

# **Human Resources FY 23 Budget Memo**

May 11, 2022

## **1. Percentage Increase in HR Budget over FY22?**

152 Human Resources - overall increase 5.6%

- Salary and Wages
  - 6% increase due to step movement and having to budget for 53 payroll cycles in FY23
- Dues and Membership
  - 83.6% (\$230) increase for SHRM membership, which offers useful tools, employment news and legal updates, and best practices for HR professionals.
- Education/Training (for HR)
  - A new line item of \$500. Training is an important element for the professional development of employees, keeping up with the ever-changing HR field, aiding in performance boost and retention of HR staff.

914 Health Contractual

- Health Contractual Benefits – 4.7% increase
  - FY23 health insurance increase is 4.3% for City cost (calculation used 3/1 membership enrollment)
    - Non-Medicare health plan rates increased between 2.9% to 10.2%
    - Medicare health plan rates increased between 1.2% to 3.0%
  - The health budget projection is always a snapshot of a moment in time and cannot predict the behavior of employees, life events, or economic changes that may affect enrollment.
- Salaries and Wages
  - 7.1% increase due to step movement and having to budget for 53 payroll cycles in FY23.

## **2. What are the major changes to your budget?**

There are no major changes to the FY23 budget, besides the health insurance contractual increase.

## **3. What are the reasons for these changes (major cost drivers)?**

The Health Insurance budget, which has the largest financial impact on our budget is a contractual obligation for the City of Melrose and is primarily driven by the economy and the healthcare inflation, which we don't control. Approximately 5% average increase of the health insurance plans has been consistent over the last few years.

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**4. Please identify any noteworthy changes or events that took place during FY22 in your department (staffing changes, technology upgrades, new regulations or procedures, etc.)**

In FY22 the HR department expanded its staffing. Three months ago we hired and started training an HR Assistant to help with recruiting, W/C, accruals, leave management and other projects. In FY22 HR continued playing a major role in interpreting the ever-changing federal and state regulations around pandemic protocols and response. HR created new testing, quarantine and leave policies based on current guidelines, educated and supported staff and managers on their application. We also tracked pandemic-related leaves and reported to the state for reimbursement purposes. Further, the HR Department provided regular professional development opportunities to managers and employees by offering and facilitating trainings related to team building, performance management, diversity, unconscious bias, inclusion and gender pronouns, financial webinars, First Amendment training, active shooter training, etc. In FY22 HR also implemented best DEI practices in the recruiting process, resulting in 25% of new hires (benefit eligible) who identify as "Other than Caucasian".

**5. Do all of your department's salaries come from the same budget, if not, please identify the split among multiple budgets?**

	<b>HR S&amp;W</b>	<b>Health S&amp;W</b>
HR Director	75%	25%
HR Coordinator	50%	50%
HR Assistant	50%	50%

**6. Any events or changes you anticipate in your department for FY23?**

In FY23 the HR department along with the Auditor's office will work towards implementing the new Compensation and Classification plans proposed by HRS Consultants. Part of the implementation will include developing a compensation administration policy based on a hybrid model of length of service and performance. To ensure the success of the new system and provide support for department heads and managers, HR will create a uniform performance guide.

The new employment landscape requires HR's strategic role in succession planning; recruiting for these roles, onboarding, providing transition support and retaining our employees. A critical project for FY23 will be the development and implementation of Recognition and Retention strategy for employees to feel appreciated, supported, and engaged in the workplace, which further enhances the morale and performance of staff and translates into higher retention and excellent service for the residents of Melrose.

In FY23, HR will continue supporting the DEI mission of the administration and work on implementing the recommendations of Visions Consultants, HRS' Organizational Needs Assessment and DEI Taskforce.

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HR will also work closely with the Executive Police Chief Search Consultant and coordinate the process for the successful selection, hiring and transition of a new Police Chief.

### **7. Additional Budget Summaries**

#### **912 Worker's Comp**

Our FY23 Worker's Comp budget is being level funded. The HR Department oversees the Worker's Compensation (WC) for City and School employees as well as Fire and Police Injured on Duty. It is difficult to project what a WC budget may look like from year to year since the cost is driven by the number of claims and the type of claims that are filed.

The City of Melrose currently has three permanent WC recipients whose total cost is \$155,000, and two short term recipients (one City, one School). We use a third party vendor, Future Comp, to assist with claims administration, billing and compliance with state and federal laws and regulations. They provide medical case management, utilization review, outside council services, and other tools that are critical in the sound and efficient management of a claim, overall cost reduction and most importantly, successful claims outcomes and return to work.

#### **913 Unemployment**

Our FY23 Unemployment budget is being level-funded. The City of Melrose is a reimbursable employer, which means that we are responsible to pay all costs related to unemployment benefits for former employees and as a subsequent employer, which makes it challenging to project what our next year's budget may look like. HR also reviews and dispute every claim that we believe is inaccurate or fraudulent.

Currently, the maximum benefit an employee can collect is half of their average weekly earnings up to \$974 weekly for a maximum of 30 weeks. FY22 Unemployment budget has been fairly stable. In March 2022 we had two claims (one City, one School).

#### **914 Health Contractual**

The City of Melrose provides health insurance to our employees and retirees, their dependents and survivors through the Group Insurance Commission. In FY23, the City will be entering its second of six years agreement between the City of Melrose and Melrose Public Employee Committee regarding providing health insurance benefits. This agreement dictates the City and the Employee/Retiree health plans contributions for the next several years.

The Health insurance budget is dynamic and constantly changing. At any point in time we are presented with a snapshot of membership enrollment, which is driven by employees' life events and socioeconomic factors. In addition to the economy, the health contractual budget can be impacted by Open Enrollment changes, Opt Out enrollments, Medicare premium cost. All these factors provide for fluid, constantly changing data and over the years the HR and Auditor's office have worked creatively to adjust our approach to provide a most reasonable estimate next year's budget.

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The City did not see too many changes during April- May 2022 Open Enrollment. The major change resulted from Fallon Health exiting out of the municipal insurance market. This affected 19 employees, who had Fallon and ended up enrolling in comparable health plans effective July 1.

When determining the Health Contractual budget for FY23 the City used a balanced approach of based on average plan cost, April 1 enrollment numbers and projected for anticipated retirements, vacancies, employee's turning 26, etc. This translated into 4.3% for City cost increase.

Our Opt Out program has been a successful health cost avoidance measure that employees take advantage of. The growth has stabilized and slowed down over the years. The City currently has 133 employees in the Family Opt Out plan and 14 employees in Individual Opt Out plan, which is an increase of 11 Family plans compared to the same time last year. Past history shows that about a quarter of new hires enroll in the Opt Out program. We projected an increase of the Opt Out budget of 2.9%.

Medicare Part B cost is another element that impacts the Health contractual budget. The City of Melrose reimburses our retirees and their spouses 70% of the standard Medicare Part B premium. Retirees are seeing a larger Medicare Part B premium increase in 2022 compared to previous years. These premiums are controlled by the Federal government. Since not every retiree pays the same premium, HR does its best to project the most reasonable estimated cost with the information we have available at the time.