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MEMORANDUM

Date: December 30, 2022

To: Assembly Finance Committee

Thru: Duncan Rorie Watt
City Manager

From: Dallas Hargrave
Human Resources & Risk Management Director

Re: Recruitment and Retention Proposals

Over the last year, the City and Borough of Juneau (CBJ) has experienced unprecedented recruitment and retention issues. We are not alone. Employers across the city, state and nation are facing similar challenges with a “tight” labor market that generally has more open jobs than applicants willing to take the jobs. While we have approached these the recruitment and retention concerns through collective bargaining, changes to the personnel rules, and policy changes, we believe more actions are necessary. One such proposal is to enhance retirement benefits for PERS Tier IV employees, and is outlined in a separate memorandum. CBJ management is presenting two other proposals for consideration by the Assembly Finance Committee within this memorandum.

Implementing a Sign-on Bonus Program

Currently CBJ Personnel Rules (12 PR 060) allow the City Manager to authorize relocation expenses to a new employee moving to Juneau with the employee’s commitment to work for the CBJ for four years. Additionally, CBJ Personnel Rules (18 PR 050) allow the City Manager to authorize up to a $10,000 payment to a prospective employee with an established recruitment and retention program where there are significant demonstrated recruitment challenges.

CBJ management believes that it is time to propose implementation of an enhanced sign-on bonus program to improve recruitment in difficult to fill positions. Components of this program include the following:

- The City Manager would determine which job classifications are “difficult to fill”. This would allow CBJ management the ability to adapt this recruitment benefit to changing market conditions.

- The sign-on bonus would be up to $40,000. This allows CBJ management the flexibility to consider the market conditions for applicants and consider higher bonus amounts for harder-to-fill positions or time-sensitive vacancies. However, if a lower bonus amount is appropriate because of the circumstances, CBJ management has the flexibility to implement a lower sign-on bonus.

- The commitment from the employee to work for CBJ will be a minimum of two years and a maximum of four years. Repayment for not meeting the employment commitments would be paid back on a prorated repayment schedule consistent with the current CBJ Personnel Rules. Alternatively, sign-on bonus payments would occur after the employee's commitment has been fulfilled. The specific method used will be consistent with other public sector agency practices and will take forthcoming legal analysis into account.

Implemented sign-on bonus provisions could replace the current relocation provision of the Personnel Rules because sign-on bonuses could be used for both potential employees moving to Juneau or local applicants looking to change employers. CBJ management believes that with the current labor market, it is important to implement a sign-on bonus program as soon as possible. Implementation of such a program will likely have immediate impacts on recruitment and retention of difficult to fill positions at the CBJ.

Recommended Action

CBJ leadership requests the Assembly Finance Committee direct staff to develop proposed changes to the Personnel Rules in a manner that would give the City Manager authority to implement sign-on bonuses for difficult to fill positions in an amount of up to $40,000 for up to a four-year commitment from the employee to work for CBJ or disbursement schedules that accomplish the same objective. It is anticipated that the costs of these bonuses would be paid with lapsing personnel funds.

Implementing a Dependent Care Flexible Spending Account Employer Contribution

National data supports that during the COVID-19 pandemic working parents and caregivers left the workforce in high numbers and have yet to return to full-time employment. In fact, according to the Bureau of Labor Statistics, there are still two million fewer women in the workforce than pre-pandemic rates. Additional research notes 25% of employers listed caregivers with children under 18 years old and employees with caregiving responsibilities have higher attrition rates. [1]

Currently, CBJ offers a voluntary benefit that allows employees to contribute to a flexible spending account (FSA) for dependent care. This is a pre-tax benefit account used to pay for Eligible services include childcare, preschool, summer day camp, before or after school programs, and adult daycare. Employee contributions to a dependent care FSA are not subject to payroll taxes, so an employee can pay less in taxes by contributing to a dependent care FSA and then paying for the care from the FSA. We are proposing that the CBJ implement an employer payment to the employee dependent care FSA in the manner outlined below:

- With each year a full-time employee remains employed at the CBJ, they would be eligible for up to a $5000 employer payment to a dependent care FSA. This employer dependent care FSA contribution would not be subject to employee or employer taxes and would need to be used by the employee for eligible dependent care expenses in the fiscal year or it would be returned to the employer.
- CBJ already has a voluntary dependent care FSA plan, so the plan would need to be amended to support the employer contribution for full time employees. We have confirmed that our current benefit administrator for the dependent care FSA can accommodate these changes.
- Although this benefit will apply to a caregiver of any gender, this enhanced recruitment and retention benefit will likely have a higher impact on employing women at CBJ and

[1] https://www.benefitnews.com/news/how-to-attract-and-retain-employees-during-the-great-resignation

supporting women remaining employed with the CBJ. Additionally, because the $5000 benefit for employees is a flat dollar amount regardless of earnings, it has a proportionally higher impact on lower wage earner CBJ employees.

- Although only a handful of employees participate in the voluntary employee dependent care FSA benefit each year, it is anticipated that significantly more employees would participate if the employer contribution benefit was available. It is estimated that there are approximately 100 full time CBJ employees with children under the age of 13 who may qualify for this benefit. Based on that estimated number of employees, estimated annual costs are:
    - $500,000 if 100% qualify
    - $375,000 if 75% qualify
    - $250,000 if 50% qualify

Recommended Action

CBJ leadership requests that the Assembly Finance Committee direct staff to develop proposed changes to the CBJ dependent care FSA plan and include the estimated costs in the proposed FY24 budget for consideration by the Assembly.