



## STAFF REPORT

**Meeting Date:** September 23, 2014  
**To:** Honorable Mayor & City Council  
**From:** Eliot Finkel, City Treasurer  
**Subject:** Status update on Public vs Private Compensation Study  
**Attachments:**  
1.) City of Beverly Hills – Custom Compensation & Benefits Survey Status  
2.) Mercer Compensation and Benefits Companies with Operations in Los Angeles

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### INTRODUCTION

Last year the City Council asked the Citizen's Budget Review Committee ("Committee") to oversee a study comparing the City's pay and benefit plan with that of comparable local, private-sector companies. For reasons this report will describe the Committee recommends the study be discontinued at this point.

### DISCUSSION

After requests for proposal were sent out last fall, a pay and benefit consulting firm ("Mercer") was selected to design and perform a study comparing the City's pay and benefit plan with that of the private sector. For the results to be useful the Committee instructed Mercer to design the study using companies that were comparable in size and were in or close to Beverly Hills. The study was to include four phases:

1. Research and design;
2. Conduct survey;
3. Analyze results;
4. Present final report

The first phase was conducted successfully as a list of local, private companies was compiled (Attachment 1), employee positions to be compared were determined, and a survey tool was designed. The second phase was then begun and included multiple emails and phone calls to the private companies by Mercer staff asking them to participate in the study. These efforts

were later augmented with emails and phone calls from the Mayor and I encouraging participation. Despite these efforts Mercer collected complete pay and benefit data from one private company, three partial surveys (which are not useful as this was to be a survey of total compensation) and apparent interest from two additional potential participants that had yet to submit data. This amount of data was, of course, not enough for Mercer to successfully move to phase three.

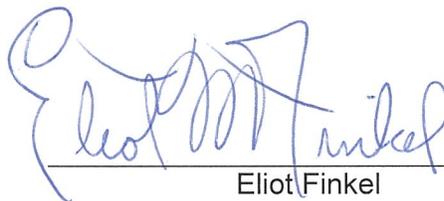
This result was reported back to the Committee on July 2. We were understandably dismayed but decided it would not be fruitful to proceed with the study given the lack of participation. Mercer had proposed another approach which would include using a broader set of companies that were not necessarily located in or near Beverly Hills (Attachment 2), and were not necessarily of comparable size (e.g. some Fortune 500 companies, etc.). The Committee believes this approach was too far from the original plan and would not be representative enough to be meaningful. The Committee, therefore, recommends discontinuing the study.

### **FISCAL IMPACT**

The original budget for this study was \$100,000. Of that amount \$52,125 had been spent so far and an additional \$12,988 in charges have been generated by Mercer but not yet paid by the City. This brings the total charges for the study to \$65,113. The Committee requested that the CFO work with Mercer to gain some form of concession on the contract since the project was not successful. After some negotiation Mercer agreed to write off the \$12,988 in charges not paid and refund another \$7,126 to bring total out-of-pocket costs to the City down to \$45,000. This was the original budget on the project for phases 1 and 2, which were completed. In addition, Mercer has agreed to provide the City with a \$10,000 credit toward a future study the City may choose to authorize in the next 12 months.

### **RECOMMENDATION**

The recommendation of the Committee is that the City instructs Mercer to discontinue the study, write off \$12,988 in outstanding invoices, refund the City \$7,126, and provide a \$10,000 credit against future work performed by Mercer.



Eliot Finkel

# **Attachment 1**

**City of Beverly Hills - Custom Compensation & Benefits Survey Status**

<b>Yes</b>	2
<b>Undetermined</b>	18
<b>No</b>	6
<b>Survey Responses</b>	4

<b>Company</b>	<b>Status</b>	<b>Notes</b>
Advance Building Maintenance		
Air Lease Corp		
Audi Beverly Hills		
Beverly Hills Hotel		
Beverly Hills Medical Plaza		
Beverly Hills Properties		
Beverly Hilton Hotel		Partial data
Beverly Wilshire Hotel		Partial data
Breitburn Management Co.		
Cathay General Bancorp		
Cedars-Sinai Health System		
CITY NATIONAL BANK		
Demand Media Inc		
Intergroup Corp		
Jim Falk Lexus		
L'Ermitage Beverly Hills		
Live Nation Entertainment		Complete data
Mercedes Benz		
Metro-Goldwyn-Mayer, Inc.		
Oliver Peoples		
Peninsula Beverly Hills Hotel		
Playboy Enterprises, Inc		Has not responded to emails
Radnet Inc		
Rentech, Inc		Will complete by end of next week
Specialty Healthcare Properties		
Sunrise of Beverly Hills		
Thomas Properties Group		
Tishman Speyer Properties, L.P.		Partial data
Whole Foods Market, Inc.		
Wilshire Bancorp, Inc.		

# **Attachment 2**

**Mercer Compensation and Benefits Companies with Operations in Los Angeles**

Survey Participants	Industry
7-Eleven, Inc.	Retail
Accenture, Inc.	Business/Professional Services
ADT LLC	Business/Professional Services
American Airlines, Inc.	Transportation and Warehousing
American Financial Group, Inc. - Great American Insurance Group	Insurance - Property and Casualty
Automatic Data Processing, Inc.	Information and Data Processing Services
Automobile Club of Southern California	Insurance - Property and Casualty
Carolinas Healthcare System	Healthcare - Non-Insurance
Children's Hospital Los Angeles	Healthcare - Non-Insurance
ConAgra Foods, Inc.	Food
Con-way, Inc.	Transportation and Warehousing
Crowe Horwath, LLP	Business/Professional Services
Curtiss-Wright Corporation	Transportation Equipment - Aerospace
Deere & Company	Machinery
Dignity Health	Healthcare - Non-Insurance
DIRECTV, Inc.	Entertainment
Elizabeth Arden, Inc.	Personal Care
Farmers Insurance Group	Insurance - Property and Casualty
Ferguson Enterprises, Inc.	Wholesale Distribution
Hillshire Brands Company	Food
J. C. Penney Company, Inc.	Retail
J. Paul Getty Trust	Entertainment
Knowledge Universe	Education
Laureate Education, Inc.	Education
Lieberman Research Worldwide	Business/Professional Services
M*Modal, Inc.	Technical Services
Maersk Agency U.S.A., Inc.	Transportation and Warehousing
Marsh & McLennan Companies, Inc.	Insurance - Other
Progressive Corporation	Insurance - Property and Casualty
RAND Corporation	Research and Development
Reebok International, Ltd.	Retail
RES-CARE, INC.	Healthcare - Non-Insurance
Ryder Systems, Inc.	Business/Professional Services
Tenet Healthcare Corporation	Healthcare - Non-Insurance
The Boeing Company	Transportation Equipment - Aerospace
The Church of Jesus Christ of Latter-day Saints	Services - Other or Combination
The Travelers Companies, Inc.	Insurance - Property and Casualty
Tupperware Brands Corporation	Plastics and Rubber Products
U.S. Bank	Banking
ULTA Salon, Cosmetics & Fragrance, Inc.	Retail
Under Armour, Inc.	Apparel
Veolia Water North America	Utilities - Other
Verizon Communications	Telecommunications
Whole Foods Market, Inc.	Retail
Zurich North America	Insurance - Property and Casualty