



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2017-0318

TO: Mayor and City Council Members
FROM: Pamela M. Gordon, Human Resources Director, ext. 2521
DATE: July 7, 2017
SUBJECT: Classification & Compensation Study Executive Report

REQUEST:

City Council is requested to approve salary schedule recommendations submitted by McGrath Human Resources Group and to direct staff to make the necessary adjustments to the proposed 2018, 2019 and 2020 budgets in order to implement the schedule for non-union employees, and to establish a basis for negotiations with two union groups that were included in the study.

BACKGROUND:

On January 9, 2016, City Council authorized McGrath Human Resources Group to conduct a Total Compensation Study of full-time and regular part time non-union positions; as well as positions within the City's two union groups represented by the American Federation of State, County and Municipal Employees (AFSCME Locals 2491 and 1917.28). This was the first comprehensive salary study conducted on behalf of the City in over 15 years and its first total compensation study, which included a review and comparison of benefits. Employees' concerns with compensation have exacerbated over the years, especially since the recession and eventually became an issue for union negotiations. The City also recognized the need and agreed to conduct such a study under the current union contract.

A major objective of the study was to identify a pay philosophy for the City based on where we want to position ourselves with respect to the relevant labor market in order to attract and retain qualified, and engaged City employees. Equally important objectives included achieving internal pay equity among positions and between employee groups, and eliminating pay compression between supervisory and subordinate positions.

Beginning in late January, McGrath made three site visits to gather internal data and information, conducting meetings with Human Resources and the administration; multiple meetings with each department director; individual, group and focus group meetings with employees; as well as meetings with union representatives and City Council members. In addition to site visits, they obtained salary data from 19 communities for 127 positions and more extensive compensation and benefit information from five communities considered most comparable to Rochester Hills city government. Their findings and recommendations are included in the attached Executive Report.

Overall, the City's salary schedules compare well to the external market in terms of minimum starting pay and average incumbent salaries. However, about a quarter of positions are clearly out of alignment with the market and in definite need of adjustment. Benefits were found to be competitive overall as well, especially when comparing City contributions to defined benefit pension

and health care plans. Vacation and part-time employee benefits were identified as two notable exceptions to be addressed, with recommendations included in the report.

Based on their overall findings, McGrath suggests that Rochester Hills is well positioned to adopt a compensation policy at the 55th percentile of the market (or 10% above the average market rate), which would better align with the organization’s desire to maintain a motivated, innovative workforce, particularly as demographics change and the labor market tightens.

Highlights of McGrath’s salary recommendations include:

- Placement of every non-union, part-time and union employee (including department directors and the Mayor) into a unified salary schedule (with the ability to isolate union groups for the purpose of contract negotiations);
- Assigned each position to a pay grade, with 3% annual step increases, to a maximum 6th step based on the 55th percentile of the market. Steps currently range from 5% to more than 7%.
- Create “Added Value” steps, to be available to employees who have reached the maximum step as incentive to achieve additional certifications or enhance skill sets that benefit the City, beyond those required for their current position. Note: The Added Value component will be implemented in 2019 or 2020, contingent upon the design of program criteria, specific guidelines and a system of accountability.
- Title changes that better reflect internal comparability and are suggested as more attractive in the market for prospective employees.

Placement of current employees, including vacant positions, into the new pay schedule in 2018 is estimated to increase the current salary budget by roughly \$200,000 or .7%. Projected implementation costs in 2018 and years to come will include any general increases negotiated with the unions and authorized for non-union employees. Annual general adjustments are necessary in order to keep abreast with the cost of living, as well as to sustain the City’s adopted compensation philosophy and market position.

RECOMMENDATION:

Acceptance of the Executive Report by McGrath Human Resources Group and approval of the associated salary schedule, including necessary adjustments to the proposed 2018, 2019 and 2020 budgets for positions identified in the study, is hereby recommended. General salary adjustments for 2018 for Directors and the Mayor will be included in forthcoming recommendations from the Human Resources Technical Review Committee, identified by the Mayor for other non-union employees and negotiated with the unions prior to implementation for each group.

| APPROVALS: | SIGNATURE | DATE |
|----------------------------|------------------|-------------|
| Department Review | | |
| Department Director | | |
| Mayor | | |
| Deputy Clerk | | |