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February 18, 2025

TO: Mayor and Members of the City Council
FROM: Travis Sanborn, Finance Director
THROUGH: Kyle Knopp, City Manager
SUBJECT: Results of Total Compensation Study by Gallagher

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Receive and file the Total Compensation Study completed by Gallagher
2. Direct staff to develop an implementation strategy for the recommended compensation adjustments

BACKGROUND AND DISCUSSION

In October 2024, the City engaged Gallagher to conduct a comprehensive Total Compensation Study. The study was initiated to ensure the City maintains competitive compensation that enables recruitment and retention of high-quality staff while remaining fiscally responsible. The study evaluated base salaries and total compensation packages across 32 City classifications, using 18 benchmark positions for market comparison against 13 comparable agencies.

FISCAL IMPACT:

The fiscal impact will vary depending on the implementation strategy selected. Staff requires additional time to analyze the various implementation scenarios and develop detailed cost projections for each option. This analysis, along with recommended funding sources, will be presented in a subsequent report.

ATTACHMENTS:

- Gallagher Total Compensation Study Report

February 10, 2025

TOTAL COMPENSATION STUDY DRAFT REPORT

City of Rio Dell



Gallagher

Insurance | Risk Management | Consulting

Formerly Koff & Associates

February 10, 2025

Kyle Knopp, City Manager
City of Rio Dell
675 Wildwood Avenue
Rio Dell, California 95562

Dear Mr. Knopp:

Gallagher/Koff & Associates is pleased to present the Total Compensation Study Draft Report to the City of Rio Dell. This report documents the market compensation survey methodology, findings, and recommendations for implementation.

We would like to thank you and Travis Sanborn for your assistance and cooperation without which this study could not have been brought to its successful completion.

We will be glad to answer any questions or clarify any points as you are implementing the findings and recommendations. It was a pleasure working with the City of Rio Dell and we look forward to future opportunities to provide you with professional assistance.

Very truly yours,



Georg S. Krammer
Managing Director

Gallagher
ajg.com/ps-class-comp

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Appendix IV: Salary Range Placement Recommendations

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Executive Summary

Background

In October through December 2024, Gallagher/Koff & Associates ("Gallagher") conducted a comprehensive Total Compensation Study for the City of Rio Dell ("City"). All compensation findings and recommendations are presented in this report.

This compensation review process was precipitated by:

- The concern of the City Council and management that employees should be recognized for the level and scope of work performed and that they are paid on a fair and competitive basis that allows the City to recruit and retain a high-quality staff;
- The desire to have a compensation plan that can meet the needs of the City; and
- The desire to ensure that internal relationships of salaries are based upon objective, non-quantitative evaluation factors, resulting in equity across the City.

The goals of the compensation study are to assist the City in developing a competitive pay and benefit plan, which is based upon market data, and to ensure that the plan is fiscally responsible and meets the needs of the City with regards to recruitment and retention of qualified staff.

Summary of Findings

This report summarizes the study methodology, analytical tools, and the total compensation (salary and benefits) survey findings. The results of the total compensation study showed:

- The City's base salaries, overall, in comparison to the market median are **10.5% below the market**.
- The City's total compensation, overall, in comparison to the market median, **is directly at the market (0.0%)**.
- The City's benefits package puts the City in a more competitive position compared to the market and, therefore, salary decisions should be based on total compensation versus base salary market results.
- Gallagher considers a classification falling within 5% of the median to be competitive.

Study Process

Benchmark Classifications

The study included 32 classifications, and of those 18 classifications were selected in order to collect salary and benefits data within the defined labor market. Classifications that we would expect to provide a sufficient sample for analysis were selected as "benchmarks" to use as the basis to build the compensation plan. Benchmark classifications are those classifications that are compared to the market, and these classifications are used as a means of anchoring the City's overall compensation plan to the market. Other classifications not surveyed will be included in the compensation plan and aligned to the benchmark classifications using internal equity principles.

The benchmark classifications are listed in Table 1.

