

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
ACTION ITEM**

SUBJECT: Proposed Classification and Compensation Study

ELECTION DISTRICT: Countywide

STAFF CONTACT: Jeanette Green, Director of Human Resources

PURPOSE: To seek feedback from the Finance/Government Operations and Economic Development Committee (FGOEDC) on the county's compensation philosophy, on the established competitive market, and on the proposed approach for conducting a classification and compensation study.

RECOMMENDATION: Staff recommends the Finance/Government Operations and Economic Development Committee (FGOEDC) recommend to the Board of Supervisors (Board) that staff be authorized to move forward with Phase 1 of the Proposed Classification and Compensation Study using the guidelines recommended by the Committee.

BACKGROUND: On November 14, 2015, at the Board of Supervisors Orientation session staff provided an issue paper titled Review of the County's Classification System and Pay Plan (Attachment I - Item #7a in the Board of Supervisors Operations Manual). The issue paper presented background on the county's classification system and pay plan. It also indicated that the current classification system and pay plan can no longer adequately meet the present and future needs of the organization. The issue paper stated that staff would present an item in FY16 recommending that the Board consider whether it is appropriate to maintain the current compensation philosophy and competitive market. The item would also recommend that staff hire a consultant to conduct a classification and compensation study (hereinafter referred to as "the study").

At the Board of Supervisors Budget Worksession on March 15, 2016, Supervisor Letourneau moved that the Board of Supervisors consider funding the study during the year end fund balance discussion in December 2016. The motion was seconded by Supervisor Higgins and passed unanimously (9-0).

ISSUES: Staff requests feedback and direction from the FGOEDC on two major issues related to the proposed study. The first issue is whether the Board of Supervisors wishes to review the county's compensation philosophy and competitive market. Second, staff wants feedback on the

proposed approach to conducting the study. The Board's compensation philosophy has been in place for more than two decades and states that the county should deliver average pay at 95% of the competitive market. The competitive market is defined as including the City of Alexandria and the counties of Arlington, Fairfax, and Prince William. Staff recommends that the Board of Supervisors review the compensation philosophy and established competitive market to determine if it currently reflects the will of the Board.

At their March 7, 2016, Board of Supervisors Budget Worksession, the Board expressed support for conducting a classification and compensation study. Staff proposed that the study be conducted in two phases.

Phase 1: This phase involves hiring a consultant to do a comprehensive study of the county's classification system and pay plan and to make recommendations for modifying or replacing our existing classification system and pay plan. The study would benchmark Loudoun against our competitive market and best practices for public employers as well as examine the county's policies and procedures related to job evaluation and pay. The recommendations from Phase 1 would be presented as an action item to the FGOEDC. Phase 1 is estimated to take approximately one year to complete. Pending direction from the FGOEDC and ultimately the Board of Supervisors on the recommendations from Phase 1, staff would then commence Phase 2.

- **Phase 2:** This phase would implement the direction of the Board relative to modifying or replacing the county's classification system and pay plan. Staff proposes hiring a consultant to manage and perform work in Phase 2, which could encompass a wide range of activities. Based on the Board's direction, Phase 2 may include some or all of the following activities:
 - developing and implementing a modified or new classification system,
 - developing new generic job descriptions,
 - updating or revising policies, and/or
 - implementing a new merit pay system.

Phase 2 is expected to take one to two years to complete depending on the extent of the changes directed by the Board.

Staff would work closely in Phase 1 and 2 with the consultant to define clear project objectives and scope, to clarify roles and responsibilities of project participants, to effectively inform and educate county staff, and to keep the Board of Supervisors informed.

At the Board of Supervisors Budget Worksession on March 15, 2016, Jeanette Green, Director of Human Resources, indicated that sufficient funds exist in the Department of Human Resources operational budget to begin Phase 1 of the project now with the anticipation that additional funds would be allocated for Phase 1 during the December 2016 fund balance discussion. Ms. Green also indicated that there would not be a significant impact of delaying the start of Phase 1 until

after the December 2016 fund balance discussion. Staff recommends issuing the Request for Proposal for Phase 1 now and starting Phase 1 in the July/August 2016 timeframe.

