

## History of Pay System Components and Issues

### I. Late 1970's / early 1980's : standard governmental 5 x 5 system:

Description: how the plan worked	Distribution; employee movement / compression?	# of Performance levels; performance linked to pay?	Things employees liked <i>(at the time or in retrospect)</i>	Criticisms heard from employees:	Management liked <i>(at the time or in retrospect)</i>	Management didn't like
<p>Salary schedule with 5% between grades and 5% between steps. 7 steps (hiring rate + 6 other steps)</p> <p>Two types of increase: - 5% step increase on anniversary date</p> <p>- Annual cost of living increases on July 1 (equal to the amount of the schedule change)</p>	<p>Heavily weighted toward the range maximum. Almost all employees reached range maximum in 6 years</p> <p>No compression (except at top of range)</p>	<p>Two levels: yes and no.</p> <p>Merit was by default: unless employee had major performance or conduct concerns in previous year, step increase was granted. Emphasis in write-ups was on why the merit increase was "denied"</p>	<p>-Regular increases. - Simple and predictable: steps were published for all to see - Amount of cost of living varied with economy; merit /step amount was fixed -Supervisory fairness or favoritism was not usually an issue - In retrospect, perception of "good old days" when salary increases were a good percentage/amount</p>	<p>Salaries "topped out" (reached maximum) fairly quickly.</p> <p>Salaries "frozen" at range maximum fairly quickly</p> <p>No differentiation in pay based on performance: marginal and exemplary employees received the same increase</p>	<p>Easy to administer -by departments: merit by default - by Personnel and Finance: easy to calculate, budget, and implement - little challenge to supervisors, since evaluations and differentiation between employees' performance were not required - evaluations were spread throughout the year, based on anniversary dates</p>	<p>Expensive, with little "bang" for the considerable "buck": - no monetary incentive for improve performance - COLA's were taken for granted; employee whose salaries were "frozen" would say they had not had a salary increase in years when, in fact, they had received regular COLA's - expensive : with high inflation, average annual increases (COLA + step) were 10 % or more each year for employees not at the maximum of their range</p>

## II. Mid to Late 80's: "Performance Based Pay" , incarnations A , B, and C:

The City of Greensboro, at the time NC's second largest city, received considerable publicity for their pay and evaluation system, which was very different from those in place in most NC governmental organizations, including Chapel Hill and the State of N.C. for state and university employees. Greensboro's system had no guaranteed cost of living increases (COLA's), had differential merit increases based on performance and based on the employee's position within the salary range. Greensboro's elected officials touted two points about their pay system:

- it was much more similar to the kinds of pay systems in place in private industry than in the public sector; and
- they attributed the fact that Greensboro had not had a property tax increase in several years to their new pay system, saying that moving away from automatic COLA's and entitlement merits had significantly cut personnel costs.

Several cities in NC undertook studies to revise their pay systems, and the Mayor of Chapel Hill (Joe Nassif) urged the Council to mandate that the Town would implement such a system, and the Council agreed. They said that, after 1983 there would be no more automatic COLA increases and wanted Chapel Hill to adopt Greensboro's plan.

Thus began a two year process where the Town staff worked to implement Performance-Based Pay. Two tasks took considerable time:

- evaluation systems: training supervisors in conducting performance appraisals, developing work standards for all Town positions, or working with employees in developing work plans.
- pay systems: considering which components of Greensboro's system would work well here and which needed revisions.

The Council adopted changes to the Personnel Ordinance to implement Performance-Based Pay in 1983. To help supervisors be ready for their new role in differentiating performance, in the first year all employees received the same pay increase, although performance might have been rated different. In other words, evaluations were for practice, not pay, and no pay increase was tied to the evaluation the first year. The next year Performance-based Pay began in earnest: the first pay increases were granted under the new system October 1, 1984.

For employees and for supervisors alike there was considerable culture shock:

- for the first time, supervisors had to differentiate between performance and to decide how much of a salary increase employees would receive
- employees who previously received virtually automatic increases now received different levels of increases – and some employees whose salaries were above the midpoint received no salary increase at all if their work was rated "At Expected Level". Somewhat offsetting this concern was that the Town implemented a new longevity pay program which granted a flat amount of pay (not built into base pay) based on years of Town service. Theory: longevity pay would recognize service / merit pay would recognize performance.

**A. Performance-based Pay, as first implemented:**

Description: how the plan worked	Distribution; employee movement / compression ?	# of Performance levels; performance linked to pay?	Things employees liked (at the time or in retrospect)	Criticisms heard from employees:	Management liked (at the time or in retrospect)	Management didn't like
<p>Salary schedule still had 5% between grades but had no intervening steps. Schedule divided into 2 parts: below and above the midpoint ("Job Rate"). Theory: move employees quickly to the midpoint: above the midpoint employees had to be rated Above Expected to receive any salary increase.</p> <p>Change to salary schedule no longer resulted in automatic increase:                      - below mid-point: received schedule change <u>plus</u> merit twice a year                      -above midpoint: received only the amount needed to get to new midpoint, <u>plus</u> annual merit if rated "Above"</p>	<p>Distribution started moving back toward mid-point</p> <p>No compression below job rate: new employees' salaries move with 2 to 3 years to mid-point. (Longer term employees tended to see distribution around the midpoint as compression.)</p>	<p>Three levels:</p> <p>(1) Below Expected (no increase 90 days up and out)</p> <p>(2) At Expected Level below the midpoint (development range) increases 2% to 3% twice a year; above midpoint (performance range) no increase</p> <p>(3) Above Expected Level: developmental range 4-5% twice a year; performance range anywhere from 2-10% once a year</p> <p>Longevity plan implemented for the first time</p>	<p>-Large increases for employees rated Above Expected Level</p> <p>- Combining market and merit into one check made for large pay increases at one time</p> <p>- Fast salary movement of new employees : salaries increased every 6 months</p>	<p>There was <u>major</u> dissatisfaction among the employees whose salaries were above the mid-point: the 50% of the employees who were rated At Expected Level received NO salary increase</p> <p>AND, for the first time, increases were shifted away from the beginning of the fiscal year (This was done to save money: increases only had to be funded for 3/4 of the fiscal year)</p>	<p>- Turnover, which had been 20+%, began to decrease (this was also due to the implementation of a new more locally-competitive labor market policy)</p> <p>- Better performance could be rewarded</p> <p>- Everyone was rated for the same time period, so fiscal year could be tracked AND departments did not risk running out of merit money at the end of the year</p>	<p>- Not being able to grant any pay increase to long-term employees who were doing a good but not above expected level job</p> <p>- Too much flexibility on amount of pay increases (for example Above Expected increase was anywhere from 2-10%) departments wanted to have pay amounts fixed by the Town rather than open-ended</p> <p>- Complex system of "points" governed \$ available for merits</p> <p>- Needed more levels than 3 (Below, At, or Above) to distinguish performance</p>

## **B. Performance-based Pay, as revised: the stable years:**

With considerable employee dissatisfaction over the requirement for above expected level rating in order to earn a pay increase above the mid-point (where most employees' salaries were) and concern that the whole concept of performance-based pay was in jeopardy, several revisions were implemented which stayed in place for 6 years:

Key revisions made were:

- employees above mid-point able to receive salary increase with At Expected Level performance
- 5 performance levels (Below, 2 levels of At Expected Level, 2 levels of Above Expected Level)
- the percentage of pay increases were fixed (for example, for employees with salaries that were above the midpoint who were rated as Above Expected / Excellent performance, the set increase was 7%)
- distribution of pay increases and ratings of Above vs. At Expected fixed at 50% cap on Above Expected Level

Although there was dissatisfaction with some parts of the system at the time, employees with 10 or more years of service now (*in 1998*) look back on the system of the mid 1980's through early 1990's as "the good old days".