Table 1. Benchmark Classification

Classification Title
1. Accountant II
2. Chief of Police
3. City Clerk

Classification Title
4. City Manager
5. Community Development Director
6. Community Services Officer
7. Finance Director
8. Fiscal Assistant II
9. Management Analyst I
10. Management Analyst II
11. Police Officer
12. Records Technician
13. Sergeant
14. Utility Worker II
15. Water/Wastewater Plant Operator II
16. Water/Wastewater Plant Operator II
17. Wastewater Superintendent
18. Water/Streets Superintendent

Comparator Agencies

Another important step in conducting a market salary study is the determination of appropriate agencies for comparison. In developing the list of potential comparator agencies, consideration is given to the following factors.

1. **Organizational type and structure** – It is generally recommended that agencies of a similar size and providing similar services to that of the City be used as comparators.

When it comes to technical classes, the size of an organization is not as critical, as these classes perform fairly similar work. The difference in size of an organization becomes more important when comparing classes at the management level. The scope of work and responsibility for management becomes much larger as an organization grows. Factors such as management of a large staff, consequence of error, the political nature of the job, and its visibility all grow with larger organizations. When it is difficult to find agencies that are similarly sized, it is important to get a good balance of smaller and larger agencies.

2. **Similarity of population, staff, and operational budgets** – These elements provide guidelines in relation to resources required (staff and funding) and available for the provision of services.
3. **Scope of services provided** – For the majority of classifications, it is important to select agencies providing similar services. Organizations providing the same services are ideal for comparators and most comparator agencies surveyed provide similar services to the City.
4. **Labor market and geographic location** – Today's labor market reality is that many agencies are in competition for the same pool of qualified employees because large portions of the workforce do not live in the communities they serve, are accustomed to lengthy commutes, and are more likely to consider changing jobs in a larger geographic area than in the past. Furthermore, by selecting employers within a geographic proximity to the City, the resulting labor market data generally reflects the region's cost of living, housing

costs, growth rate, and other demographic characteristics to the same extent as competing employers to the City. Therefore, the geographic labor market area where the City may be recruiting from or losing employees to, was taken into consideration when selecting comparator organizations.

The study was conducting using the City's current established labor market agencies listed in Table 2.

Table 2. Comparator Agencies

Agency
1. City of Alturas
2. City of Colusa
3. City of Corning
4. City of Crescent City
5. City of Ferndale
6. City of Fortuna
7. City of Gridley
8. City of Mt. Shasta
9. City of Orland
10. City of Red Bluff
11. City of Weed
12. City of Willits
13. City of Yreka

Salary and Benefits Data

The last element requiring discussion prior to beginning a market survey is the specific benefit data that will be collected and analyzed. The following salary and benefits data was collected for each benchmark classification (the cost of these benefits to each agency was converted into dollar amounts and can be found in Appendix II [Benefit Detail] of this report; these amounts were added to base salaries for total compensation purposes).

1. Monthly Base Salary

The top of the salary range and/or control point. All figures are presented on a monthly basis.

2. Employee Retirement

The retirement reflects the benefits offered to the majority of the employees:

- **PERS Formula:** Gallagher has reported the PEPR formula for the agencies which participate in CalPERS.
- **Employer Normal Cost:** The City does not participate in the PERS retirement system which would have significant impact on its fiscal sustainability, and instead contributes to a deferred compensation plan, with contributions ranging from 14% to 24%. While it is not possible to provide an actual comparison between a defined benefit plan (PERS) and a defined contribution plan (457), Gallagher has provided the normal cost of retirement for the PEPR plan for each PERS agency. This normal cost, which is shown as a percentage of payroll, does not include the Unfunded Actuarial Accrued Liability(UAAL) and other factors which impact an agency's overall PERS contribution, and is intended as a baseline only.

- **Employee Cost-Sharing:** This is the amount which employees are required pay as part of the agency's mandated contribution to PERS; this practice is less prevalent in PEPPRA plans, than in Classic plans; hence there were none to report.
- **Social Security:** If an employer participates in Social Security, then the employer contribution of 6.2% of the base salary up to the federally-determined maximum contribution of \$711.45 per month was reported.
- **Other:** Any other retirement contributions made by the employer.

