City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 18, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: RECEIPT OF THE WATSON WYATT FINAL REPORT ON PAY FOR
PERFORMANCE, POSITION CLASSIFICATION AND
COMPENSATION, BENEFITS AND COMPENSATION PHILOSOPHY
(JANUARY 1, 2008-JUNE 30, 2009)

ISSUE: Receipt of the Watson Wyatt Final Report on Pay for Performance, Position
Classification and Compensation, Benefits, and Compensation Philosophy (January 1,
2008 - June 30, 2009).

RECOMMENDATION: That Council:

(1)   Receive the summaries of the Watson Wyatt Report (attached), which we will
discuss with Council in a work session on the report in the fall and at Council's
fall budget retreat in early November and

(2)   Request the Budget and Fiscal Affairs Committee to review the reports and
provide its comments to Council in the fall.

DISCUSSION: Attached for your information is the final report on the City's Pay for
Performance, Position Classification and Compensation, Benefits, and Compensation
Philosophy. Watson Wyatt (WW) was contracted to conduct a variety of audits, studies
and reviews. They were asked to make recommendations, regarding best practices
relating to the following areas:

    Performance Management Systems
    Position Classification and Compensation Review
    City's Compensation Philosophy
    Employee Benefits

During this study, Watson Wyatt conducted surveys of our current comparator jurisdictions (Arlington, Fairfax, Prince William, Prince George's and Montgomery Counties), certain other local governments in Virginia and progressive comparable governments throughout the country. They conducted a series of employee focus groups and interviews with City leaders. Benefits offered by the City were compared with the City's comparator jurisdictions using the Watson Wyatt COMPARISON methodology. Based on the use of the COMPARISON methodology the City's benefit plans were ranked (one to six) against the plans of the comparator jurisdictions. Council received a copy of the draft benefits report this Spring.

Watson Wyatt worked with a 40 member City Employee Project Advisory Team (names attached) to obtain their input on the issues under study including updating the City's Compensation Philosophy which was adopted in 1998. The recommended changes are included in the report.

Four areas of opportunity are detailed in the report. The areas are:
- Benchmarking
- Classification
- Pay Scales
- Promotions

As the result of requests from public safety employees, the Employee Project Advisory Team and Watson Wyatt, the City's Human Resources Department conducted and compiled all of the benchmark data from the comparator jurisdictions for Public Safety and General Employees. This data will be used as the basis for a comprehensive review of employee salaries and how they compare to the market. WW has recommended that in the future the City's benchmarking process include the use of published salary surveys. The data will then be used to calculate what it would cost to bring employee salaries in line with the market (comparator jurisdictions). The results of these calculations will be shared with Council as a part of the Council's budget retreat in the fall.

Watson Wyatt has recommended that the City embark on the development and implementation of a new City employee job classification system. As a follow-up to this study and based on a thorough review of our classification system, which is over 20 years old, we have contracted with WW to develop a "whole-job" classification system. This process has begun by asking all City employees to complete a Job Analysis Questionnaire (JAQ). JAQs will be reviewed by supervisory and management staff in each Department prior to Human Resources Department reviewing and forwarding them to Watson Wyatt. By the end of October 2009, based on this information, WW will complete the design of the new classification system by developing a set of job classifications for City employees. The details of the new classification system are outlined in the report. We expect that the new classification system will create a system which has a greater degree of credibility, flexibility and transparency. WW will review Public Safety pay compression which has been a long standing issue in our Public Safety Departments. Once the classification study is completed, WW also will advise the City on how to adjust City-wide pay scales to assure that minimums, midpoints and maximums are competitive with those in our comparator jurisdictions.

Finally, Watson Wyatt identified Pay For Performance system as an area for opportunity. Based on a comprehensive review of performance management principles and best practices, WW recommends that the City begin an extensive overhaul of its performance management and evaluation system. To begin this process we have identified a diverse group of City staff from the SMG (Senior Management Group), who will work with the Human Resources staff to improve upon the City's current performance and evaluation system using best practices. We will continue our review of Pay for Performance systems and discuss this further at a future work session.

We circulated the Watson Wyatt Reports to our City Employee Project Team, and the comments received to date are attached (Attachment II).

ATTACHMENTS:
Attachment I: Watson Wyatt Pay for Performance, Position Classification and Compensation, Benefits and Compensation Philosophy for City Human Resources Department (formerly Personnel Services Department) Report of Findings – Hard Copy

(Due to the length of the report, summary documents are attached. A complete copy of the report is available for review in the City Clerk's Office. CDs of the report will be provided to each Council Member).

Attachment II: List of Watson Wyatt Project Team Members
Attachment III: Comments from City Employees

STAFF:
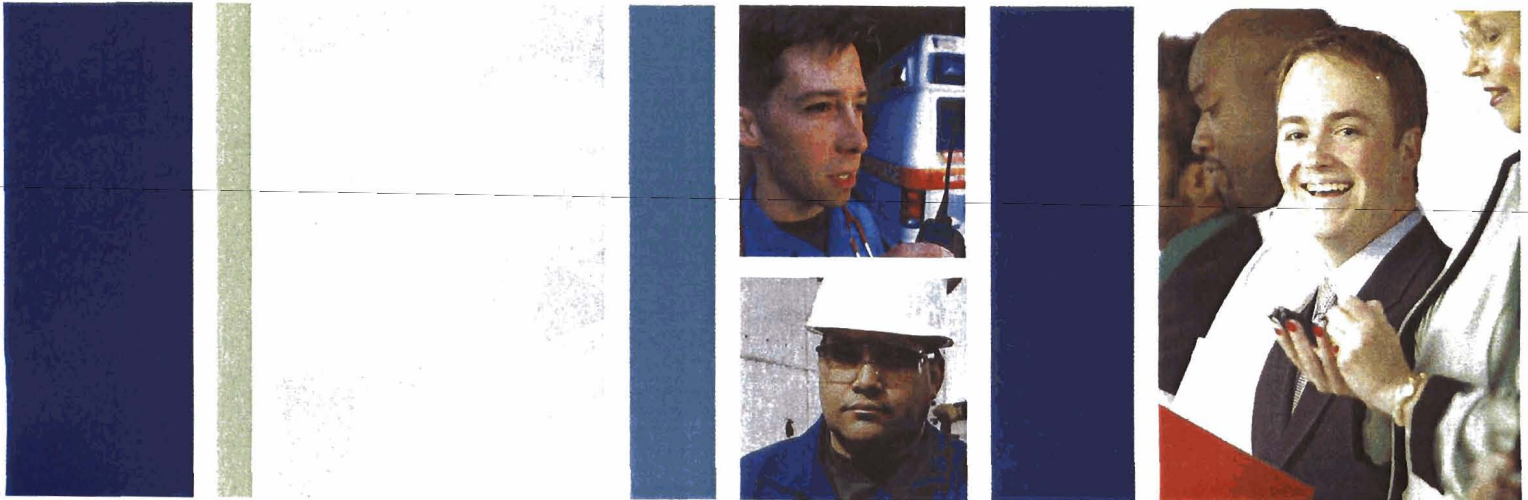Michele Evans, Deputy City Manager, City of Alexandria
Cheryl D. Orr, Director, Human Resources Department
Kathleen Schramm, Deputy Director, Human Resources Department
Terrence Robinson, Division Manager, Classification & Compensation, Human Resources Department
Theresa Lynch, Senior Consultant, Watson Wyatt, Worldwide

www.watsonwyatt.com

City of Alexandria

Report of Findings

Pay For Performance, Position Classification and Compensation, Benefits and Compensation Philosophy for City Personnel Services Department

June 11, 2009

Watson Wyatt
Worldwide

Executive Summary

The City of Alexandria retained the services of Watson Wyatt to conduct several audits, studies and reviews and make recommendations regarding best practices related to the City's Human Resources Programs to include the following:

- Position Classification and Compensation Review, including Compensation Philosophy and Benchmarking City Benefits
- Pay for Performance

The City's objective of this study was to determine the most appropriate improvements to create systems that are aligned with market, allow flexibility for job leveling to meet workforce needs, and are transparent to employees. The City provided documentation of the current Human Resources programs and processes to the consulting team, including the current compensation philosophy, process for benchmarking, current performance evaluation forms, information on career ladders, the position classification and compensation manual, and job analysis questionnaire.

Overview of Research

Watson Wyatt conducted a survey of local government comparators. The purpose of the survey was to solicit information from local governments regarding:

- The market sensitivity and design of their compensation system
- The nature and design of their performance management system
- The link between performance and pay
- The role of classification and its design
- Their opinion regarding what works and what doesn't
- Lessons learned

The consulting team followed a structured interview approach to collect information from the following organizations: Fairfax County, Prince William County, Arlington County, Montgomery County, Prince George's County, Washington, DC, Henrico County, Chesterfield County, City of Hampton, City of Virginia Beach, and the City of Roanoke. Highlights for each of the areas researched are as follows:

Compensation Philosophy
Most participating organizations have a formal compensation philosophy and multiple pay structures

Structure Design
For management jobs, most participating organizations use an open range design, meaning that the ranges are defined by minimums, midpoints and maximums rather than steps. For general employees, the majority uses an open range design, but four of the 12 use a step system. For public safety employees, the majority uses a step system, but five use open ranges.

Pay for Performance
The majority of comparators use a pay-for-performance system for management employees. Half the comparators use a pay-for-performance system for general employees, half do not. A majority of comparators do not use a pay-for-performance system for public safety employees. For the purposes of this report, we are defining a pay-for-performance system as a system that allows for varying base pay increases based on performance, with higher-rated employees receiving larger pay increases than employees whose performance is rated lower.

Classification System
Six of the comparator organizations use a point factor system, four use a whole job ranking system, and one uses a combination. Point factor systems use a specified set of factors and each job is evaluated based on how much of each factor the job requires. Total points determine the job's grade in the leveling system. Whole job ranking is a system that evaluates the whole job, rather than factors, to determine the appropriate level.

The City of Alexandria is aligned with the organizations studied in that it does have a formal compensation philosophy and has different pay scales for different employee groups. The City does not use a pay-for-performance system for allocating base pay increases, but does employ performance rewards in its recognition plan and quality step increases. For new jobs that do not currently exist in the City, Alexandria uses QES, a point factor system, to determine a grade level. For jobs related to existing jobs, Alexandria determines the grade based on a comparison to existing classifications.

Watson Wyatt conducted a series of focus groups of 72 City employees to gather employee perceptions and ideas regarding the current performance management system, compensation program and benefits. We structured the seven focus groups based on job level and/or department. Watson Wyatt also conducted a series of leadership interviews to understand leadership perspectives regarding the objectives, strengths and weaknesses, and effectiveness of the compensation, classification and performance management systems. During these interviews, we asked for leadership feedback regarding suggestions for improvement to any of these systems as well. We compared these viewpoints to those collected during the focus groups and analyzed the themes for consideration in developing recommendations.

Many of the themes expressed by focus group participants were echoed by City leaders, but some new themes emerged as well. Leaders commented that the current workforce is very capable, committed and act as good ambassadors for the City. They also expressed the belief that the City Council is committed to doing the right thing for Alexandria. They acknowledged that the work of the City is challenging and has become increasingly complex. At the same time, citizen expectations of City services have increased. Therefore, leaders are concerned that the current compensation plans are outdated and not supportive of the attraction/retention needs of the City, and continuing with these plans may risk the continued achievement of mission and objectives in the future.

For the benefits assessment of this project, Watson Wyatt used our COMPARISON methodology. COMPARISON is an advanced diagnostic tool which enables organizations to compare their total benefits program to other employers' benefits programs. The following organizations provided data specifically for this study: Fairfax County, Prince William County, Arlington County, and Montgomery County. We were able to use information submitted by Prince Georges County from a previous study. COMPARISON determined the relative values by using the City of Alexandria's work force to calculate the value of each of the benefit plans.

The City ranked high is some categories and low in others, depending on the benefit and the employee group. Watson Wyatt prepared rankings for General Employees, Sworn Police, Sworn Fire, Sworn ERT, and Sworn Sheriff.

Recommendations

Working with the Project Team we determined that the classification approach that would best meet the needs of the City is a competency approach, which is a variation of the whole job evaluation in which jobs are compared to descriptions of competencies. Updating classification specifications will be required prior to the implementation of any new job evaluation system.

