



**MEMO TO:** Mayor Vandernail and the Board of Trustees  
**FROM:** Rob Clemens, Finance Director  
**DATE:** 08/09/2022  
**SUBJECT:** Retention Bonus and COLA Request, continued from 08/03/22 meeting

**MATTER BEFORE BOARD:**

The Budgeted salaries and benefits across the 2022 funds are projecting an 8% surplus (\$192,810) by year end. This surplus is largely due to staffing vacancies. These vacancies required long term employees to cover roles, positions, and shifts beyond their regular job descriptions. The successful use of American Rescue Plan Act (ARPA) funds to recruit new employees has helped fill most of these vacancies but has created inequity for the long-term employees who put in the extra time and energy to keep the infrastructure running. This inequity has been compounded by the persistent Consumer Price Index (CPI) ranging from 7-9.1% that has eroded the value of the January wage increase. Therefore, the Town would like the Board to consider implementation of retention bonuses in line with the recruitment bonuses and consider a Cost of Living Adjustment (COLA) to help employees withstand current inflation pressure.

**ACTION REQUESTED:**

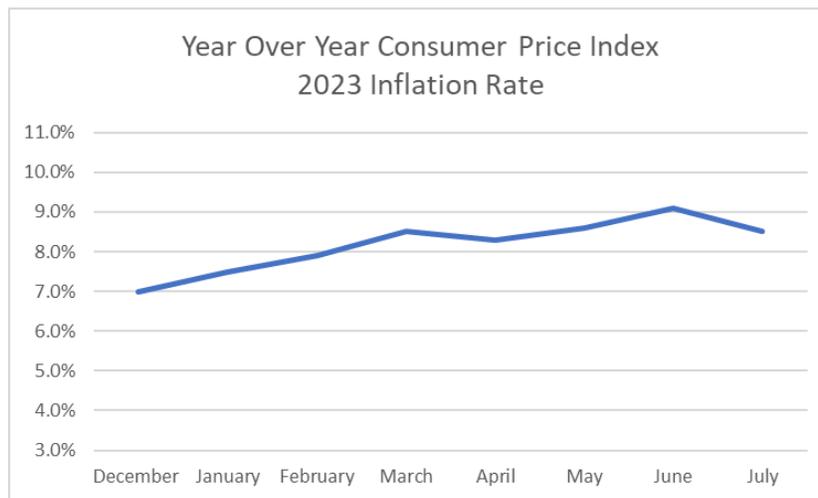
This request requires a Board motion because it includes approving use of Grant funds and because it could involve shifting General Fund dollars into other funds.

Motion to approve one of the options below:

- 1) Use a combination of ARPA and General Fund dollars to provide retention bonuses for all employees who have been with the Town of Fraser for at least one year.
- 2) Use a combination of ARPA and General Fund dollar to provide retention bonuses for employees who have been with the Town of Fraser for at least one year and have a Job Grade 600 or below.
- 3) Use a combination of ARPA and General Fund dollar to provide retention bonuses for employees who have been with the Town of Fraser for at least one year and have a Job Grade 600 or below. Allow \$28,000 of the \$70,000 in additional General Fund compensation savings to cover a COLA increase (3-5%) for employees Job Grade 500 or below.

## BACKGROUND:

Long-term employees of the Town of Fraser received a 9% increase in wages at the beginning of 2022. 4% was based on merit while 5% was tied to a COLA. With CPI growing from 7% to 9% in the first half of 2022, the value of that raise has been to keep pace with overall inflation, assuming the CPI in the Fraser Valley is not higher than overall average inflation. Since housing, food, and energy costs in the Fraser Valley have exceeded the national averages, the resulting erosion of the wage increase has led to at least three employees experiencing housing insecurity or displacement. The decision to move farther outside Fraser for more affordable options is also eroded by the 60% year over year increase in motor fuel (<https://www.bls.gov/opub/ted/year.htm>).



The town received approximately \$332,000 in ARPA funds to use to recruit hard to fill positions, support businesses impacted by the pandemic, and retain essential workers. \$86,000 in ARPA funds have been used or are projected to be used to recruit new employees. These funds have been used for signing bonuses, relocation assistance, and temporary housing assistance to recruit hard to fill positions critical for providing public services. There were nine vacancies in May 2022 and only three remain at this time. \$70,000 in ARPA funds were used to help Grand Kids and KFFR cover cash flow shortages during the pandemic. There are approximately \$176,000 in remaining ARPA funds that we would like to spend down by June 30, 2023. Awarding one-time Retention Bonuses to the essential workers who maintained service levels in the face of 40% shift level shortages aligns with the ARPA objectives and Town priorities.

Some positions are essential for the Town to operate, but do not meet the ARPA definition of essential workers. Therefore, utilization of up to \$22,000 of the \$102,558 in General Fund dollars would provide equitable retention bonuses to those long-term employees not covered by ARPA funds. This aligns with past Town initiatives around compensation.

The competition for workforce has grown in the Fraser Valley as seen by signing bonuses ranging from \$4000-\$10,000. The cost to replace one employee is at least \$20,000 when including overtime, signing bonuses, relocation costs, opportunity costs to conduct the hiring

process, and training costs for new hires. This process can take six months to a year before you consider a position “replaced.”

The budget and economic risks to the Town of Fraser need to be balanced with the staffing and culture risks. The opportunity to invest in the 19 long-term employees and 9 new hires will go a long way in helping establish a strong culture after an extended period of transition.

### **ALTERNATIVES:**

The honest alternatives tend to fall along the spectrum of balancing budget and economic risks versus staffing risks. Using General Fund savings from this year to increase carry forward for next year may provide a buffer against potential declines in sales tax revenue. The overall impact of a \$200,000 buffer on a \$3M line item may not provide much budget security to offset potential turnover risks.

Delaying COLA increases to wages until the end of the fiscal year could reduce budget impacts if inflation declines. If inflation persists, then it will require a larger COLA increase in January to maintain the same impacts. Pulling a beginning of year COLA into the prior year mitigates the need for a big COLA change. Adjusting wage increase percentages across Job Grades can limit some of the budget risk while securing funds for employees feeling the greatest impact. The actual budget impact depends on the Job Grade and number of employees excluded.

Bonuses in lieu of wage increases do not contribute to wage inflation. Bonuses tied to specific metrics tend to be most effective drivers of targeted performance. Such a structure is not in place for the Town of Fraser. ARPA funds could be used to set up a bonus structure in 2023 prior to expiration of the program.

On the downside, bonuses do not help employees budget for major surges in housing expenses. Also, employees who have worked in the ski industry are a bit jaded on bonus promises that are not realized.

Creating emergency funds within the budget to help with employee housing or other hardships could mitigate the need for broader wage increases, but also create other equity and implementation issues.

### **RECOMMENDATION:**

Employee survey data from May showed that majority of employees like their jobs and working for the Town of Fraser. Employee and Board survey data highlight staffing levels as a critical challenge for the Town of Fraser. Part of this is the competitive landscape for hiring in the Fraser Valley. Another component is the limited housing options combined with the high cost of living. As Finance Director and Human Resources, I recommend the value offered by Motion option #3.