CITY OF KEIZER MISSION STATEMENT
KEEP CITY GOVERNMENT COSTS AND SERVICES TO A MINIMUM BY PROVIDING CITY SERVICES TO THE COMMUNITY IN A COORDINATED, EFFICIENT AND LEAST COST FASHION

AGENDA

KEIZER CITY COUNCIL
WORK SESSION

Thursday, September 13, 2007
5:45 p.m.
Robert L. Simon Council Chambers
930 Chemawa Road NE
Keizer, Oregon 97303

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **DISCUSSION**

   a. **City of Keizer Compensation Policy**

4. **ADJOURN**

Upon request, auxiliary aids and/or special services for those with disabilities will be provided. To request services, please contact us at 390-3700 or through Oregon Relay 1-800-735-2900 at least two working days(48 hours) in advance

Memorandum

TO: Mayor and City Councilors

FROM: Christopher C. Eppley, City Manager

DATE: September 5, 2007

SUBJECT: Compensation Policy

History

On May 1, 2004, the City Council voted to revise the City's compensation policy. This was done to reflect the collective bargaining agreement with the KPA that dictates a 1% minimum and 3% maximum COLA in any given year, based on the Portland CPI-W.

The 2004 policy replaced the policy adopted in 2000, which was the version that really changed the way the City views compensation analysis. The 2000 policy solidified the comparators the City will use when conducting salary surveys and identified a minimum amount of time that should lapse between salary surveys.

The 2000 version replaced the compensation policy that was adopted on July 6, 1998 and, which had little or no detail in these regards except to say that the City Manager could initiate salary surveys whenever he/she felt it necessary. One other interesting difference between the 1998 police and the 2000 policy is that the earlier one directed that City classifications should be compared to appropriate public AND ***private*** sector positions for comparability while the 2000 policy sets specific comparators, all of which are public agencies. I have included copies of each of these policies for your review.

Issues staff would like resolved

Other than the main question of whether or not to make changes to the existing compensation policy, staff would like a couple of specific items addressed for conducting and analyzing future salary surveys.

- ✓ **Time frame between salary surveys:** Since 2000, we have been using 3-years as a good benchmark time lapse between salary surveys. This coincidentally matches up well with our collective bargaining contract renewal dates and allows us to go into negotiations with fresh compensation data, which is a solid benefit for management because the party that controls the information always controls the discussion.

- ✓ **Factors to use when analyzing data:** As staff begins to analyze the data provided with a salary survey, there are many different ways to interpret the information. Below are the main points we would like the Council to give definitive direction on for future salary surveys so that these issues do not become controversial in the future:

1. ***Median versus mean:*** One point of discussion that came up this year is whether it is more appropriate to use the median or the mean when comparing data. Staff recommends using the median for a number of reasons. First, it is the benchmark we have used in past salary surveys; second, data based on the median is far less likely to be swayed greatly one way or the other by high or low data points in a small data set whereas the mean is more useful to find a true center value when you have a very large data set; third, the industry standard supports the use of the median in cases like ours.

2. **Salary only versus total compensation:** Another point of discussion that came up this year is whether to base our analysis on salary only versus the value of the total compensation package. Staff recommends studying each of these factors separately and making decisions on them independently of one another.

   This is because salaries can be reviewed across the board as a relatively straight forward apple to apple comparison while benefit packages are extremely diverse and have wildly differing values from agency to agency. For example Agency A and Agency B may offer the exact same medical/dental insurance plan from the same carrier(s) to their employees at the same cost to employees (meaning that this component of the benefit package has the same value to the employee in terms of recruitment and retention) but may cost $1,200/month for family coverage at Agency A and $750/month for family coverage at Agency B meaning that the benefit cost to the Agency is very different while the value to the employee is constant.

   This type of variation in cost of benefits from Agency to Agency makes it very difficult to study comparability using total compensation as the benchmark. It is more useful to study salaries as a stand alone factor and then view benefit packages separately in terms of the components offered within a package between Agencies as opposed to the cost of each of the components within the individual packages.

