

## **EXECUTIVE SUMMARY**

### **Project Description & Methodology**

The City of Allen Park enlisted the assistance of the Michigan Municipal League to conduct a classification and compensation study, including a detailed market survey of pay and benefits. Undertaking this project will help the City to recruit and retain highly qualified and competent staff within an internally equitable and market competitive system.

At the onset of the project, current job descriptions, pay plans, benefits information, and other related materials were collected and reviewed. The City identified the positions to include in the scope of this project, which included the 17 positions listed below.

1. City Administrator
2. Administrative Assistant
3. City Clerk
4. Finance Director
5. Accounting Group Leader
6. Treasurer
7. Deputy Assessor (MAAO)
8. Community Development Director / Building Official
9. Building Inspector
10. Public Services Director
11. Public Services Supervisor
12. Library Director
13. Director, Parks & Recreation
14. Police Chief
15. Fire Chief
16. Deputy Fire Chief / Fire Marshall
17. Office Clerical Worker

All 17 positions underwent a thorough review of job analysis and had updated job descriptions developed. All positions except the Office Clerical Worker, City Clerk, and Treasurer were included in the market study and had point factor job evaluation performed to establish an internally equitable pay system. The Office Clerical Worker position is covered under a collective bargaining agreement where wages are negotiated. Pay for the City Clerk and Treasurer positions are established by the compensation commission.

To begin the project, an on-site meeting was held with the City Administrator and the Finance Director to review project methodology and discuss the comparables to be used in the market study. During another on-site visit, orientation sessions were conducted for City employees to review the project methodology and distribute Job Analysis Questionnaires. On-site meetings were then held with employees during a separate visit to gather more detailed information on positional duties and requirements.

The job analysis process ensured apples-to-apples comparisons in the market survey, and served as the basis for updating job descriptions and performing internal point factor job evaluation. Point factor job evaluation provides an objective approach to comparing positions internally based on a variety of critical factors and helps determine grade placement within the overall compensation structure.

The customized survey was sent to the selected comparable communities and included a summary of primary job functions for each position, as well as asked respondents to provide not only pay information, but feedback on how the positions within their organization were similar or different. This level of detail promotes the most accurate positional level match, and provides a basis for determining the appropriateness of comparisons. We further validated the survey data against the League's statewide database of municipal salaries.

Table 1 below provides details on the 14 employers that were surveyed. All but three responded (Garden City, Oak Park, and Southgate). Many attempts were made to encourage participation, however, we were unable to obtain the requested data from these employers. While they did not respond to our customized survey, these three employers did respond to another recent survey request so this data was used as appropriate, and is noted as such.

Table 1: Employers Surveyed

COMPARABLES FOR USE IN MARKET STUDY						
	Community	County	Population	Square Miles	FT EE's	2013 Taxable Value
1	Eastpointe	Macomb	32,442	5.10	150	431,302,661
2	Ferndale	Oakland	19,900	3.97	140	516,729,920
3	Garden City	Wayne	27,692	5.80	103	488,336,410
4	Inkster	Wayne	25,369	6.28	160	300,662,090
5	Lincoln Park	Wayne	38,144	5.93	82	553,684,202
6	Madison Heights	Oakland	29,694	7.25	190	773,730,980
7	Monroe	Monroe	20,733	10.50	165	936,160,570
8	Oak Park	Oakland	29,319	5.50	161	433,068,140
9	Roseville	Macomb	47,299	9.5	200	861,213,155
10	Southgate	Wayne	30,047	6.94	150	653,124,120
11	Trenton	Wayne	18,853	7.40	152	651,955,901
12	Wayne	Wayne	17,593	6.00	88	367,071,287
13	Woodhaven	Wayne	12,875	6.55	66	513,727,831
14	Wyandotte	Wayne	25,883	5.20	127	548,212,500
	<b>AVERAGE</b>		<b>26,846</b>	<b>6.57</b>	<b>138</b>	<b>573,498,555</b>
	<b>ALLEN PARK</b>	<b>WAYNE</b>	<b>28,210</b>	<b>7.42</b>	<b>100</b>	<b>763,554,000</b>

Taxable Value = Total assessed real and personal taxable value.

Sources: MML membership database, accessmygov.com, and State of MI Treasury.

As seen in Table 1, a balanced group of communities was analyzed for this project. In considering a labor market, geography is quite important as are size of organization and organizational structures, along with other factors.

It should be noted that each organization surveyed in this study is unique, with different organizational structures and in some cases, alternative allocation of duties among employees. Further, not every comparable employer delivers the exact mix of services found in the City of Allen Park. The focus of our market analysis was to identify positions in other organizations with a similar scope of responsibilities, requiring similar levels of knowledge, skill and expertise.

There are no “perfect matches” in terms of organization or position; the one constant is that all public employers ask employees to “wear many hats,” do more with less, and take on greater responsibility. Even with variations in operations and positional duties, we are confident the survey results represent a fair, objective, and reasonable comparisons to the market.

