

# City of Mercer Island Classification and Compensation Study for Non-Represented Employees

Doug Johnson, Vice President  
Ralph Andersen & Associates

# Classification & Compensation Study

- The 2021-2022 work plan included a **Classification and Compensation Study** for non-represented employees to inform the development of a Compensation Plan.
- In the first phase of work, HRCC was selected through an RFP process and began by updating job descriptions, gathering labor market compensation data from ten cities through a salary and benefits survey, and developing a job classification system to assign positions to an organizational hierarchy.
- Most recently, Ralph Andersen & Associates continued the work of HRCC by drafting the **Compensation Plan** ([see AB6491, Exhibit 1](#)), updating existing compensation policies, and updating the salary data to reflect 2024 market conditions.



# Discussion Objectives

1. Provide an overview of the issues and solutions developed.
2. Identify and discuss policy options and decision points.
3. Obtain City Council direction on decision points.
4. Determine next steps towards implementation of the plan.



# Non-Represented Employees

- Non-represented employees are not represented by a labor union.
  - Non-represented employees account for nearly half of the City's workforce (99 of 194 – *not including seasonals or casual labor employees*).
  - Non-represented employees include directors, managers, professionals, technicians, and associates.
- The City of Mercer Island has three collective bargaining agreements with labor union representation.
  - AFSCME (Public Works, Administrative, and Technician staff)
  - Police
  - Police Support
- Salary schedules for represented employees are established by the respective collective bargaining agreement.
- The City does not have an established salary schedule for non-represented employees.



# Issue #1 – No Compensation Structure

- Mercer Island does not have a compensation plan nor salary schedule for non-represented employees.
  - Employee salaries are established at the time of hire based on current market conditions.
  - The practice (based on a 2003/2004 policy) has been to hire at the mid-point of the market.
  - Up until 2019, non-represented employees received annual pay-for-performance awards, but those awards were eliminated through a series of budget cuts.
  - There is currently no mechanism for salary progression for non-represented employees other than cost of living adjustments.
- The lack of a salary schedule requires manual administration of salaries by the City Manager, which may lead to inconsistencies.
- The regional cities Mercer Island competes with for talent all have structured compensation plans for non-represented employees.



# Compensation Structure Solution

- The first step in establishing a compensation plan for non-represented employees involves classifying employees.
- The "Job Map" (see next slide) classifies non-represented positions into five groups based on compensable factors for each position.

## Five job groups

- Leader (L1-L6)
- Professional (P1-P5)
- Technician (T1-T5)
- Associate (A1-A5)
- Youth & Family Services (Y1-Y5)

## “Compensable factors” for each position

- Expertise, Knowledge, Experience
- Resource Responsibility
- Impact of Decisions
- Autonomy of Actions
- Working Relations
- Working Conditions



