

Source: Human Resourde

To: <u>City Council</u> From: <u>City Manager and Sta</u>

Saumail Marakina Bakar Oct 7 0010

Council Meeting Date: Oct 7, 2013

Agenda Item No: Supplemental

Information PR 194-13

Re: City of Columbia Classification and Compensation Implementation Strategy and Administration Rules

EXECUTIVE SUMMARY:

This report presents the implementation strategy and administrative policies for maintenance of the new classification and pay plan. The strategy and policies were developed as part of the comprehensive study of the City's job classifications, pay plan, benefits, and pay practices conducted by CBIZ Human Capital Services over the last year.

DISCUSSION:

Council adopted the FY 2014 Classification and Pay Plan (B261-13) and changes to Chapter 19 related to those plans (B263-13) on September 17, 2013 as part of the FY 2014 budget package. Council has been asked to adopt PR194-13 on this date, which supports a compensation philosophy for employees of the City of Columbia. That philosophy defines how pay decisions will be made in the future.

The attached implementation strategy reflects the recommendations of CBIZ for the initial pay and funding decisions to implement the new classification and pay structures. The first step, moves to the new minimum for any employee's whose salary falls below the new pay structure minimum, was adopted by Council as part of the FY 2014 budget. Steps two and three are intended to address the problems of pay compression, and additionally recognize employee performance as part of that process. Step two moves employees to or toward the midpoint of their salary range, based on time in the classification. This step assumes employees are fully competent in their jobs at five years. At that point, employees can see movement in the pay structure through general cost of living adjustments and recognition of performance. Step three recognizes performance, and provides additional compression relief.

The attached policies implement the strategy and the changes authorized in Chapter 19. The City Manager has promulgated these policies as part of the City's Administrative Rules. The policies address all aspects of pay administration, from reviewing and assigning jobs in the plan, to establishing initial new hire pay rates, to making adjustments to the pay structures themselves based on salary market data. The policies are designed to provide a fair, consistent pay administration system for the City.

FISCAL IMPACT:

Unknown. Funds required to implement the steps two and three, and the ongoing maintenance of the pay philosophy and policies will be determined during the annual City budget process.

VISION IMPACT:

http://www.gocolumbiamo.com/Council/Meetings/visionimpact.php

10 Governance and Decision Making

10.1.7 Strategy: Anticipate future needs, and review and determine the best way to finance City operations, improvements, and infrastructure over the next 20-25 years.

10.1.8 Strategy: Increase the accountability of the City administration to the City Council and the public.

SUGGESTED COUNCIL ACTIONS:

Acceptance of report.

FISCAL and VISION NOTES:								
City Fiscal Impact Enter all that apply		Program Impact		Mandates				
City's current net FY cost		New Program/ Agency?	No	Federal or State mandated?	No			
Amount of funds already appropriated		Duplicates/Epands an existing program?	No	Vision Implementation impact				
Amount of budget amendment needed		Fiscal Impact on any local political subdivision?	No	Enter all that apply: Refer to Web site				
Estimated 2 year net costs:		Resources Required		Vision Impact?	Yes			
One Time	\$0.00	Requires add'l FTE Personnel?	No	Primary Vision, Strategy and/or Goal Item #	10.1.7			
Operating/ Ongoing		Requires add'l facilities?	No	Secondary Vision, Strategy and/or Goal Item #	10.1.8			
		Requires add'I capital equipment?	No	Fiscal year implementation Task #	FY 2014			



Comprehensive Classification and Compensation Plan Review Proposed Salary Implementation Strategy

As a result of the classification and compensation analyses performed for the City, CBIZ recommends several types of pay adjustments to fully implement the new plan:

