
SOUTH FLORIDA WATER MANAGEMENT DISTRICT



Report on Employee Benefits

Report # 04-06

Prepared by
Office of Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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March 29, 2005

Audit and Finance Committee Members:

Mr. Lennart Lindahl, Chairman
Mr. Michael Collins, Member
Ms Alice Carlson, Member
Mr. Malcolm Wade, Jr., Member

Re: Report on Employee Benefits,
Report No. 04-06

This review was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S and is part of the approved Audit Plan. The objective of the review was to compare the District's benefits to those of other organizations. Hence, the report does not constitute an audit in accordance with generally accepted government auditing standards. We concluded that the District's benefits are competitive with those of other organizations.

The review also included examining the effectiveness of the Sick Leave Incentive Program from the time of its reinstatement in FY 1997. We concluded that the program is effective.

Sincerely,

John W. Williams, Esq.
Inspector General

Enclosure

c: Henry Dean
Carol Wehle

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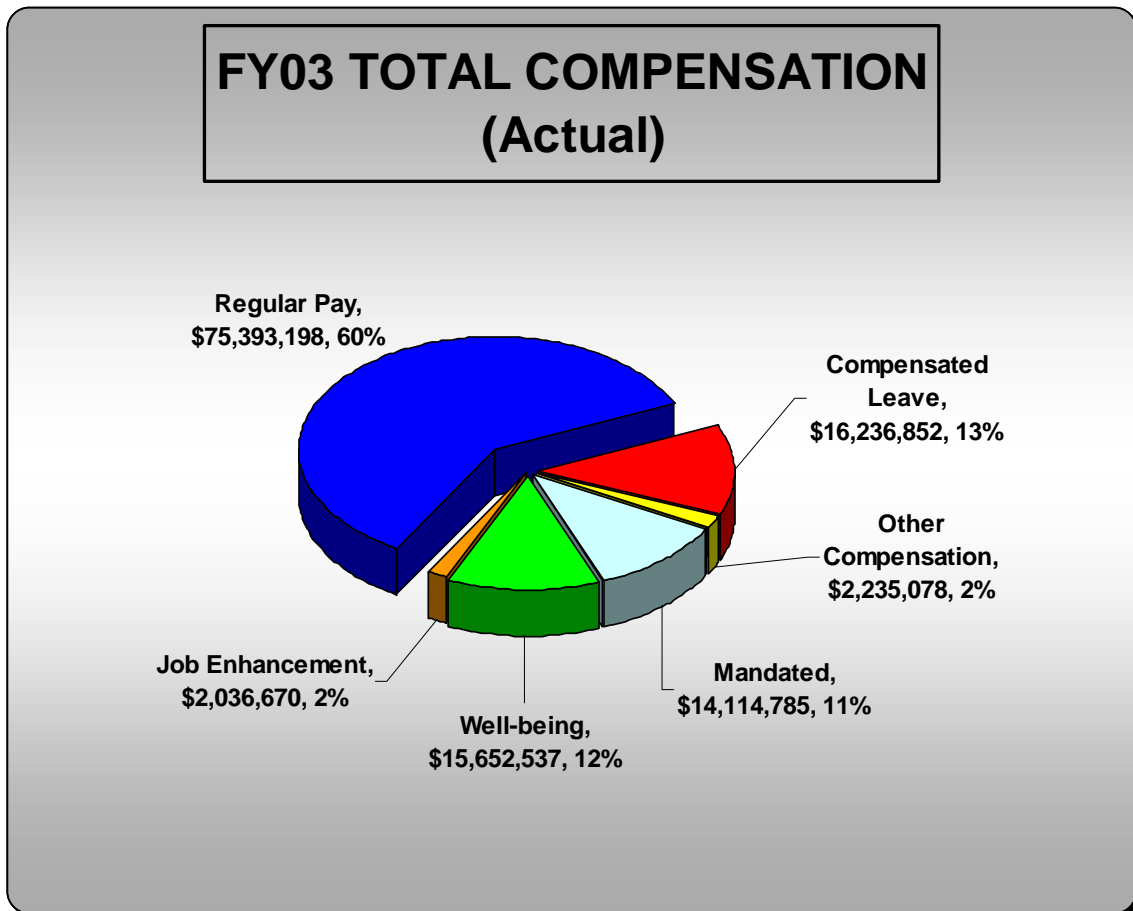
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BACKGROUND

The District provides its employees with a wide variety of benefits each of which can be classified into one of five distinct categories: mandated benefits, well-being benefits, compensated leave benefits, accumulation of wealth, and job enhancement benefits. The following table illustrates the wide variety of benefits that the District provides its employees under each category.