3. Deferred Compensation

Deferred compensation contributions provided to all employees of a classification with or without requiring the employee to make a contribution is reported.

4. Insurances

The employer paid premiums for an employee with family coverage was reported. The employer paid insurances included:

- Cafeteria/Flexible Benefit Plan
- Medical
- Dental
- Vision
- Other

5. Leaves

Other than sick leave, which is usage-based, the number of hours off for which the employer is obligated. All hours have been translated into direct salary costs.

- **Vacation:** The number of paid time off (or vacation) hours available to all employees who have completed five years of employment.
- **Holidays:** The number of holiday hours (including floating hours) available to employees.
- **Administrative:** Administrative (or management) leave is normally the number of paid leave hours available to Fair Labor Standards Act ("FLSA") Exempt and/or management to reward for extraordinary effort (in lieu of overtime). This leave category may also include personal leave which may be available to augment vacation or other time off.

6. Auto Allowance

This category includes either the provision of an auto allowance or the provision of an auto for personal use only. If a vehicle is provided to any classification for commuting and other personal use, the average monthly rate is estimated at \$450. Mileage reimbursement is not included.

7. Other

This category includes any additional other benefits not captured above available to all in the class.

All of the benefit elements are negotiated benefits provided to all employees in the classification. As such, they represent an ongoing cost for which an agency must budget. Other benefit costs, such as sick leave, tuition reimbursement, and reimbursable mileage are usage-based and cannot be quantified on an individual employee basis.

Data Collection

Data was collected during the months of October through December 2024, through comparator agency websites, conversations with human resources, accounting, and/or finance personnel, and careful review of agency

documentation such as classification descriptions, memoranda of understanding, organization charts, and other documents.

Matching Methodology

Gallagher believes that the data collection step is the most critical for maintaining the overall credibility of any study and relied on the City's classification descriptions as the foundation for comparison.

When Gallagher researches and collects data from the comparator agencies to identify possible matches for each of the benchmark classifications, there is an assumption that comparable matches may not be made that are 100% equivalent to the classifications at the City. Therefore, Gallagher does not match based upon job titles, which can often be misleading, but rather analyze class descriptions before a comparable match is determined.

Gallagher's methodology is to analyze each class description and the whole position by evaluating factors such as:

- Decision Making/Judgment
- Difficulty and Complexity of Work
- Supervisory Responsibilities
- Non-Supervisory Responsibilities
- Minimum Qualifications
- Working Conditions/Risk Factors
- Contacts

In order for a match to be included, Gallagher requires that a classification's "likeness" be at approximately 70% of the matched classification.

When an appropriate match is not identified for one classification, Gallagher often uses "hybrids" which can be functional or represent a span in scope of responsibility. A functional hybrid means that the job of one classification at the City is performed by two or more classifications at a comparator agency. A "hybrid" representing a span in scope means that the comparator agency has one class that is "bigger" in scope and responsibility and one class that is "smaller," where the City's class falls in the middle.

If an appropriate match could not be found, then no match was reported as a non-comparable (N/C).

Data Spreadsheets

For each benchmark classification, there are three information pages:

- Top Monthly Base Salary Data
- Benefit Detail (Monthly Equivalent Values)
- Total Compensation Data

The average (mean) and median (midpoint) of the comparator agencies are reported on the top monthly salary and total compensation data spreadsheets. The percentage above or below that the City is compared to the average and median is also reported.

The mean is the sum of the comparator agencies' salaries/total compensation divided by the number of matches. The median is the midpoint of all data with 50% of data points below and 50% of data points above.

In order to calculate the mean and median, Gallagher requires that there be a minimum of four (4) comparator agencies with matching classifications to the benchmark classification. The reason for requiring a minimum of four matches is so that no one classification has undue influence on the calculations. Sufficient data was collected from the comparator agencies for 15 of the 16 benchmark classifications.

