



## INFORMATIONAL MEMORANDUM

TO: **Finance Committee**

FROM: **Stephanie Brown, Human Resources Director**

CC: **Mayor Allan Ekberg**

DATE: **July 11, 2018**

SUBJECT: **Review of Compensation Policy Resolution No. 1796**

Note: Because this topic is building on previous Committee meetings, the original memo has been updated in underline font below. This intent is to continue to preserve the information from one meeting to the next given that each discussion will build upon the previous.

### ISSUE

The City Council and Administration have committed to review and discuss Resolution No. 1796, which sets policy for compensation and benefits for City employees.

### BACKGROUND

Beginning in the 1980's, the City Council adopted various resolutions regarding compensation policy. These resolutions focused on several common themes including:

- 1) An overarching goal to maintain a competitive position in the market place;
- 2) The desire to select and to retain a competent and productive work force;
- 3) The compensation system should reflect average compensation among the various employment markets in which the City competes for qualified labor;
- 4) Provides that classifications shall be based upon the Decision Band Method (DBM), for the represented and non-represented employees;
- 5) A comparative analysis for all positions shall be determined based upon internal and external factors;
- 6) A mix of wages and benefits shall be provided based on the average or above average of the defined market.

These resolutions have since been updated and replaced over time, with many of these provisions carrying forward over the years.

In 2013, Resolution No, 1796, was adopted which sets core value statements, specifically that the City desires to utilize standardized policies, procedures and processes whenever possible for compensating all employee groups, both non-represented and represented.

From the Human Resources perspective, since the adoption of this policy in 2013, it has been effectively used as a guide and serves to establish criteria for use when conducting analysis for salary and benefits. In the Collective Bargaining process, it has been objective; manageable, fair, representative of the market to which you chose to compare; used in good faith under our bargaining statute RCW 41.56; reduces the comparisons to those groups that are represented; sets parameters for pay and benefit considerations; it guides the pre-collective bargaining process as to what the City expects to receive for consideration in preparation for labor negotiations.

As it relates to the classification of new positions and the reclassification of existing positions, it provides the external market criteria based upon assessed valuation +/- 50% that we have been able to benchmark our positions to fairly consistently; provides consideration for internal comparability; identifies the data collection resources to use when conducting external market analysis; sets parameters for when a market study will be conducted and when a cost of living adjustment will be considered.

The challenges we have experienced have generally been when we have positions that we are not able to find benchmark comparators for based upon the duties of the position (standard for a valid match is 5 positions). In addition, recently when the market for a certain position was highly competitive, we were not able to attract qualified applicants.

During these times we look for creative, innovative and strategic ways to attract qualified applicants such as offering hiring bonuses. This has also been an effective recruitment strategy with our Civil Service positions.

Given that some areas of Resolution No. 1796 are silent, addressing those silent areas would provide more clarity and an objective methodology to use for anomalies that may occur. Administration proposes consideration of the following for discussion with the Council. This list is not all inclusive as there could be other items the Council wants to consider.

1. Above and Below Market adjustments - specifically define what compensation standard would be used to set parameters for adjustment of wages when positions are above or below market.
2. Compression – establish a definition within the resolution that defines what it means, and what methodology will be used to address compression when it occurs.
3. Comparability – review the current methodology specifically as it applies to the external market for non-represented positions.
4. Recruitment – review what barriers exist when it is a highly competitive external market, and ways to attract and retain future employees.

Follow Up from the March 20, Finance Committee Meeting:

At the March 20, Finance Committee meeting, Committee members requested the following components be included in the analysis and review

- An updated market study;
- Input and recommendations from the non-represented employee groups;
- Background and evaluation of decision band methodology;
- Analysis on gender neutrality, desk audits, and appeal process, performance reviews and Merit pay;
- Understanding of compression and when it has been an issue.

In addition, the Council committee requested that Administration provide a revised timeline for review and adoption of changes to Resolution No. 1796 by the full City Council: The schedule below meets the Council requests for a compensation workshop for the Council and for a deadline of September.