Benefit Type	Benefit Provided
Mandated:	Social Security & Medicare Florida Retirement System Unemployment Compensation Worker's Compensation Family Medical Leave
Well-Being:	Medical Insurance & Prescription Drug Plan Dental Insurance Vision Insurance Mental Health & Employee Assistance Program Life Insurance & Optional and Dependent Life Accidental Death and Dismemberment Sick Leave Pool Long Term Disability Long Term Care Flexible Spending Accounts Wellness Programs Clinic/Occupational Health Nurse Access to Fitness Facility Sick Leave Incentive Program
Compensated Leave	Annual Leave Sick Leave & Sick Leave Pool Civil, Military & Bereavement Holidays Personal Holiday Compensatory Time
Wealth Accumulation	Deferred Compensation Plans Defined Contribution Plan & Defined Benefit Plan Financial Planning Services & Financial Training and Seminars
Job Enhancement	Moving Expenses Cars and Car Allowances Business Expenses Training & Educational Reimbursement Conference Reimbursement Professional Licenses and Memberships Alternate Work Hours/Telecommuting On Site Credit Union On Site Daycare On Site Cafeteria

District provided benefits add significantly to overall personnel costs, which represented 40% of FY 2003's total compensation cost of \$126 million. The following chart depicts the costs of the various classes of employee benefits as they relate to salaries and wages.



Note: Well-being benefits paid in FY03 are based on estimates and not actual expenditures.

The single largest benefit that the District provides its employees is compensated leave, which represents 13% of total personnel costs. This consists of leave earned every pay period such as annual leave and sick leave as well as other leave taken on an as needed basis such as civil leave (jury duty), compassionate leave (death of a family member), and military leave (reservists).

The next largest group of employee benefits is well-being benefits representing 12% of total employee compensation. Mandated benefits (those that are required by law)

represent the next largest class of employee benefits at 11% of total compensation. Opportunities to control costs in this category are limited.

Of the remaining two classes of benefits, job enhancement and other compensation, the most significant expenditures consist of employee training (about \$1.2 million) and retirement contributions made on behalf of managers¹ (about \$380,000) as well as overtime (\$1.1 million) and the payment of accrued sick and annual leave hours at termination (\$575,000).

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this report are to determine how District health and welfare benefits compare with other local governmental agencies in Palm Beach County and whether the sick leave incentive program reinstated in 1996 has improved the productivity of the District's workforce. Objectives also included comparing the District's fringe benefit costs to for-profit organizations as well as governmental/not-for-profit organizations based on nationwide survey data.

We reviewed and analyzed a survey that was performed in 2003 by the Palm Beach County Healthcare District of 12 organizations, which included the District, to determine how the District's benefits compared to other governmental organizations in Palm Beach County. In addition, a model was developed that was used to determine the impact of the sick leave incentive program on employee productivity using various scenarios and assumptions.

The above methodology does not entail the extent of substantive procedures that are characteristic of an audit performed in accordance with generally accepted government auditing standards.

¹ The only wealth accumulation benefit with any cost to the District.

REVIEW RESULTS

Executive Summary

Overall, the District's Employee benefits are comparable to those of other governmental organizations in Palm Beach County. However, in comparing specific benefits, the District excelled in some areas and lagged in other. For example, the District's health insurance costs for "employee-only" and "family" plans were lower than other organizations for both the Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Benefits provided under the District education reimbursement program were also above average. Some areas where the District lagged were higher health insurance cost for "employee-plus-one" plans, dental insurance premiums, and vision insurance premiums for the "family" plan. Compensated absences benefits were comparable overall; however, the maximum vacations days provided were below average while the sick days allotted were above average.

