rewards package for nonrepresented employees. RCW 53.08.170 requires the Port Commission to authorize pay and benefits for non-represented employees by resolution. The Salary and Benefits Resolution establishes the pay ranges for non-represented jobs, authorizes new and updates existing elements of the compensation program and authorizes updates to benefits plans that comprise the overall benefits package offered to non-represented Port employees. This introduction will highlight recommended adjustments to the non-represented pay ranges for 2023, as well as recommended additions, deletions, and changes to the Salary and Benefits Policy Directive that are contained in Resolution No. 3807, the 2023 Salary and Benefits Resolution.

Template revised January 10, 2019.

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JUSTIFICATION

The Salary and Benefits Policy Directive specifies the pay and benefits programs authorized by the Port Commission, while specifics of these programs are maintained in Port policies and administrative details are found in program guides. The Policy Directive also includes benefits offered to Port of Seattle retirees and to Port Commissioners, as well as the specifics and administrative details of these benefits. Updates to the program are designed to keep the authorized pay and benefits plans current and ensure the Total Rewards package they are part of continues to support the attraction and retention of employees with the talents and abilities necessary for the Port to achieve its mission, vision, and goals.

This year's changes include the regular updates to the Resolution, like adjustments to the pay range structure, and they include additions to the pay program resulting from the Compensation Project. This project is a 2 to 3 year project with involvement by many employees across the Port, together with a consultant, to review the non-represented pay program and identify what works well and what could work better. The project to date includes multiple recommendations including adjustments to existing aspects of the program and some new elements. The recommendations are included in the 2023 Salary and Benefits Resolution. Next year Human Resources staff along with the consultants will focus on implementing the new pay program elements and updates to existing programs.

DETAILS

The 2023 Salary and Benefits Resolution includes the following recommended updates.

Definitions

In Section 2, Definitions we are recommending two additions to the list of definitions. These definitions include Cost of Living Adjustment or COLA – an increase to an employees pay rate based on changes to the Consumer Price Index and Pay Equity – compensating employees

similarly when they perform comparable work, and that pay differences between employees performing comparable work can be explained by experience and performance. These additions support the recommendations from the Compensation Project work. There are additional changes to update language that is redundant or could be clearer in this section.

Policy Establishing Jobs, Pay Grades, Graded Pay Range Structure, and Pay Rates

In Section 5.1.A.(1), Reporting requirements for certain positions, we are recommending editing language under General Counsel to remove reference to Workplace Responsibility staff as this group will become part of Human Resources in 2023.

In Section 5.1.C, The Graded Salary Range Structure will be updated. The Port's goal is to have pay ranges for non-represented jobs reflect the market pay rates for the Port's nonrepresented jobs as closely as we can. This year our assessment indicates that a 4% increase to

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the range structure will be necessary to maintain market competitive pay ranges in 2023.

When reviewing the range structure we also keep an eye on the City of Seattle minimum wage and the Sea-Tac minimum wage. These are both increasing significantly for 2023. The City of Seattle minimum wage will be \$18.69 per hour and the Sea Tac minimum will be over \$19.00 per hour. Our grade 7 range minimum, even with a 4% increase, will be below the City of Seattle minimum wage and our grade 8 minimum will be over the minimum wage by a small amount. We currently have one job, with one incumbent in assigned to the grade 7 range and two jobs but no incumbents assigned to the grade 8 range. In response to the increased City of Seattle minimum wage we recommend eliminating the grade 7 and grade 8 ranges and administering the three jobs in these grades as grade 9 jobs beginning in 2023. The one employee in the grade 7 job will have their pay adjusted, if necessary, to the minimum of the grade 9 pay range.

It is important to note that when the Port adjusts pay ranges, employees do not receive corresponding increases to their pay rates. This is different from how many public employers administer pay for their non-represented employees. Only employees whose pay is below the new minimum of the pay range for their job will receive an automatic pay increase, and the increase will be only the amount necessary to bring their pay to the minimum of the range.

With our recommended 4% increase to the range structure, we estimate fewer than 30 employees will require this adjustment and the annual cost of the adjustment will be less than \$40,000.

In Section 5.1.E, we recommend that the "Pay Practices" be updated and reorganized to list the items in this section in a more logical order:

1. Pay Considerations,
2. Payroll,
3. Initial Pay Practices.

We also recommend that the language in "Initial Pay Rates" be updated to be more in line with the Port's increasing focus on Pay Equity.

