



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

**AB 6491
June 18, 2024
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6491: Compensation Plan for Non-Represented Employees	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Provide policy direction and approve the Compensation Plan for Non-Represented Employees.	

DEPARTMENT:	City Manager		
STAFF:	Jessi Bon, City Manager Ali Spietz, Chief of Administration Carson Hornsby, Management Analyst		
COUNCIL LIAISON:	Salim Nice	Craig Reynolds	Wendy Weiker
EXHIBITS:	1. Draft Compensation Plan for Non-Represented Employees 2. Benefits Comparison for Non-Represented Employees		
CITY COUNCIL PRIORITY:	n/a		

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

EXECUTIVE SUMMARY

The purpose of this agenda bill is to review, provide policy direction, and approve the proposed Compensation Plan for non-represented employees. This includes updates to the non-represented position classification system and a newly established salary schedule.

- The City Council establishes compensation, benefits, merit systems, and retirement and pension systems for City employees as prescribed by [RCW 35A.11.020](#).
- Approximately half of the City’s workforce (99 of 207 employees) are classified as non-represented. Non-represented employees are not represented by a labor union. The City's non-represented employees include a variety of position types such as directors and managers, professionals, some technicians, associates, Youth and Family Services professional staff, and the Thrift Shop employees.
- The City does not have a structured compensation plan for non-represented positions. Best practices for a compensation plan include a position classification system, salary schedule, and compensation policies.
- The lack of a structured salary schedule for non-represented employees has led to recruitment and retention issues and pay discrepancies, often requiring the City Manager to make manual salary adjustments for staff to adapt to changes in market conditions.

- The City Council added to the 2021-2022 work plan completion of a Classification and Compensation Study and development of a new Compensation Plan for non-represented employees.
- The City initially contracted with HR Compensation Consultants (HRCC) in 2021 after a formal request for proposal (RFP) was issued to complete the Classification and Compensation Study. HRCC engaged City staff and management to review and update job descriptions, gathered labor market compensation data from ten cities with a salary and benefits survey, and developed a job classification system to assign positions to an organizational hierarchy.
- The City continued to work on implementation of the Compensation Plan in 2023 with Ralph Andersen & Associates. The consultant worked with staff to develop the draft Compensation Plan for non-represented employees, update the City's existing compensation policies, and update the data gathered by HRCC to reflect the 2024 labor market.
- Staff and the consultant have held several meetings with the City Council Ad Hoc Finance Committee since early 2024 to gather feedback and policy guidance on the draft Compensation Plan for non-represented employees and prepare a final proposal to present to the City Council.

BACKGROUND

The City Council establishes compensation, benefits, merit systems, and retirement and pension systems for City employees as prescribed by [RCW 35A.11.020](#).

The Status Quo of Compensation for Non-Represented Employees

The City does not have a structured Compensation Plan for non-represented positions, which would typically include a position classification system, a salary schedule, and compensation policies. Salaries for new non-represented employees are established at the time of hire based on current market conditions. There is currently no mechanism for salary progression other than cost of living adjustments. The current system has led to recruitment and retention issues and pay discrepancies for non-represented employees. These issues often require the City Manager to manually adjust employee salaries to bring them in line with the current labor market and alleviate internal consistency concerns. Manual salary adjustments are a time-consuming and cumbersome task for the City Manager and human resources staff.

In the fall of 2020, during the 2021-2022 biennial budget approval, the City Council added to the work plan completion of a Classification and Compensation Study for non-represented employees and development of a new Compensation Plan to bring the non-represented compensation strategy into alignment with the market and best practices.

Classification and Compensation Study for Non-Represented Employees

The City initiated a formal RFP process to select a consultant to conduct a Classification and Compensation Study for non-represented positions in 2021. HR Compensation Consultants (HRCC) was selected to perform the work.

HRCC began by analyzing the City's existing job descriptions and conducting interviews with directors, managers, and other key personnel to determine the organizational structure and essential functions of each position. Next, all non-represented employees completed a position description questionnaire (PDQ) to provide detailed information about their position. Each PDQ was reviewed by the employee's supervisor and/or manager to confirm the accuracy of employee responses and provide additional comments.

The PDQs enabled HRCC to engage employees and gather information about the following subjects:

- General position responsibilities
- Supervisory and budgetary responsibilities
- Interactions with others
- Education
- Experience
- Knowledge, skills, and abilities
- Physical, environmental, and other demands

HRCC used the City’s existing job descriptions and information gathered from the PDQs to create updated standardized job descriptions for each position. HRCC worked with the City to ensure essential functions, knowledge, skills, abilities, education, and certification requirements are reflective of the work being performed. They also reviewed to ensure consistency in formatting and content among all job descriptions and updated the Fair Labor Standards Act designation for each position as needed.

