



**Date:** April 17, 2014

**To:** Thomas J. Bonfield, City Manager

**Through:** Wanda S. Page, Deputy City Manager

**From:** Regina Youngblood, Director of Human Resources  
Dawn A. Holmes, Compensation and Classification Manager

**Subject:** FY 2014-15 Compensation and Classification Plan Recommendations

**Executive Summary**

The City of Durham strives to provide fair, equitable and competitive compensation in its efforts to attract, retain, develop and reward our employee workforce as a part of the Well Managed City goal. This agenda item recommends changes to the City of Durham’s Compensation and Classification Plan to include pay grade changes, classification title changes, classification additions, classification deletions and pay structure adjustments in support of this ongoing initiative.

Per provision of the City’s Livable Wage Ordinance #11333, an annual review of the Durham Livable wage is conducted to ensure the City of Durham maintains a livable pay rate that is economically above the current poverty threshold. The Durham Minimum Livable wage recommendation will increase the livable wage rate from \$12.17 to \$12.33 per hour.

The City of Durham’s pay plan structures have been reviewed this year to determine if rate adjustments to the structure control points (minimums, midpoints, maximums) are necessary based on current market indicators. The recommended pay structures adjustments will not immediately affect actual salaries unless an employees’ current salary will fall below the new minimum of the adjusted pay grade. Going forward the City of Durham intends to review pay plan structures annually to reflect the organization’s changing competitive position, economic conditions, and compensation objectives.

**Recommendation**

As a result of the recent market adjustment and reclassification process, the administration recommends the attached classification title and pay grade changes be approved and adopted into the City of Durham’s Compensation and Classification Plan (Attachment 1- FY2014-2015 Classification and Compensation Plan Recommendations). The recommended changes to the Compensation and Classification Plan provide affected employees with a 3.0 percent (3.0%) increase or the new pay grade minimum, whichever amount is greater.

All changes will be effective July 12, 2014 for all affected employees. The July 12, 2014 effective date marks the beginning of the first full pay period in the fiscal year.

Implementation of this recommendation will affect the July 25, 2014 paycheck for employees receiving a salary adjustment resulting from the market adjustment and reclassification process. Classification and pay grade change adjustments will be processed after any approved July 1, 2014 pay-for-performance increases have been implemented.

The administration recommends an increase to the Durham Minimum Livable Wage rate from \$12.17 to \$12.33 per hour with a January 1, 2015 effective date. A 3% pay structure adjustment to the Non-Exempt pay plan is also recommended in order to minimize the amount of compression that will occur from the increasing livable wage rate (Attachment 2 – FY2014-2015 Structure Adjustment Recommendations).

The administration recommends a 2% structure adjustment to the general pay plan Exempt, and Senior Management pay structures in the general pay plan – (Attachment 2 – FY2014-2015 Structure Adjustment Recommendations).

Attachment 2 – FY2014-2015 Structure Adjustment Recommendations illustrates the current pay structures and recommended adjustments to be effective January 1, 2015. Structure adjustments to the control points of the Non-Exempt, Exempt, and Senior Management pay plans are necessary to maintain the City of Durham's market competitiveness and minimize the amount of internal compression.

### **Background**

To maintain the City's market-based pay plan and remain competitive with changing market rates, the Human Resources Department conducted the annual market salary study in November –December of 2013. The study surveyed comparable benchmark municipalities within the Southeast region. The recommended compensation and classification changes are based on data collected through this market survey on comparable jobs, compa ratio computations, and internal equity considerations. Departments were also able to submit requests to study specific classifications and positions. Recommended changes related to the study are included in this agenda item - (Attachment 1- FY2014-2015 Classification and Compensation Plan Recommendations).

The recommendation to adjust the City of Durham's Minimum Livable Wage rate is based on seven and a half percent (7.5%) above the federal poverty rate guidelines for a family of four as established by the United States Department of Health and Human Services (HHS). The poverty threshold guideline for a family of four as of March 2014 is \$23,850. The Durham Minimum Livable Wage rate calculation is as follows:  $(\$23,850 \times 1.075)/2080 = \$12.33$ . The calculation supports the recommendation to increase the City of Durham's livable wage rate and is in alignment with City Ordinance #11333.

The City of Durham has not reviewed its adopted pay structures since they were implemented in 2008. Significant economic downturns and budgetary challenges contributed to the City's inability to allocate resources for structure maintenance. In the six years since the pay structures were adopted, the market cost of labor has steadily increased at an average rate of approximately 1.15% each year, which places the City's pay plan about 6.9% behind the market. The recommendation to adjust the general pay plan structures by 2% will help to restore the City's overall pay philosophy and maintain market competitiveness as it relates to employee attraction, recruitment and retention.

**Issues and Analysis**

The compensation and classification recommendations in this agenda item are based on the data analysis collected from the annual market study, including requested position studies conducted citywide. This comprehensive study represented 166 classifications including benchmarked positions and department-requested position studies.

**Alternatives**

No alternatives recommended.

**Financial Impact**

The total financial impact of the FY2014-15 recommended compensation and classification changes is approximately \$150,983. This total includes the costs associated with market adjustments, reclassifications, Durham Minimum Livable Wage adjustments, and pay structure adjustments.

The total financial impact of market adjustments is \$22,885 (General Fund - \$19,858, Water and Sewer Fund - \$3,027). The financial impact of reclassifications is \$71,289 (General Fund-\$52,263, Water and Sewer Fund-\$12,316, Storm Water Fund- \$4,888, Solid Waste Disposal Fund - \$1,822).

The total financial impact of the FY2014-15 Durham Minimum Livable Wage adjustment is \$15,726. This amount includes \$12,285 ½ year financial cost for full-time employee adjustments and \$3,441 ½ year financial cost for part-time Parks & Recreation employees.

The total financial impact for the FY2014-15 pay structure adjustments is \$41,083. This amount includes ½ year financial costs: (General Fund-\$18,430, Water and Sewer Fund-\$11,019, Storm Water Fund-\$2,799, and Solid Waste Disposal Fund-\$8,835).

**SDBE Summary**

There are no SBDE requirements.

**Attachments**

Attachment 1 - FY2014-2015 Classification and Compensation Plan Recommendations

Attachment 2 - FY2014-2015 Structure Adjustment Recommendations