



## INFORMATIONAL MEMORANDUM

TO: **Finance Committee**

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

CC: **Mayor Allan Ekberg**

DATE: **August 15, 2018**

SUBJECT: **Review of Compensation Policy Resolution No. 1796**  
**Update from July 17 Finance Committee Meeting**

Note: This is a new informational memorandum with the intent to capture the compensation policy review and discussion outcomes in preparation for discussion with the full Council.

At the July 17, Finance Committee meeting, Administration sought committee direction to finalize the scope of the review of the City Council compensation policy. The committee requested that Administration bring back recommendations on the following proposed policy change considerations of above and below market adjustments, comparable cities, compression, recruitment incentives, and the process for non-represented compensation review.

In addition, as directed by the Council, Administration has conducted the external market study using the Association of Washington Cities and County Employee Salary and Benefit Survey for 2018. Once the regressions analysis was applied to the raw data, the results show we are still close to market and are considered very competitive (Exhibit A.1 and A.2). This was also the case when we did the regression analysis for 2017.

In future years, to address the potential for above and below market wage adjustments, it is recommended that Council adopt the Market Competitiveness standard provided by our Mr. Lawson, our compensation consultant as it provides an objective guide to address when positions are out of alignment with the market.

### **Option 1**

#### **The Market Competitiveness Standard:**

- +/-5% to +/-10% - Competitive with market
- +/-10% to +/-15% - Possibly Misaligned with market
- +/-15% and above - Significantly Misaligned with market

For positions that are possibly and significantly misaligned with the market would require review of the data to ensure the appropriateness of market data and review of job classifications to ensure appropriate placement.

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Below are three examples of a process Council could adopt using the Market Competitiveness Standard:

**OPTION A – External Market Study**

- During External Market Study (for even numbered years) – Positions that are 5% or more below market and up to 10% above are considered competitive with the market and will receive a market adjustment the year the market adjustment is to occur.
- Those positions 10% to 15% above the market will not receive an adjustment during the year the market adjustment is to occur and will warrant further evaluation and possible reclassification. If further analysis results in reclassification, any adjustments will be made in alignment with City policy.

**OPTION B – Internal Equity**

- Considerations for cost of living adjustment (COLA) for odd numbered years will be based upon internal equity with represented groups to determine if an adjustment is warranted. Administration will inform City Council if an adjustment is warranted prior to implementation.

**OPTION C – Written Justification for Misaligned Positions**

The other option would be to update the current language in Resolution No. 1796 Section B.2. to state “If the City’s pay schedule for any classification that does not represent the average of comparable salary ranges (+/-10%) written justification must be provided to the City Council.”

**2. Compression**

As it relates to defining Compression, Council Resolution No. 1796, states, “The goal of the City is to mitigate or avoid salary compression issues where possible. An example of salary compression would be when a non-represented supervisor earns less or is projected to earn less than those that he/she supervises due to contracted wage increase.”

During the Council work session Mr. Lawson, our consultant expressed that compression cannot be totally mitigated. Therefore, Administration recommends that Council retain the current definition reflected in the resolution as it is referenced above. It is further recommended to review the salary structure more frequently preferably in the year a market study is done to ensure that wage adjustments that occur over time do not create compression between salary bands.

**3. Comparability**

During even numbered years when an external market study is conducted, the Administration uses Council Resolution No. 1796 parameters for comparability which looks at “All Puget Sound jurisdictions with +/-50% of Tukwila’s annual assessed valuation, based upon the Department of Revenue data, will be used to create the list of comparable jurisdictions for evaluation of salary information.” The issue of comparability has been discussed during the review of this resolution, specifically, do the parameters of +/-50% reflect the market to which we compare, or should the Committee also consider other factors to determine external market comparability.

Mr. Lawson, our compensation consultant shared with the Council at their work session on June 19, that comparability factors could include employee population, assessed valuation double or half the size of Tukwila, geography, and demographics. Whereas, Administration would not recommend considering assessed valuation of double the size of Tukwila, consideration of going above +50% would provide more consistency where jurisdictions come in and out for comparison. For example, in the 2017 Market Study Issaquah and Shoreline were included since they were within +50% of A.V. In the 2018 Market Study, these two cities increased to 54% and 57% of A.V. and therefore were excluded (see table below).