The District's benefit costs are slightly higher than For-Profit organizations; however, Governmental/Not-for-Profit organization's fringe benefits also tend to be slightly higher than the For-Profit sector based on the Wyatt Survey's nationwide data. The District's benefit costs appear to be in line when compared to the nationwide average for Governmental/Not-For Profit organizations.

The Sick Leave Incentive Program was reinstated as a result of our *Audit of the Human Resources Division* issued in October 1996. Since then, the average number of sick leave hours has decreased, which has resulted in an overall increase in productivity of the District's workforce.

District Benefits Are Comparable to Other Organizations in Palm Beach County

The District participated in a survey conducted by The Health Care District of Palm Beach County (the "HCD"). The HCD is an independent special district established pursuant to chapter 189, Florida Statutes. Its mission is to maximize the health and well-being of Palm Beach County residents by addressing health care needs and planning for the access and delivery of health services.

Twelve organizations participated in the HCD's *2003 Benefits Survey* (the "Survey") including the following:

- The Health Care District of Palm Beach County
- South Florida Water Management District
- The City of West Palm Beach
- The City of Palm Beach Gardens
- The City of Delray Beach
- The City of Riviera Beach
- Palm Beach County Sheriff's Office
- Palm Beach County Clerk of the Circuit Court
- Palm Beach County Property Appraiser
- Palm Beach County Tax Collector
- Solid Waste Authority of Palm Beach County
- The Children's Services Council (a not-for-profit agency)

The Survey required respondents to answer various questions about benefits such as health, dental, and vision insurance, as well as other benefits offered to employees. HCD released the results of its Survey on November 24, 2003.

Health Insurance

The Survey asked numerous questions about health insurance including the provider and the types of insurances; such as HMO, Point of Service (POS), or PPO. The survey also asked for the premium for various levels of coverage. The levels of coverage included "employee-only" coverage, "employee-plus-one²", and "family" coverage. The survey also asked participants how their insurance premiums were allocated between the organization and their employees. Following is a summary of the responses to the health insurance questions and how the District compared to the other organizations surveyed.

² Some of the surveyed organizations made a distinction between "employee plus spouse" and "employee plus child."

HMO Coverage

The following table summarizes premiums for “employee-only” HMO coverage.

HMO Employee-Only Coverage	Total Premium Cost/Month	Employer Cost	Employer %
District	\$ 282	\$ 282	100.0%
Average – High Option HMO	\$ 337	\$ 287	85.2%
Average – Low Option HMO	\$ 302	\$ 302	100.0%
Average – Unspecified HMO	\$ 379	\$ 369	97.4%

The full cost of the District’s HMO premium (District share plus employee share) is generally lower than the other organizations in the survey except for “employee plus one” coverage, which was higher than the average of the other survey participants. HMO plans were identified as either “high option”, “low option” or, like the District, not categorized as either. Premiums for “high option” HMO’s tended to be greater but their co-payments are lower. The opposite is true of “low option” plans. The District’s premium of \$282 a month for “employee-only” HMO coverage is lower than average regardless of the plan option. Neither of the two organizations that had a “low option” plan passed any of the premium cost to their employees. Conversely, all four organizations with “high option” HMO’s passed some share of the premium cost to their employees ranging from 5% – 30%. For organizations, like the District, that did not specify high or low options for their HMO the largest percentage of the premium paid by the employee was 10%. The District pays the entire premium for HMO “employee-only” coverage.

The following table summarizes premiums for HMO “family” coverage.

HMO Family Coverage	Total Premium Cost/Month	Employer Cost	Employer %
District	\$ 730	\$ 551	75%
Average – High Option HMO	\$ 900	\$ 725	81%
Average – Low Option HMO	\$ 802	\$ 670	84%
Average – Unspecified HMO	\$ 839	\$ 647	77%

The District’s contracted HMO premium for “family” coverage of \$730 a month is lower than the average for all other HMO options. Also, the District’s 75% share of the contracted premium cost is lower than the average for all other plan options; however,

the dollar amount the District pays is significantly less than the average of other survey participants since the total premium is notably lower.

The following table summarizes premiums for HMO “employee-plus-one” coverage.

