November 15, 2018

To: Mayor and City Council

From: Beth Linn, City Administrator

Re: 2018 Compensation and Benefits Study – Research and Analysis Phase I

In early 2018 during a request to add additional positions, I discussed with the Governing Body completing a Compensation and Benefits Study for all city employees. The last study, which was not comprehensive, was completed in 2010.

This memo provides the Governing Body the first phase of research and analysis related to the compensation and benefits study. Following the presentation of that information, staff requests direction from the City Council in the following policy decisions to complete the final draft of the study and present to the City Council for consideration at the December 13, 2018 City Council meeting.

* **Comparison Cities**. It is an industry best practice when completing a total compensation and benefits study to benchmark Edgerton against comparable cities. Those comparable cities are used consistently across the organization as benchmarks related to both actual compensation (pay ranges) and benefits offered (i.e. health insurance, time off, retirement benefits, etc). Edgerton has unique challenges in selecting cities most comparable due to our unique characteristics. Staff looked for cities that mimicked Edgerton in several categories listed below.
	+ **Growth** – Edgerton today is a city with tremendous growth potential, both within the current city limits but also additional growth potential through future annexation. Therefore, staff included cities with similar capability to grow now and in the future as that growth and significant economic development brings challenges and work load similar to what Edgerton experiences.
	+ **Workload** – Similar to the unique characteristics of Edgerton having its small town charm in our residential area while being home to an international logistics hub, Edgerton staff experience the types and variety of work of both smaller and larger communities. In addition, this work is accomplished with a size of staff more comparable to a smaller community. Edgerton is the case study that illustrates that public investment in infrastructure drives private investment in economic development. In the last several years, Edgerton has accomplished an aggressive capital improvements program focused on infrastructure and quality of life projects focused on serving our residents and driving economic development. These projects are of a size and number atypical for a community our size. The recommended comparable cities have illustrated their commitment to providing high quality infrastructure for both their residents and to drive economic development investment in the community.
	+ **Quality of life** - Edgerton through the use of its citizen survey, Parks Master Plan, Annual Budget and other initiatives has illustrated its commitment to continuing to better the quality of life for Edgerton residents. For this area, staff identified cities that communicate through their actions and plans a strong commitment to increasing the quality of life for their residents and businesses. While park acreage is not a direct measurement of a citizen’s quality of life, it is a measurement provides insight into a community’s vision and financial commitment to the health and well-being of its citizens.
* **Characteristics of the salary ranges**. Once comparison cities have been selected, these cities are used to benchmark and compare each position. This analysis uses position descriptions and job duties from the comparable cities with Edgerton position descriptions and job duties to identify like positions. This analysis is the basis for development the proposed salary ranges. For this process, it is the role of City Council to provide policy direction on the characteristics of those salary ranges.
	+ **Setting of Edgerton range**. Once comparable cities have been established and the position description analysis completed, each position will have a minimum for the lowest comparable city and a maximum for the highest comparable city. It is a policy decision by City Council to determine where Edgerton specific ranges should be established within those minimums and maximums.

For discussion purposes, based on the ranges of the selected comparable cities, the minimum for a specific range could be $0 with a maximum at $1000. City Council would make the policy decision to choose where to set the maximum of the Edgerton range within that range. For example, City Council could choose to set the maximum of the Edgerton range at 75%, which based on the example above would be $750.

* + **Width of the ranges**. Cities approach the width of salary ranges differently dependent on the particular organization compensation philosophy. For Edgerton, staff recommendation is for the width of the ranges be set wide enough to compensate employees in those ranges for variety in experience and performance. An additional consideration for wider ranges would be to allow an employee that comes with little previous experience sufficient room to grown in that position without hitting the maximum of the range. Staff would recommend range with be set at 50%. Once the City Council provides the policy of where to set the Edgerton maximum of the ranges, staff will use the width to calculate the minimum for each range.
* **Maintenance of salary ranges**. Industry best practice is to consider maintenance of the salary ranges on an annual basis similar to what the City does as part of the annual budget process. This maintenance would not provide a cost of living adjustment to employees. It would simply move the ranges to account for inflation.

As part of the annual budget process, the State of Kansas allows for cities to include an increase in revenue equal to the Consumer Price Index (CPI). Staff would recommend the salary ranges be adjusted annually equal to the CPI to allow for the cost of inflation and prevent the ranges from becoming out of market. For 2017, this amount was 1.4%.

* **Frequency of Compensation and Benefits Study**.Edgerton did its last look at the compensation of city employees in 2010. In today’s competitive employment market it has become even more important to be more frequent and deliberate in studying the compensation and benefits provided.Staff would recommend the compensation and benefits study be scheduled every three years.