This report provides detailed analysis of the market data and specific recommendations for pay system design and administration. In all cases, our recommendations are just that; City officials are ultimately responsible for determining the best course of action for their organization. Our intent is to provide this research, various scenarios, and differing implementation options to facilitate the decision making process.

## **Key Findings**

### **Classification**

The job analysis process allowed us to gather in depth information on each position, including job requirements and the knowledge, skills, and abilities needed to perform each job successfully. This process supported the development of updated job descriptions, which can be found in draft form in Appendix A.

In addition, consideration might be given on renaming the titles of the positions outlined below. These recommendations have been incorporated into the updated job descriptions.

<b>Current Title</b>	<b>Suggested Title</b>
Accounting Group Leader	Payroll Coordinator
Foreman – Garage, Building Maintenance, Basin	Public Works Supervisor
Foreman – Water & Sewer	Public Works Supervisor
Foreman – Roads & Forestry	Public Works Supervisor

### **Compensation**

The City of Allen Park’s pay levels, taken in total, are 8% above the market when comparing to the market minimum. When comparing Allen Park’s current pay to market mid-point and maximum, Allen Park is 3% below and 12% below, respectively.

Most employees who are in positions included in this project are fairly new, either to the City or to their position. Taking only the newer employees into consideration, Allen Park’s pay levels are 7% above the market minimum. When comparing the market midpoint to those employees who have been in his or her position for three or more years, Allen Park is only 1% below the market. This suggests that the City is competitive to the market at the start of an employee’s career, and becomes more in-line with the market as employees progress through their career.

Detailed market data on each position is available in Appendix B.

- ⇒ While there are variations among individual positions, it is important to keep in mind that being above or below market does not necessarily mean that someone is “overpaid” or “underpaid”, but rather shows the overall comparability to the market.
- ⇒ Most non-union public sector pay ranges are around 20% to 30% wide, with a range minimum 12.5% below the midpoint and the maximum 12.5% above. The recommended pay ranges developed within this report reflect ranges that are 25% wide.

- ⇒ There are 3 employees with current pay levels less than the recommended range minimum. There are no employees with current pay levels higher than the recommended range maximum.

### Benefits

In addition to pay, the customized survey included the scope of benefits provided in the market to provide a more complete picture of comparability of the overall compensation program within the City of Allen Park. Taken in total, Allen Park's benefits are within a similar range of the surveyed market for most benefits. With regard to a payment in lieu of health insurance, the City is more generous than market in that it offers employees a choice of a monetary payment or an additional paid week of vacation. However, the City is less generous than market in that it does not provide short- or long-term disability programs.

On a statewide level, we are seeing public employers slowly shifting from traditionally rich, high cost benefit programs to more progressive programs that shift some responsibility to the employee allowing the employer to have more control over current and future costs. In this respect, the City of Allen Park is actually ahead of the trend on some high-cost benefits such as longevity pay, a defined benefit pension program, and retiree health insurance.

A qualitative analysis of the benefits is provided below with details available in Appendix C.

## **CLASSIFICATION & JOB EVALUATION**

As discussed within the methodology section, the process of identifying job duties, positional responsibilities and minimum job requirements is called “job analysis.” To perform an effective job analysis, employees were asked to complete a questionnaire relating to job duties, positional responsibilities, minimum requirements, and other criteria of their position. These questionnaires, along with existing job descriptions, provided the basis for personal interviews wherein additional detail and insight about each job was obtained.

Once positions are thoroughly analyzed, “job evaluation” is performed. This is a process that rates, or evaluates, each position against specific, job related criteria contained within a customized point factor plan. The complete point factor plan is included in Appendix D, and can be summarized as follows:

### **Factor 1: Education & Relevant Experience**

This factor rates the minimum qualifications of a position as determined by the level of education required to be adequately prepared for the duties and responsibilities of the position and the minimum number of years of relevant experience necessary to adequately perform the job. The factor plan provides for additional points for special licensing, certification and other requirements beyond education and experience.

### **Factor 2: Judgment & Independence of Action**

This factor rates the level of judgment and independence of action exercised in determining proper courses of action on the job. In evaluating a position against this factor, the extent to which policies, procedures, rules and so forth guide and restrict judgment and independence of the position is considered, as well as whether peers and/or supervisors are available for collaboration in decision making. Lastly, the degree to which the employee is empowered to use discretion and how work and authority is “checked,” is measured within this factor; for example, whether work is checked through a formal check/balance system or on an exception basis only.

### **Factor 3: Internal & External Relations**

This factor examines the types and frequency of internal and external contacts a position encounters, and the communication skills needed to successfully handle these contacts. The highest level, or most complicated form of communication skill required of a position is determined, then the frequency is measured. For example, responding to questions and explaining procedures versus negotiating contracts or resolving disputes in a formal setting are varying levels of communication. Some employees may engage in many levels with varying frequency. The highest level is rated and the frequency of that level is applied.