HMO Employee + 1 Coverage	Total Premium Cost/Month	Employer Cost	Employer %
District	\$ 719	\$ 544	76%
Average – High Option HMO	\$ 653	\$ 527	81%
Average – Low Option HMO	\$ 582	\$ 486	84%
Average – Unspecified HMO	\$ 682	\$ 522	77%
Employee + Spouse	\$ 677	\$ 530	78%
Employee + Child	\$ 674	\$ 523	78%

In contrast, when HMO coverage is for “employee-plus-one”, the District’s contracted premium is higher than most other organizations regardless of the plan option. Also, the 76% portion of the premium paid by the District is comparable to the average of 77% paid by organizations, like the District, who did not specify a high or low option plan - but generally lower than other organizations whose plans are more specific.

PPO Coverage

The following table summarizes premiums for PPO coverage.

PPO - Average	Total Premium Cost/Month	Employer Cost	Employer %
Employee only - District	\$ 466	\$ 429	92%
Employee only - Average	\$ 546	\$ 461	84%
Employee +1 - District	\$ 1,074	\$ 831	77%
Employee +1 - Average	\$ 979	\$ 701	72%
Employee + Child - Average	\$ 1,084	\$ 845	78%
Employee + Spouse - Average	\$ 1,015	\$ 781	77%
Family - District	\$ 1,115	\$ 856	77%
Family - Average	\$ 1,353	\$ 985	73%

PPO coverage parallels the cost structure for HMO premiums. The District’s PPO premiums are lower than average for “employee-only” and “family” coverage but somewhat higher for “employee-plus-one” coverage. Also, the District tends to pay a larger share of the contracted premium for all types of PPO coverage.

For “employee-only” PPO coverage the District’s contracted premium of \$466 is below the average of the other survey participants. Further, the \$429 dollar amount the District pays is lower than the average paid by other employers even though the District pays a larger share of the premium.

Similarly, the District’s contracted premium for PPO “family” coverage is less than the average of the other surveyed organizations. The \$856 the District pays for “family” coverage is less than the average of what the other organizations pay even though the District pays a larger share of the premium cost.

Comparing the District’s “employee-plus-one” premium to the other survey participants’ yields mixed results depending on the policy coverage. When compared to similar organizations who do not specify the employee’s relationship with the additional insured, the District’s contracted premium of \$1,074 is higher than the \$979 average. Further, the District pays a larger portion of the premium under this scenario, 77% compared to the average of 72%. The District fares slightly better when compared to organizations whose insurance plans specify the additional insured. The District’s premium is slightly lower than the average premium for “employee + child” coverage but is higher than the “employee + spouse” average. Also note that the other employers paid a larger portion of the premium than the District when that additional insured was specified.

Dental Insurance

Dental insurance costs to employees and the averages for the survey participants are summarized in the following table.

Dental Insurance Employee Cost	HMO	PPO	Unspecified
Employee only - District	\$ 0	\$ 0	N/A
Employee only - Average	4.62	9.41	\$ 8.21
Employee +1 - District	18.72	38.20	N/A
Employee +1 - Average	18.34	38.35	12.27
Employee + Child - Average	N/A	N/A	20.47
Employee + Spouse - Average	N/A	N/A	21.53
Family - District	39.52	68.80	N/A
Family - Average	28.81	59.75	19.31

Unlike the health insurance portion of the survey, where respondents provided the employee's and employer's premium costs, dental insurance premiums in the survey are limited to what the employee pays per month. As such, we were not able to compare contracted premium amounts with other organizations. Regardless, the most that the District pays for dental insurance is \$18.64 for the dental HMO and \$41.18 for the dental PPO, which is 100% of the contract premium for "employee-only" coverage. The additional cost of insuring other family members under the dental policies is borne entirely by the employee.

All twelve survey participants offer dental coverage to their employees. Four of the participant's employers pay the entire amount of the premium regardless of the number of individuals covered under the plan. Of the remaining eight organizations, the amount paid by the employee varies based on the number of insured. Seven organizations, including the District, pay the entire premium for "employee-only" coverage. Four survey participants require a payment from their employees for "employee-only" coverage ranging from \$6 to \$40 and one participant's dental plan is combined with their health care plan. The payments made for HMO dental plans were generally less than those required for PPO plans.

