

CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: 12/11/2017

AGENDA ITEM:	
Non-Represented Classification and Compensation Study	
PREPARED BY:	DIRECTOR APPROVAL:
Gloria Hirashima, Chief Administrative Officer	
DEPARTMENT:	
Executive	
ATTACHMENTS:	
<ol style="list-style-type: none"> 1. Classification & Compensation Study 2. Memo dated 12/7/17 from G Hirashima regarding implementation. 	
BUDGET CODE:	AMOUNT:
	\$163,000 (new grid implementation) \$225,000 (2018 COLA)
SUMMARY:	

McGrath Human Resources Group was commissioned by the City of Marysville to conduct a Classification and Compensation study of all non-union City positions. The City has not completed a comprehensive review of non-union classification since 2007. The purpose of the study was to:

- Review compensation and the external comparable market;
- Establish internal equity amongst city positions;
- Develop an updated compensation system based on the external and internal data;
- Identify an implementation strategy and assess costs.

The study identifies appropriate classifications for non-represented positions and provides for a wage schedule. The non-represented positions represent 89 employees and 79 separate classifications. The jobs are wide-ranging covering professional skills involving administrative, technical, analytical, supervisory and management positions. The study was initiated in 2016 and the wage schedule was developed for 2017. An implementation plan was developed which involves placing employees in their appropriate classification and step closest to their current wage.

As identified in the tentative agreement with Teamsters #763, the proposed COLA for 2018 is 2.7%. Staff recommends that the salary grid be adjusted by 2.7% and then implemented 1/1/18. The non-represented salary study potential cost and COLA were already considered and budgeted within the biennial budget adopted for 2017-18 so will not require an amendment.

RECOMMENDED ACTION: Staff recommends that Council approve the proposed salary grid and 2.7% COLA adjustment for non-represented employees effective 1/1/18 and implementation in accordance with the memo from Gloria Hirashima dated 12/7/17.



Classification & Compensation Study

Executive Report

for

City of Marysville

November 2017



McGrath Human Resources Group, Inc.
P.O. Box 190
Wonder Lake, IL 60097
Office (815) 728-9111
Fax (815) 331-0215
www.mcgrathconsulting.com

©Copyright 2017 McGrath Human Resources Group. All rights reserved.
No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopy, recording or otherwise without the expressed written permission of McGrath Human Resources Group, Inc.

Table of Contents

Study Overview	4
Definitions	4
Methodology	6
Data Collection	6
Labor Market	6
Market Data Solicited	7
Pay Range Market Analysis.....	8
Minimum Salary Comparison.....	8
Market Rate Salary Comparison.....	9
Maximum Analysis.....	9
55 th Percentile.....	10
Current Compensation Systems	10
Integrated Schedule Compression.....	11
Recommended Salary Schedule.....	11
Placement.....	11
Other Compensation Issues	12
General Operational Guidelines.....	12
Annual Adjustments	12
Benefit Statements	13
Appendix A: 2017 Recommended Salary Schedule	14

Table of Tables

Table 1: Comparable Organizations	7
Table 2: Average Market Rate Summary Full-time Positions.....	9

Study Overview

McGrath Human Resources Group, Inc., an Organization that specializes in public sector consulting, was commissioned by City of Marysville to conduct a Classification and Compensation Study of all non-union City positions.

The purpose of this study is to:

- ✓ Obtain and establish compensation among the external comparable market.
- ✓ Establish internal equity among positions within the City.
- ✓ Integrate the data from the external market and internal market, into an updated compensation system.
- ✓ Obtain data, evaluate and recommend other pay practices.
- ✓ Work with administration to develop a plan for and support with implementation of the compensation system.
- ✓ Provide implementation strategies for any compensation system updates including a projection of the ongoing budget commitments necessary to provide a sustainable and consistent compensation system.

The Consultant would like to extend appreciation to the Human Resources staff for their time, cooperation, and sharing of information and perceptions with McGrath Human Resources Group.