Working with the Project Team, Watson Wyatt also identified several opportunities to improve the benchmarking process. For the general employee population, increasing the number of benchmark positions would help align pay to the relevant labor markets. Expanding the sources for compensation data to include more published surveys, such as the Human Resources Association of the National Capital Region, provides more data upon which to rely for aligning salary ranges to market.

Based on our review of the City's current performance management forms and processes, we have formulated recommendations for improvement. First, we think the current performance management system would be more effective if the form itself was updated to include competencies. Our research with current City employees and leaders found that the following competencies were important for success in the City:

- Interpersonal skills
- Communication skills
- Accountability and Excellence
- Mission Service Orientation

- Teaming Skills
- Flexibility/Adaptability
- Judgment / Problem Solving
- Additional categories specific to a department

The new performance management system should be integrated with the new classification system, and aligning the competencies among the two systems will do just that. Most importantly, however, is that managers, supervisors, and employees will need to be included in communications and trained in the performance management process. Supervisors and managers will need to be held accountable for implementing the process. To provide the best chance for success, employee input should be included in the process.

Introduction

An organization's ability to attract and retain the talent it needs is a function of many things. At Watson Wyatt, we have developed a model that highlights the relationship between building a capable and committed workforce and producing excellent results. We believe that the definition of an "employer of choice" is any organization that, because of its reputation, is able to attract, retain, and optimize a capable and committed diverse workforce that enables operational excellence, safety, and high customer satisfaction.

The frontier of management science that is top of mind in the "best" organizations is the effective management of the greatest asset the organization possesses – its people. Based upon research of the best practices in top organizations, it is well-documented that an organization's success over time is the sum total of the quality of its workforce.

This fact combined with the dynamics in state and local governments creates an impetus for change. Citizen expectations are increasing. New paradigms and models that advocate reinvention by local governments will require aligning human capital systems with fundamental changes in strategy.

The change required is a heightened focus on maximizing the talent and skills that are already in our workforce, attracting new and different kinds of talent, and keeping our most talented employees from walking out the door.

Pay, performance and classification systems play a major role in supporting an organization's ability to attract and retain talent. Employees seek competitive pay for

similar work, career advancement opportunities, and transparency with regard to the pay and classification systems. First and foremost, employees want pay to be fair. Pay and classification systems that are aligned with the competitive market can be viewed as fair if methodologies are employed that are consistent across the organization. For local governments, tightening budgets sometimes force decisions that make it difficult to apply pay increases consistently, leaving governments vulnerable in terms of having the talent they need to provide the level of service that citizens demand.

> In the recent past, compensation, classification and pay for performance systems were the focus of the Federal Government's reforms of the way Federal employees get paid. A number of agencies were granted flexibility to create their own systems to address the problems with the General Schedule. Because the General Schedule and its classification systems had been around for decades, they had stagnated, while the work and the workforce of the Federal Government changed dramatically. From a workforce characterized mostly by clerical roles in the 1940's and 1950's, today's Federal workforce is characterized by knowledge workers, people who have gained professional expertise in a myriad of career fields. Experts range from environmental scientists to intelligence analysts, internal revenue agents to forensic scientists.
>
> Some efforts have been made over the years to improve the effectiveness of the Federal pay and classification systems by allowing specialized pay scales, or hiring flexibilities, but the foundation of the system, how jobs are assigned to levels, remains unchanged. For the Department of Defense, efforts to modernize the pay and classification system have come to a halt in response to objections raised by Federal employee unions. Most opponents to the reforms have said that pay for performance does not belong in government because the nature of government work does not lend itself to objective measures of results, as do the results of a for-profit entity. Other major concerns have arisen regarding the lack of supervisory skills among Federal supervisors to administer the new designs fairly and equitably.

It is within this current environment in the Washington, D.C. area that the City of Alexandria has examined the effectiveness of its current classification and compensation systems, and looks to learn from recent experiences in pay for performance to determine its own course of action.

Background

Established in 1749, the City of Alexandria is an independent city of approximately 140,000 residents within close proximity to Washington, D.C. The City retained the services of Watson Wyatt to conduct several audits, studies and reviews and make recommendations regarding best practices related to the City's Human Resources Programs to include the following:

- Position Classification and Compensation Review, including Compensation Philosophy and Benchmarking City Benefits
- Pay for Performance

The City's objective of this study is to determine the most appropriate improvements to create systems that are aligned with market, allow flexibility for job leveling to meet workforce needs, and are transparent to employees.

Watson Wyatt's consulting philosophy is to help organizations align their reward programs with their organizational objectives. A reward system translates organization competencies and goals into desired behaviors and results. To accomplish this, the reward system must create alignment among the organization's strategies, systems and people.

We have devised a Total Rewards Model that provides a framework for thinking about how different kinds of rewards can support organizational objectives. It recognizes that different components of the reward system play different roles, ranging from attracting and retaining employees to improving organizational performance. For this project, we focused on direct rewards in terms of base pay, benefits, and recognition, and indirect rewards in terms of performance management.

Organization Strategy

Organizational Structure	Work Design		Desired Culture	Systems

Human Capital Strategy

The Employment Deal

Reward Strategy

Direct Rewards   *Talent Management*

Base Pay	Benefits	Annual Incentives, Cash Recognition	Long-Term Incentives	Selection, Development	Performance Management	Communication, Non-Monetary Recognition	Work Environment

Our own Watson Wyatt research, including the Human Capital Index, WorkUSA, and our annual Strategic Rewards surveys, study various aspects of employee engagement, performance management, and employee alignment with organizational strategy. What we know to be true is that successful organizations achieve their success by putting rigor in their performance management systems. This means that performance expectations are clearly communicated and understood by employees, and there is alignment between employee focus and organizational results.

Research

Project Steps

To begin this assignment, the consulting team conducted an initial meeting with the City during which we confirmed project objectives, finalized a project plan and timeline, discussed the transfer of relevant information, and confirmed roles for key team members for the City and Watson Wyatt. We also used this opportunity to hear about issues of concern facing the City with regard to the current pay and classification systems and the City's possible transition to a pay-for-performance system. During this meeting, we determined that we would be working with a large project team made up of employees from across a variety of City departments. In addition, we would be meeting regularly with a steering committee made up of City senior leaders and Department of Human Resources staff.

The City provided documentation of the current Human Resources programs and processes to the consulting team, including the current compensation philosophy, process for benchmarking, current performance evaluation forms, information on career ladders, the position classification and compensation manual, and job analysis questionnaire.

Local Government Survey

Using the information gained from the kick-off meeting, Watson Wyatt prepared a draft survey document to be used to collect data from the local government comparators. We also prepared a list of potential survey participants including Alexandria's comparator jurisdictions as well as local governments determined through our research as having implemented pay-for-performance systems, successfully or unsuccessfully. We shared the draft survey document as well as the list of potential participants with the project team. The purpose of the survey was to solicit information from local governments regarding:

- The market sensitivity and design of their compensation system
- The nature and design of their performance management system
- The link between performance and pay
- The role of classification and its design
- Their opinion regarding what works and what doesn't
- Lessons learned

The results of the survey were intended to help the City determine if its compensation, classification and performance management systems reflected modern practice, and if there are other designs being used successfully elsewhere that warrant further investigation.

The final list of jurisdictions identified for initial contact is listed in the chart below:

Local Government Entity	Approx. Population	Approx. Operating Budget	Approx. Median Household Income	"Right to Work" State	Regional Competitor for Talent	Market Sensitive Compensation System	"Progressive" Performance Management System
Fairfax County	1,000,000	$3.7B	$83,890	✓	✓	✓	✓
Prince William County	371,178	$1.8B	$75,302	✓	✓	✓	✓
Arlington County	204,800	$1.0B	$80,433	✓	✓	✓	?
Montgomery County	947,000	$3.9B	$76,597		✓	✓	✓
Prince George's County	846,123	$1.7B	$55,129		✓	✓	✓
Washington, DC	582,400	$5.8B	$46,211		✓	✓	N
Henrico County, VA	293,382	$1.0B	$53,009	✓		✓	N
Chesterfield County, VA	311,000	$1.2B	$63,931	✓		✓	✓
Hampton, VA	145,950	$0.4B	$45,105	✓		✓	✓
Virginia Beach, VA	433,628	$1.3B	$58,545	✓		?	?
Roanoke, VA	92,328	$0.2B	$40,761	✓		?	?

✓ = Yes (or system is in the process of being implemented)
N = No, does not appear to have such a system
? = Unclear/insufficient data available from website to determine

We also identified other jurisdictions to consider contacting for additional research and confirmed with the project team the key questions to ask. The following table lists those organizations:

Metropolitan Area	Local Comparator	Metropolitan Area	Local Comparator
Scottsdale, AZ	Scottsdale	Boston, MA	Cambridge
San Francisco, CA	Sunnyvale	Minneapolis, MN	Hennepin County
	Redwood City		Plymouth
	Mountain View		Minnetonka
	Walnut Creek	Charlotte, NC	Mecklenburg County
Los Angeles, CA	Santa Barbara		Gastonia
	Anaheim	New York, NY	Nassau County
Denver, CO	Boulder		Suffolk County
	Lakewood		White Plains
	Aurora		Westchester County
	Arvada	Dallas, TX	Irving
	Littleton		Arlington
Orlando, FL	Orlando	Austin, TX	Austin
Atlanta, GA	Fulton County	Seattle, WA	Seattle
	De Kalb County		Bellevue
	Cobb County		Kirkland

The consulting team followed a structured interview approach to collect information from the listed organizations. The structured interview approach allowed the interviewer to follow up on comments provided by the participants. The following organizations participated in the local government survey:

- Fairfax County
- Prince William County
- Arlington County
- Montgomery County
- Prince George's County
- Washington, DC

- Henrico County
- Chesterfield County
- Hampton
- Virginia Beach
- Roanoke
- Charlotte

After collecting the information from the various participating organizations, the consulting team presented the data to the project team for their verification. The complete survey results are included in the Appendix, but the highlights for each of the areas researched are as follows:

Compensation Philosophy
Most participating organizations have a formal compensation philosophy and multiple pay structures

Structure Design
For management jobs, most participating organizations use an open range design, meaning that the ranges are defined by minimums, midpoints and maximums rather than steps. For general employees, the majority uses an open range design, but four of the 12 use a step system. For public safety employees, the majority uses a step system, but five use open ranges.

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Six of the comparator organizations use a point factor system, four use a whole job ranking system, and one uses a combination. Point factor systems use a specified set of factors and each job is evaluated based on how much of each factor the job requires. Total points determine the job's grade in the leveling system. Whole job ranking is a system that evaluates the whole job, rather than factors, to determine the appropriate level.

The City of Alexandria is aligned with the organizations studied in that it has a formal compensation philosophy and different pay scales for different employee groups. The

City does not use a pay-for-performance system for allocating base pay increases, but does employ performance rewards in its recognition plan and quality step increases. For new jobs that do not currently exist in the City, Alexandria uses QES, a point factor system, to determine a grade level. For jobs related to existing jobs, Alexandria determines the grade based on a comparison to existing classifications.

