

# Council Business Meeting

December 21, 2021

<b>Agenda Item</b>	Future of the Human Resources Department	
<b>From</b>	Gary Milliman	City Manager Pro Tem
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## SUMMARY

Policy direction on retaining the human resource and risk management function in-house.

## BACKGROUND AND ADDITIONAL INFORMATION

There has been considerable discussion over the last year concerning the prospect of contracting the Human Resources function rather than providing this function with City employees. This discussion has and continues to have a negative impact on employee morale, and concerns from department managers who work closely with HR staff..

The City currently manages the Human Resources and Risk Management functions with in-house staff. There are currently two employees in this department, one of whom is leaving the City for another opportunity. The possibility of contracting this service has been raised by several Councilors. With the impending departure of half of the HR Department staff, it is a good time to visit this matter. The City Manager Pro Tem recently contacted Jacobs Engineering (who provides a variety of contract services to local government, including HR), the Rogue Valley Council of Governments and Jackson County concerning the possibility of contracting with them to provide this service. All advised that they do not have the capacity to provide this service to an agency as large as Ashland, and further recommended that the City retain this as an in-house function.

A survey of cities with populations over 100 was recently conducted. Questions included: the number of employees, size of HR staff and whether HR also handles Risk Management. The results are as follows:

CITY	EMPLOYEES	CONTRACT	HR STAFF	RISK MANAGEMENT
Roseburg	165	N	2	Y
Keizer	101	N	2	Y
The Dalles	106	N	1	Y
Pendleton	155	N	1	N
Albany	415	N	4	N
Hermiston	123	N	1	N
Le Grande	165	N	1	N

HR is a critical part of the internal controls of managing the City. Even more so when that function includes Risk Management. In Ashland the HR function includes recruiting and selecting employees, labor relations, managing employee benefit programs, assisting department managers and supervisors with discipline issues, managing the workers compensation program, onboarding new employees, training, maintaining confidential records, interfacing with payroll. For the past 22 months, HR has played a key role in managing the City's internal response to COVID-19, dealing with actual and potential exposures and labor relations issues relating to vaccine and testing mandates. And, HR will be playing an expanded role as the City gives increased attention to developing/administering internal

policies and practices relating to social equity and racial justice. In an organization the size of the City of Ashland, HR is fully integrated into many aspects of management analysis and decision-making.

In 2022, the City will be negotiating new labor agreements with four of its five collective bargaining units. A knowledgeable and skilled HR staff will play a key role in those negotiations.

The HR operating budget for the current fiscal year is \$189,774 (exclusive of \$378,092 in employee costs), is primarily for recruitment related costs (\$125,000) and includes the following elements:

The HR Department is actually underfunded. Staff rarely receives training or professional development. The HR Director has attended CIS conferences, but nothing has been budgeted for training in emerging fields such as DEI, employment law or OSHA mandates.

The Ashland HR Department is performing at a high level, and has taken on additional responsibility since the City eliminated its full time Risk Manager about two years ago. Risk Management has now been fully integrated into HR and is working well.

### **FISCAL IMPACTS**

Recruitment advertising, pre-hire background investigation expenses, mandatory employee occupational health expenses (i.e. DOT CDL physicals, pre-hire exams, hearing exams, and job-specific employee vaccinations based on workplace exposure), software licensing for Munis and NeoGov, office supplies, and other expenses related to recruitment, retention, training and onboarding.

The increase in HR expenses from the previous budget year reflects the significant increase in expenses for higher than normal employee turnover resulting in proportionate increases in advertising, backgrounding and pre-hire onboarding expenses. We also planned for the recruitment of a City Manager and Finance Director this fiscal year. Expenses related to hiring and those mandated by law or contract would remain unchanged if the staffing of HR was outsourced.

### **STAFF RECOMMENDATION**

Retain the Human Resource and Risk Management functions in-house.

### **ACTIONS, OPTIONS & POTENTIAL MOTIONS**

Motion to affirm that the Human Resources function will be retained as currently provided with City employees.

Or:

Motion to explore alternatives to providing in-house Human Resource services.