Definitions

In order to ensure that all parties are ‘speaking the same language’, the following are definitions that helped guide the development of the compensation system for the City of Marysville.

Benchmark Position: A job that is commonly found and defined, used to make pay comparisons, either within the organization or to comparable jobs outside the organization.

Classifications: Job titles

Compensation System: A system developed to compensate employees. This system includes a balance between internal equity and external competitiveness.

Compensation Data: Data derived from information regarding the salary range and the rate of pay of the incumbent(s) holding a benchmark position of the identified labor market.

Comp Ratio: The ratio of the current salary range minimum, midpoint, and maximum (numerator) to the market data (denominator). The Comp Ratio is used to measure and assess the comparability of the

City's pay range in relation to the external market. Positions were evaluated based upon the 50th percentile (+/- 5%).

Compression: Pay differentials too small to be considered equitable. The term may apply to differences between (1) the pay of supervisors and subordinates; (2) the pay of experienced and newly hired personnel of the same job; and (3) pay range midpoints in successive job grades or related grades across pay structures; and (4) limited movement through the pay range.

CPI-U: Consumer Price Index – Urban: A measure of the average change over time in the prices paid by urban consumers for a market of consumer goods and services. It reflects spending pattern for two population groups: all urban consumers and urban wage earners and clerical workers. This group represents approximately 87% of the total U.S. population.

Labor Market: A location where labor is exchanged for wages. These locations are identified and defined by a combination of the following factors: geography; industry; education, experience and licensing or certification required; and job responsibilities.

Market Data: The technique of creating the financial value of a position based on the 'going rate' for benchmark positions in the relevant labor markets.

Minimum Salary Range (Minimum): The minimum amount of compensation the organization has deemed appropriate for a position.

Maximum Salary Range (Maximum): The highest amount of compensation the organization has deemed appropriate for a position.

Market Rate (Market): The organization's best estimate of the wage rate that is prevailing in the external market for a given position.

Market Range: A pay range in which the minimum and maximum of the range is established around the 50th percentile.

Merit Increase: An adjustment to an individual's base pay rate based on performance or some other individual measure.

Pay Grade: The grade, or placement of a position within the salary structure.

Pay Grade Evaluation: The (re)assignment of a job to a higher or lower pay grade or pay range in the salary structure due to a job content (re)evaluation and/or significant change in the average market rate in the external labor market.

Promotion: The (re)assignment of an employee to a position in a higher pay grade or range in the organization's salary structure.

Salary Schedule Adjustment: An adjustment to the salary structure; the increase or decrease of a pay range, minimum – maximum. This is a method to maintain the salary range in relation to external market conditions.

Step Schedule: Standardized progression pay rates that are established within a pay range. To move to the next step, one must have met acceptable performance standards.

Salary Schedule: The hierarchy of job grades and pay ranges established within an organization.

Spread: The range of pay rates, from minimum to maximum, established for a pay grade. Typically used to set individual employee pay rates.

Methodology

Data Collection

The project involved several steps: collection of data, and interviews with specific administrative and department personnel.

The first step of this Study involved the gathering of data that pertains to current compensation practices within the City of Marysville. The Consultant received information relating to current salaries, collected market data, specific policies, and current job descriptions. This provided a basis on which to build a compensation system.

Interviews were conducted with Department Heads within the City representing the various job titles within the organization. The purpose of these meetings was to first, gain an understanding of the municipality's current compensation practices and philosophy; second, solicit ideas and input from these stakeholders for future compensation methodologies and practices; and finally, determine if there were any 'problem' positions within the City that were difficult to recruit, retain, or were 'unique' in the positions responsibilities.