### **Factor 4: Supervisory or Managerial Responsibility**

This factor reflects the supervision exercised and management or leadership role assigned to a position. Both the level of authority exercised and the span of control as determined by the size of the supervisor’s staff are measured. Roles range from occasional leader to formal supervisor (with the authority to hire, discipline and discharge employees.) The number of employees is determined by counting full and part-time staff as well as seasonal or volunteer staff, though these different types of staff are weighted differently.

*Factor 5: Job Complexity & Analytic Demands*

This factor measures the degree of complexity which is characteristic of a position's duties and responsibilities. Complexity is defined as the level of "thinking process" or analytic ability required of a position. Included in the analysis for this factor are issues like whether processes and work tasks are redundant, how much problem solving is required of the job, whether the employee makes choices from an established set of options or must originate new policy or procedure and whether the position has strategic planning responsibility for operational areas.

*Factor 6: Responsibility for the Safety and Convenience of Others*

This factor is concerned with the impact the position's duties have on the safety of others. In considering the potential impact of a position, *probable* errors that may occur in the regular course of performing a job are considered rather than the most extreme consequences. Similar to other factors, the highest, but still probable, consequence of error is measured along with the frequency with which the opportunity for error presents itself.

*Factor 7: Technology & Equipment Use*

This factor measures the level of knowledge and expertise required in a position with respect to utilizing, developing, fabricating and implementing various technology or equipment. Ratings include basic, intermediate and complex use levels. The highest levels are attributed to positions with development, programming and other advanced applications along with research, development and implementation of systems.

*Factor 8: Impact on Programs, Services, and Operations*

This factor measures the impact a position has on programs, services or operations of various units of the organization. Impact includes effects on organizational efficiency, effectiveness, financial implications, public perception and other tangible and intangible resources. Whether positions impact multiple "service areas" within an operating unit or other departments across the organization is considered.

*Factor 9: Intensity & Demand for Concentration*

This factor measures the frequency of two environmental components, mental concentration and focus. Mental concentration captures the extent to which an employee works on high-detail tasks such as data entry; focus captures the extent to which a position is subjected to distracting influences.

*Factor 10: Work Environment*

This factor measures the degree and frequency with which a position is subjected to unpleasant or adverse working conditions as a function of the job, and the type and frequency of physical demands placed on a position. Office "climate control" issues are *not* considered an unpleasant or adverse condition, nor are standard requirements for lifting and/or moving light weight items in a normal office setting considered a physical demand. Rather, this factor accounts for positions that are required to work in the field under hazardous conditions or regularly encounter life-threatening situations. As well, the physical exertion required of a position is measured within this factor, both in terms of level and frequency.

Each of these point factors has an associated numeric point matrix that is used to rate each position. It is important to note that this is an evaluation of the job content and requirements of the position; it is not an assessment of the individual currently holding the position, nor is it a performance evaluation. Using this method, very different positions across the organization are assessed on an "even playing field" and internal equity is achieved.

The total points then serve as a guide for determining grade placement. Two very different positions can have similar point totals, indicating that grouping within the same pay grade is appropriate. Table 2 contains the point factoring results.

Detailed point factor analysis is contained in Appendix D along with the point factor plan.

*Table 2: Point Factor Job Evaluation Results*

<b>Current Title</b>	<b>Point Total</b>
Administrative Assistant	<b>1,704</b>
Payroll Coordinator	<b>1,904</b>
Deputy Assessor	<b>1,907</b>
Building Inspector	<b>1,922</b>
Public Services Supervisor	<b>2,119</b>
Deputy Fire Chief / Fire Marshall	<b>2,352</b>
Community Development Director / Building Official	<b>2,503</b>
Parks & Recreation Director	<b>2,515</b>
Public Services Director	<b>2,547</b>
Library Director	<b>2,568</b>
Finance Director	<b>2,708</b>
Fire Chief	<b>2,752</b>
Police Chief	<b>2,771</b>
City Administrator	<b>3,043</b>

## **COMPENSATION & MARKET COMPARABILITY**

To determine appropriate pay rates, we utilized a customized market survey to gather information on what the competitive labor market pays for similar positions. Our survey document included positional summaries of each position, rather than simply matching job title to job title, to enhance the survey's reliability. Therefore, respondents were able to report pay based on job content rather than job title alone.

As well, our survey gathered information on how positions are similar or different in other organizations to aide in making "apples-to-apples" comparisons with regard to pay data. The survey tool collected information on pay ranges and current actual salaries in the event no range was available.

It should be noted that each organization surveyed in this study is unique, with different organizational structures and in some cases, alternative allocation of duties among employees. Further, not every comparable employer delivers the exact mix of services found in the City of Allen Park. The focus of our market analysis was to identify positions in other organizations with a similar scope of responsibilities, requiring similar levels of knowledge, skill and expertise.

In addition to the customized salary survey sent to the identified comparable employers, we also included data from the League's statewide database of municipal salaries to further validate the survey. Additionally, the library in Allen Park is a Class V library and not all of the comparable communities fall within this class, and some do not have a library at all. To account for this, we utilized the Michigan Public Library Statistics to gather supplemental salary data for Class V Library Directors.