Employee Focus Groups and Leadership Interviews

To ascertain the effectiveness of the City's current compensation program, Watson Wyatt reviewed the documentation provided by the City and conducted a series of interviews and focus groups of City employees. From April 19-21, 2008, Watson Wyatt conducted seven employee focus groups to gather employee perceptions and ideas regarding the current performance management system, compensation program and benefits. We structured the seven focus groups based on job level and/or department. A total of 72 employees participated, organized as follows:

- Management
  - Department Heads, 7 attendees
  - Middle Management, 12 attendees

- Non-Management
  - Paraprofessionals, 12 attendees
  - Wage-grade employees, 5 attendees

- Public Safety
  - Police, 11 attendees
  - Sheriff, 12 attendees
  - Fire, 13 attendees

One Watson Wyatt consultant facilitated each focus group and another consultant took notes. We described to the focus group attendees that we would be taking notes, but would be reporting back themes from the focus groups rather than transcripts of the groups. The focus group format allows for employees to make comments and for the facilitator to ask follow up questions to be sure that the comments are understood. To the extent that a comment was rare or unique, it does not show up in the themes. The Appendix to this report contains more detailed comments, but we have summarized the key themes from these focus groups below:

Employee Comments Regarding Performance Management
- The current system is too subjective and prone to rater-bias and favoritism
- The current tools/forms are poorly constructed and do not allow the manager to get to the root of the employee's deficiencies or strengths
- Effectiveness of process is contingent upon the manager; but managers do not have proper tools/training
- Managers are not held accountable for doing a good job in carrying out the performance management process

Employee Comments Regarding Compensation
- Merit pay alone is not keeping pace with inflation; the City should have a combination of merit and COLA
- Employee expectations for merit pay are never met because there is no differentiation
- The cap on promotions is too low; outside candidates receive a higher salary
- Net pay has effectively been reduced by recent health contribution cost increases
- There is no linkage between performance and pay
- Other cash awards are seldom used, used inconsistently or are too minimal to be effective

Employee Comments Regarding Benefits
- Leave policies are outdated and accrual rates appear low to the market
- Employee benefits are well-regarded in general, though many employees expressed dissatisfaction with the number of/quality of their healthcare choices
- Retiree medical coverage is deficient and too pricey
- Too expensive to live in the City; the housing benefit doesn't help and there is insufficient help for commuters
- Retirement/pension plan is excellent

Employee Comments Regarding Job Classification/Other
- Easier to go around the system than to work within it
- Classification system is too rigid/bureaucratic and not reflective of current work environment
- Hard to advance/few opportunities to grow within role; re-classifications are difficult to implement and employee must wait for an opening to advance
- The City does not care about or value its employees

Watson Wyatt also conducted a series of leadership interviews to understand leadership perspectives regarding the objectives, strengths and weaknesses, and effectiveness of the compensation, classification and performance management systems. During these interviews, we asked for leadership feedback regarding suggestions for improvement to any of these systems as well. We compared these viewpoints to those collected during the focus groups and analyzed the themes for consideration in developing recommendations.

The following City of Alexandria leaders participated in the interviews:

- Rich Baier – Transportation and Environmental Services
- David Baker – Police
- Debra Collins – Human Services
- Brenda D'Sylva – President of Employee Association
- Mike Gilmore – Community Services Board
- Farrol Hamer – Planning
- Mark Jinks – Deputy City Manager
- Kirk Kincannon – Recreation, Parks and Cultural Activities

- Dana Lawhorne – Sheriff
- Ed Mandley – Office of Management and Budget
- Jean Niebauer – Office of Human Rights
- Kathleen Schramm – Human Resources
- Cindy Smith-Page – Real Estate Assessments
- Adam Thiel – Fire
- Laura Triggs – Finance and Administration

Many of the themes expressed by focus group participants were echoed by City leaders, but some new themes emerged as well. Leaders commented that the current workforce is very capable, committed and act as good ambassadors for the City. They also expressed the belief that the City Council is committed to doing the right thing for Alexandria. They acknowledged that the work of the City is challenging and has become increasingly complex. At the same time, citizen expectations of City services have increased. Therefore, leaders are concerned that the current compensation plans are outdated and not supportive of the attraction/retention needs of the City, and continuing with these plans may risk the continued achievement of mission and objectives in the future. Detailed results of the leadership interviews are included in the Appendix of this report.

Benchmarking of City Benefits

For the benefits assessment of this project, Watson Wyatt used our COMPARISON methodology. COMPARISON is an advanced diagnostic tool which enables organizations to compare their total benefits program to other employers' benefits programs. COMPARISON answers the question:

What would the value of benefits be for our work force if we were to implement other employers' benefit programs?

The City of Alexandria chose local jurisdictions to participate in the study. The following organizations provided data specifically for this study: Fairfax County, Prince William County, Arlington County, and Montgomery County. We were able to use information submitted by Prince Georges County from a previous study. COMPARISON determined the relative values by using the City of Alexandria's work force to calculate the value of each of the benefit plans. The full COMPARISON report appears in the Appendix.

Benefit Plan Rankings

The table below summarizes the City of Alexandria's benefit plan ranking results from each of the five reports. The remainder of this executive summary will discuss each benefit group in more detail.

	General Employees	Sworn Sheriff	Sworn Police	Sworn ERT	Sworn Fire
Retirement	**1st**	**Tied for 3rd**	**4th**	**4th**	**5th**
Defined Benefit	1st	4th	4th	2nd	4th
Defined Contribution	Tied for 4th	Tied for 3rd	Tied for 3rd	Tied for 3rd	Tied for 3rd
Retiree Medical	4th	3rd	3rd	3rd	3rd
Retiree Life	1st	1st	1st	1st	1st
Health	**Tied for 2nd**	**Tied for 2nd**	**3rd**	**3rd**	**Tied for 2nd**
Medical	1st	1st	1st	Tied for 2nd	1st
Dental	Tied for 5th	5th	5th	5th	5th
Paid Time Off	**6th**	**5th**	**5th**	**5th**	**5th**
Vacation	6th	5th	5th	5th	5th
Holiday	6th	5th	5th	5th	5th
Sick	6th	5th	5th	5th	5th
Security	**1st**	**1st**	**1st**	**1st**	**1st**
Life Insurance	2nd	2nd	2nd	2nd	2nd
STD	6th	5th	5th	5th	5th
LTD	1st	1st	1st	1st	1st

Findings: Classification and Compensation

The City of Alexandria organized its study into two parts; Classification and Compensation, and Pay for Performance. Within the Classification and Compensation Study, Watson Wyatt assessed the City's current compensation philosophy to determine how well it supported the City's objectives of paying employees fairly, competitively, and in a fiscally sound manner.

Compensation Philosophy

Watson Wyatt reviewed the current compensation philosophy with the Project Team and asked for suggestions for changes and updates. One issue that surfaced during these discussions was that the compensation philosophy does not provide for conducting regular competitive assessments (benchmarking) among organizations that have not been identified as the primary labor market. For many occupations at the City of Alexandria, competition for labor is from other local governments as well as the private sector, the Federal Government and some regional organizations. The following chart identifies potential comparators according to type of job:

	National Capital Region	Specific Jurisdictions/ Government	Federal Government	Private Sector	Regional Organizations
Police	✓				
Fire/FM	✓				
Sheriff		Arlington; Fairfax; City Police			
EMS		State Police		Flight Services; Hospitals	
Engineer	✓		✓	✓	
Planners/ Development	✓		✓	✓	
Information Technology	✓		✓	✓	
Skilled/ Unskilled Labor	✓	VDOT		✓	WMATA
Financial	✓		✓	✓	
Nurse	✓			Hospitals	
Office/Clerical	✓			✓	
Case Manager	✓	State Rehab/SS		✓	
Public Safety Communications	✓				
Inspectors	✓			Construction	
Management	✓				
Construction (PM)	✓	VDOT		Construction	WMATA
Paraprofessionals (Middle Management)	✓				
Legal	✓			✓	
Recreation	✓				

Any adjustment to the definition of comparators in the City's compensation philosophy has implications on its benchmarking efforts. The compensation philosophy defines the City's comparators, provides direction for the frequency of assessing market data, and identifies sources for data. Based on the comments from the Project Team and further discussion with City staff, the consulting team prepared a revised Compensation Philosophy with changes highlighted below:

Revisions to Compensation Philosophy

- **Principles:**
    - Competitive with the average pay of comparator organizations in the primary labor market (Counties of Arlington, Fairfax, Prince William, Montgomery and Prince George's) as well as the Washington DC metropolitan area employers, where appropriate, including regional agencies, Federal Government, and general industry.
    - The City Manager may recommend others for attraction/retention purposes.
    - Information for an assessment of pay competitiveness will be ascertained through reliably published compensation survey data.
    - Every two years, the City Manager will conduct a market study of benchmark positions to determine competitive posture of the organization, and propose a plan of action. City Manager may determine a classification needs review in the interim.
    - If an average salary 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 position or classification with the competitive marketplace for implementation at the next fiscal year or sooner, if financially feasible.

- Annually, the City Manager will recommend a budget for general salary adjustments that is based upon:
    - Overall competitive posture of the organization
    - Market rate adjustments
    - Comparator organizations in the primary labor market
    - Financial affordability

- The City Manager will promulgate pay scales for all employees that will provide information on salary increases that an employee may expect from year-to-year if performing satisfactorily. In the public safety classifications, the pay scale schedule will differ from the general employee classifications.
- For City employees, the annual increases in base salaries from year to year will be based on meeting established performance standards. In all cases, employees will know performance expectations to advance in-grade, and career development opportunities to advance to another grade.
- The specific schedules will be competitive at 100% of the average pay levels for the relevant labor market, and will be adjusted whenever necessary to maintain market competitiveness.

- Salary increases from the pay scale are a function of satisfactory performance-merit. Such increases are in recognition of performance that meets and exceeds expectations. Merit increases are not automatic.

Notes:
1) General agreement in the group against changing competitiveness to be anything other than 100% of market, and among public safety against any variability in pay increases. The rest of the group was relatively silent on this issue, although we already know there are individuals in favor of this approach
2) Public safety would like to stop looking at midpoint vs midpoint – the most important thing is what people are actually being paid. Alexandria is falling behind at the bottom and the top of the range, not at the middle
3) Interest to include a specific timeframe for the review of competitiveness (i.e. benchmarking), so that employee's pay is reviewed on a regular basis – already covered on slide 4
4) There was some conversation about adding language around financially affordable, but that's covered in previous sections

Areas of Opportunity for Classification and Compensation

After completing our research, Watson Wyatt identified several areas of opportunity for the City of Alexandria for Classification and Compensation as well as Pay for Performance. With regard to Classification and Compensation, Watson Wyatt identified the following areas, which will be expanded upon later in this report.

Benchmarking: To be more closely tied to market, the City may consider increasing the number of benchmarks for the general employee population, improving the linkages to market by updating the matches, adding more private sector comparators, and providing more transparency to the benchmarking process, especially for the general employee population.

Classification: Employees and managers expressed distrust of the current classification system (QES), because of the length of time it takes to administer, the lack of understanding of how it works, and the fact that many exceptions had been made with regard to the results of QES. For example, jobs had been assigned to grades without regard to the results of QES. These problems indicated a need to update the current classification system with one that will allow greater alignment with the benchmarking efforts of the City, be simpler and more transparent, and perhaps reduce the number of management levels.

Pay Scale: Many employees and managers described the pay scale as being out of alignment with the market. In fact, hiring within the beginning of the pay range for a job was becoming difficult for many occupations, resulting in new hires being paid higher in the pay range creating pay compression with current City employees. Employees cited a problem that no incentive exists for employees to become supervisors because the pay is the same as those supervised. Public Safety also expressed dissatisfaction with the time it takes to get to the top of the pay scale, which indicates a lack of alignment with comparator organizations.

Promotions: One of the problems cited by employees and managers was the current cap on promotional increases of 8.5%. The reason this cap was cited as a problem was that new employees could be hired further into the range, but employees being promoted were limited. The policy of capping promotional increases is very common, and is practiced by the Federal Government and many public and private sector organizations. Once pay scales are aligned with the competitive market, then the City can determine appropriate hiring ranges (first or second quartile of the range), which would decrease the number of new hires making more than newly promoted current employees.

Once Watson Wyatt identified the areas of opportunity for improvement in City classification and compensation programs, we worked with the Project Team to develop options for consideration for each area.

Classification and Compensation Areas of Opportunity: Benchmarking

The benchmarking process currently conducted by the City is the method it uses to determine how City of Alexandria pay compares to the other jurisdictions. Currently, the City compares the pay grades for benchmark jobs to the pay grades of comparable jobs in the selected comparator group. The City's goal is for the City's midpoints to align with the average of the comparator's midpoints. As an example, the City would compare its classification specifications for a benchmark position, say Public Health Nurse (RN), to the classifications for the comparator organizations. If the job is a match, the City would compare the City's midpoint for that grade to the average of the comparator's midpoints for the Public Health Nurse (RN) job. To the extent that the City's midpoint is less than the average of the comparator's, the City's Classification and Compensation Division would recommend an adjustment to that grade so that the midpoint is aligned. If the current midpoint is greater than the average, the City does not recommend a change. For the benchmarking process conducted in 2006, the City of Alexandria identified 66 benchmark jobs. Under the current benchmarking system, non-benchmark jobs are linked to benchmark jobs, thereby linking to market data. Currently the City uses the LGPA salary survey and collects pay information directly from its comparator organizations.