Labor Market

In order to gain information from the external market, the City, through interviews with the City and Department Heads, established a list of comparables. A survey was established and sent to the following organizations. The organization either completed the survey or provided the Consultant

information as to where on the website the information could be ascertained. In those situations, McGrath Human Resources had better control of the data as it completed the survey. The following organizations were utilized:

Table 1: Comparable Organizations

Community/Municipal Body (Requested)
City of Auburn, WA
City of Bellingham, WA
City of Bellevue, WA
City of Bremerton, WA
City of Bothell, WA
City of Everett, WA
City of Kent, WA
City of Kirkland, WA
City of Lacey, WA
City of Lynnwood, WA
City of Mt. Vernon, WA
City of Oak Harbor, WA
City of Olympia, WA
City of Redmond, WA
City of Renton, WA
Skagit County (Parks only)
Snohomish County (Parks/IS)
City of Tacoma, WA
City of Tukwila, WA
<u>Did Not Participate:</u>
City of Kirkland, WA

Market Data Solicited

Salary data was solicited for 89 different positions. Data included the minimum, midpoint and maximum, as well as the average salary of the incumbents. Positions with less than two (2) participants were excluded since it was considered an insufficient sample size. When computing the average or the 50th percentile, salaries that were considered statistically too high or low were eliminated. The following titles were placed on the salary survey.

Pay Range Market Analysis

The City's Minimum Salary Range was compared to the average Market Minimum salary; and the average incumbent salary of Marysville employees was compared to the average market data for incumbents in a similar position.

Minimum Salary Comparison

The analysis of the Minimum Salary Range gives an initial indication if starting salaries are within an acceptable market range. For this purpose, the closer to 50%, the closer the match of the City's Minimum to the Average Market Minimum. Minimum starting salaries below 40% (called the Comp-Ratio) would require further evaluation. It could be an indication that the Minimum of the salary range has fallen below the Market average. However, a starting salary below the Average Market Minimum may not necessarily be a problem, depending upon the speed in which an individual advances to the established Market Rate.

When building a salary schedule, one wants to consult the minimums to ensure that the City's Minimums are within an acceptable range to the Average Market Minimum. However, this analysis is only the beginning in the development of a compensation schedule.

Overall, the City's salary schedules have fared well in comparison to the external market whereas 77% of the minimum are in line. However, there are 23% of the positions that are in need of some adjustment, which is minimal and not uncommon to find a few that may have become problematic. Although those within the 40% Comp Ratio are considered to be in line, it is necessary to evaluate those positions within the lower portion of that range; thus, positions within 40-45% Comp Ratio, or about 25% of the positions need to be considered for an adjustment now or in the near future. These are on the verge of falling below the Average Market Rate.

Thus, with those in the lower 40% Comp Ratio; 48% of the benchmark positions are at or below the Average Market Minimum. This would indicate that the Salary Schedule is on the verge of falling behind the Average Market Rate and is need of updating.

Market Rate Salary Comparison

The next step in developing a compensation structure is to compare the current incumbent's salaries to average of incumbents currently in the position. For this purpose, positions where there is more than one (1) incumbent, an *average* of the current City employees is utilized. Later in the study, an analysis has been conducted for each individual City employee in relation to the recommended market rate and is submitted under separate cover.

It is standard compensation practice to establish a range around the Average Market Rate to determine if the employee is being compensated 'fairly.' Often, employees make the assumption that if the Average Market Rate is \$25,000, then they should be making \$25,000. However, compensation practices look at a range around the Average Market Rate that an employee should be at by the time the employee is fully functioning within his/her position. Traditionally, organizations establish a 5-10% range around the Market Rate. Thus, if an employee is making between 40-60% of the Market Rate, the employee is fairly compensated. Overall, comparing the average incumbent(s) salary to the Average Market Rate (Comp Ratio), it appears that the City's past compensation practices have maintained salaries within the Average Market Rate.

Table 2: Average Market Rate Summary Full-time Positions

AVERAGE MARKET RATE COMP RATIO	NUMBER OF BENCHMARK POSITIONS	PERCENTAGE OF POSITIONS
0%-29%	1	2%
30%-39%	3	5%
40%-49%	24	36%
50%-59%	26	39%
60%+	12	18%

Of the benchmark positions – 7% of the positions appear to have fallen below the 50th percentile of Market Rate. Whereas, 93% of the positions are at or above the 50th percentile.