- 1. **Below Minimum Adjustments** It is critical that employees with salaries that currently fall below the minimum of their assigned salary range are brought up to at least minimum. The range minimum is the competitive entry level rate for a given job; as such, employees who are paid less than the minimum may be at immediate risk of leaving the City for improved salaries elsewhere.
- 2. Experience-based Adjustments CBIZ understands that a key objective of the City is to correct compression issues that have occurred over time. Therefore, we recommend considering an employee's time in job to determine appropriate placement within the assigned salary range. In order to establish competitive salaries for experienced employees, the following criteria and corresponding adjustments are proposed:
 - a. 5.0 or more years in position = Adjustment to Salary Range Midpoint
 - b. 3.0-4.9 years in position = Adjustment to Average of Salary Range Minimum and Midpoint
 - c. Less than 3.0 years in position = No Experienced-based Adjustment

The proposed "time in job" targets may be adjusted, but as currently stated, are well-aligned with market practices for range progression. It is not recommended that total tenure with the City is considered because this characteristic may over-exaggerate the value of working at the City versus working at a comparable organization in a similar position. Furthermore, an employee's demonstration of desired behaviors and attainment of skills during his or her tenure with the City should have been recognized through past promotions and performance pay.

3. Performance-based Adjustments – In order to encourage a pay-for-performance culture, a final adjustment should be included in the implementation strategy that reflects employees' recent performance scores. The most common approaches are (1) the experience-based adjustments for employees with consecutive years of poor performance are reduced and (2) consecutive years of high performance results in higher placement within the assigned salary range. The City has suggested implementing adjustments pursuant only to approach #2 in order to better maintain employee morale.

Therefore, the recommended approach is to provide a 3.0% salary increase for each year in which an employee earned an overall performance score of "Exceeds Expectations" during fiscal years 2009-10 through 2011-12. If this strategy is approved, employees have the potential to receive a performance-based adjustment of up to 9.0% of their base salary.



Subject: Purpose of the Pay Plan

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-81

The overall purpose of the City's Pay Plan is to provide a means to assist in recruiting, retaining and rewarding employees. It seeks to establish salary grades that are competitive with the labor markets in which the City recruits talented employees and reflect the value of positions to the City, as determined by a job review which takes into account the duties and level of responsibility of each job.

Objectives of the system are as follows:

- 1. To ensure a pay philosophy that is reflective of the values and goals of the City. The City's compensation philosophy is to provide City employees with base salaries and benefits which are externally competitive and internally equitable, while recognizing individual performance. The City identifies with, and competes for talent among, diverse organizations in both the public and private sector within the State of Missouri and, in some cases, across the U.S. Given the desire to provide fair and reasonable compensation and also ensure the prudent use of taxpayer funds, the City targets compensation and benefits levels at the median of the competitive labor market.
- 2. To ensure the City's financial resources are used in the most effective and efficient manner.
- 3. To provide a rational basis for making pay decisions, eliminating arbitrary salary assignments and thereby establishing internal fairness.
- 4. To maintain salary ranges that are competitive with labor markets from which employees are recruited.
- 5. To establish job titles and job descriptions that are consistently used throughout the City.
- 6. To clarify relationships among positions in order to avoid overlaps and gaps in responsibilities.
- 7. To clarify the knowledge, skills and abilities ("KSAs") required to competently perform the position and aid in the development of career paths.
- 8. To assist supervisors in evaluating and rewarding employee job performance.

The Human Resources Department ("HR") is responsible for the administration and maintenance of the compensation system. These responsibilities include assignment of proposed new jobs to salary grades, reassignment of existing jobs to salary grades, preparation and maintenance of job descriptions, review of and sign-off on proposed pay adjustments and maintenance and updating of pay structures.

Subject: Requested Review of a Job's Salary Grade Assignment

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-85

A job reassignment occurs when a job is moved to a different grade because the essential job functions have significantly changed. Department heads and employees may request a review of the evaluation of their job during a specified time frame each year. Specific requests to HR must be approved by the employee's supervisor or department head and routed through administrative channels.

