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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** March 9, 2007

**SUBJECT:** **CITIZENS COMPENSATION ADVISORY COMMITTEE ANNUAL REPORT**

**STAFF REPORT BY:** Sylvia Richards

**ADMINISTRATIVE DEPT. AND CONTACT PERSON:** Department of Management Services – Human Resource Division  
Vic Blanton, Classification & Compensation Program Manager

**CC:** Lyn Creswell, Steve Fawcett, Jamey Knighton, Vic Blanton, Cori Petersen, Allen Miller, and John Campbell

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The Citizens Compensation Advisory Committee was established to evaluate and make recommendations to the Mayor and City Council regarding compensation levels. The Committee's annual report contains recommendations that are advisory and subject to the City's fiscal ability.

The City Council does not need to take any action at this time. The Committee Chair and a Committee Member will be present at the briefing to respond to questions from the Council. Vic Blanton from the City's Human Resource Division serves as the Administration's staff for the Committee.

Following are highlights from the Committee's report:

1. According to the Executive Summary, approximately 58,000 new jobs were added to Utah's economy during 2006, tightening the local labor market by creating more opportunities for City workers to find employment elsewhere.
2. The Department of Workforce Services indicates that the state's unemployment rate is 2.6% as compared to the national rate of 4.5%. Given Utah's low unemployment rate, the report further indicates that Salt Lake City, as well as other local employers, is experiencing difficulty in recruiting for jobs requiring certain work skills.
3. The report suggests that although pay is often not the top motivator for employees, if the City offers a compensation package that is less competitive, given the current labor market, this may hamper the City's ability to attract and retain qualified applicants. However, the Committee's report cautions the City to not overreact.
4. According to the report, the City continues to experience an upward trend in employee turnover. The data reflects a 7.1% citywide total of employee turnover for the 12-month

period ending November 30, 2006 as compared to 6.69% in 2005 (an increase of over 6%). The 7.1% turnover rate is comprised of retirements of 2.2%, voluntary terminations of 4.1%, and dismissals of 0.8%.

5. The Citizens Compensation Advisory Committee (CCAC) cautions against increasing employee salary base in response to the City's recruiting and retention challenges. A more appropriate response would be to use the retention/incentive plan as recommended by the CCAC which suggests lump sum signing and recruiting bonuses, and similar awards for completion of mission-critical projects.
6. As indicated in the chart on page 5 of the report, on average, the City's salary increases have been staying ahead of the Consumer Price Index cost of living increases as reported by the Bureau of Labor Statistics, while keeping pace with the WorldatWork's salary increase trends. (WorldatWork is a non-profit organization which conducts national compensation surveys polling both the public and private sectors.)
7. Data suggests the total compensation value including benefits of the City employee pay package is slightly above the local market – but not by enough to warrant curtailment of cost-of-living adjustments.
8. A WorldatWork survey indicates that salary structure increases (often referred to as COLA adjustments) are projected to increase during 2007 by 2.7%. The same survey indicates the total salary budget (combining COLA adjustments with merit step and/or other awards and raises) will increase by 3.8% to 4.0% in 2007.
9. During 2006, the CCAC studied the following areas: bereavement leave, tuition assistance, part-time employee benefits, airport executive salaries, as well as the City's approach for providing car allowances. (See attachments to the staff report.) The Committee also amended its compensation philosophy that was set forth when the Committee was first formed in 1992. The CCAC's amended philosophy is also attached.

#### **MATTERS AT ISSUE:**

- Employee Turnover – When the Committee was made aware the City was experiencing difficulty in attracting and retaining employees in certain positions, the CCAC recommended using the retention/incentive plan introduced in a previous year. It includes signing bonuses, recruitment bonuses as well as skills-enhancement and performance awards for information technology positions. The plan outlines eligibility requirements and conditions by which the incentives are awarded. (A copy of the retention incentive pay guidelines was included with the Administration's transmittal.)
- Recommended Increases – For the upcoming fiscal year, the Committee recommends a general salary structure or cost of living (COLA) increase of 2.7% for employees, which is estimated to result in a salary increase budget of 3.3% to 3.7%. This would include step/merit increases and factoring relating to midpoint for those employees within salary

ranges. The Administration uses a factoring system for calculating general pay increases that provides a greater increase for employees substantially below midpoint and a smaller increase for those over midpoint. Since more City employees are below the midpoint than above, the average increase is greater than the general percentage increase. *As a reminder, the Committee's role is advisory in nature, and the recommendations are subject to the City's fiscal ability.*

- Range Midpoint Control – As mentioned previously in this report, the CCAC modified its compensation philosophy during 2006. A copy of the old and new versions of the philosophy is attached. According to the Administration, it was the Committee's desire to remove some of the details and make the philosophy more straightforward. One of the items removed was a reference to tying in-grade progression rates to midpoint, although the CCAC's report recommends keeping the range midpoint control. *The Council may wish to ask why the CCAC chose to eliminate this reference since the CCAC agrees that the range midpoint control is still the best practice from a compensation perspective.*
- Compensation – *Given the tightening of the local labor market, the increase in employee turnover, as well as the number of different compensation approaches the City uses, does the Council wish to ask an outside consultant to look comprehensively at the City's compensation program? The study could also address the anticipated number of retirements during the next five to ten years.*

**Benefits for part-time employees:**

For 23 regular part-time employees, Salt Lake City provides retirement benefits and 50% vacation leave, 50% personal leave, 50% holiday pay and 50% health insurance. Temporary and seasonal employees do not receive these benefits.

Out of 20 governments reporting in the Wasatch Compensation Group Survey, 10 extend benefits to part-time workers.

The CCAC concludes that the City's program appears to be working to the mutual benefit of employer and employee, and the CCAC didn't recommend any changes.

**Bereavement leave:**

Salt Lake City provides up to 5 days plus an extra day if the memorial service is held 150 miles or more from Salt Lake City.

Out of the 20 governments, only two don't provide bereavement leave. Only 4 governments provide as many as 5 days; the maximum is 3 days for most.

The CCAC believes that the benefit level provided by Salt Lake City is by no means excessive.

**Education assistance:**

Salt Lake City provides an education assistance program with a maximum annual reimbursement of \$2,000. A passing grade or grade C or above is required. Reimbursement is made only after grades are received. The reimbursement is 70% of tuition and books for courses related to the current position. Courses for career development to prepare for other SLC positions are reimbursed at 50%.

Two other cities surveyed provide a greater amount of maximum annual reimbursement (Salt Lake County \$3,000 and Murray City \$2,200). Some governments surveyed do not have an education assistance program (West Valley, Park City, Utah County).

The CCAC doesn't have any recommendations for change in the City's approach.

### Monthly Car Allowance - Wasatch Front Agencies

Agency	Mayor/Comm	CAO	Dept Head	Notes
Bountiful	\$500	Assigned Car	\$220/\$250/\$300/\$350	Dept. head rate based on utilization & need
Davis County	\$542	N/A	\$503	Plus mileage reimbursement for travel outside county
Layton	\$350	Assigned Car	\$250	Mayor has \$800 monthly expense account; includes car allowance
Logan	\$250 + \$.20/mile	\$250 + \$.20/mile	\$250 + \$.20/mile	Must use car for work-related reasons 70% of workdays to qualify
Murray	\$300	\$50 to \$300	\$50 to \$300	CAO & dept. head rate based on need
Ogden	\$325	\$433	\$317	
Orem	\$0	\$500	\$300	
Park City	\$250	\$400	\$0	Dept. head exception: Public Works director gets \$350 per month
Provo	\$350	\$400	\$375	
Salt Lake City	\$400	\$400	\$400	
Salt Lake County	Assigned Car	Assigned Car	Assigned Car/Car Pool	Eliminated allowance after scandal. Was \$700 CAO; \$600 dept. heads
Sandy	Assigned Car	\$425	\$425	
St. George	\$250	\$450	\$200/\$300/\$350	Car allowance negotiated individually. No set policy
Utah County	\$0	N/A	\$0	
Weber County	Assigned Car	N/A	\$450 Elected Officials	Non-elected dept directors have vehicles available for use during workday
West Valley	\$400	\$400	\$400	

**CCAC AMENDED COMPENSATION PHILOSOPHY**  
**October 3, 2006**

In its regular meeting held on June 19, 2006 the Citizens Compensation Advisory Committee resolved to review and amend as appropriate the compensation philosophy statement set forth when the Committee was first formed in 1992. Although the philosophy statement had been revisited on occasion since its initial formation, perhaps as many as eight years had passed since any thorough review.

Accordingly, the Committee formed a sub-committee to examine the philosophy statement's suitability in terms of the current environment, draft any necessary amendments, and report back to the whole committee for further review and finalization before submission to the Mayor and City Council. As orientation, the attached document, entitled "Direction Provided by the Citizens Compensation Advisory Committee," contained the initial philosophy statement and recapped developments since the Committee's formation.

Below is the final amended statement, which was adopted by the whole Committee in its quarterly meeting on September 27, 2006. The Committee believes that revisions made the statement more appropriate for the City's various represented, non-represented and appointed employee groups, removed unnecessary detail, and that eliminated clauses that hindered flexibility or were no longer applicable.

*We believe that paying employees fairly is essential to achieving the City's goals. With this in mind, we recommend the City adopt the following pay philosophies:*

- 1. Establish and maintain a total compensation plan including pay and benefits, which is appropriately competitive with the defined marketplace for represented, non-represented and appointed groups.*
- 2. Strive for a balance between internal equity and external competitiveness, so that positions are paid fairly with respect to comparable positions in the defined marketplace, as well as with regard to other City positions.*
- 3. Review the City's total compensation practices at least annually, or more frequently if necessary to enable the above.*
- 4. Administer pay programs with consistency and in conformance with legal requirements.*

## **DIRECTION PROVIDED BY THE CITIZENS COMPENSATION ADVISORY COMMITTEE**

### **Overview 1992 to 2006**

#### **INTRODUCTION**

The City's seven-member Citizens Compensation Advisory Committee (CCAC) is now in its 14<sup>th</sup> year. With four new members—and to lend perspective for charting the course ahead—the following is a look back at ground the Committee has covered to date.

#### **COMMITTEE'S COMPENSATION PHILOSOPHY**

The CCAC was established by ordinance in 1992 to: "make recommendations regarding the compensation of the city's elected officials and employees." At the onset, the Committee formed the following compensation philosophy:

*We believe that paying employees fairly is essential to achieving the City's goals. With this in mind, we recommend the City adopt the following pay philosophies:*

- 1) *Provide a competitive pay program to employees by:*
  - a) *Establishing a total compensation plan including pay and benefits, consistent with the defined marketplace.*
  - b) *Establishing and maintaining an appropriate relationship between base pay and benefits, emphasizing a policy line reflective of 95% of market for base pay when benefits are 5% better than current benefit market values.*
  - c) *Tying in-grade progression rates to a general market practice of acceleration to midpoint (market) and deceleration thereafter.*
- 2) *Strive for a balance between internal and external equity, so that positions are paid fairly with respect to comparable positions in the defined marketplace, as well as with regard to other City positions.*
- 3) *Review the City's pay structures at least annually, or more frequently if necessary to enable the above.*
- 4) *Recognize that the City's fiscal ability will depend, in large measure, on efficiencies and process improvements rendered by employees on a City-wide basis.*
- 5) *Administer pay programs with consistency and in conformance with legal requirements.*

Initially, the "defined marketplace" was determined to include both local and national agencies.

The Mayor and City Council agreed with the proposed direction. For the most part, it has remained the basic framework for the City's salary decisions.

## DURING THE COMMITTEE'S TENURE

Over the years, several strategic issues arose that caused the Committee to propose amendments in philosophy. For example, in 1998—after study questioned earlier findings that the City's benefits-package was "5% better" than those of other comparable agencies—the Committee recommended that salary decisions be guided by market average rather than 95 percent of market average. A resulting five percent increase made over a two-year period (in addition to regular increases) significantly impacted the City's entire professional employee population.

On the heels of the adjustment came the Committee recommendation to change the identified market for most employees. This was based on review showing that nearly 96 percent of City personnel were recruited locally.

In combination, these two changes caused SLCC salaries to substantially overshoot the new identified market. In 2002, to clarify proposed philosophy on how the City should be positioned relative to such market, the Committee advised the City to aim only for market alignment and avoid any deliberate decision to pay higher than market average salaries.

The Committee now needed to recommend a correction strategy. Should it freeze wage increases or use a less precipitous approach? To avoid harmful impact on employee morale and productivity, it proposed continued-but-conservative general increases to gradually bring salaries back in line.

Following are some of the notable developments occurring during the CCAC's tenure:

Completed a major overhaul of the professional employee pay plan; to concentrate base salaries closer to market average, including decisions to:

- Replace steps with ranges, to increase flexibility, mitigate ratcheted salary increases based more on longevity than merit
  - Reduce the number of pay grades to simplify system and moderate impact of imperfect position ranking methods
  - Eliminate overtime premiums for exempt employees
  - Discontinue practice of computing overtime premiums on the basis of time paid instead of actual time worked
  - Separate exempt and non-exempt pay schedules, to enable movement at the different rates normally suggested by market
  - Introduce the concept of *conditional* salary payments not added to base, to mitigate the cost-compounding effect of base pay additions and to heighten employees' awareness that the City's success in controlling costs and improving processes can directly affect compensation
- After study showed employee resistance and other potential problems, rescinded earlier recommendation for an individual pay-for-performance program for non-executive and non-appointed employees
  - Established separate pay plans for fire and police employees in the



- sworn managerial* ranks, based on evidence that pay plan designs offering finite, logically sequenced pay brackets work better than open ranges for paramilitary employees
- Increased reliance on commercially established surveys for the purpose of market comparison, to reduce unnecessary expenditure of resources, free staff to engage more productive activity, and enhance timely delivery of budget input data
  - Changed defined market for comparison of elected officials' salaries and benefits, to include only capital cities with a mayor/council form of government and populations of 100,000 to 400,000
  - Due to retention and recruitment concerns, installed separate pay schedule for top three levels of airport leadership. Linked pay structure to major hub airport market for these three levels
  - Designed and implemented "Umbrella Leave" proposal, to reduce absenteeism and accumulated liability related to traditional sick leave hour accumulations
  - Switched from using market average of *midpoints* to market average of *actual salaries* to decide proper placement of positions within salary structure
  - Introduced a separate pay plan for golf employees, to abandon practice of accumulating comp time hours, and to take advantage of the FLSA recreation establishment exemption. (Not yet adopted)
  - Installed a retention incentive plan for information technology and certain other employees, to include signing bonuses and bonuses for completion of mission-critical projects. (Plan withdrawn during soft labor market)
  - Provided a working definition of salary compression, to ensure consistency in related salary adjustments
  - Based on survey of identified market, implemented benefits package for City Council members
  - Changed severance benefits policy for executive employees hired on or after January 1, 2000. Resulted in a more conservative benefit than had been provided to existing executives
  - Designed and implemented new pay plan for unclassified (appointed but not executive) employees using broad band approach and relying on executive discretion rather than midpoint control to drive salary decisions
  - Changed from national CPI-U to West Region CPI-U Class B/C Cities for cost-of-living data
  - Installed performance evaluation system, to provide needed formal feedback on a scheduled basis
  - Designed and implemented enhanced salary and benefits package for employees on military leave

The foregoing list is not meant to be exhaustive. Examples of other matters involving Committee consultation include *Living wage* and *live-in-city* issues, employee subsidized housing, four-day business weeks, bi-lingual skills pay premiums, and exit interview strategy.