Maximum Analysis

Typically, in compensation studies, an analysis of the maximum does not yield information that is pertinent as compensation systems vary so significantly. However, the City feels the maximum of the

Salary Range is reflective of the Market Rate for the position. Thus, the Consultant conducted an analysis of the Maximum of the Salary Range as compared to the average market incumbent salary (reflective of the Average Market Rate) to ascertain if the maximum salary step or top of the salary range was in line with the Average Market Rate.

This analysis illustrates, the Salary Schedules for all non-union positions indicate the Maximums are in line with the Average Market Rate for the comparable positions.

55th Percentile

The City feels it performs higher than the Market and thus, the Chief Administrative Officer had the Consultant conduct an analysis of the Market at the 55th percentile – or 10% above the Market. An additional analysis of 5% or the 52nd percentile was also conducted. After the analysis, the Consultant has determined the 55th percentile better reflects the philosophy and salaries of the City of Marysville. The two (2) tables below illustrate the Minimum Salaries of the City as compared to the 55th percentile of the Market Minimums at 10% above; and then the incumbent analysis to the 55th percentile of the Market.

When analyzing the incumbent salaries to the 55th percentile; the City fares better in that 36% of the positions are below the Market. Whereas, 64% of the positions currently lie 10% above the Market Average. It is with this information that the Consultant feels that developing the Salary Schedule at 10% above the average, or at the 55th percentile, is in the best interest of the City of Marysville.

Current Compensation Systems

The City has six (6) compensation systems. These are the three (3) union plans, and three (3) non-union pay plans. Only the non-union plans are a part of the Compensation Study. The following is an analysis of the non-union pay plans.

Department Head Schedule: This Schedule is a salary range. There is a 35%-37% range from Minimum to Maximum. There are only three (3) Pay Grades on this Schedule. Department Heads move through the range through an informal merit based system. The Chief Administrative Officer along with the Mayor evaluate Department Heads and assign a percentage increase.

Management Schedule: Employees deemed as management/exempt are placed on a separate schedule. There are 13 Pay Grades. Once an employee reaches the maximum step, the increase is only the percent adjustment to the Salary Schedule.

Non-Representative Schedule: Non-management/hourly employees are placed on yet a separate Salary Schedule. There are six (6) steps and 11 Pay Grades. As with the management schedule; once reaching Step 6, the only adjustment is when the Salary Schedule is adjusted.

The focus of the Salary Schedule is reaching the top step; thus, the perception is that the external market is the Maximum of the Salary Schedules.

Integrated Schedule Compression

The Consultant placed all of the non-union salary schedules together to determine if internal equity among the Salary Schedules would be problematic. Fortunately, this is not an issue among the various non-union Salary Schedules within the City. With that said, if the City continues to have multiple non-union Salary Schedules, it must continue to watch for internal equity problems which can occur as one manages multiple Schedules.

Recommended Salary Schedule

The recommended compensation system is a compilation of the three (3) non-union Salary Schedules. This results in a 9-Step Schedule. The percent between Steps is graduated from 3.0% for Steps 1 – 7; and 2.5% from Step 8 through the top of the range. The Schedule is built off the 55th percentile market rate which is at Step 6 of the grid. Appendix A is the recommended Salary Schedule.

Placement

For purposes of implementation, employees currently below Minimum of the new pay range Step 1 will be placed on Step 1. Employees above Step 1 are placed on the step closest to their current salary

without a decrease. This may not be a significant increase and should only be viewed as a wage adjustment to move onto the new Salary Schedule. It is not considered a performance increase.

In most organizations, this type of placement proves problematic, as employees feel that if they have more tenure in the position, they should be higher within the salary range. Although there is merit to this argument, placement on the schedule by years in the position proves to be very costly – something most municipalities cannot afford.

