

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Motion to Authorize the City Manager to Execute a Contract with Ralph Andersen and Associates to Conduct a Compensation and Classification Study		
DEPARTMENT:	Human Resources		
PRESENTED BY:	Paula Itaoka, Human Resources Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input checked="" type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

In early 2014, the City Council directed the City Manager to conduct a holistic review of the City's compensation plan in 2015. Staff met with Council on September 8 and received further policy direction on the scope of the study prior to issuing a request for proposal (RFP). The RFP resulted in six proposals which were evaluated by a selection committee comprised of five employees and three managers. The evaluation ultimately resulted in a recommendation to contract with Ralph Andersen and Associates to conduct the compensation and classification study. Tonight's action would authorize the City Manager to enter into a contract with Ralph Andersen.

FINANCIAL IMPACT:

The do not exceed amount of this contract is \$50,000 for all professional fees and expenses. This amount was budgeted for in the 2015 budget.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute a contract with Ralph Andersen and Associates to conduct a compensation and classification study in 2015 in the amount of \$50,000.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

In early 2014, the City Council directed the City Manager to conduct a holistic review of the City's compensation plan in 2015. On September 8, staff received policy direction from Council regarding the scope of the study to include base salary compensation and classification, non-salary cash and deferred compensation and employer contributions toward health care. The memo provided to the Council on September 8 regarding the scope of this study can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/dinner/090814Dinner.pdf>.

In addition to the direction provided by Council on the scope of the classification and compensation study, Council also agreed with staff's recommendation to utilize the services of a hired vendor to help the City conduct this study. To pay for these professional services, \$50,000 was budgeted in the 2015 budget.

DISCUSSION

To procure a consultant to conduct this study, staff conducted an RFP process to evaluate the qualifications and proposed cost of interested vendors. The RFP was advertised on October 29, 2014 and closed on November 17, 2014. The RFP resulted in six proposals which were evaluated by a selection committee comprised of five employees and three managers. Following the initial review, the selection committee conducted interviews with two firms, Ralph Andersen and Associates and Segal Waters. At the conclusion of the interviews, staff selected Ralph Andersen and Associates as the City's preferred services provider for the study.

Ralph Andersen and Associates has provided human resource consulting services since 1972. Their firm has a strong focus on serving public sector clients, and they have had a lot of experience conducting compensation and classification studies for cities across the country. Ralph Andersen also conducted Shoreline's only compensation and classification study in 1997. The project manager for Ralph Andersen on this project will be Doug Johnson. Mr. Johnson has over 27 years of local government consulting experience. More information about Ralph Andersen and Associates and Mr. Johnson can be found at their website:

<http://www.ralphandersen.com>.

Attached to this staff report (Attachment A) is the service contract scope of work for Ralph Andersen and Associates. This scope of work outlines the project deliverables and contract cost structure. If authorized by the City Council under tonight's action, staff will finalize the service contract with Ralph Andersen and Associates and work with the City Manager to execute the contract.

Upon execution of the contract, the consultant will begin all administrative and coordinative efforts in support of the project initiation, among other tasks, including preparation of a project schedule, identification and review of background data, scheduling meetings, and clarifying matters to be addressed during the course of the study.

RESOURCE/FINANCIAL IMPACT

The do not exceed amount of this contract is \$50,000 for all professional fees and expenses. This amount was budgeted for in the 2015 budget.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute a contract with Ralph Andersen and Associates to conduct a compensation and classification study in 2015 in the amount of \$50,000.

ATTACHMENTS

Attachment A: Ralph Andersen and Associates Compensation and Classification Study
Contract Scope of Work

Ralph Andersen and Associates Compensation and Classification Study Scope of Work

Ralph Andersen and Associates (Consultants) will conduct a Compensation and Classification Study for the City's roughly 150 employees, currently allocated to roughly 100 job classifications. The scope of the project will include an effective communication plan, a review and update of the City's job descriptions, a comprehensive market survey including base salary and benefits, and the development of salary recommendations based on both job evaluation and the survey results.

Key study components and anticipated end-products included in the work plan:

- Conduct a meeting with City representatives at project initiation to confirm the study goals, objectives, and deliverables.
- Distribute job analysis questionnaires and conduct supplemental interviews with employees.
- Conduct an extensive review of background documents supplemented by interviews, as required.
- Review historical practices and recommend survey agencies, survey job classifications, and identify data collection needs.
- Conduct a custom market survey including salary, other forms of cash, deferred compensation and employer contributions toward health insurance costs. Use as many job classifications as possible and analyze the market data.
- Develop draft, final, and presentation reports incorporating all study recommendations and supporting data.
- Present the findings to managers, employees, project committees, and the City Council, as needed.

