



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 5664
February 18, 2020
Study Session**

AGENDA BILL INFORMATION

TITLE:	AB 5664: Classification and Compensation Discussion	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive report. No action necessary	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Human Resources
STAFF:	Ali Spietz, Chief of Administration
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Classification and Compensation Study RFP Draft Scope of Services 2. 2019-2020 Long-Term Compensation Strategy budget policy
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The 2020 City Council Planning Session included a decision card exercise where the City Council reviewed and prioritized several potential new work items. Two of the new work items selected for further consideration are related to ongoing work and restructuring of the City’s Human Resources function:

- Develop a Citywide compensation policy and philosophy; and
- Conduct a Citywide Classification and Compensation Study.

The Classification and Compensation study was further described in the decision card exercise as:
The City's compensation levels and strategies need to be reviewed and updated. This includes reviewing and updating the classification system for all positions, and a salary study for non-represented staff.

The purpose of this agenda item is to facilitate a project scoping discussion with the City Council prior to issuance of a Request for Proposals (RFP). The staff consider both of these items to be a very high priority and would like to begin the consultant recruitment process as soon as possible. This additional work will require a budget appropriation to be authorized at a future meeting. Given the current proposed scope of work (Exhibit

1), the staff estimates it will take approximately 10 to 12-months to complete the study and the cost estimate is \$60k to \$100k depending on the final scope of work.

BACKGROUND

The City of Mercer Island has not completed a comprehensive classification and compensation study in over 20 years. The most recent practice has been to perform market salary studies on a rotating basis (normally every three or four years) for each non-represented work group/Department. Salary and compensation studies for represented positions are performed as part of the bargaining process on a three-year basis.

The market analysis process for non-represented staff was narrowly constructed to focus on salary only and was specific to an external market comparison. The goal, based on current City policy and practices, was to establish salaries at a mid-market range (based on the external market comparison). The City currently uses the following comparable cities for conducting market studies:

- First tier: Auburn, Bothell, Edmonds, Issaquah, Kirkland, Lynnwood, and Redmond
- Second tier: Sammamish, SeaTac, and Shoreline

This rotating market analysis did not include an internal equity review or a consistent review of job descriptions.

The Puget Sound municipal job market has changed considerably over the past two decades. At present, the strong economic market and thriving construction industries are making it increasingly difficult to fill vacant positions in certain high-demand fields, such as engineering and technology. A comparative market analysis will inform future compensation-related policy decisions to ensure Mercer Island remains competitive in the municipal job market.

The City has also experienced several internal changes, including numerous staff transitions and Department reorganizations. Changes such as these have created the potential for internal classification and compensation inequities among the City's workforce. The position changes may have also created a situation in which the federal Fair Labor Standards Act (FLSA) status of certain positions could be in violation of federal law. FLSA classifications will be reviewed as part of this study.

To remedy these potential position imbalances and legal concerns, and to ensure that the City can recruit and retain high quality employees, a classification and compensation study is recommended.

CURRENT COMPENSATION POLICY

The excerpt below is taken from the Long-Term Compensation Strategy budget policy (see Exhibit 2). The City currently uses several factors in developing its compensation strategy:

- For all employee groups, total compensation includes base pay, steps (for represented employees), and other compensation.
- Approved full- and part-time positions represent valuable labor potential. Therefore, vacant positions are carefully reviewed before they are filled.
- When a healthy economic climate exists, the City's goal is to remain competitive at the mid-point of the comparable market for each position.
- When identifying appropriate comparable cities for conducting a market analysis, the City chooses organizations based primarily on the following criteria: full service cities, population (20,000-

100,000), Puget Sound location (King County and south Snohomish County, excluding Pierce, Thurston, and Kitsap Counties), number of employees (150-750), and number of job matches.

- When possible, increases in pay will be tied to exceeding defined performance standards.
- Employees must share in the cost of their health care benefits.
- Compensation decisions (including labor negotiations) will be made using the best data available.

The City's compensation policy is recommended to be reviewed and updated as part of this process.

It should be noted that the City eliminated performance awards and merit pay (Pay for Performance) in 2020 as part of the additional deficit spending reductions adopted by the Council in April 2019.

COMPENSATION AND CLASSIFICATION STUDY

The Compensation and Classification study will examine and evaluate the City's current salary schedule and classification system and provide recommendations for modifications. The scale and scope of this work is such that it needs to be performed by a consultant, with staff support and engagement provided throughout the process. As a reminder, final policy approval rests with the City Council.

The key objectives for the consultant are as follows:

1. Conduct a job audit of all positions, which will include interviews with department directors/managers and other key personnel to determine the organizational structure and essential functions of each position.
2. Initiate and collect position description questionnaires and other written feedback; conduct follow-up interviews when needed.
3. Review and revise existing job descriptions to ensure essential functions, knowledge, skills, abilities, education, and certification requirements are reflective of the work being performed. Ensure consistency in formatting and content among all City job descriptions. Review and update (if needed) the Fair Labor Standards Act designation for each job title/classification.
4. Recommend an appropriate classification for each position and establish a Citywide job classification structure.
5. Prepare a market analysis that identifies the City's competitive position in a comparative labor market. Determine recommended comparable cities.
6. Prepare a recommendation for a compensation philosophy to maintain competitiveness, ensure equity, and position the organization for future development.
7. Provide a recommendation for total salaries and benefits, including the total compensation package of healthcare insurance, paid leave, and other benefits.
8. Determine an appropriate salary structure including a minimum and a maximum percent spread, and the difference between each salary step, that provides for logical progression of movement when needed, between classifications.
9. Develop and present recommendations and impact studies including the cost, if any, of implementing the proposed compensation policies with current employees, and the future impact of recommended changes.
10. Schedule and attend meetings with City staff and the City Council.

Attached as Exhibit 1 is the draft Scope of Services for the RFP which includes the above directives as well as guidance for project management, consultant coordination, meeting requirements, expected deliverables and implementation recommendations.

Staff have set a tentative timeline for issuing the RFP in late February with a goal of selecting a consultant by May 1. City Council feedback on the draft scope of work is requested to inform the final RFP.

Since the fiscal impact is not known at this time, staff will return to the Council for an appropriation once the consultant has been selected.

RECOMMENDATION

Receive report. No action necessary.