

STRATEGIC COMPENSATION PLANNING

City Council Meeting

May 21st, 2024



DISCUSSION POINTS



- -- Current Advantages & Opportunities
- --- Methodology and Strategy
- --- Comparative Analysis
- --- Pay Strategies

CURRENT ADVANTAGES



- ---• 4-Day Work Weeks.
- --- City contribution to HSA and Dependent Care FSA.
- --- Day 1 benefits and 40 hours of vacation at start.
- --- Strong market position in Public Safety compensation.
- --- Significantly low turnover in Public Safety.
- ---• 4/10 schedule for certain Police positions and 48/96 schedule for Fire coming October 2024.
- Lateral hiring programs and hiring incentive pay for both Police and Fire.

CURRENT OPPORTUNITIES





--- Realign Market-Based Pay Structures

- Position midpoints: Should be equal to validated market-equivalent median pay.
- **Position Minimums:** Currently set between 20-24% of midpoint, meaning we are designed to hire 20-24% below market. *No direct cost to fix.*
- **No Job Families:** Positions are slotted in assigned paygrades, irrespective of industry, type of work, licensing, education, etc... *No direct cost to fix.*
- Pay Range Compression: 4-5% between position midpoints (should be 10% minimum in most cases). No direct cost to fix.
- **Position Bloat:** Peer positions with multiple levels at close paygrades; indicates positions created for people rather than purpose. (FY2026 position study planned)
- Use of Range Guidelines: Outdated practices and understandings on pay decisions, internal equity, supervisor compression based on improper configuration.



--- Skilled Labor and CDL Positions Recruitment

- Private Sector: Pay starting at \$23-\$26 for construction/equipment-type CDL positions (Not OTR Drivers).
- Farmers Branch: Pay starting 27%-43% less than private sector equivalents.
- Public Sector: Slow to catch up to private sector, lack of visibility for jobs.
- Diminishing Market: Demand for skilled labor is exceedingly high while supply is low.

METHODOLOGY AND STRATEGY





- 17 Direct Metro Partners
- Payscale Public
- Payscale Private
- Match to ~75% of essential functions, comparable skillsets.
 Data is then cleaned to validate function matching, FLSA status matching, extreme outliers and more.
 Non-matching/bad data is deleted or corrected.



- Market Rate is determined by calculating the Median of data.
- Compare City data to market data.
- Market rate is projected by 4.6% for upcoming fiscal year.

2023 Metro Average Increase: 3.5% (65% Weight) Fed Reserve 12 Mo Wage Growth: 6.5% (35% Weight) =4.6% weighted projection in October 2024.



BUILD JOB FAMILIES

Job Families group like-type jobs together in properly distanced paygrades. This assures that dissimilar jobs are not compared or adjusted against one another, such as an IT professional evaluated against a Parks Superintendent.

- Administrative
- Information Technology
- Managerial
- Professional
- Skilled Trades/Technical

MAINTAIN STRATEGY

- Regularly educate leadership teams on established strategy. (New)
- Continually monitor for equity, compression, position bloat and other key measures. (New)
- Continue current approval processes for exceeding midpoints, merit increases, position changes and new hires. (New)
- Evaluate and adjust ranges every 2-3 years as market warrants. (New)



Current: Aim for 105% of average starting salary.

New: Target is to be at market with a +/-5% tolerance.



REBUILD PAY RANGES

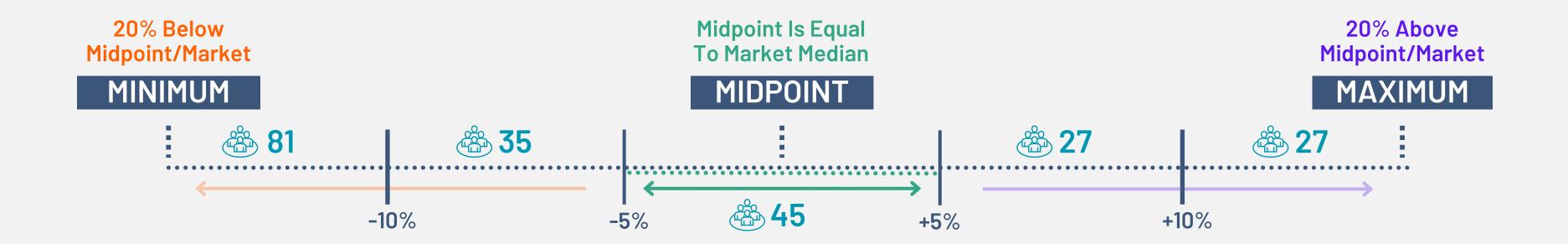
- Set Range Minimums no less than 20% below Midpoint.
- Set Range Maximums to no more than 20% above Midpoint.
- Set new Range Midpoint +/- 5% of Market Medians.
- Educate hiring managers on how to properly use ranges as a hiring tool.

