



Citywide Compensation & Classification Study

City Council

May 16, 2023



Background

- The current compensation & classification system was implemented in 2016 following a comprehensive study with a third-party consultant
- Since 2016, the City has experienced:
 - Challenges in attracting and retaining talent in a competitive market
 - Challenges in stagnant ranges and pay plans that have not evolved with the economic conditions
 - Significant change in the organization structure to adapt and meet the needs of the rapidly growing community
- City Council Priority – Pursue Organizational Excellence (Key Focus Area 1)
 - *Objective 1.1 Become an Employer of Choice* (also a City Manager Priority)



Background

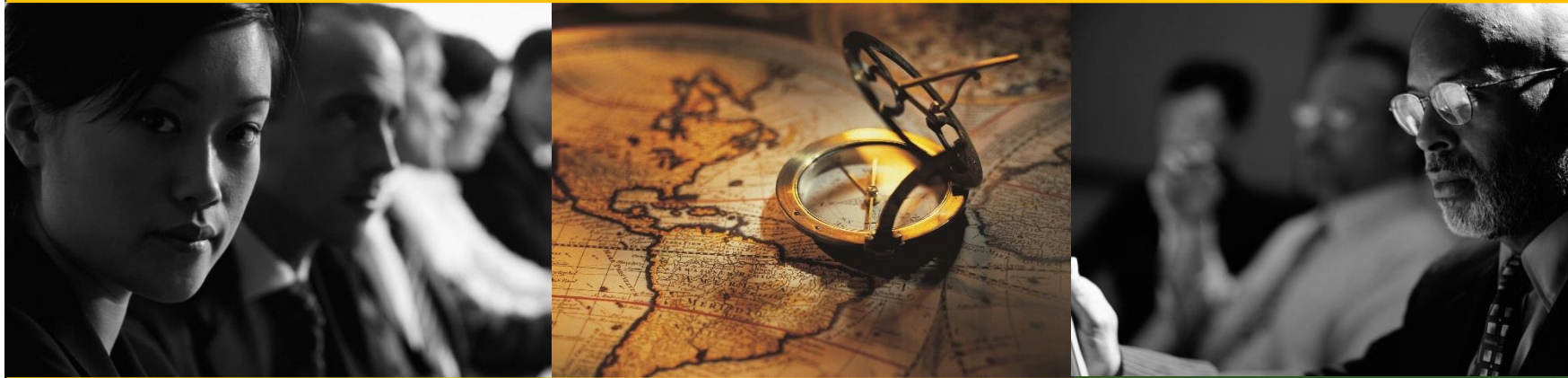
- In October 2022, a contract was awarded to Evergreen Solutions to conduct a citywide comp & class study with the goal to:
 - Produce recommendations to provide a compensation and classification system that is equitable, both internally and externally
- Experience of Evergreen Solutions:
 - National firm providing human resources and management consulting services to public sector clients across 46 states
 - Conducted more than 1,000 similar compensation studies across the country, including for municipalities and agencies in Texas and DFW area
- Scope of the study:
 - Included all positions in the City (General Pay Plan, Technology Services Pay Plan, Electric Pay Plan, and Special Agreement (Seasonal) Pay Plan)
 - Excluded Police and Fire Civil Service positions, DME Craft Pay Plan and EMO positions, and City Council Appointees



City of Denton, TX

Compensation and Classification Study

Presentation of Results



Presented by:
Mark Holcombe



May 16, 2023

Project Phases



Employee Meetings

- **Strengths**

- Benefits
 - Leading reasons employees decide to pursue employment with the City (e.g., retirement plan and health coverage)
- Culture
 - Quality of people they work with is a main factor for why they have stayed
- Job Stability
 - Came to work for the City for the stability the job provides

- **Areas of Concern**

- Internal/External Equity
 - Pay is lower than other organizations in the area
 - Compression within many departments
 - New hires brought in at rates above those of tenured employees
- Turnover & Vacancies
 - High with Field and Trades, difficult to recruit and retain
 - Unfair burden on current employees
- Merit Increases
 - Lump sum checks are only a short term incentive
- Consider Certification or Incentive Pay



Current System Findings

- **Strength:**

- The City possesses separate pay schedules that allow for customized approaches for different employee groups.
- The City has a good balance of employees above and below midpoint and does not have a significant proportion of employees stuck at the grade minimums or maximums.

- **Weakness:**

- Employees are not always advancing consistently through pay ranges. Employees within quartile 4 of the pay range have a lower average tenure than employees in Quartile 3.
- There is some compression between employees and their supervisors. Many employees are making between 5.0-15.0% less than supervisors.