In summary the Board of Supervisors could consider three options. Option 1 is for the Board to direct staff to hire a consultant to focus solely on reviewing the compensation philosophy and competitive market during Phase 1. This option enables the Board to clarify its competitive market before attempting to benchmark the county's classification system and pay plan. Option 2 is for the Board to reaffirm the existing compensation philosophy and competitive market and to direct staff to commence Phase 1 with a scope of work as described above. Option 3 is for the Board to direct staff to hire a consultant to do both option 1 and option 2 during Phase 1 of the study. All three options would result in bringing recommendations back to the Board of Supervisors.

FISCAL IMPACT: Funding for Phase 1 of the study will be considered at the Board's December 2016 fund balance discussion. Sufficient funds in the amount of \$100,000 exist within the Department of Human Resources FY 2016 operational budget to begin Phase 1 now.

DRAFT MOTION:

1. I move that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors authorize staff to move forward with Phase 1 of the Proposed Classification and Compensation Study focusing solely on reviewing the county's compensation philosophy and competitive market.

OR

2. I move that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors reaffirm the existing compensation philosophy and competitive market and authorize staff to move forward with Phase 1 of the Proposed Classification and Compensation Study using staff's recommended scope of work contained herein.

OR

3. I move that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors authorize staff to move forward with Phase 1 of the Proposed Classification and Compensation Study to include both reviewing the county's compensation philosophy and competitive market as well as staff's recommended scope of work contained herein.

OR

4. I move an alternate motion.

ATTACHMENTS:

- I. Item #7a in the Board of Supervisors Operations Manual titled “Review of the County’s Classification System and Pay Plan”
- II. Competitive Market Analysis

2016 BOARD OF SUPERVISORS BRIEFING

7a

SUBJECT: Review of the County's Classification System and Pay Plan

STAFF CONTACTS: Jeanette D. Green, Director, Human Resources
Ronda Allen, Workforce Planning Manager, Human Resources

BACKGROUND: Loudoun County employs approximately 3,366 regular employees and 2,937 temporary employees in thirty-two (32) different departments and offices grouped into five major areas: general government administration; public safety and judicial administration; health and welfare; parks, recreation and culture; and community development.

The Board of Supervisors approves the County's compensation philosophy and policies. The Board's current compensation philosophy is to deliver average pay at 95% of the competitive market. The competitive market is defined as including the City of Alexandria and the counties of Arlington, Fairfax, and Prince William. Chapter 5 of the County's Human Resources Handbook details the Board's policies on the County's classification and pay plan. Chapter 5 states that the County's classification and pay plan is intended to be competitive with the labor market and other public and private sector employers, equitable in the classification of positions and the delivery of pay, and compliant with applicable federal, state and local regulations.

Currently, the County operates under a broadband classification system and pay plan implemented by the Board in 1995. Simply stated, broadbanding is the grouping of jobs with similar duties, responsibilities, and levels of accountability into job classifications. Broadband classifications are broad in scope and describe the general body of work, not the specific duties that belong to all of the jobs included within that classification. Chapter 5 outlines specifications for each broadband classification that detail the nature of work and the education and experience requirements associated with that classification.

The County's current broadband system includes three (3) separate pay structures (General Workforce, Uniformed Fire and Rescue, and Uniformed Sherriff's Office) comprising a total of nine (9) broadband job classifications. The nine (9) broadband classifications are Advisors and Managers (A), Executive (E), General Support and Services (G), Program and Administrative Services (P), Specialists (S), Technical and Trades (T), Uniformed Fire and Rescue (F), and Uniformed Sheriff's Office (U and O). These classifications are very general in nature and are designed to identify and define the job family. They also provide a consistent and common standard by which these job families can be utilized across departments and offices within the County to classify positions. A department may utilize more descriptive "working titles" for specific positions. For example, employees within the broadband classification of Advisors and Manager, hold working titles such as Employee Relations Manager, Emergency Services Manager, Juvenile Detention Center Manager, and Benefits and Risk Manager.

