



WORK SESSION MINUTES

ATTENDEES

Board Members Present: Cathy Shaw (Vice President), Jill Turner, George Prokop, and Eric Dziura. Susan Kiefer (President) was absent.

Also present: Laurie Grenya, HR Answers; Kari May (Library Director); Lisa Marston (District Administrator); Jacquelyn Bunick (Legal Counsel); Donovan Edwards (Administrative Assistant); Claudine Taillac (Assistant Director, Public Services); Carey Hunt (Assistant Director, Support Services); Kristin Anderson (Area Manager); and Crystal Stroud (Library Operations Manager).

CALL TO ORDER

Vice President Cathy Shaw called the meeting to order at 3:30 p.m. and introduced Laurie Grenya, co-President of HR Answers, the consulting firm that the District contracted with in September 2019 to assist the District in establishing an HR infrastructure to support an internal workforce.

Ms. Grenya presented the information and recommendations in three sections, following the outline of materials HR Answers developed for the work session: 1) Job Description Format; 2) Total Compensation (salary, benefits, retirement); and 3) Employee Recruitment.

Included below is a summary of HR Answers' recommendations, key points, and the general substance of the Board's discussion.

I. Job Description Format

Ms. Grenya recommended the District adopt a job description format that matches the sample included as Appendix A in the work session materials because the form includes all the pieces necessary to comply with applicable regulatory requirements. There were no questions or concerns expressed by Board members regarding the recommended job description format.

II. Total Compensation (salary, benefits, retirement)

Ms. Grenya first defined total compensation as being all of the things provided to employees: salary, benefits and retirement. HR Answers' recommendations, she explained, are based on salary and benefit surveys, relative to the work done by this organization. Key issues include:

- What is the market for this organization? Where do you get people? Where and to which types of organizations do you lose people?
- What are organizations with similar roles doing?
- What is government and the nonprofit sector doing?
- What does the data look like across a broader range?

Since not all jobs have the same market, organizations included in salary surveys are compared using these key factors:

- Geography
- Size
- Budget

A. Salary (Salary Survey / Salary Schedule)

Next, Ms. Grenya explained the methodology for conducting the salary survey and then using data collected through the survey to create the salary structure presented as Appendix B.

1. Using a market weighted average salary, i.e., the average salary people are actually making in the market, what is the progression between grades?
 - a. In Appendix B, the average progression between grades is 5%.
2. What is the appropriate spread within the grade? How wide should that spread be? The spread represents the potential growth within a pay grade.
 - a. Some organizations taper the ranges, with the spread increasing to 50% at the highest grades. Rationale: Since there are fewer opportunities for vertical growth (promotion), employers sometimes widen the spread for higher pay grades.
 - b. Tapered ranges are uncommon in government.
 - c. The average spread within a grade in government is 33%.
 - i. In Appendix B, the spread across all steps is 23%.
 - d. The typical spread between steps in government is 5%.
 - i. In Appendix B, the spread between steps is 3%, which allows for more flexibility in determining step increases in conjunction with any cost of living adjustment in a given year, keeping in mind that the average revenue growth in the District's operating budget is 3%.
 - e. Annual COLA increases of 1.5-3.0% are also common in government.
 - f. Oregon's Pay Equity Law did away with open bands within pay grades.

Ms. Grenya also made or agreed with the following points with regard to the salary schedule:

- Step 1 within a pay grade represents a minimally qualified individual.
- Step 5, the market reference point, represents a fully proficient individual.

HR Answers recommends keeping the spread within 15% below or above the market reference point.

- The pink column in Step 5 in Appendix B is the market reference point, or market anchor.
- In Appendix B, 12.2% of the steps are below the market reference point and 9.2% of the steps are above the market reference point.
- There could be differences in the market reference point for certain positions.

Ms. Grenya further recommended:

- Build a salary schedule that is market relevant

- Determine at which grade a job title fits in the salary schedule
- Focus on the spread, i.e., the percent increase within a range; job growth potential is what is going to retain people in your organization.

In general, the Board was okay with leaving the market reference point, i.e., the pink column, at Step 5, as currently depicted in Appendix B. The Board also agreed with the recommendation of having a 5% progression between grades. As Ms. Grenya pointed out, a 5% progression allows the organization to slot positions that do not have good market data.

