



CITY COUNCIL WORK SESSION MEMORANDUM

TO: City Council

FROM: Matthew R. Schmitz, MPA - City Manager

DATE OF MEETING: January 19, 2026

ITEM TITLE: Classification and Compensation Study

DISCUSSION: The City of Independence recently issued a Request for Proposals (RFP) to select a qualified consultant to conduct a comprehensive city-wide Classification and Compensation Study. This item was presented at the January 5, 2026, Work Session for initial discussion due to an increase in budgetary authority needed to perform the work, and then at the January 12, 2026, Regular Meeting, where the City Council tabled the item to allow for further discussion regarding the necessity and scope of the project.

Clarification of Scope: Classification vs. Salary It is important to clarify that this project is a *Classification* and Compensation Study, rather than strictly a "salary study." Salaries should be determined by what employees actually do. Currently, our job descriptions have evolved organically, meaning the written description may not match the daily reality of the employee's work.

Before we can discuss financial figures, we must ensure our job descriptions align with the actual duties being performed. Without this alignment, we are essentially building a budget on a cracked foundation. This study functions like an inspection of an older home; we are currently operating with "original wiring" that has not been updated to code. Deferring this maintenance, in my opinion, could increase the risk of significant liability later, such as pay equity lawsuits or Department of Labor audits regarding FLSA compliance.

Operational Efficiency: Why utilize an External Consultant? There has been discussion regarding whether this work could be performed internally by the City Manager. While staff appreciates the confidence in our internal capabilities, we believe utilizing an external consultant is necessary for three specific reasons:

1. **Strategic Focus:** The City Manager is tasked with high-level strategy, including legislative advocacy and major capital projects. This study involves the detailed statistical analysis of roughly 55 distinct job titles. Asking the City Manager to suspend management of major strategic priorities to perform months of data entry would, in my opinion, be a misuse of the City's investment. Much like a General Contractor, the City Manager's role is to manage the overall build rather than personally laying every tile.
2. **Legal Defensibility:** We pay for external financial audits to protect the City from liability. Similarly, a compensation study written internally could be viewed as a self-serving document. A study conducted by a certified firm like McGrath serves as a defensible legal document that can help to protect the City in the event of potential pay equity disputes.
3. **Objectivity and Internal Equity:** We believe that an external consultant is necessary to act as a neutral "conductor." If designed internally, the system risks perceived bias where departments advocate for their own teams. An external partner ensures that a clerk in the Police Department

is paid equitably compared to a clerk in City Hall, ensuring the results are accepted as fair by staff.

Implementation Strategy We recognize there are valid financial concerns regarding the results of the study. We intend to utilize a responsible plan for implementation:

- **Overpaid Positions:** If the study shows an employee is overpaid relative to the market, we would suggest "red circling" (freezing) that employee at their current rate until the market projection catches up to them. We would not suggest cutting salaries.
- **Underpaid Positions:** If an individual is found to be excessively underpaid, we will review this on a case-by-case basis. We would likely utilize a multi-year approach to remedy the gap rather than attempting to fix it in a single budget cycle.

Consultant Selection and Financial Impact The evaluation committee identified McGrath Human Resources Group as the best value partner for the City. We selected McGrath largely for their "teach-to-fish" methodology. They will build the foundation and train our leadership team on their analysis method. This creates a one-time setup cost that empowers us to manage the system internally moving forward.

Regarding the financial impact, the Council should note the following:

- **Budgeted Amount:** The City originally budgeted **\$35,000** for this project in the current fiscal year.
- **Actual Cost:** The base consultation fee for the study with McGrath is **\$37,344**, with additional provisions for travel expenses, although we don't believe we will need in-person meetings.

Because the selected proposal exceeds the initial budget allocation, we are asking the Council to recognize this variance and approve the necessary increase to cover the full cost of the contract. Funds are available within the current budget to cover this additional investment, and that approval will come at a future meeting as no action can be taken on this item during a work session.

RECOMMENDATION:

Staff recommends discussion of this topic. No action is needed at this meeting, as any decision items needed would be brought forward to a City Council meeting for approval.