Task 1 – Project Kick-off Meetings

The Consultants will begin all administrative and coordinative efforts in support of the project initiation meetings and briefings. Among other things, this will include:

- Preparation of a project schedule.
- Identification and review of background data including existing class specifications, organization charts, employee listings, salary schedules, and related information.
- Identification of scheduling parameters for meetings and interaction with various City employee groups.

This initial step in the study process will be used to identify significant compensation concerns that should be clarified during the initial meeting or addressed during the course of the study. The Consultants will meet with the City's project manager and management personnel as appropriate to ensure a full understanding of project objectives and deliverables. The project work plan and schedule will be adapted to achieve the objectives. This meeting will also include a discussion of the City's compensation policies and confirmation of survey agencies, survey jobs, and survey elements.

Task 2 – Employees Complete Questionnaires

Provide a work plan for the completion of supplemental Job Analysis Questionnaires by employees. Identify the tasks the employer will perform in this effort and establish a point of contact for employee questions regarding the completion of the questionnaire.

Task 3 – Conduct Job Analysis Interviews

Prior to conducting interviews, the Consultants will thoroughly review the completed questionnaires. The Consultants will evaluate position duties and responsibilities, classification series, class titles, job families, reporting relationships, and internal relationships. Based on this preliminary analysis, the project team will identify areas of concern that will be clarified or probed during the job analysis interviews. The Consultants will assume responsibility for the preparation of the employee interview schedule. The City's Project Manager, or designee, will be responsible for scheduling interview rooms, notifying employees, and related coordinative activities. All Classification Study employees will have the opportunity to request an individual or group interview.

Task 4 – Prepare and Review Preliminary Classification Report

With the completion of the employee interviews, a preliminary classification report will be prepared. Key components of the preliminary report will include:

- Identification of all key issues identified in the classification analysis
- Recommended job titles
- Employee allocations.

In preparing the preliminary classification report, each position will be analyzed according to the criteria set forth at initial review meetings. Like positions will be grouped into tentative classes forming the basis for initial class definition.

The preliminary classification report will be reviewed with key management staff prior to preparing class specifications.

Task 5 – Update City's Job Descriptions

Once the preliminary classification recommendations have been reviewed, the Consultants will revise, update, or create new class specifications based on the issues identified in previous tasks. The City's current job description format will be maintained. The job descriptions will be drafted and undergo a management/employee review process to ensure they accurately and adequately describe the scope of responsibilities. Once finalized, they will be provided to the City in both an electronic and hard-copy format.

Task 6 – Undertake Management/Employee Review Process

As an important component of the overall classification study, the Consultants will provide additional opportunities for employee participation and input through the conduct of an employee review process. These steps will (1) build and facilitate the City's understanding of the newly developed classification plan, (2) enhance employee commitment and understanding of the recommended system by giving each employee the opportunity to comment on the system and (3) ensure that the Consultants receive as much information as possible regarding the nature and responsibilities of the various positions in order to make appropriate and equitable final classification recommendations. The various subtasks within this portion of the project are as follows.

Task 6.1 – Distribute class specifications to all employees included within the study scope – Each employee will receive an individual copy of the specification for the class to which his/her position has been allocated along with a Position Allocation Notice and Employee Review Form. This will provide employees with an opportunity to review and

comment on their proposed classification and allocation. These comments will then be forwarded to management for review and comment.

Task 6.2 – Review written comments received from employees – All written comments or suggestions from employees regarding the recommended class plan will be thoroughly reviewed and analyzed by the Consultants. Based upon written responses received from employees and management, the Consultants will incorporate appropriate suggested revisions into the final classification plan.

Task 6.3 – Conduct follow-up telephone interviews as necessary – Based upon the analysis of written comments forwarded to the Consultants and where the Consultants need further information prior to finalizing recommendations, follow-up interviews will be conducted by the Consultants with individual employees. This step will further clarify and refine any remaining problems or issues.

Task 7 – Finalize the Classification Recommendations

With the completion of the employee review process, the Consultants will finalize all classification study recommendations. Supporting the finalization of the classification plan, each employee who submitted a notice for review will receive a direct response from the Consultants. This response will specifically outline the Consultants' understanding of the employee's concern, specify the steps taken to respond to the concern, and indicate to the employee the substance of the Consultants' final recommendation.

Task 8 – Discuss and Document Compensation Policy

The Consultants will meet with appropriate City representatives to determine comparison agencies and the scope of compensation data to be collected and will document in a memorandum report the outcome of that discussion. The Consultants will conduct a workshop session that identifies labor market selection parameters, options, and pros/cons of different market approaches. The draft labor market recommendations will be reviewed by appropriate City representatives to resolve questions and issues prior to beginning the market study.

Task 9 – Collect Compensation Data

After the compensation policy discussion, the Consultants will collect and analyze the compensation data. The Consultants will:

- Make an initial contact to each labor market employer included in the study to explain the purpose and scope of the survey and confirm cooperation.
- Prepare a compensation survey information packet for each survey employer. The information packet will include a profile of each survey class as well as a list of the required survey information.