Table 3 on the following page provides a summary of the market survey results and shows how each position studied compares. The compa-ratios shown on the right is a simple ratio of the City's pay rate divided by the market average for minimum, midpoint, and maximum pay rates. So, the midpoint average compa-ratio of 97% can be read as "the City of Allen Park's midpoint pay levels, taken in total, are 3% below the market."

*In reviewing the individual position results, keep in mind that being above or below market does not necessarily mean someone is "overpaid" or "underpaid."* Rather, this is a simple way to gauge overall comparability to market. Most public sector pay ranges are around 20% to 30% wide, so a likely range minimum would be 12.5% lower than the midpoint and maximums 12.5% above. As such, market comparisons with compa-ratios of 87.5% to 112.5% are considered within normal limits.

Detailed market data on each position is available in Appendix B, with a summary of the market data found on the following page.

Table 3: Market Data Summary

Current Title	Allen Park	Market Average				Compa-Ratio			
	Actual	Min	Mid	Max	Actual	Min	Mid	Max	Actual
City Administrator	95,000	insufficient data			106,846	insufficient data			89%
Administrative Assistant	34,000	39,948	45,006	50,063	45,605	85%	76%	68%	75%
Finance Director	87,000	82,612	90,635	98,659	86,804	105%	96%	88%	100%
Payroll Coordinator	45,000	35,094	39,317	43,541	44,826	128%	114%	103%	100%
Deputy Assessor (MAAO)	55,000	insufficient data				insufficient data			
Community Development Director / Building Official	75,000	70,644	81,734	92,825	82,451		92%	81%	91%
Building Inspector	56,000	51,848	57,610	63,371	63,371	108%	97%	88%	88%
Public Services Director	70,000	76,767	85,522	94,277	83,558	91%	82%	74%	84%
Public Services Supervisor	60,611					116%	105%	96%	97%
Public Services Supervisor	60,611	52,161	57,632	63,103	62,699	116%	105%	96%	97%
Public Services Supervisor	62,670					120%	109%	99%	100%
Library Director	70,500	63,657	70,314	76,970	71,998	111%	100%	92%	98%
Parks & Recreation Director	65,000	64,789	73,158	81,526	67,239	100%	89%	80%	97%
Police Chief	88,662	81,701	91,970	102,239	94,723	109%	96%	87%	94%
Fire Chief	86,612	77,970	86,936	95,903	87,505	111%	100%	90%	99%
Deputy Fire Chief / Fire Marshall	74,620	insufficient data			76,205	insufficient data			98%
<b>AVERAGE ALL</b>						<b>108%</b>	<b>97%</b>	<b>88%</b>	<b>94%</b>

### **Benefits Analysis**

In addition to pay, the customized survey included the scope of benefits offered in the market to provide a more complete picture of the comparability of the overall compensation program within the City of Allen Park. Details on benefit offerings found in the comparable market can be found in Appendix C with a qualitative analysis of the benefits provided below.

#### **Non-Union Employees**

Ten respondents reported benefits data for non-union employees. The City of Allen Park's non-union benefit offerings, taken in total, are within a similar range of the surveyed market for many benefits. With regard to a payment in lieu of health insurance, the City is more generous than market in that it offers employees a choice of a monetary payment or an additional paid week of vacation. However, the City is less generous than market in that it does not provide short- or long-term disability programs.

In addition, the City of Allen Park does not offer longevity pay or a defined benefit pension program as do some respondents in the surveyed market. While this may appear to be a weakness when compared to market, Allen Park is actually ahead of a slow-moving trend by taking a progressive approach on these more traditional, high-cost benefit programs. In summary:

**Paid Time Off & Bonus Benefits**

- The surveyed market shows an average of 12 paid holidays, compared to the 13 paid holidays provided in Allen Park.
- All respondents offer separate leave banks for vacation, sick, and personal time as does Allen Park. When comparing vacation leave banks, Allen Park is more generous than market at the start of an employee’s employment, however, it becomes less generous to market in maximum accruals by 1 days. However, this is offset by the additional paid holiday.

<b>Vacation Accruals</b>			
<b>Market Average</b>		<b>Allen Park</b>	
1 Year	13 days	1 Year	15 days
5 Years	17 days	5 Years	20 days
10 Years	22 days	10 Years	20 days
15 Years	24 days	15 Years	25 days
20 Years	26 days	20 Years	25 days

- The market average for sick leave among the respondents is 12 days, which is the same amount of sick leave available in Allen Park. One respondent, however, reported that they provide up to one year of sick time.

Seven respondents reported that some form of sick time carryover is allowed, ranging from a minimum of 10 days to having no carryover limit at all. The City of Allen Park does not have a limit on the carryover of sick leave.

Seven respondents allow for some form of payout upon retirement and/or separation ranging from a payout 50% up to 30 days to a payout of 50% up to 150 days. Three respondents do not offer any form of sick leave payout, which is slowly becoming a trend among municipal employers. The City of Allen Park allows for a payout of 50% up to 50 days upon retirement or death.