Each of the nine (9) broadband classifications is divided into various levels reflecting increasing degrees of job complexity and education and/or experience requirements (ex. Specialist I, II, III, and

IV). Each level within a broadband classification is assigned to a specific pay band (Attachment 1). When the current broadband system was implemented by the Board in 1995, the initial pay bands were set based upon an analysis of salary data within the labor market at that time.

ISSUES: The County's classification system and pay plan were implemented in 1995. While the County has made tweaks to both the classification system and pay plan over the last twenty years to attempt to meet the needs of our growing and increasingly complex organization, there are indications that the current classification system and pay plan can no longer adequately meet the present and future needs of the organization.

Issues with the Current Classification System

➤ ***Difficulty Classifying Certain Positions:***

As the County government grows, and the number, types, and complexity of County jobs increase, certain County positions do not fit well into any of the nine (9) major job classifications under the system. For example, many information technology jobs do not fit well into the current system.

➤ ***High Minimum Education and Experience Requirements:***

The County's classification specifications set the minimum education and experience requirements for each broadband classification level. In recent years, the County has had challenges in recruiting applicants who meet the minimum education and experience requirements for mid to high level positions with the County; an indication that perhaps the minimum education and experience requirements have been set too high for certain classifications. While the County wishes to attract highly credentialed and experienced talent to the County's workforce, the well-documented national wave of Baby Boomer¹ retirements will make it increasingly difficult to attract seasoned professionals to the County's workforce. As the wave of Baby Boomer retirements increase, the County will increasingly compete to attract less experienced applicants to fill the resulting vacancies. This will be difficult to do if the experience and education requirements for County positions are set so high as to screen out otherwise qualified applicants who are simply lacking the requisite number of years of experience. It is also important to note that market surveys often indicate that comparator jurisdictions have lower education and/or experience requirements than the County for certain similar position.

➤ ***Lack of Standardized Job Descriptions:***

Under the current system the County does not utilize traditional, standardized job descriptions. Instead, each employee's supervisor is tasked with drafting an individualized performance plan which defines the broad job components and specific performance

¹ Baby Boomer Generation (born between 1946-1964). Currently, 33.61% of the County workforce falls within this category.

expectations or duties of the employee's position. The detail and quality of individual performance plans often varies based on the skill and effort of the supervisor drafting the plan. A failure to clearly outline the essential functions of an employee's job within the performance plan can lead to issues effectively administering the County's workers' compensation program and the reasonable accommodation process under the federal Americans with Disabilities Act. These programs require clear documentation of an employee's essential job functions, including physical job requirements, in order to effectively administer the program and comply with associated legal regulations. Further, detailed job descriptions are essential for the effective administration of the County's performance assessment and discipline management systems.

The lack of standardized job descriptions also makes it easier for the duties of a specific position to change over time; this in turn makes it more difficult for the Department of Human Resources (Human Resources) to monitor and determine whether employees are working within the appropriate job classification. Further, this also makes it more difficult for Human Resources to ensure that positions are properly classified as exempt or non-exempt in accordance with the federal Fair Labor Standards Act.

Issues with the Pay Plan

➤ ***Difficulty Meeting the Board's Goal of Delivering Compensation at 95% of the Comparator Market:***

Chapter 5 of the Human Resources Handbook specifically states that salary surveys will be conducted periodically to assess the County's compensation levels compared to the market. Human Resources surveys the comparator market for pay increases and adjustments to the minimum and maximum of the pay bands on an annual basis in conjunction with the County's budget process. Further, periodically, the County conducts a compensation study for certain benchmark positions to determine how well the County is meeting its goal of delivering pay at 95% of the comparator market. The most recent compensation study was conducted in December 2010 by Knowledge Bank, Inc. for a selection of benchmark positions. This study found several benchmark positions to be below 95% of the comparator market and recommended market adjustments be placed on these positions to bring average compensation within the 95% range of comparator jurisdictions.