# Job Map Detail

L	LEADER	P	PROFESSIONAL	T	TECHNICIAN	Y	YOUTH & FAMILY SERVICES	A	ASSOCIATE
L6	Chief of Administration Chief of Operations	P5		T5	Accountant II Arborist Business Systems Analyst II GIS Analyst II Payroll Analyst II	Y5	School-Based Mental Health Counselor Family & Individual Therapist Mental Health & Substance Abuse Specialist	A5	Executive Assistant to the City Manager
L5	City Attorney CPD Director Finance Director Police Chief	P4	City Clerk Senior Development Engineer Senior Paralegal/Public Records Officer Senior Street Engineer Senior Systems Administrator Senior Transportation Engineer Senior Utility Engineer	T4	Accountant I Business Systems Analyst I Payroll Analyst I GIS Analyst I	Y4	Family Support Specialist	A4	Senior Administrative Assistant Court Clerk II Recreation Specialist
L4	Deputy CPD Director Deputy Finance Director Deputy PW Director City Engineer/Deputy PW Director Police Commander YFS Administrator	P3	Communications Manager Development Engineer Emergency Manager Senior Building Plans Examiner Senior CIP Project Manager Senior Long Range Planner Senior Planner Street Engineer Senior Management Analyst Systems Administrator Transportation Engineer Utility Engineer	T3	Systems Support Specialist	Y3	Geriatric Specialist	A3	Court Clerk I
L3	Building Official Capital Division Manager IT Manager Planning Manager Utilities Operations Manager	P2	Building Plans Examiner CIP Project Manager CPD Admin Coord/Dep City Clerk Finance Analyst II Human Resources Analyst II Management Analyst II Natural Resources Program Manager Paralegal/Public Records Assistant Planner Sustainability Program Manager Urban Forestry Program Manager	T2	GIS Technician	Y2	Prevention Programs Coordinator YFS Programs Coordinator	A2	Recreation Assistant Seasonal Volunteer Coordinator
L2	Assistant Building Official Human Resources Manager Parks Operations Manager Recreation Manager Right-of-Way/ Stormwater Manager Support Services Manager	P1	Assistant Planner Accounting Specialist (LTE) Finance Analyst I Human Resources Analyst I Management Analyst I Project Coordinator Recreation Coordinator	T1		Y1		A1	
L1	Clinical Supervisor Court Administrator Customer Service Manager GIS Manager Permit Services Manager Recreation Supervisor	<p>The Job Map is combined with labor market data to establish salary ranges covering each group and level.</p>							

# Market Pricing and Compensation Survey

- While the Job Map applies a structure for the non-represented positions in the City, data must be collected from the labor market to establish salary ranges covering each group and level.
- Market data is typically obtained through a custom salary and benefits survey.
- The City Council sets policy to establish the City's desired market position.
  - The median of the market is a typical starting point.