- The market average for personal leave is 4 days. The City of Allen Park offers 3 personal days to its non-union employees.
- Of the ten respondents, six provide longevity pay with a maximum payment ranging from \$800 to 8% of base pay. One respondent offers longevity pay only to its Police and Fire Chiefs and another respondent does so under a grandfathered policy. The City of Allen Park does no longer offers longevity pay, which is becoming more common among municipal employers

**Insurance Benefits**

- All ten respondents offer a PPO insurance plan and two of the respondents also offer an HMO insurance plan. The City of Allen Park offers a PPO plan.
- Seven respondents require some form of employee contribution to insurance premiums, with five of the respondents requiring a 20% employee contribution. The City of Allen Park also requires an employee contribution of 20%.
- Insurance plan deductibles among the surveyed market range from \$250/\$500 to \$2,000/\$4,000. The deductible for Allen Park's insurance plan is \$250/\$500.
- Five respondents contribute to a health savings plan or similar program on behalf of their employees to help offset the out-of-pocket deductible costs. These contributions range from \$125 to 100% of the total deductible amount. The City of Allen Park does not have a high deductible health plan, therefore it does not contribute to an HSA.
- Prescription co-pays range from \$5/\$40/\$80 to \$15/\$30. Allen Park's prescription co-pays are currently at \$10/\$20/\$30 for its PPO plan.
- Office visit co-pays range from \$10 to \$30 among the respondents. Allen Park's plan has a \$30 office visit co-pay.
- Nine respondents offer some form of employer paid dental coverage and seven offer some form of employer paid vision coverage. The City of Allen Park provides both dental and vision coverage to its non-union employees.
- All respondents except one provide some form of payment in lieu of health insurance with payments ranging from \$1,250 to \$4,800 annually. Allen Park also offers a payment in lieu of health insurance, giving employees the choice between an extra \$2,400 annually or one extra week of vacation time. This is a creative approach that gives employees who opt out of the City's insurance plan the option to select the "payout" they find most valuable.
- All respondents provide life insurance with the benefit level ranging from \$25,000 to \$100,000, with two respondents providing a benefit level equal to an employee's annual salary. One employer also provides a life insurance benefit of \$5,000 to a closed group of retirees. The City of Allen Park provides a life insurance benefit level equal to an employee's annual salary.
- One respondent provides only short-term disability, two provide only long-term disability, and four provide both short- and long-term disability. Neither short- or long-term disability are available to Allen Park's full-time non-union employees.

**Retirement Benefits**

- Six respondents provide a traditional defined benefit pension plan to its non-union employees, although one of these respondents only does so on a grandfathered basis. Another respondent also offers a hybrid plan. Pension multipliers for these plans range from 2% to 3%.

Seven respondents offer a defined contribution program. Employer contributions for this program and the hybrid contribution arm range from 0% to 12%, as summarized below.

- ⇒ Two employers do not provide any contribution.
- ⇒ One employer provides a 1% contribution.
- ⇒ Two employers provides a 7% contribution.
- ⇒ One employer provides a 10% contribution.
- ⇒ One employer provides a 12% contribution.

The City of Allen Park offers a defined benefit pension plan to a closed group of employees who are grandfathered into the plan. The multiplier for this plan is 2.5% and currently requires a 7% employee contribution.

Allen Park also offers a defined contribution plan to its full-time non-union employees and provides a 7% contribution.

It should be noted that many public employers are shifting away from a traditional defined benefit pension plan and moving to defined contribution programs where costs are more controllable.

- Seven respondents provide some form of retiree health insurance, although five do so only on a grandfathered basis. Four respondents offer some form of a retiree health savings account. Allen Park also offers a retiree health savings account and provides a contribution of \$125 per month for the City Administrator and \$40 per month for full-time non-union employees. Retiree health savings plans work similarly to a defined contribution program allowing employees to save money for future medical expenses. This is a progressive approach to addressing retiree health care costs.

The legacy costs associated with retiree healthcare are creating a trend in the municipal sector which is moving away from 100% employer-paid retiree healthcare. Costs are considerable for this benefit given the relatively low retirement age in the public sector (some allow retirement as early as age 50, many at age 55 or 60) and the uncontrolled increases in cost of healthcare premiums.

To better control their budgets, long-range financial plans, and future liabilities, many municipal employers are moving toward a flat dollar cap that they will cover for a retiree healthcare premium, or are implementing a “defined contribution” style savings program which allows employees to save for the cost of healthcare in retirement, with or without employer contribution. Many retiree health savings plans allow for the conversion of unused paid time off, which is advantageous to both the employee and the employer, which saves the payroll tax that would otherwise be incurred through paying out time-off banks.

## **CLASSIFICATION & COMPENSATION STRUCTURE**

As previously discussed, point factoring was used to determine the placement of each position within the organization's pay structure, and market data guided the recommended pay ranges.

### **Impact of Recommended Ranges**

Table 4 on the following page provide a suggested pay structure based on market findings.