HOW DO MARKET-BASED RANGES WORK?













--- General Employees: Adjust by position in range quartiles.

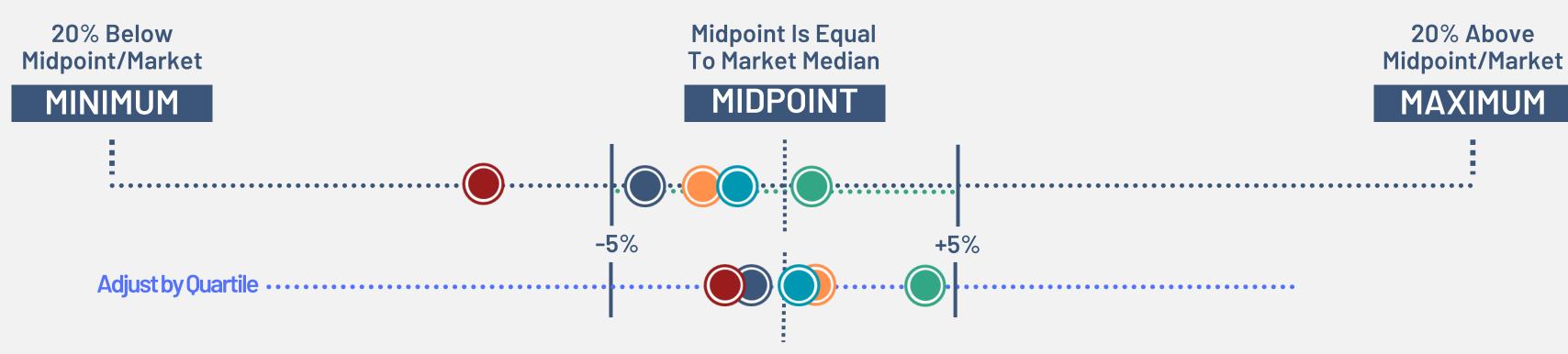
- The pay range is divided into four equal quartiles (quarters) and each incumbent is given a specific adjustment based on their position in the range, as calculated by the Compa-Ratio (Current Salary / Midpoint of Range)
 - 1st Quartile (80-89% of midpoint): **5% increase**
 - 2nd Quartile (90-99% of midpoint): 4% increase
 - 3rd Quartile (100-109% of midpoint): **3% increase**
 - 4th Quartile (110-120% of midpoint): **2% increase**
 - Total Est. Cost: \$604,138





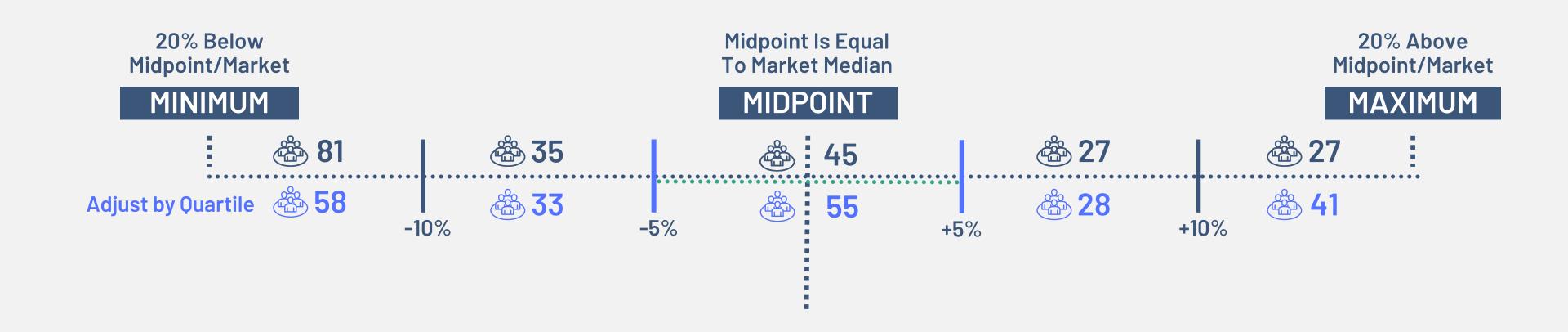
	% Of Workforce	Distance From 10/1 Market (Current)
Skilled Trade	52 %	-5.8%
Managerial	20%	-4.7%
Professional	13%	-2.6%
Administrative	9%	-3.3%
IT	5%	+1.0%
Totals	100%	