Other Compensation Issues

During the course of the study, the Consultant cleaned up some titles. In addition, either created or eliminated some levels within positions. Therefore, creating some progression in some positions as the employee gains certifications and/or experience.

The position of Chief Administrative Officer is a contractual position and determination of salary is provided by the elected body. The salary schedule – M130 – was originally slated for this position; however, the CAO position title was removed. Thus, this salary band should be maintained on the salary schedule and utilized by the City for negotiations with the CAO.

General Operational Guidelines

Annual Adjustments

Each year (suggested January 1st), the City should adjust the Salary Schedule, taking into consideration cost of living increases. The amount plus the percent step increase should be close to some defined index, or similar to the City's overall compensation adjustment. Without maintaining the Schedule, salaries will fall behind the Market, and the City will be in a position of expending dollars to keep up.

Human Resources has been given procedures for the operations and overall maintenance of the compensation plan.

Benefit Statements

Employees, especially in government where salaries and/or benefits have traditionally been above those in the private sector, may not realize the true cost to the municipality for providing benefits. It is suggested that the City provide benefit statements to employees that details the total cost of compensation for an employee and confirm it includes all of the following benefit information:

Gross Salary

- +Employer cost of FICA, FUTA
- +Employer cost of federal and state taxes
- +Employer cost of insurances (health, STD, LTD, etc.)
- +Employer cost for employees to participate in a sponsored EAP
- +Employer cost of unemployment
- +Employer cost of worker's compensation
- +Employer cost of pension fund(s)
- +Employer cost of other benefits provided
- =Total compensation for the employee

This often has a dramatic effect on employees who only see their net pay, rather than the total cost an employer actually pays for an employee.

Appendix A: 2017 Recommended Salary Schedule

PG	Recommended Title	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6M	Step 7	Step 8	Step 9
N110	Computer Technician	\$59,520	\$61,306	\$63,145	\$65,039	\$66,990	\$69,000	\$71,070	\$72,847	\$74,668
N110	Confidential Legal Assistant	\$28.62	\$29.47	\$30.36	\$31.27	\$32.21	\$33.17	\$34.17	\$35.02	\$35.90
N110	HR Assistant									
N110	Planning Technician									
N111	Deputy City Clerk	\$63,091	\$64,984	\$66,933	\$68,941	\$71,010	\$73,140	\$75,334	\$77,218	\$79,148
N111	Probation Officer	\$30.33	\$31.24	\$32.18	\$33.14	\$34.14	\$35.16	\$36.22	\$37.12	\$38.05
N112	Code Enforcement Officer	\$67,508	\$69,533	\$71,619	\$73,767	\$75,980	\$78,260	\$80,608	\$82,623	\$84,688
N112	Confidential Admin Associate	\$32.46	\$33.43	\$34.43	\$35.47	\$36.53	\$37.62	\$38.75	\$39.72	\$40.72
N112	Development Services Tech									
N112	Financial Specialist-Eng									
N112	Inspector I - Building									
N112	Inspector I - Construction									
N112	Paralegal									
N112	Planning Assistant									
N112	Safety & Training Administrator									
N112	Surface Water Specialist									
N113	Assistant Court Admin	\$73,583	\$75,791	\$78,064	\$80,406	\$82,819	\$85,303	\$87,862	\$90,059	\$92,310
N113	Associate Planner	\$35.38	\$36.44	\$37.53	\$38.66	\$39.82	\$41.01	\$42.24	\$43.30	\$44.38
M113	Athletic Supervisor									
M113	Community Center Supervisor									
N113	Computer Support Tech									
M113	Cultural Arts Supervisor									
N113	Engineering Tech									
N113	Executive Services Coordinator									
N113	Financial Analyst									
N113	GIS Analyst									
N113	HR Specialist									
N113	Inspector II - Building									
N113	Inspector II - Construction									
N113	Recreation Coordinator									
N114	Crime & Intelligence Analyst	\$79,001	\$81,371	\$83,812	\$86,327	\$88,917	\$91,584	\$94,332	\$96,690	\$99,107
N114	Electronic Control System Administrator	\$37.98	\$39.12	\$40.29	\$41.50	\$42.75	\$44.03	\$45.35	\$46.49	\$47.65