Reassignment of an Existing Position Procedures

- 1. Except in unusual circumstances, requests for reassessment may be made annually in concert with budget preparation. Each year, as part of the budget process, HR will notify departments of the period within which any position reassessments must be considered. A review of a position's classification is warranted when there has been a material, significant and permanent change in job duties. The direct supervisor or department head is responsible for recognizing such job changes. Additionally, an employee who believes his or her job is not properly evaluated may request of his or her supervisor a reassessment.
- 2. When the supervisor or department head concludes that a material, significant, and permanent change in job duties has occurred, a JAQ should be completed by the employee, reviewed by the supervisor and sent through administrative channels to HR.
- 3. Upon receipt of a newly completed JAQ, an assessment of the duties and responsibilities of the position will be made using a review of relative internal worth (in order to ensure appropriate "fit" within the organizational structure) and a review of published salary surveys. This process may include an interview with the employee and/or supervisor. Following this evaluation, HR will determine if the job should remain as presently assigned or if a new assignment is appropriate. The supervisor is notified in writing of the results.
- 4. Actions to be taken as a result of the evaluation of a job:
 - If it is determined that a job is still within the same salary grade, no salary adjustment will be made.
 - In the instance where an employee's job is reassigned to a lower salary grade, the employee's salary will not be changed; however, the reclassified grade maximum will define the limit of future pay increases.
 - In the instance where an employee's job is reassigned to a higher salary grade, the employee's pay shall be adjusted five percent (5%) or to the minimum of the new salary grade, whichever is greater.

Subject: Assignment of a New Job to a Salary Grade

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-85

HR is responsible for the assessment of proposed new positions and subsequent assignment to a salary grade. All jobs will be assessed according to the City's pay plan based on published salary data and internal comparable value. This plan establishes a consistent basis for measuring and ranking the relative market worth of each job.

Assignment of New Positions to a Salary Grade Procedures

- 1. In conjunction with the approval process to create a new position, the department head, or a designee, completes a job analysis questionnaire ("JAQ") describing the duties to be assigned to the position.
- 2. The department head submits the JAQ through administrative channels to HR for assessment.
- 3. All new and existing jobs are to be assigned to a salary grade based on their relative worth determined by City-approved published salary survey data and the City's determination of relative internal worth. The first step is to determine if market pay information exists for the job in City-approved published salary surveys. HR will compare job duties and responsibilities noted on the JAQ to the definitions found in published salary surveys. The job will be assigned to the appropriate salary grade by comparing the salary survey data to the midpoints of the salary grades.
- 4. If the job does not sufficiently match a salary survey definition it is compared to other jobs within the department. This is accomplished by evaluating and ranking the position based upon its relative worth. HR conducts this assessment of the duties and responsibilities of the position and in consultation with the department head, confirms the position title and assigns a salary grade.
- 5. The department head is notified in writing of the position title and salary grade assignment. The assigned pay grade provides a spread from a minimum to a maximum rate.

Subject: Establishing Initial Pay for New Hires

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-82

It is the goal of the City to offer wages that attract the best possible employees. It is also the goal of the City to ensure pay fairness among employees within similar job titles. Therefore, a new employee's initial pay should be set in consideration of the candidate's qualifications as defined by KSAs, the pay of other similarly employed individuals, the pay and pay scales of supervised employees and external market factors.

Typically, the initial wage should be set between the minimum and the midpoint of the salary grade. Exceptions to this policy may be made in cases with unusual circumstances, such as when market conditions prohibit hiring within the assigned salary range and/or the current pay or pay range of employees does not stimulate interest in upward career movement. All exceptions must be approved in writing through administrative channels and by HR.

Establishing Initial Pay for New Hire Procedures

- 1. The department head will carefully review the applicant's qualifications in relation to the job's KSAs, external market factors and the current wages of individuals employed in similar titles. It is typical that HR will provide guidance to the department head regarding market pay for the position. It is anticipated that most salary offers will be between the minimum and the midpoint of the salary grade.
- 2. The department head will recommend to HR a beginning salary that is attractive to the prospective employee, addresses market pay influences and is fair to existing employees. Beginning salaries for new employees should not be set at a rate greater than the salaries of existing employees with equivalent qualifications (including performance) within the same job classification in order to reduce the possibility of compression issues.
- 3. Salary offers will be prepared by the hiring manager and forwarded to HR for approval prior to a job offer. The hiring manager may then communicate the offer to the prospective employee.