Confirm all compensation data through telephone calls, email, and other means to assure that comparability is established and that all compensation data is factual and complete.

The Consultants will make every effort to gain cooperation and participation from the survey agencies, but full cooperation cannot be guaranteed. In the event full cooperation isn't possible, the Consultants will recommend alternative sources of data that approximate the clients defined labor market.

Task 10 – Compile and Format Compensation Data

The salary data, once collected and thoroughly reviewed for completeness and accuracy, will be appropriately formatted and the results tabulated in a consistent and uniform manner by the Consultants. The analysis will include pay structure trends and base salary analysis to ensure all appropriate comparison criteria is available for developing recommendations. Data presentation will be customized to fit the City's objectives.

Task 11 – Audit and Finalize Compensation Data

Prior to developing specific salary recommendations, the Consultants will thoroughly review and audit the collected survey data. This will include a detailed analysis of data reliability, comparability, statistical validity, and consistency. This audit will be conducted by the project manager independent of the consultants who collected that data. This will ensure that the most accurate and defensible survey data is utilized in comparing the City's compensation plan to the pay practices of the labor market. This analysis will also include the preparation of graphs and other presentation materials to aide in understanding the market relationships broken down by employee group.

Task 12 – Conduct Internal Relationship Analysis

Using the results of the job evaluation analysis, the Consultants will analyze internal pay relationships. The internal pay relationship analysis will involve a number of steps in order to arrive at sound and equitable relationships for the new compensation plan. Among others, the most important of these will include:

- Analysis of existing and historical pay relationships
- Development of consistent, uniform, and realistic guidelines for determining internal relationships
- Recommendation of equitable and appropriate internal relationship differentials based on the above.
- In developing consistent internal relationship guidelines, the results of the job evaluation tasks will be used to determine an equitable pay structure. Since the balance of market values versus internal values can be a policy issue, options and methodologies for achieving an appropriate balance of internal and external salary equity will be reviewed with the City before developing the salary range recommendations.

Task 13 – Develop Salary Range Recommendations

Based upon the results of the internal relationships analysis and the labor market survey, the Consultants will develop salary recommendations for all job classes included as a part of the study process. These salary recommendations will clearly document the means of determining the appropriate pay range and the computation of the dollar and percentage difference between the current maximum salary and the recommended maximum salary.

Before finalizing the recommendations, a careful audit of the results will be undertaken to ensure that internal salary compression or compaction does not result. This task will also include recommendations for range structures, salary progression criteria, and the use of other types of increases such as incentive pay, bonuses, retention pay, cost-of-living adjustments, and other components.

Task 14 – Develop Implementation Strategy Options and Compute Implementation Costs

The Consultants will develop several strategies for implementing the recommended salary structure. Such strategies will address:

- The placement of individual employees into ranges and steps
- Implementation phasing according to the needs and priorities of the City

The cost estimates will reflect City-wide impacts, as well as impacts on individual employees. The cost estimates will serve as a basis for the City to make necessary policy decisions to implement the compensation system in an orderly and effective manner.

Task 15 – Prepare and Review Preliminary Compensation Report

The Preliminary Compensation Report documents all compensation study recommendations and the supporting information used for developing the recommendations. Specifically, the Preliminary Report will include the following:

The City's documented compensation policy including survey agencies and survey classifications

- The results of the job evaluation analysis
- Results of the labor market salary survey using tables and graphs
- Documentation of selected benchmark classifications and the related job families
- Appendices containing detailed labor market data sheets, recommended salary schedules, and supporting documentation.

The Consultants will conduct an in-depth review of the Preliminary Compensation Report with the City. Any needed corrections, clarifications, or modifications will be discussed at this time.

Task 16 – Prepare and Submit Final Reports

The Final Report will incorporate any appropriate revisions identified and submitted during the review of the preliminary reports and will serve as the administrative and procedural manuals for updating and maintaining the classification and compensation plans. The submittal of final reports will also include on-site presentations to managers, employees, and the City Council.

Task 17 – Ongoing Technical Assistance

The Consultants will be available to respond to any technical questions via fax, phone, or email, free of charge, for six (6) months following the submission of the Final Report. Additional documentation of any recommendations developed by the Consultants will also be provided as needed. Any need for additional analysis, field visits, or formal presentations beyond those noted in the work plan would be billed on an actual cost basis consistent with the Consultants standard billing rates.

Compensation and Expenses

The fee for this scope of work, including three site visits to the City of Shoreline, and all associated expenses, shall be \$41,900. The fee for additional on-site visits/meetings shall be \$125/hour, to a maximum of \$1,250 per day and expenses for travel, lodging, and meals shall be reimbursed following the US General Services Administration (GSA) schedules, provided that total fees for this contract shall not exceed \$50,000.