# Survey Agencies

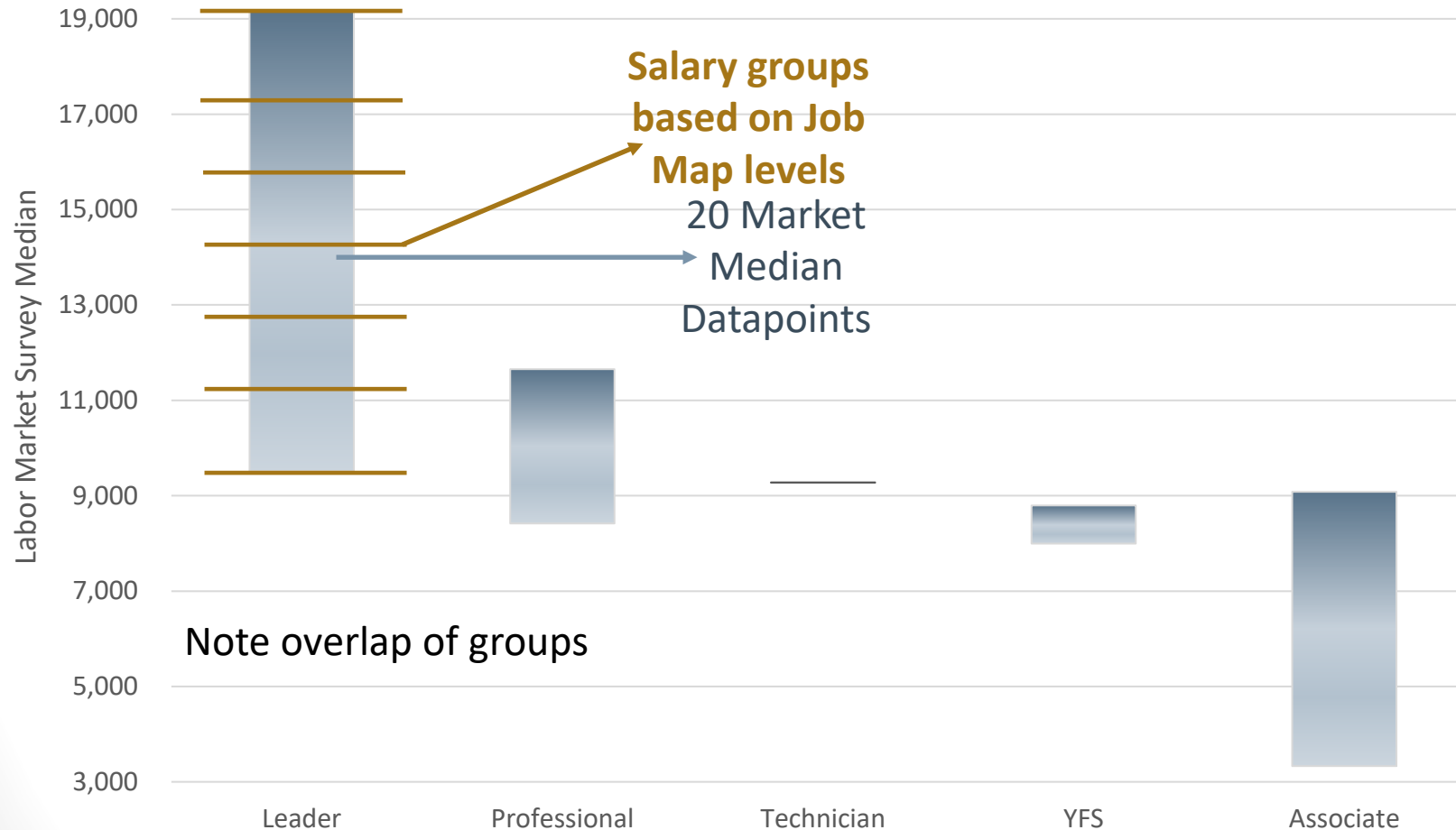
- Ten cities from the Puget Sound Region were selected to participate in the salary and benefits survey along with five supplemental agencies that were surveyed for specific classifications (counselors).
- Comparable cities were selected based on:
  - Historical survey practices of the City.
  - Nature of services.
  - Geographic proximity.
  - Size of the agency (population/budget).
- Salary data was collected from each city for comparable positions.
- Benefits information was also collected from each City (see [AB6491, Exhibit 2](#) for 2024 non-represented employee benefits comparison)

Auburn
Bothell
Edmonds
Issaquah
Kirkland
Lynnwood
Redmond
Sammamish
SeaTac
Shoreline
King County *
Mercer Island SD *
NorthWest Educational SD *
Seattle Public Schools *
Washington State *