A market adjustment is an adjustment to the minimum and maximum of a position's pay band for the purpose of attracting, hiring and retaining employees in specialized or high demand occupations. As of the date of this briefing, there are 449 County employees in 164 positions who receive a market adjustment on their pay. For example, Systems Administrators in the Department of Information Technology have a market of adjustment of 20%; Engineer positions in the Department of Building and Development and the Department of Transportation and Capital Infrastructure receive a market adjustment of between 12-15%; and Dispatcher positions in Fire, Rescue and Emergency Management and the Sheriff's Office receive a market adjustment of 20%. The County's frequent reliance

on market adjustments to deliver pay at or near the 95% target established by the Board's compensation philosophy is an indication that the County's overall Pay Plan is in need of updating. It is also important to note that market adjustments are just one compensation tool in a complex compensation system that includes stipends, shift differentials, and on call pay. This has contributed to the County's current pay plan being difficult to both understand and administer.

➤ ***Administrative Burdens***

The need to update the County's pay plan and classification system has contributed to a spike in position reclassification requests and requests for salary adjustments. Human Resources received 84 reclassification requests in FY13, 98 in FY14, and 93 in FY15. Moreover, Human Resources has approved 132 salary adjustments for individual employees since FY11. It is important to note that the spike in reclassifications and salary adjustments is in part a reflection of the freezing of the County's special pay band increase program in 2008. This program allowed Department Heads to offer employees a 5% increase in pay based on an employee's superior performance and/or acquisition and application of a particular skillset that added significant value to the organization.

➤ ***Morale Issues***

Many County positions were not selected as benchmark positions in the most recent compensation study. As such, there is a strong likelihood that a number of other County positions are also lower than 95% of the comparator market. There is a general awareness of this throughout the organization which has led to morale issues. In recent years, employees have repeatedly cited non-competitive pay as a complaint in County surveys and in other forums in which employee feedback has been solicited.

➤ ***Issues with Attracting and Hiring Top Talent***

If salaries for various positions remain significantly below the market, the County will continue to face difficulty attracting and hiring top talent. This problem is further exacerbated by the competitiveness of the DC area job market and the high cost of buying a home in Loudoun County.²

➤ ***Issues with Retaining Top Talent***

Retention of top talent is also a concern. The County's turnover rate has seen a sustained increase in recent years, jumping from 8.2% in FY11 to 11.1% in FY15. The current projected turnover for FY 16 is 15.6%. As noted above, in recent years, Human Resources has conducted numerous employee surveys and non-competitive pay is consistently cited as a concern by many County employees.

² The cumulative median sale price of all types of homes in Loudoun County was \$430,000 through August 2015. Currently, 35% of County employees live outside of Loudoun County.

➤ **Total Compensation**

The issue of competitive pay must be viewed in the context of the total compensation package provided to employees. The cost to the employees of the County's health plan has continued to increase year over year. An overall increase of approximately 12% has been approved for the Health Plan Year 2016. Further, employees saw an elimination of funding in 2009 for the employer match contribution to participants in the County's 457(b) deferred compensation plan. Previously County employees who participated in the plan received a dollar for dollar employer match of up to \$20 per pay period (\$520 per year) as an incentive for employees to participate in the plan. Finally, it is important to note that effective July 1, 2012, the Virginia General Assembly required all members of the Virginia Retirement System (VRS) to pay a member contribution to their VRS retirement plan. In response, the County implemented a 5% employee member contribution along with a 5% salary increase to offset the contribution. Unfortunately this resulted in an approximate 1% reduction in pay for all employees due to the 5% salary increase being based on the old salary and the 5% member contribution being calculated on the new salary.

