

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	August 21, 2023
Action Required:	Review and approve the resolution to approve the compensation policy and pay structure.
Presenter:	Mary Ann Hardie, Director of Human Resources, Samuel Sanders, Jr., City Manager
Staff Contacts:	Mary Ann Hardie, Director of Human Resources Samuel Sanders, Jr., City Manager
Title:	Resolution to Approve Compensation Policy and Pay Structure for City of Charlottesville Employees (1 reading)

Background

As part of the City's Classification and Compensation update process, a final pay structure and revised compensation policy must be approved by the Office of the City Manager as well as by the Council. The proposed structure and policy were updated by the Department of Human Resources in alignment with the April 2023 Gallagher Compensation and Classification Study results and recommendations. The new pay structure places all general (non-union) employee position classification titles within the new pay structure which has 25 pay grades with a 7% differential between each pay grade. The proposed salary range spread is consistent within each pay grade. Further, all part-time and full-time benefited position classifications were placed in the structure, and a supplemental 19-step pay step plan was created with approximately 2.2% between each step for pay progression and individual employee placement. Further, the compensation policy which correlates to City Personnel Policy Section 5-1 through 5-5 was updated in accordance with the new compensation policy so that it adheres to best practices and compliance as well as provides clear information on the compensation philosophy, strategy, and plan administration.

Discussion

In support of the Employee Engagement Survey performed by UVA in early 2022, Interim City Manager Michael C. Rogers identified as a 2022 priority to look at the City's Compensation Plan. For this reason, the City contracted services with Gallagher Consulting in the Spring of 2022 to complete a City-Wide Classification & Compensation (market-based) Study, which was presented to Council on April 3, 2023. Those documents are publically available at: <https://www.charlottesville.gov/1646/Classification-and-Compensation-Study>. The primary purpose of the study was to review the current pay and the pay ranges for the City's (identified, benchmark) positions compared to those of other external labor markets (cities and counties and other published survey data) to provide information in order to help: 1) ensure competitive employee pay and benefits 2) ensure a fair and equitable pay structure and pay plan 3) provide a method for employee pay progression (through a step-based plan). Another important part of the study involved reviewing the

City's benefits as part of employee compensation. Additionally, the City Personnel Policy updates in October 2022 and March 2023 had a placeholder for sections of the Compensation Policy that would be updated with the Compensation Study process. These sections of policy have now been updated as well with this process.

Specific to the plan, the City has a market-based pay plan and compensation policy. Market-based pay plans are common in public sector municipal government to help provide an externally competitive pay and benefits plan and the results are usually readily transparent with available comparator pay data. The City's existing market-based pay plan had not been updated for some time, which did not address any potential pay compression issues or pay (salary range) misalignment. Therefore, an updated market-based compensation program is key to attracting and retaining an engaged and high-performing workforce to support the mission and values of the City. The end result will help guide the City toward making our compensation competitive with other municipalities, local governments, and jurisdictions in the labor market. This market-based compensation program will impact all benefit-eligible, general (Unaffiliated, non-union) employees as their positions will be placed in the appropriate pay step of their pay range in the updated salary structure.

Key Updates to the City Pay Plan Include:

- **Pay Bands:** The new pay structure has approximately 30 salary ranges or "pay bands." The number of pay ranges or "bands" in the previous structure (57) appeared to have hiring range limits within the bands and created confusion in that it allowed for position classifications within a job family to appear to be in the same salary range.
- **Position Classifications:** Position classifications (by title) were placed in the new pay structure based on data from the Gallagher study as well as the individual position classification level of skill, effort, responsibility, and working conditions and 3) a review of the previous position's placement in the existing pay structure. Further, the new proposal stops the use of the term(s) "technical," "professional" or "management" as a type of band (per Gallagher's recommendation) as it may not correlate with the appropriate level of market pay and internal equity considerations for the positions in the bands.
- **Mechanism for Pay Increases:** In the prior plan there was not an approved mechanism in place for regular individual pay increases (a link of pay to performance) aside from any approved, annual cost of living adjustment (COLA). The new pay structure has built-in, consistent pay steps for which employees who have a "meets standard" annual performance evaluation will be eligible for a pay step increase each year (subject to annual budget appropriation) as well as any budget-approved COLA.
- **Benefits:** As an important component of employee compensation, the City's benefits were also reviewed through the Gallagher Compensation Study process, from which it was determined that the City offers a competitive benefits package. For this reason, there are no proposed changes to the benefits of this process. Additionally, as was previously mentioned, the City's Compensation Policy was updated accordingly to align with the changes to the market-based pay plan.

Compensation Policy

The Compensation Policy Update provides the City with updated Personnel Policies Section 5-1 through 5-5. This update incorporates modern best practices and compliance, as well as provides clear information on the compensation philosophy, strategy, and administration plan for the City of

Charlottesville. The Compensation Policy will help ensure that the compensation program for the City is administered in a fair and equitable manner.

Key Updates to the Compensation Policy include:

- Definitions of compensation terms for clarity and ease of understanding
- Explanation of market-based pay plans
- Whole job ranking process
- Pay placement
- Pay adjustments
- Salary range progression information
- Special pay adjustments

Alignment with City Council's Vision and Strategic Plan

This work supports **Goal 5: A Well-managed and Responsive Organization** as a whole, and more specifically subgoal 5.1 *Integrate effective business practices and strong fiscal policies*, and subsection 5.2 *Recruit and cultivate a high-quality and diverse workforce*.

Community Engagement

On Thursday, July 27, 2023, at 12:00 p.m. at City Space and on Zoom, the City of Charlottesville held a Public Hearing to provide employees and other interested persons with the opportunity to comment on the proposed draft (unaffiliated) employee updated pay structure and updated compensation policy. Copies of the draft compensation policy, draft pay bands, draft master jobs list, draft pay bands with steps, and compensation policy FAQs were (and continue to be) available for inspection at: <https://www.charlottesville.gov/1646/Classification-and-Compensation-Study>. Additionally, interested parties were encouraged to submit written feedback during the period July 20th through July 27th, 2023 via electronic mail. The notice was given pursuant to Charlottesville Municipal Code 19-6.

Budgetary Impact

The new pay structure and compensation policy will be effective following Council approval. It is anticipated that the transition of employee positions to an individual pay step within their new pay range will occur in phases effective following the approval of the pay structure and policy by the Council. The City Manager will determine the implementation of any salary adjustments that will occur over a multi-year period. Funding must be available for pay changes.

Recommendation

The City Manager and staff recommend that the council accept the pay plan and compensation policy drafts as submitted.

Alternatives

The Council could choose to reject the proposed pay plan and/or compensation policy drafts as presented.

Attachments

1. Compensation Policy Council Presentation - 8.21.23
2. RESOLUTION adopting an updated compensation plan pay scale for employees_August2023
3. Compensation Policy FAQ's
4. Proposed Draft Compensation Policy (Final)
5. Proposed Draft pay bands (Final)
6. Proposed Draft pay bands with steps (Final)
7. Proposed Draft Master Jobs List (Final)