

City of Franklin Comprehensive Pay Plan Review and Recommendations

November 20, 2017

I. Overview of Scope of Study

Burriss, Thompson & Associates was engaged by the City of Franklin to 1) determine how much the City's pay ranges should be adjusted to maintain competitiveness with the labor market, and 2) how employee salaries should be adjusted. To accomplish this Burriss, Thompson & Associates:

- Reviewed all job descriptions and interviewed each department head to ensure accurate understanding of all jobs.
- Compiled market data from public sector benchmark employers and general business and industry.
- Compared the City's current pay ranges for all jobs to the market data.
- Developed recommendations for reclassifying jobs if appropriate based on the market data and adjusting the City's pay ranges for 2017/2018 and 2018/2019.
- Recommended adjustments to individual City employee salaries to maintain competitiveness in current and near future economic conditions.

II. Methodology

A. Job Analysis

1. Review Job Descriptions

Burriss, Thompson & Associates reviewed the job descriptions for all jobs.

2. Interview Department Heads

Burriss, Thompson & Associates met individually with each department head to discuss the organization and jobs of their department. This served to enhance the Consultant's understanding of the jobs.

3. Review with Human Resources

Burriss, Thompson & Associates also discussed certain jobs with Human Resources to gain a better understanding of particular job functions of various positions.

B. Compile Market Data

1. Data Sources

Labor market data from all jobs were compiled from two sources:

- **Public Sector Data: Burriss, Thompson & Associates 2016 Public Sector Wage and Salary Survey.**

The City selected 18 public sector benchmark employers (17 cities and one county) to serve as benchmarks for the Pay Study (see Table I). Because Franklin has grown considerably since the original pay study in 2013, this current set of 18 benchmarks is different from the original benchmarks. Some of the smaller original benchmark cities have been deleted and replaced with larger cities. As was the original intent, the new set of 18 benchmarks is considered a good cross section of local labor market competitors and cities that, while not in the local labor market, are reasonable matches in terms of demographics and management philosophy. Many of the latter cities ARE regional competitors for senior level professional and management level talent. Data are for fourth quarter 2016.

Table I
2017 Pay Study Public Sector Benchmark Employers

<u>City</u>	<u>Pop.*</u>	<u>City</u>	<u>Pop.*</u>
Nashville, TN	644,014	Johnson City, TN	65,813
Lexington, KY	310,797	Bowling Green, KY	62,479
Columbus, GA	185,888	Bartlett, TN	58,264
Cary, NC	155,227	Hendersonville, TN	55,153
Clarksville, TN	148,806	Collierville, TN	48,655
Murfreesboro, TN	120,954	Smyrna, TN	45,274
Athens, GA	88,750	Brentwood, TN	40,982
Hoover, AL	84,353	Germantown, TN	39,267
Jackson, TN	67,319	Williamson County	
		Median pop. =	67,319

*2014 Population @city-data.com
(cities only)

- General Business/Industry Data: Economic Research Institute Salary Assessor** - September 2017 database of salary data for several hundred job titles for many US locations based on survey data – the Study used data for all industries in the Franklin area. (Note that for certified Public Safety jobs, no matches were made to this database.)

2. Salary Planning Date

All data were projected to July 1, 2018.

3. City of Franklin Pay Philosophy

The intent of the City’s pay plan is that the City’s pay practices should, over time, position employee wages and salaries to be **above average** - the City of Franklin’s goal is for employee salaries overall to be in the top 25% of the labor market. Thus, in compiling the labor market data, instead of identifying the **average** market rate for each job, the pay

study uses the **rate for each job that is above 75% of the labor market salaries** for the job. Targeting this point in the labor market for each job accomplishes two things:

- It will aid the City in attracting and retaining top level talent for City jobs. While salary is only one factor that individuals consider in choosing where to work, the City will be able to compensate employees at high levels that will make employment with the City of Franklin very attractive.
- Department heads and City management all expressed concern that performance expectations for all City of Franklin employees are high. Part of this stems from the continued growth of the City and all of the accompanying challenges. In addition, the City aspires to offer a very high level of municipal services to citizens. Taking these into account, it seems that the value of the contribution of each City of Franklin **job** is certainly “above average”. Thus, targeting the labor market pay rates that are above 75% of the salaries of other employees performing similar work for other employers reflects the idea that City of Franklin jobs are “more demanding” than those of many employers.

4. Determine Job Market Rates

Burris, Thompson & Associates determined a **Market Rate** for each City of Franklin job from the survey data. For each job, the **Market Rate* was determined by calculating the average of:**

- The salary rate from the 18 public sector benchmark employers, and
- The salary rate from the database for general business and industry.

* As noted in II A 3 above, the rate that exceeds 75% of the salaries for the job, hereafter referred to as ‘**the top 25% market rate**’.

C. Pay Structure Comparison and Adjustment

Currently, each City of Franklin job is assigned to one of 14 pay grades (A through N). A pay range is assigned to each pay grade. Each pay range has a minimum, a midpoint, and a maximum pay rate. The intent of the pay plan design is that the **pay range midpoint** for each pay grade approximates the top 25% market rates of the jobs assigned to that pay grade.

To determine the competitiveness of the City of Franklin’s current Pay Structure relative to its desired market position, the pay range midpoint for each job was compared to the **top 25% market rate** for that job. These comparisons indicated how much the pay ranges should be adjusted. If the pay range midpoint for the job was considerably below the top 25% market rate for the job, reclassification of the job to the next higher pay grade was considered.