(see chart on next page)

Description: how the plan worked	Distribution; employee movement / compression ?	# of Performance levels; performance linked to pay?	Things employees liked (at the time or in retrospect)	Criticisms heard from employees at the time:	Management liked (at the time or in retrospect)	Management didn't like
<p>Salary schedule: no steps. Salary range divided into 2 parts:</p> <ul style="list-style-type: none"> <li>- Developmental Range (bottom half) : evaluated every six months. increase amounts 2%/ 3/ 4% / 5% twice a year</li> <li>-Performance Range (top half) evaluated annually. increase amounts 2% / 4% / 7% / 9%</li> <li>Reclassifications and market: employees' salaries adjusted to the same point into the salary range, up through the new midpoint.</li> <li>Longevity pay continued</li> </ul>	<p>Normal curve around the midpoint</p> <p>No compression of new employees' salaries moved within 2 to 3 years to mid-point</p> <p>Once employees reached Performance Range, their salaries did not drop back into Development Range (even if position was reclassified to a higher grade)</p> <p>Longer term employees saw salary compression around the midpoint.</p>	<p><u>Five levels:</u></p> <p>(1) Below Expected</p> <p>At Expected Level</p> <p>(2) Satisfactory</p> <p>(3) Good</p> <p>Above Expected Level:</p> <p>(4) Excellent</p> <p>(5) Outstanding</p> <hr/> <p>\$ granted:</p> <p>Below: no increase regardless of range position</p> <p>Developmental range: 2/3/4/5 % twice a year, + amount of market adjustment</p> <p>Performance range: 2/4/7/9 % annually, + adjustment to new mid-point (% merit capped at range maximum )</p>	<p>- Fast salary movement of new employees : salaries increased every 6 months</p> <p>- Relatively large increases for employees regardless of ratings: employees in the Developmental Range received market annually plus 2 merits; Performance range employees received good increases, especially those rated Above Expected Level</p>	<p>- Distribution of the number of Above Expected Level ratings was fixed at 50% maximum: "why can only 1/2 of us be rated above?" Lake Wobegone effect where "all the children are above average"</p> <p>- Unhappiness with the supervisor's evaluations, especially if the employee was not rated above expected</p> <p>- Some unhappiness with October rather than July implementation of increases (when other jurisdictions' COLA's were granted July 1)</p>	<p>-Stability: same system stayed in place for a number of years</p> <p>- Turnover continued to go down, dropping to 7-8%</p> <p>- System of frequent and good merit increases served as a good recruitment tool</p> <p>- Better performance could be rewarded with larger increases</p> <p>- Everyone rated for the same time period, so fiscal year could be tracked AND departments did not risk running out of merit money at the end of the year</p>	<p>- Fixed distribution of the number of Above Expected Level ratings: "more than 1/2 of my employees are doing excellent work"</p> <p>- Implementing all pay increases at once was a burden for larger departments to conduct all evaluations and discussions in a 6 week period)</p> <p>- Only being able to grant a small pay increase to employees who were at the range maximum (these were frequently the top performers who were at the max due to a series of Above Expected Level ratings)</p>

**C. Performance-based Pay: revised again: the first lean year:**

In the early 1990's several changes hit the Town which affected the pay system:

- The economy was slowing down. Inflation was down, so other employers were not giving as large pay increases as had been typical in the 1980's. An economic recession began.
- Chapel Hill taxpayers were becoming more conservative and voicing dissatisfaction with property tax increases. New and existing Council members alike responded with concern for the tax rate – and salaries and pay, which represented 2/3 of the budget
- Cal Horton, who became Town Manager in 1990, brought a strong interest in communicating fully the details of how systems worked and of the cost or percentage implications of the total pay system.

The combination of these factors (slower times, more full disclosure of details, a more conservative Council that was more inclined to look at the details of systems than they had previously been, Council Members who had not been on the Council that had required Performance-based Pay be adopted, competition of salary dollars with program dollars in the overall no tax increase budget) made the Council more inclined to make system changes.

The result was that the structure of the Performance-based Pay System was kept in place for 1991-92, but the dollars were cut back. The structure of the system was the same as in the mid-1980's as described on page 5, but the percentage of increase was less:

	<i>Development Range</i> (increases October and April)	<i>Performance Range</i> (increase only in October)
Below Expected Level	0	0
Satisfactory	1% (previously 2%)	2%
Good	2% (previously 3%)	3.5% (previously 4%)
Excellent	2.5% (previously 4%)	4.5% (previously 7%)
Outstanding	3% (previously 5%)	5.5% (previously 9%)

Obviously, employees were not pleased with the cuts to the pay system. However at least they were getting some salary increase in a time when not all employers were providing salary increases.

### III. Changing Pay System : responsive to economic conditions and Council concerns – and different every year:

- In 1992-93, the economic recession was in full swing, and the State of NC took some of the revenue previously allocated to cities for itself. Chapel Hill was forced to make up a deficit. Employees received no pay increase in that year. However, there were few complaints from employees: at least they had a job.
- During 1992 and 1993 a group of department heads met frequently to suggest revisions to the pay system. This group, possessing knowledge of employee concerns and foreseeing smaller salary increases in the foreseeable future, recommended some changes in the previous structure. Among them:
  - The group recommended more emphasis be placed on the cost-of-living / market and less on merit in the total allocation. Under the previous system approximately 75% went toward merit and 25% toward market. Department heads recommended that the first priority should be in protecting employees' basic earning power, with the former approximate allocation of resources being reversed.
  - Along with the concern that more of the pot of funds should be allocated to maintaining employee earning power was the guiding principle that good or expected performance should justify an increase.
  - Because the distribution of Above Expected versus At Expected level ratings had been fixed at 50% each, the group believed that the system was serving as a demotivator for a significant group of employees. Although the effort for distinguishing between good and excellent work might have been worth it to the employee and the organization if pay differences were 4% vs. 7%, the group did not believe it was worthwhile if the pay differences between levels would only be 1%. Also, the group believed that, if employees were doing a good, expected job, that level of performance should justify a good level of increase.

So, the group recommended a change in the number of rating levels, from the previous 5 levels to 4 levels. The rating levels settled on were:

Below Expected Level  
Needs Significant Improvement  
Meets / Exceeds Expectations  
Outstanding

- Because there was so little total money to be allocated for increases, the group recommended that all increases be granted annually so that Developmental Range employees could continue to be evaluated every 6 months but no pay increase would be associated with the evaluation.
- The group also recommended that there be some mechanism for granting pay increases to reward employees with salaries at the top of the range, such as a bonus that would not be built into base pay. However, this recommendation was not accepted by the Manager. Other recommendations were adopted.

The information below summarizes the manner in which increases were granted beginning in 1993-94, following adoption of the above principles recommended by the department head group. Except for one year, increases continued to be implemented effective October 1. (In one year increases were effective September 1.)

#### 1993-94:

In response to a Town Council concern that lower paid employees receive a larger share of the allocation for salary increases, market/merit increases *averaging* 3%, but ranging from 3.75% to 2%, were implemented on a sliding scale. These were granted based on the employee's assigned salary grade, with employees in the lowest grade receiving a 3.75% increase, in the next lowest grade 3.65%, and so on. Employees in the highest grade received 2%.

The merit portion of the increase was 1% for Satisfactory, Good, and Excellent (*former labels continued to be used that year*) and Outstanding ratings were 1.5%. Outstanding ratings were limited to 10% of the number of employees rated.

#### 1994-95:

This was the first year in which concerns about salary compression were heard. With several years of salary increases which were only 1% to 2% greater than the amount of the range increase, the distribution of employee salaries began to move downward: where previously there was an approximate normal curve around the range midpoint, now there was a growing cluster of employees with salaries close to the range minimum

In an attempt to deal with some of this salary compression:

- employees with salaries below the mid-point received 0, 3%, 5%, or 6.5%, depending upon their rating.
- employees with salaries above the mid-point received 0, 1.5%, 3%, or 4.5%, depending upon their rating. (*This was 2% less than those employees with salaries below the mid-point*)

Outstanding ratings were limited to 10%, and around 80% of employees were rated Meets/Exceeds Expectations .