*\* Only surveyed for specific job classifications*



# Market Data by Job Group



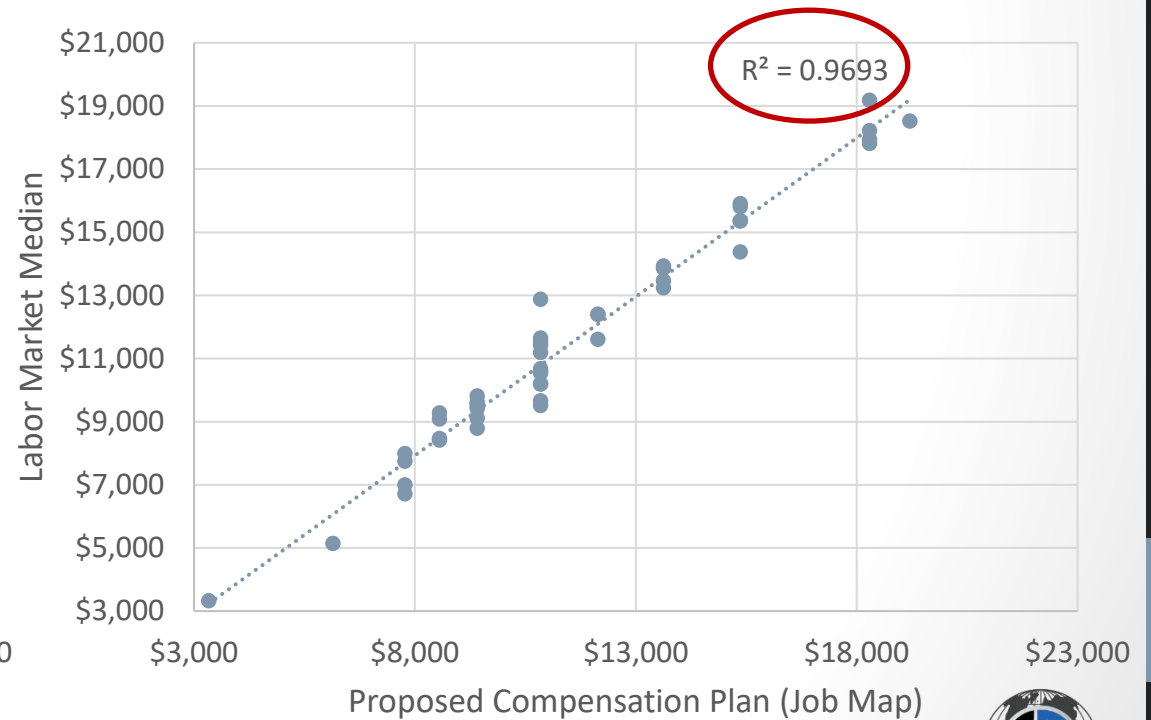
## Pricing the Job Map

- Each bar represents salary survey data for 47 total jobs in 5 job groups.
- Market data provides job level compensation within each group.
- Multiple job data points exist within each bar and are averaged within each established job level.
- This process anchors the City's Job Map to the labor market.



# Better Market Alignments

- Significant improvement in the correlation of current employee salaries to market.
- Validates the City's Job Map (job map hierarchy better aligns with market).
- $R^2$  is a measure of market correlation.



# Issue #2 – No Salary Ranges

- Non-represented employee salaries are established at the time of hire based on current market conditions.
- No standard or consistent salary progressions mechanism exists. Employees do, however, receive an annual cost-of-living adjustment (COLA).
- The lack of a salary structure requires manual administration of salaries by the City Manager, which may lead to inconsistencies.
- All the comparable cities have established salary ranges for non-represented employees.



# Sample Salary Range Structure

- Salary range progression:
  - Consists of steps or other horizontal movement within a defined range.
  - Recognizes experience, learning, and acclimation within the City.
  - Typical range structure:



- Established salary ranges:
  - Provide lower and upper limits based on job duties.
  - Ensure salary progression and reward employee performance and experience.
  - Address salary consistency and equity.
  - Align with the practices of comparable cities.



# Salary Range Structure

- Market trends
  - All the comparable cities have salary ranges.
  - All comparable cities use step progression, except Redmond.
  - Median # of steps = 7
  - Median step % = 4%
  - Median range spread = 29%
- Mercer Island does not have a salary range structure for non-represented employees.

City	Min to Max %	# of Steps	Step % Value
Shoreline	22%	6	4.0%
SeaTac	28%	6	5.0%
Auburn	23%	7	3.5%
Bothell	27%	7	4.0%
Lynnwood	29%	7	4.0%
Edmonds	34%	7	5.0%
Sammamish	37%	9	4.0%
Kirkland	29%	10	3.0%
Issaquah	36%	11	3.0%
Redmond	35%	Open	0%-5%



# Pay Structure Options

- It is important that the City's salary ranges are aligned with market practices to ensure optimal recruitment and retention of employees.
- Under the proposed Compensation Plan, employees with satisfactory performance will annually progress step by step within the salary range until the range maximum is achieved.
  1. 7 steps, 4% increments, 26.5% spread (recommended).
  2. 10 steps, 3% increments, 30.5% spread.



