

SMITHVILLE BOARD OF ALDERMAN

WORK SESSION

January 4, 2022, 6:15 p.m.

City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley, present, called the meeting to order at 6:03 p.m. A quorum of the Board was present via Zoom meeting: Kelly Kobylski, John Chevalier, Dan Hartman, Marv Atkins and Rand Smith. Dan Ulledahl was present via Zoom.

Staff present: Cynthia Wagner, Anna Mitchell, Chief Jason Lockridge, Stephen Larson, Chuck Soules, Jack Hendrix and Linda Drummond. Matt Denton was present via Zoom.

2. Discussion of Classification and Compensation Study

Cynthia noted that over the last several months representatives from McGrath Consulting have been working on a compensation and classification study. Consultants have met with department directors and staff, they have worked on benchmark data and information, and surveyed other communities in our area. Malayna Maes is here to present the executive report that is included in the packet. She will also provide this information to City staff tomorrow. She noted that staff is looking for any comments, questions and feedback the Board has concerning the compensation plan.

Malayna Halvorson Maes, a consultant with McGrath Consulting presented the highlights of the executive report of the Classification and Compensation Study. She explained that what the firm was asked to do was to look at the City of Smithville's comparable organizations for what the competition around us is paying in terms of wages. Then doing an analysis of the city's employee positions so they could create and develop a new compensation system to be more competitive for the city going forward.

About McGrath Consulting

- McGrath Consulting Established in 2000
 - Sept 2012 – McGrath Human Resources Group
 - 400 Clients in 42 States Companywide
- Public Sector Consultants
 - Human Resources
 - Public Safety (Police, Fire, EMS, Dispatch)
- Specializing In
 - Compensation Studies
 - Performance Management
 - Development of Policies and Procedures/Handbooks

Study Objectives

- Guide the City in confirming a pay philosophy.
- Obtain and analyze compensation from the external market.
- Review positions and establish internal equity among City positions. Define and update job classifications and career progression opportunities when supported.
- Complete a compression analysis and develop strategies to address compression.

- Integrate the data from the external market, internal market, and job audit to a tailored classification and compensation system.
- Provide a cost estimate for implementation.
- Complete a benefits analysis.
- Review and recommend compensation policy and procedural changes that will assure consistent implementation and application of the compensation system.
- Update job descriptions [next phase].

Methodology

- Interviews with City Administrator, Assistant City Administrator, Department Directors and Managers.
- Review of data from current Compensation System, current job descriptions, and current policies.
- All positions requested to complete a Position Questionnaire (PQ). At least one (1) PQ was required per position. Follow up meetings offered with employees in varying job classifications.
- Solicited compensation data from 12 public organizations and other businesses (Minimum, Midpoint, Maximum, and Incumbent Salary).
- Reviewed all position adjustments with the City Administrator, Assistant City Administrator, and Department Directors.

Malayna explained that the employee engagement process, where they asked employees to provide them what they do, gave consultants a better understanding and helped them study internal equity on the city's positions. She noted that the model the city currently uses, includes no consideration of how positions might be similar in term but not in wages.

Comparable Organizations

ORGANIZATION
Clay County
Excelsior Springs
Gladstone
Kearney
Liberty
North Kansas City
Parkville
Peculiar
Platte City
Raymore
Riverside
Sugar Creek

Malayna noted that these twelve organizations were selected based on conversation with the city administration and department directors. She said they asked the questions, who are we competing with and who are we losing our human capital to, who has programs and services similar to the city's particular departments.

Market Analysis

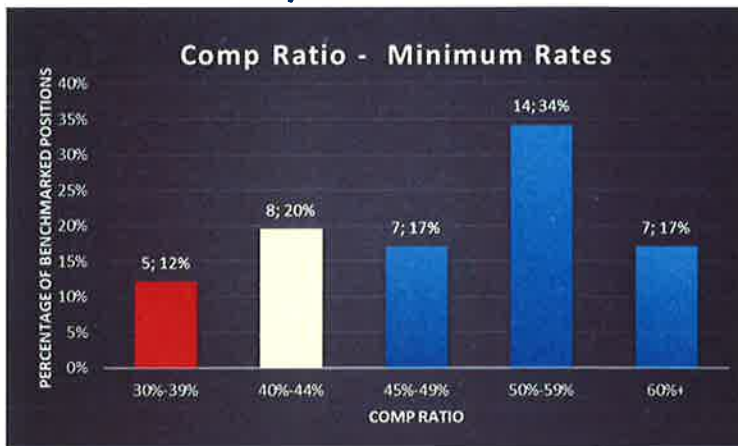
Comp Ratio

- A comparison of the City's Salary Range and/or salaries to the "Market"
- Average Market Rate: 50%
- Acceptable Comp Ratio Range: 40%* - 60%
- Review positions in lower part of range for risk of falling too low in near future

