Classification and Compensation Study
Recommendation Discussion

February 19, 2014

Corporate Strategic Plan

- ***Internal Services, KRA-5, Goal 2*** – Continue progressive strategies to attract and retain high-performing staff.

- ***Internal Services, KRA-5, Goal 3*** – Complete a comprehensive review of the Town's classification and compensation system. Develop a new staffing model for future growth.
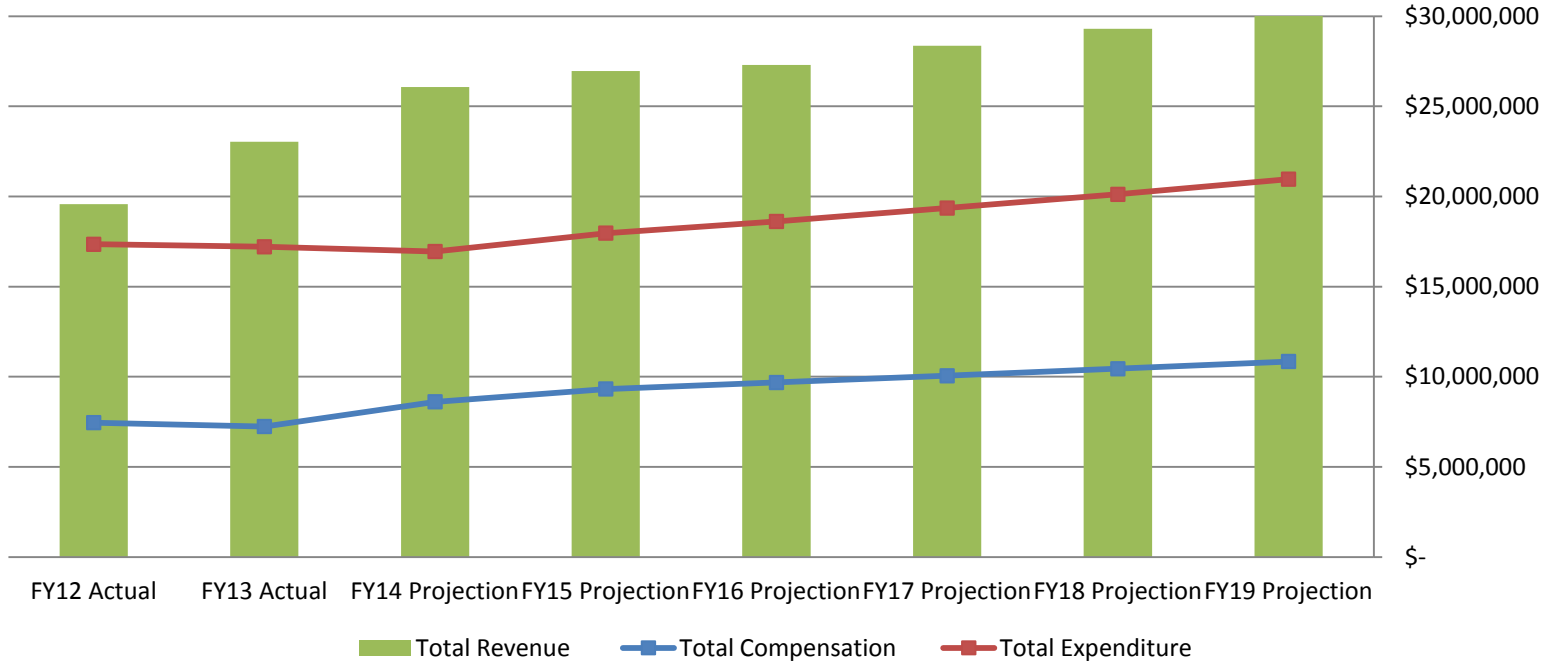
Companion Studies

- Succession Planning presentation to Council on November 20th

- Results of Fox Lawson & Associates Classification and Compensation study presented to Council on Jan 15th

- Service Delivery Optimization report presentation to Council was earlier tonight