As mentioned earlier, the suggested pay structure reflects ranges that are 25% wide, with the pay midpoint established based on market findings.

Positions with salaries below the recommended range minimums are considered “**green circled**.” There are 3 employees currently earning a rate lower than the recommended range minimum.

1. Administrative Assistant
2. Payroll Coordinator
3. Parks & Recreation Director

In considering an implementation plan, it is suggested that green circled individuals be prioritized and moved as quickly as possible to at least the minimum of the recommended pay range. However, in each case individual performance will guide decisions regarding pay adjustments. It is advisable to suspend pay increases, even those for “green circled” positions, until such time as any ongoing performance issues are resolved.

Positions with salaries above range maximums are considered “**red circled**.” There are no red circled employees currently earning a rate above the suggested maximum.

Red circled positions are not uncommon for long-serving staff or positions that are difficult to recruit and/or retain. Should the City find itself in a red circled situation, we strongly caution against reducing pay or otherwise penalizing an employee with a salary level above the suggested maximum. This can be counter-productive and devastating to morale and the overall success of a pay program. Rather, “grandfathering” red circled employees or increasing salaries at a slower pace are more constructive approaches.

Table 4: Suggested Pay Structure

Grade	Title	Point Range	Allen Park Current Pay	RECOMMENDED PAY RANGES		
				Minimum	Midpoint	Maximum
1	Administrative Assistant	1700 - 1899	34,000	\$35,333 \$19.41	\$39,750 \$21.84	\$44,167 \$24.27
2	Payroll Coordinator	1900 - 2099	45,000	\$48,000 \$26.37	\$54,000 \$29.67	\$60,000 \$32.97
	Deputy Assessor		55,000			
	Building Inspector		56,000			
3	Public Services Supervisor 1	2100 - 2299	60,611	\$53,111 \$29.18	\$59,750 \$32.83	\$66,389 \$36.48
	Public Services Supervisor 2		60,611			
	Public Services Supervisor 3		62,670			
4	Deputy Fire Chief / Fire Marshall	2300 - 2499	74,620	\$61,111 \$33.58	\$68,750 \$37.77	\$76,389 \$41.97
5	Community Development Director / Building Official	2500 - 2699	75,000	\$68,444 \$37.61	\$77,000 \$42.31	\$85,556 \$47.01
	Parks & Recreation Director		65,000			
	Public Services Director		70,000			
	Library Director		70,500			
6	Finance Director	2700 - 2899	87,000	\$78,889 \$43.35	\$88,750 \$48.76	\$98,611 \$54.18
	Fire Chief		86,615			
	Police Chief		86,500			
7	City Manager	2900+	95,000	\$92,444 \$50.79	\$104,000 \$57.14	\$115,556 \$63.49



## Range Options

There are a few popular options for pay range administration, including a traditional step system, an open range, or a combined approach.

### Traditional Step System

A traditional step system simply breaks a pay range into increments. In a system with 25% wide ranges, nine steps are typical and provide for increments of about 2.50% to 3.15% between steps.

In a traditional step system, pay increases are awarded based on time on the job, conditioned upon satisfactory performance (i.e. move from step 1 to step 2 after 1 year with a satisfactory or better performance review). Table 5 below provides a step progression based on a Traditional Step System.

Table 5: Traditional Step System

Grade	Minimum Step 1	Step 2	Step 3	Step 4	Midpoint Step 5	Step 6	Step 7	Step 8	Maximum Step 9
1	\$35,333 \$19.41	\$36,438 \$20.02	\$37,542 \$20.63	\$38,646 \$21.23	\$39,750 \$21.84	\$40,854 \$22.45	\$41,958 \$23.05	\$43,063 \$23.66	\$44,167 \$24.27
2	\$48,000 \$26.37	\$49,500 \$27.20	\$51,000 \$28.02	\$52,500 \$28.85	\$54,000 \$29.67	\$55,500 \$30.49	\$57,000 \$31.32	\$58,500 \$32.14	\$60,000 \$32.97
3	\$53,111 \$29.18	\$54,771 \$30.09	\$56,431 \$31.01	\$58,090 \$31.92	\$59,750 \$32.83	\$61,410 \$33.74	\$63,069 \$34.65	\$64,729 \$35.57	\$66,389 \$36.48
4	\$61,111 \$33.58	\$63,021 \$34.63	\$64,931 \$35.68	\$66,840 \$36.73	\$68,750 \$37.77	\$70,660 \$38.82	\$72,569 \$39.87	\$74,479 \$40.92	\$76,389 \$41.97
5	\$68,444 \$37.61	\$70,583 \$38.78	\$72,722 \$39.96	\$74,861 \$41.13	\$77,000 \$42.31	\$79,139 \$43.48	\$81,278 \$44.66	\$83,417 \$45.83	\$85,556 \$47.01
6	\$78,889 \$43.35	\$81,354 \$44.70	\$83,819 \$46.05	\$86,285 \$47.41	\$88,750 \$48.76	\$91,215 \$50.12	\$93,681 \$51.47	\$96,146 \$52.83	\$98,611 \$54.18
7	\$92,444 \$50.79	\$95,333 \$52.38	\$98,222 \$53.97	\$101,111 \$55.56	\$104,000 \$57.14	\$106,889 \$58.73	\$109,778 \$60.32	\$112,667 \$61.90	\$115,556 \$63.49

### Open Range System

Some employers prefer to use a percentage-based, open range approach to progressing employees through their ranges. Under this plan, a set percent is used for employees' annual pay increases. This provides the most flexibility to the employer, or maximum discretion.