*Current market conditions show 40%-44% is too low in some markets

Malayna explained the comp ratio is Smithville's wages in comparison to the external market. They want the comparable number to be as close to fifty percent as possible because they put it into a ratio which is a percentage. Fifty percent means it is the average market but there is a standard practice that percent plus or minus of the wages is accepted. She added the caveat 2020 and 2021 has made the market a little unusual, now the position with comp ratios in the low forty percent range could be considered competitive, but they call them at risk. They call them at risk because it is very possible that based on the market the positions are not truly competitive anymore.

Minimum Rate Analysis



12% under Market

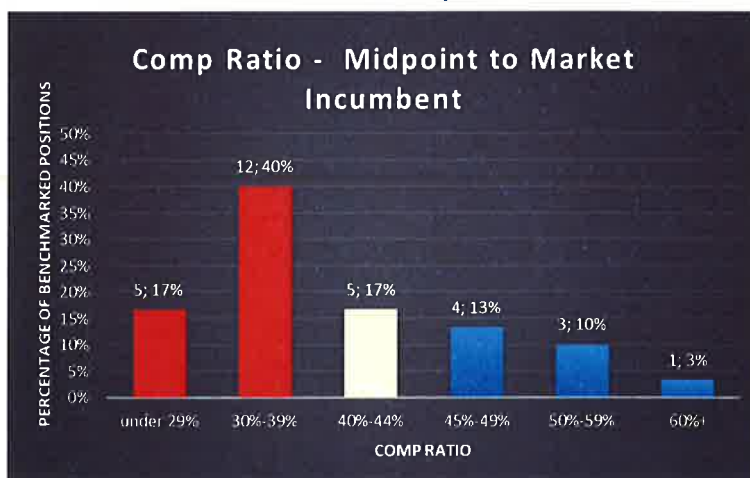
20% at risk to fall under Market

88% aligned with Market

Malayna noted that the minimum rate analysis identified that the city's starting rates of the benchmark positions are aligned to the market.

Midpoint to Average Market

Gives an indication if midpoint is reflective of the external market.



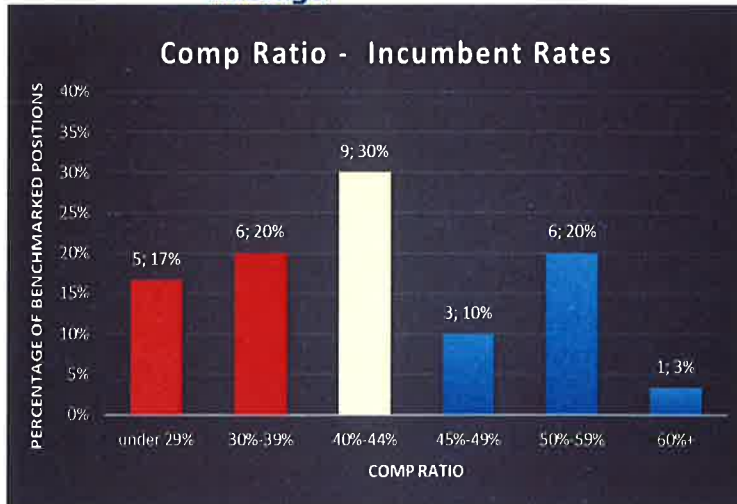
57% under Market

17% at risk to fall under Market

43% aligned with Market

Malayna noted that the city's midpoint wage range is no longer market competitive. She explained that part of the reason is that some comparable city's the pay ranges are all different and the consultants could not tell where exactly the market point is in the salary ranges.