D. Employee Salary Adjustments

Based on comparison of current employee salaries to the newly adjusted pay ranges, Burris, Thompson & Associates worked with City management to determine the magnitude of individual employee salary adjustments that would be appropriate.

III. Findings

A. Market Data

Exhibit A contains the market data for all jobs.

B. Pay Structure Competitiveness

A structure index is a measure of the competitiveness of the pay range for a job. The structure index is calculated by dividing the current pay range midpoint by the **top 25% market rate** determined for the job from the survey data.

For 52 jobs, current **pay range midpoints** were more than 17% below the **top 25% market rates** for the jobs. If these jobs (excluding two jobs for internal equity reasons) are assigned to the next higher pay grade, the result is that the pay structure index overall will be approximately 91% for the City. This means that Franklin's current pay ranges overall are approximately 9% below the City's desired market position. This varies by department (see Table II below).

C. Current Salaries vs Market

Actual current City of Franklin employee salaries are overall approximately 91% of the proposed 2018/2019 job pay range midpoints. This varies considerably by employee and by department – see Table II below (it is just a coincidence that this 91% very closely matches the overall pay range structure index noted above).

Department	Structure Index (Range Midpoint ÷ Job Market Rate)*	Current Salaries as Pct. of Proposed 2018/2019 Midpoint	January 2018 Adjustments to Minimums	July 2018 Adjustments to Minimums	Total Adjustments to Minimums
Administration	93%	96.9%	\$ 732	\$ 2,980	\$ 3,712
Bldg. &N Serv.	92%	84.0%	\$ 53,911	\$ 48,318	\$ 102,229
Engineering	90%	88.8%	\$ 6,766	\$ 16,956	\$ 23,722
Finance	90%	89.6%	\$ 2,590	\$ 5,146	\$ 7,736
Fire	91%	92.4%	\$ 38,053	N/A	\$ 38,053
Human Resources	92%	85.9%	\$ 3,210	\$ 8,000	\$ 11,210
Info Technology	92%	87.9%	\$ 6,817	\$ 6,622	\$ 13,439
Law	90%	85.3%	\$ 11,426	\$ 4,905	\$ 16,331
Parks	90%	86.6%	\$ 21,417	\$ 28,297	\$ 49,714
Planning	93%	86.5%	\$ 18,484	\$ 11,113	\$ 29,597
Police	92%	92.0%	\$ 96,921	N/A	\$ 96,921
Revenue Mgmt.	93%	95.8%	\$ 0	\$ 1,310	\$ 1,310
Streets	92%	92.3%	\$ 2,845	\$ 13,941	\$ 16,786
TOTAL GEN FUND		89.1%	\$ 263,172	\$ 147,588	\$ 410,760
Sanitation	90%	86.4%	\$ 30,309	\$ 30,506	\$ 60,815
Stormwater	90%	92.1%	\$ 0	\$ 1,613	\$ 1,613
Water Services	90%	89.0%	\$ 30,743	\$ 37,933	\$ 68,676
CITY TOTAL	91%	90.5%	\$ 324,224	\$ 217,640	\$ 541,864

*After upgrade of 50 jobs

Twenty-five percent of all City of Franklin employees' salaries are more than 15% below their 2018/2019 proposed pay range midpoints. Ten percent are above those range midpoints for their jobs. See also Exhibits B and C (show non-Public safety only due to limited space but Public Safety looks very similar).

Recommendations

A. Re-Classify Jobs

As indicated above, current **pay range midpoints** for 52 jobs were more than 17% below the **top 25% market rates** for the jobs. These jobs should be moved up one pay grade – note that two jobs are not to be moved due to internal equity concerns. These jobs are identified in Exhibit A (“New Grade” is highlighted).

B. Adjust Pay Structure

An adjustment of 10% to all pay ranges is recommended to position pay range midpoints right at Franklin's desired market position (the top 25% market position).

C. Adjust Employee Salaries

All employee salaries that fall below the new pay range minimums should be adjusted to the minimum for the job.

D. Phase in Changes

The Proposed 2017/2018 Pay Ranges in Exhibit A are 5% above current pay ranges and would take effect January 1, 2018. The ranges would be moved again in July 2018 so that they will be 10% above current City of Franklin pay ranges. (Ranges for Public Safety are proposed to be adjusted the full 10% in January 2018 due to intensifying competition for qualified personnel.)

E. Financial Impact

Table II above shows the annualized cost of adjusting salaries to the range minimums in January 2018 and July 2018.

F. Tenure Based Employee Salary Adjustments

To address pay compression caused by the proposed adjustments of salaries to the range minimums if necessary, as well as existing pay compression, implementation of the pay adjustment schedule shown in Table III below is recommended. This is intended to create some distance between the salaries of employees with different tenure in their jobs.

In some cases significant pre-employment experience elsewhere or other similar considerations may impact application of this schedule to individual employees.

Table III	
Job Tenure	Salary Range Target as Percent of Range Minimum
20 or more years	122%
15 years but less than 20	120%
12 years but less than 15	117%
9 years but less than 12	114%
6 years but less than 9	111%
4 years but less than 6	108%
2 years but less than 4	104%
Less than 2 years	100%

We are working with the City to determine the details (including timing) of the implementation of this schedule.