Market Targets

- Salary survey resulted in responses from 28 out of 29 peers. Some peers were added for specific job families (e.g., Airport or Electric) and were not considered City-wide.
- All responses are adjusted for cost-of-living differentials.
- There were 111 jobs benchmarked and compared directly to the market. Average response rate was 8.9 matches per position.

Market Peers
Alliance Airport
Austin Energy
Bryan Texas Utilities
City of Addison
City of Allen
City of Arlington
City of Austin
City of Carrollton
City of Coppell
City of Corinth
City of Dallas
City of Flower Mound
City of Fort Worth
City of Frisco
City of Grand Prairie
City of Grapevine
City of Irving
City of Lewisville
City of McKinney
City of Mesquite
City of Plano
City of Richardson
City of Sugar Land
Dallas County
Denton County
Lubbock Power & Light
Meacham Airport
North Texas Municipal Water District
Upper Trinity Regional Water District



Market Results

Unadjusted Results (no cost-of-living adjustment and before removing outliers)			Adjusted Results (cost-of-living adjusted and outliers removed)		
Minimum	Midpoint	Maximum	Minimum	Midpoint	Maximum
-7.8%	-2.4%	1.2%	-3.8%	2.3%	6.5%

- A negative differential indicates the City is behind at that market position on average.
- The results show the importance of range spread when comparing to the market. The City is below the market at the minimum of the range but leads the market at the maximum of the range due to wider ranges.
 - Note: New Hires are typically hired at Midpoint and below to avoid compression but does not allow for market competitiveness



Key Recommendations

1. Adopt adjusted pay plans with modified grades.
 - The newly recommended pay plans have consistent range spreads and progression between the grades. (General, Technology Services, Electric, Special Agreement, and a new Trades Pay Plan)
2. Reassign pay grades to positions based on internal equity and the market results.
 - Some positions will see larger adjustments than others due to the market response.
3. Place employees within their newly recommended pay grades.
 - Select an implementation methodology that aligns with the compensation philosophy and financial means of the City.



Implementation Costs

Implementation Option	Total Salary-Only Cost	Number of Employees Adjusted	Average Adjustment for Impacted Employees	% of Payroll
Compa Ratio	\$ 7,286,421.64	1125	\$ 6,476.82	9.5%
Additional Adjustment	Total Additional Salary-Only Cost over Compa Ratio	Number of Employees Adjusted	Average Adjustment for Impacted Employees	% of Payroll
Move towards Market Compa Ratio	\$ 890,113.28	1125	\$ 791.21	1.2%

Compa Ratio (Implementation Option):

- This approach provides increases to employees on the basis of the market adjustment provided to their position. Employee placement within the range remains the same in the new range.
- This will maintain the current internal equity of positions within the City within each classification.

Move Towards Market (Additional Adjustment):

- This is an additional adjustment above and beyond the Compa Ratio cost that will provide additional movement for employees to align with the Market and considers employee tenure.
- This approach does alleviate compression slightly.



Staff Recommendation

- Staff recommends implementing the proposed solution
 - Adopt new pay plans
 - Use “Compa Ratio” implementation strategy and the “Move Towards Market” additional adjustment
 - Make employee adjustments in late summer 2023 (~July/August)
- Key highlights:
 - **Adjusts all pay ranges based upon market data**, increasing minimum starting points
 - **Adjusts all employees** with the recommended implementation strategy (note: all employees would receive at least a minimum of a 3% adjustment)
 - **Achieves a minimum living wage rate** for all full-time and part-time positions (per MIT for Denton County single adult at \$18.24/hour)
 - **Creates a separate Trades Pay Plan** for field/trade positions in the organization
 - **Creates a min, mid, and max pay range structure** easing administration and increasing flexibility to place based upon qualifications, skills, and experience
 - **Adjusts classifications for certain positions** based upon the job analysis and equity review



FY22-23 Funding (as of 5/11/2023)

Funding for Comp & Class study adjustments was anticipated and budgeted for in current FY22/23 budget