Should an open range be established, a flat dollar or a percentage increase could be provided on a discretionary basis based on performance, time on the job, or some combination. Though rare, some use discretionary amounts that do not automatically renew unless continued exceptional performance or specific achievements warrant.

### Combined System

A combined system uses both formal steps and a flexible, open range. With this method, step increases based on longevity are utilized initially (provided the employee is evaluated at a minimum level of satisfaction) with merit-based progression after a certain tenure level is

achieved. This combined system recognizes the "learning curve" found in early years of employment, and focuses on performance once longer tenure and associated job mastery is achieved. Table 6 below provides a step progression based on a Combined System.

Table 6: Combined Step and Open Range System

Grade	Minimum Step 1	Step 2	Step 3	Step 4	Midpoint Step 5	Open Range: Performance Based	Maximum Step 9
1	\$35,333 \$19.41	\$36,438 \$20.02	\$37,542 \$20.63	\$38,646 \$21.23	\$39,750 \$21.84	variable	\$44,167 \$24.27
2	\$48,000 \$26.37	\$49,500 \$27.20	\$51,000 \$28.02	\$52,500 \$28.85	\$54,000 \$29.67	variable	\$60,000 \$32.97
3	\$53,111 \$29.18	\$54,771 \$30.09	\$56,431 \$31.01	\$58,090 \$31.92	\$59,750 \$32.83	variable	\$66,389 \$36.48
4	\$61,111 \$33.58	\$63,021 \$34.63	\$64,931 \$35.68	\$66,840 \$36.73	\$68,750 \$37.77	variable	\$76,389 \$41.97
5	\$68,444 \$37.61	\$70,583 \$38.78	\$72,722 \$39.96	\$74,861 \$41.13	\$77,000 \$42.31	variable	\$85,556 \$47.01
6	\$78,889 \$43.35	\$81,354 \$44.70	\$83,819 \$46.05	\$86,285 \$47.41	\$88,750 \$48.76	variable	\$98,611 \$54.18
7	\$92,444 \$50.79	\$95,333 \$52.38	\$98,222 \$53.97	\$101,111 \$55.56	\$104,000 \$57.14	variable	\$115,556 \$63.49

### Implementation Options

As mentioned earlier, there are 3 employees who are currently earning a wage below the recommended range minimum. It is suggested that "green circled" employees be prioritized and moved as quickly as possible to at least the minimum of the recommended pay range. Consideration may also be given to move long-serving employees to at least the midpoint of the recommended pay range to acknowledge their mastery of the position. Performance should be considered, however, before making any pay adjustment.

As seen below, the total cost to bring all 3 green circled employees to the suggested range minimum is \$20,486. Assuming acceptable performance levels, we have outlined below some possible implementation options for the City's review. While there are a number of possible methods to address these position, the options presented below will provide the City with a sense of how it can move forward in the implementation process.

Green Circled Employees	Current Wage	New Wage	% Change	Total Cost
1. Administrative Assistant	\$34,000	\$35,333	3.92%	\$1,333
2. Payroll Coordinator	\$45,000	\$48,000	6.67%	\$3,000
3. Parks & Recreation Director	\$65,000	\$68,444	5.30%	\$3,444
<b>Total Cost</b>				<b>\$7,777</b>

Provide 2.5% increase now, and again in July as part of budget process

The City could provide a 2.5% increase now, then again in each July until green circled employees reach the range minimum.

Year	Administrative Assistant	Payroll Coordinator	Parks & Rec Director	Total Annual Cost
Now	2.5% \$850	2.5% \$1,125	2.5% \$1,625	<b>\$3,600</b>
July 2016	1.4% \$483	2.5% \$1,153	2.50% \$1,666	<b>\$3,302</b>
July 2017	n/a	1.5% \$722	0.25% \$153	<b>\$875</b>
<b>Total Cost</b>	<b>\$1,333</b>	<b>\$3,000</b>	<b>\$3,444</b>	<b>\$7,777</b>

Move all employees to range minimum within 3 years, starting with smaller % increases

The City could implement a tiered increase approach, again spreading the total cost over 5 years. In this approach, however, employees would be given the smallest percentage increase in Year 1 then see a higher percentage increase in Years 2 through 5. With this approach, the City would see smaller cash outlays in Year 1 to allow time to plan for the larger increases in Years 2 through 5.