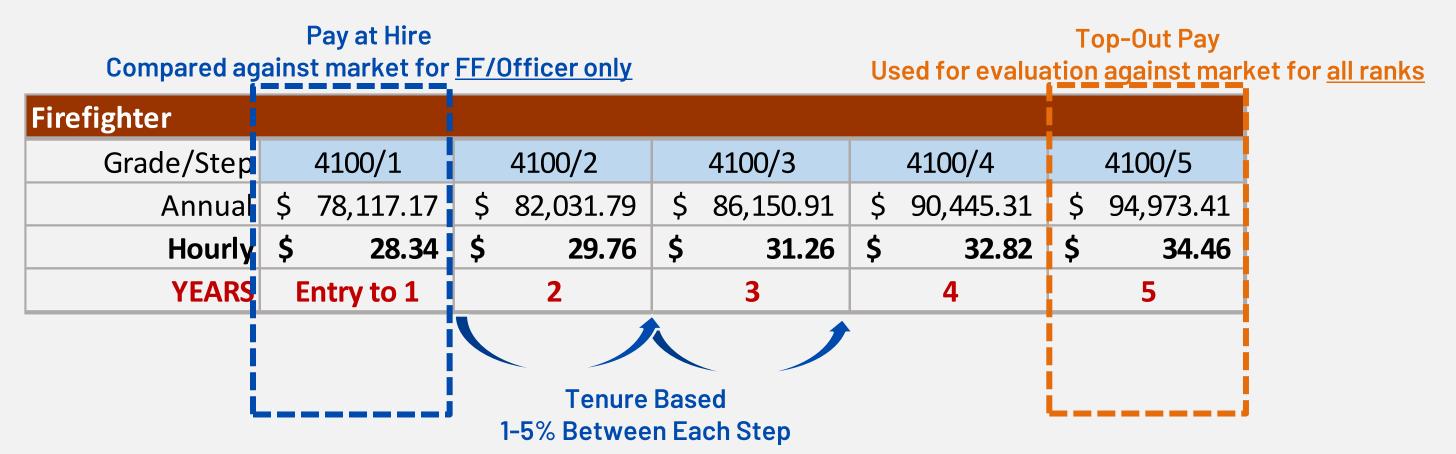
			Adjust by Quartile	
	% Of Workforce	Distance From 10/1 Market (Current)	Distance From 10/1 Market (Projected)	Estimated Cost
Skilled Trade	52 %	-5.8%	-2.3%	\$263,612
Managerial	20%	-4.7%	-1.2 %	\$160,356
Professional	13%	-2.6%	+0.5%	\$92,722
Administrative	9%	-3.3%	+0.2%	\$44,363
IT	5 %	+1.0%	+4.4%	\$43,085
Totals	100%			\$604,138

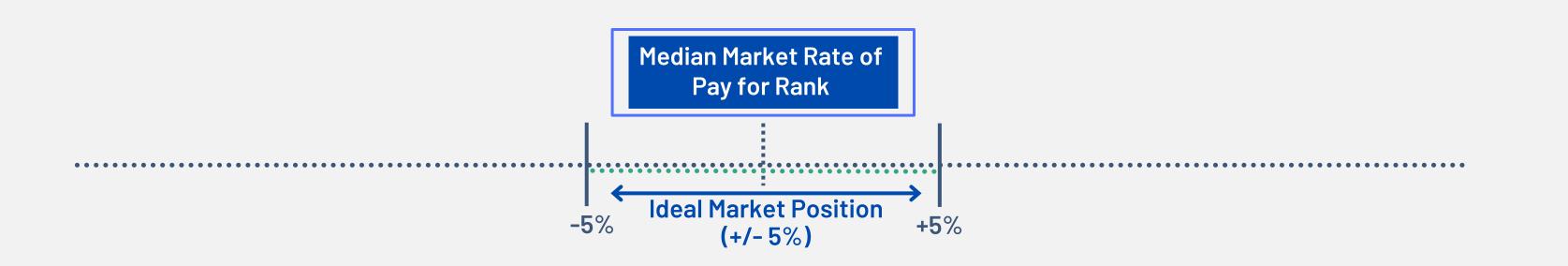




HOW DO STEP-BASED RANGES WORK?