Subject: Determining Pay for Promotions, Transfers and Demotions

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-84

A *promotion* occurs when an employee moves to a job in a higher salary grade. A higher salary grade is defined by the midpoint of the range. As a result, if the employee moves to a job for which the assigned grade midpoint is higher than that of the previously occupied job, a promotion has occurred.

Determining Pay for Promotion Procedures

- 1. HR will provide salary grades, individual pay information and promotion adjustment guidelines to the applicable department head upon the promotion of an employee.
- 2. The department head will determine the promotional increase percentage according to the pay adjustment guidelines. An employee's pay shall be adjusted ten percent (10%) or to the minimum of the new salary grade, whichever is greater, at the time of promotion. The promotional increase percentage guidelines will be evaluated annually and may be adjusted based on City policy and market considerations.
- 3. Upon the promotion of an employee to a supervisory position, the employee's proposed salary will be compared to the salaries of his or her subordinates. If one or more of the employee's subordinates receives a base salary that is equal to or greater than that of the newly promoted supervisor, the supervisor shall receive a one-time pay adjustment that results in a base pay rate that is five percent (5%) greater than the highest base pay rate paid to a subordinate.
- 4. Promotion-based percentage salary adjustments are in addition to general increases if the promotion is made at the time of the annual wage adjustment. In this case, the general increase will be applied, and then the promotion-based adjustment will be applied.

A *transfer* occurs when an employee transfers to another position in the same salary grade as the position previously occupied. In such cases, the employee shall not be eligible for a pay increase due to such transfer.

A *demotion* occurs when an employee voluntarily accepts or, as a result of disciplinary actions, is moved to a position in a lower salary grade than the position occupied.

Determining Pay for Demotion Procedures

1. In the case of an employee's choice to begin a new career path, in which the employee applies for and is selected for a new classification in a lower pay grade, the policies for setting new hire pay will apply.

Subject: Determining Pay for Promotions, Transfers and Demotions (continued)

- 2. Should an employee demote to a previously-held classification, the employee's salary will be set at the base pay rate last received in the previous classification, with consideration for any general base pay increases and performance-based increases that occurred subsequent to the employee's transfer from the previously-held classification. If the employee's resulting base rate is greater than the applicable salary grade maximum, his or her pay will be reduced to the maximum.
- 3. When an employee is asked to accept a position in a lower salary grade for the good of the City or due to an operational change within the City, this is considered a *downward reclassification*. In this case, the employee's current salary will not be changed; however, the reclassified grade maximum will define the limit of future pay increases.

Subject: Pay Above Grade Maximum

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-83

The compensation system is a tool used by the City to provide a rational basis for pay decisions. It helps to ensure that positions are not underpaid or overpaid based on job responsibilities and the competitive labor markets from which employees are recruited. The salary grade assigned to each position indicates the value of the position within the City. For any employee whose pay is at or above the maximum for his or her salary grade, future increases will be limited to performance and will be provided in lump sum payment rather than added to base pay.

Subject: In-Range Pay Progression

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-88/89

The City is committed to recognizing the ongoing contributions of employees and providing competitive pay that is commensurate with employees' job classifications, experience, performance, KSAs and other relevant factors. Therefore, an evaluation of employees' placement within their assigned salary ranges will be performed periodically and pay adjustments may be recommended by HR to ensure that employees effectively move through the salary ranges.

This in-range progression policy does not apply to unclassified positions. These positions' pay may be evaluated and adjusted at the City Manager's discretion.