# Issue #3 – Implementation

- A rational and consistent mechanism is required to place current non-represented employee salaries into the new Compensation Plan.
- Implementation must balance:
  - Achieving the desired market position (median).
  - Placing employees into the new structure recognizing experience.
  - Managing future costs.
- Budget impacts inform implementation.
- Market position has the greatest budgetary impact.
  - Eventually employees reach the range maximum.



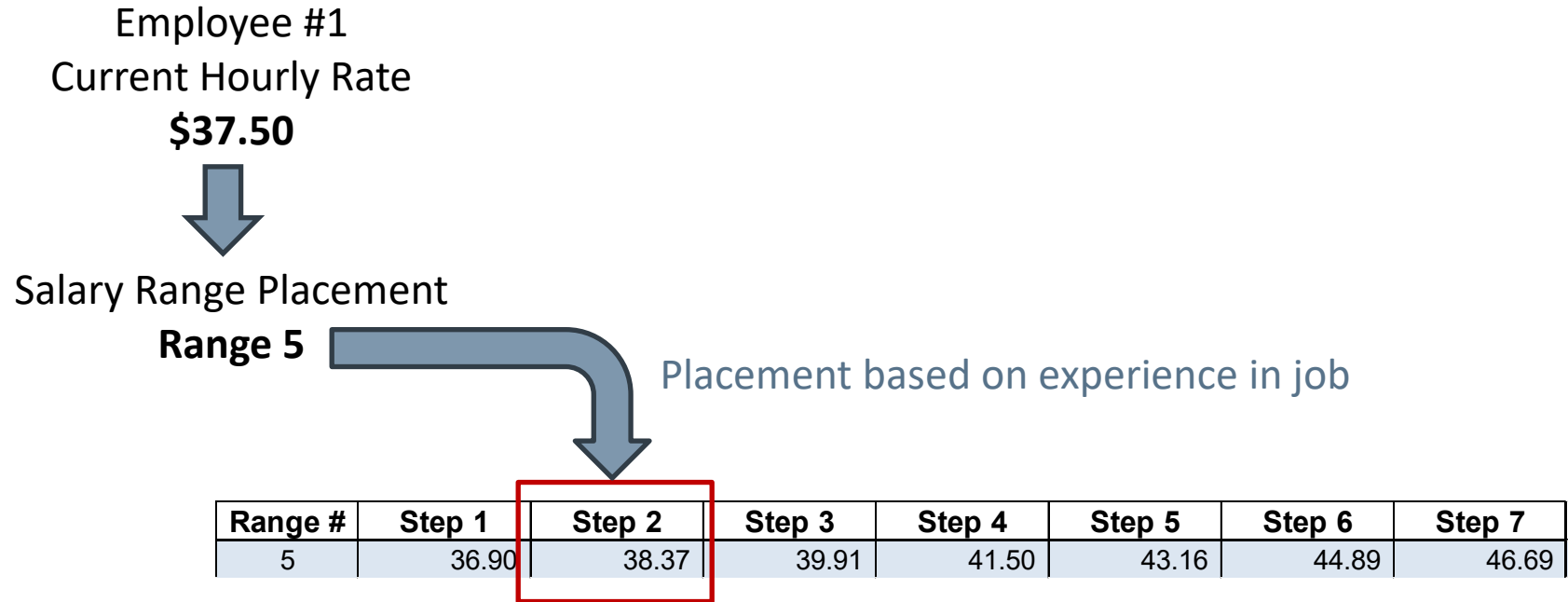


# Implementation Sample Model

- Implementation of the Compensation Plan.
  - Salary grades, roles, and levels established in the Job Map.
  - Survey market data from 10 comparable cities.
  - Salary range structure with percentage step increments.
- Other models have been developed as part of the budget impact analysis.
  - Median and 90% of median market positions.
  - 10-step salary ranges with 3% increments.
- **Implementation Recommendation**
  - Market position: 95% of the median of the labor market.
  - 7-step salary ranges with 4% step increments.
  - Consideration of the employee's time/experience in the job classification.