The amount District employee's paid for "employee + one" dental coverage depends on whether the plan is an HMO or a PPO. Three other survey participants along with the District indicated that they offer both types of dental plans to their employees. District employees pay \$18.72 per month for "employee-plus-one" coverage in the dental HMO. This is second only to another organization, whose employees pay \$24.16. The lowest³ other organizations pay for "employee-plus-one" dental HMO is \$15.12. The same holds true for the PPO plan. District employees pay the second highest PPO dental premium for "employee-plus-one" coverage of \$38.20 with the highest being \$43.38. Also at the high end of the premium range is the amount that District employees pay for "family" dental coverage. The cost to District employees for "family" HMO dental coverage is \$39.52 - the highest of all four organizations who offer a dental HMO. The \$68.80 District employees pay for dental PPO "family" coverage is the second highest of the four organizations who offer such a plan.

³ Exclusive of those organizations who pay 100% of employee dental insurance premiums.

Vision Care Insurance

The following table summarizes the employee cost of vision insurance.

Vision Insurance – Employee Costs	High	Low	District
Organizations offering vision insurance; 11			
Organizations who provide vision care at no additional cost to employee regardless of number of insured; 6			
“Employee-Only” Coverage for remaining 5 employers	11.54	6.50	0
“Employee + One” Coverage for remaining 5 employers	28.00	5.58	11.22
“Family” coverage for remaining 5 employers	28.00	11.12	20.68

Eleven of the twelve survey participants, including the District, offer their employees vision care insurance. Of these eleven, only five (including the District) require their employees to make any payment towards vision care insurance for family coverage. Of these five, three organizations (including the District) provide “employee-only” coverage at no cost to the employee. Two other organizations require their employees to pay \$6.50 and \$11.54 a month for “employee-only” vision coverage. For “employee-plus-one” coverage, the cost to employees of the five organizations who require an employee payment ranges from \$5.58 to \$28.00 a month. District employees pay \$11.22 for this coverage. The cost to employees for “family” coverage is the same as “employee-plus-one” coverage for three of these five organizations. For the remaining three survey participants (which include the District) the cost of family coverage ranges from \$11.12 to \$20.68.

Disability Insurance

All but one employer offered long-term disability at no cost to employees. However, short-term disability was less likely to be offered at no cost. Four of the respondent organizations indicated that they did not offer any type of short-term disability to their employees. Four others (including the District) offer it but employees are required to pay the entire premium. The remaining four organizations offer short-term disability at no cost to the employee. It should be noted that the District’s sick leave pool acts as short-term disability in that it allows an employee, who has exhausted all

other leave, up to 480 hours of additional sick leave for an initial donation of 8 hours. Participants are periodically required to contribute additional hours if the sick leave pool's hours are near depletion. Participation in the District's sick leave pool is at the employee's discretion.

Education Reimbursement

All of the survey respondents indicated that they provided an education reimbursement benefit to their employees; however, the amount of the reimbursement varied widely. In some cases a maximum number of hours or classes were specified while in other organizations the benefit was measured in terms of a maximum dollar amount. For example, 12 semester hours annually, three courses per semester, or up to four classes a year. Benefits expressed in terms of dollar limits ranged between \$1,200 and \$5,250 per year. The District's education reimbursement program is unique in that the maximum reimbursement is tied to the cost per credit hour established by the State University System up to 24 hours annually. This translates into \$2,250 for undergraduate courses and \$4,500 for graduate level courses.

Life Insurance

Participants were asked whether their organizations provided basic life insurance at no cost to the employee and what were the limits. All but one provided this benefit, which ranged from one times salary to \$300,000. In addition, all but one of the organizations surveyed provided optional life insurance.

The District provides term life insurance at no cost to employees at one times salary. Managers are provided life insurance at two times salary at no cost to the employee. However, employees making over \$50,000 a year must agree to pay imputed income tax on the portion of the premium related to the coverage over \$50,000.

Annual/Vacation Leave

Survey participants provided information about the number of days of vacation employees earn annually. The number of vacation days that District employees earn is consistent with that of the other organizations surveyed.