3. **Number of matches required for a good comparison:** How many market matches are required for the data to be considered deep enough to use in our analysis? Staff has no real opinion on this matter except that in some cases, our position classes are broader than many of our comparators since we have intentionally kept our staffing levels low, therefore, it can be difficult to obtain a large number of matches in our market. What procedure should be used when the minimum number of matches is not able to be obtained for a particular position?

4. **Retroactivity:** When a salary survey is conducted and it takes longer than the beginning of a new fiscal year to complete and adopt, should results be applied retroactively to the beginning of the first fiscal

year that occurs after the survey was initiated? This has been past practice and staff would like to have this point clarified for future application.

SECTION:	SALARY AND PAY ADMINISTRATION	
TOPIC:	Compensation Policy	Revised Effective Date: May 1, 2004

I. Policy

It is the policy of the City of Keizer to provide a compensation package, that includes salary and benefits, which is consistent and fair for represented and unrepresented employees (within the constraints of ratified union contracts) and is a wise use of taxpayer funds.

II. Scope - This policy applies to all full-time and part-time employees, except those individuals who are in a collective bargaining unit.

III. Purpose – To provide uniform and objective procedures for the compensation administration within the City of Keizer and to provide City employees with competitive and equitable wages.

IV. Responsibility

The City Manager is responsible for this policy as it relates to the overall financial integrity of the City. The administration of this policy is the responsibility of the Human Resources Director, including annual salary matrix adjustments.

V. General Provisions

A. Salary Matrix

The City Council recognizes that fluctuations in the state's economy will affect the market value of salaries. The salary matrix shall automatically be amended each calendar year in July to reflect these fluctuations by incorporating any increases necessary into the matrix as determined by the CPI-W (Consumer Price Index-W) for the prior year (January-December). Notwithstanding, these CPI increases will be subject to a minimum increase of one percent (1.0%) and a maximum increase of three percent (3.0%). If the Portland CPI-W indicates a reduction, no change will be made to the matrix. The initial salary matrix shall be constructed by using the current minimum wage for Range 1/Step 1 and allowing for three percent (3%) increases between Steps and five percent (5%) increases between Ranges.

All unrepresented employees will be placed within a range and step within the Salary Matrix as determined by the average comparison of a like position in a comprehensive salary survey of corresponding governmental jurisdictions. The initial placement of employees within the Salary Matrix shall be made by the Human Resources Director, as approved by the City Manager.

These comparibles, based on jurisdictions that are within the recruitment basin who are considered viable recruitment competition, and/or which have comparable size, will be:

Albany	McMinnville	Oregon City	Tigard
Lake Oswego	Milwaukie	Salem	Tualatin
Marion County	Newberg	State of Oregon	Woodburn

Salary surveys for all classifications will be performed on a schedule of no less than every three years.

Individual classifications may be surveyed by request of the majority of incumbents within that classification in intervals of no less than twelve (12) months. Individual classifications may also be surveyed at the discretion of the City Manager.

All salary surveys will be conducted by an independent contractor selected by the Council through the RFP process. Surveys will compare position descriptions and duties.

B. Salary Increase

Employees may receive increases in their salary by:

1. A new employee may receive an increase upon successful completion of six continuous months of employment and a successful performance appraisal. If the performance appraisal rating indicates that the employee's performance meets or exceeds expectations, an increase in base pay may be authorized.

   It is the expectation that all new hires will start at Step One of the Salary Matrix. Department Heads have the discretion of starting new hires up to Step Three. The City Manager is authorized to start new hires up to the median range (up to Step 5) of the Salary Matrix for each position. For new employees hired at a salary above the median range (Steps 6 – 10), the City Manager will make a report to the City Council Management Committee.

2. Receiving annual cost of living increases.

3. Receiving annual step increases, based on satisfactory job performance until they reach the maximum step (10)

4. Discretionary merit increases as approved by the City Manager and City Council.

5. Re-class of a position into a higher range within the salary matrix based on the most recent salary survey. Placement of employees within the salary matrix shall be made by the Human Resources Director as approved by the City Manager.

7. *All increases are subject to availability of funds.*

C. Pay Decrease

In a demotion or voluntary move where a job changes to a position that is graded lower than the previously held position, a pay decrease may occur.