General Fund

Legend: Total Revenue | Total Compensation | Total Expenditure

	FY12 Actual	FY13 Actual	FY14 Projection	FY15 Projection	FY16 Projection	FY17 Projection	FY18 Projection	FY19 Projection
Total Revenue	$20,000,000	$22,500,000	$26,000,000	$27,000,000	$27,000,000	$28,500,000	$29,000,000	$30,000,000
Total Compensation	$7,500,000	$7,250,000	$8,500,000	$9,250,000	$9,750,000	$10,000,000	$10,500,000	$11,000,000
Total Expenditure	$17,500,000	$17,500,000	$17,000,000	$18,000,000	$18,500,000	$19,500,000	$20,000,000	$21,000,000

General Fund
Current Compensation as % of Revenue

Fund	FY12 Actual	FY13 Actual	FY14 Projection	FY15 Projection	FY16 Projection	FY17 Projection	FY18 Projection	FY19 Projection
Compensation as % of Revenue	38.1%	31.4%	33.0%	34.6%	35.4%	35.4%	35.6%	35.6%
Total Compensation	$7,452,148	$7,237,307	$8,610,000	$9,320,461	$9,678,014	$10,050,903	$10,439,874	$10,845,692
Total Expenditure	$17,345,349	$17,206,773	$16,945,572	$17,966,000	$18,613,000	$19,355,000	$20,116,000	$20,959,000
Total Revenue	$19,574,903	$23,027,715	$26,077,854	$26,950,000	$27,302,000	$28,369,000	$29,301,000	$30,433,000

Implemented Staff Recommendation

Fund	FY12 Actual	FY13 Actual	FY14 Projection	FY15 Projection	FY16 Projection	FY17 Projection	FY18 Projection	FY19 Projection
Compensation as % of Revenue	38.1%	31.4%	33.0%	37.0%	37.9%	37.9%	38.1%	38.1%
Total Compensation	$7,452,148	$7,237,307	$8,610,000	$9,971,787	$10,352,564	$10,749,590	$11,163,651	$11,595,555
Total Expenditure	$17,345,349	$17,206,773	$16,945,572	$18,617,326	$19,287,550	$20,053,687	$20,839,777	$1,708,863
Total Revenue	$19,574,903	$23,027,715	$26,077,854	$26,950,000	$27,302,000	$28,369,000	$29,301,000	$30,433,000

Staffing Analysis

Municipality	Population	# of Employees	# of Employees Funded by General Fund	General Fund	Employees per thousand Residents	Rank	General Fund Employees per thousand Residents	Rank	Per Capita General Fund Costs	Rank
Scottsdale*	219,000	2430	1930	$238,800,000	11.09	1	8.81	1	$1,090	2
Tempe*	161,719	1588	1177	$178,566,369	9.82	2	7.28	3	$1,104	1
Phoenix*	1,451,966	12554	8631	$1,051,790,000	8.65	3	5.94	7	$724	10
Marana*	36,756	311	295	$31,131,272	8.46	4	8.03	2	$847	4
Mesa	439,041	3709	2500	$237,353,080	8.45	5	5.69	9	$541	14
Oro Valley	41,011	331	259	$29,948,242	8.06	6	6.31	6	$730	9
Buckeye*	54,000	422	354	$56,200,000	7.81	7	6.56	5	$1,041	3
Casa Grande	50,000	385	338	$40,803,060	7.70	8	6.76	4	$816	6
Goodyear	72,274	511	414	$60,321,131	7.07	9	5.73	8	$835	5
Peoria	160,545	1119	815	$119,500,000	6.97	10	5.08	11	$744	8
Chandler	245,628	1595	1319	$186,827,358	6.49	11	5.37	10	$761	7
Avondale	81,000	502	340	$47,959,870	6.20	12	4.20	13	$592	13
Gilbert*	227,598	1238	891	$119,032,710	5.44	14	3.91	14	$523	15
Maricopa*	46,000	217	205	$29,044,496	4.72	15	4.46	12	$631	12
Queen Creek	*31,500*	*195*	*119*	*$21,241,000*	*6.19*	*13*	*3.78*	*15*	*$674*	*11*

Have recently completed, under process, or considering a comprehensive market study

History of Classification & Compensation System for the Town

- First system developed in late 90s with creation of first job descriptions and salary ranges
- Fox Lawson & Associates Study in 05-06 created the current classification and compensation system
  - Built for an organization to grow to 500 employees. It was predicted to reach that number by 2016.