#### 1995-96:

Again in 1996, attempts were made to recognize market and merit as well as deal with salary compression:

- employees with salaries below the mid-point received 0, 2%, 5.25%, or 6.5% depending upon their rating.
- employees with salaries above the mid-point received 0, 2%, 3.25%, or 4.5%. Again, for most employees this was 2% less than the increases granted to employees with salaries below the mid-point



## 1996-97

In this year the Council expressed concern that additional salary resources should be directed to lower paid employees. This was implemented in several ways:

- The Manager recommended, and the Council approved, market/merit salary increases of 1.5%, 3.75%, or 5% (with 80% of employees receiving 3.75%)
- To help reduce compression, these increases would be implemented as a percentage of midpoint (so that employees in the lower half of the range received slightly higher percentage increases than those in the upper half)
- In addition to the market/merit increases, an additional 1% salary increase would be granted to any employee making less than \$30,240 (this figure corresponded to 60% of the median family income for a family of 4 in the Research Triangle area). Approximately 60% of the workforce received this increase.

During the budget process the Council also adopted a resolution setting the base salaries for that year and subsequent years: the base salary for full-time employees would be based on the federal poverty wage for a family of 4, indexed for Chapel Hill's cost of living plus \$1000. This resulted in an approximate 10% increase in base wages, a wage which was substantially above the labor market for the lowest paid jobs. The result was increased ability to recruit employees for lower paid positions, but also resulted in more compression of salaries for employees in the lowest grades.

## 1997-98:

Employees and management both began to talk more about dealing with salary compression and with finding ways to recognize long-term employees. That year:

- The Manager recommended (and Council approved) market/merit salary increases of 1.5%, 3.5%, or 4.5% (with 80% of employees receiving the average 3.5%)
- As in 1996-97, to help reduce compression, these increases would be implemented as a percentage of midpoint (so that employees in the lower half of the range received slightly higher percentage increases than those in the upper half).
- In further attempts to deal with compression, any employee with 2 years of service or more and whose salary was not at the 10% point in the range had his/her salary increased to 10% over the hiring rate of that range. This affected almost 30% of the workforce, mostly in the lower grades (These employees had been impacted by the higher base salaries that had been adopted the year before.)
- Two benefits changes were implemented which affected long-term employees: graduated vacation based on service, and additions to longevity pay amounts

### **1998-99:**

Employees and management both continued to talk about salary compression, and for ways to make the complex systems simple: Changes adopted were:

- Following the formula adopted by the Council to set base salaries, salaries in the first grades increased 9.5%.
- The Manager recommended, and Council approved, market/merit salary increases of 2%, 4.75%, or 5.75% (with 80% of employees receiving the average 4.75%). Although the Manager recommended the practice followed in the two prior fiscal years of implementing these increases as a percentage of midpoint, the Council decided to make these increases a percentage of salary ( to recognize longer-term employees).
- As in 1997-98, in attempts to deal with compression, any employee with 2 years of service or more and whose salary was not at the 10% point in the range had his/her salary increased to 10% over the hiring rate of that range. This affected almost 20% of the workforce, mostly in the lower grades (impacted by the higher base salaries necessitated by the Council's base pay resolution.)

The Council also adopted compensation for employees on-call after hours to respond to emergencies.

### **Concerns heard from various groups during these most recent years:**

- 10% cap on Outstanding ratings set by the Council and Manager was too low; more employees should be able to be rated Outstanding
- complexity of system: so many different things going on that system was difficult for employees, management, and Council to understand
- system changed every year, adding to concerns about complexity
- funding level changes every year – all pay increases have to be re-defended every year – system isn't stable or predictable
- inadequate funding to provide movement of employee salaries through the range: increases only 1% or so more than the ranges moved, so employees creep to the top of the range. At current rates it would take employees 15 or more years to go from minimum to maximum
- compression
- grumbling by longer term and middle range employees about over-emphasis on lower paid employees
- some supervisors and employees say that the Meets/ Exceeds category was too wide: represents everything from barely meeting expectations up through those who would have been Outstanding but for the 10% cap)
- supervisory evaluations in some departments were said to be unfair
- increases that were approved by the Council in July were not implemented until October. Some employees believed "you kept my money for 3 months".

**BUDGET WORKING PAPER**

TO: W. Calvin Horton, Town Manager

FROM: Patricia W. Thomas, Personnel Director

SUBJECT: Compensation Increases Recommended for Fiscal Year 2000-2001

DATE: May 3, 2000

**OVERVIEW**

The purpose of this report is to present information on compensation changes recommended for Town employees in Fiscal Year 2000-2001. Employee compensation increases recommended for fiscal year 2000-2001 would implement the second phase of the pay system review which began in 1998:

- *Phase I –implemented November 1, 1999:* The Council directed that a review be conducted of the way in which pay increases were granted. A consultant worked closely with the Council and with employees during 1998 and 1999 in developing recommendations for a simpler and more predictable system for granting pay increases and communicating the process to employees.

With adoption of the FY 1999-2000 budget the Council adopted a new pay structure and approved funds to implement the first phase of the pay system review. On the November 1, 1999 implementation date, employees received salary increases to place their salaries onto a salary step, and many employees received additional step increases to reduce salary compression.

- *Phase 2 – included in the Manager's Recommended Budget to be implemented October 1, 2000:* In 1999 the Council authorized funds for a consultant to conduct a labor market study and a Townwide review of the classification and salary grade structure of positions. This study was conducted during fiscal year 2000-2001, and the consultant has made recommendations for changes in classifications and pay ranges.

We believe that the priority for employee pay increases this year should be to implement the results of this classification and pay review. Changes are recommended to be implemented October 1, 2000 and include the following:

- The proposed October 1, 2000, salary schedule would be similar to the schedule currently used but would reflect simplifications to the existing structure. Current schedule components such as hiring rates, probationary steps, intermediate pay steps, and the Job Rate would be maintained, but the schedule would be revised so that compression in the

lowest grades would be lessened. The structure of the new schedule would be the same from the lowest grade to the highest grade, instead of compressed in the lower 5 grades.

- A new Position Classification and Pay Ordinance with new titles and salary grades will be recommended to be implemented October 1, 2000. For example, the title of Clerk positions at grade 12 would be changed to Office Assistant in a new grade 27. (Grade 11 is the current lowest grade; 25 is the lowest recommended grade in the new structure \*). The recommended assignment of classes to grades and ranges for all Town positions is included as Attachment D.
- Employee pay increases for 2000-2001 will vary based on the employee's place in the recommended new salary range:

*For 495 (85%) of employees below the new Job Rate:* With acceptable performance, employees with salaries below the new Job Rate would be put onto a step in the new and more competitive salary range (hiring rate, probationary step, or steps 1,2,3, or Job Rate). If they have completed probation, employees would receive an additional step in the new range so that salaries would continue to be distributed through the new range and, with a few exceptions, would not be compressed with the salaries of new employees.

*For 85 (15%) of employees with salaries at or above the new Job Rate:* If performance is acceptable, an average increase of 4.5% is proposed for employees with salaries above the Job Rate of their recommended new range. Following the policies adopted in the 1999 review of the Town's pay system, the amount of the increase will vary based on the employee's performance, and performance will be evaluated at one of five performance levels.

The average for all employees of these increases would be 6.5%. Costs for these increases and related benefits, implemented on October 1, 2000, are anticipated to be \$1,088,000 in all funds; a full year's costs would have been \$1,450,700:

\$789,000	(\$1,052,000 full year's cost)	General Fund
\$242,000	(\$322,700 full year's cost)	Transportation Fund
\$ 42,000	(\$56,000 full year's cost)	Housing Fund
\$ 15,000	(\$20,000 full year's cost)	Parking Fund

We believe that adoption of the recommended Classification and Pay Plan changes, adoption of the new and simplified salary schedule and providing employee pay increases which implement the Pay Plan are all important for several reasons:

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\* Because the recommended new salary schedule was so different in its structure from the the current schedule, the consultant recommended that the current schedule be renumbered. The result is that all employees' positions would be assigned to a new grade. Grade 25 was selected as the number that would designate the lowest salary in the new salary structure.

- Recruitment: establishing hiring rates and salary ranges that are up to date and are more competitive in the Research Triangle area labor market
- Retention: providing our employees with career advancement and salary increases that are competitive with those being granted by other employers
- Commitment: continuing the implementation of the simplified and restructured pay system and completing the pay system review process that was begun in 1998.

Information that follows in this report summarizes the Town's structure for granting employee pay increases, summarizes the classification and pay study conducted during this year, and makes recommendations for pay increases to implement the classification results.