PURPOSE: The purpose of this briefing is to provide the Board with an overview of the County's classification system and pay plan and to create awareness of the current challenges with maintaining the current system and pay plan. Staff will present an item to the Board in FY16 recommending the Board:

1. Consider whether it is appropriate to maintain the Board's current compensation philosophy of delivering pay at 95% of the comparator market;
2. Direct staff to hire a consultant to review and evaluate all aspects of the County's current classification system and based on that evaluation develop a new systematic classification system including standardized job descriptions with minimum qualifications, clearly identified essential job functions, and clearly identified physical requirements; and
3. Direct staff to review and evaluate all aspects of the County's pay plan and based on that evaluation develop a new market competitive compensation plan, including identifying the market competitive salary range for each job classification.

ANTICIPATED ACTION DATE: No action required at this time.

ADDITIONAL INFORMATION: Please feel free to contact staff for additional information.

ATTACHMENT:

1. Loudoun County FY16 Payscale (General Workforce, Fire and Rescue, and Sheriff's Office)

County	County Population	% of Regular Loudoun County Employees Residing in this County*	# of Regular Loudoun County Employees Residing in this County*	Direction from Loudoun	Pros to Choosing as a Comparator	Cons to Choosing as a Comparator	Comments	Possible New Comparators (Yes / No / Maybe)
Loudoun County, VA	373,694	51.2%	1746	NA	NA	NA	NA	NA
Arlington County, VA	220,400	0.2%	8	East	Comparable size county. Similarity of positions. Nearby county. Similar labor market. Easy access to position data online.	Less than 1% of employees come from there.	Current Comparator	Yes
Berkeley County, WVA	110,497	4.3%	148	Northwest	4.3% of our workforce comes from there.	Less than one third the size of Loudoun. No access to position data online.	Martinsburg, WVA area	No
City of Alexandria, VA	153,551	0.1%	4	East	Similarity of positions. Nearby city. Similar labor market. Easy access to position data online.	Less than 1% of employees come from there.	Current Comparator	Maybe.
Clarke County, VA	14,348	2.9%	100	West	2.9% of our workforce comes from there.	Too small. Not enough similar positions.		No
Fairfax County, VA	1,125,400	6.2%	211	East	Similarity of positions. Adjacent county. Similar labor market. Easy access to position data online. 6.2% of our workforce comes from there.	None	Current Comparator	Yes
Fauquier County, VA	65,203	2.2%	76	South	Similarity of positions. 2.2% of our workforce comes from there. Easy access to position data online.	Less than one fifth the size of Loudoun.		Maybe. Although a small jurisdiction, it has many of the same jobs and represents salaries south of Loudoun.

Frederick County, MD	246,011	5.2%	176	North	Comparable size county. Similarity of positions. Adjacent county. Similar labor market. Easy access to position data online. 5.2% of our workforce comes from there.	None	Frederick, MD area	Yes
Frederick County, VA	82,059	7.3%	250	West	7.3% of our workforce comes from there. Some access to position data online.	Less than one fourth the size of Loudoun.	Winchester, VA area	Maybe. Although a small jurisdiction, it has many of the same jobs and represents salaries west of Loudoun.
Henrico County, VA	314,878	0.0%	1	South	Comparable size county. Similarity of positions. Easy access to position data online.	Not part of the Washington, DC metropolitan region. Salaries may vary. None of our employees come from there.		No. Although a very similar jurisdiction, it is in a different labor market.
Jefferson County, WVA	55,073	8.3%	284	Northwest	8.3% of our workforce comes from there.	Too small. No access to position data online.	Charles Town and Harper's Ferry, WVA area	No
Montgomery County, MD	974,824	0.8%	27	East	Similarity of positions. Adjacent county. Similar labor market. Easy access to position data online.	Less than 1% of employees come from there.		Maybe. Although a larger jurisdiction, it has many of the same jobs. Adding Montgomery County may be very similar to Fairfax County. Do we need another Fairfax in the comparator group?
Prince William County, VA	438,580	3.9%	133	Southeast	Comparable size county. Similarity of positions. Adjacent county. Similar labor market. Easy access to position data online. 3.9% of our workforce comes from there.		Current Comparator. Manassas, VA area	Yes
*Data as of 04/27/2016								