In short, for 14 years the CCAC has played a major role in guiding the City's pay practices. Periodically, the Committee has re-examined its philosophies and strategies, but it's been a while. With four new members on board and new challenges ahead, now may be a good time to do so again. If so, hopefully this brief look back at where the Committee has been will help in charting the course ahead.

*To Salt Lake City Council, March 2006*  
*Citizens Compensation Advisory Committee Report on Airport Executives Salary*

**Introduction**

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The Salt Lake City Council asked that we review and report on executive salaries in the major hub airport market. Purpose is to see how the City's salaries compare. This is our report.

Our data on airport executive positions below the director level comes from two surveys: The first is a survey conducted by Salt Lake City in 2003. Data in this survey has been adjusted for age based on executive salary trend through 2005. The second survey was conducted by the City of Atlanta in late 2005/early 2006. Results from the combined surveys are shown in the attached excel workbook, which includes a spreadsheet for each position.

Additional data exclusively on the position of *Airport Director* has been available through the following: a survey conducted by Salt Lake City in 2005; the 2004 survey by the American Association of Airport Executives (AAAE); an analysis by Booz/Allen/Hamilton blending the 2005 SLC survey and the AAAE survey (adjusted for age); and a 2005 survey conducted by the Metropolitan Washington Airport Authority (MWAA).

The Booz/Allen/Hamilton report was requested by the SLC Airport Authority Board. If interested, the Council can obtain copies of these reports from the City's HR Division.

**Airports that Responded to Either SLC's Survey or Atlanta's Survey or Both**

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Atlanta  
Baltimore Washington  
Boston  
Charlotte/Douglas  
Phoenix  
Chicago  
Cincinnati  
Dallas Fort Worth  
Denver  
John F. Kennedy  
La Guardia  
Los Angeles  
McCarren  
Miami  
Minneapolis  
Newark Liberty  
Orlando  
Philadelphia  
Phoenix  
Portland  
Ronald Reagan Washington  
San Diego  
San Francisco  
Seattle-Tacoma  
Tampa  
Washington Metropolitan AA

**Positions Surveyed**

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Executive Director  
Marketing/Media Relations Director  
Maintenance Director  
Finance Director  
Commercial Services Director  
Planning Director  
Engineering Director  
Operations Director

The following charts compare SLC rates to the resulting averages:

*To Salt Lake City Council, March 2006*  
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**Executive Director - SLC Level 099**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$127,000	\$190,460	\$158,730	\$187,141
<b>SLC</b>	\$132,917	\$190,073	\$172,783	\$176,000
<b>SLC/MKT</b>	104.7%	99.8%	108.9%	94.0%

**Marketing & Media Relations Director – SLC Level 006**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$76,341	\$110,590	\$93,466	\$109,570
<b>SLC</b>	\$63,097	\$89,552	\$81,427	\$81,702
<b>SLC/MKT</b>	82.7%	81.0%	87.1%	74.6%

**Maintenance Director – SLC Level 004**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$80,056	\$121,092	\$100,574	\$107,846
<b>SLC</b>	\$71,890	\$102,050	\$92,778	\$97,760
<b>SLC/MKT</b>	89.8%	84.3%	92.2%	90.6%

**Finance Director – SLC Level 003**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$95,652	\$141,234	\$118,443	\$119,315
<b>SLC</b>	\$78,988	\$112,104	\$101,923	\$92,685
<b>SLC/MKT</b>	82.6%	79.4%	86.1%	77.7%

**Commercial Services Director – SLC Level 003**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$90,944	\$135,945	\$113,445	\$123,002
<b>SLC</b>	\$78,988	\$112,104	\$101,923	\$92,685
<b>SLC/MKT</b>	86.9%	82.5%	89.8%	75.4%

**Planning Director – SLC Level 004**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$104,302	\$154,513	\$129,408	\$132,736
<b>SLC</b>	\$71,900	\$102,050	\$92,778	\$90,771
<b>SLC/MKT</b>	68.9%	66.0%	71.7%	68.4%

To Salt Lake City Council, March 2006  
 Citizens Compensation Advisory Committee Report on Airport  
 Executives Salary

**Engineering Director – SLC Level 004**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$67,953	\$106,923	\$87,438	\$92,946
<b>SLC</b>	\$71,900	\$102,050	\$92,778	\$99,486
<b>SLC/MKT</b>	105.8%	95.4%	106.1%	107.0%

**Operations Director – SLC Level 003**

	MIN	MAX	MID	ACTUAL
<b>MKT AVG</b>	\$91,822	\$138,317	\$115,856	\$119,480
<b>SLC</b>	\$78,988	\$112,104	\$101,923	\$100,838
<b>SLC/MKT</b>	86.0%	81.0%	88.0%	84.4%

**Additional Market Data Summary - Position of Airport Director**

SOURCE	AVG MIN	AVG MAX	AVG MID	AVG ACTUAL
2005 SLC	\$146,282	\$207,367	\$170,934	\$205,984
2004 AAAE	\$133,653	\$238,194	\$185,924	\$184,268
2005 Booz/Allen/ Hamilton	\$171,372	\$205,942	\$188,657	\$191,536
2005 Metro Washington AA	Not Reported	Not Reported	Not Reported	\$196,862
SLCC Actual (May 2005)	\$130,312	\$186,347	\$169,225	\$173,027

As mentioned above, the Booz/Allen/Hamilton survey combines the 2005 SLC survey and the 2004 AAAE survey to arrive at the reported averages. Only the AAAE survey data in this chart has been adjusted for age, and only for ¾ of the 2005 calendar year. SLCC rates shown are those in place prior to the latest fiscal year increase.

*To Salt Lake City Council, March 2006*  
*Citizens Compensation Advisory Committee Report on Airport*  
*Executives Salary*

### **Aging and Merging the Data**

Comprehensive salary surveys are time consuming and expensive to complete. Also, as stated in the Booz/Allen/Hamilton survey report, "...given the number of variables involved, the results of market comparisons are almost always inconclusive, and should be expected to reveal only guidelines or competitive ranges, not definitive matches. Even the guidelines need to be used carefully..."

This may explain why the AAAE survey is not done every year. The value added by repetitious surveying often does not justify the time and expense. Hence, it is common practice to apply age-adjustment factors to data already in hand rather than conduct surveys anew.

It is also practical to merge data sources. This lends size and error-dampening aspects to the data set, making it more reliable as a guideline.

Indeed, in aging AAAE's 2004 survey data and combining it with SLC's 2005 survey results, the Booz-Allen consultants (report referenced above) relied on the *data-aging-and-merging* concept to produce their analysis on director salary. We have done likewise in responding to the City Council's request for salary data on all of the airport executive positions. With the selection of a new SLC airports director close at hand, this allowed us to quickly

provide a market picture that would otherwise take much longer to produce.

It is opportune that HR received just last month results from Atlanta's recently-conducted survey of major hub airport positions. It covers all of SLC's airport executive positions.

Turning to the SLC survey conducted in 2003, it included all positions except the *marketing and media relations* executive and the *engineering* executive. We adjusted the data for age by merging the Department of Labor's *Employment Cost Index* (ECI) with *WorldatWork's* tracking of actual salary increases. This resulted in a 7.77 percent escalator for the three-year period.

We tested this result against the major hub airports survey HR did in 2005 for *Executive Director of Airports*, which was one of the positions polled in the earlier (2003) survey. The difference between the actual average salary result for the recent survey and the aged result from the earlier survey was less than 1.5 percent.

### **We Urge Caution in Considering the Data**

#### Airport executive positions below top leadership level

The main focus of this report—as requested by the City Council—is a

*To Salt Lake City Council, March 2006*  
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comparison of salaries in the major hub airport market for **all** of SLC's airport executive positions. We are pleased to be called upon by the City Council to provide perspective in this area.

However, several years ago we recommended that the major hub airport market be looked to for compensation comparisons only for the Airport's top leadership. We should take this opportunity to reiterate such advice.

Data indicates that, on average, salaries in the major hub airport market are very high compared to the City's salaries for most positions. Except for the airport director, nearly every executive position at the City's airport has a counterpart in another City department, be it finance, economic development, engineering, planning, etc.

Internal equity should be a driving principle to maintain compensation system balance. Unless the City can define how the airport positions are larger in scope or responsibility, or establish that such positions cannot be recruited without extreme difficulty, the City should not use the major hub airport market for pay practice comparisons on airport positions below the first level of leadership.

The executive director

Returning to the **director** position—and considering salary only—the combined data collected in recent months indicates that a salary in the

range of \$180,000 to \$200,000 would be competitive in the major hub market. Bringing Salt Lake City's unusually liberal retirement plan contribution (18%) into the equation, a salary of approximately \$190,000 would appear to put the City's pay package on a par with many of the nation's largest airports.

**In Closing**

The Committee would be glad to answer questions concerning the content of this report or provide any additional information that may be needed.

Chair - Cori Petersen  
Vice Chair – Allen Miller

cc: CCAC Members

SALT LAKE CITY CORPORATION

RETENTION INCENTIVE PAY GUIDELINES  
FOR POSITIONS IN INFORMATION TECHNOLOGY (IT)  
AND OTHER MISSION-CRITICAL AREAS

July 1, 1999

## Introduction

SLCC, like many other agencies, has begun to experience difficulty in attracting and retaining personnel in mission-critical areas. Most notable of these areas is Information Technology (IT), although recruiting and retention problems have also surfaced in other technical occupations such as civil engineering, legal, and environmental specialties.

The City acknowledges that compensation is but one part of the employee-retention equation. However, it is clear that cash can be compelling as an employment lure. At the same time, it is also apparent that today's *mission-critical* area may be tomorrow's completed or abandoned project. This is why the conventional wisdom is to provide incentive payments in the form of *supplemental* or *one-time* awards, rather than as additions to base salary.

Reviewed and accepted by SLCC's Citizens Compensation Advisory Committee (CCAC), this plan is patterned after a design developed by the State of Kansas. Modifications were made pursuant to CCAC recommendations, and to conform to the City's specific needs.

## Overview

This plan is intended to guide the City in providing various types of cash incentives to employees with information technology (IT) or other market-sensitive skills. Main features:

- Incentives provided under this plan are recruiting and retention tools—to be used only when necessary to meet the City's critical-skills needs. **They are not employee entitlements.**
- Department heads are responsible for determining who is eligible to receive an incentive under this plan, and payment is subject to the Mayor's approval.
- The City is under no obligation to pay an incentive under this plan to any employee even if he/she is eligible. Only those employees who are assigned to eligible projects or are otherwise designated as having certain requisite skills may receive the incentives.



- The incentives are not added to base salary, but are paid in a lump sum, which is subject to taxes and other deductions.
- Clearance by the City’s Human Resource Management Division (HR) and Mayoral approval must be obtained before an incentive is given under this plan. Each department must carefully document who receives the incentives, and the reasons those individuals are receiving them. Copies of this documentation should be filed with HR, and the information must be available for internal or external audit.
- No employee is eligible for more than one skill-based incentive payment in any given year.
- All incentive payments require the employee to meet a minimum service agreement. This agreement calls for payback if the employee leaves the qualifying position or project prematurely.

Following is a schedule of types and amounts of incentives which may be approved under the plan:

<u>TYPE OF INCENTIVE</u>	<u>AMOUNT</u>
Signing	up to 10% of starting base salary
Recruitment	\$ 500
Mission-Critical Skills	10% of base pay, increased by 1% each year to a maximum of 13%, or until removal from the approved list of critical skills, as determined by the Dept. Head and Director of Human Resources
Skills Acquisition	10% of base pay
Mission-Critical Project	10% of base pay

### Signing Incentive

- Purpose:** To enhance recruitment of IT and other employees who have mission-critical skills.
- Eligibility:** Prospective IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading “Incentive-Eligible Skills”—are eligible for the Signing Incentive. Current employees are not eligible for the incentive.
- Amount:** Up to 10 percent of starting base salary.
- Payment Conditions:** Earned as a lump sum during the week of hire with the employing department, and paid on the first paycheck. To receive the incentive, the employee must sign a statement that he/she agrees to pay back the entire amount to the City, including tax

withholdings thereon, if the employee leaves City service or goes to another, non-qualified City position within one year of the initial employment. Payback remittances are owed and payable in full in the form of certified checks or money orders to the City within 30 days of the date the employee terminates from the qualifying position.

- E. **Payment Method:** The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Recruitment Incentive**

- A. **Purpose:** To enhance recruitment of IT and other employees who have mission-critical skills.
- B. **Eligibility:** Any City employee.
- C. **Amount:** \$500.
- D. **Payment Conditions:** Paid as a lump sum to current City employees who successfully recruit IT or other employees in approved, difficult-to-fill jobs which are defined as jobs requiring mission-critical skills, including those identified later in this plan under the sub-heading "Incentive-Eligible Skills." The incentive is awarded to an existing employee whose recruited employee remains in the qualified position for one year. The incentive will only be paid to City employees who are in active employment status at the time the recruited employee attains one year of employment with the City. Payment is the responsibility of the hiring department. **Employees who are responsible for, or who have significant influence on, the hiring process of the recruited employee are not eligible to receive the incentive.**
- E. **Payment Method:** It will be the responsibility of the hiring department to identify, track, notify, and pay the *recruiter* employee even if this employee is with another department before, during, or after the *recruited* employee has successfully completed the year of employment. The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Mission-Critical Skills Incentive**

- A. **Purpose:** To enhance retention of IT and other employees who have mission-critical skills.
- B. **Eligibility:** IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading "Incentive-Eligible Skills"—**and** provided those skills are used in the employee's job at least 50% of the time.
- C. **Amount:** Up to 10% of annual base pay initially, with up to a maximum of 13% of annual base pay after the third year.

- D. **Payment Conditions:** May be paid initially to existing IT or other designated employees, or annually at the time of employee evaluation. Paid as a lump sum, the incentive may increase by 1% of base pay each year as long as the skill remains one identified by the City as mission-critical, including those skills identified later in this plan under the sub-heading “Incentive-Eligible Skills,” up to a maximum of 13%. **The incentive may not be carried over to another position within the same year unless the employee is promoted or reassigned to a qualifying position. The employee would be eligible for a Mission-Critical Skills Incentive after one year in the new position.**
- E. **Payment Method:** The City’s IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Skills Acquisition Incentive**

- A. **Purpose:** To enhance retention of IT and other employees who during their employment with the City acquire mission-critical skills.
- B. **Eligibility:** IT and other employees who acquire key skills identified later in this plan under the sub-heading “Incentive-Eligible Skills,” or other mission-critical skills. The incentive may be considered after employee completes training, and demonstrates successful application of those skills on the job. An employee's position description must be revised after demonstration of the acquired skill, to document that the skill is a job requirement and that it comprises at least 50% of the work.
- C. **Amount:** Up to 10% of annual base pay.
- D. **Payment Conditions:** Paid as a lump sum after an employee acquires the skill and demonstrates proficiency in it. (Time period necessary for measurement of demonstrated proficiency may vary.) To receive the incentive, the employee must sign a statement that the employee agrees to pay back one-half of the incentive if the employee does not remain in the qualifying City position for at least one year beyond the time when the incentive was received. Payback remittances are owed and payable in full in the form of certified checks or money orders to the City within 30 days of the termination date with the City. **An employee may not be paid both a Skills-Acquisition Incentive and a Mission-Critical Skills Incentive in the same year.**
- E. **Payment Method:** The City’s IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Mission-Critical Project Incentive**

- A. **Purpose:** To enhance retention of IT and other employees who have mission-critical skills.
- B. **Eligibility:** IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading “Incentive Eligible Skills”—who are assigned to specified, pre-approved projects. Employees who participate in a

project eligible for a project incentive and are employed at the time of successful completion of the project, are eligible for a pro-rata share of the incentive for the actual time worked on the project.