When using survey data to make salary range recommendations and adjustments, Gallagher recommends using the median, rather than the mean, because the median is not skewed by extremely high or low salary values.

Market Compensation Findings

The following table represents a summary of the market top monthly (base) salary and total compensation (base salary plus benefits [retirement, insurance, leaves, and allowances]) findings. For each benchmark classification, the number of matches (agencies with a comparable position) and percent above or below the top monthly salary market median and total compensation market median is listed. The table is sorted in alphabetical order, consistent with the data sheets in Appendix B. Note that in some cases, for total compensation, there is one less match for total compensation because Gallagher was unable to obtain any total compensation data from the City of Weed. The number of matches identified are in order of base salary (base) and total compensation (TC).

Table 3. Market Compensation Results Summary

	Classification Title	# of Matches Base/TC	Top Monthly % Above or Below	Total Compensation % Above or Below
1.	Accountant II	5/4	1.5	6.4
2.	Chief of Police	13/12	-10.1	-1.6
3.	City Clerk	5/4	-24.6	0.9
4.	City Manager	12/11	-19.9	-9.9
5.	Community Development Director	6/6	-2.9	2.5
6.	Community Services Officer	7/6	1.6	10.2
7.	Finance Director	10/9	-21.5	-11.3
8.	Fiscal Assistant II	11/10	-9.2	-1.7
9.	Management Analyst I	0	Insufficient data	Insufficient data
10.	Management Analyst II	1/1	Insufficient data	Insufficient data
11.	Police Officer	13/12	-12.4	3.1
12.	Records Technician	5/5	-13.2	-4.0
13.	Sergeant	13/12	-13.6	4.4
14.	Utility Worker II	10/10	-12.3	-4.3
15.	Water/Wastewater Plant Operator II	9/8	-2.4	0.1
16.	Water/Wastewater Plant Operator III	4/4	-15.3	-6.1
17.	Wastewater Superintendent	7/7	-9.1	6.8
18.	Water/Streets Superintendent	6/6	-4.5	5.0

Base Salary

Base salary market results show that fourteen (14) classifications are paid below the market median, two (2) classifications are above the market median; two (2) classifications had insufficient data

# of Classifications	<5%	5-10%	10-15%	15%+	Total
Below the Market Median	3	2	5	4	14
Above the Market Median	2	0	0	0	2

Total Compensation

Total compensation market results show that seven (7) classifications are paid below the market median and nine (9) classifications are paid above the market median; two classifications had insufficient data.

# of Classifications	<5%	5-10%	10-15%	15%+	Total
Below the Market Median	4	2	1	0	7
Above the Market Median	6	2	1	0	9

Overall, the differences between market base salaries and total compensation indicate that the Rio Dell's benefits package puts the City at a more competitive advantage. Further analysis indicates that, on average, classifications are 10.5% below the market median for base salaries, while that figure changes to directly at the market median (0.0%) for total compensation, which is a 10.5% difference (i.e., the City "gains" a 10.5% competitive advantage when taking benefits into consideration). We anticipate this gain is impacted by the City's contributions to the 457 plan intended to balance its lack of a defined benefit plan (PERS) offering, recognizing that direct comparisons between a defined benefits plan and a defined contribution plan cannot necessarily be made.

Internal Salary Relationships

Building from the salary levels established for identified benchmark classes, internal salary relationships were developed and consistently applied in order to develop specific salary recommendations for all non-benchmarked classifications.

In the future, the City may need to utilize internal alignment practices if the number of staff grows and additional classifications are added or classifications change. While analyzing internal relationships, the same factors analyzed when comparing the City's classifications to the labor market are used when making internal salary alignment recommendations.