# Employee Implementation Example #1



Day of Implementation

Current	New	\$ Change	Annualized	% Change
\$ 37.50	\$ 38.37	\$ 0.87	\$ 1,817	2.3%

Following Two Years

New	Year 2	\$ Change	Annualized	% Change
\$ 38.37	\$ 39.91	\$ 1.54	\$ 3,203	4.0%
	Year 3	\$ Change	Annualized	% Change
	\$ 41.50	\$ 1.59	\$ 3,307	4.0%



# Employee Implementation Example #2

Employee #2  
Current Hourly Rate  
**\$42.63**



Salary Range Placement  
**Range 5**

20 years in position

Range #	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
5	36.90	38.37	39.91	41.50	43.16	44.89	46.69

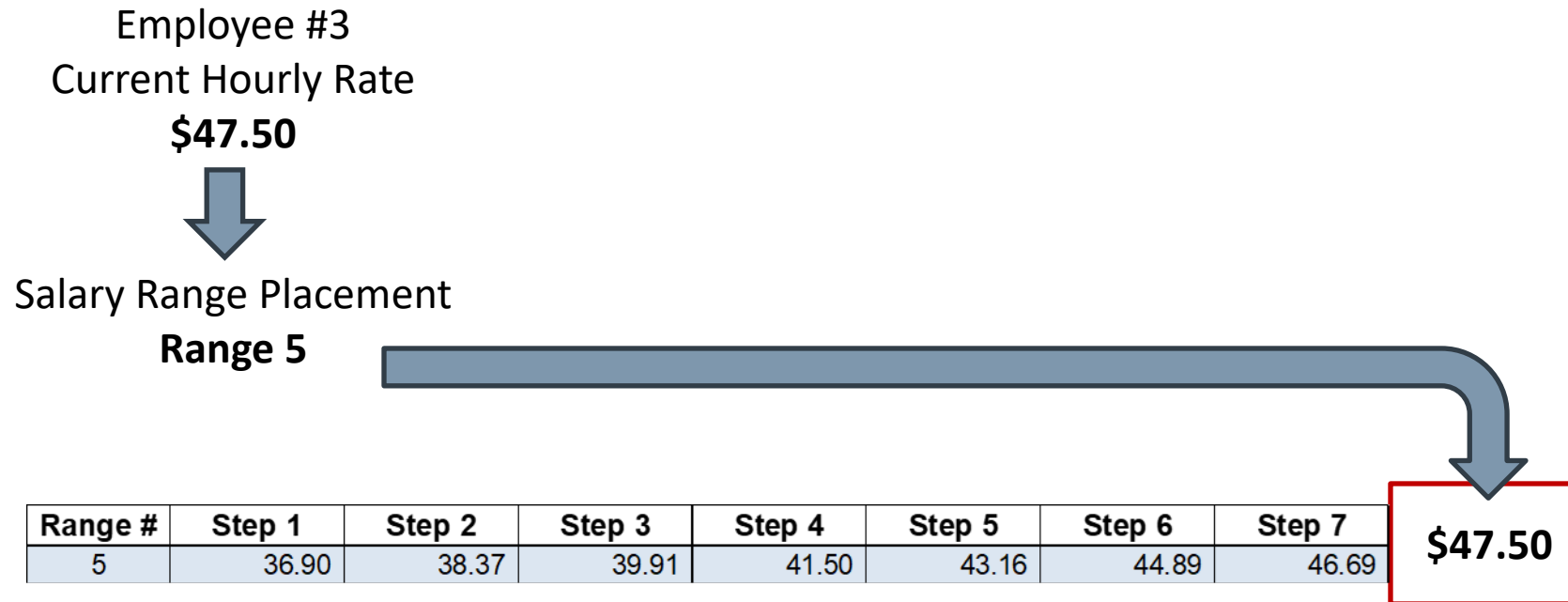
Day of  
Implementation

Current	New	\$ Change	Annualized	% Change
\$ 42.63	\$ 46.69	\$ 4.06	\$ 8,477	9.5%