In most cases earned vacation varied with the number of years of continuous service to the organization. Based on the survey responses, 12 -13 days is the minimum number of compensated leave days that can be earned annually. Eight organizations reported 12 days as the minimum while the District and two other organizations reported 13 days. Generally, the amount of vacation leave increased with the number of years of employment. In only one instance was this not the case. On average, the maximum number of additional days that can be earned through continued employment was just under seven days. This is consistent with the District who allows employees to increase their earned vacation time from 13 days in the first year to a maximum of 19.5 days annually after ten years of service. The District's 19.5 day maximum number of earned leave days is slightly below the average of 23.65 days for the other organizations.

Holidays/Personal Leave

The number of holidays/personal leave offered by the surveyed organizations ranges between 9 and 13 annually. The District's ten recognized holidays plus one personal day falls squarely in the middle of that range. Four other organizations allow 11 holidays while five other organizations give their employees 12.

Sick Leave

The number of sick leave days allowed at the surveyed organizations ranged from six to thirteen. The District is at the high end of the range, which allows its employees to earn 13 sick days annually. Two other organizations also gave their employees 13 days while six give their employees 12 days of sick leave annually.

The survey asked whether sick leave payments were made at the end of the year or upon termination of employment. Three organizations, including the District, indicated that sick leave was paid out during the year. The District's method of doing this is through the sick leave incentive program whereby employees can get paid for up to 40 hours of unused sick leave annually. The District also pays out sick leave at termination after ten years of service. However, unlike the District, two other organizations that pay sick leave at year end do not pay any sick leave upon termination. The remaining nine respondents all indicated a payment upon termination ranging from

25% of the hours accrued to 100%. Some organizations specified a range indicating that the percentage paid out varied with the length of service while others, like the District, provided a single percentage. The District is at the low end of the sick leave termination payment range allowing for payment of 25% of the hours after 10 years service. Seven other organizations indicated that a sick leave payout is available after 5 years.

Pension Plan

Survey participants were asked if they provided a pension plan for their employees, and if so, what percentage contribution is made. All but one of the respondents said that they had a pension plan. Five, including the District, indicated that it was through the Florida Retirement System (FRS). The amount contributed by the employer ranged from 6% to 22% depending on employee classification and/or length of service. Contributions are generally higher for high-risk positions such as police officers and fire fighters.

Retirement Plan

All but two of the organizations surveyed offer some sort of retirement plan, either a 401(k) or 457(b). Of those ten organizations, which included the District, four indicated that the employer made a matching contribution to the plan. The District makes a contribution only for management employees up to a 5% match.

Conclusion

Overall, the District's benefits appear to be competitive with the other participants in the survey. One area where the District excelled was lower health insurance costs for "employee-only" and "family" plans for both the HMO and PPO options. The District education reimbursement program was also above average. Some areas where the District lagged were higher health insurance cost for "employee-plus-one" plans, dental insurance premiums, and vision insurance premiums for the "family" plan. The District's compensated absences policy, overall, is comparable to other survey participants. While the number of vacation days an employee can accrue is less than other survey participants, the number of sick days allotted is higher. Among employers that provide a

payout of sick leave upon termination, the District is at the low end of the range at 25% of accrued sick leave.

Overall, the Sick Leave Incentive Program Has Increased Efficiency

The average number of sick leave hours taken has decreased from 81 to 61 since reinstating the sick leave incentive program as recommended in our *Audit of the Human Resources Department*, issued in September 1996. Prior to this, the District had a sick leave incentive program but ended it in 1991. The sick leave incentive program allows for a payment to non-management employees for any portion of the first 40 hours of sick leave earned and not used during each calendar year. On the average, this decrease in sick leave taken has increased productivity; however, there are instances, particularly when an employee took little sick leave prior to the sick leave incentive program, where the hourly cost of that employee has increased due to the sick leave incentive program.

When we made our recommendation to reinstate the sick leave incentive program at the end of FY'96, employees used approximately 81 sick leave hours annually. In FY'03, usage had dropped 25% to approximately 61 hours – about the same as it was in 1991 when the program was terminated.