The City also looks at range widths of the comparator organizations. Pay range widths are important because the minimum of the pay range sets the hiring rate for jobs, and affects the City's ability to attract new hires if they are not aligned with the competitive labor market. Similarly, the City looks at comparator pay range maximums to ensure that the complete pay opportunity is competitive for comparable jobs.

Project Team participants commented that although the City's philosophy is to be competitive with neighboring jurisdictions' pay scales, the recommendations from the benchmarking activities are often not made, meaning that adjustments are not necessarily made to the City's benchmarks' grades as a result of the benchmarking

process. Therefore, focus group and leadership interview participants commented that the current pay scales are not aligned with the comparator groups.

Specifically, with regard to the current benchmarking system, we presented areas of opportunity for improvement, including increasing the number of benchmarks, reviewing the class specifications for accuracy and updating them as necessary, reviewing the definition of competitive position against market, addressing non-benchmark jobs through the chosen job evaluation method, reviewing the process for applying market data to the pay scale, and increasing the number of published survey sources used in the benchmark process. With regard to the pay scale, we identified the area of opportunity as improving the competitiveness of the pay scale through the benchmarking process, understanding that a competitive pay scale would address some of the other concerns expresses, namely, treatment at the top of the range, time to reach the top of range, the competitiveness at hiring, and the treatment at promotion.

The City maintains approximately 2,300 positions in 600 classes. Competitiveness is currently defined as average salaries that are 100% of the average of the comparator midpoints. This means that benchmark jobs are determined to be uncompetitive if the City of Alexandria midpoints are less than the average of the comparator midpoints.
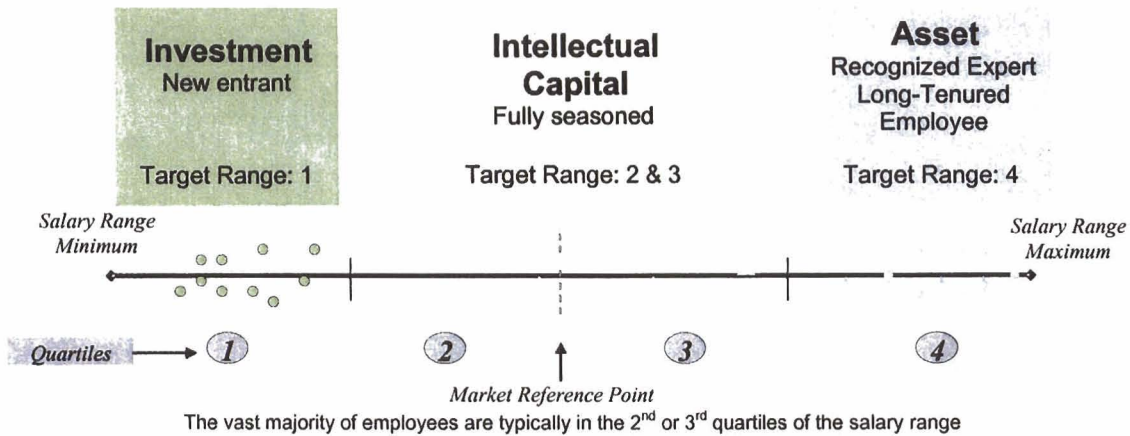
Traditional salary range midpoints are a proxy for the market competitive rate of pay and generally follow the design parameters described below:

- An organization's salary structure should reflect its view toward advancement and growth opportunities. In general, a salary structure is a tool that can be used to:
  - Support the organization's compensation strategy
  - Align salaries to the competitive marketplace
  - Maintain cost effectiveness of pay programs
  - Recognize and reflect internal value contribution
  - Link career paths and pay opportunity
  - Provide a framework for rewarding performance (merit increases)
  - Link grades to variable pay (e.g., incentive targets)
  - Provide hiring managers with flexibility for recruiting and retention

The City's salary ranges are designed to be competitive at the midpoint, but minimums and maximums also need to be competitive in order to support attraction and retention of employees. The beginning of the pay range, where pay is set for new hires when ranges are competitive, represents an investment in employees by the organization. New employees are learning the job, their performance is being closely monitored, and feedback is provided regularly. As an employee become proficient in the job over time, pay progresses to the middle part of the range. This part of the range is where we would expect fully seasoned employees' pay to be set. As time goes on, fully seasoned employees may become long-tenured employees and may progress to the highest part of the pay range. The expectations would be that an employee in this part of the range is an asset to the organization, mentoring others, improving processes, and adding value beyond the job.

Investment
New entrant

Target Range: 1

Intellectual Capital
Fully seasoned

Target Range: 2 & 3

Asset
Recognized Expert
Long-Tenured
Employee

Target Range: 4

Salary Range Minimum

Salary Range Maximum

Quartiles ⟶ ①   ②   ③   ④

Market Reference Point
The vast majority of employees are typically in the 2nd or 3rd quartiles of the salary range

Classification and Compensation Areas of Opportunity: Classification

To better understand the options available for a new classification system, Watson Wyatt worked with the Project Team to review the various types of job evaluation and classification systems. The following diagram provides an overview of the two main functions of job evaluation:

Classification Systems

It's all about the Job

Job Analysis & Descriptions

Evaluation against the External Labor Market Through Competitive Analysis (Benchmarking)

Evaluation of the Job from an Internal Perspective

Jobs fit into the Pay Structures

Job evaluation is the foundation of any compensation system and answers the question: how does this job add value to the organization? It also helps set pay for new, unique or

changing jobs. In the City's current system, the QES and classification determined the level from an internal perspective. Benchmarking provides the evaluation against the external labor marke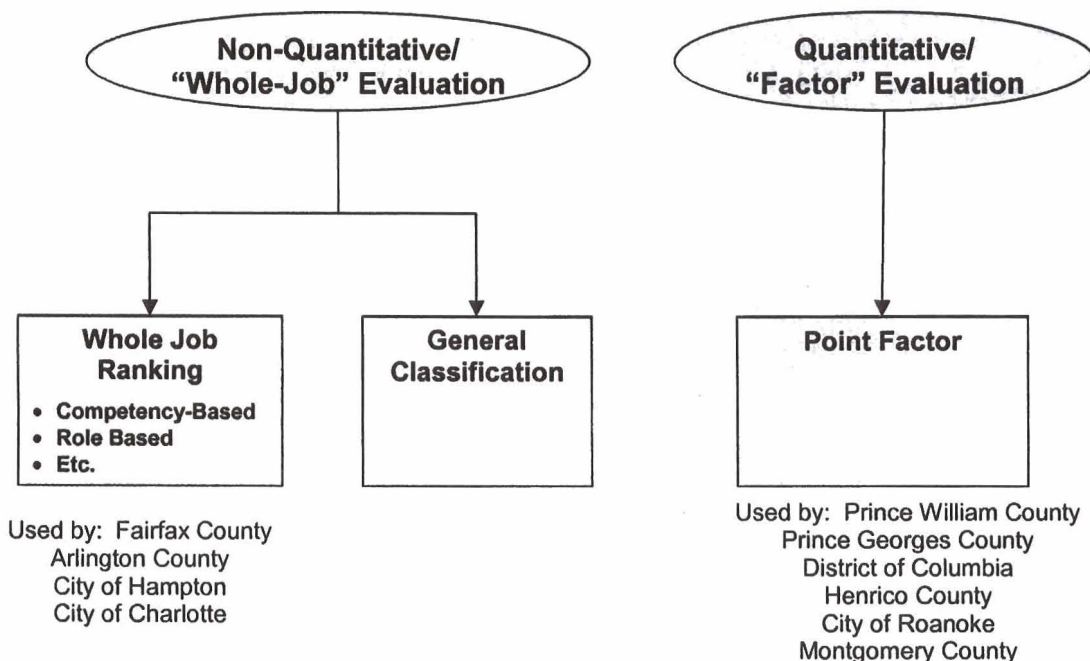t. The result of both perspectives provides the input for the design of the pay structures and how jobs fit into those structures. When considering a new system, it is important to decide whether to use a single approach, or several approaches by job type, level, etc. The following diagram provides an overview of the types of job evaluation:

Job Evaluation Systems

```
     ┌─────────────────────────┐          ┌─────────────────────────┐
     │   Non-Quantitative/     │          │    Quantitative/        │
     │  "Whole-Job" Evaluation │          │  "Factor" Evaluation    │
     └─────────────────────────┘          └─────────────────────────┘
           │           │                             │
  ┌────────────────┐ ┌──────────────┐       ┌──────────────────┐
  │  Whole Job     │ │  General     │       │  Point Factor    │
  │  Ranking       │ │ Classification│       │                  │
  │                │ │              │       │                  │
  │ • Competency-  │ │              │       │                  │
  │   Based        │ │              │       │                  │
  │ • Role Based   │ │              │       │                  │
  │ • Etc.         │ │              │       │                  │
  └────────────────┘ └──────────────┘       └──────────────────┘
```

Used by: Fairfax County
Arlington County
City of Hampton
City of Charlotte

Used by: Prince William County
Prince Georges County
District of Columbia
Henrico County
City of Roanoke
Montgomery County

We have indicated the type of system used by selected comparators to the City of Alexandria. The City of Alexandria's QES would be considered a "Quantitative/Factor Evaluation". Together with the Project Team, we reviewed the descriptions of these different systems.

Methods	Description	Applicability
Whole Job Ranking	• Considered to be the simplest form of job evaluation • Process involves a whole-job, job-to-job comparison resulting in an ordering of jobs from highest to lowest • It does not reveal anything about the relative degree of distance between jobs	• Used in conjunction with market pricing • Rankings typically done within job families and compared across
General Classification	• Jobs are slotted into grades by comparing the whole job with a scale in the form of a hierarchy of grade definitions • Requires definition of predefined class descriptions • Results in placing a job in the "classification" which best describes job • An example is displayed on the next page	• Requires the creation of classes and definitions specifically for the City
Point Factor	• Jobs are evaluated using a scale of factors and relative points • The points for each factor are added up and the total points are used to place a job in a grade • One of the more complicated forms of job classification • Precise degree of differentiation is depends upon numbering scale • This is the method used by the City in its QES system	• Both off-the-shelf and custom solutions exist • Custom solutions can be very expensive • Off-the-shelf may not fit the City

Through our work with the Project Team, we determined that a factor-based approach would be too similar to the current QES and would not solve some of the problems with the current system, namely the lack of transparency and flexibility. We therefore determined that a whole-job or classification type of system would be more appropriate for the City.

Classification and Compensation Areas of Opportunity: Pay Scales and Promotions

In comparing pay ranges to other local jurisdictions, the benchmarking process provides the data to ensure the competitiveness of the pay scale with regard to midpoints and range widths. However, there are other issues requiring solutions from the point of view of the Project Team. Public Safety employees, in particular, are concerned about the time it takes to reach the top of the range. Currently, it takes much longer for City of Alexandria employees to reach the top of their ranges. They assert that if pay scales were better aligned with other jurisdictions, and pay increases more competitive, that the time it takes to reach the top of the range would be in line with other jurisdictions. Another issue cited by employees was the treatment of employees who do reach the top of their pay range. City of Alexandria employees do not receive pay increases or lump sum rewards once they reach the pay range maximum. Pay range maximums do serve

the purpose of disallowing base pay to exceed market competitiveness. Therefore, it is common for employees to be ineligible for base pay increases once pay reaches the range maximum. However, it is not uncommon for organizations to pay a lump sum increase (meaning the payment is not added to base salary) for employees at the top of the pay range. The reason to do this is to provide employees a reward for meeting performance objectives without increasing base pay costs.

City of Alexandria Project Team participants also cited promotional increases as being problematic for the City. They expressed frustration that the City could hire new employees into a job and pay them more than employees who had been promoted into the job, because there was not a limit on where in the range an employee could be hired, but there is a maximum increase for a promotion. One of the reasons this occurs is that the ranges themselves have fallen behind the market for some jobs, and in order for the City to hire, they have had to pay much higher in the range. Ensuring that the ranges are aligned to comparators in the future and adhering to a hiring policy that limits pay setting to the first quartile (or within the second by exception) will alleviate this source of the problem. It is common to limit the amount an employee receives for a promotion and the amount of the promotional increase is competitive with similar types of compensation systems.

Project Team participants also cited the need for the City to provide some incentive to employees for taking on a supervisory job. Under the current system, the pay for supervisors is not necessarily higher than the pay for those supervised, which impacts whether or not an employee will apply for a supervisory job. One opportunity for addressing this issue lies in the classification system. To the extent that a supervisory job is assigned to a different level, then some incentive could be added through the design of the pay ranges. Since the classification system will be redesigned, the consulting team recommends addressing this issue with the redesign, rather than applying any pay differentials now.

