

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 26, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: BUDGET MEMO 39 : EMPLOYEE COMPENSATION POLICIES
(COUNCILWOMAN WOODSON'S REQUEST)

Councilwoman Woodson requested that staff respond to the following: "Instead of a higher salary, what about the following: extra leave, a division, office, department, or individual bonus based on production or identifiable savings. Perhaps there are creative ways to provide benefits without increasing our budget every year. What else have we considered?"

In 1996 the City engaged a consultant (Watson Wyatt) to review City employee compensation. Upon completion of the consultant study City Council established a Council subcommittee to review the report and make recommendations to Council. The subcommittee's recommendations were adopted by Council either as part of the FY 1998 City budget or later in the spring of 1997. One of the major subcommittee recommendations that was approved by Council was the adoption of the City of Alexandria Compensation Philosophy (Attachment 1).

The Compensation Philosophy was adopted in an effort to provide a broad framework for Council, the City Manager, City employees and citizens to understand and guide City decisions that affect employee pay. Three essential principles articulated in the City's Compensation Philosophy are: (1) pay programs are intended to be competitive with the minimum, mid-point and maximum salaries, with the emphasis on mid-point of comparator jurisdictions in the primary labor market; (2) the primary labor market is currently defined as the Washington Metropolitan area Counties of Arlington, Fairfax, Montgomery, Prince Georges, and Prince William; and (3) benchmark jobs will be used to obtain salary information for the purpose of assessing City competitiveness. The policy is intended to maintain a competitive compensation program in order to attract, retain, and motivate qualified employees. Thus, maintaining competitive employee salaries is one of the major components of the Compensation Philosophy, and is directly related to our ability to attract and retain well-qualified employees.

In addition, the Compensation Philosophy also provides for career ladder programs to recognize the attainment of career levels and developmental milestones that assure that the City's career positions are paid comparably with those in the primary labor market. It also includes an employee education and tuition assistance program for job-related course work for City employees and a one-time cash award program to recognize outstanding performance by individual City employees or teams and/or groups of employees. Both the education and tuition

and the cash awards programs have been used successfully by City departments to recognize and reward employees for additional education and outstanding performance

With respect to the granting of additional leave to reward employees, the City has an Attendance Bonus Program to reward employees who use little or no accrued sick leave during the fiscal year. Employees who use no sick leave are eligible to receive three days of pay or three days of annual leave, and those who use less than three days of sick leave are eligible to convert two days of sick leave to annual leave.

Attachment: City of Alexandria Compensation Philosophy

Staff: Michele R. Evans, Assistant City Manager
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Terrence Robinson, Classification and Compensation Division Chief

APPENDIX B

City of Alexandria
Compensation Philosophy

The Compensation Philosophy was recommended by the Council Committee on the Watson Wyatt Report. This Council Committee reviewed compensation issues during the FY 1998 budget deliberations. City Council held a public hearing on the Compensation Philosophy on May 17, 1997, and adopted this final Compensation Philosophy on May 27, 1997.

Overview

The statement of compensation philosophy is intended to provide a broad framework for the City Council, management, employees and the citizens in order to understand and guide decisions that affect pay. It is designed to reflect the importance public employees play in the delivery of services and programs to this community, that compensation is a clear measure of that importance; and that there is fair and equitable treatment of all employees, regardless of race, gender, or disability, and in accordance with EEO/AA goals. In addition, the statement establishes the commitment and necessity to maintain comparability with jurisdictions who are most likely to affect recruitment and retention of employees.

Competitiveness and Comparability

The intent of the compensation philosophy is to maintain a competitive compensation program in order to attract, retain and motivate qualified employees. To that end, the following principles govern compensation programs:

- ◆ Pay programs are intended to be competitive at a minimum with the minimum, mid-point and maximum salaries, with emphasis on the mid-point, of comparator organizations in the primary labor market. The primary labor market is currently defined as the Washington Metropolitan area Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's.
- ◆ The City Manager may recommend that other comparators should be used (e.g., Commonwealth of Virginia, agencies of the Federal government, or private sector employers or industry groups) where information from the primary labor market is considered insufficient to attract and retain specific positions or classification groups.
- ◆ The City will use benchmark jobs to obtain information on minimum, mid-point and maximum salary for an assessment of pay competitiveness through reliably published compensation survey data.
- ◆ Every five years, the City Manager will request the Personnel Department to conduct a market study of benchmark positions to determine the competitive posture of the organization, and propose a plan of action, if needed, to bring any classes or

classification series into competitive alignment and/or to address employee retention and turnover as needed. At any time the City Manager determines that any job classification needs to be reviewed more frequently than once every five years, necessary action may be taken to address the market position of such job.