### **BRIEF SUMMARY OF CHANGES TO TOWN PAY STRUCTURE IN RECENT FISCAL YEARS**

#### **Prior to 1998:**

Employee salary increases were approved as a part of the budget in all years since 1991-92. These increases were implemented as a combination of merit and market increases; however, the amounts and average percentage varied from year to year based on labor market conditions and on the Town's budget status and financial ability to pay. Varying and different objectives were addressed each year through different mechanisms and personnel policies: although each individual component addressed a positive objective, such as paying a livable wage, the frequent changes and lack of consistency from year to year led to confusion and mistrust of the system.

#### **In 1998 – 1999:**

The Mayor and Council contracted with a consultant to work with them and with the staff to revise the Town's structure for granting pay increases. Four Council work sessions were held during the time the pay structure study was being conducted; the new pay system was also the subject of several budget work sessions. Many employees participated in the pay structure study through a variety of information meetings, focus groups and written surveys.

The Council adopted a new pay system with the 1999-2000 budget. The system addressed the objectives the Council had specified, which initiated the development of a pay system that:

- is simpler
- provides for career advancement

- rewards long-term employees
- addresses and reduces salary compression (salary compression exists where new employees have salaries close to those of long-term workers)
- maintains competitiveness with the area labor market, with a goal of competing at the 75<sup>th</sup> percentile of the Research Triangle area market
- rewards good performance
- is affordable – at implementation and in future years

The new pay structure which was implemented November 1, 1999 included:

- Salary steps (defined pay rates at regular intervals) which provide a mechanism for employees' salaries to advance in a manner that is predictable and is easier to communicate. (See Attachment A for the salary schedule and pay structure that was effective 11/1/99.)
- Reducing compression problems by moving the salaries of employees with 5 years of service to the range mid-point and by moving the salaries of other employees with lesser service to lower steps in the schedule. These compression adjustments were implemented for 332 of 580 non-probationary employees (57% of the Town workforce.) In subsequent fiscal years, employees' salaries would be adjusted to the next highest step in the salary range until their salaries reached the Job Rate.
- Performance-based increases were established: once employees' salaries reach the mid-point, employees would receive pay increases which would vary based on performance. Each year the Council would consider and approve an average percent of merit increase to be granted to employees above the mid-point. In 1999 an average 4.75% average increase was granted, effective November 1, 1999, to 248 (42%) employees.

The average of all salary increases (compression adjustments or merit increases) for Fiscal Year 1999-2000 was 5.7%, costing \$632,000 in the General Fund -- \$839,000 all funds.

These changes in pay structure and pay increases were the first phase of a two-phase plan. The second phase involved reviewing Town jobs in relation to the labor market and setting Town salary ranges at to the 75<sup>th</sup> percentile of the market.

#### **During 1999-2000:**

Every four to five years the Town routinely conducts classification and labor market reviews of all 620 regular positions. With the 1999-2000 budget, the Council approved funds for a consultant to conduct a review of the Town's pay ranges in comparison to comparable jobs in the Research Triangle area. Several consultants responded to the Town's requests for proposal, and Condrey and Associates of Athens, Georgia, was selected to conduct the Town's classification and pay review during 1999-2000.

Dr. Condrey and his staff began work in June and collected extensive information from employees and supervisors about the duties and responsibilities of Town positions:

- Employees completed job questionnaires and the consultants conducted approximately 300 individual and group interviews with employees and supervisors about job tasks. This part of the study was done so that the consultants could assess and rank the relative level of duties and responsibilities of positions in similar occupational groups.
- In 1999 the Council adopted a resolution to set a policy on the Town's competitive position within the area labor market. The resolution said that "the approximate third quartile of market data shall be used to determine local market comparability for Town positions." The goal of paying salaries at the 75<sup>th</sup> percentile rather than the median or average rate was to allow the Town to be more successful in recruiting and retaining employees in the competitive Research Triangle Area labor market. (See Attachment B for a full text of this resolution.)

The consultants collected salary data about hiring rates and salaries actually paid from 40 employers – 16 Research Triangle area local market and private employers and 24 NC and Southern regional employers. They made recommendations for the Town's Fiscal Year 2000-2001 pay plan using this data and setting salaries at the 75<sup>th</sup> percentile of the local market.

- The consultants suggested changes in titles for many jobs based on the updated assessment of job tasks, and wrote 175 new descriptions summarizing each different type of position, including recruitment standards. Employees had the opportunity to review the descriptions and to suggest changes before the descriptions are finalized.
- As explained later in this report, the consultant has developed recommendations on a title and a competitive salary range for each position, and a new and simpler salary schedule structure. Employees have had the opportunity to review the recommendations and some have requested that the consultant provide additional information on the basis for their classification. The Manager will consider employee classification appeals of classification and pay recommendations before the final plan is recommended to the Council.

As a part of study the consultant also recommended a salary rate for each employee within the newly assigned salary range for each employee. Employee pay increases on October 1, 2000, would implement the classification and pay study recommendations, including transition to the 75<sup>th</sup> percentile of the local market.

### **In 2000-2001 and beyond:**

Implementation of the classification and pay recommendations and adoption of the new salary schedule will complete the salary structure and labor market review process. Future labor

market studies would collect data at the 75<sup>th</sup> percentile, so that the Town would remain competitive with the local labor market.

### **DISCUSSION OF SPECIFIC RECOMMENDATIONS FOR CHANGES FOLLOWING CLASSIFICATION AND PAY STUDY**

This year's budget recommends changes in the classification and pay structure in several areas discussed below:

- Changes to the salary schedule structure
- Changes in the titles and ranking of positions based on duties and responsibilities of those positions
- Assignment of positions to salary grades and ranges based on a policy of paying wages competitive at the 75<sup>th</sup> percentile of the local market
- Employee salary increases for fiscal year 2000-2001 which implement the classification and pay study

#### **(1) Recommended Changes to the Salary Schedule Structure:**

The proposed October 1, 2000, salary schedule would be similar to the schedule currently used but would reflect simplifications to the structure. Current schedule components such as hiring rates, probationary steps, intermediate pay steps, and the Job Rate would be maintained, but the schedule would be revised so that compression in the lowest grades would be lessened. The structure of the new schedule would be the same from the bottom to the top of the scale, instead of compressed at the bottom.

The following compares components of the current and the recommended salary schedules:

	Current schedule (see Attachment A)	Recommended 10/1/00 schedule (see Attachment C)
Lowest hiring rate	\$19,958 (grade 11)	\$19,961 (grade 25)
# of grades	27 grades ( <i>grades 11-37</i> )	29 grades ( <i>grades 25-53</i> )
% difference - hiring rate to maximum rate	Grade 11: 24.7% Grade 12: 29.8% Grade 13: 34.9% Grade 14: 38.4% Grade 15: 42.2% Grade 16: 43.8% Grade 17 and above: 45.9%	All grades are 50% from hiring rate to maximum, so all employees have equal career advancement potential <i>(see Attachment E for information on the width of ranges of Triangle area employers)</i>



% difference between grades	Between grade 11 and 12: 0.8% Between grade 12 and 13: 1% Between grade 13 and 14: 2.4% Between grade 14 and 15: 2.2% Between grade 15 and 16: 3.8% Between grade 16 and 17: 3.3% Between grade 17 and 18: 5% All other grades are 5% apart	All grades are 5% apart, providing consistent financial incentive for promotion to positions of higher responsibility
Number of steps (including probationary step and Job Rate)	Grade 11: 3 steps Grade 12: 4 steps Grade 13 and above: 5 steps	All grades have 5 steps: the probationary step, step 1,2,3, and Job Rate, so all the career advancement of all employees through the range is the same

We believe that implementation of the recommended new salary schedule will put in place a pay structure that is simpler and reflects consistent treatment of employees regardless of whether their job is assigned to a lower or a higher salary grade.

## **(2) Changes in the Titles and Ranking of Positions Based on Duties and Responsibilities of those Positions.**

One of the key components of the classification and pay study was a review of duties and responsibilities of Town positions, and the development of rankings of positions, from lower to higher, based on an assessment of assignments. The consultants conducted approximately 300 interviews with employees and reviewed questionnaires completed by employees about their jobs. Positions were evaluated in terms of a variety of factors such as:

- knowledge required
- complexity
- responsibility
- public contact responsibilities
- supervisory and management responsibilities
- supervisory controls and guidelines
- work environment and hazards
- physical effort required
- scope of responsibilities

The consultants used these factors and the knowledge of Town positions gained through interviews and position questionnaires to develop rankings of related positions within occupational groups. They also recommended changing the titles of some positions.

