City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 28, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMORANDUM # 10 : REPORT ON EMPLOYEE COMPENSATION ADJUSTMENT AS A RESULT OF MARKET STUDY OF COMPARATOR JURISDICTIONS

In FY 1998, City Council adopted the City Employee Compensation Philosophy (Attachment 1) to guide future pay decisions. Since then, this compensation philosophy document has been printed in the City's operating budget document. The pay philosophy provides a broad framework for City Council, the City Manager, City employees and residents to understand and guide decisions that effect employee pay. Three essential principles stated in the City's Compensation Philosophy are:

(1) Pay programs are intended to be competitive with minimum, mid-point, and maximum salaries, with emphasis on the mid-point, of comparator jurisdictions in the primary labor market;

(2) The primary labor market is defined as the Washington Metropolitan area Counties of Arlington, Fairfax, Montgomery, Prince George's, and Prince William; and

(3) Benchmark jobs will be used to obtain salary information for the purpose of assessing the City's pay competitiveness.

The Personnel Services Department's Classification and Compensation Division has completed a market study of benchmark positions in our defined primary labor market. The City of Alexandria Compensation Philosophy prescribes this study be completed at least every five years. FY 2005 (study) and FY 2006 (implementation) is five years from the last study and implementation of the benchmark process. The purpose of the study is to determine the City's competitiveness at **mid-point**, minimum and maximum salaries, with emphasis on the mid-point, for all 617 City job classes (sixteen job classes are not in the classified service). Classification and Compensation staff conducted a compensation survey comparing 87 Alexandria classes to similar classes in our five comparator jurisdictions (the Counties of Arlington, Fairfax, Montgomery, Prince George's and

Prince William). In addition, staff has linked 530 City job classes to these 87 benchmark jobs to enable us to review all 617 City job classes. In this compensation review, staff found that in comparing minimum, **mid-point** and maximum salaries, using FY 2005 salaries, the vast majority of City job classifications are above 90 per cent of our comparator jurisdiction's mid-point salaries. Ninety percent represents the Market Ratio (City salaries compared to comparator salaries for the 87 benchmark classes). Alexandria's relationship to the market is shown as the Market Ratio falls below or rises above 100%. Job classes with a Market Ratio of less than 90% are considered to be below the market.

Five City benchmark job classes, Code Enforcement Inspector II, Customer Support Engineer II, Director/Information Technology Services, Lab Aide and Library Assistant II, were identified as job classes for which the compensation needed to be changed to address comparator jurisdiction salary differences. In addition, there are thirty seven other classes linked to one of these five benchmark classes (Attachment 2). As a result if Council approves, the funding for the compensation for these job classes, which currently includes 221 full and part-time employees, will be changed by moving the classes up one or two grades on the City salary scale so that the salaries are above the accepted 90% threshold established by the City. Employees in these forty two job classes will receive an 8.5% salary increase plus placement on the next step of the new grade, or the minimum step of the new grade, whichever is greater.

The total fiscal impact, including benefits, of the pay changes discussed in this memorandum is $885,000 for FY 2006. These funds have been included in the proposed budget for FY 2006.

ATTACHMENT:

Attachment 1-	City of Alexandria's Compensation Philosophy
Attachment 2-	List of Benchmark and Linked Job Classes to be Adjusted

City of Alexandria
Compensation Philosophy

Overview

The statement of compensation philosophy is intended to provide a broad framework for the City Council, management, employees and the citizens in order to understand and guide decisions that affect pay. It is designed to reflect the importance public employees play in the delivery of services and programs to this community, that compensation is a clear measure of that importance; and that there is fair and equitable treatment of all employees, regardless of race, gender, or disability, and in accordance with EEO/AA goals. In addition, the statement establishes the commitment and necessity to maintain comparability with jurisdictions who are most likely to affect recruitment and retention of employees.

Competitiveness and Comparability

The intent of the compensation philosophy is to maintain a competitive compensation program in order to attract, retain, and motivate qualified employees. To that end, the following principles govern compensation programs:

- Pay programs are intended to be competitive at a minimum with the average pay of comparator organizations in the primary labor market. The primary labor market is currently defined as the Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's.
- From time-to-time, the City Manager may recommend that other comparators should be used (e.g., Commonwealth of Virginia, agencies of the Federal government, or private sector employers or industry groups) where information from the primary labor market is considered insufficient to attract/retain specific positions or classification groups.
- In all instances, for benchmark jobs, information for an assessment of pay competitiveness will be ascertained through reliably published compensation survey data.
- Every five years, the City Manager will conduct a market study of benchmark positions to determine competitive posture of the organization, and propose a plan of action, if needed, to bring any positions or classification groups into competitive alignment. At any time the City Manager determines that a job classification needs to be

reviewed more frequently than once every five years, necessary action may be taken to address the market position of such job.

- If an average salary falls below or exceeds market averages to the extent that attracting and retaining qualified employees may be jeopardized, the City Manager will propose action necessary to align the position or classification with the competitive market place for implementation at the next fiscal year or sooner, if financially feasible.