Year	Administrative Assistant	Payroll Coordinator	Parks & Rec Director	Total Annual Cost
Yr. 1	1.75% \$595	1.75% \$788	1.75% \$1,138	<b>\$2,521</b>
Yr. 2	2.13% \$738	2.25% \$1,030	2.25% \$1,488	<b>\$3,256</b>
Yr. 3	n/a	2.53% \$1,182	1.21% \$818	<b>\$2,000</b>
<b>Total Cost</b>	<b>\$1,333</b>	<b>\$3,000</b>	<b>\$3,444</b>	<b>\$7,777</b>

Additionally, the figures represented above are based on the recommended ranges and do not take into account any potential adjustment to those ranges. The City might consider taking a conservative approach to adjusting the pay system until such time that all employees are properly placed within the range.

**System Administration**

It is suggested that the City establish a compensation policy for moving employees through pay ranges over time. There are many methods for progressing employees through a pay range; for example, time on the job (longevity), merit or performance based pay, or some combination of the two. Further, if using a step system, increases can be applied based on fractions of a step; full step increases are not required of the system options presented within this report.

Many employers are interested in linking pay to performance. To succeed in implementing a merit pay environment, there must be an exceptional performance evaluation tool in place that is used accurately and reliably, and the organization itself must have a culture that would support such an approach to pay. With those two linchpins in place, the employer then must have the financial resources to support the pay for performance program. Well-designed and properly-administered pay-for-performance programs that are tied closely to overarching organizational missions, goals and objectives, can add substantial value to an organization. However, pay for performance is *not* a cost of living adjustment. Cost of living is something that should be applied to the pay system at-large. Individual performance rewards are separate and distinct from that, and lose their impact and credibility when overlapped with other types of adjustments.

When considering performance rewards, an organization can utilize either a performance increase that becomes part of an employee's annual pay; or a one-time reward that does not automatically renew each year. The reward that becomes part of regular pay is typically in recognition of sustained exceptional performance, assuming additional duties, achieving additional education or training, etc. The non-renewable reward is usually associated with achievement of specific goals or in recognition of a special project or some other finite accomplishment. Some systems incorporate both types of rewards to accommodate varying circumstances.

Should the City incorporate pay-for-performance tied to performance evaluation, careful consideration will need to be given to whether rewards are integrated into base pay or treated as a bonus subject to renewal, or some combination of the two.

#### Placing New Employees Within Established Ranges

To preserve internal equity, original appointment to any position would ideally be made at the minimum rate of the suggested pay range. Advancement could then proceed through successive increases as prescribed in the City's compensation policy.

However, each new hire will inevitably be unique, and may in fact represent a situation in which greater experience and expertise are objectives in recruitment. Or, the labor market may dictate the need to offer a higher salary. Therefore, new hires should be assessed individually and placed at a range level consistent with City needs and market demands.

#### Maintaining the System Over Time

A classification and compensation program, once designed and implemented, is not self-sustaining. It needs proper maintenance to continue to serve its purpose. Maintaining the program requires reviewing, adjusting, and controlling both the classification and salary structures so they continue to be effective.

The City should determine the standard process that will be used to maintain the classification plan going forward. For example, how will changes to job descriptions be handled? How will new positions be placed within the system? Who will review requests and what appeals mechanism, if any, will be provided?

The City should carefully consider its options and lay out the methodology best suited to its needs and culture.

### Classifying New Positions

As a result of reorganization, new programs, or changes in management procedures, new jobs may be established and the complexity of existing jobs may change. To maintain internal equity and the usefulness of the pay system, the following procedures are recommended:

1. For new positions, a standard job analysis questionnaire should be used to define the particular duties, responsibilities, and requirements of the position.
2. A current and accurate job description should then be developed.
3. The position should be evaluated based on the point factor plan. This approach ensures internal equity for the new position in terms of skill, effort, responsibility and working conditions as compared to existing positions.
4. Verification of market pay rates through the statewide survey, or a customized survey, will validate the appropriate pay rate for a new position.

### Updating the Compensation Plan

Economic conditions, the availability of people, and the prevailing labor market rates will all impact salary structures. To accurately reflect the labor market, the compensation plan must be reviewed and adjusted annually.

In this sense, pay adjustments are a two-step process. The first is a general adjustment of the entire pay system to reflect inflationary or cost-of-living increases. And the second is individual-level adjustments based on performance, longevity or whatever measures the City chooses to reflect its compensation philosophy.

Various sources exist for inflation figures, cost-of-living estimates, and other economic indicators such as the Consumer Price Index (CPI). One of these could be applied to the City's compensation structure to make the annual cost-of-living adjustment.

When making annual adjustments to the overall system, consideration should be given to local economic factors and the posture the organization chooses to take relative to the labor market. Every five to seven years a full study should be conducted to check the adequacy of present pay rates and internal ranking of jobs.

In devising a pay and benefits system, an employer is well-served to consider its mission and organizational goals and align its compensation policy accordingly. The data and objective analysis provided within this report will help position the City of Allen Park for these important policy considerations.