In-Range Progression Review Procedures

- 1. On an annual basis as part of the budget process, HR will identify employees who have surpassed five (5) years of service in their current job classification.
- 2. The base salary of each of these employees will be compared to the current midpoint of the assigned salary range. In the event that an employee's base rate of pay falls below the midpoint, HR will collect and assess job-related factors to determine the appropriateness of the employee's placement within his or her range. Factors considered may include, but are not limited to, the following:
 - Performance
 - Internal equity/Compression
 - Career track
 - Retention (i.e., risk and consequences of turnover)
 - Hours worked
- 3. If the evaluation of an employee's job related factors does not rationalize pay below the assigned salary grade midpoint, HR will recommend that the employee's pay be increased to the current midpoint. Based on the City's budget and availability of funding, incremental increases may occur over multiple years to achieve the targeted midpoint level.
- 4. In-range pay progression beyond the midpoint will result only from performance- and market-based pay adjustments.
- 5. In-range pay adjustments to the midpoint, as described in this policy, may be suspended at any time by the City Manager if funding is not available.

Subject: Market-based Pay Adjustments

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-84

The City strives to pay at levels that are competitive with the market. Salary adjustments may be made to employee salaries to address significant discrepancies between the City's level of pay and market pay levels for jobs. Actual adjustment amounts will be based on the City's capability to pay as well as individual performance.

Market-based Pay Adjustment Procedures

- 1. On an annual basis as part of the budget process, HR will compare current employee pay levels to the market pay for similar jobs. Jobs may be reviewed on a rotating basis, such that not every job is reviewed every year, but jobs are reviewed at least every four (4) years.
- 2. If a particular job, department or location at the City becomes exceedingly difficult to recruit and retain because of compensation requirements, HR will recommend salary adjustments to address the demand for greater pay because of extreme market competitiveness.
- 3. Individual employee pay will be reviewed in consideration of market survey data and recruiting requirements. Based upon this review, individual employee pay may be adjusted to better reflect market rates or decrease compensation-related turnover. The actual percentage an employee's pay is adjusted will be based on the employee's KSAs in comparison to the job's KSAs, and the extent of external market pay factors. Market adjustments will only be considered for employees with at least a satisfactory performance rating.

Subject: Salary Structure Adjustments

Applicable Section: Chapter 19, Article IV, Division 2, Sec. 19-85

The City's salary structures will be adjusted on a periodic basis to ensure that they remain competitive with markets from which it attracts talented employees.

Salary Structure Adjustment Procedures

- 1. On an annual basis as part of the budget process, HR will review the pay structures in consideration of changing economic and competitive factors as determined by Cityapproved published salary surveys and other data sources. Among other data, the City will consider the Consumer Price Index as published by the U.S. Department of Labor from December of the previous year to December of the current year.
- 2. HR will recommend an appropriate salary structure adjustment to the City Manager and City Council. Typically, the salary structure adjustment will be less than the recommended salary increase budget; however, they may be equal percentage values.
- 3. The recommended salary structure adjustment should not exceed the recommended salary increase budget. If the City's budget does not allow for salary increases in any given year, the structures should remain constant and may be adjusted in the future when sufficient financial resources are available. When structure adjustments resume, consideration should be given to increasing the structures by more than a single annual adjustment in order to make up for the year structures were constant and keep pace with market movement.
- 4. Salary structures will be adjusted as approved.
- 5. Any employee whose salary is below the assigned updated salary range will receive a pay adjustment at least equal to the difference between actual salary and the salary range minimum. Such pay increases will be provided only if sufficient financial resources are available.

Introduced by	Council Bill No.	PR 194-13

A POLICY RESOLUTION

supporting a compensation philosophy for employees of the City of Columbia, Missouri that reflects the values and goals of the City.