In addition, the following are standard human resources practices that are commonly applied when making salary recommendations based upon internal relationships:

- A salary within 5% of the market average or median is considered to be competitive in the labor market for salary survey purposes because of the differences in compensation policy and actual scope of the position and its requirements. However, the City can adopt a closer standard.
- Certain internal percentages are often applied. Those that are the most common are:
 - The differential between a trainee and experienced (or journey) class in a series (I/II or Trainee/Experienced) is generally 10%;
 - A lead or advanced journey-level (III or Senior-level) class is generally placed 10% above the journey-level; and

- A full supervisory class is normally placed at least 10% to 20% above the highest level supervised, depending upon the breadth and scope of supervision.
- When a market or internal equity adjustment is granted to one class in a series, the other classes in the series are also adjusted accordingly to maintain internal equity.

Internal equity between certain levels of classifications is a fundamental factor to be considered when making salary decisions. When conducting a market compensation survey, results can often show that certain classifications that are aligned with each other are not the same in the outside labor market. However, as an organization, careful consideration should be given to these alignments because they represent internal value of classifications within job families, as well as across the organization.

For the purposes of this study, Gallagher utilized market data to develop the salary recommendations for all of the benchmarked classifications, and used internal equity principles to make the salary recommendations for sixteen (16) classifications that were not benchmarked and/or which yielded insufficient data in the market. For the non-benchmarked classifications, internal alignments with other classifications will need to be considered, either in the same class series or those classifications that have similar scope of work, level of responsibility, and “worth” to the City. Where it is difficult to ascertain internal relationships due to unique qualifications and responsibilities, reliance can be placed on past internal relationships. It is important for City management to carefully review these internal relationships and determine if they are still appropriate given the current market data.

It is also important to analyze market data and internal relationships within class series as well as across the organization, and make adjustments to salary range placements, as necessary, based on the needs of the organization.

The City may want to make internal equity adjustments or alignments, as it implements the compensation strategy. This market survey is only a tool to be used by the City to determine market indexing and salary determination.

Recommendations

Pay Philosophy

The City has many options regarding what type of compensation plan it wants to implement. This decision will be based on what the City's pay philosophy is, at which level it desires to pay its employees compared to the market, whether it is going to consider additional alternative compensation programs, and how great the competition is with other agencies over recruitment of a highly-qualified workforce. For purposes of this study, all analyses have been conducted relative to the median of the market.

Proposed Salary Structure

It is recommended that the City continue to maintain its salary structure, representative of industry best practice, of a five step range with 5% between each step and 2.5% between ranges. Appendix III contains the salary range structure for this study.

It is important to note that the salary range structure connects all salary ranges, and their steps, by formula, thereby allowing for COLAs to be applied to only one-dollar figure in the table/matrix, which then automatically updates the entire table. Due to the formula that connects each range to the next (with 2.5% differentials between each range), there is a compounding effect when drawing relationships that span several ranges. For example, with 2.5% differentials between ranges, four ranges should represent a 10% differential. However, because the compounding effect of 2.5%, on top of 2.5%, on top of 2.5%, and so on, the differential between Range 1 and Range 5 is not exactly 10%, but it is slightly greater.

Proposed Salary Range Placements

Appendix IV illustrates the proposed salary range placement for each classification based on the market data as well as the internal relationship analysis. The recommendations are based on total compensation market results. The following calculation was used:

1. Multiplied the City's current top monthly salary by the percentage difference between the City's total compensation and the total compensation market median to calculate the Market Placement Salary.
2. The classification was then placed within the proposed salary range with a Step 5 salary closest to the Market Placement Salary.

Gallagher also maintained the City's current internal alignments, where it seemed warranted based on market-supported groupings and/or compaction issues.

For all classifications, this primary implementation procedure must be completed only at the initial time of implementation. In the future, if the City decides to implement annual across-the-board cost of living adjustment increases, only the salary schedule that was developed and included herein needs to be increased by the appropriate percentage, and each individual salary range will move up with this adjustment. This will ensure that the internal salary relationships are preserved and the salary schedule remains structured and easily administered.

Options for Implementation

While the City may be interested in bringing all salaries to the market median, in most cases this goal may not be reached with a single adjustment. In this case, one option is to use a phased implementation approach. Normally, if the compensation implementation program must be carried over months or years, the classes that are farthest from the market median should receive the greatest equity increase (separate from any cost of living increase). If a class falls within 5% of the market median, it would be logical to make no equity adjustment in the first round of changes. However, if a class is more than 5% below the market median, a higher percentage change may be initially warranted to reduce the disparity.