D. Promotion

Upon promotion, an employee is eligible for a pay adjustment to at least Step One of the new range. If the employee's pay already exceeds Step One, the employee will be placed at the next step of the new range which results in at least a three percent increase (3.0%). This increase may be delayed or deferred at the City's discretion pending demonstration by the employee of his or her ability to satisfactorily handle the responsibilities of the new position. This period is limited to ninety days.

E. Transfer

When an employee is appointed to a position in a different classification which has the same pay range or to a different position in the same classification, the rate of pay will remain the same.

F. Additional Compensation

Any city employee is eligible to receive a second language differential of two and one-half percent (2.5%) if he or she is required to acquire this skill or if the City Manager determines that the second language is of benefit to the City. Employee must be fluent in the language as determined by the City Manager, based upon a standard and testing program in assistance with local area colleges and/or court approved translators.

EXHIBIT "A "

City of Keizer
Personnel Policies
Policy No. 100.000

SECTION:	Compensation	
TOPIC:	Salary	Effective Date: July 1, 2000

It is the policy of the City of Keizer to provide a compensation package, that includes salary and benefits, which is consistent and fair for represented and unrepresented employees (within the constraints of ratified union contracts) and is a wise use of taxpayer funds.

I. The City Council recognizes that fluctuations in the state's economy will effect the market value of salaries. The salary matrix shall automatically be amended each calendar year in July to reflect these fluctuations by incorporating any increases necessary into the matrix as determined by the CPI-W (Consumer Price Index-w) for the prior year (January-December). If the CPI-W indicates a reduction, no change will be made to the matrix. The initial salary matrix shall be constructed by using the current minimum wage for Range 1/Step 1 and allowing for three percent (3%) increases between Steps and five percent (5%) increases between Ranges.

II. All unrepresented employees will be placed within a range and step within the salary matrix as determined by the average comparison of a like position in a comprehensive salary survey of corresponding governmental jurisdictions. The initial placement of employees within the salary matrix shall be made by the Human Resources Manager as approved by the City Manager and the Personnel Committee.

(A) These comparibles, based on jurisdictions that are within the recruitment basin who are considered viable recruitment competition, and/or which have comparable size, will be:

Albany	Milwaukie	State of Oregon
Lake Oswego	Newberg	Tigard
Marion County	Oregon City	Tualatin
McMinnville	Salem	Woodburn

(B) Salary surveys for all classifications will be performed on a schedule of no less than every three (3) years.

(C) Individual classifications may be surveyed by request of the majority of incumbents within that classification in intervals of no less than twelve (12) months. Individual classifications may also be surveyed at the discretion of the City Manager.

(D) All salary surveys will be conducted by an independent contractor selected by the Council through the RFP process. Surveys will compare position descriptions and duties.

III. **Salaries of all new hires can be authorized by the City Manager up to the median range of the salary matrix for each position. New employees hired at a salary above the median range (Steps 6 – 10), the City Manager will make a report to the City Council Management Committee.**

IV. Employees may receive increases in their salary by;

(A) receiving annual cost of living increases based on 100.000 (I)

(B) receiving annual step increases, based on satisfactory job performance until they reach the maximum step (10).

(C) discretionary merit increases as approved by the City Manager and City Council.

(D) re-class of their position into a higher range within the salary matrix based on the most recent salary survey. The salary recommendations from the initial survey shall be retroactive to January 1, 2000. Based on the initial salary survey, the placement of employees within the salary matrix shall be made by the Human Resources Manager as approved by the City Manager and the Personnel Committee. Placement of employees shall be done based on subsequent surveys in the same manner.

V. All bargaining unit employees salaries will be determined based on the terms of their current contract.

VI. Any city employee (represented and un-represented) is eligible to receive a second language differential of 2.5% if they are required to acquire this skill or if the City Manager determines that the second language is of benefit to the City. Employee must be fluent in the language as determined by the City Manager, based upon a standard and testing program in assistance with local area colleges and/or court approved translators.

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SECTION 4.5. WORKING OUT OF CLASSIFICATION.

Any employee designated by the City as acting in a capacity in a higher position and performing all the duties of the higher position than the employee's regular classification shall receive the pay for that position after ten (10) working days in such assignment for the remainder of the assignment.

