



Req. #12024

RESOLUTION NO. 37639

A RESOLUTION relating to pay and compensation; approving a pay structure concept and compensation philosophy; and authorizing the implementation of the pay structure concept for nonrepresented classifications.

WHEREAS, in 2007, the City undertook a classification and total compensation study, and

WHEREAS, on October 15, 2008, the Government Performance and Finance Committee gave a "do pass" of the pay structure concept, and

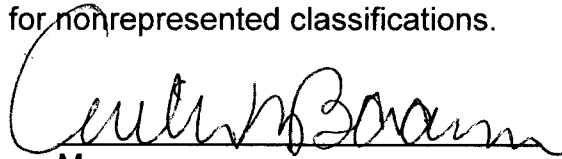
WHEREAS the compensation philosophy defines the values and goals regarding the equitable and consistent implementation of the City's compensation program for today and the future; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

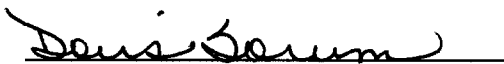
Section 1. That the pay structure concept and compensation philosophy are hereby approved as substantially in the form of the documents on file in the office of the City Clerk.

Section 2. That the proper officers of the City are hereby authorized to implement the pay structure concept for nonrepresented classifications.


Adopted NOV 18 2008


Mayor

Attest:


City Clerk

Approved as to form:


City Attorney



CITY CLERK USE ONLY

REQUEST FOR
[] ORDINANCE [X] RESOLUTION

Request #: 12024
Ord./Res. #: 37639

1. DATE: October 23, 2008

2. SPONSORED BY COUNCIL MEMBER(S): N/A (If no sponsor, enter "N/A")
3a. REQUESTING DEPARTMENT/DIVISION/PROGRAM: Human Resources Department
3b. DO PASS FROM GPFC: [X] Yes, [] No, [] Did not go before a Committee
4a. CONTACT (for questions): Karen Short, PHONE: 591-5424
4b. Person Presenting: Joy St. Germain, PHONE: 591-2060
4c. ATTORNEY: Cheryl Comer, PHONE: 591-5074

5. REQUESTED EFFECTIVE DATE: October 28, 2008

(If a specific council meeting date is required, explain why; i.e., grant application deadline, contract expiration date, required contract execution date, public notice or hearing required, etc.)

6. SUMMARY AGENDA TITLE: (A concise sentence, as it will appear on the Council agenda.)

Resolution to approve a pay structure concept and compensation philosophy, and authorizing the implementation of the pay structure concept for non-represented classifications.

7. BACKGROUND INFORMATION/GENERAL DISCUSSION: (Why is this request necessary? Are there legal requirements? What are the viable alternatives? Who has been involved in the process?)

The Government Performance and Finance Committee gave a "do pass" of the pay structure concept on October 15, 2008. The compensation philosophy defines the values and goals regarding the equitable and consistent implementation of the City's compensation program, for today and the future.

8. LIST ALL MATERIAL AVAILABLE AS BACKUP INFORMATION FOR THE REQUEST AND INDICATE WHERE FILED:

Table with 2 columns: Source Documents/Backup Material, Location of Document. Rows include Draft GPFC minutes of 10/15/2008, Pay Structure Proposal, and Compensation Philosophy, all located at City Clerk's Office.

9. FINANCIAL IMPACT: A. [X] NO IMPACT (NO FISCAL NOTE)
B. [] YES, OVER \$100,000, Fiscal Note Attached
C. [] YES, UNDER \$100,000, (NO FISCAL NOTE) Provide funding source information below:

FUNDING SOURCE: (Enter amount of funding from each source)

Fund Number & Name: State \$ City \$ Other \$ Total Amount

If an expenditure, is it budgeted? [] Yes [] No Where? Cost Center: Acct #:



Amendment Memorandum No. 1

TO: Mayor William H. Baarsma and Members, Tacoma City Council

FROM: Joy M. St. Germain, Human Resources Director

DATE: November 12, 2008

SUBJECT: Resolution 37639 –Pay Structure Concept and Compensation Philosophy

The City Council considered Resolution 37639 at the November 4, 2008 Council meeting regarding the approval of a pay structure concept and compensation philosophy; and authorizing the implementation of the pay structure concept for non-represented classifications.