Recommendations: Classification and Compensation

Working with the Project Team we determined that the classification approach that would best meet the needs of the City is a competency approach, which is a variation of the whole job evaluation in which jobs are compared to descriptions of competencies. Whole job methods establish broadly defined levels. All jobs are assigned to levels on a best fit basis. This involves developing general descriptions for each level, which can be competency based. Competency frameworks describe what is expected of individuals at each level within a job leveling framework. It provides definition for the key skills and behaviors the organization needs to achieve its goals, linking to and reinforcing the mission and values. It serves as a framework for career planning and links into performance management. It succeeds by emphasizing growth and continued development of the workforce and by providing clear cut direction for what the organization values. Competency frameworks typically replace existing grading designs from many grades to relatively few levels (4-8). Each level reflects a different type of contribution to the organization.

Some of the advantages of this type of system are that it provides the City with greater flexibility and transparency in assigning jobs to levels, broadens career paths and focuses on employee and organizational development. However, because of the flexibility built into the system, there may be less of an appearance of internal equity. Different roles may have different pay opportunities associated with them, but the pay opportunities are based on market data, which is objective, plentiful and accessible. Competency systems rely heavily on market data to design ranges, and therefore, require thorough benchmarking. The success of a competency framework requires a strong performance management system and high level of understanding and commitment from line management. Communication regarding how an employee progresses through the leveling system is important to its success, as fewer grades results in fewer promotional opportunities.

Watson Wyatt presented a more detailed example of a competency-based classification system to the Project Team so that team members would better understand the concepts. The following is an example shared with the Project Team. It describes each of six levels by the type of contribution, and provides a list of sample organizational competencies along the side.

Contribution Type Competencies Apply to all Levels	Contributes through Performance of Routine or Repetitive Activities and Tasks Level 1	Contributes through Support Level 2	Contributes through Experience/ Collaboration/ Problem Resolution Level 3	Contributes through Advanced Knowledge/ Skill/ Expertise Level 4	Contributes through Implementation of Strategic Direction Level 5	Contributes through Setting of Strategic Direction Level 6
Interpersonal Skills						
Communication Skills						
Accountability & Excellence						
Mission/ Service Orientation						
Teaming Skills						
Flexibility						
Judgment & Decision Making						

The table above uses a brief phrase to describe each level, but each level would have a more lengthy description, as shown in the examples below. These definitions correspond to the levels across the top of the chart in the previous example.

Level 1: Contributes through Performance of Routine or Repetitive Activities and Tasks
- Performs specific/detailed tasks that are well defined, highly structured, straightforward.
- Follows direction and established procedures.
- Requires limited or no training or prior experience to perform job duties.
- Work is closely supervised.
- Work involves common courtesy, tact, and cooperation with others within and outside ones own work environment.

Level 2: Contributes through Support
- Uses understanding of common/general processes, methods, and systems in performing job duties.
- Has basic knowledge and understanding of departmental/unit policies and procedures.

- Work involves common courtesy, tact, and cooperation with others within and outside ones own work environment.
- Performs tasks of limited scope, depth, and variety.
- Makes decisions about own work after gaining input from supervisor.

Level 3: Contributes through Experience/Collaboration/Problem Resolution

- Uses knowledge and skill gained through work experience or specialized instruction/training in the line of work.
- Work is characterized by a focus on processes, procedures, and problem resolution.
- Work entails collaboration and coordination within and outside one's own immediate work environment.
- Interprets, assesses, and recommends department/unit policy, procedure, and/or solutions related to day-to-day operation.
- May supervise or lead staff.
- Work may involve a broad range of skills and proficiency.

Level 4: Contributes through Advanced Knowledge/Skill/Expertise

- Applies the principles, theories, concepts, and skill in a particular field, discipline, or profession to provide interpretation, analysis, recommendations, and consultation. Delivers a service requiring specialized and concentrated training or education.
- Assignments are broad in nature, requiring originality, ingenuity, and planning.
- Understands issues and implications beyond own immediate work environment.
- Develops, implements, and manages work plans.
- Understands the "big picture" together with breadth and understanding of departmental/organizational goals and direction.
- Contributes through applying individual expertise and/or has responsibility for supervising staff.

Level 5: Contributes through Implementation of Strategic Direction

- Provides policy and strategic input.
- Understands strategic objectives and direction.
- Work is characterized by significant focus on identifying solutions, planning and managing resources, and negotiations to achieve strategic goals.
- Implements strategy across functions and departments.
- Takes managerial or leadership responsibility.
- Manages change and defines excellence for functions and/or departments.
- Applies in-depth knowledge of field or specialization for the successful implementation of complex programs and services.

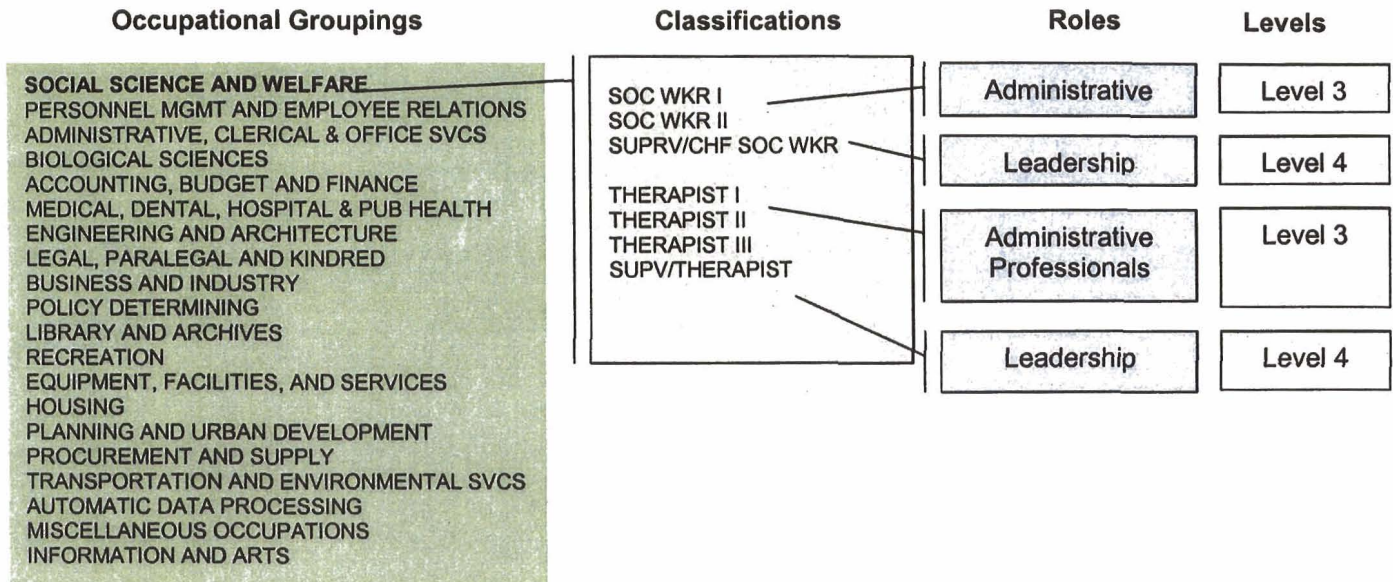**Level 6: Contributes through Setting of Strategic Direction**
- Guides organization by thinking strategically about the future.
- Sets strategy and allocates resources to support strategy.
- Provides leadership and vision, fostering a culture of teamwork and a sense of mission.

In addition to the competencies and levels shown in the preceding example, a competency-based job leveling framework typically organizes jobs into occupational categories, jobs that are similar to each other. Below are examples of occupational categories. Each job in the City would be assigned to one of the occupational categories created for the City's workforce.

- **Technical or Administrative Operations:** Provide administrative, technical or operational support to staff; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Typically gains skills through on-the-job experience, vocational training, and/or 2-year degree courses (Level 1-3)
- **Public Safety:** Provides sworn police, fire or sheriff services to the City. Graduates from the academy and gains specialized skills through training. Is certified in the skills gained. (Level 1-4)
- **Administrative Professionals:** Provide professional services through the application of individual expertise; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires use and application of principles, theories, concepts (Level 3-5)
- **Legal Professionals:** Provide professional services through the application of individual expertise in the legal field; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires a law degree and the use and application of principles, theories, concepts (Level 3-5)
- **Scientific, Engineering or Technological Professionals:** Provide individual expertise in a scientific, engineering or technological field; May formally supervise however primary value comes from applying individual expertise as a sole contributor or part of a team; Requires use and application of principles, theories, concepts (Level 3-5)
- **Leadership:** Provide leadership and professional expertise or services by leveraging the knowledge and skills of others; Requires formal supervision of others; May require the application of the highest levels of leadership knowledge (Level 4-6)

Using an example based on the City's current Social Science and Welfare occupational grouping, the following chart shows a selection of classifications from that grouping, and illustratively demonstrates which roles and levels they may be assigned to in the sample competency framework. The actual placement of the City's occupational groupings into a new leveling system is beyond the scope of this study.

Occupational Groupings	Classifications	Roles	Levels

SOCIAL SCIENCE AND WELFARE
PERSONNEL MGMT AND EMPLOYEE RELATIONS
ADMINISTRATIVE, CLERICAL & OFFICE SVCS
BIOLOGICAL SCIENCES
ACCOUNTING, BUDGET AND FINANCE
MEDICAL, DENTAL, HOSPITAL & PUB HEALTH
ENGINEERING AND ARCHITECTURE
LEGAL, PARALEGAL AND KINDRED
BUSINESS AND INDUSTRY
POLICY DETERMINING
LIBRARY AND ARCHIVES
RECREATION
EQUIPMENT, FACILITIES, AND SERVICES
HOUSING
PLANNING AND URBAN DEVELOPMENT
PROCUREMENT AND SUPPLY
TRANSPORTATION AND ENVIRONMENTAL SVCS
AUTOMATIC DATA PROCESSING
MISCELLANEOUS OCCUPATIONS
INFORMATION AND ARTS

Classifications:
SOC WKR I
SOC WKR II
SUPRV/CHF SOC WKR

THERAPIST I
THERAPIST II
THERAPIST III
SUPV/THERAPIST

Roles / Levels:
- Administrative — Level 3
- Leadership — Level 4
- Administrative Professionals — Level 3
- Leadership — Level 4

To advance this example with the Project Team, Watson Wyatt illustrated how each occupational grouping may have individual jobs that would be assigned to different occupational groupings (or roles) in the new system. For example, jobs in the current Social Science and Welfare occupational grouping may be assigned to the Technical and Administrative Operations role, while others may be assigned to the Administrative Professionals Role, and still others may be assigned to the Leadership role. These roles are merely illustrative and do not necessarily constitute the recommended number of roles or types of roles for the City's workforce. The concept is that there will be multiple roles and each City job would be assigned to a single role.

Roles Occupational Groupings	Technical and Administrative Operations	Scientific, Engineering or Technological Professionals	Administrative Professionals	Legal Professionals	Leadership
SOCIAL SCIENCE AND WELFARE	X		X		X
PERSONNEL MGMT AND EMPLOYEE RELATIONS	X		X		X
ADMINISTRATIVE, CLERICAL & OFFICE SVCS	X		X		
BIOLOGICAL SCIENCES		X	X		
ACCOUNTING, BUDGET AND FINANCE	X		X		
MEDICAL, DENTAL, HOSPITAL & PUB HEALTH	X	X	X		X
ENGINEERING AND ARCHITECTURE	X	X	X		X
LEGAL, PARALEGAL AND KINDRED			X	X	X
BUSINESS AND INDUSTRY	X		X		X
POLICY DETERMINING			X		X

For each role and level in the example, Watson Wyatt assigned current City job titles so that the Project Team would see that current job titles could be used in the design. The chart below shows a sampling of these illustrative assignments.