SECTION 4.6. MAINTENANCE OF THE CLASSIFICATION PLAN.

4.6.1. The City Manager is responsible for maintaining the classification plan through periodic review. Based on these reviews, recommendations are made to the City Council to establish new classes or to make revisions to current classes.

4.6.2. Department heads are responsible for notifying the City Manager of any regular and ongoing changes in positions. An employee may also request of the department head or City Manager that his/her position be reviewed to determine whether it is properly classified. The City Manager will make the necessary investigation of any such request and any changes in job classification will be documented in written form.

4.6.3. The City Council may abolish an office, position or class in the City and layoff, transfer, demote or reclassify the employee(s) holding affected positions.

ARTICLE 5 - PAY AND COMPENSATION

SECTION 5.1. POLICY.

The policy of the City of Keizer is to recruit and retain the most qualified employees available with due regard to wages paid by similar employers in a comparable labor market, to compensate the employees based upon their duties and responsibilities and to acknowledge those employees who have performed successfully. To this end, the City will develop a pay plan which:

- Compensates employees according to the level of tasks, responsibilities and other relevant job evaluation factors; and

- Provides a system to acknowledge successful performance based upon the evaluation of the employee by the employee's supervisor.

SECTION 5.2. PREPARATION AND ADOPTION OF THE PAY PLAN.

5.2.1. The City Manager will recommend to the City Council for adoption by resolution, a pay plan covering all classes of positions, including the minimum and maximum rates of pay and such intermediate rates as are appropriate (salary ranges).

5.2.2. The salary range assigned to each classification will be established to reflect the differences in the duties and responsibilities between it and other classifications and to take into consideration salary rates and benefits paid by other employers for similar work in relevant public and private employment, the City's financial condition, unusual problems of recruitment and turnover and any other relevant factors.

5.2.3. The City Manager shall advise the City Council concerning a compensation structure that is reasonable. The City Manager may initiate salary and compensation studies at any time.

SECTION 5.3. RATES OF PAY.

~~5.3.1. Salary range: Each employee will be paid at one~~ of the steps of the range prescribed for the classification to which assigned, except as provided for in the resolution adopting the plan.

5.3.2. Entrance salary: Normally an employee will be appointed or reinstated at the first step (step 1) of the range established for the classification. Where economic conditions, unusual employment conditions, availability of applicants or qualifications of the candidate suggest a higher starting rate; the City Manager may approve employment at a higher rate of the appropriate salary range.

5.3.3. Promotion: When an employee is promoted or reclassified to a higher classification, he/she will be paid the minimum rate of the appropriate pay range or at the step within the new range which provides for an increase in salary, whichever is greater.

5.3.4. Demotion: If an employee is voluntarily or involuntarily demoted or reclassified to a class

Jurisdiction	Survey Information	Comparables Used
Albany	No written policy. Compensation is market driven with a review for internal equity. Conducted salary survey in 2006 (LPGI) and used total compensation, including wages, PERS, and health insurance contributions (only what the employer paid). No policy states how often - verbally was told every 5 yrs. Spot survey as necessary - in-house	Use population and labor market to determine comps. Generally compare other cities having approximately the same population (plus and minus 50%) which includes Keizer. 2006 survey also included some larger cities, such as Gresham, Hillsboro, Beaverton, Eugene and Salem. Depending upon the position, they use some counties, states agencies, and special districts.
McMinnville	No written policy. Last survey conducted in 2000 and was implemented over a 3-yr period (fiscal decision). Median used. Currently in the process of a salary survey (LGPI) for exempt employees and other selected positions.	"... not sure which cities will be used (for current survey) in the process" (LGPI determines)
Milwaukie	No written policy. Compensation is market driven with review for internal equity. Review salaries only. Median used. Normally use Milliman Salary Survey ($600/yr)	Look at proximity in location, number of employees population of City and size of general fund. Determined by HR Director
Oregon City	As a result of a 2004 survey, conducted by outside consulting firm, management staff were put on a pay-for-performance compensation. Median Used as determined by City Commission	Comparable cities are selected by using size, complexity, nature and scope of services, economic character, and geography. Comp. cities are Milwaukie, Gladstone, West Linn, Lake Oswego, Gresham, Hood River, McMinnville, Newberg, Wilsonville, Yamhill, Hillsboro, Tigard, Portland Clackamas County, and Yamhill County.
Tualatin	Unwritten policy verbally stated by previous City Manager, is that management salaries will be reviewed every 3 yrs. Which (corresponds with 3-yr bargaining unit agreements). If results are questioned, an outside consultant is used to validate data. Median used.	Comparables were established by a committee of management and labor representatives in 1987 and again validated for the 2000 study. Comps are: Lake Oswego, Tigard, Wilsonville, West Linn, Milwauke, Oregon City and either Sherwood or Forest Grove, depending upon positions.