The following examples demonstrate some of the kinds of recommendations made as the consultants recommended salary grades for Town positions:

- 5 levels of Construction Workers in Public Works formerly were classified within 7 grades, with a difference of 14.5% between the hiring rates for the 5 levels; with the new study some specialty Construction Worker titles are recommended, such as Lead Construction Worker and Streets Maintenance Worker, and the levels of Construction Worker are recommended to be assigned within 9 salary grades with a difference of 47% in the entry rates. The recommendations reflect a greater level of responsibility of the higher level positions and more differentiation between jobs in this category than currently recognized. The difference in entry rates also reflects the uncompressed lower grades, which used to be much closer together in the old salary schedule.
- Police Officer I, II, III, and IV are recommended to retain the same relationship as in the current classification and pay plan, with 5% between each of the grades. Current Police Officer I-IV are classified in grades 21, 22, 23, and 24; the consultants recommended grades 32, 33, 34, and 35.\*

Police Officer positions retain the same relative relationship with Fire Suppression jobs as current, but Firefighter II positions are recommended to be retitled Master Firefighter.

- The position in the Personnel Department working with payroll and benefits was originally classified equivalent to the lower level payroll position in the Finance Department, and the higher level Finance position was 4 grades higher than the Personnel Department position; the consultant has recommended that the Personnel Department position be classified halfway between the two Finance positions.

The consultant has also recommended that all positions in the Personnel Department be renamed “Human Resources”, reflecting the terminology more often in use for this function.

The consultant also wrote over 175 new “class specifications” which summarize the duties, responsibilities, knowledges, skills, abilities, and suggested minimum qualifications for every separate title. A sample of these descriptions is included as Appendix A-1 in the consultant’s report. Employees had the opportunity to review the description covering their position before these descriptions were finalized.

Employees also had the opportunity to review the consultant’s recommendation on the appropriate title and recommended salary range for their position. Some have requested additional information on the consultant’s justification for the recommendation, and, as in past years, a few employees may appeal these recommendations to the Town Manager. Appeals will be heard and the final Ordinance Establishing a Position Classification and Pay Plan will be presented to the Council for adoption in June.

A draft of the Classification and Pay Plan recommendations is included in this report as Attachment D.

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\* Note that the salary grades have been renumbered. For example, the salaries in the Town’s current grade 20 are approximately equal to the salaries in the recommended grade 31.

### **(3) Assignment of Positions to Salary Grades and Ranges Based on a Policy of Paying Wages Competitive at the 75<sup>th</sup> percentile of the Local Market**

A review of classification and pay plans has two chief components: analysis of duties and responsibilities to develop internal rankings of positions, discussed in #2 above, and a review of the labor market to determine competitive salaries. Two steps are involved in the labor market process:

- surveys to collect data, and
- analysis of data received and application of market data to Town positions.

#### *Salary survey:*

In the fall of 1999 Condrey and Associates conducted an extensive salary survey in order to make salary range recommendations, collecting data from more than 40 organizations. Information on hiring rates and on salaries actually paid was collected on benchmark or representative positions as well as some specialized positions. They also utilized private sector data from a survey of 446 Central and Eastern North Carolina private sector organizations collected by Capital Associated Industries. (The list of organizations surveyed is included in Dr. Condrey's report as Appendix B.)

Summaries of data collected and the compilation of all data collected are included in the separate report from Condrey and Associates.

#### *Analysis and application of labor market data:*

In analyzing the salary data that was collected, Dr. Condrey was guided by the Town Council's policy on market competitiveness set in 1999. The Council adopted a resolution to set a policy on the Town's competitive position within the area labor market which said that "the approximate third quartile of market data shall be used to determine local market comparability for Town positions." The goal of paying salaries at the 75<sup>th</sup> percentile rather than the median or average rate was to allow the Town to be more successful in recruiting and retaining employees in the competitive Research Triangle Area labor market. It was also a reflection of the Council's and employee's concerns about high living costs in Chapel Hill and the recognition that the Town depends in large part on a commuter workforce. (See Attachment B for a full text of this adopted resolution.)

The consultants made recommendations for the pay plan for Fiscal Year 2000-2001 using the local and regional salary data they had collected and analyzed, and recommended that the hiring rates for positions go up an average of 10.5%:

- hiring rates for 137 (22%) positions recommended to increase 0-4.9%
- hiring rates for 109 (17.8%) positions recommended to increase 5-9.9%
- hiring rates for 247 (40%) positions recommended to increase 10-14.9%
- hiring rates for 77 (12.5%) positions recommended to increase 15-19.9%
- hiring rates for 46 (7.5%) positions recommended to increase 20% or more

The recommended change in rates was made for several reasons:

- To establish salary ranges that are more competitive with the current labor market,
- To compete at the 75<sup>th</sup> percentile of the local market, and
- To take into account upcoming anticipated changes in the market. Salary data was collected by the consultants in the fall of 1999, and new ranges would not be implemented until one year later, in the fall of 2000. Because most employers' pay will increase 3-5% in 2000, 3% of the recommended increase in Town ranges is in anticipation of the other employers' increases. The consultant recommended this so that, by the time the Town implements the new pay ranges, those ranges are current with those being paid by other employers. (See Attachment G for a summary of wage increases projected by other employers.)

If adopted, the new classification and pay plan would set entry salaries for Town positions that would be more competitive than current entry salaries in hiring new employees. These new ranges should also be more reflective of the rates necessary to attract new employees, and should reduce the number of occasions when Town departments hire employees above the minimum rate in the range. We also anticipate that the new ranges will aid in retention of employees once they join the Town workforce, because career and salary advancement within a competitive salary range will have been established.

#### **(4) Employee salary increases for fiscal year 2000-2001 to implement the classification and pay study**

We believe that the priority for employee pay increases this year should be to implement the results of this classification and pay review. We have proposed that new titles and salary ranges be adopted effective October 1, 2000, and that employee pay increases vary based on the employee's place in the recommended new salary range:

- *For 495 (85%) of employees below the new Job Rate:* With acceptable performance, employees with salaries below the new Job Rate would be put onto a step in the new schedule (hiring rate, probationary step, or steps 1,2,3, or Job Rate). If they have completed probation, employees would receive an additional step in the new range so that salaries will be distributed through the new range and will not be compressed with those of new employees.

- *For 85 (15%) of employees with salaries at or above the new Job Rate:* If performance is acceptable, an average merit increase of 4.5% is proposed for employees with salaries above the Job Rate of their recommended new range.

The average of pay increases that employees will receive if the study is implemented is 6.5%, but will vary from employee to employee based on the changes recommended in the salary range of his or her job and based on that employee's salary in the new range. By fund, the recommended increases are as follows:

Average employee increase to implement the  
Classification and Pay study October 1, 2000:

General Fund	5.6%	<i>(General Fund hiring rates increase 9.7%)</i>
Transportation Fund	6.5%	<i>(Transportation Fund hiring rates increase 13%)</i>
Housing Fund	8%	<i>(Housing Fund hiring rates increase 13.2%)</i>
Parking Fund	10.9%	<i>(Parking Fund hiring rates increase 11.4%)</i>
TOWNWIDE AVERAGES	6.5%	<i>(the average of hiring rate increases Townwide is 10.5%)</i>

The average amount to implement the classification study is lower in the General Fund than in other funds because General Fund classifications were closer to current labor market; therefore, less money was needed to adjust employee salaries to the hiring rate, to the new probationary step, or to another step in the range. The 10.5% average change in the hiring rates of positions is recommended to make Town hiring rates and ranges more competitive with the current labor market and in anticipation of the increases other employers will be granting.

The average employee increase, however, is less than 10.5% because most employees are already paid within the new salary range. The 6.5% average employee increase is recommended to bring employees' salaries up to the new probationary step or onto another step in their new range, and to provide a reasonable level of annual salary increase for 2000-2001.