C. **Amount:** Up to 10% of annual base pay.

D. **Payment Conditions:** Paid to eligible employees who successfully complete pre-defined and approved mission-critical projects. The projects must have specified time frames. Most will be of at least one year's duration, although some projects may be of shorter duration. This incentive is available only to those eligible employees who continue in the incentive-eligible assignment until the time of incentive payment, which occurs upon completion of the project. Department heads must approve projects according to the Approval of Incentive-Eligible Projects contained later in this document, which establishes specific guidelines for obtaining certification of projects for which the Mission-Critical Project Incentive may be paid. A schedule of deliverables must be agreed upon with the employee at the onset of the project (or a major component thereof), and payment cannot be made until all deliverables are met.

E. **Payment Method:** The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

## **General Application and Limits**

- No IT employee or other employee in a market-sensitive position is eligible for more than one skill-based incentive in **any** given year. For example, if a new employee receives a Signing Incentive, he/she is ineligible for a Mission-Critical Skills Incentive in the same year. Likewise, if an employee is paid a full Skills-Acquisition Incentive, he/she is ineligible for a Mission-Critical Skills Incentive in the same year.
- In general, the skills incentives apply to the person and, while the employee may qualify for incentives on the basis of multiple Mission-Critical Skills, awards may not exceed a combined maximum percentage of 13% in any given year.
- Eligible employees may receive skills and projects incentives simultaneously; but again, the yearly limit of 13% can't be exceeded.
- Employees will not be able to receive or retain any of the incentives if they leave City service or accept a position with another City Department, unless they fulfill the time and other specified obligations in the incentive agreement.
- The Mayor may terminate this plan at any time. The Mayor may also revise this plan at any time, with City Council agreement.

## **Procedures, Forms and Documentation**

Incentive payments under this plan must always be subject to payback agreements. There must also be sufficient documentation related to the justification of incentives that can stand up to scrutiny from internal or outside audit. Following are procedures and forms to ensure the necessary

documentation, along with listings of incentive-eligible positions, skills and projects. While most of the content is directed to the IT area, the methods apply to other mission-critical areas as well.

### Approval of Incentive-Eligible Projects

The following guidelines apply in obtaining approval for payment of project incentives to IT or other employees identified as workers in a project critical to achieving the City's strategic goals.

1. A City Department wishing to pay an incentive for a mission-critical project shall submit a project plan to the Mayor for approval, with an informational copy to the Director of Human Resource Management.
2. The project plan shall contain, but not be limited to the following components:
  - A. A project description with a beginning date and estimated ending date, and estimated implementation cost.
  - B. A description of City and/or consulting resources required, including a funding plan that shall be filed with the Management Services Department.
  - C. A staffing plan which identifies by position number, class title, pay rate, and name the person(s) for whom an incentive may be paid.
  - D. Specific deliverables that each employee must meet in order to receive an incentive.
  - E. If applicable, incentives for early completion of the project or incentives for completion of the project under budget. Amount, which can't exceed an additional five percent, will depend on the savings or development advantages realized.
3. The project must be directly related to a mission-critical business function of the department. An example for Management Services would be the year 2000 functional repair project.

Incentive-Eligible Positions

**Information Technology**

COMMUNICATIONS SPECIALIST III  
COMUNICATIONS SPECIALIST II

SR. HELP DESK TECHNICIAN  
HELP DESK TECHNICIAN  
SR. DATA TRAINER

NETWORK ADMINISTRATOR I  
NETWORK ADMINISTRATOR II  
SR. NETWORK ADMINISTRATOR

DATA BASE MANAGER  
SPECIAL PROJECTS MGR  
ACCOUNTS MANAGER  
CHIEF SOFTWARE ENGINEER  
SENIOR SOFTWARE ENGINEER  
SOFTWARE ENGINEER  
MULTI-MEDIA SOFTWARE ENG  
SOFTWARE DEVELOPER  
COMMUNICATION MEDIA COORD

DIRECTOR OF INFORMATION MANAGEMENT SERVICES  
SOFTWARE ENGINEERING MGR  
SYSTEMS MANAGER  
DOCUMENT MGMT PROJECT MGR  
SYSTEM SERVICES MANAGER  
UNIX ADMINISTRATOR

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**Note: This list will be periodically updated by IMS and kept on electronic file in the Division of Human Resource Management.**

Other

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

### Incentive-Eligible Skills

Incentive-eligible skills will be those identified as market sensitive (high market demand), and shown to be difficult for the City to attract or retain relative to other job skills. Periodic review of market, turnover and recruiting data will be done to ensure that skills once deemed as incentive-eligible remain so before any incentive is offered or paid.

#### **Information Technology**

JAVA SOFTWARE DEVELOPER  
POWERBUILDER SOFTWARE DEVELOPER  
CERTIFIED NETWORK ENGINEER (CNE)  
MICROSOFT CERTIFIED SYSTEMS ENGINEER (MCSE)  
VISUAL BASIC  
INTERNET/INTRANET DEVELOPMENT

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#### **Other**

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

### Incentive-Eligible Projects

#### **Information Technology**

INTERNET/INTRANET DEVELOPMENT  
POLICE CAD IMPLEMENTATION  
DESKTOP MANAGEMENT  
NETWORK MANAGEMENT

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#### **Other**

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

Incentive-Repayment Agreements

**Signing Incentive**

I, the undersigned employee, agree to repay to the City the entire signing incentive of \$\_\_\_\_\_, including tax withholdings thereon, which is to be paid in the event I leave my qualifying position of \_\_\_\_\_ within one year from \_\_\_\_\_, which is my initial date of employment in the position. I agree to repay said incentive in one lump sum by certified check or money order within 30 days of my termination date.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

**Skills Acquisition Incentive**

I, the undersigned employee, agree to repay to the City one-half of the skills-acquisition incentive of \$\_\_\_\_\_, which is to be paid in the event I do not remain employed in the qualifying position of \_\_\_\_\_ until \_\_\_\_\_, which is a one-year period after the payment date for the skills-acquisition incentive. I agree to repay said incentive in one lump sum by certified check or money order within 30 days of my termination date.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date



## Sample of Skills-Documentation Procedure/Project Plan

- Step 1 - Skills Assessment:** Each manager/supervisor meets with eligible employees and completes a skills assessment form to document skills that the employee possesses. The form shows relevant skills, education related to those skills, and months of experience in using those skills.
- Step 2 - Position Duties:** Each manager/supervisor of employees with incentive-eligible skills reviews and updates the job description of the employees. The position-description review confirms that the skills are used in the performance of the work, and this is appropriately documented on the position-description form. After position descriptions are analyzed, each manager/supervisor meets with the eligible employees to review job duties and to verify and sign off that the descriptions are current and accurate. Senior management also reviews the position descriptions to ensure that job duties meet organizational objectives and guidelines for skill-based incentives.
- Step 3 - Skills Descriptions:** Section heads write a brief description about how market-sensitive/mission-critical skills are used in the organization. Candidates to receive documented skills incentives are recommended.
- Step 4 - Performance Feedback Sessions:** After documenting skills and job duties, each supervisor/manager provides written performance feedback for each incentive-eligible employee. This documents that eligible employees are performing at, or above expectations. Employees performing below expectations are not considered for incentives.
- Step 5 - Management Oversight:** Senior management staff reviews all written documentation prepared by supervisors. At this point, senior management analyzes organizational priorities and proposed mission-critical projects. Projects are selected and time lines established.
- Step 6 - Funding:** Financial management staff members develop funding mechanisms to implement bonuses.
- Step 7- Formal Proposal:** The result of this work is organized into a formal proposal and presented to the department head and human resources director for review, approval, and implementation.

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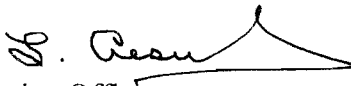
JAMEY KNIGHTON  
DIRECTOR, HUMAN RESOURCE MANAGEMENT

# SALT LAKE CITY CORPORATION

DEPARTMENT OF MANAGEMENT SERVICES  
DIVISION OF HUMAN RESOURCE MANAGEMENT

ROSS C. "ROCKY" ANDERSON  
MAYOR

## COUNCIL TRANSMITTAL

**TO:** Lyn Creswell  **DATE:** January 29, 2006  
Chief Administrative Officer

**FROM:** Jamey Knighton, Human Resource Director

**SUBJECT:** 2007-2008 Report of the Citizens Compensation Advisory Committee

**STAFF CONTACT:** Vic Blanton, Classification and Compensation Program Mgr., 535-6026

**BUDGET IMPACT:** If the committee recommendations are approved, funding impact would occur with Council approval of compensation plans for various pay classifications.

**RECOMMENDATION:** That the City Council receive a presentation of the attached report by the CCAC's Vice Chair Allen Miller and board member John Campbell, and hold a discussion regarding the report.

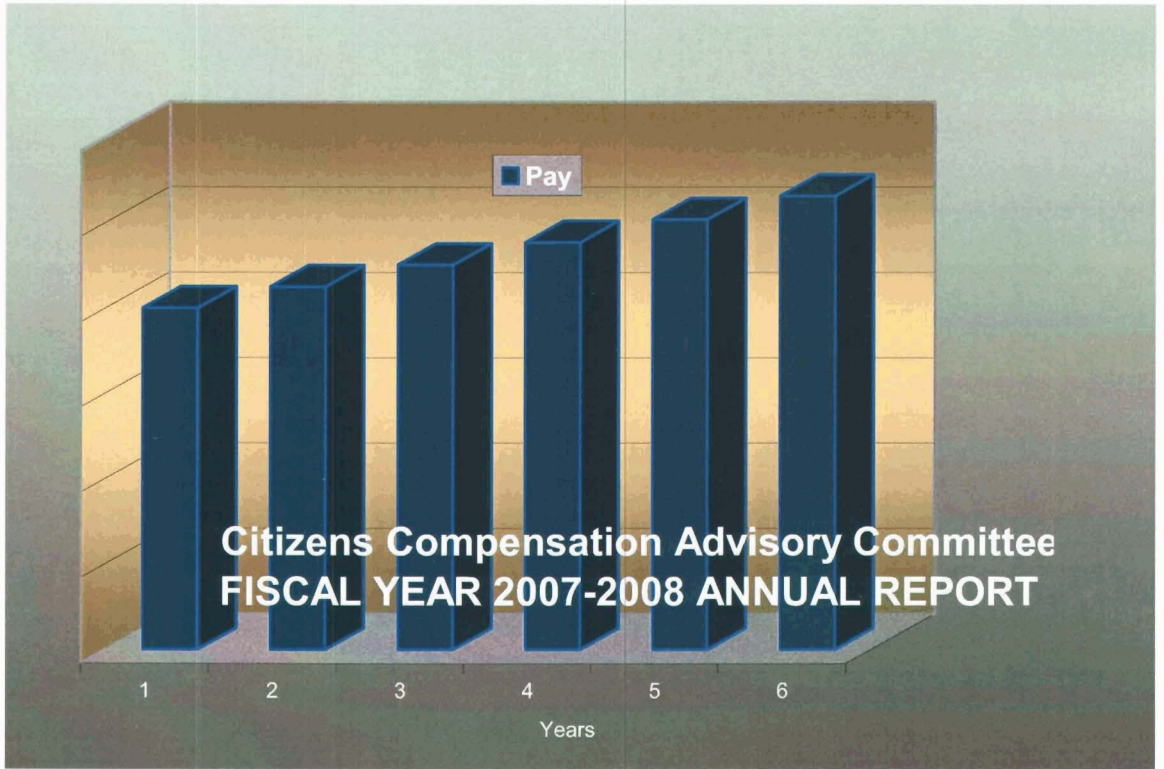
**BACKGROUND AND DISCUSSION:** The Committee's 2007-2008 report repeats concerns expressed last year about employee attraction/retention challenges in a tight labor market—and advises that while overreaction must be avoided, a less-than-competitive compensation strategy in such climate will exacerbate staffing difficulties. A return to using lump sum "retention incentive" awards is advised where appropriate; and the Committee recommends a salary budget increase for 2007-2008 of 3.3 percent to 3.7 percent to keep base wages on pace with the competition. This recommendation, which would include a cost-of-living or salary structure increase of 2.7 percent, is based on cost-of-living/cost-of-employment indicators and market trend data. The Committee views this year's salary and benefits comparison data as a neutral factor. Content of the report includes reference to the Committee's amended compensation philosophy; clarification of the Committee's role; employee turnover rates by City department, explanation of the differences between the City's stepped salary structures and open range approaches; and defense of the midpoint control to govern salary progression in open ranges.



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## EXECUTIVE SUMMARY

### **Competitive Strategy Advised in Face of Tight Labor Market**

Utah's economy grew 58,000 new jobs during the past year, tripling the national rate and significantly tightening the local labor market. City turnover is up, and some hot-market skills have become difficult to recruit. Signs say pay increase decisions for 2007-2008 must recognize continued stiff competition for qualified workers.

### **Climate Calls for Return of the Retention Incentive**

Attraction/retention incentives can help meet the challenge. Lump sum signing/recruiting bonuses and similar awards for completion of mission-critical projects are proven effective to influence workers' employment choices, yet avoid unnecessary inflation of base wages. We recommend reinstatement of the approach we introduced during the tight labor market of the late 90s.

### **We Help Decide What's Fair, Not What's Affordable**

Utah's Department of Workforce Services (DWS) says Utah remains one of the best performing economies in the nation. Good economic times may mean the City will be well-positioned to provide pay raises during the coming year. For us, the point is moot. Wage adjustments can't exceed the employer's ability to give them, but fair pay is not determined by what the employer can afford. As the

compensation advisory committee, we don't assess the City's finances. Our focus is on what is needed to maintain prudent pay practice.

### **Rely on Survey Data to Gauge Competitiveness, but Acknowledge Common Flaws**

Annual survey data once again puts SLCC total compensation value (TCV) above the market—but not by enough to warrant curtailment of adjustments normally called for by cost-of-living and trend factors. Though a necessary part of pay practice evaluation, compensation surveys seldom reflect the perfect data set. Also, aggregate differences of 5 percent or less between an employer's rates and the market average should essentially be viewed as alignment.