WHEREAS, the City of Columbia, Missouri (hereinafter "City") has an interest to ensure the City's financial resources are used in the most effective and efficient manner; and

WHEREAS, the City has an interest to provide a rational basis for making compensation decisions and eliminating arbitrary salary assignments to establish internal fairness to its employees; and

WHEREAS, the City has an interest to maintain salary ranges that are competitive with labor markets from which employees are recruited, both within the public and private sectors; and

WHEREAS, the City has an interest to establish job titles and job descriptions that are consistently used throughout the City; and

WHEREAS, the City has an interest to clarify relationships among employee classifications in order to avoid overlaps and gaps in responsibilities; and

WHEREAS, the City has an interest to clarify the knowledge, skills and abilities required for an employee to competently perform duties of the employee's position and aid in the development of career paths; and

WHEREAS, the City has an interest to assist supervisors in evaluating and rewarding employee job performance; and

WHEREAS, the City desires to implement a compensation philosophy to further the foregoing interests of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City Council hereby supports the following compensation philosophy for employees of the City of Columbia, Missouri submitted by the City Manager:

The City of Columbia, Missouri's compensation philosophy is to provide City employees with base salaries and benefits which are externally competitive

and internally equitable while recognizing individual performance. The City identifies with, and competes for, talent among diverse organizations in both the public and private sectors in the State of Missouri and, in some cases, across the United States. Given the desire to provide fair and reasonable compensation and also ensure the prudent use of taxpayer funds, the City of Columbia targets benefits and compensation levels at the median of the competitive labor market.

SECTION 2. The City Council hereby directs the City Manager to implement the compensation philosophy for employees of the City of Columbia, Missouri, as funding may permit, through amendments to Chapter 19 of the Code of Ordinances, or by administrative rules promulgated under Chapter 19, in support of the compensation philosophy.

ADOPTED this day of	, 2013.
ATTEST:	
City Clerk	Mayor and Presiding Officer
APPROVED AS TO FORM:	
City Counselor	

Source: Human Resources

To: City Council

From: City Manager and Staff

Council Meeting Date: Sep 16, 2013

Agenda Item No:

Re: City of Columbia Compensation Philosophy

EXECUTIVE SUMMARY:

Policy resolution regarding the City of Columbia's compensation philosophy.

DISCUSSION:

City Council approved funding in the FY 2013 budget for the City to engage an expert to conduct a comprehensive study of the City's job classifications, pay plan, benefits, and pay practices. CBIZ Human Capital Services began this project in October, 2012.

Review of current compensation policies and procedures, and a recommendation for a City compensation philosophy was one specific element of the study. CBIZ was asked to develop a specific philosophy for the city that is tied to the new classification and pay structure, and defines how pay decisions will be made in the future.

The overall purpose of the City's pay plan is to provide a means to assist in recruiting, retaining and rewarding employees. It seeks to establish salary grades that are competitive with the labor markets in which the City recruits talented employees and reflect the value of positions to the City, as determined by a job review which takes into account the duties and level of responsibility of each job. The key objective of the system is to ensure a pay philosophy that is reflective of the values and goals of the City.

This resolution adopts the recommended compensation philosophy for the City of Columbia.

FISCAL IMPACT:

Funds to implement the pay philosophy are determined in the annual budget process.

VISION IMPACT:

http://www.gocolumbiamo.com/Council/Meetings/visionimpact.php

10 Governance and Decision Making

10.1.7 Strategy: Anticipate future needs, and review and determine the best way to finance City operations, improvements, and infrastructure over the next 20-25 years.

10.1.8 Strategy: Increase the accountability of the City administration to the City Council and the public.

SUGGESTED COUNCIL ACTIONS:

Adopt this Council Resolution.

FISCAL and VISION NOTES:									
City Fiscal Impact Enter all that apply		Program Impact		Mandates					
City's current net FY cost		New Program/ Agency?	No	Federal or State mandated?	No				
Amount of funds already appropriated		Duplicates/Epands an existing program?	No	Vision Implementation impact					
Amount of budget amendment needed		Fiscal Impact on any local political subdivision?	No	Enter all that apply: Refer to Web site					
Estimated 2 year net costs:		Resources Required		Vision Impact?	Yes				
One Time	\$0.00	Requires add'l FTE Personnel?	No	Primary Vision, Strategy and/or Goal Item #	10.1.7				
Operating/ Ongoing		Requires add'l facilities?	No	Secondary Vision, Strategy and/or Goal Item #	10.1.8				
		Requires add'l capital equipment?	No	Fiscal year implementation Task #	FY 2014				