No future step increases



# Employee Implementation Example #3



No implementation cost

No future step increases until future COLA moves range



# Council Decision Points

1. Market position (median or % of median)
  - This factor mostly impacts long-term costs.
  
2. Salary range structure (number of steps and step %)
  - The salary range structure determines the number of years until full implementation.
  - Alignment with the market is recommended (7 steps, 4% increments)
  - An alternate structure has been analyzed (10 steps, 3% increments) in case cost impacts better align with budget.

Range #	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
5	36.90	38.37	39.91	41.50	43.16	44.89	46.69

Range #	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
5	35.78	36.85	37.96	39.10	40.27	41.48	42.72	44.01	45.33	46.69



# Market Position Options

100% of Median

Average Percentile Rank	
Redmond	70
Edmonds	63
Shoreline	60
Bothell	59
King County	57
<b>Mercer Island</b>	<b>54</b>
Auburn	51
Issaquah	48
Lynnwood	46
Kirkland	45
SeaTac	30
Sammamish	25
Washington State	10

95% of Median

Average Percentile Rank	
Redmond	72
Edmonds	64
Bothell	62
Shoreline	62
King County	57
Auburn	53
Issaquah	50
Lynnwood	49
Kirkland	48
<b>Mercer Island</b>	<b>37</b>
SeaTac	32
Sammamish	26
Washington State	10

90% of Median

Average Percentile Rank	
Redmond	73
Edmonds	67
Bothell	64
Shoreline	63
King County	57
Auburn	55
Issaquah	52
Lynnwood	50
Kirkland	50
SeaTac	36
Sammamish	30
<b>Mercer Island</b>	<b>20</b>
Washington State	10

- Theoretical ranking (using average percentile rank) based on comparing new salary structure to Jan 2024 survey data
- Achieving 100% median market position may be a multi-year goal
- Priority is to implement Job Map and Salary Ranges at an affordable market position



# Implementation Costs - Options

7 Step Ranges		Full Cost		Years of Experience Placement					
Market Position	7 Step Plan	% Chg	Year 1 Annual \$	Year 2 Annual \$	Year 3 Annual \$	Year 4 Annual \$	4 Year Total Annual \$	% Chg	Remaining \$ Years 5-6
90% of Median	522,252	4.7%	202,152	134,470	71,571	53,101	461,294	3.0%	60,958
95% of Median	1,018,511	8.4%	395,121	260,701	159,380	106,406	921,608	5.9%	96,902
100% of Median	1,745,975	13.4%	680,506	421,594	304,807	171,165	1,578,072	10.2%	167,904

10 Step Ranges		Full Cost		Years of Experience Placement					
Market Position	10 Step Plan	% Chg	Year 1 Annual \$	Year 2 Annual \$	Year 3 Annual \$	Year 4 Annual \$	4 Year Total Annual \$	% Chg	Remaining \$ Years 5-9
90% of Median	522,252	4.7%	152,750	105,961	86,356	50,105	395,173	2.5%	127,079
95% of Median	1,018,511	8.4%	300,295	224,204	154,463	111,513	790,475	5.1%	228,036
100% of Median	1,745,975	13.4%	480,666	367,636	281,695	212,415	1,342,412	8.7%	403,563

## 10 Step option delays cost impacts

- Full cost represents all employees reaching top step.
- 10 step option delays costs but also delays market alignment (employees in other agencies reach top step in 7 steps or fewer).
- Less cost precision past year 4.

