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Title: Executive Management Compensation.

Ward(s): All Wards
 Councilor(s): All Councilors
 Neighborhood(s): All Neighborhoods
 Result Area(s): Good Governance.

Sponsors:

Indexes:

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Attachments:

Date	Ver.	Action By	Action	Result
8/8/2022	1	City Council	approved	Pass

TO: Mayor and City Council

THROUGH: Kristin Retherford, Interim City Manager

FROM: Michele Bennett, Human Resources Operations Manager

SUBJECT:

Executive Management Compensation.

Ward(s): All Wards
 Councilor(s): All Councilors
 Neighborhood(s): All Neighborhoods
 Result Area(s): Good Governance.

SUMMARY:

Human Resources completed a compensation review for Executive Management (department directors) and found that pay inequality, pay inequity, and compression exists between the executive positions and their subordinate classifications. A pay grade adjustment is recommended to the Executive Management pay plan along with creating pay grades with steps like the non-represented pay plan structure, and establishing an annual cost-of-living adjustment (COLA) minimally equivalent to the same COLA for non-represented staff as determined by the City Manager. These compensation changes for Executive Management are to ensure fairness and consistency with pay

and merit increases and follow the guidance of the City's Compensation Philosophy to maintain a fifteen percent compression level between department directors and their direct reports.

ISSUE:

Shall City Council approve a five percent (5%) pay grade adjustment to the Executive Management pay plan, with creation of a thirteen step pay grade with four percent (4%) between steps, and establish annual cost-of-living adjustments minimally equivalent to the non-represented group to be determined by the City Manager beginning July 1, 2022, to address pay inequity, inequality, and compression issues?

RECOMMENDATION:

Approve a five percent (5%) pay grade adjustment for the Executive Management pay plan, with creation of a thirteen step pay grade with four percent (4%) between steps, and establish annual cost-of-living adjustments minimally equivalent to the non-represented group to be determined by the City Manager beginning July 1, 2022 to address pay inequity, inequality, and compression issues.

FACTS AND FINDINGS:

As part of the 5-year classification review cycle following the City's new process for non-represented jobs and the City's Compensation Philosophy, the Executive Management group (department directors) compensation structure was reviewed. Currently, Executive Management compensation consists of a minimum and maximum salary range with a thirteen percent spread at each level (Executive, Public Safety, and General/Internal). Department directors, when appointed, are given a rate of pay within that range. The Executive Management pay plan was last updated in 2016.

Currently, there is no process or system to apply regular pay adjustments or annual cost-of-living adjustments to Executive Management other than at the City Manager's discretion. Review of past changes found inconsistencies in pay adjustments from date of appointment and forward, with irregular timing or disparate amounts provided in some cases. Additionally, pay compression of seven percent (7%) was found to exist between some Executive Management directors and subordinate direct report classifications. The City's Compensation Philosophy is to strive to be within 15% between Executive Management and direct subordinate classifications such as Assistant Director level, Deputy Chiefs, or Division Manager job classifications.

Adjusting the Executive Management pay plan by five percent starting at the minimum pay range, and creating a thirteen step pay grade for each of the three levels (with 4% between steps) will establish an equitable system for designating pay at appointment and for regular annual pay adjustments until the top step is achieved. This will resolve pay disparity issues and ensure a consistent application of pay adjustments based on years of service in alignment with the rest of the City's compensation structure for employees and address compression issues. Department directors pay will advance to the next closest step on the new pay plan at time of their anniversary date.

Establishing a consistent practice to provide the same COLA adjustment every July 1st to Executive Management to be minimally equivalent to what the non-represented employees receive, per the City Manager's discretion, will ensure that an adequate compression tolerance level of 15% is maintained between all department directors and their subordinate staff. The annual COLA will be applied to each step of the Executive Management pay plan.

Further, in order to avoid pay inequity, inequality, and compression issues in the future, the compensation of new executives will be determined based upon pay equity laws and the City of Salem's Compensation Philosophy.

The recommended pay adjustments for Executive Management pay plan include the following:

1. Increase the Executive level pay grade (City Attorney, Enterprise Services Director, and Public Works Director) from \$11,567 - \$18,363 per month to \$12,145 - \$19,445 per month.
2. Increase the Public Safety level pay grade (Fire Chief and Police Chief) from \$11,307 - \$17,950 per month to \$11,872 - \$19,008 per month.
3. Increase the General/Internal level pay grade (Chief Financial Officer, Community Development Director, and Urban Development Director) from \$9,875 - \$15,676 per month to \$10,369 - \$16,601 per month.
4. Establish an annual cost-of-living adjustment minimally equivalent to what is given to the non-represented employees every July 1st. The non-represented employees received three percent (3%) COLA and it is recommended the Executive Management receive the same COLA retroactive to July 1, 2022, to be applied to every step of the new pay plan.
5. Ensure a fifteen percent compression tolerance is maintained between Executive Management and their direct subordinate reports.

The anticipated fiscal impact of the proposal is approximately \$56,669 for the current fiscal year. The additional cost will be absorbed within departmental budgets. The new pay plan will be implemented throughout the fiscal year on anniversary dates to lessen the budgetary impact.

Additionally, Human Resources anticipates bringing forward a recommendation to City Council soon to establish a similar compensation philosophy and market adjustment for the City Manager position.

BACKGROUND:

As part of the new five-year classification and compensation review, Human Resources identified represented and non-represented classifications with pay compression issues and implemented recommendation for pay grade adjustments either through the budget process or brought other staff reports over the past year for Council approval. At that time, the Executive Management compensation was still being analyzed for pay equity and compression issues.

Allison Pavelek
Sr. Human Resources Analyst

Attachments:

1. None.