Incumbent to Average Market



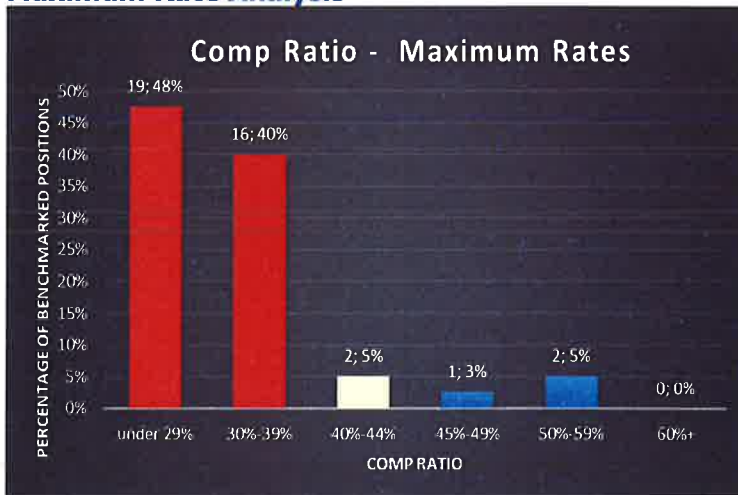
37% under Market

30% at risk to fall under Market

63% aligned with Market

Malayna noted that this graph gives the best picture of the city's wages against the comparable organizations. She explained that based on the city's demographics, it has very senior group of employees and even though the employees have been here for a longer period of time existing salary ranges are preventing employees from earning the wages that are being earned outside of the organization.

Maximum Rate Analysis



88% under Market

5% at risk to fall under Market

13% aligned with Market

Rounding may not result in 100%

Malayna noted that this graph shows the most startling data, the majority 88%, of the city's positions will not earn the same amount as other organizations. This means that 88% of the city's positions will never be able to earn on average what is being earned elsewhere.

Maximum Rate Analysis (continued)



Half of City Maximum Rates are less than market incumbent rates.

Malayna indicated that the blue line in this graph is currently what the city's maximum wages are. The orange line shows what the external comparable for those same positions are paying. She explained that means our employees have to get to the maximum wages before they start earning market competitive wages. She said the city needs to be more competitive in this current market.

Identified Issues

Salary Structure

- 47 pay ranges
- No internal equity
- Current spread varies between 6%-48%
- Midpoint is not the market

Recruitment Trends

- Decrease in national applicant volume by 37%
- National turnover rate in local government currently 21.2%

Compression

- Difference between levels/ranks

Malayna noted that applicants no longer want to work for the public sector because they have a lot of other opportunities. The public sector is now more of a steppingstone for most and the turnover rate for local government is currently at 21% which means one out of every five employees are leaving.

Other Considerations

Geography

- KC Metro Area
- Close proximity to other employment options
- Competitive options

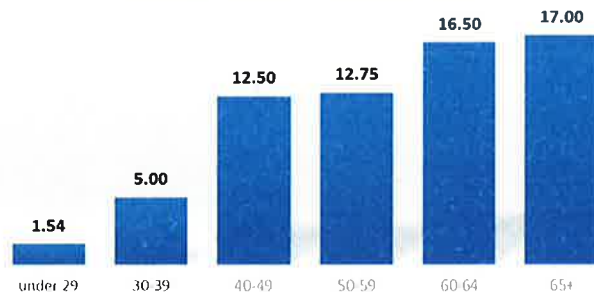
Private Sector

- Minimum Wage pushes non-skilled wages; trickle effect
- Great Resignation of 2021
- Entry level \$2.00-\$4.50 per hour difference
- Experienced skillset \$7.00-\$11.00 per hour difference

Malayna noted that looking at the private sector is often sometimes challenging. Private sector employers do not have to disclose wages like the public sector. They did reach out to multiple employers in this area and either spoke to them or research what entry level pay rates are. They reached out to approximately 27 businesses and analyzed what their entrance rates were. They found that at the entry level, the city is paying anywhere from \$2 to \$4.50 an hour less than public sector employers. For the more technically skilled positions , it is upwards of \$7 to \$11 an hour less. She indicated that public sector employers do not have to pay the same as private sector employers, but they need to be aware of what the market is.