PG	Recommended Title	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6M	Step 7	Step 8	Step 9
N114	HR Analyst									
N114	Inspector III - Combo									
N114	Inspector III - Electrical									
M114	Planner									
M115	Administrative Services Mgr	\$84,531	\$87,067	\$89,679	\$92,370	\$95,141	\$97,995	\$100,935	\$103,458	\$106,045
N115	Asst Building Official	\$40.64	\$41.86	\$43.12	\$44.41	\$45.74	\$47.11	\$48.53	\$49.74	\$50.98
N115	Civil Plan Review									
N115	GIS Administrator									
N115	Project Engineer									
N115	Sr Planner									
M116	IS System Administrator	\$90,448	\$93,162	\$95,957	\$98,836	\$101,801	\$104,855	\$108,000	\$110,700	\$113,468
M116	Parks Maintenance Manager	\$43.48	\$44.79	\$46.13	\$47.52	\$48.94	\$50.41	\$51.92	\$53.22	\$54.55
M116	Prosecutor									
N116	Public Relations Administrator									
M116	Risk/Emerg Mgmt Officer									
M116	Solid Waste/Support Services Supervisor									
M116	Storm/Sewer Supervisor									
M116	Street Supervisor									
M116	Water Operations Supervisor									
M116	Water Resources Supervisor									
M117	Building Official	\$94,971	\$97,820	\$100,755	\$103,777	\$106,891	\$110,097	\$113,400	\$116,235	\$119,141
M117	Court Administrator	\$45.66	\$47.03	\$48.44	\$49.89	\$51.39	\$52.93	\$54.52	\$55.88	\$57.28
M117	Financial Operations Manager									
M117	Financial Planning Administrator									
M117	Planning Manager									
M117	Sr Project Engineer									
M117	Street/Solid Waste Mgr									
M117	Traffic Engineer Manager									
M117	Water Resource Mgr									
M118	Eng Service Manager	\$99,719	\$102,711	\$105,792	\$108,966	\$112,235	\$115,602	\$119,070	\$122,047	\$125,098
M118	Sr Project Manager	\$47.94	\$49.38	\$50.86	\$52.39	\$53.96	\$55.58	\$57.25	\$58.68	\$60.14
M119	Assistant Parks Director	\$104,705	\$107,847	\$111,082	\$114,414	\$117,847	\$121,382	\$125,024	\$128,149	\$131,353