### **Plan a 2007-2008 Salary Increase Budget of 3.3% to 3.7%**

We think this would keep the City generally in step with the competition. Also, within the salary increase budget, a structure or "COLA" increase of 2.7 percent would align with forecasted trend.

### **Keep the Range Midpoint Control**

Governing in-range salary progress with midpoint control works as intended. Employees need to understand that being denied the range maximum is a competitive disadvantage only if the range maximum represents the market average.

# CCAC 2007-2008 ANNUAL REPORT

## Introduction

We are pleased to provide this annual report for 2007-2008, marking our 15<sup>th</sup> year as the Citizens Compensation Advisory Committee. To begin discussion, we should mention developments since our last report. These included a compensation philosophy rewrite (see attached), review of airport executive salaries, and validation of the City's approach for giving car allowances, part-time employee benefits, bereavement leave, and tuition assistance. We also recommended return of the retention incentive policy, and reaffirmed our support for use of the range midpoint to control base salary progression in most pay structures without steps.

One year ago we said that jobs growth in Utah could stiffen competition for attracting and retaining qualified workers. Events have exceeded expectations. Utah's Department of Workforce Services (DWS) says that nearly 58,000 new jobs were added during the past year, reaching a 4.9 percent rate of increase in November. That triples the national rate of 1.3 percent. DWS puts the state's unemployment rate at only 2.6 percent, compared to a U.S. rate of 4.5 percent.

Affect? Like many employers, SLCC is finding certain work skills increasingly difficult to recruit—and, although still low by most employers' standards, City employee turnover continues an upward trend. The chart below shows turnover by city department for the 12-month period ending November 30, 2006. The separate rates combine for a citywide weighted average total of 7.1 percent. That's up by .41% over the 6.69% turnover rate for the same period in 2004-2005, and accounts for a 6% increase in absolute terms.

**SLCC Turnover by Department and Total City  
December 1, 2005 through November 30, 2006**

Department	Voluntary		Dismissal	Total
	Quit	Retirement		
Airport	5.6%	1.9%	1.4%	8.9%
Attorney	4.4%	0.0%	0.0%	4.4%
Comm Dev	9.4%	1.7%	1.7%	12.9%
Fire	2.2%	4.2%	1.1%	7.6%
Mayor	38.9%	0.0%	11.1%	50.0%
Public Serv	4.4%	2.2%	0.7%	7.3%
Public Util	3.5%	1.9%	0.5%	6.0%
Police	3.0%	2.5%	0.5%	6.1%
Mgt Serv	1.1%	0.0%	0.0%	1.1%
RDA	13.3%	0.0%	0.0%	13.3%
<b>All City</b>	<b>4.1%</b>	<b>2.2%</b>	<b>0.8%</b>	<b>7.1%</b>

In reporting employee turnover, SLCC follows the standard set by the Bureau of National Affairs (BNA), Inc. BNA includes voluntary separations, retirements, and dismissals in the turnover count.

## CCAC 2007-2008 ANNUAL REPORT

Studies have shown that pay is often **not** the top motivator of employees. Other factors may include employee perceptions about fairness and relative job security, freedom to provide input or decide how the job is done, career development and learning opportunity, welfare and retirement benefits, and ability to balance family and work. A recent study by the Society for Human Resource Management (SHRM) cites supervisory style as the best way to keep good employees.

Nevertheless, a less-than-competitive compensation strategy will, in a tight labor market, exacerbate recruiting and retention difficulties. On the other hand, care must be taken to not overreact. We are reminded of the market's cyclical nature. HR has reported that prior to 9-11 it was sometimes difficult to attract more than a few qualified applicants for certain City position vacancies. Yet by 2003 it was not unusual for those same jobs to attract hundreds of applicants with certifiable skills.

### **The Trouble with a Base-Pay-Increase Response**

Because increases to the salary base tend to be permanent, they can prove particularly troublesome when applied too zealously in response to recruiting and retention challenges. No doubt the City is seeing an increased incidence wherein the employee announces his/her "predicament" of being forced to exit unless a bigger salary offered by another employer is matched. Certainly if the employee's skills are indeed undervalued compared to market, an appropriate adjustment to base salary should be considered. If this is not the case, however, it may be better in the long run to accept the employee's resignation rather than react with a base pay hike.

It should be kept in mind, too, that due to market cycles today's hard-to-find candidate may be tomorrow's unemployed.

Over inflating the base salary of a position requiring presently hot market skills is likely to put both internal equity and external equity out of balance when the market cools. That is why we recommend the use of *lump sum, not-added-to-base* incentives in difficult to recruit/retain cases.

### **Retention Incentive Plan**

Crux of the retention incentive plan is a not-added-to-base award. When we recently learned that the City was experiencing difficulty in retaining and attracting employees in certain positions, we recommended resurrection of the plan we had introduced during the tight labor market of the late 90s. The plan (see attached) outlines eligibility requirements, and imposes conditions on payment of incentives including the so-called *signing bonus, recruitment bonus*, and skills-enhancement and performance awards related to completion of mission-critical projects.

## CCAC 2007-2008 ANNUAL REPORT

Although much of the plan’s design focuses on the recruitment and retention of information technology employees, the intent is general. We recommend that when business necessity dictates, the City consider offering signing or retention incentives to influence the employment choices of any worker with highly marketable skills and a susceptibility to lure from other employers.

### Tracking the Base Salary Results

Year after year we’ve advised the City regarding factors that most employers consider when deciding general wage increases. These factors include economic environment, cost-of-living increases, projected pay trend, and market comparisons. Except for 2004-2005, even when one or more of the factors have indicated support for a restricted increase or no-increase position, we’ve advised to the contrary. Prudent pay practice calls for gradual correction rather than precipitous adjustment—to avoid harm to employee morale with attendant productivity losses, and the risk of over-correction that may ultimately mire the employer in a difficult catch-up challenge.

Survey data continues to suggest that SLCC’s salaries are higher than market average. We’ve repeatedly cautioned that such data is a necessary element of pay practice evaluation, but is still only an indicator that is often fraught with imperfections.

For the most part, the City appears to have followed our advice. Has that kept base salary on pace? There are ways to measure this. One way is to compare the City’s average wage increases with the national *Employment Cost Index* (ECI) published by the Bureau of Labor Statistics (BLS). The following chart shows changes in the City’s average hourly rate as of the last full pay period in November each year vs. BLS’s 3<sup>rd</sup> quarter-to-3<sup>rd</sup> quarter wage increases.

November	City Average Hourly Rate	City's Average Hourly Rate Increase	BLS Employment Cost Index (ECI) Increase
2001	\$ 20.32	Baseline	
2002	\$ 21.04	3.5%	3.1%
2003	\$ 21.78	3.5%	2.9%
2004	\$ 21.95	0.8%	2.5%
2005	\$ 22.56	2.8%	2.3%
2006	\$ 23.37	3.6%	3.2%
<b>Average for Period</b>		<b>2.8%</b>	<b>2.8%</b>

The chart reflects the fact that the City froze base salary increases on July 1, 2004. Exceptions included AFSCME-covered positions (to fulfill the third-year agreement of the previously-executed three-year contract), and scheduled merit step advances. While the freeze put the City off the ECI pace during 2004 and 2005, the City was back on track in 2006. If there is merit in conforming to the

## CCAC 2007-2008 ANNUAL REPORT

ECI, matching the ECI's five-year average increase of 2.8 percent would suggest that the City earned a good score overall.

To mitigate the negative affect of a base-salary freeze, the City gave at 2004-2005 fiscal-year beginning a one-time, not-added-to-base payment of \$500 to each affected employee. However, HR advises that although two years have since passed, some of those same employees still resent being denied a base salary increase during FY 2004-2005.

Other means of evaluating pay performance include comparisons with Consumer Price Index (CPI) changes reported by BLS, and national total-salary-budget trend reported by WorldatWork (formerly the American Compensation Association).

November	BLS West Region, Class B/C Cities CPI Avg Annual Increase	City's Average Hourly Rate Increase	WorldatWork Reported Total Salary Budget Increases
2001	Baseline		
2002	3.1%	3.5%	3.8%
2003	1.5%	3.5%	3.5%
2004	2.0%	0.8%	3.5%
2005	2.7%	2.8%	3.7%
2006	2.9%	3.6%	3.8%
<b>Average</b>	<b>2.4%</b>	<b>2.8%</b>	<b>3.7%</b>

Again, the base-salary freeze caused a departure during 2004 and 2005. Otherwise, the chart shows that City salary increases during the overall period stayed ahead of cost-of-living increases, and were reasonably in stride with WorldatWork's reported salary increase trend.

### What the City Can Afford

This may be the proper juncture to comment on fiscal ability. In the 2004-2005 annual report, we acknowledged that the prevailing mood among practitioners at the time was one of pay raise restraint due to the struggling economy. We noted, however, that evaluation of the City's financial condition was not our charge and stated the following:

"We advise the City on what we believe to be prudent pay practice, and leave the matter of what it can afford to its administrators.

*"Prudent pay practice* translates into fair pay, which in turn normally drives a competitive position. Unfortunately, *fair and competitive* may not always go hand in hand with affordability during a particular fiscal period. It is important to keep pace, but not at the risk of overstepping fiscal ability. We counsel the City to do what it can to stay on track with trend and other

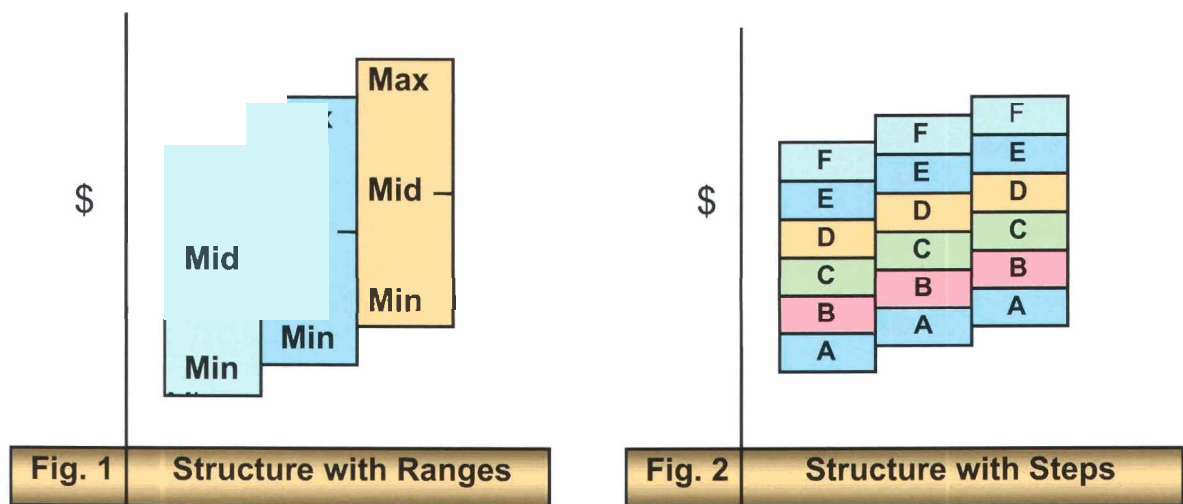


factors. At the same time, we assume City decision makers will act responsibly.”

**Explanation of Salary Increase Trend Data—‘Structure’ Vs. ‘Salary Budget’**

Before proceeding with an analysis of how to stay on pace during the coming fiscal year, it may be well to explain salary-increase-trend terminology and related make up of the City’s compensation system. The last time we provided a comprehensive look at the subject was in our 1996 Annual Report, which provided the following explanation:

As depicted in Figures 1 and 2 below, the pay structure is a collection of pay grades, each with either a pay range or one or more pay steps from bottom to top. In the case of pay *ranges*, movement of the structure does not, in itself, create a salary change; it merely changes the potential for pay adjustments. In contrast, a change in structure containing grades with pay *steps* will deliver a corresponding change in pay. The city has both kinds of structures: Ranges are provided for professional and executive employees; steps for all others.



In Figure 1, a structure increase of two percent will raise the minimum, midpoint and maximum of each grade by two percent. How much an individual’s pay increases due to this change will depend on how much is budgeted for increases within the altered structure. In Figure 2, a structure increase of two percent means that each occupant in each step receives a two percent pay increase. In a stepped plan, a structure increase is commonly referred to as a cost of living adjustment (COLA).

Pay structure changes are usually expressed in terms of base pay; whereas salary increase budgets may reflect any combination of changes derived from structure movement, merit increases, reclassifications and promotions, base pay additions and one-time, lump sum payments not added to base.

## CCAC 2007-2008 ANNUAL REPORT

The following chart shows how the City's system is divided between structures using ranges and those using steps. It also indicates how many employees are in each pay series, whether their salaries are set by collective bargaining, their respective average hourly wages as of November 30, 2006, and estimated total salary increase percentages during the 2006-2007 fiscal year.

Employee	Type of Plan	Pay Series	Count	Rate Collectively Bargained	Average Hourly Wage	Est 06-07 Approx Avg Increase
Executive	Open Range	000	48	No	\$ 47.60	3.91%
Operations/Maint	Stepped	100	712	Yes	\$ 18.62	2.74%
Clerical/Technical	Stepped	200	357	Yes	\$ 17.51	3.41%
Non-Exempt Prof	Open Range	300	344	No	\$ 22.09	3.83%
Firefighter	Stepped	400	240	Yes	\$ 25.60	4.13%
Police	Stepped	500	325	Yes	\$ 24.04	5.00%
Exempt Prof	Open Range	600	359	No	\$ 28.91	3.83%
RPT	Mixed	700	8	No	\$ 15.68	3.50%
Supv Police	One Step	800	73	No	\$ 33.00	4.10%
Supv Fire	Stepped	900	83	No	\$ 35.42	3.60%
Unclassified	Broad Band	U00	45	No	\$ 31.77	3.83%
<b>Total Employees</b>			<b>2594</b>	<b>Overall Avg</b>	<b>\$ 23.38</b>	<b>3.74%</b>

### Structure And Total Salary Budget Increase Trend

Based on survey responses from 2,454 employers throughout the U.S., the following chart captures WorldatWork's salary structure increase data for past/current periods, as well as forecasts for the coming year.

#### Salary Structure Increases, by Employee Category

	Actual 2004	Projected 2005	Actual 2005	Projected 2006	Actual 2006	Projected 2007
Nonexempt Salaried	2.0%	2.4%	2.2%	2.5%	2.6%	2.7%
Exempt Salaried	2.0%	2.4%	2.2%	2.5%	2.6%	2.7%
Officers/Executives	2.0%	2.4%	2.2%	2.5%	2.7%	2.7%

WorldatWork 2006-07 Salary Budget Survey

The chart shows that actual results have been very close to projections for 2005 and 2006, which speaks to survey credibility. We note that WorldatWork's forecasts over the years have generally been similarly close. So, based on the chart's 2007 column, a 2.7 percent average structure increase given on July 1, 2007 would be reasonably expected to keep the City in step with national trend.

Turning to salary budget increases, the next chart shows WorldatWork's 2006 survey compilation results. Depending on employee category, the chart's 2007 column indicates that budgeted increases are expected to be within a range of 3.8 percent to 4.0 percent.