The Board was not able to reach a consensus on the salary schedule as presented, however. Director Prokop suggested that the Board needed to have a higher level discussion on philosophy and document their assumptions with regard to total compensation. Ms. Grenya agreed that the Board will need to decide whether the organization should lead the market, lag the market, or match the market. In fact, determining where the Board stands is one of the key outcomes anticipated from this work session.

Vice President Shaw pointed out that JCLS has experienced high turnover, which costs money and impacts patrons. She also noted that the cost of housing in our market is high, particularly in Ashland and Jacksonville. Since hiring below market would be problematic, she would keep the pink line in the middle. Director Dziura agreed that it is important to be fair to employees and to decrease turnover, adding that it is also important to stay within budget.

Director Turner pointed out that step increases, especially in government, often happen like clockwork. She sought clarification that, in the salary schedule, Steps 6, 7 and 8 represent step increases based on merit, i.e., employees are not moved up to these steps unless they exceed proficiency. Ms. Grenya said that was correct, noting that having room to grow beyond the pink column shows that the organization values employees who progress beyond proficiency. She also cautioned, however, that employers should always ask before giving annual COLAs and step increases, "Can we afford this?"

B. Benefits

Ms. Grenya reviewed and discussed HR Answers' recommendations with the Board, as summarized below.

Insurances

The District should provide medical/dental/vision insurance to employees and share the premium cost with employees.

- Premium Split: Based on JCLS's geographic region, a 90%/10% premium split should be considered at a minimum, with the employer contributing 90% toward the premium.
- Hours Threshold: Employees should become eligible for benefits when they work a minimum of 20 hours per week.
- Probationary Period: New employees working a minimum of 20 hours per week should be eligible for coverage on the 1st day following the 1st full month worked.

Short Term Disability (STD)

Since Oregon's Family and Medical Leave Insurance (FAMLI) will be implemented in 2024 and will start providing benefits in 2025, HR Answers does not recommend providing this benefit. Ms. Grenya pointed out, too, that employees could use accrued sick leave to cover a short term disability until long term disability or FMLA kicks in.

Long Term Disability (LTD)

HR Answers recommended that the District provide long term disability to employees. Eligibility requirements and waiting periods will need to be determined, but LTD is less expensive than STD, and government organizations almost always provide this coverage option. In short, LTD is a fairly low cost and underutilized benefit.

Life Insurance

HR Answers recommended that JCLS offer life insurance for the employee only, a common benefit provided by government employers. Life insurance, as Ms. Grenya explained, is truly an employee benefit, one that is very inexpensive for employers to provide.

Employee Assistance Program (EAP)

HR Answers recommended that JCLS provide an EAP to augment the HR staff. As Ms. Grenya elaborated, EAP's cost very little but offer benefits to employees and employers alike by covering a broad and complex body of issues affecting mental and emotional well-being, e.g., family programs, legal needs, personal or work-related problems, etc. EAP counselors can also work in a consultative role with managers and supervisors to address employee and organizational challenges and needs.

Other Insurances

Ms. Grenya discussed other insurances that are optional for employees, such as additional life insurance, pet insurance, and supplemental insurance, e.g., Aflac. The employee pays the entire premium, but the employer contributes by allowing organizations to share information with employees and by facilitating payroll deductions. HR Answers recommends that JCLS focus on hiring employees first and add any optional benefits later.

Time off with Pay

Ms. Grenya characterized time off with pay as a blend of discretionary and mandated offerings.

Vacation

Vacation is a discretionary, paid leave, which is typically tied to seniority with the organization. Ms. Grenya described the vacation accrual schedule recommended by HR Answers as the minimum that should be considered for a competitive benefit. Additional recommendations included:

- An annual cap of 40 hours more than their seniority could accrue.
- Payout of unused vacation upon separation if the employee leaves in good standing, i.e., provides 2 weeks' notice and works the entire notice period.

Director Turner said she was surprised by how quickly the accrual schedule increased relative to seniority. Director Prokop agreed, noting a significant difference in the paid leave recommended by HR Answers and the same benefit as offered in the private sector.

Ms. Grenya confirmed that HR Answers' recommendations are based on current salary and benefits data across the government sector, acknowledging that paid leave is part of the benefits package that makes working for government attractive. She also noted that millennials, in particular, highly value paid leave.