Assessed valuation changes annually as reported by the Department of Revenue, Taxing District Levy Table 30.

City	2017 Assessed Value	Assessed Value % of Tukwila	2018 Assessed Value	Assessed Value % of Tukwila
Tukwila	\$5.040	1.00%	\$5.736	1.00%
Shoreline	\$7.426	1.47%	\$8.848	1.54%
Issaquah	\$7.385	1.46%	\$8.989	1.57%

Assessed Value represented in Billions

In addition, given that these concerns have been raised by the Non-Represented Employees group and in previous discussions, the following are some suggested options for your consideration that will mitigate the inconsistency the current policy parameters impose.

**OPTION 1**

“All Puget sound jurisdictions with +75/-50% of Tukwila’s annual assessed valuation, using the most current data from County Assessors, will be used to create the list of comparable jurisdictions for evaluation of salary information.” As reflected in Exhibit B, the assessed valuation comparison table, this would serve to eliminate the in and out annually of comparator jurisdictions. If consideration were given to this option, Administration recommends a “second criteria to assessed valuation, to include employee population of similar size”. As Exhibit B also shows, by increasing to +75% of assessed valuation there would be more similar employee populations to compare to Tukwila.

**OPTION 2**

Make no change and retain current policy statement of comparison to “All Puget Sound jurisdictions of +/-50% of Tukwila’s annual assessed valuation”.

**New Recruitment Incentives**

The Finance Committee requested more information on what other cities do to recruit and retain employees. Twenty- five (25) Puget Sound Cities were surveyed and responded to our request on the attached Exhibit C. The data shows that some cities offer hiring bonuses specifically to law enforcement positions, additional vacation hours, or the ability to use vacation sooner than the typical six months. Several cities did not offer any recruitment incentives.

As has been discussed in previous committee meetings, Tukwila currently offers hiring bonuses to attract applicants to highly competitive positions such as Building and Construction Inspector, or Law Enforcement positions. Mr. Lawson, our compensation consultant, shared with the Council that a market premium may be appropriate to implement specifically when you want to attract and retain jobs that are competitive in the labor market.

Administration recommends the Committee define in its policy a statement that reflects its philosophy of providing above average benefits, hiring incentives and competitive pay to attract, and retain a highly skilled, qualified and trained workforce.