Final consideration of the resolution was held over until a date to be determined in order to consider possible revisions to the compensation philosophy document. Revisions were considered by the Government, Performance and Finance Committee at the meeting November 5, 2008, and received a “do-pass” recommendation.

The revisions in the compensation philosophy attached clarify the approach to determine pay and benefits separately in comparison to the market, positioning pay between the 65th and 75th percentile, and targeting benefits in total to be competitive in attracting and retaining our employees.



COMPENSATION PHILOSOPHY

The Tacoma City Council is committed to a results-oriented government that provides efficient and accountable government services.

To attract and retain the employees with the competencies, skills, knowledge, and dedication we need to meet our high performance standards, the City of Tacoma (the City) strives to be an employer of choice in the Puget Sound region. For our community that means our goal is to be a well-managed municipal government that provides exceptional services to our residents. For our employees that means we are committed to:

- Providing opportunities for our employees to grow and develop their skills, knowledge, and ultimately their careers.
- Ensuring individual accountability for performance and results.
- Communicating openly with our employees about our business/mission, our successes and our failures, and opportunities for us to do things better.
- Providing a competitive total compensation package.

The total compensation program at the City is designed to assist us in creating and supporting a high-performance, responsive and competitive organization. The total compensation program is made up of salary/wages and benefits.

MARKET DEFINITION¹

We regularly assess our market to ensure that our salary ranges remain competitive.

Given the diversity and complexity of the duties and responsibilities for positions filled by the City of Tacoma, the “market” for any individual position or classification will be varied. For some positions, the market will be exclusively public sector governments. For other positions, the market will be a mix of public sector and private sector employers. In markets such as Click! and Tacoma Rail, the market may be exclusively private sector. The market will be defined in a manner that reflects the primary industries where labor talent is found, recruited from and/or lost to.

¹ Market Definition received a “Do Pass” recommendation from the GPFC on January 16, 2008, and was revised on April 2, 2008.

Once the market is generally identified, then certain criteria come into play when considering the potential pool of market data. Those criteria will include:

- Certain positions are recruited from and hired, or lost to local area employers (of public, private or both sectors) so data from organizations within that geography are most relevant.
- Certain positions are recruited from and hired, or lost to regional or national employers (of public, private, or both sectors). Thus survey data for these positions might be obtained from a regional or even national geography, based on past experience and historical data.
- National data will only be used (adjusted for Tacoma regional cost of labor), if there are insufficient local or regional survey data available to make reliable market analysis, or the national market is the appropriate market for comparison.
- All data should be appropriately scaled and adjusted to reflect geographic differences in the cost of labor; this is intended to insure that the survey data reflects comparable information.
- Finally, at certain job levels, the complexity created by organizational size and purpose is directly related to the scope of responsibility of the position and consequently, its pay.

COMPETITIVENESS²

The City of Tacoma's total compensation philosophy is to provide pay and benefits sufficient to attract and retain the qualified and skilled employees to accomplish the City's strategic plan:

- Position ~~total compensation (pay and benefits)~~³ between the 65th and 75th percentile of the market.
- Recognize that there are conditions where exceptions may be necessary, in situations such as:
 - ✓ Recruiting the desired level of talent in certain jobs is a sustained problem and results in negative impacts to the City;
 - ✓ Retention issues, including succession and turnover;
 - ✓ Significant changes in the economy or marketplace;
 - ✓ Internal anomalies in alignment, disparities or inconsistencies.

BENEFITS

We target our benefits, in total, to be competitive in attracting and retaining our employees~~provide above average value to our employees~~⁴. We recognize that other less tangible elements, such as the mission of the departments in serving the citizens of Tacoma, are valuable to our employees. Each element plays a role in our pay strategy.

PAY ADMINISTRATION

The City's policies around pay administration (for both classified and non-classified employees) are intended to ensure fair and consistent decisions surrounding employee pay, to provide hiring managers with enough flexibility to be able to recruit and retain our talented employees, to emphasize performance, and to increase accountability for all employees.