Contribution Type / Role	Contributes through Performance of Routine or Repetitive Activities and Tasks Level 1	Contributes through Support Level 2	Contributes through Experience/ Collaboration/ Problem Resolution Level 3	Contributes through Advanced Knowledge/ Skill/ Expertise Level 4	Contributes through Implementation of Strategic Direction Level 5	Contributes through Setting of Strategic Direction Level 6
Technical & Administrative Operations	Pers Clerk I Pers Clerk II	Pers Asst				
Administrative Professional			Pers Tech Pers Analyst I Coord. Employee Develop	Pers Analyst II Pers Analyst III Retirement Specialist Coord Spec Proj Supv		
Leadership				Div Chief, Pers Srvcs	Dep Dir Pers Dir Pers Srvces	

To implement this type of competency based classification system, jobs are assigned to levels. In terms of progression from level to level, the expectations in each subsequent level are meant to encompasses and go beyond the preceding level's expectations. So a Personnel Analyst II's expectations will include those of a Personnel Analyst I, and will go beyond that level's expectations. The assignment of jobs to roles and levels applies

to the position (not the performance of the incumbent within the position). A job is assigned to a level based on the preponderance of skills used on a <u>regular</u> basis. For example, even if a job (which is primarily level 3) has elements that are level 4, the job would be assigned a level 3.

Recommendations for Updating Classification Specifications

During the course of this project, Project Team and City staff commented that current classification specifications that document each of the City's jobs, have not been updated to reflect changes for many jobs. And, any job evaluation system based on outdated classification specifications would be outdated at implementation. Therefore, updating classification specifications will be required prior to the implementation of any new job evaluation system. Watson Wyatt discussed various methods of updating classifications, including:

- distributing questionnaires to incumbents to collect information regarding the duties and responsibilities of the job and reconciling the changes through the City's Human Resources Department
- producing draft classification specifications in Human Resources to be reviewed by managers prior to finalization
- using consulting services to help facilitate the process of updating current classification specifications by synthesizing data collected from incumbent completed questionnaires

Job incumbents will be the most knowledgeable about what they do on a day-to-day basis. However, the purpose of a written classification specification is not to capture all the various tasks an incumbent may perform, but to document the main responsibilities of the job that are shared by jobholders. Compiling and synthesizing data from different incumbents and determining which responses represent the work of all incumbents and which represent only some incumbents can be challenging and time-consuming. Therefore, it is advantageous to apply an approach that requires some oversight into the process, either by supervisors, human resources, or a combination of both.

The City is reviewing these options and will choose an approach. Updating the current classifications is beyond the scope of this study.

Recommendations for Improving the City's Benchmarking Process

Working with the Project Team, Watson Wyatt identified several opportunities to improve the benchmarking process. For the general employee population, increasing the number of benchmark positions would help align pay to the relevant labor markets. Expanding the sources for compensation data to include more published surveys, such as the Human Resources Association of the National Capital Region, provides more data upon which to rely for aligning salary ranges to market. The Project Team, along with focus group participants, suggested that many of the current classification specifications had not been updated and did not accurately reflect the jobs as they are being performed today. Therefore, prior to conducting a new benchmarking, current

classification specifications should be updated. The following steps describe a typical approach to benchmarking that would be appropriate for consideration by the City:

Project Step	Description
1	Consolidate job titles
2	Select benchmark jobs that represent more than 50% of the City's workforce (target is 70%)
3	Select published salary survey sources
4	Evaluate coverage (jobs and employees)
5	Assess competitiveness of benchmarks
6	Apply adjustment to the structure based on the relationship of current pay and range midpoints to the market
7	Slot jobs not matched to market into adjusted structure

Consolidating job titles may be facilitated during the process of matching jobs to survey descriptors. Any benchmark jobs that are not covered by published salary surveys, and exist among the comparators, may be matched using data collected in a custom salary survey. Because of the time and expense involved in custom data collection, such surveys should only be used when published data does not provide matches for benchmark jobs.
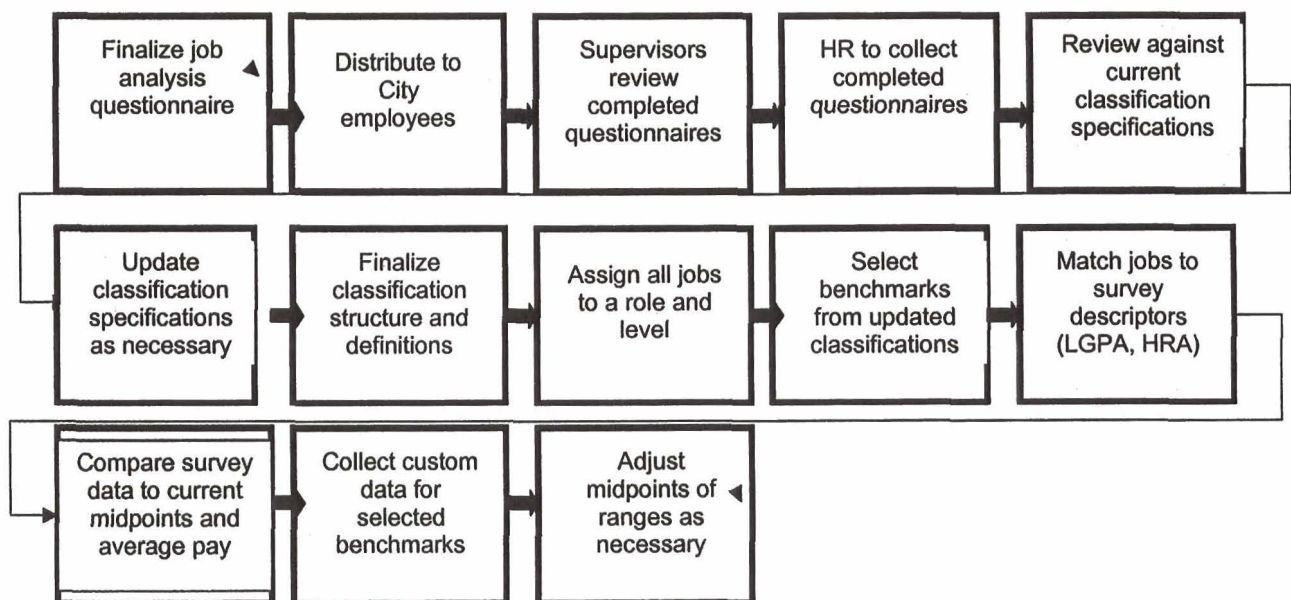
The Project Team and focus group participants also expressed frustration at the process of linking non-benchmark jobs to benchmark jobs. Since it is not practical to find matches to all jobs, it is common to select a set of jobs to be benchmarks, compare those jobs to competitive market data, and address non-benchmark jobs by assigning them to the ranges based on their relationship to benchmark jobs. The City's current approach of formally linking the jobs means that as a benchmark job is adjusted, all non-benchmark jobs that are linked to it are adjusted, too. This results in some non-benchmark jobs being adjusted when they do not need to be, and others not being adjusted when they need to be. Therefore, the City requires more flexibility around the process of addressing non-benchmark jobs.

To address this need for greater flexibility while keeping job levels aligned with market, we have identified another approach. Since it takes time to update classifications and conduct benchmarking, it may make sense to address jobs that have already been assessed through previous benchmarking first. The City has conducted benchmarking and has identified classifications that require adjustment, so the starting point would be to adjust these jobs first. Once those are adjusted, then all classification specifications can be updated as necessary. Then the updated classifications can be compared to market using a revised and updated benchmarking process, to include the City's main comparators, as well as other comparators as required. We would recommend that the updated benchmarking process eliminate the automatic linking of non-benchmark jobs, and instead, slot each non-benchmark job using the benchmark jobs as a guide.

The advantages of updating the benchmarks based on data already collected is that it addresses the lack of competitiveness in pay that has already been identified. However, to the extent that any current benchmark jobs are mis-classified, this approach would result in adjusting jobs that don't need to be adjusted, or not adjusting jobs that need to be adjusted. Another concern about this approach is that current budget constraints limit the funds available to make adjustments to the current pay grades.

The following chart provides a description of this process.

```
┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Finalize job │   │ Distribute to│   │ Supervisors  │   │ HR to collect│   │ Review against│
│ analysis     │──▶│ City         │──▶│ review       │──▶│ completed    │──▶│ current      │
│ questionnaire│   │ employees    │   │ completed    │   │ questionnaires│   │ classification│
│              │   │              │   │ questionnaires│   │              │   │ specifications│
└──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘
                                                                                     │
┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Update       │   │ Finalize     │   │ Assign all   │   │ Select       │   │ Match jobs to│
│ classification│◀──│ classification│◀─│ jobs to a    │◀──│ benchmarks   │◀──│ survey       │
│ specifications│   │ structure and│   │ role and     │   │ from updated │   │ descriptors  │
│ as necessary │   │ definitions  │   │ level        │   │ classifications│  │ (LGPA, HRA)  │
└──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘   └──────────────┘
┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│ Compare survey│  │ Collect custom│  │ Adjust       │
│ data to current│─▶│ data for     │─▶│ midpoints of │
│ midpoints and │   │ selected     │   │ ranges as    │
│ average pay  │   │ benchmarks   │   │ necessary    │
└──────────────┘   └──────────────┘   └──────────────┘
```

Recommendations to Address Compression for Public Safety

City of Alexandria public safety employees have described that due to the design of the current salary scale, employees may be paid close to or less than shorter-tenured employees. This is one example of pay compression. To address compression in Public Safety, the consulting team offers these options for consideration.

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Options for Addressing Compression in Public Safety Pay Scales	
Option 1: Redesign pay scales based on most current benchmarking so that midpoints, minimums, and maximums are competitive. Place employees into pay scales based on length of service.	**Option 2**: Keep current pay scales and place employees into pay ranges based on length of service.
Disadvantage: Current budget constraints limit the funds available to make adjustments to the current pay scale.	Disadvantage: Does not address misalignment with market of current pay scales
Both options assume that length of service is the best factor to serve as the basis for pay increase decisions.	
For both options, current budget constraints limit the ability to move employees to different steps in the pay scale.	

Priority Setting

Watson Wyatt provided the City of Alexandria with a framework for setting priorities and implementing some of the recommended options. This framework is based on discussions with the Project Team and City staff to address the most pressing need for change first. Since some City jobs had been previously identified as being less than competitive to the market, yet no adjustments were made, we suggest that implementing changes to the compensation philosophy and updating the benchmarking take priority, followed next by the update of the classification system. Any changes to the compensation system would benefit from an update of the performance management process, so that has been identified as the next priority. Finally, making changes to address other pay issues, promotions, and benefits would follow. The following chart outlines these in order of priority.

Step One	Step Two	Step Three	Step Four
▪ Use Most Current Benchmarking and Conduct Benchmarking Using Current System to Determine Alignment with Market ▪ Finalize Compensation Philosophy	▪ Update Classification Standards and Design New Classification System ▪ Assign Updated Classifications to Roles and Levels ▪ Conduct Benchmarking Using New Approach	▪ Update Performance Management Form and Process	▪ Address Total Compensation ▪ Promotion Policies ▪ Benefits

Pay for Performance Areas of Opportunity

Working with the Project Team, Watson Wyatt also identified areas of opportunity related to Pay-for-Performance. Employees were more comfortable with the idea of differentiating rewards based on performance if a minimum payout is set for all employees, either by instituting a variable step program, or set percentages for given performance (2%, 3%, and 4%). However, both the Project Team and City staff agreed that the City was not yet ready for this type of system. This belief stems from the fact that without a rigorous, well-communicated performance management process, any rewards based on performance will be seen as subjective, and ultimately unfair by employees. Because of this concern, the Project Team agreed that it may be better to create a pay-for-performance system at the leadership level first since more effort has been spent on establishing performance expectations in support of the City's mission at the leadership level. The Project Team acknowledged that any move to a pay-for-performance system would require a tremendous amount of training to ensure fairness in the process. Public Safety employees were not in agreement with the general employees about a pay-for-performance system. They expressed their belief that it would not work within Public Safety mainly because others had tried and failed to implement pay-for-performance systems successfully.

Any pay system that differentiates rewards based on performance requires a rigorous performance management process to be effective, including establishing performance measures that are meaningful and are what drive success within jobs and for the organization. Managers and supervisors need to be held accountable for adhering to the process. If managers are not trained, or do not choose to reward employees differently based on performance, then employees become skeptical of the relationship between pay and performance. To further ensure fairness in differentiating rewards based on performance, an oversight process should be in place to ensure that criteria for rewards and the application of the system is fair across the organization.