**Non-Represented Compensation Review Process**

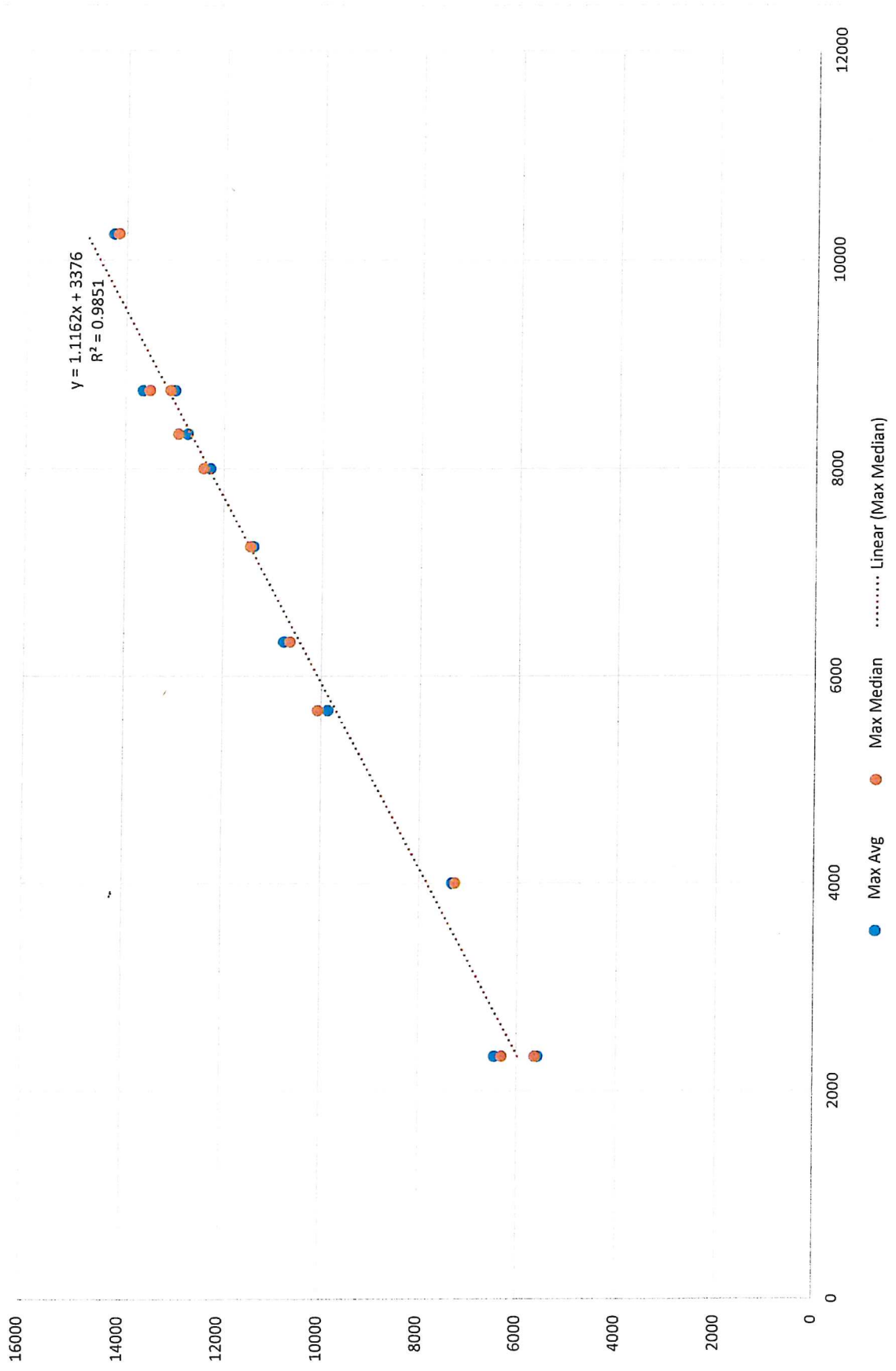
The final item for discussion is should the process for non-represented compensation review change. Currently Resolution No. 1796, provides that non-represented employee compensation be reviewed annually to consider external market or a cost of living adjustment. Unlike represented groups, the non-represented compensation review typically is presented in the fall prior to the year of implementation. This is a more public process. Administration recommends adopting review of non-represented compensation at the time the budget is being adopted so that external market and cola wage adjustments are a more efficient and seamless transition covering a two-year period versus an annual review process.

The remainder of schedule for review of the City Council Resolution No. 1796 is as follows

- September 5 – Finalize recommendations for City Council consideration
- September 10- Bring recommendation to the City Council for review and discussion
- September 17 – Adoption of changes to Resolution No. 1796 for implementation

We look forward to discussing these recommendations and options at the Finance Committee meeting on August 21, 2018.

City of Tukwila, WA  
Market Data Regression



# EXHIBIT A.2

Structure Comparison: Max Comparisons				
	Market Median Hrly	Current Max	Max Based on Regression Results	% Diff
A11	N/A	\$27.12	\$23.77	-12%
A12	N/A	\$29.30	\$25.92	-12%
A13	N/A	\$31.47	\$28.06	-11%
B21	N/A	\$33.65	\$30.21	-10%
B22	N/A	\$35.83	\$32.36	-10%
B23	\$34.47	\$38.00	\$34.50	-9%
C41	N/A	\$46.26	\$43.09	-7%
C42	\$41.97	\$48.89	\$45.24	-7%
C43	N/A	\$51.06	\$47.38	-7%
C51	N/A	\$53.79	\$50.07	-7%
C52	N/A	\$57.06	\$53.28	-7%
D61	\$58.10	\$58.04	\$55.97	-4%
D62	N/A	\$59.07	\$58.11	-2%
D63	\$61.38	\$61.15	\$60.26	-1%
D71	N/A	\$63.77	\$62.94	-1%
D72	\$66.08	\$66.88	\$66.16	-1%
E81	N/A	\$69.48	\$68.85	-1%
E82	\$71.63	\$71.58	\$70.99	-1%
E83	\$74.61	\$73.66	\$73.14	-1%
E91	\$76.74	\$76.23	\$75.82	-1%
E92	N/A	\$79.40	\$79.04	0%
F101	N/A	\$82.56	\$82.26	0%
F102	\$81.71	\$83.65	\$85.48	2%