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## Salary Budget Increases, by Employee Category

	Actual 2004	Projected 2005	Actual 2005	Projected 2006	Actual 2006	Projected 2007
Nonexempt Salaried	3.6%	3.7%	3.7%	3.7%	3.8%	3.8%
Exempt Salaried	3.7%	3.7%	3.8%	3.8%	3.9%	3.9%
Officers/Executives	3.9%	3.8%	3.9%	3.9%	4.1%	4.0%

### WorldatWork 2006-07 Salary Budget Survey

Again, for 2005 and 2006, we note the relative closeness of *actual* increases to *projected* increases.

However, different surveys produce different results. The Bureau of National Affairs's (BNA) *Wage Trend Indicator* (WTI) provides a somewhat less optimistic projection. The WTI relies on trend analysis of data from BLS's Employment Cost Index (ECI), which we introduced on page 4. Working from an annual average projected wage-increase rate of 3.84 percent for 2006, BNA economists think we'll soon see a leveling off in wage trend, if not a slight decline. Looking to the ECI itself, annualization of the average index for the last reported quarter puts the salary and wage cost increase at 3.6 percent. We note also that the ECI increase from the third quarter of 2005 to the third quarter of 2006 (page 4) was 3.2 percent.

As the City's compensation advisory committee, we're leaning toward the more conservative position, and are going with a projected range of 3.3 percent to 3.7 percent for salary budget trend in the coming year. Based on the City's history of estimated salary budget increases relative to combined salary structure and merit step increases—and if the City goes with an average 2.7 percent structure increase—we think it's cost-increase percent for wages will come within the 3.3 to 3.7 percent range. In our estimation, this will be adequately competitive.

## Cost of Living

Our chart on page 5 showed a five-year progression in the Consumer Price Index (CPI) published by the Bureau of Labor Statistics. The latest month reported as of this writing is November of 2006. The 2.9 percent increase shown on the chart is based on the BLS report for the West Region, Class B/C Cities (population 50,000 to 1,500,000). Several years ago, city council members as well as employee representatives expressed preference for the regional report over the national counterpart. For consistency, we continue to support the choice.

We note in the following chart from the BLS report that the November 2005 to November 2006 was only 1.9 percent. However, such indicator ignores the usual ups and downs in the index during intervening months and can thus be misleading. Comparing the 12-month averages is a more reliable measure, and is the one we look to for gleaning a feel for cost of living movement.

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1	November 2005 to November 2006 Increase	1.9%
2	Last 12 Months Average Index	124.8
3	Previous 12 Months Average Index	121.3
4	Percent Difference Line 2 Over Line 3	2.9%

From the Bureau of Labor Statistics CPI-U, West Region, Class B/C Cities, Nov. 2006

### **Total Compensation Value (TCV), Local Market, Non-Executive Positions - Salary Plus Benefits Comparison**

Data looked to for salary and benefits comparison in 2006 is a meld of survey results provided by the Western Management Group (WMG) and by the Wasatch Compensation Group's (WCG) on-line survey named Technology Net. After the 2005 survey, WMG replaced AON Consulting, who had been the annual survey manager for many years. Such change in survey management can create unwelcome variances when attempting to compare with previous period results.

For this and other reasons that commonly contribute to imperfections in most compensation surveys, we suggest that the information be viewed with some reservation. While the City must rely on the standard compensation survey as a means to gauge market competitiveness, it would generally be unwise to use it as a basis for precipitous action. Also, we note that most employers regard comparison variances within five percent as alignment with market.

During previous years, we have seen the benefits portion of the annual survey serve as a significant offset to the City's generally higher salaries. The reason has been SLCC's relatively lower employer-paid retirement benefits, along with comparatively less generous health care coverage. The effect is less pronounced this year, due to a substantial increase in the amount the City pays for medical insurance for employees with family coverage. This increase in cost was offset by a decrease in the amount allocated to employees with single coverage.

Dollar benefits paid for SLCC employee with family medical coverage:

Year	Medical Insurance	Life Insurance	501(c)(9) Contribution*	Total
2005-2006	\$6,492	\$135	\$612	\$7,239
2006-2007	\$9,161	\$135	\$612	\$9,908

\* The 501(c)(9) contribution is \$834 for AFSCME-covered positions.

In the two charts on the next page, we summarize both salary-only and TCV results. The first chart, which covers non-executive groups, is based on actual average salary. The second one, which compares SLCC structure minimums and maximums, addresses police and fire only. Because turnover is exceedingly low in these two groups, pay grade maximums may be seen by many public safety employees as the true level at which compensation competitiveness is measured.

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EMPLOYEE GROUP	2005-2006		2006-2007	
	Actual Average Salary Only SLCC/MKT	Actual Average Salary Plus Benefits SLCC/MKT	Actual Average Salary Only SLCC/MKT	Actual Average Salary Plus Benefits SLCC/MKT
Operations/Maintenance	107.4%	107.6%	103.6%	104.2%
Clerical/Technical	122.5%	117.9%	115.2%	113.3%
Non-Exempt Professional	107.6%	107.6%	106.4%	107.5%
Exempt Professional	102.6%	102.2%	99.0%	103.4%
Police Officer	111.1%	103.1%	111.2%	105.3%
Sergeant	104.0%	97.7%	105.1%	100.4%
Lieutenant	101.7%	96.1%	102.1%	97.8%
Police Captain	99.1%	94.7%	102.0%	98.2%
Firefighter EMT	113.5%	100.3%	104.6%	98.4%
Firefighter Paramedic	120.8%	106.8%	115.0%	106.8%
Firefighter Engineer	109.6%	98.4%	97.6%	92.6%
Fire Captain	111.9%	100.6%	111.7%	104.3%
Battalion Chief	112.4%	101.3%	120.8%	101.2%
<b>Average</b>	<b>109.5%</b>	<b>102.6%</b>	<b>107.3%</b>	<b>102.6%</b>

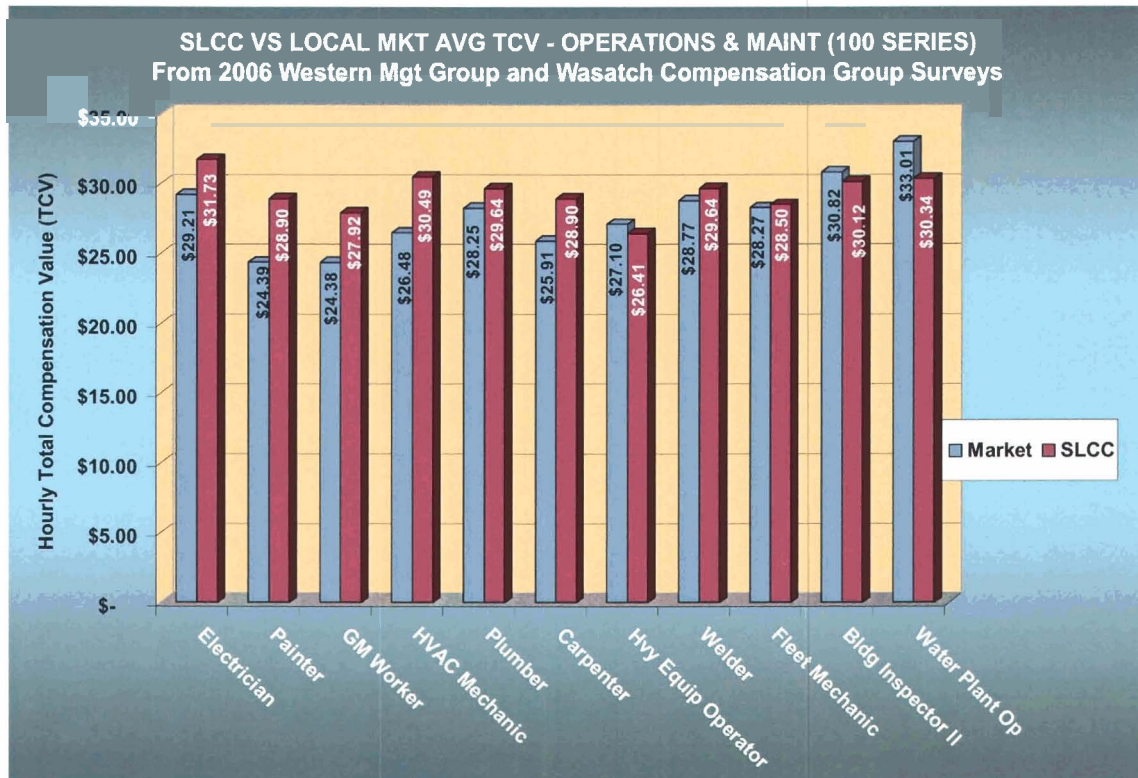
Although the overall SLCC-to-market salary-only comparison dropped this year, the overall salary-plus-benefits comparison did not change in proportion. Again, this reflects the change in share of the medical benefits cost assumed by the City. The clerical-technical group continues to be high, but the data suggests a significant drop in the salary-only category.

The next chart, which public safety employees may see as a more meaningful TCV picture, suggests close SLCC-to-market alignment.

EMPLOYEE GROUP	MINIMUM AVERAGE SLCC/MKT TVC	MAXIMUM AVERAGE MKT TCV	MAXIMUM AVERAGE SLCC TCV	MAXIMUM AVERAGE SLCC/MKT TVC
Police Officer	99.9%	\$ 78,344	\$ 76,809	98.0%
Sergeant	116.5%	\$ 91,805	\$ 91,412	99.6%
Lieutenant	113.0%	\$ 107,855	\$ 105,787	98.1%
Captain	108.2%	\$ 120,074	\$ 113,203	94.3%
Assistant Chief	84.4%	\$ 146,721	\$ 152,987	104.3%
<b>Combined Avg Police</b>	<b>104.4%</b>	<b>\$ 108,960</b>	<b>\$ 108,040</b>	<b>98.8%</b>
Firefighter	97.9%	\$ 70,086	\$ 72,678	103.7%
Firefighter Engineer	86.1%	\$ 77,015	\$ 77,067	100.1%
Firefighter Paramedic	97.9%	\$ 78,948	\$ 80,281	101.7%
Fire Captain	114.4%	\$ 89,110	\$ 90,043	101.0%
Battalion Chief	112.2%	\$ 103,321	\$ 103,792	100.5%
Assistant Chief	84.6%	\$ 124,908	\$ 125,424	100.4%
<b>Combined Avg Fire</b>	<b>98.9%</b>	<b>\$ 90,565</b>	<b>\$ 91,548</b>	<b>101.2%</b>

Operations and Maintenance Employees, 100 Series

The following chart plots TCV for 11 benchmark positions in the City's AFSCME-covered 100 Series. Primarily due to the increase in SLCC's benefits value, the data suggests that while this employee group's salary-only lead over the market dropped by 3.8 percent, it's TCV lead came down by the lesser margin of 3.4 percent compared to last year. Still, the resulting TCV lead of only 4.2 percent would be regarded by most practitioners as meeting the market alignment objective.

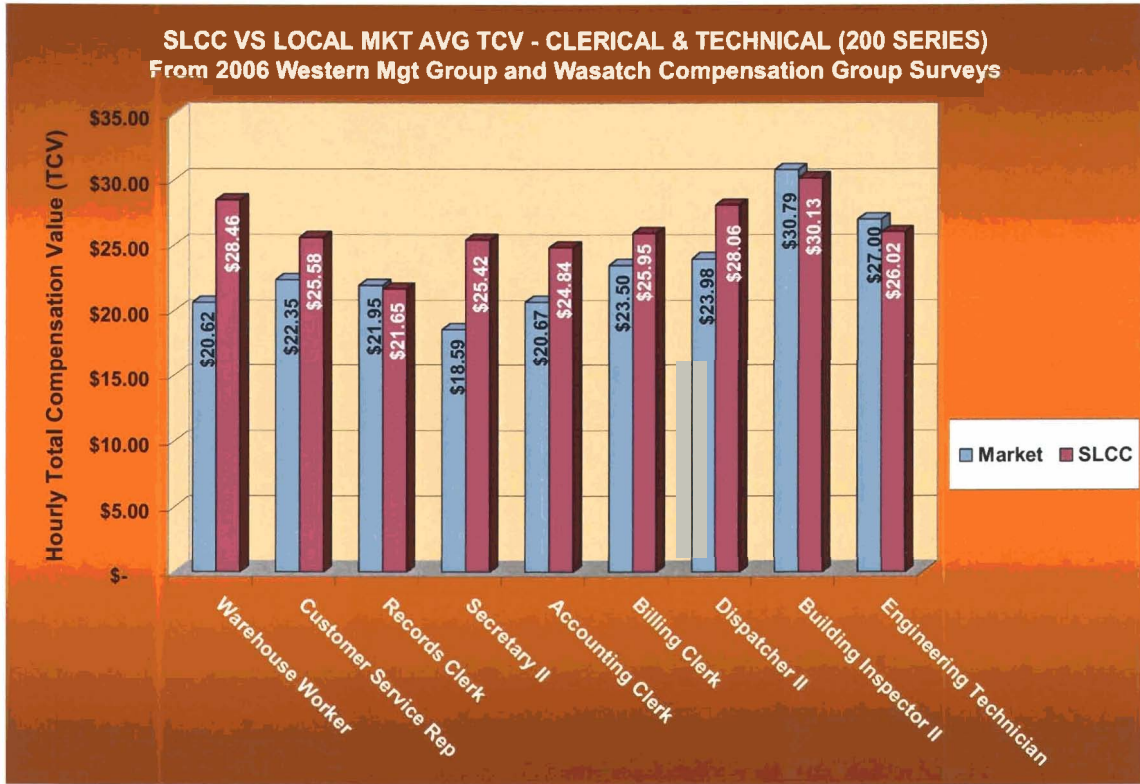


Clerical/Technical Employees, 200 Series

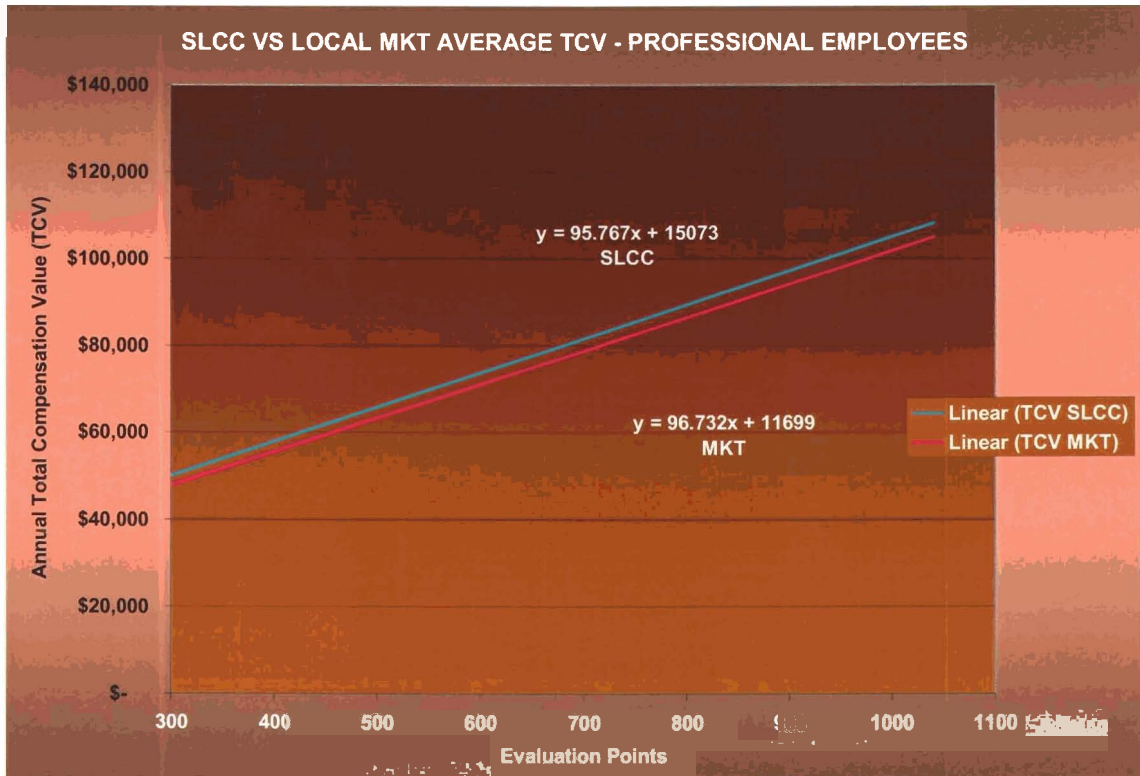
This pay series consists mostly of office support positions, which are predominantly occupied by female employees. Believing the market to be inherently discriminatory against such female worker element, the City made a deliberate decision during the mid-90s to ignore market data and to establish wage rates on the basis of internal-equity analysis only.