Our goal is to attract, retain and motivate committed, hard-working, creative and thoughtful employees who support our mission to meet and exceed the expectations of our community, not only in service delivery but in building a better place for all of us to live and work.

² From the minutes of the January 30, 2008 meeting of the GPFC: “. . . it is the consensus of the Committee that the City's position in market should be between the range of 65% to 75%.”

³ Proposed edits from GPFC discussion on November 5, 2008.

⁴ Proposed edits from GPFC discussion on November 5, 2008.

Pay Structure Proposal

October 21, 2008
City of Tacoma
City Council Study Session

Joy St. Germain, Human Resources Director

Agenda

- Proposed pay structure
- Proposed management of new pay structure
- Compensation philosophy
- Next steps

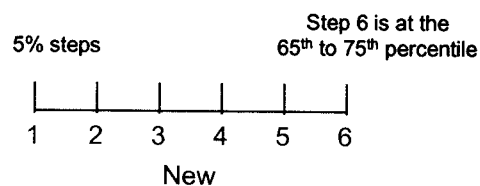
Proposed Pay Structure

- For non-represented employees only
- Proposed transition in first quarter 2009
- Structure
 - What will it look like?
 - How will we transition?
 - How will we incorporate elements that emphasize performance & accountability, and provide flexibility for recruitment & retention?

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Proposed Pay Structure (cont'd)

- What will it look like?
 - Use 6 steps for all non-represented classifications
 - Each step is a 5% increment (25% range)
 - Step 6 is at the 65th to 75th percentile of the market for the classification



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Transition Principles

1. The current pay scale moves so that the top step is equal to pay at the 65th to 75th percentile of the market for that classification (target market pay)
2. Employees move to the *same relative position* in the market pay scale, up to a maximum 15% increase except where more is necessary to place an employee within the market pay range
3. In 2009, annual progressions occur as scheduled using existing guidelines

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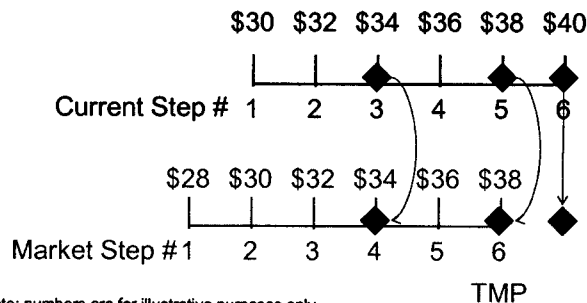
Transition Principles (cont'd)

4. The City Manager and Utilities Director have the ability to recommend specific individuals that require additional consideration for purposes of retention
 - City Manager/Utilities Director will submit documentation that justifies special consideration to the HR Director for final review and confirmation

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Transition Examples

- Example 1: Target market pay (TMP) is less than current top step 6
 - Employees paid at current step 6 are frozen at \$40/hr until TMP reaches \$40/hr
 - Employees paid in current steps 1-5 receive no market adjustment; they are eligible for annual step increases in the new market pay scale

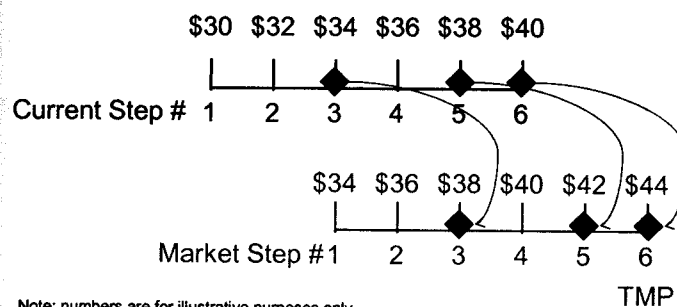


Note: numbers are for illustrative purposes only

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Transition (cont'd)

- Example 2: Target market pay (TMP) is greater than the current step 6
 - Employees keep relative position in market pay scale
 - Pay increased 10% in this case