In conjunction with the job description review, HRCC conducted a salary and benefits survey to gather labor market data from comparable cities. The cities selected for comparison have historically been used by the City of Mercer Island based on the following criteria:

- Provide services, functions, and programs similar to the City of Mercer Island
- Located within a reasonable commuting distance to the City of Mercer Island (in King and south Snohomish Counties and excluding Pierce, Thurston, and Kitsap Counties)
- Similar in population size if possible, or as an alternative, include a balance of smaller and larger cities
- Total number of employees is at least 150, but not more than 800

A list of ten comparable cities was established using these criteria (see table below). The cities include Auburn, Bothell, Edmonds, Issaquah, Kirkland, Lynnwood, Redmond, Sammamish, SeaTac, and Shoreline.

City	County	Driving Distance	2023 Population	Number of Employees
Auburn	King	25	88,820	470
Bothell	King	17	49,550	382
Edmonds	Snohomish	23	43,370	279
Issaquah	King	11	41,290	297
Kirkland	King	10	96,920	712
Lynnwood	Snohomish	24	40,790	314
Redmond	King	12	77,490	665
Sammamish	King	15	68,280	145
SeaTac	King	20	31,740	140
Shoreline	King	18	61,120	206
Mercer Island	King	N/A	25,800	210

Representatives from each of the comparable cities provided salary and benefits information for their non-represented positions including the total cost of compensation. This information was used to determine labor market compensation levels for comparable positions and develop a salary schedule for non-represented employees.

After collecting and analyzing the data from the salary and benefits survey, HRCC provided a recommendation on a classification framework for the City's non-represented positions. The framework included the creation of a "Job Map," which is used to assign positions to a hierarchy based on qualitative and quantitative analyses of each position (Exhibit 1, Appendix A).

In 2023, the City continued to work on implementation of the Compensation Plan with Ralph Andersen & Associates. The consultant worked with staff to develop the draft Compensation Plan for non-represented employees, update the City's existing compensation policies, and update the data gathered by HRCC to reflect the 2024 labor market.

ISSUE/DISCUSSION

Compensation Plan for Non-Represented Employees

Approximately half of the City's workforce (99 of the City's 207 employees) are classified as non-represented. Non-represented employees are not represented by a labor union. The City's non-represented employees include a variety of types of positions such as directors and managers, professionals, some technicians, associates, Youth and Family Services professionals, and Thrift Shop employees.

The Compensation Plan (Exhibit 1) is intended to provide a primary source for compensation-related policies for non-represented employees. The City has many established compensation policies, but they have not previously been organized in a single document. This new format will facilitate review and approval by the City Council, which is recommended to occur every three to four years.

The proposed Compensation Plan includes a new position classification system and updates to the City's compensation policies to bring them in line with current labor laws and best practices. The Compensation Plan also includes two new compensation policies as summarized below:

- A new holiday pay policy is proposed for non-represented seasonal and casual labor employees providing for compensation to be paid at one and a half times the regular hourly pay rate if they cannot take the holiday off. Additionally, part-time and full-time non-exempt (hourly) employees who work on a holiday and cannot take the day off will be paid one and a half times their regular hourly pay rate for the hours worked on the holiday, in addition to their regular pay. The current practice requires these employees to take a flex day off during the pay period if they work on a holiday, which causes issues with shift work and working outside of normal business hours, making it inefficient and impractical to administer.
- A new policy is proposed to incentivize early retirement notice. The policy provides that employees who give a minimum one-year notice of retirement in writing will be eligible to cash out 25% of their sick leave balance at the time of retirement (up to \$20,000). Such notice is a commitment to retire unless mutually waived. This new policy is intended to incentivize early notice of retirement to allow the City to advertise and recruit for the position ahead of the retirement vacancy. The goal is to allow for institutional knowledge transfer, minimize the time positions are vacant to ensure continuity of services, and create a longevity incentive for non-represented staff.

New Salary Schedule for Non-Represented Employees

The Compensation Plan policies guide the development of a salary schedule for non-represented employees, consistent with the market and best practices. As previously noted, non-represented employees are currently hired at the midpoint of the market and are not afforded any opportunity for salary progression.

In making the recommendation to implement a new salary schedule for non-represented employees, there are several policy variables to consider. The City Council Ad Hoc Finance Committee has identified the following decision points for Council consideration:

1. Salary ranges as a percentage of the median of the labor market (recommendation: 95% of median)
2. Number of steps in the salary schedule (recommendation: 7 steps)
3. Percentage difference between salary steps (recommendation: 4% steps)
4. Effective date of implementation (recommendation: July 1, 2024)

These policy variables are further described below, and the long-term budgetary impact is summarized at the end of the section.