We created a model to evaluate the effect of the decrease in sick leave and used it to run different scenarios using sick leave hours taken as well as vacation hours taken. Vacation leave was included in the model because evidence suggests that employees were taking annual leave as opposed to sick leave in order to maximize their annual sick leave incentive benefit payment. We were concerned that this shift would offset any benefit derived from the sick leave incentive program. Hence, the model determines what impact, if any, shifting sick leave hours to vacation hours has on efficiency. The following assumptions are built into the model:

- Ten year length of service
- Hourly rate in year one is \$20 increasing 4% annually
- Annual leave at year end does not exceed 360 hours so that none is forfeited per District policy

- Efficiency is measured in terms of dollars per hour paid over the employee’s 10 year service period.

Scenario One

In this scenario, sick leave taken was shifted to annual leave using the average sick leave days taken prior to reinstating the sick leave incentive program (81 hours) as well as subsequent to reinstating the program (61 hours). The total number of paid leave days (sick + vacation) off from work remains the same.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>Without S/L Incentive</u>										
Sick Leave Taken	81	81	81	81	81	81	81	81	81	81
Annual Leave Taken	40	40	40	40	40	90	130	130	130	130
<u>With S/L Incentive</u>										
Sick Leave Taken	61	61	61	61	61	61	61	61	61	61
Annual Leave Taken	60	60	60	60	60	110	150	150	150	150
Cost/Hour Worked										
Without S/L Incentive	26.66									
With S/L Incentive	26.44									

Note that without the sick leave incentive program this hypothetical employee costs the District \$26.66 an hour over the life of his or her employment while the change in behavior due to the sick leave incentive program results in a cost to the District of \$26.44 per hour, a slight increase in efficiency. This example is probably not realistic because the 61 sick leave days taken with the sick leave incentive program is still too high to receive a sick leave incentive payment. However, it does illustrate that shifting sick leave hours to annual leave hours actually decrease personnel costs. This occurs because more sick leave days are accrued, which are paid out at 25% of their value at termination; while less annual leave days are accrued, which are paid out at 100% of their value at termination.

Scenario Two

This scenario is a more realistic example because it reflects employee behavioral changes so they can receive a sick leave incentive payment at year end. In this example we assume that before the sick leave incentive program the employee takes 40 hours a year of sick leave and two weeks vacation during the first five years of employment and three weeks vacation for every year thereafter.⁴ The sick leave incentive program causes this employee to completely eliminate sick leave days and instead increase his or her annual leave to the maximum amount.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>Without S/L Incentive</u>										
Sick Leave Taken	40	40	40	40	40	40	40	40	40	40
Annual Leave Taken	80	80	80	80	80	120	120	120	120	120
<u>With S/L Incentive</u>										
Sick Leave Taken	0	0	0	0	0	0	0	0	0	0
Annual Leave Taken	104	104	104	104	104	130	130	130	130	130
Cost/Hour Worked										
Without S/L Incentive	26.23									
With S/L Incentive	26.16									

This scenario demonstrates an increase in efficiency despite the employee receiving the maximum annual sick leave incentive payment. Also, we ran the model assuming the employee did not take additional annual leave to make up for sick leave not taken and this still resulted in increased efficiency (\$26.18/hour). Additionally, under this scenario the employee is present at work for 16 hours more per year during the first five years and 30 hours more per year thereafter.

⁴ Per District policy, regular staff employees accrue 104 vacation hours annually during the first five years of employment, 130 hours between five and ten years, and 156 hours thereafter. Management employees are granted 176 hours per year.

Scenario Three

We explored scenarios where the sick leave incentive program could result in increased personnel costs. Under this final scenario the employee was taking 24 hours a year of sick leave and two weeks vacation during his or her first five years and increasing vacation to 3 weeks during the following five years. Under the sick leave incentive program the employee shifts all sick leave hours to annual leave.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<u>Without S/L Incentive</u>										
Sick Leave Taken	24	24	24	24	24	24	24	24	24	24
Annual Leave Taken	80	80	80	80	80	120	120	120	120	120

<u>With S/L Incentive</u>										
Sick Leave Taken	0	0	0	0	0	0	0	0	0	0
Annual Leave Taken	104	104	104	104	104	130	130	130	130	130

<u>Cost/Hour Worked</u>	
Without S/L Incentive	26.07
With S/L Incentive	26.16

This scenario results in the sick leave incentive program slightly increasing the hourly cost of this employee over a ten year period.