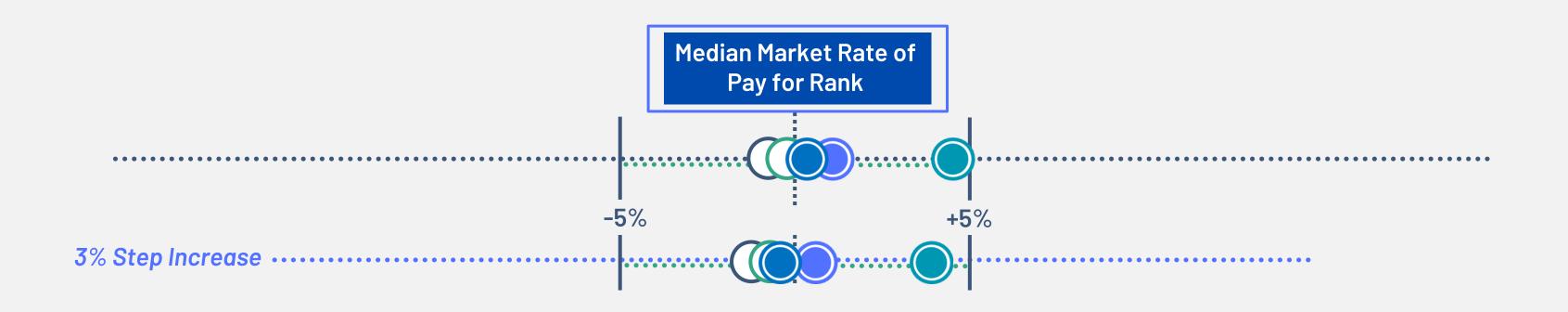






COMPARATIVE ANALYSIS - POLICE

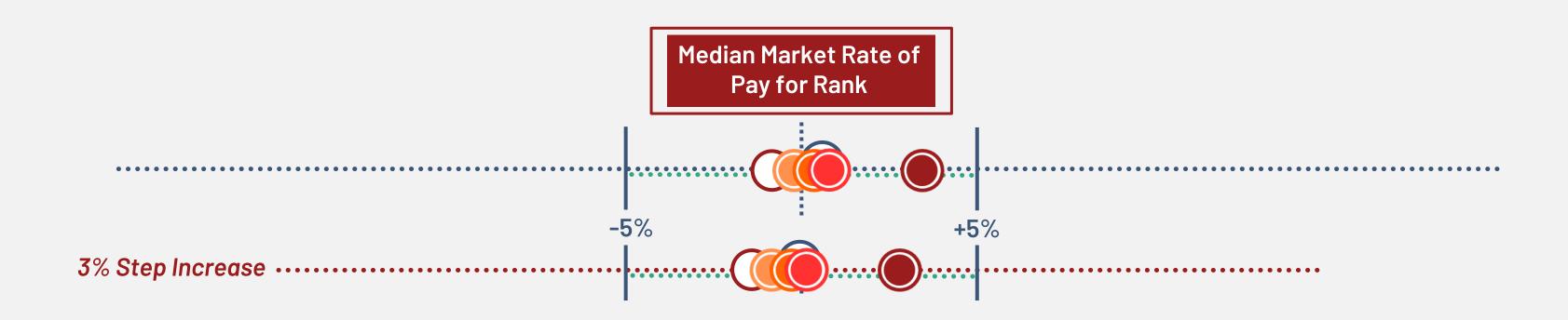




		et Distance urrent)	Market Distance (Projected)	Market/CFB Difference (Annual)	Estimated Cost
Officer	Entry +	1.9%	+1.5%	\$1,173	\$215,593
Sergeal	nt +(0.2%	-0.3%	-\$345	\$43,085
Lieuten	ant +	4.9%	+4.4%	\$6,141	\$35,810
O Officer	Тор -	0.1%	-0.5%	-\$580	\$294,488
5-Year	Officer -	1.0%	-1.5%	-\$1,479	3234,400

COMPARATIVE ANALYSIS - FIRE





	Market Distance (Current)	Market Distance (Projected)	Market/CFB Difference (Annual)	Estimated Cost	
Firefighter Entry	+3.5%	+3.0%	\$2,344	\$182,184	
Fire Driver	+0.3%	-0.2%	-\$192	\$44,932	
Captain	-1.3%	-1.8%	-\$2,370	\$73,738	
Battalion Chief	+1.1%	+0.6%	\$911	\$21,627	
O Firefighter Top	-2.7%	-3.2%	-\$3,213	¢700 / 01	
5 - Year FF	+1.0%	+0.6%	\$536	\$322,481	

CONSIDERATION POINTS





• Consider adoption of new compensation strategy: Target is to be at market with a +/-5% tolerance.

Consider FY25 strategic compensation increases:

Increases based on quartile and applied to base pay.

1st Quartile: 5%2nd Quartile: 4%3rd Quartile: 3%4th Quartile: 2%

■ Total Cost: \$604,138



• Consider FY25 increase: 3% increase to each step in the plan.

Maintains current effectiveness in market.

Total Cost: \$294,488



• Consider FY25 increase: 3% increase to each step in the plan.

Maintains current effectiveness in market.

Total Cost: \$322,481

		3-Year Increase Lookback		
Job Group	FY25	FY24	FY23	FY22
Police	3%	6%	7% (+2% OTP)	7%
Fire	3%	6%	7% (+2% OTP)	4%
General Employees	Varies	3%	1-6% (1/2yr Merit)	1-4% (1/2yr Merit)
Cost (Est.)	\$1,371,107 (Inc. Executives)	\$2,384,685	\$2,497,360	\$1,511,266