***Compression of salaries:***

A priority in the 1999-2000 budget was reducing salary compression. In that budget employees' salaries were increased to the Job Rate if they had 5 years of service, or to lower steps in the range if they had 4, 3, or 2 years of service. This year, the recommended implementation of the classification and pay plan would maintain much of the same spread between the salaries of employees who have different levels of service that was implemented last year. See the chart on Attachment I for a summary of employee distribution in the salary range currently and after October 1, 2000.

Condrey and Associates recommended two levels of implementation: one level of implementation is the cost figures as recommended in this report, and would move employees onto a step in the new range and up an additional step to reduce compression. They

recommended an additional step increase for employees with 4 years or service or more, to increase the spread of longer term employees' salaries, compared to the salaries of employees with less service. However, because this second level of implementation would have cost an additional \$600,000, the Manager's Budget has not included this cost as a recommendation to the Council at this time. These kinds of adjustments could be made in a subsequent fiscal year depending on the availability of funds and on Council priorities.

*Increases for Performance Range employees:*

We recommend that an average increase of 4.5% be granted as merit increases to the 85 employees whose salaries are above the new Job Rate.

The new pay system adopted in 1999 specified that, after employees' salaries reached the Job Rate of the salary range, salary increases would be based on merit. Employees' annual performance would be rated at one of five levels: Below Expected Level, Needs Improvement, Meets Expectations, Exceeds Expectations, or Outstanding. The amount each employee would receive would be determined by a mathematical formula and on the numbers of ratings at each level, but the average increase Townwide would not exceed the percentage approved by the Council.

In 1999 the average increase in the Performance Range was 4.75%. The amount of increase varied from 2% to 4.5% plus a 1% one-time bonus for Outstanding performance. In 2000-2001 we recommend an average 4.5% increase. See Attachment H for information on the increases anticipated by other employers in 2000; these projections were the basis of our recommendation for a 4.5% average increase.

## **CONCLUSION**

We believe that adoption of the recommended Classification and Pay Plan changes, adoption of the new and simplified salary schedule and providing employee pay increases which implement the Pay Plan are all important for several reasons:

- recruitment: establishing hiring rates and salary ranges that are up to date and are more competitive in the Research Triangle area labor market
- retention: providing our employees with career advancement and salary increases that are competitive with those being granted by other employers
- commitment: continuing the implementation of the simplified and restructured pay system and completing the pay system review process that was begun in 1998.

We look forward to discussions with the Council as the budget process continues.

**Attachments:**

- Attachment A:** Current salary schedule
- Attachment B:** Labor Market Policy: adopted resolution
- Attachment C:** Recommended new salary schedule
- Attachment D:** Recommended assignment of classes to grades and ranges (draft)
- Attachment E:** Width of the salary ranges of other local government organizations
- Attachment F:** Chart of distribution of employees in salary ranges before and after the implementation of recommended classification and pay study
- Attachment G:** Increases projected by other employers

## ATTACHMENT A

## Current salary schedule: NOVEMBER 1, 1999: SCHEDULE OF SALARY GRADES

GRADE	HIRING RATE *	PROB STEP *	STEP 1	STEP 2	STEP 3	JOB RATE *	OPEN RANGE *	MAXIMUM RATE *
11			19,958	21,155	21,955	22,785		24,896
12	HIRING RATE *	PROB STEP *	STEP 1	STEP 2	STEP 3	JOB RATE *		26,141
	20,129	21,337	22,144	22,981	23,850			
13	20,332	21,552	22,367	23,212	24,089	25,000		27,448
14	20,812	22,061	22,895	23,760	24,658	25,590		28,820
15	21,276	22,553	23,406	24,291	25,209	26,162		30,261
16	22,087	23,412	24,297	25,215	26,168	27,157		31,774
17	22,861	24,233	25,149	26,100	27,087	28,111		33,363
18	24,004	25,444	26,406	27,404	28,440	29,515		35,031
19	25,204	26,716	27,726	28,774	29,862	30,991		36,783
20	26,464	28,052	29,112	30,212	31,354	32,539		38,622
21	27,787	29,454	30,567	31,722	32,921	34,165		40,553
22	29,176	30,927	32,096	33,309	34,568	35,875		42,581
23	30,635	32,473	33,700	34,974	36,296	37,668		44,710
24	32,167	34,097	35,386	36,724	38,112	39,553		46,946
25	33,775	35,802	37,155	38,559	40,017	41,530		49,293
26	35,464	37,592	39,013	40,488	42,018	43,606		51,758
27	37,237	39,471	40,963	42,511	44,118	45,786		54,346
28	39,099	41,445	43,012	44,638	46,325	48,076		57,063
29	41,054	43,517	45,162	46,869	48,641	50,480		59,916
30	43,107	45,693	47,420	49,212	51,072	53,003		62,912
31	45,262	47,978	49,792	51,674	53,627	55,654		66,058
32	47,525	50,377	52,281	54,257	56,308	58,436		69,361
33	49,901	52,895	54,894	56,969	59,122	61,357		72,829
34	52,396	55,540	57,639	59,818	62,079	64,426		76,470
35	55,016	58,317	60,521	62,809	65,183	67,647		80,294
36	57,767	61,233	63,548	65,950	68,443	71,030		84,309
37	60,655	64,294	66,724	69,246	71,863	74,579		88,524

\* **Terms used in the salary schedule:** Hiring Rate is the minimum of the range, and is the salary at which most new hires should be paid. Prob Step is the probationary salary which is paid upon successful completion of 6 months probation; the rate reflects a 6% increase over the hiring rate. Steps are intermediate rates of pay between the hiring rate and the Job Rate; there is approximately 3.8% between steps. Movement from one step to the next is based on performance that meets standards. Job Rate is approximately the mid-point of salary ranges grade 16 and above, higher in the ranges for the lower grades because the minimums of lower grades were raised to provide a living wage; salary increases above this rate vary based on performance ratings of the employee. Open Range is the range of salaries between the Job Rate and the maximum rate. There are no designated salary rates or steps in the open range. Maximum rate is the maximum that an employee within the salary grade would be paid.



**ATTACHMENT B**

"A RESOLUTION REGARDING SALARY SURVEYS AND WAGES: (99-6-14/R- 22 )"

BE IT RESOLVED by the Council of the Town of Chapel Hill that the following policies will apply in determining market comparability of Town positions:

(1) Data Collection: The primary governmental organizations which shall be surveyed and considered in determining labor market and pay comparability of positions of the Town are:

The State of North Carolina (especially UNC-CH campus and hospital), Durham, Durham County, Orange County, Carrboro, OWASA, Raleigh, Cary, and Wake County

Local governments in other parts of the State of North Carolina or in other states in the region may be surveyed and data from these organizations considered in determining comparability of managerial and specialized positions.

Data from private industry and from other organizations will be obtained and considered to the extent such data is made available to the Town.

(2) Data analysis: The approximate third quartile of market data shall be used to determine local market comparability for Town positions.

(3) Other:

Salary policies are subject to modification by Council at the time any budget is adopted or at other times as determined by the Council

Previous policies or resolutions in conflict with this resolution are hereby repealed.