PG	Recommended Title	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6M	Step 7	Step 8	Step 9
M119	Utility Manager	\$50.34	\$51.85	\$53.40	\$55.01	\$56.66	\$58.36	\$60.11	\$61.61	\$63.15
M120	No Position	\$109,941	\$113,239	\$116,636	\$120,135	\$123,739	\$127,451	\$131,275	\$134,557	\$137,921
		\$52.86	\$54.44	\$56.08	\$57.76	\$59.49	\$61.27	\$63.11	\$64.69	\$66.31
M121	City Engineer	\$115,438	\$118,901	\$122,468	\$126,142	\$129,926	\$133,824	\$137,839	\$141,285	\$144,817
M121	Deputy City Attorney	\$55.50	\$57.16	\$58.88	\$60.65	\$62.46	\$64.34	\$66.27	\$67.93	\$69.62
M121	Police Commander									
M121	IS Manager									
M122	Assistant Finance Director	\$121,210	\$124,846	\$128,591	\$132,449	\$136,422	\$140,515	\$144,731	\$148,349	\$152,058
M122	Assistant PW Director	\$58.27	\$60.02	\$61.82	\$63.68	\$65.59	\$67.56	\$69.58	\$71.32	\$73.10
M123	Assistant Police Chief	\$133,331	\$137,331	\$141,450	\$145,694	\$150,065	\$154,567	\$159,204	\$163,184	\$167,263
		\$64.10	\$66.02	\$68.01	\$70.05	\$72.15	\$74.31	\$76.54	\$78.45	\$80.42
M124	Community Development Director	\$139,997	\$144,197	\$148,523	\$152,979	\$157,568	\$162,295			\$179,196
M124	Human Resource Director	\$67.31	\$69.33	\$71.41	\$73.55	\$75.75	\$78.03			
M124	Parks Director									
M125	Finance Director	\$146,997	\$151,407	\$155,949	\$160,628	\$165,446	\$170,410			\$188,156
		\$70.67	\$72.79	\$74.98	\$77.22	\$79.54	\$81.93			
M126	Police Chief	\$154,347	\$158,977	\$163,747	\$168,659	\$173,719	\$178,930			\$197,564
M126	City Attorney	\$74.21	\$76.43	\$78.72	\$81.09	\$83.52	\$86.02			
M126	Public Works Director									
M130	No Position	\$171,325	\$176,465	\$181,759	\$187,211	\$192,828	\$198,613			\$219,296
		\$82.37	\$84.84	\$87.38	\$90.01	\$92.71	\$95.49			

M= Exempt
N= Non-exempt



EXECUTIVE OFFICE
1049 State Avenue
Marysville, Washington 98270
Phone: 360.363.8000
marysvillewa.gov

MEMORANDUM

To: City Council

From: Gloria Hirashima, Chief Administrative Officer

Date: December 8, 2017

Subject: Non-Represented Classification Study Implementation

McGrath Consulting Group has recommended a classification system for non-represented employees of the City. Executive, HR and Finance staff have reviewed the cost and implementation schedule. The cost of implementing the new grid and moving position classifications for 89 positions as recommended is \$163,000. This study was initiated in 2016 and developed based on wage information collected by the consultant in early 2017. The salary grid is based on a schedule of annual step increases for each position classification. In discussions with Council, a merit system was desired, rather than one based entirely on years of service. As a result, we can incorporate a merit aspect by implementing steps 8 and 9 of the schedule as merit steps. This will require approval by the director to move into those steps based on employee performance. Failure to maintain performance at the desired level will result in removal of the merit step(s) potentially to step 7. The steps will be reviewed annually for employees attaining step 8 or 9. Director positions operate on a merit system, so all steps are considered performance based; the schedule is a guideline and steps are not automatic.

In order to maintain equity with the bargaining units, I also recommend implementing a 2.7% wage adjustment consistent with the tentative agreement with Teamsters #763. The 2.7% wage adjustment is 90% of CPI-W as identified by the US Department of Labor, Bureau of Labor Statistics for Seattle-Tacoma-Bremerton area for October 2017. The 2018 cost of the 2.7% wage adjustment is \$225,000 for the non-represented employees.

Adopting a new wage grid can present various inequities in the step implementation with employees hired at different times of the year. In order to provide for equity in the new grid implementation as well as to recognize impacts resulting from the health plan change, I am recommending a universal anniversary date be enacted of February 1, 2018 for all employees who have been in their current positions for one year or more as of 1/1/18. The cost impact of the anniversary date adjustment is approximately \$60,000. For employees who are in their current positions less than one year, the employee will maintain their current anniversary date for step increases. In addition to increasing equitable treatment in the new grid system, the adjusted anniversary date will also serve to mitigate the health insurance change that is being enacted on 1/1/18 for the non-represented employees. The City will be moving all employees to Health First 250 as our current plan is being terminated. There will be an impact with the new plan as deductibles, maximum out of pocket are increasing and coverage is decreasing for various services. The bargaining units negotiated one-time payments to mitigate the change within their contracts.