For context on the City's implementation options, classifications whose total compensation range placements have resulted in an increase (16 out of 32):

- Eleven (11) receive less than a 5% increase;
- Three (3) would receive an increase between 5% and 10%; and
- Two (2) would receive an increase between 10% and 15%;

For example, if the City decided to implement the recommendations over a three-year period, then the following guidelines could be applied for the initial increase of the three-year implementation plan:

Table 4. Three-Year Implementation Proposal

Market Disparity	% Increase
0 to 4.99%	0 to 2.49%
5.0% to 9.99%	2.5% to 4.99%
10.0% to 14.99%	5.0% to 7.49%

The initial first year adjustment would provide a portion of the equity increase and place the class into the closest step (but not below) where they are now. Subsequent increases would be spaced on a similar schedule (at annual intervals) based upon the remaining disparity after each adjustment.

Please note that typically, for those classes that had a market disparity of 0 to 4.99%, we recommend a 0% increase in the first year and an adjustment in the second year. Depending upon the City's financial situation, which will have to be reviewed before each further adjustment is made, all market disparity adjustments are intended to be completed by the third year. The City may also consider a similar implementation plan over a longer period of time, like a five-year implementation plan.

Another option is to move employees into the salary range that is recommended for each class based on this market study and to the step within the new range that is closest to their current compensation. If employees' current salaries are significantly below market so that their current compensation falls below the bottom of the newly recommended range, then larger adjustments would be needed to move those employees at least to the bottom of the new salary range.

The City may spend additional time to go through a process of deliberation and decision-making as to what compensation philosophy it should implement to attract, motivate, and retain a high-quality workforce. However, the City may want to consider adjusting those classifications' salaries that are currently below the market median as soon as possible, assuming that incumbents' performance meets the City's level of expectation.

When classifications are over market, Gallagher typically recommends Y-rating employees whose current pay exceeds the maximum of the recommended range until the market numbers "catch up" with their current salary. To Y-rate an employee means to keep the employee's salary frozen and to provide no salary increases (including no cost of living adjustments) until the employee's current salary is within the recommended salary range. This will result in no immediate loss of income, but will delay any future increases until the incumbent's salary is within the salary range.

Other options to "freezing" a classification's salary in place until the market catches up are:

- **"Grandfathering" of salary ranges:** This means that the salary range for the classification is adjusted down to what the market numbers are. However, current incumbents would continue being paid at the current rate of pay (which would put them outside of the new and adjusted salary range for the class) until they separate from employment with the City. Any new-hires would be paid within the newly established salary range.
- **Single-incumbent classes:** If a class only has one incumbent, an option would be to wait until the person separates from employment with the City and then adjust the salary range for the class according to the market.
- **Recent hires:** Some employees who have recently been hired may still be at one of the lower steps within their current salary range. So, even if the top of their current salary range is above market, the incumbents are currently still paid below the market maximum because they are not at the top of their current salary range. In this case, an immediate salary range adjustment could be made to bring the salary range within the market. This would bring the affected incumbents either to the top of the market range or very close to it, but they would not technically be Y-rated or lose any pay.

Another option, of course, is to actually reduce salaries down to the market. However, from an employee relations perspective this may not be a viable option.

Using the Market Data as a Tool

Gallagher would like to reiterate that this report and the findings are meant to be a tool for the City to create and implement an equitable compensation plan. Compensation strategies are designed to attract and retain excellent staff; however, financial realities and the City's expectations may also come into play when determining appropriate compensation philosophies and strategies. The collected data presented herein represents a market survey that will give the City an instrument to make future compensation decisions.

It has been a pleasure working with City on this critical project. Please do not hesitate to contact us if we can provide any additional information or clarification regarding this report.

Respectfully submitted by,

Gallagher, Formerly Koff & Associates



Georg S. Krammer
Managing Director