This the 14<sup>th</sup> day of June, 1999

## ATTACHMENT C

## RECOMMENDED SALARY SCHEDULE: October 1, 2000

GRADE	HIRING RATE	PROB STEP	STEP 1	STEP 2	STEP 3	JOB RATE	OPEN RANGE	MAXIMUM RATE
25	19,961	21,159	21,959	22,789	23,650	24,544		29,942
26	20,959	22,217	23,057	23,928	24,833	25,771		31,439
27	22,007	23,328	24,210	25,125	26,074	27,060		33,011
28	23,108	24,494	25,420	26,381	27,378	28,413		34,661
29	24,263	25,719	26,691	27,700	28,747	29,834		36,395
30	25,476	27,005	28,026	29,085	30,184	31,325		38,214
31	26,750	28,355	29,427	30,539	31,694	32,892		40,125
32	28,088	29,773	30,898	32,066	33,278	34,536		42,131
33	29,492	31,261	32,443	33,669	34,942	36,263		44,238
34	30,966	32,824	34,065	35,353	36,689	38,076		46,450
35	32,515	34,466	35,768	37,121	38,524	39,980		48,772
36	34,141	36,189	37,557	38,977	40,450	41,979		51,211
37	35,848	37,998	39,435	40,925	42,472	44,078		53,771
38	37,640	39,898	41,406	42,972	44,596	46,282		56,460
39	39,522	41,893	43,477	45,120	46,826	48,596		59,283
40	41,498	43,988	45,651	47,376	49,167	51,026		62,247
41	43,573	46,187	47,933	49,745	51,625	53,577		65,359
42	45,752	48,497	50,330	52,232	54,207	56,256		68,627
43	48,039	50,922	52,846	54,844	56,917	59,068		72,059
44	50,441	53,468	55,489	57,586	59,763	62,022		75,662
45	52,963	56,141	58,263	60,465	62,751	65,123		79,445
46	55,611	58,948	61,176	63,489	65,889	68,379		83,417
47	58,392	61,895	64,235	66,663	69,183	71,798		87,588
48	61,311	64,990	67,447	69,996	72,642	75,388		91,967
49	64,377	68,240	70,819	73,496	76,274	79,157		96,566
50	67,596	71,652	74,360	77,171	80,088	83,115		101,394
51	70,976	75,234	78,078	81,029	84,092	87,271		106,464
52	74,525	78,996	81,982	85,081	88,297	91,635		111,787
53	78,251	82,946	86,081	89,335	92,712	96,216		117,376

## Titles and Grades of Town Positions, effective 10/1/2000: DRAFT RECOMMENDATIONS

**25**  
19,961 24,544 29,942  
Construction Worker I  
Maintenance Assistant

**26**  
20,959 25,773 31,439  
Groundskeeper I  
Refuse Collector

**27**  
22,007 27,061 33,011  
CW II - Construction Worker  
CW II - Drainage Maintenance Worker  
CW II - Streets Maintenance Worker  
Lifeguard  
Office Assistant  
Parking Attendant  
Recreation Assistant  
Sanitation Equipment Operator I  
Service Attendant  
Transit Operator I

**28**  
23,108 28,413 34,661  
Accounting Clerk  
Administrative Clerk  
CW III - Construction Worker  
CW III - Truck Driver Streets  
Groundskeeper II  
Library Assistant I  
Maintenance Repair Worker  
Parking Enforcement Officer  
Records Technician  
Right-of-way Crew Leader  
Secretary/Receptionist  
Senior Parking Attendant

**29**  
24,263 29,834 36,395  
Administrative Secretary  
Administrative Technician  
Assistant Arborist  
Bus Service Technician  
Customer Services Technician  
Grounds Crew Leader  
Heavy Equipment Operator  
HR Assistant  
Library Asst II-Reference&Circulation  
Materials Processor  
Purchasing Technician  
Sanitation Equipment Operator II  
Sign and Marking Technician I  
Transit Operator II

**30**  
25,476 31,325 38,214  
CW IV - Lead Construction Worker  
Heavy Equipment Operator  
Horticulturist  
Maintenance Mechanic I  
Sanitation Equipment Operator III  
Senior Administrative Technician

**30**  
25,476 31,325 38,214  
Senior Heavy Equipment Operator  
Transit Operator III

**31**  
26,750 32,891 40,125  
Accounts Payable Technician  
Administrative Assistant  
Alternative Sentencing Assistant  
Firefighter  
Housing Officer I  
Library Assistant III  
Library Assistant III-Reference & Circulation  
Library Assistant III/Outreach Specialist  
Maintenance Mechanic Level II  
Maintenance Operations Specialist  
Mechanic  
Parking Services Supervisor  
Payroll Technician  
Recreation Specialist I - Special Events Coord.  
Sanitation Inspector  
Sign and Marking Technician II  
Senior Engineering Drafting Spec  
Senior Engineering Technician  
Senior Permit Technician  
Street Cleaning and Construction Supervisor  
Traffic Signal Technician I

**32**  
28,088 34,536 42,131  
Dispatcher  
Drainage Crew Supervisor  
Landscape Supervisor I  
Mechanic Level II  
Parts Manager  
Police Officer Level I  
Senior Planning Technician  
Streets Crew Supervisor

**33**  
29,492 36,263 44,238  
Assistant Recreation Supervisor  
Arborist  
Building Inspector  
Construction Crew Supervisor  
Executive Assistant  
Housing Officer II  
HR Specialist  
Maintenance Mechanic Level III  
Master Firefighter  
Office Manager  
Police Officer Level II  
Records Supervisor  
Recreation Specialist II - Athletics  
Recreation Spec. II - Special Olympics Coord.  
Resident Activities Coordinator  
Resident Services Officer  
Senior GIS Technician  
Senior Mechanic

**33**  
29,492 36,263 44,238  
Streets Inspector  
Transit Supervisor

**34**  
30,966 38,076 46,450  
Engineering Inspector  
Fire Equipment Operator  
Police Officer Level III  
Revenue Collector

**35**  
32,515 39,980 48,772  
Accountant  
Accountant-Housing  
Buyer  
Circulation Supervisor  
Landscape Architect  
Landscape Supervisor II  
Mechanic Supervisor  
Payroll Supervisor - PT  
Planner  
Police Officer IV  
Police Officer Level IV  
Sanitation Supervisor  
Senior Electrical Inspector  
Senior Zoning Enforcement Officer  
Senior Building Inspector  
Senior Engineering Inspector  
Senior Mechanical Inspector  
Senior Planning Graphics Specialist  
Senior Plumbing Inspector  
Traffic Signal Technician II

**37**  
35,848 44,077 53,771  
Acquisitions Librarian II  
Alternative Sentencing Coordinator  
Assistant to the Mayor - PT  
Assistant Transit Superintendent  
Buildings Program Supervisor  
Computer Systems Analyst  
Construction Supervisor  
Drainage Maintenance Supervisor  
Engineering Design Specialist  
Fleet Supervisor  
Grants Coordinator  
Housing Maintenance Program Supt.  
Human Services Coordinator  
Recreation Supervisor-Athletics  
Recreation Supervisor-Community Center  
Recreation Supervisor-Marketing  
Reference Librarian II  
Senior Planner  
Streets Supervisor

**38**  
37,640 46,281 56,460  
Assistant Fire Marshall  
Crime Prevention Officer  
Crisis Counselor  
Fire Captain

**Town of Chapel Hill - Section III  
Titles and Grades of Town Positions, effective 10/1/2000: DRAFT RECOMMENDATIONS**

<b>38</b>		<b>43</b>
37,640 46,281 56,460		48,039 59,070 72,059
Police Sergeant		Police Attorney
Surveyor/Project Coordinator		Police Captain
		Traffic Engineer
<b>39</b>		
39,522 48,596 59,283		<b>44</b>
Employee Relations & Training Coordinator	50,441	62,022 75,662
Employment Coordinator		Assistant Finance Director
Head of Children's Services		
Head of Reference Services-PT		<b>45</b>
Head of Technical Services	52,963	65,123 79,445
Landscape Architect/Urban Forester		Assistant Police Chief
Maintenance Superintendent		Town Clerk
Parking Superintendent		
Principal Comm. Development Planner		<b>47</b>
Principal Planner	58,392	71,798 87,588
Principal Transportation Planner		Housing Director
Purchasing and Contract Officer		Inspections Director
Safety and Wellness Coordinator		Parks & Recreation Director
Senior Engineering Coordinator		
Senior Computer Systems Analyst		<b>49</b>
Traffic Program Supervisor	64,377	79,157 96,566
		Engineering Director
<b>40</b>		Finance Director
41,498 51,027 62,247		Fire Chief
Accounting Services Supervisor		HR Director
Administrative Analyst		Library Director
Administrative Services Supervisor		Transit Director
Assistant To the Manager		
Assistant Fire Chief		<b>51</b>
Battalion Chief	70,976	87,271 106,464
Crisis Unit Supervisor		Police Chief
Development Coordinator		Planning Director
Forensic and Evidence Specialist		Public Works Director
Head of Public Services		
Landscape Operations Supt.		<b>53</b>
Long Range Planning Coordinator	78,251	96,217 117,376
Police Analyst		Assistant Town Manager
Police Lieutenant		
Professional Standards Officer		
Recreation Planner/Program Admin.		
Solid Waste Services Superintendent		
Transit Superintendent		
<b>41</b>		
43,573 53,576 65,359		
Admin. Analyst/Asst. Transit Director		
Assistant Housing Director		
Assistant HR Director		
Senior Development Coordinator - AICP		
Field Operations Superintendent		
Information Systems Manager		
Internal Services Superintendent		
Sr. Long Range Planning Coord. -AICP		
Stormwater Management Engineer		
<b>43</b>		
48,039 59,070 72,059		
Assistant Finance Director		
Deputy Fire Chief		
Fire Marshall		



### Attachment E : Survey of Salary Schedule Width: Hiring Rate to Maximum Rate \*

The width of an organization's salary schedule shows the potential for an employee's advancement in a particular job. Currently, if an employee is hired into one of the Town's lowest grades, his or her salary can advance 25%; most employees' salaries can grow 46% before the maximum salary is reached.