Full implementation costs are the same for 7 Step and 10 Step options



# Employee Step Placement

<b>7 Steps</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	<b>Step 4</b>	<b>Step 5</b>	<b>Step 6</b>	<b>Step 7</b>				<b>Y-Rate</b>
90% of Median	0	5	3	3	4	12	17				55
95% of Median	2	5	3	10	10	15	27				27
100% of Median	3	5	11	12	17	22	23				6
<b>10 Steps</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	<b>Step 4</b>	<b>Step 5</b>	<b>Step 6</b>	<b>Step 7</b>	<b>Step 8</b>	<b>Step 9</b>	<b>Step 10</b>	<b>Y-Rate</b>
90% of Median	0	1	4	4	1	1	3	9	6	15	55
95% of Median	1	5	3	2	0	10	7	9	13	22	27
100% of Median	2	6	2	7	6	12	11	17	17	13	6

- Most employees will be placed into a middle to high step upon implementation based on experience in the job.
- Higher market position provides more future step increases.
- Higher market position reduces Y-rates (employee pay above top step).





# Decision Point – Salary Range Options

- 7 Steps, 4% Increments
  - Most aligned with market practices and competing cities.
  - Employee pay reaches maximum within 6 years.
  - Better optimizes recruitment and retention.
- 10 Steps, 3% Increments
  - Extends range progression to a maximum of 9 years.
  - Reduces annual step (merit) costs for those employees not at max.
  - Spreads costs over longer time period (it takes longer to reach Step 10).
- The salary range maximum remains the same for all options; the only difference is the time required to reach the maximum and the % step increments involved.



# Costing of All Options – 7 Step Ranges

7 Step Ranges	Years of Experience Placement				4 Year Total Annual \$	% Chg
	Year 1 Annual \$	Year 2 Annual \$	Year 3 Annual \$	Year 4 Annual \$		
90% of Median	202,152	134,470	71,571	53,101	461,294	3.0%
91% of Median	244,045	137,020	89,345	53,117	523,528	3.4%
92% of Median	258,825	180,780	111,916	53,461	604,983	3.9%
93% of Median	333,652	188,521	115,302	68,812	706,286	4.6%
94% of Median	381,987	213,818	134,805	75,642	806,253	5.2%
95% of Median	395,121	260,701	159,380	106,406	921,608	5.9%
96% of Median	447,015	296,355	183,663	112,508	1,039,542	6.7%
97% of Median	502,098	333,864	208,580	115,952	1,160,493	7.5%
98% of Median	577,432	349,720	225,462	138,767	1,291,381	8.3%
99% of Median	630,787	373,442	267,178	157,466	1,428,873	9.2%
100% of Median	680,506	421,594	304,807	171,165	1,578,072	10.2%



# History of Non-Rep Employee COLAs

- Recommended salary ranges will require a 2025 COLA.
- Over the past 30 years, cost-of-living-adjustments for non-represented employees have remained under 4% with an average of 2.2%.
- The COLA for the last two years was 6%.
- Latest April 2024 CPI-U for Seattle-Tacoma-Bellevue is 4.4%.

Year	Non-Rep COLA
1995	3.15%
1996	3.00%
1997	2.61%
1998	3.33%
1999	2.50%
2000	2.90%
2001	1.00%
2002	0.00%
2003	1.80%
2004	1.00%
2005	1.75%
2006	2.70%
2007	3.75%
2008	3.42%
2009	4.45%
2010	0.00%

Year	Non-Rep COLA
2011	0.00%
2012	2.33%
2013	2.61%
2014	1.90%
2015	1.80%
2016	1.00%
2017	2.33%
2018	2.97%
2019	3.24%
2020	1.98%
2021	1.71%
2022	3.00%
2023	6.00%
2024	6.00%



# Council Decision Points

1. Salary range table structure (number of steps and step %)
  - Impacts number of years until full implementation.
  - Preference is market alignment.
  - Optional structure has been analyzed in case cost impacts better align with budget.
2. Market position (median or % of median)
  - This factor mostly impacts long term costs.
  - Cost impact versus recruitment and retention needs.



# Questions?