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- May 22 - Review the revised timeline with the Committee and address any additional considerations to Resolution 1796;
- June (TBD) Conduct a compensation workshop for the City Council
- July 3 Committee discussion:  
review Compensation workshop and next steps  
review non-represented employee input  
Review and discuss 2017 data of the external market study
- July 17 - Finalize scope of policy review of Resolution 1796
- August 7- Review and discuss updated 2018 data for the external market study  
(Note AWC 2018 Data results are published end of July)  
Review and discuss committee considerations
- August 21 - Review and discuss committee considerations (if necessary)
- September 4- Finalize recommendations for City Council consideration
- September 10- Bring recommendations to the City Council for review and discussion;
- September 17- Adoption of changes to Resolution No. 1796 for implementation

Update from Compensation Work Session- 6/19/18:

A work session was held with the City Council on June 19. Mr. Bruce Lawson, Compensation Consultant from Gallagher Benefit Services, Inc provided a presentation on Methods of Job Evaluation Alternatives, How to Determine Salaries. The purpose of this work session was to provide background on compensation philosophies to new Council members and to receive feedback from the full Council to inform the Finance Committee's ongoing review of the City's compensation policy as established by Resolution No. 1796.

The presentation covered the follow objectives:

- The history of job evaluation
- The role of job evaluation
- Selecting a job evaluation tool
- Alternative job evaluation approaches
  - Whole Job Ranking
  - Market Pricing
  - Point Factor
  - Factor Comparison
  - Decision Band
- Market Premiums
- Pay Compression
- Market Competitiveness

The consultant reviewed with the City Council the process used to evaluate jobs under whole job ranking, market pricing, point factor, factor comparison, and the Decision Band Method the current system used by the City. Job Evaluation under the Decision Band Method is based upon six broad band decisions. Mr. Lawson explained that the advantage of this type of evaluation method is to determine job content, and to create a hierarchy of jobs for internal equity, and of skill, effort, responsibility and working conditions.

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In addition, Mr. Lawson addressed the issue of pay compression, when it occurs, and that compression cannot be totally mitigated. He added that pay compression can be managed by the ratio percentage allocated in the pay structure. He concluded the presentation with discussion on when a market premium is appropriate to implement, specifically when you want to attract and retain jobs that are competitive in the labor market. Given the current construction climate occurring in this region and that it is hard to attract positions such as Building and Construction Inspectors, he suggested it may be a good option.

Mr. Lawson reviewed with the Council the definitions of market competitiveness and that is occurs when your external market data reflects when your pay is highly competitive, possibly misaligned; or significantly misaligned requiring review to determine if the job evaluation is appropriate.

Councilmember Quinn lead the discussion of the review and discussion of Resolution No. 1796 requesting input from the City Council. Council members have requested that the Finance Committee consider and discuss COLA and market adjustments; compression; positions above and below market, and new incentives.

At the Finance Committee meeting on July 5, the committee will review non-represented employee input, the external market study data for 2017, and next steps for further review of Resolution No. 1796.

### **Follow up from the July 5<sup>th</sup>, Finance Committee Meeting:**

At the July 5, Finance Committee meeting, a summary review of the topics covered at the compensation workshop with the consultant on June 19, was provided. The Finance Committee agreed with the outcomes from the work session and for the following topics to go forward for further discussion in review of Compensation Resolution No. 1796:

- Compression
- Above and Below Market Adjustments
- Comparability
- Recruitment incentives

Review of non-represented employees' input was provided. They would like the Finance Committee to consider the following areas in their review of the compensation policy:

- Comparability based on cities with similar services, number of employees, and assessed values double or ½ the size of Tukwila.
- Process for improving non-represented compensation changes, for example, review possibility of making changes as part of the budget process.
- Compression – agreed that this should be an area of review.
- Conduct a full market survey of all non-represented positions.
- Review incentives at hiring to attract and retain qualified applicants.

The Finance Committee discussed the non-represented employee input, appreciated the ongoing input, and stated the committee would take the information provided into consideration.

The Finance Committee would like more information on what other cities do to recruit and retain employees. Staff will work to have this information available with the updated 2018 external market study at the August 7, meeting for review and discussion.

As requested at the March 20, Finance Committee meeting, Human Resources staff conducted a market study for non-represented positions on 2017 data. The data was collected in line with Resolution 1796's process of using comparable Puget Sound jurisdictions of +/-50% AV and are the same cities that were

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used in represented negotiations. Benchmark non-represented positions were chosen for a representative sample of the range of DBM bands from low to high. The regression analysis run on the data by the compensation consultant showed a strong correlation between the market data and City data and resulted in a trend line that indicates non-represented wages are overall in alignment with the market. The COLA adjustments in the past two years have kept us on pace with the market. For 2018, the average general wage increase provided by the chosen assessed valuation cities ranged between 2.5% to 3.0%. Tukwila provided a 2.7% COLA in 2018.

At the Finance Committee meeting on July 17, the committee will finalize the scope of policy review of Resolution 1796.