Negative % = leading market Positive % = lagging market

Average % Difference -4.8%

**Observations:**

Current maximums for DBM ranges A11 - C52 currently lead the market

Beginning with D61, the ranges are aligned with market in a highly competitive manner



**EXHIBIT B**

Puget Sound City  
Comparisons within  
+75%/-50% AV

City	County	Assessed Value	Assessed Value %	FTE	City Fire Dept
Des Moines	King	\$ 3,194,299,789	0.55	132	
Maple Valley	King	\$ 3,268,616,351	0.56	46	
Lake Stevens	Snohomish	\$ 3,324,196,683	0.57	93	
Mukilteo	Snohomish	\$ 4,354,213,237	0.75	124	X
Puyallup	Pierce	\$ 5,148,032,791	0.89	269	
SeaTac	King	\$ 5,405,585,665	0.94	112	
Lakewood	Pierce	\$ 5,410,414,843	0.94	209	
Burien	King	\$ 5,608,165,807	0.97	78	
Lynnwood	Snohomish	\$ 5,654,422,666	0.98	350	
Tukwila	King	\$ 5,736,568,228	1.00	321	X
Marysville	Snohomish	\$ 6,425,149,097	1.12	277	
Bainbridge Island	Kitsap	\$ 6,898,602,203	1.20	122	
Edmonds	Snohomish	\$ 8,177,283,180	1.42	220	
Bothell	King/Snohomish	\$ 8,760,887,474	1.52	328	X
Shoreline	Snohomish	\$ 8,848,561,852	1.54	176	
Issaquah	King	\$ 8,989,557,112	1.56	248	
Federal Way	King	\$ 9,420,224,291	1.64	323	
Auburn	King/Pierce	\$ 9,555,039,113	1.66	437	





Comparison on Recruiting Incentives

EXHIBIT C

EXHIBIT C  
 Surveyed 25 Puget Sound Cities below are the responses received.

Puget Sound Cities	Recruiting Incentives Offered
Auburn	None
Bainbridge Island	None
Bremerton	Hiring Incentives Policy for difficult to fill positions. Bonus up to \$5k
Burien	At times offer a bank of vacation hours (management positions)
Edmonds	None
Federal Way	Hiring bonus offered to lateral police officers; Director level positions receive 40 hours vac upon hire; have paid up to \$5k in relocation expenses when applicable
Issaquah	None
Kent	Can offer vacation immediately upon hire; signing bonuses for PD; may advance to next salary step after 6 months instead of one year. Have paid for travel to and from for final interviews
Kirkland	Hiring bonus for police officer
Lake Stevens	May provide more vacation to non-reps at hire
Lakewood	Management level non-reps may receive initial leave upon hire, and on occasion a higher vacation accrual rate
Lynnwood	None
Maple Valley	Managers & Directors may negotiate for additional vacation
Mt. Lake Terrace	Can offer higher vacation accruals and/or ability to use accrued vacation before 6 months
Mukilteo	On occasion have offered higher management positions vacation (2-3 weeks) upfront
Renton	Hiring bonus to lateral police officers; on occasion have given lump sum vacation or accelerated vacation accrual rate.
SeaTac	None





# City of Tukwila

Washington

Resolution No. 1796

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, ESTABLISHING A COMPENSATION POLICY FOR CITY OF TUKWILA EMPLOYEES AND REPEALING RESOLUTION NO. 1387.**

**WHEREAS**, the City believes that the purpose of a compensation program is to facilitate recruiting, retention, development and productivity of employees; and

**WHEREAS**, the City desires to utilize standardized policies, procedures and processes, wherever possible, for compensating all employee groups, both represented and non-represented; and