Employee Demographics

Average Years of Service by Age Group
Average Years of Service: 8.75

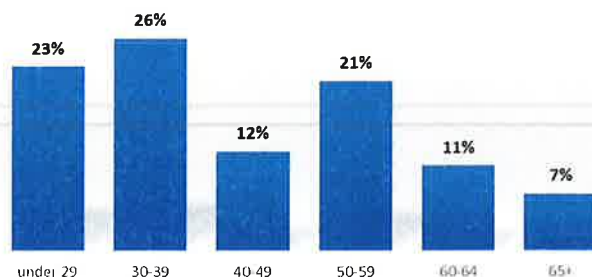


Age groups 60 and over have the longest tenure of the organization and represent 18% of all employees

Even cross section of generations should result in steady turnover due to retirements

49% are mobile generation (under age 40)

Percentage of Employees by Age Group
Average Age: 43



Malayna noted that the city has a number of employees that are in the 40–50-year-old range and we want to keep them. We will want to hold on to those employees because they have the experience and will be the next round of leadership. She explained that 49% of the city's work force is under the age of 40, which is half of the city's workforce. Those are the most mobile and are not afraid to change jobs to make more money elsewhere. She explained that the city will lose individuals due to retirement and are not retaining the younger generation. The city needs to make sure that the compensation system is up to date and market competitive.

Recommended Salary Schedule

Average Market Compensation Philosophy

Range System Structure

- 13 Pay Grades

- Average Market set at 15% into the Range
- 40% Range (Minimum to Maximum)
- Directors (Pay Grade 165) is 50% Range

Malayna noted that based on the market information that she found, and in discussion with city administration they felt that their recommendation to the governing body that they establish the city's compensation philosophy at the average market. She explained that she developed the proposed salary ranges based upon the average market at fifty percent.

2022 Implementation Recommendation

- Positions placed within appropriate Pay Grade.
- Employees placed to the Minimum Rate if under.
- 3% salary adjustments for those in range that did not experience any implementation adjustment or movement to the Minimum Rate was less than 3%.

Merit program in May 2022 should be separate from January implementation

Malayna noted that she would be spending time with employees tomorrow explaining how they placed positions on the salary schedule.

She explained that their standard methodology across the board is that all employees are being treated the same. If an employee is under the minimum rate, then their recommendation is to get them up to the minimum. There are some employee that are already within the wage range of their recommendations and that could be because they have been here for a longer period of time. Because of that they recommend that employees should receive a three-percentage salary adjustment, so once they get into the range then you would adjust them up three percent. She explained that this would be separate from the merit program that is budgeted for this May.

Use and Maintenance of the Salary Schedule

1. Salary Schedule Adjustments
 - Annual adjustments based on predetermined economic indicator (COLA)
 - Allows Schedule to maintain overall competitiveness with the Market
2. Annual Performance Adjustment
 - Annual adjustment with adequate performance
3. Market Adjustment
 - Future documented and verified market trend changes
 - Metrics will assist in identifying

Periodic Review of the External Market (Every 3-5 years)

Placement of Positions – Methodology

Utilization of several factors used to place position:

- External Market
- Internal Comparability
- Position Analysis
- Compression

Classification Changes

- Collapsed Position Levels when there were no distinguishing characteristics of duties.
 - Ranges developed will meet or exceed existing pay ranges for recruitment/retention
- Career Ladders maintained/created when licensing/certifications and distinguishing characteristics of duties warrants the levels
 - New job descriptions will describe these differences

Benefits (future opportunities)**Health Insurance**

2022 changes highly beneficial to the City

- Multiple plan options for employees, inclusive of an HSA option
- Puts City in a better competitive position within the comparable market
- Continue with long term strategizing with broker and employee involvement

Holiday

- Look at impact on altered work schedules (over 8 hours)
- Adding a floating holiday can give employee flexibility for holidays not observed by the City

Vacation

- Additional level of accrual at 16 years of service and above to align closer to the external market
- Vacation policy options to facilitate time off can be analyzed further by Administration

Malayna noted that she shared a lot of information and asked the Board if they had any questions.

Mayor Boley thanked Malayna and noted that he has had the opportunity to serve on the Mid-America Regional Council (MARC) with the Volker Alliance trying to address this problem. He said that it is not just the city's problem, it is a regional and national problem.

Alderman Hartman thanked Malayna for all the information. He noted that since the city is primarily funded on sales tax and, with the current commercial growth, we have had in the city it has allowed us to be in a position to afford these raises. He asked Malayna when they were studying specially the compensation if municipalities take into consideration the compensation and benefit package or if it is usually a separate study?