History continued

- The 2006 study created salary ranges in a broadband fashion with a minimum and maximum salary for recruitment purposes and growth
  - Employees were to move through the range through performance (merit) increases through newly established performance evaluation system
  - Market adjustment philosophy (60th percentile) was established
  - Automatic step increases and cost-of-living adjustments were essentially eliminated

Since 2006 . . .

- Economy and other strategic decisions changed the classification and compensation system
- In July 2008, salaries were cut by 6.25%, commensurate with a 37.5 hour/workweek
  - Full restoration occurred in July 2013.
- Merit increases were cut and then eliminated altogether during this five-year timeframe.
- Town Manager flattened the organization including elimination of departments and levels of supervision
- Created new Departments (Utilities & Fire) that was not envisioned in the original Fox Lawson study

Classification and Compensation Study as presented in January

- In August, the Town contracted with Fox Lawson & Associates to complete a comprehensive update of the classification and compensation system
- Synopsis of Project Scope
  - Update and review all job descriptions
  - Conduct a comprehensive compensation survey based on the Town's market including both public and private data
  - Analyze options to align the Town's compensation to the market
  - Analyze the Town's benefit and leave programs to determine competitiveness

Classification & Compensation Study Results

- Over 100 position description questionnaires were completed
  - 72% were consistent with current job descriptions
  - Remaining 28% (approx 30) need further evaluation for reassignment, reclassification, or creation of a new position altogether

Classification & Compensation Study Results cont.

- Comprehensive market study comprised of 17 organizations

Apache Junction	Avondale
Buckeye	Casa Grande
Chandler	Gilbert
Goodyear	Marana
Maricopa	Maricopa County
Mesa	Oro Valley
Peoria	Phoenix
Scottsdale	Surprise
Tempe	

- Seventeen survey data sources were also included to make comparisons with the private sector
  - Sources such as Economic Research Institute, Hay Local Area Pay Study, Mercer Benchmark Surveys, Towers Watson Benchmark Surveys

Classification & Compensation Results cont.

- New pay structure is recommended that increases ranges by approx 7%
  - Attachment A within the staff report for recommendations
- Majority of current actual salaries were found to be potentially misaligned (10-15%) with the defined labor market.

Classification & Compensation Study Results cont.

- Compression of salaries was identified in the Fire Department
  - As example, due to elimination of merit increases for several years, more tenured staff are at or slightly above new firefighters.
- Current pay-for-performance (merit pay) policies were found to be consistent with the market.
- Benefit and leave provisions were found to be consistent with the market.

Recommendations

1. Approve recommended changes to job descriptions including reassignments, title changes, reclassifications and creation of new job descriptions

2. Approve new salary structure as referenced in attachment "A" of the staff report

Recommendations cont.

3. Implement actual salary increases based on the cost to maintain the same relative position in the proposed range.

   – Example, if Employee A is at midpoint of current range, he/she receives increase to the midpoint of new range to maintain the same relative position

4. Implement pay adjustment to Sworn Fire staff based on their respective years of service in their current position to eliminate compression

Fiscal Note

- Annualized cost of $1,050,000 which includes 22% for retirement, social security and other fringes

- Average individual increase to actual salary of the staff recommendation would be 7.3%
  - Note that this is consistent with the recommended increase in salary range structure.

Alternatives

A. Provide an increase to employees whose rates of pay fall below the midpoint of the proposed salary range in an effort to bring them closer to, but not exceed the midpoint of the new pay range.

 – No increases would be implemented to employees whose rates of pay are at or above the proposed range midpoint.

 – Any new employee hired since January 1, 2013 will not receive an increase unless they fall below the minimum of the new range.

 – Fiscal note: Annualized cost of $720,000

B. Spread the cost of selected recommendations over a two-year period

 – As per the Fox Lawson & Associates report, it is recommended to implement 70% of the cost in the first year and 30% of the cost of year two.

Expected Results from Implementation

- Provide the Town a template to ensure that salary ranges are based on the importance and value of each classification to the organization

- Assist in attracting a high-performing workforce and be used as a recruitment tool to fill positions as efficiently as possible

- Improve employee morale through offering competitive salaries based on current market conditions

- Align the employee's job structure with critical needs to be performed

- Motivate employees to develop desired skills and by rewarding past and future performance

- Create a flexible compensation and classification plan that will change with the Town's dynamic needs