The width of the Town's current schedule is among the lowest of Research Triangle area governments, and, for the lowest paid employees, the range potential is significantly lower than those of other employers. (This is largely due to efforts in recent years to raise the hiring rates of many jobs to a more livable wage. The Town made the decision to provide higher entry salaries for the lowest jobs but not to raise the maximum rates.)

If the recommended schedule is adopted, all employees will have a range of 50% from hiring rate to maximum salary for their salaries to advance.

	<u>Width: minimum to maximum %</u>	<u>% that Job rate is higher than the minimum rate</u>
<b>Chapel Hill (current)</b>		
most grades	46%	23%
lowest 4 grades	25% - 38%	14% - 18%
<b>Chapel Hill (recommended)</b>		
<b>all ranges</b>	<b>50%</b>	<b>23%</b>
Carrboro	52%	25%
Cary		
non-exempt	45%	17%
exempt	55%	17%
Durham	50%	25%
Orange County	59%	n.a.
OWASA	40%	20%
Raleigh	63% lower grades	41% **
	71% middle grades	48% **
	80% higher grades	55% * *

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\* survey was conducted by the Personnel Director, to determine if the consultant's recommendation to increase Chapel Hill's salary range from 45% to 50% was justified, especially in the RTP area.

\* \*percentage from minimum rate to the highest rate in the developmental range

Wake County		
most jobs	66%	33%
deputy and detention	55% to 74%	33%
State of NC	50% lowest 5 grades	25%
	58% next 5 grades	29%
	61% next 5 grades	30%
	62% - 71% other grades	31-35%
<u>Other cities and counties:</u>		
Apex	48% *	21%
Asheville	65%	32.5%
Henderson	50%	n.a.
Johnston County	55%	n.a.
Greensboro		
non-exempt	50%	range of 6% around midpoint
exempt	55%	range of 9% around midpoint
managerial	60%	range of 10% around midpoint
Rocky Mount	55% **	22.5%
Washington	48%	40%
Winston-Salem	70% ***	n.a.

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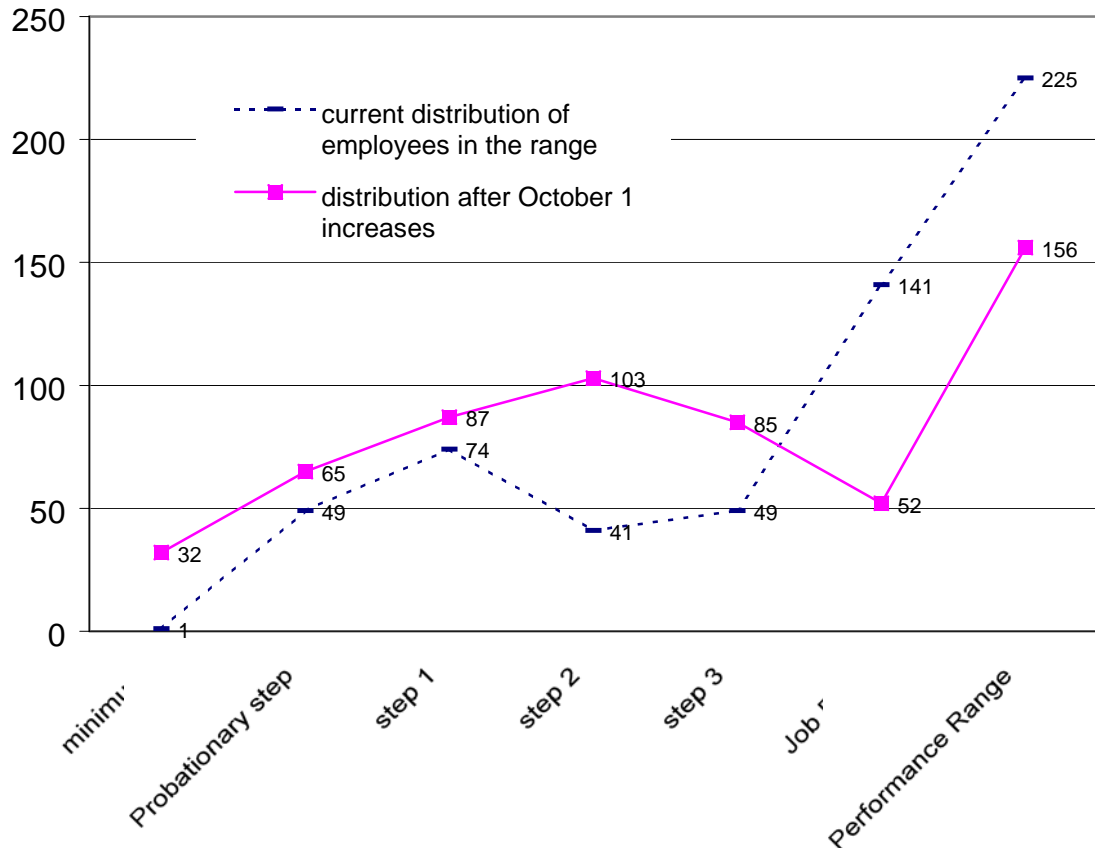
\* effective 7/1/00 : 51%

\*\* effective 7/1/00

\*\*\* effective 7/1/00: proposed broad bands of 70% - 110%

## ATTACHMENT F

**DISTRIBUTION OF EMPLOYEES IN SALARY RANGE  
Before and After Recommended Classification and Pay Study**



If the recommended classification and pay plan is adopted, employee's salaries will continue to be distributed throughout the salary range (as shown by the solid line) and not compressed at the entry rates. However, fewer employees will have salaries over the Job Rate than currently. This is due to the recommended increases in ranges: because the ranges are recommended to increase, an employee whose current salary is at step 3 may drop to step 2 in his or her new range.

In some jobs, a large increase in the salary range will cause compression for employees whose current salaries are below the new minimum for the grade. As an example, the salary range for Bus Driver is recommended to increase 14%; employees presently at the probationary step, step 1 and step 2 of the current Bus Driver salary range all currently have salaries that are below the minimum of the new Bus Driver salary range. After recommended implementation, employees currently spread out through these steps will end up together at the probationary step of the new grade. (Employees not yet off probation will end up at the new hiring rate). Dr. Condrey, our consultant, had recommended an additional step for longer term employees to address this problem, but, with an estimated additional cost of \$600,000, we have not recommended this additional step this year.



## ATTACHMENT G

**Increases projected by other Employers in the Year 2000:**

The Manager's Recommended Budget recommends an average 4.5% increase be granted to employees whose salaries are above the new Job Rate in their salary range, and recommends an average 6.5% increase Town-wide to pay competitive salaries and implement the classification and pay study. The following projections from other organizations were the basis for these recommendations:

<b>Source:</b>	<b>Exempt / salaried employees</b>	<b>Non-Exempt (hourly) employees</b>
<b><i>Local data:</i></b>		
Capital Associated Industries in Raleigh : survey of 446 Eastern NC and Research Triangle private sector employers	4.4% to 4.5 % (executive)	4.0% for employees
<b><i>National trend data:</i></b>		
William H. Mercer, Incorporated, survey	4.4%	4.2%
Buck Consultants, Inc. survey of 341 Fortune 1000 companies	4.3%	4.1% %
Conference Board	4%	4%
American Compensation Association	4.4-4.5%	4.1%
Hewitt Associates	4.2-4.4%	3.9%