**WHEREAS**, the City recognizes that current economic conditions and forecasts, long-range City budget forecasts, position rates for comparable jurisdictions, as well as internal equity considerations should assist in guiding in the compensation of employees; and

**WHEREAS**, the City has made a determination to, when economic conditions allow, review and adjust non-represented employee salaries via a market analysis to that of the average of comparable jurisdictions in even-numbered years, and to provide a cost-of-living (COLA) allowance in odd-numbered years; and

**WHEREAS**, the City has made a determination to, when economic conditions and negotiations allow, provide represented employees with salaries that reflect the average of comparable jurisdictions; and

**WHEREAS**, the City has made a determination to, when economic conditions allow, provide benefits to represented and non-represented employees that are slightly above the average of comparable jurisdictions; and

**WHEREAS**, the City Council will participate in setting negotiation expectations and reviewing and approving represented employee group contracts;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:**

**Section 1.** The following statements and processes are adopted for the purpose of guiding compensation programs for employees of the City of Tukwila.

**A. Information to be provided to the City Council.**

1. **For Represented Employees.** A written presentation of current internal and local external public agency salary and benefit trends, including a salary and benefits market survey of comparable jurisdictions, as defined herein, will be provided to the City Council. This presentation must be made to the Council prior to the commencement of negotiations with the bargaining units regarding salary and benefits. The City Council and Administration will discuss represented employee group negotiation expectations, negotiating points, salary and benefit change floors and/or ceilings prior to the beginning and at appropriate points during negotiation sessions.

2. **For Non-Represented Employees.** A written presentation of current internal and local external public agency salary and benefit trends, including a salary and benefits market survey of comparable jurisdictions, as defined herein, will be provided to the City Council every year that a non-represented salary increase is due. Relevant Association of Washington Cities (AWC) data from the previous year's Washington City and County Employee Salary and Benefit Survey, for the comparable jurisdictions, will be used in the salary market survey.

**B. Compensation Policy.**

1. All Puget Sound jurisdictions with +/-50% of Tukwila's annual assessed valuation, based upon the Department of Revenue data, will be used to create the list of comparable jurisdictions for evaluation of salary information. It is desirable to use the same comparable jurisdictions for both represented and non-represented employee groups.

2. For non-represented employees, the City desires to pay the average salary for the particular pay scale, as derived from the comparable jurisdiction data described in Section B.1. If the City's pay scale for any classification does not represent the average of comparable salary ranges (+/-5%), written justification must be provided to the City Council. For represented employees, the City desires to pay salaries that are competitive to the City's comparable jurisdictions.

3. The cost-of-living adjustment (COLA) in odd-numbered years for non-represented employees shall be based upon 90% of the Seattle-Tacoma-Bremerton Consumer Price Index (CPI-W) Average (June to June). It is desirable to calculate represented cost-of-living adjustments the same way, unless a different method is authorized by the Council.

4. The goal of the City is to establish parity between represented and non-represented employees' benefits. The City desires to provide employee benefits that are competitive to the comparable cities described herein. The City will endeavor to keep increases to annual health care costs under market averages. If costs exceed market averages, adjustments will be made to reduce benefit costs.


5. The goal of the City is to mitigate or avoid salary compression issues where possible. An example of salary compression would be when a non-represented supervisor earns less, or is projected to earn less than those that he/she supervises due to contracted wage increases.

6. If the Administration determines that a deviation from the above process (in its entirety or for individual positions) is necessary, it will provide justification to the City Council for review and approval prior to the adoption of any process change.

**Section 2.** Resolution No. 1387 is hereby repealed.

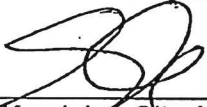
PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON,  
at a Regular Meeting thereof this 3rd day of June, 2013.

ATTEST/AUTHENTICATED:

  
\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

  
\_\_\_\_\_  
Kathy Hougardy, Council President

APPROVED AS TO FORM BY:

  
\_\_\_\_\_  
Shelley M. Kerslake, City Attorney

Filed with the City Clerk: 5-29-13  
Passed by the City Council: 6-3-13  
Resolution Number: 1796