1. Salary Ranges as a Percentage of the Median of the Labor Market

The compensation data collected as part of the Classification and Compensation Study was used to establish recommended salary ranges for the City's non-represented positions in alignment with the comparable labor market. The median of the labor market is a good measure to assess current salaries compared to the market. The median represents the "middle of the market," meaning that salaries of half of the comparable cities are above the median and half are below.

In establishing salary ranges for non-represented employees, the recommendation is to be at or slightly above the median to remain competitive in the market and retain top talent. The Ad-Hoc Finance Committee reviewed the alternatives and recommends establishing the non-represented employee salary schedule at 95% of the labor market median.

2. Salary Steps

There are twelve grades in the proposed salary schedule. Positions are grouped together in grades based on similarity of responsibilities and compensable factors of each position. Each grade has a salary range that applies to all the positions within the grade. The system of advancement to the top of the salary range is based on years of service in the position.

Most cities use a seven-step salary schedule. A 10-step salary schedule was also considered. The Ad-Hoc Finance Committee recommends establishing a seven-step salary schedule for non-represented staff.

3. Percentage Difference Between Salary Steps

In addition to the number of steps in the salary schedule, the difference between steps is also a policy consideration. Typically, seven-step salary schedules include a 4% difference between steps and ten-step salary schedules include a 3% difference between steps. A majority of the comparable cities use 7-step salary schedules. The Ad-Hoc Finance Committee recommends a 7-step salary schedule with 4% between steps as it is more in line with market practices.

4. Effective Date of Implementation

The effective date of implementation is any day after the Compensation Plan for non-represented employees is approved by the City Council. The staff recommend the implementation date be set as the

first day of the month following adoption. This allows time for payroll to implement changes to reflect the new changes.

Benefits

Benefits are an important component of total compensation. Benefits information was gathered from the comparable labor market for use in evaluating the City’s benefits package for non-represented employees. The benefits comparison table is provided in Exhibit 2. The table includes data on standard local government benefits such as sick leave, vacation leave, holidays, retirement and supplemental retirement plans, medical insurance, dental insurance, vision insurance, health reimbursement arrangements and health savings accounts, life insurance, disability insurance, and other benefits.

The City is generally in alignment with the comparable labor market regarding benefits for non-represented employees. The Ad-Hoc Finance Committee does not recommend a change to the non-represented employee benefits package at this time.

Budgetary Impacts

Implementation of the Compensation Plan requires balancing three key considerations: achieving the desired market position (% of median), placing employees into the new structure based on experience, and managing future costs.

The table below reflects a 7-step salary schedule with 4% steps and estimates the financial impact over a four-year period. Assumptions were made about placement into the new salary schedule based on years of service for each position. Among the policy decisions inherent with implementing the new non-represented salary schedule, market position (e.g., 90%, 95%, 100% of market median) has the greatest budgetary impact on long-term costs. The Ad-Hoc Finance Committee recommends establishing the salary schedule at 95% of the median. Budgetary impacts of 100% of median and 90% of median are included in the table for comparison.

ESTIMATED BUDGETARY IMPACTS							
Market Position (% of Median)	Year 1 \$ Change	Year 2 \$ Change	Year 3 \$ Change	Year 4 \$ Change	4 Year Total Change		Outyears Remaining
					\$	%	
90%	\$202,152	\$134,470	\$71,571	\$53,101	\$461,294	3.0%	\$60,958
95%	\$395,121	\$260,701	\$159,380	\$106,406	\$921,608	5.9%	\$96,902
100%	\$680,506	\$421,594	\$304,807	\$171,165	\$1,578,072	10.2%	\$167,904

* Annual costs based on years in position placement into a seven-step plan

* Includes benefits costs

NEXT STEPS

Staff are seeking policy direction from the City Council on the Compensation Plan regarding:

1. Salary ranges as a percentage of the median of the labor market (recommendation: 95% of median)
2. Number of steps in the salary schedule (recommendation: 7 steps)
3. Percentage difference between salary steps (recommendation: 4% steps)
4. Effective date of implementation (recommendation: July 1, 2024)

With these policy decisions made, staff are recommending that the City Council adopt the Compensation Plan on Tuesday night.

Human Resources staff will immediately begin implementing the new salary schedule for non-represented employees.

RECOMMENDED ACTION

Provide policy direction and approve the Compensation Plan for Non-Represented Employees.

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