Malayna said that is the reason they included benefits, so the administration would have an understanding of where they are in the market. There are some total compensation studies that do occur. She explained that the challenge with that is selling it to your applicant. Applicants do not look at it in a total compensation perspective and they have a varying interest. She noted that for some applicants it is the wage, for some the insurance and for others it is the pension that is most important in employment decisions. Malayna explained that they give administration an understanding of where our insurance is in comparison to the other organizations so that staff can look at it from a total compensation perspective and be able to give the Board recommendations.

Cynthia added that not necessarily from a recruitment standpoint but in looking at total compensation, one of the things that we have been doing on an annual basis, is providing employees a statement that shows what they earn and what the city contributes to for them. They can see what their total value is to the city.

Alderman Atkins asked when they do their marketing analysis how they decide the geographical perimeter?

Malayna noted that they use the local geographical area.

Alderman Chevalier asked if Cynthia anticipated any animosity employees might have in the presentation tomorrow?

Cynthia said that she honestly did not know. She noted employees had been notified that this information was posted. She said that there was some discussion concerning it and that benefits, and vacation have been a concern to employees. Cynthia explained that compensation is an ongoing issue. It has been a recruitment and retention issue.

Alderman Smith noted that he read the proposal and thought it was very astute and thorough and believes it is great for the city.

Cynthia noted that information was provided in the packet that included the cost of implementation. She explained that when staff looked at implementation it is related to moving employees to the minimum of the range or the three percent. Then they added in the benefit cost associated with that, so the total cost is just under \$165,000. Stephen Larson, Finance Director has looked at our fund balance and it exceeds the forty percent reserve level the Board set as a policy. Cynthia noted that also included in the memo was if we were to implement the changes as recommended to get everyone so that they are market competitive it would have an affect on the fund balance, but we would not see a significant affect until 2025. With the significant growth we have seen in our sales tax revenue and the increase in commercial development which affects our sales tax and property tax revenue. Cynthia explained that a three percent increase is included in the budget for the merit pool for May. Her recommendation would be to look at this three percent and the three percent merit pool separately. Cynthia recommended to go ahead with the \$165,000 implementation and then staff start looking at the holiday, vacation buy back, vacation changes, things related to the employee handbook. She noted that if the Board gives staff direction this evening, an update to the compensation plan could be brought before the Board for approval at the next meeting or the meeting in February.

Mayor Boley asked the Board if they were all in agreement to the implementation of the \$165,000.

Alderman Atkins asked how long it would take for this amount to be sustainable?

Cynthia said that with the growth that we are seeing it would be part of the budget review.

Alderman Atkins said that he liked the floating holiday.

Mayor Boley said he thought two floating holidays a year. He noted that the gap did bother him some and he would be okay dropping his salary to \$1 to help cover it. He said he position was a volunteer position and he donates his time. Mayor Boley noted that the vacation buy back is important to some employees especially the Police Department, where they cannot take the time off right now. He asked the Board thoughts.

Alderman Hartman said he agreed and noted that the police officers work very hard and have been understaffed. He thinks it is an excellent idea.

Mayor Boley asked for thoughts on lateral moves.

Malayna noted that the other side of their company is public safety, so they work with police agencies all across the United States. It is not just Smithville that is experiencing challenges in recruit and retention with law enforcement agency. She explained that having a lateral program will help expand our pool. There are going to be officers that would like to come work for an agency, but they do not want to start at the entry level. That would open up opportunities and they have provided the administration an outline on how that can look. It will have to be developed before it can be implemented but we have giving them a good structure that staff can start working with.


Mayor Boley noted that some departments have mandatory retirement so we could recruit experienced officers that have retired to come and work for us. He noted another item mentioned was mandatory vacations and is 100% for that.

Cynthia noted that this gives staff good direction. The \$165,000 implementation related to the position range staff can prepare and bring forward for Board approval within the next couple of meetings. Staff will then work through the other items and bring them forward over the coming months. Cynthia said that she appreciated the Board support with this and their support of staff. She also thanked Malayna and McGrath for all their work on this.

3. Adjourn

Alderman Atkins moved to adjourn. Alderman Hartman seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 6:51p.m.


Linda Drummond, City Clerk
Damien Boley, Mayor