Fund	Compa Ratio + Market (Cost for Full Year)	Compa Ratio + Market (Cost for Remainder of FY 22-23)	Funding Included in FY22-23	Additional Funding Needed
100 – General Fund	\$3,024,557	\$756,139	\$2,162,219	(\$1,406,079)
203 – Recreation Fund	\$132,200	\$33,050	\$77,997	(\$44,948)
285 – Street Improvement Fund	\$314,185	\$78,546	\$77,539	\$1,007
301 – CDBG Fund	\$7,307	\$1,827	\$7,163	(\$5,336)
600 – Electric Fund	\$710,503	\$177,626	\$637,705	(\$460,079)
630 – Water Fund	\$600,745	\$150,186	\$289,578	(\$139,391)
640 – Wastewater Fund	\$690,210	\$172,552	\$245,294	(\$72,742)
660 – Solid Waste Fund	\$1,182,637	\$295,659	\$331,024	(\$35,365)
680 – Airport Fund	\$76,088	\$19,022	\$8,926	\$10,096
800 – Procurement Fund	\$92,462	\$23,116	\$49,019	(\$25,903)
820 – Fleet Fund	\$154,699	\$38,675	\$52,365	(\$13,691)
830 – Tech Services Fund	\$398,932	\$99,733	\$192,491	(\$92,758)
840 – Engineering Fund	\$275,347	\$68,837	\$113,686	(\$44,850)
860 – Risk Fund	\$43,467	\$10,867	\$53,325	(\$42,459)
870 – Customer Service Fund	\$381,411	\$95,353	\$77,560	\$17,793
880 – Facilities Fund	\$91,784	\$22,946	\$36,443	(\$13,497)
Total	\$8,176,535	\$2,044,134	\$4,412,335	(\$2,368,201)

FY23-24 Funding (as of 5/11/2023)

Fund	Compa Ratio + Market (Cost for Full Year)	Funding Included in FY 22-23 Budget	Additional 3% Increase Included in FY 23-24 Budget	Total Funding for FY 23-24 Budget	Funding Need in FY 23-24
100 – General Fund	\$3,024,557	\$2,162,219	\$1,313,404	\$3,475,623	(\$451,066)
203 – Recreation Fund	\$132,200	\$77,997	\$119,477	\$197,474	(\$65,274)
285 – Street Improvement Fund	\$314,185	\$77,539	\$119,221	\$196,760	\$117,425
301 – CDBG Fund	\$7,307	\$7,163	\$6,703	\$13,866	(\$6,559)
600 – Electric Fund	\$710,503	\$637,705	\$746,804	\$1,384,509	(\$674,006)
630 – Water Fund	\$600,745	\$289,578	\$300,716	\$590,294	\$10,451
640 – Wastewater Fund	\$690,210	\$245,294	\$263,447	\$508,741	\$181,469
660 – Solid Waste Fund	\$1,182,637	\$331,024	\$369,522	\$700,546	\$482,091
680 – Airport Fund	\$76,088	\$8,926	\$16,812	\$25,738	\$50,350
800 – Procurement Fund	\$92,462	\$49,019	\$78,442	\$127,461	(\$34,999)
820 – Fleet Fund	\$154,699	\$52,365	\$88,453	\$140,818	\$13,881
830 – Tech Services Fund	\$398,932	\$192,491	\$268,954	\$461,445	(\$62,513)
840 – Engineering Fund	\$275,347	\$113,686	\$156,477	\$270,163	\$5,184
860 – Risk Fund	\$43,467	\$53,325	\$30,013	\$83,338	(\$39,871)
870 – Customer Service Fund	\$381,411	\$77,560	\$128,037	\$205,597	\$175,814
880 – Facilities Fund	\$91,784	\$36,443	\$58,908	\$95,351	(\$3,567)
Total	\$8,176,535	\$4,412,335	\$4,065,388	\$8,477,723	(\$301,188)

Recommended Maintenance

- Ongoing **maintenance and evaluation of the comp & class structure** is important
 - Conduct compensation studies more frequently:
 - Schedule a pay plan or portion of the organization to be evaluated on a rotational basis or conduct comprehensive study approximately every three years
 - Proposed annual compensation strategy (baseline + merit):
 - Baseline adjustment plus a potential merit increase (depending upon financial ability in budget year)
 - Funding for a merit increase for FY23/24 as been included as a supplemental in the budget process for consideration (estimated \$2,173,785 total for all funds)
 - Equity adjustments and reclassification requests may continue to be submitted to the Comp & Class Review Committee (internal team of CMO, HR, and Finance) as needed
- Continue to **evaluate and promote employee benefits programs** along with competitive compensation



Direction

1. Proceed with implementing recommended Compensation & Classification solution as soon as possible (*staff recommendation*)
 - Funds are budgeted
 - New pay plans and structure would be finalized and adopted administratively by the City Manager
 - Increases would be anticipated to be applied to employees in July/August 2023 (more communication and timelines would be forthcoming to employees)
2. Do not proceed with implementing recommended Compensation & Classification solution
 - Request additional information and/or reconsider and evaluate planned funding through FY23/24 Budget Process
 - Would continue to face challenges outlined with administering current system