Conclusion

Generally, in order for the sick leave incentive program to result in lower labor costs, sick leave hours taken before instituting the program would need to be greater than 40 hours a year, and the program needs to result in fewer sick leave days after instituting the program. Both of these conditions existed at the District. The average sick leave taken a year prior to reinstating the program was 81 hours and the sick leave incentive program resulted in a 25% decrease in sick leave hours taken. Therefore, on average, the sick leave incentive program has increase efficiency. Any shifting of sick leave to vacation leave will be largely offset through smaller payouts upon termination since annual leave vests at 100% from the first year and sick leave vests at 25% only after ten years of service.

Nationwide, District Benefits Are Slightly Higher than For-Profit Organizations But Comparable to Other Governments

We also compared the District’s fringe benefit costs to those nationwide based on a survey conducted by Watson Wyatt Data Services (the “Wyatt Survey”). Watson Wyatt Data Services is a division of Watson Wyatt Worldwide, which is a global consulting firm specializing in employee benefits. The Wyatt Survey encompassed 213 organizations covering 633,000 employees that included For-Profit and Government/Non-Profit organizations. For-Profit organizations represented 63.8% of the Wyatt Survey participants and the remaining 36.2% were non-profit and government organizations.

Benefits as a Percentage of Payroll

The following table shows the District’s HR benefit costs compared to the Wyatt Survey as a percentage of payroll.

Benefits as a Percentage of Payroll			
Employer Category	Average Per Survey	SFWMD's Cost	Difference Greater (Less)
All Surveyed	23.3%	24.2%	0.9%
Region - Southeast	23.3%	24.2%	0.9%
All (1000 - 1,999 FTE's)	23.5%	24.2%	0.7%
For Profit (500-1,999 FTE's)	21.9%	24.2%	2.3%
Government/Not- For-Profit (500 - 1,999 FTE's)	24.0%	24.2%	0.2%

The above table shows that the difference between the District’s benefit costs as a percentage of payroll is within one percent for all surveyed organizations, all organizations located in the southeast U.S. region, and all organizations between 500 to 1,999 full-time equivalent employees (FTE’s). The District’s benefit costs were 2.3% higher than the average For-Profit organization with 500 to 1,999 FTE’s. However, also notable is that the District’s HR benefit costs are within 0.2% of the Governmental/Not-

For-Profit category with 500 to 1,999 FTE's. Thus, Governmental/Not-for-Profit organizations fringe benefits nationwide appear to be about two percentage points higher than For-Profit organizations. One possible explanation for this trend maybe that many For-Profit organizations provide employees with stock based compensation in addition to fringe benefits. Since such compensation methods are not available to Governmental/Not-For-Profit organizations they must compensate for this difference in other ways in order to be competitive when recruiting employees.

Benefits Expense Per FTE

The following table shows the District's HR benefit costs compared to the Wyatt Survey as a dollar amount per FTE.

Benefits Dollar Cost Per FTE			
Employer Category	Average Per Survey	District	Difference Greater (Less)
All Surveyed	\$ 10,267	\$ 12,704	\$ 2,437
Region - Southeast	10,250	12,704	2,454
All 1000 - 1,999 FTE's	10,275	12,704	2,429
For Profit 500-1,999 FTE's	9,311	12,704	3,393
Government/Not- For-Profit 500 - 1,999 FTE's	11,783	12,704	921

Benefits expense per FTE is consistent with the percentage of payroll method in that the For-Profit category is lower than the Government/Not-For-Profit category. However, the District's benefits are approximately \$2,400 higher than the nationwide average Wyatt Survey participant. Since many benefits are based on a percentage of base salary, the higher benefit costs is likely due to slightly higher salaries required in south Florida due to the higher cost of living – especially the cost of housing.

Conclusion

The District's benefit costs are slightly higher than For-Profit organizations; however, Governmental/Not-for-Profit organization's fringe benefits also tend to be slightly higher than the For-Profit sector based on the Wyatt Survey's nationwide data. The District's benefit costs appear to be in line when compared to the nationwide average for Governmental/Not-For Profit organizations.