Keizer Police Department

Memo

To: Mayor Christopher, City Council

From: H. M. Adams Chief of Police

Via: Chris Eppley, City Manager

Date: 9/7/2007

Re: City Salary Survey Policy

Whenever there are substantial salary increases in the public sector the public will always demand to know the reason. The challenge is to create a compensation program that acknowledges the public's need to know and is based on quantifiable measures. The City of Keizer needs a system to ensure appropriate compensation design and organization effectiveness. To ensure appropriate compensation design and organization effectiveness the methodology used should evaluate jobs using the job descriptions for each position. The process should use fundamental factors such as Know-How, Problem Solving and Accountability to establish compensation.

A major goal of the City of Keizer compensation program is to provide compensation which is consistent with the external labor market. In order to attract, retain and motivate a sufficient number of qualified employees. The salary survey currently used is conducted once every three years to provide the primary data for use in establishing salaries, analyzing trends among similar jobs, and for determining the appropriate market position (target). The City of Keizer has set our target at the median salary range for the matching job descriptions of other government agencies within our geographical area. This policy has repeatedly enabled management to successfully negotiate collective bargaining contracts without having budget-crippling salary adjustments.

The collective bargaining agreement between the City and the Keizer Police Association list the following agencies as our comparative labor market: Salem, Marion County, State of Oregon, Tualatin, Woodburn, Albany, Lake Oswego, McMinnville, Newberg, Oregon City and Tigard. In the case of Utility Billing often public utilities are a separate district from the city so our survey should also include these districts when appropriate.

In addition to labor market comparisons we need to focus on internal equity to ensure process equity in the administration of the compensation system for job classifications with similar know-how, problem solving and accountability in accordance with accepted industry standards.

Another important element of our compensation program is to recognize and reward employees for exceptional performance. Our managers are expected to set and achieve challenging performance goals and we are held accountable with consequences for poor performance. A pay for performance system encourages organizational cooperation and collaborative pursuit of City wide goals and objectives.

The Police Department has had past success in recruiting talent and in most cases keeping the talent on board. We are surrounded by numerous larger entities that offer higher pay and regularly recruit members of our staff. In addition to the pressures of keeping our talent we are seeing a decline in the number routinely of talented applicants responding to our recruitments. In the Police Department where we use to routinely have 100 applicants for an opening our last two recruitments have been much smaller. The last recruitment resulted in only 13 applicants.

In recent years the Planning Department and the Finance Department have experienced great difficulty in attracting experienced candidates to fill vacancies. In recent years the Planning Department had to conduct two separate recruitments to fill one position. In some cases the City has been only able to recruit entry level employees and then train them to meet the broader needs of the City.

The City of Keizer management has worked hard to find just the right fit for our various positions. We have staff members that routinely perform a hybrid of job duties. Where other cities may have dedicated specialist for different jobs, we have talent that performs the various skill sets with one employee. One example of this process is the Keizer Police Department's Police Sergeants. Our sergeants perform a blend of duties that include both front line police supervision and mid-level management duties. A Keizer Police Department Police Sergeant's job description is a blend of a Salem Police Department job description of a sergeant and a lieutenant.

Keizer has grown into a medium size city and we have personnel policies that have allowed us to be successful with fewer but talented staffs. I encourage the City Council to continue our policies regarding salary surveys and continue to make decisions based on data and not the emotions of a few uninformed citizens or newspaper editors.