We further recommend that the other items in Section 5.1.E be moved to a new section, 5.1.F, and that this new section be titled "Pay Types". This new section will describe the different ways employees can receive temporary or permanent changes to their pay rates. The items we recommend moving from the "Pay Practices" section to the new "Pay Types" section include:

- Overtime,
- ICT Standby Pay,
- Other Pay Adjustments,
- Special Pay Adjustments,
- Pay for Performance, and
- Pay for the Executive Director.

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We are also recommending adding several pay types to this section and adjusting one that is moving into this section.

1. COLA increases will provide non-represented employees with an increase to their pay rate based on changes to the Consumer Price Index. This recommendation comes from the

Compensation Project. The cost of this program will vary based on how the Consumer Price Index changes and what employees' pay rates are. We anticipate the program will have a 6% maximum, consistent with many of the Port's collective bargaining agreement. If the COLA increase is 6% for 2023 the annualized cost would be approximately \$8,200,000 and about 1200 employees will receive this increase.

2. COLA Plus will provide non-represented employees who have lower pay rates with a pay increase that is in addition to any COLA increase they may receive. This is also a recommendation coming from the Compensation Project. Like the COLA increase the amount of COLA Plus increases may vary based on the number of employees who are eligible to receive it and their pay rates. If the COLA Plus increase is 1%, based on current estimates the number of employees with hourly pay rates less than two times the 2023 City of Seattle minimum wage of \$18.69, the annualized cost would be approximately \$103,000 and about 165 employees will be eligible for a COLA Plus increase.

3. Emergency Pay will provide employees who are not eligible for overtime additional compensation when they are required to work during their non-scheduled time in response to an emergency like a widespread and lengthy power outage, a major earthquake or a significant snowstorm. The cost of the Emergency Pay program will vary considerably based on the number of events, the duration of the events, and the number of employees required to work beyond their normal weekly schedule to support the emergency. Due to the significant number of variables, it is not possible to estimate a cost for this program.

4. Multilingual pay premium will provide employees who are proficient in another language with a pay premium for providing language services to the Port at the Port's request. This recommendation comes from the Compensation Project. The cost of the Multilingual premium is dependent on many variables, most notably the need to request translation services from Port employees. As such, we did not try to estimate a cost for this program. In addition, we recommend that "ICT Standby Pay" be changed to "Standby Pay" so a broader application for overtime eligible employees might be explored.

Policy Regarding Benefit Programs Offered to Employees.

In Section 5.2.B., Mandated Benefits, we recommend adding Washington Paid Sick Leave as item (10) in the list. This required sick leave benefit for overtime eligible employees was implemented in 2020 as required by the State of Washington. This addition is to correct the oversight in getting this mandated benefit added to the list in the Salary and Benefits Policy Directive.

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In Section 5.2.C.(m), Additional Benefits for Employees-Paid Leave we recommend removing the COVID-19 Vaccination Verification Incentive Day as this leave benefit was added specifically to the 2022 Salary and Benefits Resolution with the intent that it was a benefit, an additional paid day off, specific to 2022.

SUMMARY

The 2023 Salary and Benefits Resolution includes quite a few changes, both updates and additions. In addition to the changes noted here we regularly review the language in the Salary and Benefits Policy Directive to identify more succinct ways to describe programs and clearer language to use. This year is no different and in addition to the recommended additions, deletions and updates we have identified several places where we will be suggesting edits to the Salary and Benefits Policy Directive to clarify a point, remove a redundancy, or otherwise make the information clearer and easier to read.

FINANCIAL IMPLICATIONS

This year's Salary and Benefits Resolution has quite a few changes and most can have an impact on the Port's payroll and related costs. Some of these changes have costs based on numerous variables and are not easily estimated. Others are based on fewer variables and the variables are more certain. The recommended changes that have 2023 costs that can be reasonably estimated based on payroll data as of October 19, 2022 include:

- The 4% Pay Range Structure Adjustment with an estimated cost of less than \$40,000 with less than 30 employees receiving this adjustment.
- The COLA addition with an estimated cost around \$8.2M and close to 1200 employees receiving this adjustment.
- The COLA Plus addition with an estimated cost of about \$103,000 and around 170

employees receiving this adjustment.

These costs have been incorporated into the 2023 budgeting process and included in departments' budgets.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3807
- (2) Attachment A_2023 Graded Salary Range Structure
- (3) Exhibit A_2023 Schedule of Authorized Non-Represented Jobs
- (4) 2022 (Current) Pay Ranges for Non-Represented Jobs (for information only)
- (5) Pay Equity Definition and Philosophy (for information only)
- (6) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None

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