The rewards themselves have to be meaningful for the reward system to be effective. Many systems have failed because the difference between rewards for top performers are negligible compared to average performing employees. Most importantly, organizations need to commit to complete and frequent training and communication. In reviewing the City's comparators, the following local government survey participants have a pay-for-performance system:

Management	General Employees	Public Safety
Fairfax County	Fairfax County	Prince William County
Prince William County	Prince William County	City of Hampton
Arlington County	Montgomery County (in the form	City of Roanoke
Montgomery County	of a supplemental payment)	
District of Columbia	City of Hampton	
City of Hampton	City of Roanoke	
City of Roanoke	City of Charlotte	
City of Charlotte		

In addition to asking City of Alexandria employees and leaders about the effectiveness of the City's current performance appraisal form and process, Watson Wyatt reviewed them against best practices. Employees and managers found the current performance appraisal form to be outdated and not specific to the jobs they do. Managers said that in order to give a proper appraisal, they often had to add pages of their own to address the jobs because the form was not related enough to the jobs. Participants thought that the number of ratings was sufficient, but needed a place to add goals and accomplishments and discussion of staff development. We asked employees and leaders to tell us the characteristics of a successful City of Alexandria employee. They cited the following skills, attributes and behaviors:

- Good interpersonal skills
- Good communication skills
- Collaboration and teaming
- Seeks learning and improvement opportunities
- Strong initiative

- Strong work ethic
- Creative
- Leadership skills
- Good judgment and decision making
- Strong work ethic

Our review of the form showed that although it complied with many of the components that are considered to be best practice, there was a lack of consistency with regard to the implementation. The current form applies to most of the City Departments (Sheriff has its own form). The current form uses 5 rating categories and the following general performance factors:

- Volume of work
- Quality of work
- Reliability
- Cooperation
- Safety

- Responsibility
- Public Service
- Communication
- Meeting Changing Demands of the Work Situation

For Supervisory/Professional Jobs, these additional factors are used:

- Delegation
- Motivation
- Counseling and Appraising
- Use of Resources

- Analyzing
- Accomplishing Program Objectives
- Data collection and Usage
- Fairness and Objectivity

For Department Directors, these additional factors are used:

- Working with City Council
- Leadership
- Teamwork
- Departmental Planning and Organizing

- Public Information Responsibility
- Budget Management
- Affirmative Action

The current form does contain a section for Major Work Objectives and Performance Indicators, but could be enhanced by developing overall measure that apply to all employees or allowing the section to be modified to create a closer tie to the work each employee does. To be effective, performance appraisals should address both the "what" (objectives/results) and the "how" (behaviors/competencies/skills) of an employee's performance. With regard to the current process by which supervisors appraise employees, City documentation describes a planning session, includes opportunities for progress discussion, and includes a final review.

Audit of Performance Management Form and Processes

Watson Wyatt conducted a review of all documentation of the current forms, components, processes, and training materials to assess alignment with City of Alexandria's objectives. We compared the current system to best practices in performance management and considered the opinions of focus group and interview participants. In reviewing the current system, we looked for consistency across the various forms and processes.

The Performance Management Process addresses both organizational performance and individual performance. Organizational performance is concerned with operational, financial and customer performance. Employee performance addresses expectations for employee results as well as the demonstration of specific behaviors in support of organizational performance.

At an individual level, performance management involves setting expectations, providing coaching and feedback, planning development opportunities, assessing and measuring performance, and ultimately rewarding desired levels of performance. Traditionally, the public sector has placed little if any emphasis on planning, coaching and development. Traditional programs have been "owned" by human resources offices—not line managers or executives. Corporate best practices base individual performance management on the "what" and the "how"—the "what" being the planned results or performance goals and the "how" being the assessment of individual competence, providing a forward emphasis on performance.

However, the difference between public and private sector performance management practices is beginning to lessen. According to Government Accountability Office (GAO) studies, in leading public sector organizations, performance management is a line accountability and as much emphasis is placed on planning and coaching as is placed on performance assessment. GAO's March, 2003 report entitled Results-Oriented Cultures: Creating a Clear Linkage Between Individual Performance and Organizational Success, states "leading public sector organizations use their performance management systems to accelerate change, achieve desired organizational results, and facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing. Effective performance management systems are not merely used for once or twice yearly individual expectation setting and ratings processes, but are tools to help the organization manage on a day-to-day basis."

Performance management is more than the appraisal. The chart below highlights the differences between a one-time review process and the active management of performance.
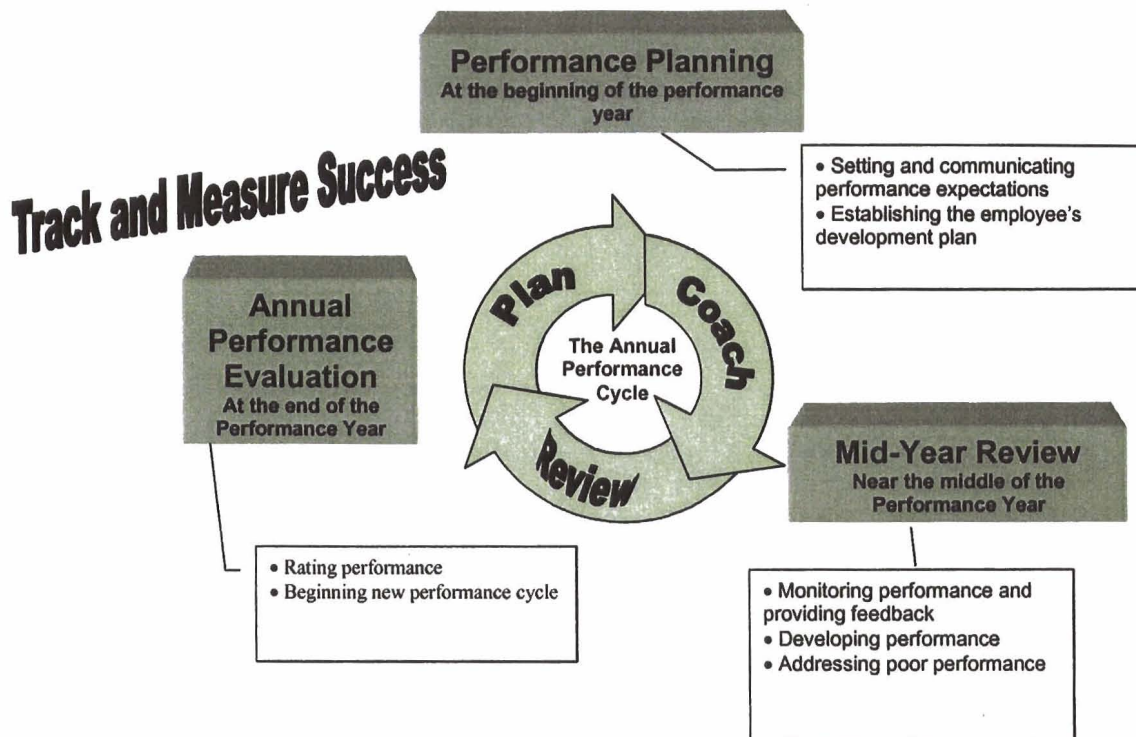
Performance Appraisal	Performance Management
Single annual event	Continuous dialogue focused on achieving results
Standalone program/administrative process	Integral part of operational planning, goal setting and assessment
Non-integrated parts without aggregated information	Aggregated information for performance planning and analysis
Manager led with minimal employee responsibility	Shared responsibility and involvement
Minimal pay differentiation based on performance	Strong pay and performance link
Anniversary date	Focal point review aligned with annual operating cycle
Manual and time-consuming process	User friendly tools / automation to drive better results

Other attributes of effective performance management systems include:

o a focus on the process of managing performance rather than the forms
o reviewing the "what" of the job (results) as well as the "how" (behaviors or competencies)
o emphasizes the future rather than the past, through planning for results and planning for development
o makes employees accountable through employee self assessment and employee-initiated processes
o makes managers accountable for championing the performance management process: Our experience tells us that managers feel more comfortable making performance distinctions if there is a way for them to compare ratings at "calibration meetings" so that their decisions have more credibility and validity across the organization, reinforcing the perceived importance of the process.
o Allows for customization of the process
o Evaluates system on an ongoing basis
o Aligns with other initiatives (rewards, development, etc.)

To further emphasize the ongoing nature of effective performance management, the annual performance cycle is depicted in the following graphic. Effective performance management begins with planning. Supervisors and employees meet to set performance expectations and a development plan for the coming year. During the year, supervisors and other stakeholders provide feedback on performance, either in a formal mid-year review, or throughout the year as more informal feedback sessions. At the end of the performance year, performance is rated and the cycle starts anew with planning **for next** year.

Performance Planning
At the beginning of the performance year

- Setting and communicating performance expectations
- Establishing the employee's development plan

Track and Measure Success

Annual Performance Evaluation
At the end of the Performance Year

Plan

Coach

The Annual Performance Cycle

Review

Mid-Year Review
Near the middle of the Performance Year

- Rating performance
- Beginning new performance cycle

- Monitoring performance and providing feedback
- Developing performance
- Addressing poor performance

Evaluating results is a process of rating the achievement of the plan that was set at the beginning of the plan year, and address plan results as well as behaviors. Expectations for results and behaviors cascade from the objectives of the organization. For the City of Alexandria, employees are focused on the results and behaviors that will enable the City to achieve its strategic plan and fulfill its mission. The expected behaviors can be shared across the organization, as in organizational competencies, or can be specific to a job or profession.

Key Issue: Expectations include both "what" and "how"

According to GAO's research, high performance organizations use validated core competencies as a part of setting expectations, coaching and evaluating individual contributions to organizational results. Organizational competencies are a tool that can strengthen performance management efforts. In particular, GAO states, "organizational competencies reinforce behaviors and actions that support organizational mission, translate employee performance so that managers make meaningful distinction between top and poor performers with objective and fact based information, and provide information to employees about the results."[1]

We have stated the importance of an effective performance management process in enabling employees to attain individual goals, as well as the organization to attain it mission. How one goes about making a system more effective involves bringing expectations from an organizational level to an individual level. The following chart provides guidelines for each stage of the performance management cycle.

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[1] GAO-04-83 Implementing Pay for Performance at Selected Demonstration Projects, January 2004

Guidelines for Effective Performance Management		
Setting and Communicating Performance Expectations	Identify 1-2 measures for each area of importance	• What measures best reflect your progress toward achieving the strategic plan? How will the measures be defined? For example, if your metric is "turnover", will it include involuntary departures?

	Develop a plan for tracking and assessing each measure	• Is the data that is needed for the measure available?
		• What is your target? What is a "home run"? How will you define success?
		  − By historical comparisons based on your organization's progress from year to year?
		  − External comparisons against other cities and counties?
		  − External comparisons against other cities and counties?
		• How often will you collect data and assess the measure?
		  − Monthly? Quarterly? Annually? Other?
		  − Who will be responsible for collecting the data?

	Track the measures for 6-12 months.	• Revise, add or delete metrics as appropriate to ensure that you are tracking what you intend and performing the measurement piece as effectively and efficiently as possible.
Monitoring performance and providing feedback	Providing Feedback	• Create an environment that fosters great feedback • Help people learn how to seek, give and receive feedback in constructive ways • Hold managers accountable for initiating performance conversations • Use the performance management process to engage employees in the mission and help them understand how to impact results
Developing Performance	Two major forces in an employee's development must be given full consideration to achieve maximum results	• The employee must recognize and understand the responsibility of his/her immediate supervisor as that of an active partner and coach in providing career and job-related assistance • The supervisor must recognize and be concerned with the employee's personal aspirations, motivation and career growth needs.
Addressing poor performance	Although poor performance may be identified through the performance management process, it is typical for organizations to have probationary, corrective action or performance improvement plans that are in addition to and outside of the regular performance management process	

Tracking and Measuring Success

Once implemented, a new performance management process should be evaluated regularly to be sure it is supporting the attainment of the strategic plan, and ultimately the organization's mission. The first step in tracking the success of the system is to review the performance metrics by answering the following types of questions:

• Is the performance management process actually being followed as designed?

- Are stakeholders satisfied with the quality of delivery?
- Are performance reviews being done on time?
- Are performance appraisal practices differentiating performance levels, as expected?