General Salary Adjustments

Annually, the City Manager will recommend a budget for general salary adjustments that is based upon:

- Overall competitive posture of the organization.
- Cost-of-living changes, as determined by the CPI-U-DC (Consumer Price Index-Urban-for the Washington Metropolitan Area, published monthly by the U.S. Department of Labor, Bureau of Labor Statistics).
- Comparator organizations in the primary labor market.
- Financial affordability.

Pay Scales

The City Manager will promulgate pay scales for all employees that will provide information on salary increases within a particular grade that an employee may expect from year-to-year if performing satisfactorily. In the public safety classifications, because of the unique nature of a command-based hierarchy with structured ranking of employees and a career expectation upon initial hiring, the pay scale schedule will differ from the general employee classifications.

For all employees, the percentage increases in the salary schedule from year-to-year will not be the same amount every year in a particular grade, but will have some variability to reflect length of service and base salaries. To attract and retain employees in the early years of service, while base salaries are still relatively low, the percentage increase may be higher than for more senior employees, who are performing satisfactorily, and gaining more experience and providing even greater value to the City, but have a higher base salary. However, in all cases, employees will know the number of years necessary to reach maximum pay in a particular grade, performance

expectations to advance in-grade, and career development opportunities to advance to another grade.

The specific schedules will be competitive with the averages for the primary labor market, and will be adjusted whenever necessary to maintain market competitiveness.

Salary increases from the pay scale are a function of satisfactory performance-merit. All employees should be made aware that such increases are a recognition of performance that meets and exceeds expectations. Performance standards and supervisory evaluations should stress that merit increases are not automatic.

Career Development Increases

The City Manager will develop a structure to provide salary increases to recognize the attainment of career levels and developmental milestones that assure that the City's career positions are paid comparably with those in the primary labor market. Such a structure enables existing employees in career jobs within the City to receive pay increases in addition to merit, and enables the City to target its pay to those employees who do grow in skill and capability.

Education and Tuition Assistance

An objective in the compensation philosophy is to encourage and support advanced study, education and degree attainment for job related courses and programs. The City Manger will prepare and disseminate procedures for applying for and receiving education and tuition assistance, including the academic grades or measures necessary for an employee to be reimbursed and the type of course work that is authorized. The amount to be budgeted for this program will be the average of the budgets for the primary comparator jurisdictions.

Incentives

It is also the intent of the compensation philosophy to provide significant financial incentives for extraordinary and exemplary performance in two categories. First, with the recommendation of the City Manager and the approval of the City Council, an employee may be given a taxable cash award ranging from $1,000 to $10,000. Such awards are to be given only in those instances where performance or contributions are deemed unique, truly extraordinary, and significantly beneficial to the City.

Second, there should be a program for rewarding employees at any time who demonstrate exemplary performance significantly beyond job expectations. Taxable cash awards in this category may be given to a maximum of $500, with typical awards being between $100 and $250. The City Manager should recommend a specific budget allocation to be made available for awards in this category, with procedures for determining selection of incentive awards.

In either category, these awards are one-time cash awards and should not be considered increases in base salary or benefits.

Exceptions

Nothing in this compensation philosophy statement should be construed as a required benefit in the event that the City experiences a decline in revenue or revenue growth lower than the projected increase in expenses. "Revenue" is currently defined as the two largest components of operating revenue: the real property tax base and the projected total personal property tax base.

Attachment 2

Benchmark and Linked Classes to be Adjusted in FY 06

Code Enforcement Inspector II

1. Code Enforcement Inspector I
2. Code Enforcement Inspector III
3. Fire Protection System Specialist
4. Hack Inspector
5. Parking Enforcement Officer I
6. Parking Enforcement Officer II
7. Parking Enforcement Officer III
8. Sanitation Inspector
9. School Crossing Guard
10. Security Monitor
11. Supervisor/Code Enforcement Field
12. Supervisor/Exst Struc Inspector
13. Supervisor/Parking Enforcement Officer
14. Supervisor/School Crossing Guard
15. Zoning Inspector

Customer Support Engineer II

1. Customer Support Engineer I
2. Customer Support Engineer III
3. Division Chief/ITS Customer Service
4. Lotus Notes Support Engineer

Director/ITS

1. Deputy Director/ITS
2. Division Chief/Applications
3. Division Chief/Database Management
4. Division Chief/Network Services
5. Division Chief/Network & Security Services

Lab Aide

1. Dental Assistant
2. Public Health Nurse Aide
3. X-Ray Tech

Library Assistant II

1. Library Aide
2. Library Associate I
3. Library Associate II
4. Library Assistant I

5. Library Assistant III
6. Library Page
7. Museum Aide I
8. Museum Aide II
9. Museum Education Specialist
10. Museum Tech

Benchmark Classes: 5

Classes linked: 37

Number of Job Classes Impacted: 42

Number of Employees Impacted: 221