The next chart reflects a continuation of this established policy. However, we have seen a decline in the excess of City salary rates over market for 200 Series jobs, which in some years has been as high as nearly 30 percent. Data suggests that the 2005 overage of 22.5 percent dropped to 15.2 percent in 2006. Although the corresponding TCV drop was proportionately less, it was nevertheless significant. Data indicates it declined to 13.3 percent from 17.9 percent.

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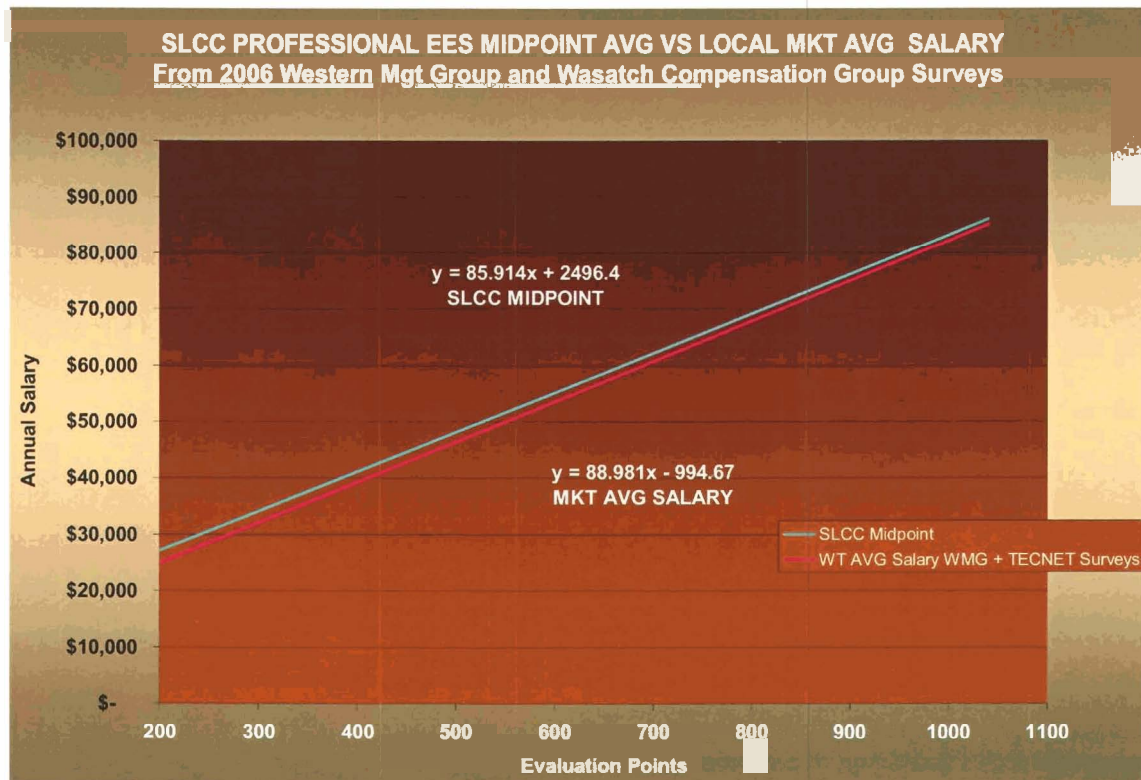
## Professional Employees, Non-Exempt (300 Series) and Exempt (600 Series)



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In the above chart, regression analysis is used to graphically show the aggregate City-to-market comparison for 50 professional employee positions. There are too many positions in the data set to show how each individual one compares. "Evaluation points" reflect position rank. Solving for the equations at various evaluation points indicates that City TCV exceeds market by an average 5.2 percent.

Since the range midpoint is used to control in-grade progression of salaries in the professional employee pay plan, it is useful to compare how the midpoints compare with actual market average salaries. The following regression analysis chart shows such relationship, based on the 2006 salary-only data.



Solving for the equations at various points along the evaluation scale indicates that SLCC salary range midpoints align very closely with market actual average salaries, being only 2 percent high on average.

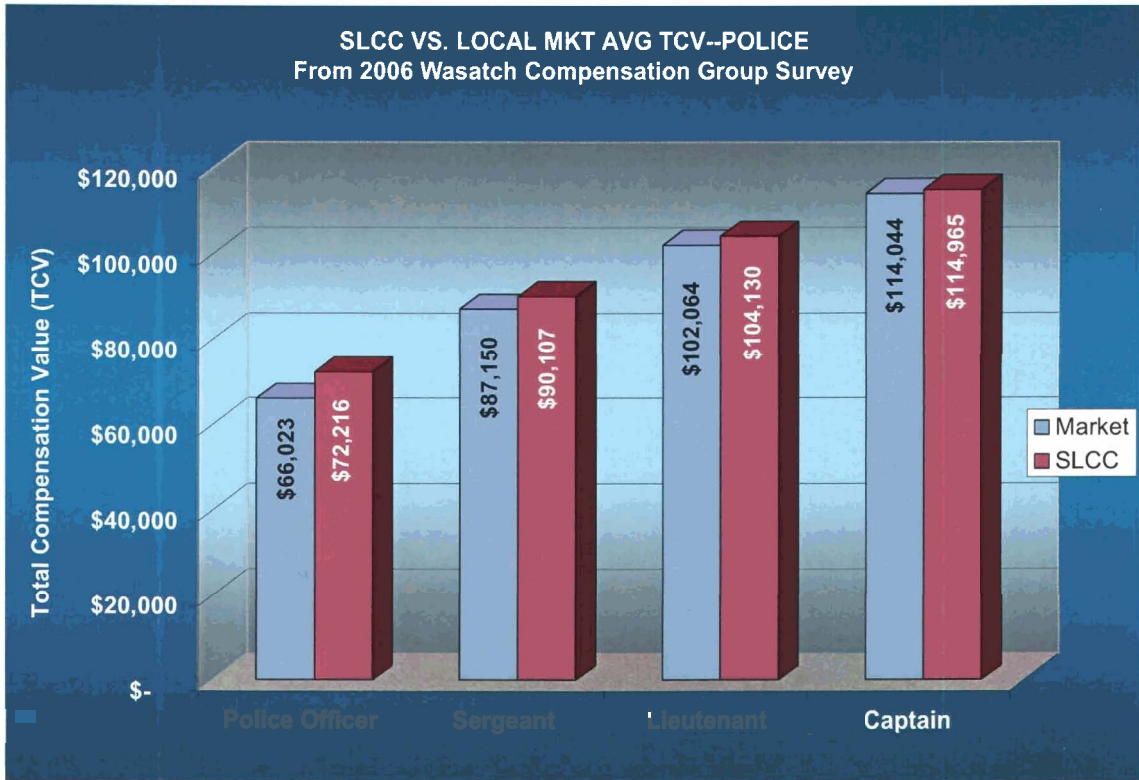
This makes a good argument for continuing the current midpoint-control methodology, which is discussed further on page 16.

### Police, 500 and 800 Series, and Fire, 400 Series and 900 Series

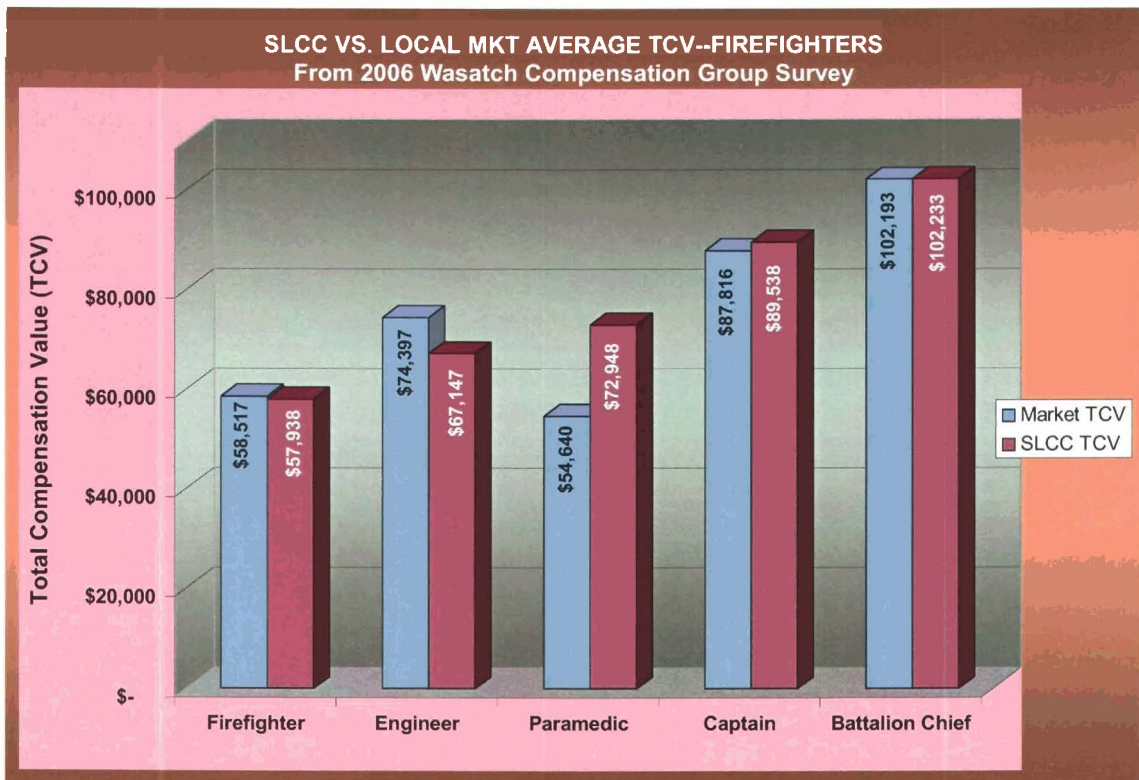
Except for the non-supervisory level, TVC data using actual average salary suggests a relatively close relationship between City and local market in police positions. Again, police officers may see the chart on the bottom of page 10 as a more pertinent measure in terms of where the City stands compared to market.



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The same perspective may apply to firefighters, especially paramedics.



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### Executive Salaries

National salary data in the next two charts is provided by the International City/County Management Association (ICMA) and the WCG. This year's data (for 2006) falls well outside of expectations, indicating that SLCC executive salaries are generally higher than their national counterparts. Equally surprising, the data indicates that executive salaries for Wasatch Front agencies also tend to be higher than the national average. This never-before-seen picture causes doubt about the ICMA data for 2006. We are eager to see next year's picture.

Position	NATL MKT AVG - Pop. 100,000 to 499,000		SLCC/NATL MKT
	SLCC		
City Attorney	\$ 128,791	\$ 112,946	114%
Purchasing Director	\$ 67,071	\$ 70,690	95%
Info Services Director	\$ 106,417	\$ 91,972	116%
Recreation Director	\$ 81,428	\$ 70,260	116%
HR Director	\$ 93,510	\$ 88,532	106%
Planning Director	\$ 89,080	\$ 87,601	102%
Economic Dev Director	\$ 110,147	\$ 96,247	114%
Fire Chief	\$ 108,612	\$ 102,793	106%
Police Chief	\$ 111,888	\$ 106,120	105%
Engineer	\$ 104,872	\$ 88,956	118%
Public Works Director	\$ 115,451	\$ 106,899	108%
Treasurer	\$ 88,729	\$ 78,590	113%
Finance Director	\$ 98,325	\$ 100,734	98%
	<b>Average</b>		<b>108%</b>

Result when the survey population scope is expanded to Include Wasatch Front:

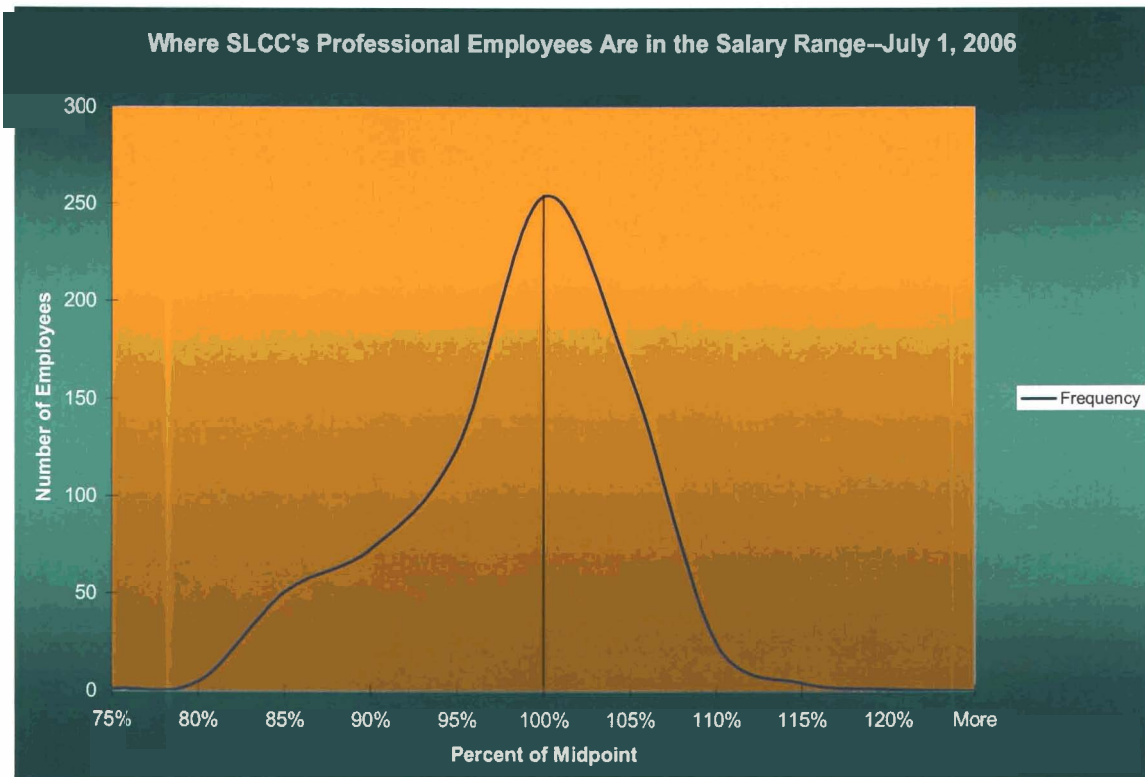
Position	SLCC	NATL MKT AVG - Pop. 50,000 to 1,000,000	SLCC/NATL MKT	Wasatch Comp Group (WCG) Avg	
				SLCC/WCG	
City Attorney	\$ 128,791	\$ 99,014	130%	\$ 116,213	111%
Purchasing Director	\$ 67,071	\$ 75,532	89%	No Match	N/A
Info Services Director	\$ 106,417	\$ 93,000	114%	\$ 91,860	116%
Recreation Director	\$ 81,428	\$ 72,103	113%	No Match	N/A
HR Director	\$ 93,510	\$ 88,592	106%	\$ 94,474	99%
Planning Director	\$ 89,080	\$ 93,196	96%	\$ 81,182	110%
Economic Dev Director	\$ 110,147	\$ 93,523	118%	\$ 95,336	116%
Fire Chief	\$ 108,612	\$ 103,310	105%	\$ 109,077	100%
Police Chief	\$ 111,888	\$ 107,597	104%	\$ 115,388	97%
Engineer	\$ 104,872	\$ 91,842	114%	\$ 95,435	110%
Public Works Director	\$ 115,451	\$ 105,955	109%	\$ 114,052	101%
Treasurer	\$ 88,729	\$ 79,256	112%	\$ 81,804	108%
Finance Director	\$ 98,325	\$ 99,507	99%	\$ 105,542	93%
	<b>Average</b>		<b>108%</b>	<b>Average</b>	<b>105%</b>

## Controlling Salary With the Range Midpoint

Salary progression for both the City’s professional and executive employees is controlled using a range control point. For most non-stepped ranges, this is the midpoint, which lies equidistant between the base salary minimum and the base salary maximum. Midpoints are linked to market average salary. To help ensure long-run competitiveness with the market, the control point’s aim is to cluster salaries within reasonable proximity to the midpoint, say plus or minus five percent. It accelerates increases when salaries are below the midpoint; decelerates them in the opposite case.

The control point affects fiscal-year general increases, as well as in-grade equity adjustments and promotional increases. It is the standard practice used by most employers to administer salary for sizeable employee populations in open-range plans. We believe it is methodology that has served Salt Lake City Corporation well, particularly with regard to the professional employee group.

Before the City’s professional employees were switched from pay plans using steps to midpoint-controlled open ranges, nearly 70 percent of them were being paid at range top, which exceeded 115 percent of market average. And the number at range top was steadily increasing. Now, the following chart reflects the fact that 80 percent of City professional employee salaries are within 5 percent of the market-linked midpoint, and 90 percent are within plus or minus 10 percent. It has taken time, but the distribution is clearly approaching the ideal.

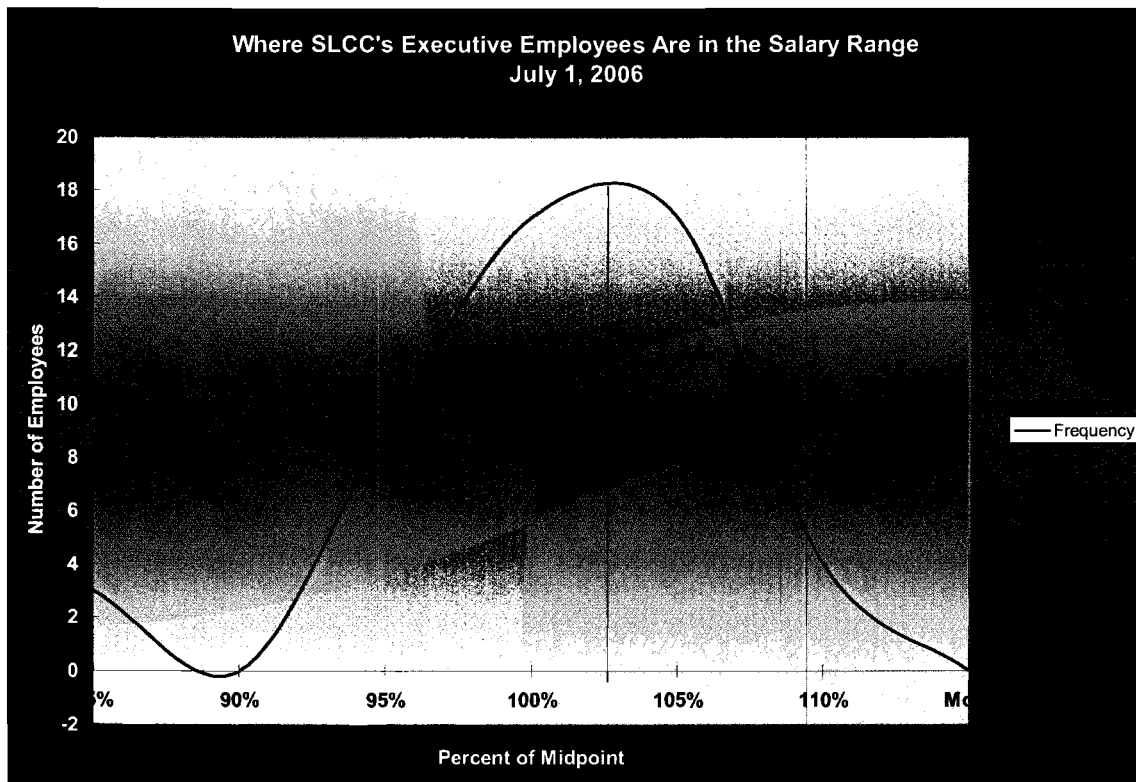


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Open salary ranges allow much more flexibility than stepped approaches, and flexibility is an essential feature to effectively administer pay plans for professional employees and executives. Precise in-grade equity adjustments are easily achieved, and if the market for a particular job is cyclical, the control point can temporarily be raised or lowered as appropriate. Again, the use of ranges with control points is the standard practice among employers in both private and public sectors, and the approach appears to be working well for the City. Despite the objection of some employees, we see no reason to abandon it.

Salary distribution is not at this time quite as symmetrical in the executive employee group as in the professional employee group. The reason is not immediately apparent—we suspect it has to do with turnover and group size. That is, if one employee separates from a group that is only 50 in number, the tenure of the group as a whole has been significantly disrupted. In turn, so has the normal movement caused by midpoint control, especially if higher-than-midpoint starting salaries become a factor.

Still, the present picture is acceptable, with 43 of 50 salaries falling within the 95-to-105 percent-of-midpoint range.



### In Closing

The EXECUTIVE SUMMARY contains our recommendations for the coming year's general increases. All indicators, including the current tight labor market, cost-of-living and wage-increase trend factors, and market comparisons call for continued competitive strategy to keep the City's program aligned with prudent

## CCAC 2007-2008 ANNUAL REPORT

pay practice. This means giving appropriate structure and other salary budget increases on July 1, 2007, along with attraction/retention incentives when dictated by business necessity.

As a citizen advisory committee, we are pleased to be called upon to help guide the City's compensation practice. We look forward to reviewing this report with the Mayor and the City Council, and we will be glad to answer any questions or discuss any needed follow-up.

Cori-Dawn Petersen, Chair

Allen Miller, Vice Chair

Bob Baty

John Campbell

Lourdes Cooke

Diane Wood

Larene Wyss

## **CCAC AMENDED COMPENSATION PHILOSOPHY**

### **October 3, 2006**

In its regular meeting held on June 19, 2006 the Citizens Compensation Advisory Committee resolved to review and amend as appropriate the compensation philosophy statement set forth when the Committee was first formed in 1992. Although the philosophy statement had been revisited on occasion since its initial formation, perhaps as many as eight years had passed since any thorough review.

Accordingly, the Committee formed a sub-committee to examine the philosophy statement's suitability in terms of the current environment, draft any necessary amendments, and report back to the whole committee for further review and finalization before submission to the Mayor and City Council. As orientation, the attached document, entitled "Direction Provided by the Citizens Compensation Advisory Committee," contained the initial philosophy statement and recapped developments since the Committee's formation.

Below is the final amended statement, which was adopted by the whole Committee in its quarterly meeting on September 27, 2006. The Committee believes that revisions made the statement more appropriate for the City's various represented, non-represented and appointed employee groups, removed unnecessary detail, and that eliminated clauses that hindered flexibility or were no longer applicable.

*We believe that paying employees fairly is essential to achieving the City's goals. With this in mind, we recommend the City adopt the following pay philosophies:*

- 1. Establish and maintain a total compensation plan including pay and benefits, which is appropriately competitive with the defined marketplace for represented, non-represented and appointed groups.*
- 2. Strive for a balance between internal equity and external competitiveness, so that positions are paid fairly with respect to comparable positions in the defined marketplace, as well as with regard to other City positions.*
- 3. Review the City's total compensation practices at least annually, or more frequently if necessary to enable the above.*
- 4. Administer pay programs with consistency and in conformance with legal requirements.*

**DIRECTION PROVIDED BY  
THE CITIZENS  
COMPENSATION ADVISORY  
COMMITTEE**

**Overview 1992 to 2006**

**INTRODUCTION**

The City's seven-member Citizens Compensation Advisory Committee (CCAC) is now in its 14<sup>th</sup> year. With four new members—and to lend perspective for charting the course ahead—the following is a look back at ground the Committee has covered to date.

**COMMITTEE'S COMPENSATION PHILOSOPHY**

The CCAC was established by ordinance in 1992 to: "make recommendations regarding the compensation of the city's elected officials and employees." At the onset, the Committee formed the following compensation philosophy:

*We believe that paying employees fairly is essential to achieving the City's goals. With this in mind, we recommend the City adopt the following pay philosophies:*

- 1) *Provide a competitive pay program to employees by:*
  - a) *Establishing a total compensation plan including pay and benefits, consistent with the defined marketplace.*
  - b) *Establishing and maintaining an appropriate relationship between*

*base pay and benefits, emphasizing a policy line reflective of 95% of market for base pay when benefits are 5% better than current benefit market values.*

- c) *Tying in-grade progression rates to a general market practice of acceleration to midpoint (market) and deceleration thereafter.*
- 2) *Strive for a balance between internal and external equity, so that positions are paid fairly with respect to comparable positions in the defined marketplace, as well as with regard to other City positions.*
- 3) *Review the City's pay structures at least annually, or more frequently if necessary to enable the above.*
- 4) *Recognize that the City's fiscal ability will depend, in large measure, on efficiencies and process improvements rendered by employees on a City-wide basis.*
- 5) *Administer pay programs with consistency and in conformance with legal requirements.*

Initially, the "defined marketplace" was determined to include both local and national agencies.

The Mayor and City Council agreed with the proposed direction. For the most part, it has remained the basic framework for the City's salary decisions.

## DURING THE COMMITTEE'S TENURE

Over the years, several strategic issues arose that caused the Committee to propose amendments in philosophy. For example, in 1998—after study questioned earlier findings that the City's benefits-package was "5% better" than those of other comparable agencies—the Committee recommended that salary decisions be guided by market average rather than 95 percent of market average. A resulting five percent increase made over a two-year period (in addition to regular increases) significantly impacted the City's entire professional employee population.

On the heels of the adjustment came the Committee recommendation to change the identified market for most employees. This was based on review showing that nearly 96 percent of City personnel were recruited locally.

In combination, these two changes caused SLCC salaries to substantially overshoot the new identified market. In 2002, to clarify proposed philosophy on how the City should be positioned relative to such market, the Committee advised the City to aim only for market alignment and avoid any deliberate decision to pay higher than market average salaries.

The Committee now needed to recommend a correction strategy. Should it freeze wage increases or use a less precipitous approach? To avoid harmful impact on employee morale and productivity, it proposed continued-but-conservative general increases to gradually bring salaries back in line.

Following are some of the notable developments occurring during the CCAC's tenure:

Completed a major overhaul of the professional employee pay plan, to concentrate base salaries closer to market average, including decisions to:

- Replace steps with ranges, to increase flexibility, mitigate ratcheted salary increases based more on longevity than merit
  - Reduce the number of pay grades to simplify system and moderate impact of imperfect position ranking methods
  - Eliminate overtime premiums for exempt employees
  - Discontinue practice of computing overtime premiums on the basis of time paid instead of actual time worked
  - Separate exempt and non-exempt pay schedules, to enable movement at the different rates normally suggested by market
  - Introduce the concept of *conditional* salary payments not added to base, to mitigate the cost-compounding effect of base pay additions and to heighten employees' awareness that the City's success in controlling costs and improving processes can directly affect compensation
- After study showed employee resistance and other potential problems, rescinded earlier recommendation for an individual pay-for-performance program for non-executive and non-appointed employees
  - Established separate pay plans for fire and police employees in the *sworn managerial* ranks, based on



- evidence that pay plan designs offering finite, logically sequenced pay brackets work better than open ranges for paramilitary employees
- Increased reliance on commercially established surveys for the purpose of market comparison, to reduce unnecessary expenditure of resources, free staff to engage more productive activity, and enhance timely delivery of budget input data
  - Changed defined market for comparison of elected officials' salaries and benefits, to include only capital cities with a mayor/council form of government and populations of 100,000 to 400,000
  - Due to retention and recruitment concerns, installed separate pay schedule for top three levels of airport leadership. Linked pay structure to major hub airport market for these three levels
  - Designed and implemented "Umbrella Leave" proposal, to reduce absenteeism and accumulated liability related to traditional sick leave hour accumulations
  - Switched from using market average of *midpoints* to market average of *actual salaries* to decide proper placement of positions within salary structure
  - Introduced a separate pay plan for golf employees, to abandon practice of accumulating comp time hours, and to take advantage of the FLSA recreation establishment exemption. (Not yet adopted)
- Installed a retention incentive plan for information technology and certain other employees, to include signing bonuses and bonuses for completion of mission-critical projects. (Plan withdrawn during soft labor market)
  - Provided a working definition of salary compression, to ensure consistency in related salary adjustments
  - Based on survey of identified market, implemented benefits package for City Council members
  - Changed severance benefits policy for executive employees hired on or after January 1, 2000. Resulted in a more conservative benefit than had been provided to existing executives
  - Designed and implemented new pay plan for unclassified (appointed but not executive) employees using broad band approach and relying on executive discretion rather than midpoint control to drive salary decisions
  - Changed from national CPI-U to West Region CPI-U Class B/C Cities for cost-of-living data
  - Installed performance evaluation system, to provide needed formal feedback on a scheduled basis
  - Designed and implemented enhanced salary and benefits package for employees on military leave

The foregoing list is not meant to be exhaustive. Examples of other matters

involving Committee consultation include *Living wage* and *live-in-city* issues, employee subsidized housing, four-day business weeks, bi-lingual skills pay premiums, and exit interview strategy.

