

AGENDA #4
February 16, 2005

Mr. Cal Horton
Town Manager
Town of Chapel Hill
306 North Columbia St.
Chapel Hill, NC 27516

Dear Mr. Horton:

This letter is in follow-up to our recent conversation regarding the possibility of MAXIMUS conducting a wage and benefit analysis for the Town of Chapel Hill as part of our current project.

You asked that we address two questions. The first is how we would conduct such a study, and the second is whether we could amend the scope of the current contract to perform the study within the existing budget.

There are three levels at which we could conduct such a study. Permit me to summarize each:

- **Review of current methodology and conclusions.** At this level, we would review the work methodology and conclusions of the reports prepared by the Human Resources Department. We would advise whether the study methodology was appropriate and the conclusions were consistent with the data and methodology. The review and report preparation would require approximately twelve hours of staff time. Our price estimate for this level of review would be \$2,000.
- **Field validation of current staff study.** At this level, in addition to the review of the methodology and conclusions of the staff reports, we would spot check the information to validate that the data were correct. We would obtain the pay and benefit plans of each of the jurisdictions used in the staff study and randomly check the information. We would also obtain the job descriptions for random positions to validate comparability. We estimate that this level of study would require approximately 40 hours of staff work. Our price estimate for this level of review would be \$7,500.
- **Independent wage and benefit analysis.** At this level, MAXIMUS would conduct a full wage and benefit analysis for the Town. The analysis would include both market conditions as well as consideration of internal equity. This would include a review of available private sector market compensation data. Principal work steps would include:

- 1) **Market Survey:** MAXIMUS will review and analyze data collected from published salary survey data as well as conduct a customized salary survey in order to determine the competitive labor market for the organization. Salary data gathered for selected benchmarks is carefully analyzed to ensure a high level of validity, and the results of the survey are made available to the organization. A MAXIMUS consultant will work with the Town to review the data and ensure proper matches are developed. We will also incorporate immediately available private sector data. FEE: \$7,500.
- 2) **Pay Plan Development:** MAXIMUS utilizes mathematical regression to integrate the relative worth of classifications (as established through job evaluation) with the competitive worth of each classification in the competitive labor market. This produces a pay schedule (a list of pay grades and their respective salary ranges) that can be structured and customized to reflect the organization's compensation philosophy. The updated pay plan will be designed to meet both internal and competitive needs. FEE: \$20,000.
- 3) **Implementation Costs:** MAXIMUS will assist the Town in the implementation of the new pay plan (i.e. placing employees into their new salary ranges based on their proposed classification and pay grade). Preliminary costs (beyond standard "cost-to-minimum" costs) can be calculated showing two alternative methodologies, with emphasis placed on resolving existing pay issues in the most fair and equitable manner, taking into consideration financial constraints and the organization's compensation philosophy. FEE: \$4,500. Additional implementation scenarios would be billed on an hourly basis. It is assumed the Town will maintain its existing step plan structure (2 schedules).
- 4) **Preparation of Draft and Final Reports:** MAXIMUS will provide reports detailing our findings and the results of the study. The final reports will show the recommended pay plan for the organization, including classifications, pay grade, salary ranges. The reports will also show recommended classification assignments for employees/positions along with associated implementation costs. This fee includes the consultant making two on-site presentations of the findings. FEE: \$7,000.

The total cost for this detailed study would be \$39,000.

We would suggest that the Town authorize MAXIMUS to conduct the first level of review; if we determine that the more extensive study is warranted, then we could present the Town with a detailed work plan.

With regard to a change to the scope of the existing contract within the current budget, I would be reluctant to recommend that course of action. We are already well underway with interviewing and data gathering based on the operational analysis tasks of the existing scope. Redirecting resources for the wage analysis would result in having to eliminate several

functional areas of operational analysis, thus reducing the benefit of the study as originally planned by the Town.

Should you have any questions or desire any further information, please feel free to contact me at your convenience at (919) 876-8042 or on my cell phone at (312) 310-0827.

Sincerely,

MAXIMUS, Inc.



Kenneth R. Murray
Vice President