Selecting the right metrics can be a challenge. What you are measuring should be important to the success of the organization. To determine if this is occurring, it is important to measure the business impact of the performance metrics by asking the following types of questions:

- What performance measures optimize organizational performance?
- How do we maximize organizational performance by adjusting performance management practices?
- Are the capabilities and contributions of those identified as high performers in line with future organizational requirements?
- What is the impact of the employee development programs on performance? As employees develop, is performance improving?

The opinions of employees and managers will be in integral component of the assessment of the performance management process. To gain better input, analyze what employees say as well as what they do. Interviews, focus groups, and employee surveys are good ways to gauge employee perceptions. As to what they do, are employees modeling the behaviors that have been identified as vital to achieving organizational outcomes? Have employees been successful in the performance management process without modeling the desired behaviors? Investigating perceptions and behaviors will help pinpoint what needs to be changed to ensure the success of the performance management process.

Recommendations: Pay for Performance

Based on our review of the City's current performance management forms and processes, we have formulated recommendations for improvement. First, we think the current performance management system would be more effective if the form itself was updated to include competencies. Our research with current City employees and leaders found that the following competencies were important for success in the City:

- Interpersonal skills
- Communication skills
- Accountability and Excellence
- Mission Service Orientation
- Teaming Skills
- Flexibility/Adaptability
- Judgment / Problem Solving
- And additional categories specific to a department

The new performance management system should be integrated with the new classification system, and aligning the competencies among the two systems will do just that. Most importantly, however, is that managers, supervisors, and employees will need to be included in communications and trained in the performance management process. Supervisors and managers will need to be held accountable for implementing the process. To provide the best chance for success, employee input should be included in the process.

Other ideas offered to create a better link between pay and performance was to create more rigor around the award of a step increase, so that non-performers do not receive them. The group also thought that enhancing the annual performance awards or special merit increases might be a better way to reward high performers without changing the current system.

In order to move to a pay system that rewards based on performance, it is important that a rigorous performance management process be in place. Rigorous performance management requires measures that are meaningful and are what drive success within jobs and for the organization. It requires that supervisors and managers are held accountable for adhering to the process. It also requires that there exists oversight to the process to ensure fairness across the organization. Human Resources often provides the oversight to the process, but can include a selection of managers from across the City working together with Human Resources to perform this oversight.

Successful pay for performance systems are designed to ensure that meaningful differentiation in performance results in meaningful differentiation on rewards. Accomplishing this can be a challenge. For example, if minimally acceptable performance receives a 2% pay increase, meeting all expectations receives a 3% increase, and exceeding expectations receives a 4% increase, it must be clear what constitutes minimally acceptable performance, meeting expectations and exceeding

expectations. This requires complete and frequent training and communication so that everyone involved has a shared understanding of performance levels.

To ensure consistency, the Project Team and Watson Wyatt identified the following enhancements:

- More extensive, mandatory supervisory and leadership training on how to provide performance feedback, appraising employee performance, and the specific process to comply with the City's policies
- Training should emphasize performance planning, coaching and feedback and performance reviews
- Consider staggering timing so the process is not as overwhelming
- Evaluate on how well mission is achieved within the budget
- Evaluate managers on getting their evaluations done
- Add a process for including employee input to the appraisal

The consulting team presented options to the Project Team with regard to pay-for-performance. We explained that it may be possible to improve the alignment between performance and rewards a number of different ways. Project Team general employees felt comfortable with the idea of pay for performance as long as there was a minimum payout set for meeting expectations, or if the system resembled a step system, but allowed variability in the number of steps based on performance, so that the system maintained some predictability for employees. Alternatively, another method for improving the alignment between performance and reward is to instill more rigor in the performance management process such that all employees receiving a pay increase have met expectations in the job.

Effective implementation of a new rating system is more important than the design in driving performance. Therefore, we believe that creating the design changes, communicating those changes, and training supervisors and employees in what they need to know about those changes is vitally important to the program's success. Watson Wyatt will create an implementation timeline that includes a plan for developing the new system, training staff on using the new system, and communicating the implications of the system throughout the workforce. For the purpose of this proposal, we will estimate one draft plan to be presented to the steering committee and one final plan after receiving feedback from the committee. While we are known at Watson Wyatt for our communication and change management strategy development, we are also experienced in implementing those strategies. Our experience includes working with internal communication teams to help them drive change through implementation of the approved strategic roadmap. The training of managers and employees will be a critical component of the implementation phase. Watson Wyatt has experience in developing performance management training materials and will ensure the curriculum prepared for the City is on target.

Appendix A: Results of Local Government Survey

Appendix B: Focus Group Results

Appendix C: Leadership Interviews Results

Appendix D: COMPARISON™ Report

Appendix E: Sample Performance Evaluation Forms with Competencies

Attachment II

Watson Wyatt Employee Project Team

Steve Chozick, Division Chief/GIS, Planning and Zoning
Leslie Clark, Division Chief, Recreation
Al Coleman, Division Chief, Administrative Services, General Services
Valerie Correa, Personnel Specialist, Police Department
Patrick Cozza, Deputy Sheriff
Mary Craige, Division Chief/Administrative Services
Evan Dade, MRIS, General Services
Tony DiCesare, Undersheriff
Tim Dickinson, Captain, Police Department
Brenda D'Sylva, Fiscal Officer I, Police Department
Richard Estes, Administrative Technician, Police Department
Michele Evans, Deputy City Manager
Stafford Farmer-Lee, Sergeant, Police Department
Jim Fleming, Fiscal Officer III, MH/MR/SA
Amy Flenniken, Fiscal Officer III, Police Department
Lenny George, Deputy Sheriff
Karen Giuseppe, Administrative Assistant, T&ES
Leah Hickman, Secretary II
Paulette Jarrett, Supervisory Secretary III, DHS
Debbie Kidd, Division Chief, Revenue, Finance
Mike Kochis, Officer II, Police Department
Yon Lambert, Principal Planner, T&ES
Steve Mason, Special Assistant to the City Manager
Sean McGowan, Officer IV, Police Department
John Morehead, Captain, Fire Department
Jim Neurohr, Superintendent of Transportation, T&ES
John Noelle, Arborist, Recreation
Cheryl Orr, Director, Human Resources
Terry Robinson, Division Chief, Human Resources
Pat Ruble, Investigator, Human Rights
Kathleen Schramm, Deputy Director, Human Resources
Don Scott, Medic/ERTII, Fire Department
Melodie (Baron)Seau, Division Chief, Housing
Joe Seskey, Sergeant, Police Department
Tiki Spiller, Analyst I, Human Resources
Joe Stevens, Director, Office of Employment and Training, DHS
Kendel Taylor, Analyst III, OMB
Al Tierney, Captain, Police Department
Ryan Touhill, Analyst I, OMB
Wendy Webb, Division Chief/Administrative Services, Sheriff's Office
John Vollmer, Firefighter II, Fire Department

Attachment III

The <u>**Executive Summary for the Watson Wyatt Benefits Comparison Report**</u> was sent to Members of the Employee Project Advisory Team for review and comment. The following comments were received from several members of the Project Team:

Amy Flenniken, Division Chief, Police/Fiscal/Fleet Management, Police Department.
Thank you for forwarding the report. The explanatory language provided to explain the valuation is very helpful. However, it falls short in a few areas.

Retirement benefits -- The measure of value to employees is how well they can survive financially when they retire. The measure of value to the employer, it seems to me, should be the relative quality of benefits provided for workers in return for what the employer spends. There is no way the value of Alexandria's retirement benefits can be ranked first under either measure. The City may spend more on certain benefits that have less value to the employees, and the City may spend nothing or too little on the benefits most valued by the workers.

1. One of the factors that W-W completed omitted comparing is early retirement for general employees. Benefits are reduced tremendously for early retirees in the general employee group. Saying that the multipliers in Alexandria are 1.5% plus .8% of salary is accurate only for a 30-year, age 55+ retiree. Someone who retires at age 52 with **26** years of service will receive only about 31% of salary for their pension from VRS. They will receive about 7% more at age 55, 3 years later, when the City Supp kicks in.

Because of this low benefit, general employees could benefit tremendously from a City match to the 457 plan, even if it were 1% or 2%. The cost would be minimal relatively speaking, and it would enhance general employee benefits for a small cost. Another great improvement would be to allow City Supp benefits to be paid prior to age 55 for early retirees.

2. In contrast, a sworn police employee can retire early with **25** years of service and get a pension of 67% of salary, and 82% of salary at 30 years. Plus they may DROP for 3 more years if they wish. Much more generous benefits across the board. I am baffled as to why the early retirement provisions for sworn should be considered for improvement, but not the retirement benefits for general employees.

3. The discussion of retiree health insurance is deficient in claiming that Alexandria is near the middle of the group. We are far below the group average, as illustrated by Arlington who pays $960 a month for retiree health insurance compared to Alexandria's $260 per month.

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These are my primary comments.

Sgt. Stafford Farmer-Lee, Special Operations Team Leader, Special Operations, Division, Emergency Management, Alexandria Police Department
Thank you for the early look.

I would suggest the following changes to format.

-When ever you list a rank of 1st, 2nd, 3rd etc there needs to be a note what that ranking is out of....

This is very important to give "context" to the ranking.

Example:
* located at beginning of graph

*Note: Category XYZ 5 jurisdictions apply-----------------------5 out of 5 is last
         Category ABC 6 jurisdictions apply------------------------5 out of 6 is not last

We want to give the correct info; so when this is seen by Council and the public they fully understand what they are looking at.

It very important to know/show that 5th some times means LAST and some times means one from the bottom.

Captain Tony Di Cesare, Support Services Division, Alexandria Sheriff's Office
Good morning,

I have reviewed the Executive Summary of the Watson Wyatt report. Overall I think it does a very nice job summarizing the lengthy Watson Wyatt Study and will provide the City a framework to access their competitiveness in the market regarding employee benefits.

Below are comments I have regarding the Retirement Benefits section pertaining to Deputy Sheriffs on Page 3 of the summary. *Comments are in red font contained in parentheses, requested additions to the summary are in blue font, and excerpts from the report are in black beginning below.*

- **The DB plan for Sheriffs essentially ranks in the middle of the other jurisdictions.**

City of Alexandria has more value because it doesn't require employee contributions, while others do. However, the Sheriff plan benefit formula ~~may not be quite~~ *is not* as valuable as some jurisdictions. *(This is a study with empirical data so the word may should not be used.)* In addition, some jurisdictions have a pre-Social Security age supplements which make those plans more valuable. *(Need to state if pre-Social Security age supplements were used as a criteria in ranking the retirement benefit of Deputy Sheriffs.)*

City of Alexandria is the only jurisdiction that does not have an unreduced ~~early~~ retirement provision at 25 years of service for the Sheriff plan. Deputy Sheriffs must serve 30 years to achieve an unreduced retirement benefit. (Our comparators do not consider 25 years of service early retirement). ~~This makes the City's plan somewhat less valuable.~~ *This makes the City plan less valuable. Years of service to achieve an unreduced retirement benefit was not used as a criteria in this study.*

Other jurisdictions credit unused sick leave toward early retirement eligibility, whereas the City of Alexandria does not include sick leave. While this is not measured in the study, it is a more generous provision than the City's plan offers.

Page 4 last paragraph:

Some ways in which the city of Alexandria could enhance the current retirement benefits are to review early retirement provisions of the DB benefit plans for Sheriff, Police, and Fire to determine if they need to be more competitive with other jurisdictions, and to consider offering a match on the 457 employee savings plan. Additionally, the city should work with the Sheriffs Office to support a change to the Code of Virginia to allow Alexandria Deputy Sheriff's to retire with 25 years of service. This would better match other public safety departments in the city and is the norm with their comparators and throughout Virginia.

Thank you,

Battalion Chief John H. Morehead Jr., Fire Station 206
Good Morning,

It appears that the information in the comparison report addresses most of the compensation issues. I am including a copy of the letter we sent to the Mayor and Council about pay and compensation. I request Item #4, and #5 be included in the Executive Summary if pay has not been included. Thank-you.

Good Afternoon,

In case you cannot open the file, here are items 4 and 5 from the letter. Thank-you.

Item #4- Implement Public Safety Benchmark Salaries- Currently, all Firefighter positions except Fire Battalion Chief are below 100% of the average mid-point of salary of our Comparator Jurisdictions. The 100% average mid-point salary was approved by City Council in 2005.

Item #5- Pay Progression- Place Firefighters in proper step and year and eliminate "leap-frogging" due to promotions.

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