

COUNCIL ACTION FORM

SUBJECT: PALMER GROUP CONTRACTUAL SERVICES FOR HR STAFFING

BACKGROUND:

The City has been contracting with the Palmer Group since November 2016 to provide employment services for the City's Human Resources Department. During the staffing transition within the HR department, Palmer Group has provided two human resource professionals to work for the City on a full-time, temporary basis. These two individuals have provided needed HR expertise and have allowed for the City's HR department to continue to support the City's needs while the department searches for individuals to permanently fill these vacancies.

Approved expenses to date under this agreement with Palmer Group are \$49,460. City staff anticipates the expenses incurred to exceed this amount by the time the May 23rd City Council meeting takes place. The contractual services arrangement has now reached a level where Council authority is needed to continue these key HR services.

City staff is pleased to report some success with this temporary arrangement. One of the temporary employees participated in a competitive, open recruitment for one of the City's vacancies, passed the civil service test, and has accepted a conditional offer of employment. One unique aspect of the City's contract with Palmer Group is that since this individual was formerly employed by Palmer Group, the City is required to pay a conversion fee to Palmer, which is a percentage of the candidate's first-year salary. This expense is estimated at approximately \$4,914.

Once this conversion fee is paid, expenses owed to the Palmer Group will slow. It is important to note, however, that three HR department positions remain unfilled at this time. Therefore, City staff anticipates temporary staffing will continue to be needed for one contract employee through August. Estimated expenses from now until that time are \$1,380 per week, for a total estimated cost of \$22,080.

Including pending expenses, City staff estimates that total expenses owed to the Palmer Group under the agreement will not exceed \$80,000 before the end of August. It should be noted that staff vacancies in the current fiscal year will generate savings in salary and benefits totaling at least \$84,000. Staff anticipates that additional salary and benefit savings will extend into the 2017/18 fiscal year.

ALTERNATIVES

1. Authorize staff to increase the payment to Palmer Group for its staffing services in an amount-not-to-exceed \$80,000.
2. Authorize staff to pay expenses incurred to date with the Palmer Group, but do not authorize additional expenses to be incurred.
3. Direct staff to seek other options for providing HR support to departments.

MANAGER'S RECOMMENDED ACTION:

The proposed extension of the Palmer Group's employment services agreement allows for a continuation of critical HR resources to support the department's work for other departments within the City organization. Palmer has provided excellent service thus far, and continuing support is anticipated to be needed into the summer to effectively support the City's needs. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.