Sick Leave

Sick leave is a mandated benefit (protected leave) in Oregon. Assuming full time hours are worked, the minimum allowable accrual is one hour for every 30 hours worked, which equates to 69.3 hours (8.6 days) per year. However, because most government organizations provide up to 8 hours per month (assuming full time hours are worked), HR Answers recommends that the District match what other government employers are offering, which is 12 days of annual sick leave.

Ms. Grenya also explained that employers cannot put a cap on accrued sick leave, but employers can cap the usage of sick leave, at 80 hours per year, for example. HR Answers recommended, however, that annual usage of sick leave should not be capped if the District chooses not to offer short term disability. Other recommendations regarding sick leave include the following:

- HR Answers does not recommend paying out unused sick leave or floating holidays to employees upon separation because few employers do so.
- Accrual of sick leave must begin on Day 1 of employment.
- HR Answers recommends accrual of paid leave versus front-loading of paid leave; however, given the District's status as a successor employer, it is possible that sick leave accruals may need to be carried over. Ms. Grenya said she will have BOLI weigh in on this issue and will get back to the District with an answer.

Holidays

Like vacation, holidays are a discretionary benefit. HR Answers recommended the District offer 10 paid holidays and 1 floating holiday. Director Turner noted that floating holidays can be difficult to track from an administrative standpoint.

Other Benefits

Flex Spending Accounts (FSA)

Ms. Grenya stated that FSAs are one of the most popular employer-sponsored benefits because they provide a tax break to employees (contributions are not taxed) and the monies can be used to cover a wide variety of medical expenses, as well as child care expenses. The drawback is that the initial funds are essentially fronted by the organization and are made available

annually or quarterly to the employee (annually is typical). The organization is then reimbursed the employee's portion through regular payroll deductions; however, if the employee leaves before the organization is fully reimbursed, the organization cannot recover those funds. On the other hand, FSAs are a "use it or lose it" benefit. So, if an employee does not spend the entire FSA within the year, the employee cannot recover the unused portion.

Health Savings Accounts (HSA)

The biggest difference between HSAs and FSAs are the following:

- HSAs are employee owned, so employees can take their HSAs with them.
- FSAs are employer owned, so the accounts are non-transferable.
- FSAs cover child care costs; HSAs cannot be used for dependent care.
- FSA contributions are limited to \$2,750; HSA contributions are limited to \$3,550.
- With either an FSA or HSA, employers can choose to contribute to the account, or the account can be funded entirely by the employee, on a voluntary basis.

Health Reimbursement Arrangements (HRA)

HRAs are similar to FSAs, but contributions are fully funded by the organization and funds cannot be used for dependent care.

HR Answers Recommendation: Among the three (3) options outlined above, provide a Flexible Spending Account and partially fund the contribution, e.g., 50% employer/50% employee.

Tuition Reimbursement

Ms. Grenya suggested that, if the District were to provide this benefit, which approximately 27% of employers provide, it will be important to maintain the reimbursement nature of this offering due to Oregon's Pay Equity Law.

Loan Forgiveness

Since any kind of loan forgiveness program is managed by the federal government, HR Answers does not recommend the District implement this type of benefit.

Parking Permits

Ms. Grenya stated that there is little survey data on this benefit, but suggested that parking permits could be provided to employees who work at locations with limited free parking, without violating Oregon's Pay Equity Law.

C. Retirement

Ms. Grenya reviewed the two major retirement plans offered by a majority of government employers.

401a Plan

This is a government employer-sponsored money-purchase retirement plan that allows dollar- or percentage-based contributions from the organization, the employee, or both. Since this is

an employer-controlled plan, the District would need to establish the eligibility criteria and the vesting schedule. Discussion topics are listed below:

- Having a 5-year vesting schedule; some are requiring only 3 years.
- Making employees opt out of the plan (versus opting in).
- Incentivizing employees to contribute a certain percentage, e.g., employer contributes 4% for every employee; if an employee contributes 4%, employer matches another 2%.
- Survey data shows that government employers in our geographic region are offering plans that provide for a total contribution of 9-12%.
- **HR Answers Recommendation:** In order to be competitive, the organization should provide an employer contribution of 5-6%.