- ◆ If a mid-point salary analysis shows that a position falls below market averages to the extent that attracting and retaining qualified employees may be jeopardized, the City Manager will propose action necessary to align the class with the competitive labor market for implementation at the next fiscal year or sooner, if financially feasible.

General Salary Adjustments

Annually, the City Manager will recommend a budget for general salary adjustments that is based upon:

- ◆ Overall competitive posture of the organization.
- ◆ Cost-of-living changes, as determined by the CPI-U-DC (Consumer Price Index-Urban-for the Washington Metropolitan Area, published monthly by the U.S. Department of Labor, Bureau of Labor Statistics).
- ◆ Comparator organizations in the primary labor market.
- ◆ Financial affordability.

Pay Scales

The City Manager will promulgate two pay scales that include steps, one for public safety and one for general City employees. The pay scales will provide information on salary increases within a particular grade that an employee may expect from year-to-year if performing satisfactorily. Both the public safety and general City employee pay scales will have the same progression rules and step increases.

For all employees, the percentage increases in the salary schedule from year-to-year will not be the same amount every year in a particular grade, but will have some variability to reflect length of service and base salaries. To attract and retain employees in the early years of service, while base salaries are still relatively low, the percentage increase may be higher than for more senior employees, who are performing satisfactorily, and gaining more experience and providing even greater value to the City, but have a higher base salary. However, in all cases, employees will know the number of years necessary to reach maximum pay in a particular grade, performance expectations to advance in-grade, and career development opportunities to advance to another grade.

The specific pay scales will be competitive with the minimum, mid-point and maximum salaries for the primary labor market, and will be adjusted whenever necessary to maintain market competitiveness.

Salary increases from the pay scale are a function of satisfactory performance and are based on merit. All employees should be made aware that such increases are a recognition of performance that meets or exceeds expectations. Performance standards and supervisory evaluations should stress that merit increases are not automatic.

Career Development Increases

The City Manager will direct the Personnel Department to develop a structure to provide salary increases to recognize the attainment of career levels and developmental milestones that assure that the City's career positions are paid comparably with those in the primary labor market. Such a structure enables existing employees in career ladder programs within the City to receive pay increases in addition to merit, and enables the City to target its pay to those employees who do grow in skill and capability to meet increased job responsibilities.

Education and Tuition Assistance

An objective in the compensation philosophy is to encourage and support advanced study, education and degree attainment for job-related courses and programs. The City Manager will direct the Personnel Department to prepare and disseminate procedures for applying for and receiving education and tuition assistance, including the academic grades or measures necessary for an employee to be reimbursed and the type of course work that is authorized. The amount to be budgeted for this program will be the average cost per employee of the budgets for the primary comparator jurisdictions.

Incentives

It is also the intent of the compensation philosophy to provide significant financial incentives for extraordinary and exemplary performance in two categories. First, with the recommendation of the City Manager and the approval of the City Council, an employee may be given a taxable cash award ranging from \$1,000 to \$10,000. Such awards are to be given only in those instances where performance or contributions are deemed unique, truly extraordinary, and significantly beneficial to the City.

Second, there should be a program for rewarding employees at any time who demonstrate exemplary performance significantly beyond the job expectations. Taxable cash awards in this category may be given to a maximum of \$500, with typical awards being between \$100 and \$250. The City Manager should recommend a specific budget allocation to be made available for awards in this category, with procedures for determining selection of incentive awards.

In either category, these awards are one-time cash awards and should not be considered increases in base salary or benefits.

Exceptions

Nothing in this compensation philosophy statement should be construed as a required benefit in the event that the City experiences a decline in revenue or revenue growth lower than the projected increase in expenses. "Revenue" is currently defined as the two largest components of operating revenue: the real property tax base and the projected total personal property tax base.