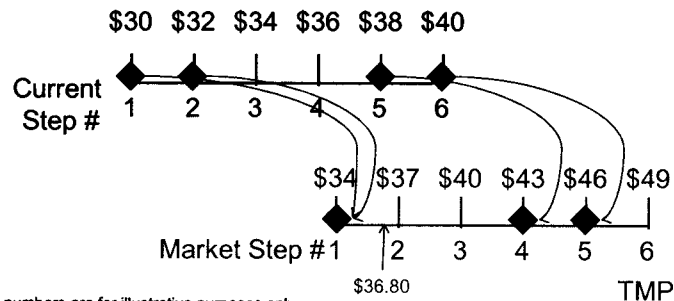


Note: numbers are for illustrative purposes only

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Transition (cont'd)

- Example 3: Target market pay (TMP) is more than a 15% increase above current step 6
 - Employees keep relative position in market pay scale, up to a 15% increase
 - Employees in current steps 1 and 2 are placed in new step 1 to get to market pay range

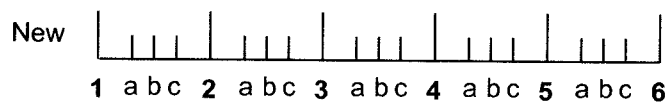


Note: numbers are for illustrative purposes only

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Transition (cont'd)

- We will introduce "quarter steps" worth 1.25% to facilitate placement in the new market pay range
- Lays the foundation for linking pay to performance evaluations
 - Major steps are at 5% increments
 - Quarter steps are at 1.25% increments
 - Step 6 is at the 65th to 75th percentile



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Transition (cont'd)

- HR Director will work with General Government and TPU joint leadership to address transition issues and exceptions
 - Internal equity
 - Use of 6 steps for all non-represented positions and timing for adjustment
 - Accommodating retention concerns

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Incorporating Performance, Accountability and Flexibility

- Through 2009, we will:
 - Develop classification and compensation guidelines
 - Implement a Citywide performance evaluation system
 - Develop an incentive program in General Government similar to TPU's incentive program
 - Develop additional goal-based incentive provisions used to recognize individual or team goals

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Incorporating Performance (cont'd)

- In 2010, we will:
 - Transition to non-automatic steps for all non-represented employees, using annual performance evaluations to advance through the steps

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Proposed Management of Pay Structure

- Successful implementation depends on:
 - Organization-wide consistency
 - Effective performance evaluation system
- Department management responsible for consistent application of the guidelines
- HR Department plays a pivotal role in the implementation and ongoing operation of the proposed pay structure


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Proposed Management (cont'd)

- **Classification and Compensation Guidelines**
 - Provide criteria and procedures for consistent implementation and on-going management
 - To be developed with joint leadership team
 - HR Director plays a consultative role in guiding department managers
 - HR Director will ensure proper documentation and compliance
- **HR Director will provide GPFC periodic implementation updates**

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Compensation Philosophy

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Next Steps

- | | |
|------------|--|
| October 28 | Present resolution approving pay philosophy and pay structure, and directing staff to bring back corresponding TMC changes for Council consideration |
| November 5 | Present compensation survey recommendations at GPFC |
| November | Present compensation survey recommendations for Council consideration |

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Next Steps (cont'd)

- | | |
|--------|---|
| 1Q2009 | Begin transition of non-represented positions to new classification system and pay structure |
| 1Q2009 | Begin training and roll out of performance evaluation system |
| 1Q2009 | Begin roll out of General Government incentive goal program (similar to TPU) |
| 1Q2010 | Begin using performance evaluation to determine pay adjustments for non-represented positions |

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Resolution No. 37639

CONTINUED TO A DATE TO BE DETERMINED

Adopted: NOV 18 2008

Maker of Motion: Manthou

OCT 28 2008

Seconded: Talbert

Voice Vote:

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Ms. Anderson	2			
Mr. Fey	2			
Ms. Ladenburg	2			
Mr. Lonergan	2			
Mr. Manthou	2			
Ms. Strickland	2			
Mr. Talbert	2			
Ms. Walker	2			
Mayor Baarsma	2			

Roll Call Vote:

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Ms. Anderson				
Mr. Fey				
Ms. Ladenburg				
Mr. Lonergan				
Mr. Manthou				
Ms. Strickland				
Mr. Talbert				
Ms. Walker				
Mayor Baarsma				