457 Plan

This is a defined contribution plan that allows employees to set aside a percentage of their salary for retirement. These funds can grow in value without being taxed. A 457(b) plan is the most common 457 plan offered to state and local government employees. HR Answers suggests that the District work with a retirement expert to determine if multiple plans make sense and the criteria associated with each.

III. Employee Recruitment

Ms. Grenya first reviewed the hiring process that HR Answers is recommending for the initial transition and then spoke about the need to hire HR staff to help manage the personnel transition process. HR Answers' recommendation was based, in part, on the Board's vision of making the transition as seamless as possible for staff and patrons, and the Board's interest in successfully hiring the employees of LS&S into the roles that will be available at JCLS. The threat to successful operation of the organization without a smooth and timely hiring process was also factored into the recommendation.

A. Initial Transition

- **HR Answers Recommendation:** Use a common government recruitment practice called Direct Appointment. Steps in this process should start no later than March 2020.

Ms. Grenya then described the direct appointment process. The first step is to evaluate current and future jobs to identify a crosswalk. If there is a role in the crosswalk that is the same job at the same location with the same shift, the next step would be to provide a written offer of employment to the individual currently in that job. The letter should include the total compensation package, their specific rate of pay, a copy of the associated job description, and clear identification of a one-week time period to discuss and accept the offer. Ms. Grenya emphasized that any negotiations will need to maintain compliance with Oregon's Pay Equity Law and the policies of the organization.

B. HR Staffing

As Ms. Grenya explained, her initial recommendation was for the District to hire a Human Resource Generalist first to handle the substantial amount of work involved in coordinating the direct appointment process outlined above.

However, her recommendation now is that the District hire the Human Resource Manager first since they will need to spend a relatively short period of time doing the more hands-on work of hiring staff and establishing the HR department. Plus, this will allow the HR Manager to hire their own HR Generalist after they have been in the position for several months and have a better idea of what knowledge, skills and abilities are needed for that position. Ms. Grenya cautioned that the recruitment pool is slim and that we are more likely to attract “passive candidates,” i.e., those who already have a job, and are looking for growth. She also said that December is a good time for recruiting.

- **HR Answers Recommendation:** Start recruiting for an HR Manager right away and have somebody in place by March 2020. Recruiting services are included in HR Answers’ agreement with the District, so staff will work with Ms. Grenya and her team to make sure the recruitment is launched early in December 2019.

IV. Next Steps

After Ms. Grenya finished reviewing the materials in the work session packet, she addressed Appendix C, which included a draft of how jobs might be placed into the organization’s salary structure (Appendix B).

First, she explained the three factors that determine where jobs are placed in the structure:

1. Market (Where do we compete and who do we compete with?)
2. Organizational structure (How have we organized? Does this work in the hierarchy? Does this keep career ladders intact?)
3. Budget (What can we can afford?)

Director Turner pointed out that we also need to keep in mind that tax revenues might not always grow at 3%. Ms. Grenya agreed that it is better to build in flexibility on the front end. For instance, since half-step increases are not realistic, the District could consider adding more steps to the salary structure to allow for smaller, incremental increases during lean times.

Ms. Grenya described placing jobs within an organization’s salary structure as an art form. While the data helps create the salary structure, it’s up to the organization to determine if the structure makes sense based on the actual job profiles and how those jobs are organized. It is important to place jobs in a way that keeps the organizational structure intact.

While Ms. Grenya said she did not think the Board would be ready to make any decisions on salaries or benefits at the next Board meeting, she felt she had gathered enough information from today’s work session to take the following next steps:

- Develop a draft philosophy statement for the Board to review.
- Send a list of questions or options to help clarify each Board member's philosophy.
- Synthesize the Board's input and refine the draft philosophy statement to ensure alignment of the Board.

Vice President Shaw suggested that staff bring back options based on these guiding principles:

1. Better pay.
2. More hours.
3. Good benefits.
4. Stay at .52 cents per thousand.

Director Dziura agreed with Shaw's approach, suggesting that with these principles as a guide, staff should be able to bring options back to the Board. Other considerations should include flexibility of choices versus simplicity in implementation, as well as mitigating turnover. The Finance Committee will revisit the District's financial forecasting model to determine the financial feasibility of the proposed salary schedule and total compensation package.

Adjournment

Vice President Shaw adjourned the work session at 6:47 p.m.

/s/ Lisa Marston
Recording Secretary