In short, for 14 years the CCAC has played a major role in guiding the City's pay practices. Periodically, the Committee has re-examined its philosophies and strategies, but it's been a while. With four new members on board and new challenges ahead, now may be a good time to do so again. If so, hopefully this brief look back at where the Committee has been will help in charting the course ahead.

SALT LAKE CITY CORPORATION

RETENTION INCENTIVE PAY GUIDELINES  
FOR POSITIONS IN INFORMATION TECHNOLOGY (IT)  
AND OTHER MISSION-CRITICAL AREAS

July 1, 1999

## Introduction

SLCC, like many other agencies, has begun to experience difficulty in attracting and retaining personnel in mission-critical areas. Most notable of these areas is Information Technology (IT), although recruiting and retention problems have also surfaced in other technical occupations such as civil engineering, legal, and environmental specialties.

The City acknowledges that compensation is but one part of the employee-retention equation. However, it is clear that cash can be compelling as an employment lure. At the same time, it is also apparent that today's *mission-critical* area may be tomorrow's completed or abandoned project. This is why the conventional wisdom is to provide incentive payments in the form of *supplemental* or *one-time* awards, rather than as additions to base salary.

Reviewed and accepted by SLCC's Citizens Compensation Advisory Committee (CCAC), this plan is patterned after a design developed by the State of Kansas. Modifications were made pursuant to CCAC recommendations, and to conform to the City's specific needs.

## Overview

This plan is intended to guide the City in providing various types of cash incentives to employees with information technology (IT) or other market-sensitive skills. Main features:

- Incentives provided under this plan are recruiting and retention tools—to be used only when necessary to meet the City's critical-skills needs. **They are not employee entitlements.**
- Department heads are responsible for determining who is eligible to receive an incentive under this plan, and payment is subject to the Mayor's approval.
- The City is under no obligation to pay an incentive under this plan to any employee even if he/she is eligible. Only those employees who are assigned to eligible projects or are otherwise designated as having certain requisite skills may receive the incentives.

- The incentives are not added to base salary, but are paid in a lump sum, which is subject to taxes and other deductions.
- Clearance by the City’s Human Resource Management Division (HR) and Mayoral approval must be obtained before an incentive is given under this plan. Each department must carefully document who receives the incentives, and the reasons those individuals are receiving them. Copies of this documentation should be filed with HR, and the information must be available for internal or external audit.
- No employee is eligible for more than one skill-based incentive payment in any given year.
- All incentive payments require the employee to meet a minimum service agreement. This agreement calls for payback if the employee leaves the qualifying position or project prematurely.

Following is a schedule of types and amounts of incentives which may be approved under the plan:

<b>TYPE OF INCENTIVE</b>	<b>AMOUNT</b>
Signing	up to 10% of starting base salary
Recruitment	\$ 500
Mission-Critical Skills	10% of base pay, increased by 1% each year to a maximum of 13%, or until removal from the approved list of critical skills, as determined by the Dept. Head and Director of Human Resources
Skills Acquisition	10% of base pay
Mission-Critical Project	10% of base pay

### **Signing Incentive**

- Purpose:** To enhance recruitment of IT and other employees who have mission-critical skills.
- Eligibility:** Prospective IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading “Incentive-Eligible Skills”—are eligible for the Signing Incentive. Current employees are not eligible for the incentive.
- Amount:** Up to 10 percent of starting base salary.
- Payment Conditions:** Earned as a lump sum during the week of hire with the employing department, and paid on the first paycheck. To receive the incentive, the employee must sign a statement that he/she agrees to pay back the entire amount to the City, including tax

withholdings thereon, if the employee leaves City service or goes to another, non-qualified City position within one year of the initial employment. Payback remittances are owed and payable in full in the form of certified checks or money orders to the City within 30 days of the date the employee terminates from the qualifying position.

- E. **Payment Method:** The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Recruitment Incentive**

- A. **Purpose:** To enhance recruitment of IT and other employees who have mission-critical skills.
- B. **Eligibility:** Any City employee.
- C. **Amount:** \$500.
- D. **Payment Conditions:** Paid as a lump sum to current City employees who successfully recruit IT or other employees in approved, difficult-to-fill jobs which are defined as jobs requiring mission-critical skills, including those identified later in this plan under the sub-heading "Incentive-Eligible Skills." The incentive is awarded to an existing employee whose recruited employee remains in the qualified position for one year. The incentive will only be paid to City employees who are in active employment status at the time the recruited employee attains one year of employment with the City. Payment is the responsibility of the hiring department. **Employees who are responsible for, or who have significant influence on, the hiring process of the recruited employee are not eligible to receive the incentive.**
- E. **Payment Method:** It will be the responsibility of the hiring department to identify, track, notify, and pay the *recruiter* employee even if this employee is with another department before, during, or after the *recruited* employee has successfully completed the year of employment. The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### **Mission-Critical Skills Incentive**

- A. **Purpose:** To enhance retention of IT and other employees who have mission-critical skills.
- B. **Eligibility:** IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading "Incentive-Eligible Skills"—**and** provided those skills are used in the employee's job at least 50% of the time.
- C. **Amount:** Up to 10% of annual base pay initially, with up to a maximum of 13% of annual base pay after the third year.

- D. **Payment Conditions:** May be paid initially to existing IT or other designated employees, or annually at the time of employee evaluation. Paid as a lump sum, the incentive may increase by 1% of base pay each year as long as the skill remains one identified by the City as mission-critical, including those skills identified later in this plan under the sub-heading “Incentive-Eligible Skills,” up to a maximum of 13%. **The incentive may not be carried over to another position within the same year unless the employee is promoted or reassigned to a qualifying position. The employee would be eligible for a Mission-Critical Skills Incentive after one year in the new position.**
- E. **Payment Method:** The City’s IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### Skills Acquisition Incentive

- A. **Purpose:** To enhance retention of IT and other employees who during their employment with the City acquire mission-critical skills.
- B. **Eligibility:** IT and other employees who acquire key skills identified later in this plan under the sub-heading “Incentive-Eligible Skills,” or other mission-critical skills. The incentive may be considered after employee completes training, and demonstrates successful application of those skills on the job. An employee's position description must be revised after demonstration of the acquired skill, to document that the skill is a job requirement and that it comprises at least 50% of the work.
- C. **Amount:** Up to 10% of annual base pay.
- D. **Payment Conditions:** Paid as a lump sum after an employee acquires the skill and demonstrates proficiency in it. (Time period necessary for measurement of demonstrated proficiency may vary.) To receive the incentive, the employee must sign a statement that the employee agrees to pay back one-half of the incentive if the employee does not remain in the qualifying City position for at least one year beyond the time when the incentive was received. Payback remittances are owed and payable in full in the form of certified checks or money orders to the City within 30 days of the termination date with the City. **An employee may not be paid both a Skills-Acquisition Incentive and a Mission-Critical Skills Incentive in the same year.**
- E. **Payment Method:** The City’s IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

### Mission-Critical Project Incentive

- A. **Purpose:** To enhance retention of IT and other employees who have mission-critical skills.
- B. **Eligibility:** IT and other employees who possess the skills identified by the City as mission-critical—including those identified later in this plan under the sub-heading “Incentive Eligible Skills”—who are assigned to specified, pre-approved projects. Employees who participate in a

project eligible for a project incentive and are employed at the time of successful completion of the project, are eligible for a pro-rata share of the incentive for the actual time worked on the project.

- C. **Amount:** Up to 10% of annual base pay.
- D. **Payment Conditions:** Paid to eligible employees who successfully complete pre-defined and approved mission-critical projects. The projects must have specified time frames. Most will be of at least one year's duration, although some projects may be of shorter duration. This incentive is available only to those eligible employees who continue in the incentive-eligible assignment until the time of incentive payment, which occurs upon completion of the project. Department heads must approve projects according to the Approval of Incentive-Eligible Projects contained later in this document, which establishes specific guidelines for obtaining certification of projects for which the Mission-Critical Project Incentive may be paid. A schedule of deliverables must be agreed upon with the employee at the onset of the project (or a major component thereof), and payment cannot be made until all deliverables are met.
- E. **Payment Method:** The City's IMS and payroll accounting sections will determine whether the payment will be included in regular payroll or as a separate check.

## **General Application and Limits**

- No IT employee or other employee in a market-sensitive position is eligible for more than one skill-based incentive in **any** given year. For example, if a new employee receives a Signing Incentive, he/she is ineligible for a Mission-Critical Skills Incentive in the same year. Likewise, if an employee is paid a full Skills-Acquisition Incentive, he/she is ineligible for a Mission-Critical Skills Incentive in the same year.
- In general, the skills incentives apply to the person and, while the employee may qualify for incentives on the basis of multiple Mission-Critical Skills, awards may not exceed a combined maximum percentage of 13% in any given year.
- Eligible employees may receive skills and projects incentives simultaneously; but again, the yearly limit of 13% can't be exceeded.
- Employees will not be able to receive or retain any of the incentives if they leave City service or accept a position with another City Department, unless they fulfill the time and other specified obligations in the incentive agreement.
- The Mayor may terminate this plan at any time. The Mayor may also revise this plan at any time, with City Council agreement.

## **Procedures, Forms and Documentation**

Incentive payments under this plan must always be subject to payback agreements. There must also be sufficient documentation related to the justification of incentives that can stand up to scrutiny from internal or outside audit. Following are procedures and forms to ensure the necessary

documentation, along with listings of incentive-eligible positions, skills and projects. While most of the content is directed to the IT area, the methods apply to other mission-critical areas as well.

### Approval of Incentive-Eligible Projects

The following guidelines apply in obtaining approval for payment of project incentives to IT or other employees identified as workers in a project critical to achieving the City's strategic goals.

1. A City Department wishing to pay an incentive for a mission-critical project shall submit a project plan to the Mayor for approval, with an informational copy to the Director of Human Resource Management.
2. The project plan shall contain, but not be limited to the following components:
  - A. A project description with a beginning date and estimated ending date, and estimated implementation cost.
  - B. A description of City and/or consulting resources required, including a funding plan that shall be filed with the Management Services Department.
  - C. A staffing plan which identifies by position number, class title, pay rate, and name the person(s) for whom an incentive may be paid.
  - D. Specific deliverables that each employee must meet in order to receive an incentive.
  - E. If applicable, incentives for early completion of the project or incentives for completion of the project under budget. Amount, which can't exceed an additional five percent, will depend on the savings or development advantages realized.
3. The project must be directly related to a mission-critical business function of the department. An example for Management Services would be the year 2000 functional repair project.



Incentive-Eligible Positions

**Information Technology**

COMMUNICATIONS SPECIALIST III  
COMUNICATIONS SPECIALIST II

SR. HELP DESK TECHNICIAN  
HELP DESK TECHNICIAN  
SR. DATA TRAINER

NETWORK ADMINISTRATOR I  
NETWORK ADMINISTRATOR II  
SR. NETWORK ADMINISTRATOR

DATA BASE MANAGER  
SPECIAL PROJECTS MGR  
ACCOUNTS MANAGER  
CHIEF SOFTWARE ENGINEER  
SENIOR SOFTWARE ENGINEER  
SOFTWARE ENGINEER  
MULTI-MEDIA SOFTWARE ENG  
SOFTWARE DEVELOPER  
COMMUNICATION MEDIA COORD

DIRECTOR OF INFORMATION MANAGEMENT SERVICES  
SOFTWARE ENGINEERING MGR  
SYSTEMS MANAGER  
DOCUMENT MGMT PROJECT MGR  
SYSTEM SERVICES MANAGER  
UNIX ADMINISTRATOR

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**Note: This list will be periodically updated by IMS and kept on electronic file in the Division of Human Resource Management.**

**Other**

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

## Incentive-Eligible Skills

Incentive-eligible skills will be those identified as market sensitive (high market demand), and shown to be difficult for the City to attract or retain relative to other job skills. Periodic review of market, turnover and recruiting data will be done to ensure that skills once deemed as incentive-eligible remain so before any incentive is offered or paid.

### **Information Technology**

JAVA SOFTWARE DEVELOPER  
POWERBUILDER SOFTWARE DEVELOPER  
CERTIFIED NETWORK ENGINEER (CNE)  
MICROSOFT CERTIFIED SYSTEMS ENGINEER (MCSE)  
VISUAL BASIC  
INTERNET/INTRANET DEVELOPMENT

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### **Other**

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

## Incentive-Eligible Projects

### **Information Technology**

INTERNET/INTRANET DEVELOPMENT  
POLICE CAD IMPLEMENTATION  
DESKTOP MANAGEMENT  
NETWORK MANAGEMENT

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### **Other**

**AS IDENTIFIED AND APPROVED BY THE MAYOR**

Incentive-Repayment Agreements

**Signing Incentive**

I, the undersigned employee, agree to repay to the City the entire signing incentive of \$ \_\_\_\_\_, including tax withholdings thereon, which is to be paid in the event I leave my qualifying position of \_\_\_\_\_ within one year from \_\_\_\_\_, which is my initial date of employment in the position. I agree to repay said incentive in one lump sum by certified check or money order within 30 days of my termination date.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

**Skills Acquisition Incentive**

I, the undersigned employee, agree to repay to the City one-half of the skills-acquisition incentive of \$ \_\_\_\_\_, which is to be paid in the event I do not remain employed in the qualifying position of \_\_\_\_\_ until \_\_\_\_\_, which is a one-year period after the payment date for the skills-acquisition incentive. I agree to repay said incentive in one lump sum by certified check or money order within 30 days of my termination date.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

## Sample of Skills-Documentation Procedure/Project Plan

- Step 1 - Skills Assessment:** Each manager/supervisor meets with eligible employees and completes a skills assessment form to document skills that the employee possesses. The form shows relevant skills, education related to those skills, and months of experience in using those skills.
- Step 2 - Position Duties:** Each manager/supervisor of employees with incentive-eligible skills reviews and updates the job description of the employees. The position-description review confirms that the skills are used in the performance of the work, and this is appropriately documented on the position-description form. After position descriptions are analyzed, each manager/supervisor meets with the eligible employees to review job duties and to verify and sign off that the descriptions are current and accurate. Senior management also reviews the position descriptions to ensure that job duties meet organizational objectives and guidelines for skill-based incentives.
- Step 3 - Skills Descriptions:** Section heads write a brief description about how market-sensitive/mission-critical skills are used in the organization. Candidates to receive documented skills incentives are recommended.
- Step 4 - Performance Feedback Sessions:** After documenting skills and job duties, each supervisor/manager provides written performance feedback for each incentive-eligible employee. This documents that eligible employees are performing at, or above expectations. Employees performing below expectations are not considered for incentives.
- Step 5 - Management Oversight:** Senior management staff reviews all written documentation prepared by supervisors. At this point, senior management analyzes organizational priorities and proposed mission-critical projects. Projects are selected and time lines established.
- Step 6 - Funding:** Financial management staff members develop funding mechanisms to implement bonuses.
- Step 7- Formal Proposal:** The result of this work is organized into a formal proposal and presented to the department head and human resources director for review, approval, and implementation.