

# MEMORANDUM

**To:** Board of Directors  
**From:** Gary W. Fern, P.E., Executive Director  
**Date:** May 14, 2009  
**Re:** Compensation Survey  
**cc:** James M. Bowling, IV

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Ms. Carolyn Fowler, President of HR Diversified Solutions, LLC, conducted a compensation survey and analysis for the ACSA, RWSA and RSWA in January, 2009. She will attend the Board's meeting on Thursday to answer any questions the Board may have regarding her Executive Summary and Recommendations.

Provided with the packet is a copy of the Compensation Survey & Analysis.

The ACSA Staff concurs with the recommendations provided by Ms. Fowler. Specifically, we request that the Board adopt a salary range adjustment of 3% to remain competitive with the market. The proposed FY 2010 Budget accounts for this adjustment.

In respect to a Broad Band Structure, the ACSA Staff would like to concentrate efforts on educating all employees as to the advantages of Broad Banding, before requesting adoption by the Board. We have tentatively scheduled to return to the Board with such a request in January 2010.

## **Board Action**

We request that the Board adopt a 3% increase to the ACSA salary range pursuant to the recommendation by HR Diversified Solutions, LLC.

GWF/anw

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# Executive Summary

## Purpose

The overall purpose of the project has been to conduct a compensation survey for the Albemarle County Service Authority (ACSA), Rivanna Water and Sewer Authority (RWSA) and Rivanna Solid Waste Authority (RSWA). The last comprehensive survey prior to this one was 2007. Conducting the survey in partnership with RWSA and RSWA makes sense in terms of efficiency since it easier for survey participants to respond to one survey rather than two. Also, the Authorities have some of the same positions.

The survey solicited information relative to compensation data and compensation plans to determine if the Authorities' current pay ranges are in alignment and competitive with the market in which they compete for qualified staff. The objective is to ensure the respective Authority establishes salary ranges competitive with other participant organizations and the local labor market.

Previous salary/wage structure adjustments and annual merit increase amounts are as follows:

<b>Fiscal Year</b>	<b>Salary/Wage Structure Adjustments</b>	<b>Merit Increase Budget</b>
FY05/06	3.0%	3.0%
FY06/07	0.0%	4.4%
FY07/08	5.0%	4.7%
FY08/09	0.0%	3.5%

World@Work Salary Structure Increase Projected 2009: 2.6%-2.7%. Culpepper Salary Structure Increase Projected 2009: 2.8%. For details, see Appendix, 1. Compensation, j. Salary Budget and Salary Structure Trends and Projections

## Survey Methodology and Tasks

Twenty eight out of thirty nine invited organizations participated in the survey. Potential survey participants were identified by Katrina Thraves, Administrative Supervisor, ACSA, and Cynthia Burnett, HR Manager, RWSA/RSWA. Survey participants include those that:

- Do the same thing/are in the same industry as the Authorities
- Conduct business in Virginia
- Hire and lose employees to one another

A list of survey participants and non-participants is included in the Appendix, 1. Compensation, a. 2009 Compensation Survey Participants and Non Participants.

Survey participant organization type(s) for 2009 and 2007 are listed below:

<b>Organization Type</b>	<b>2009 Survey</b>	<b>2007 Survey</b>
City/County government	15	16
Water Authority	15	9
Sewer Authority	15	10
Solid Waste Authority	4	3
Lab	3	2
Recycle Facility	5	2
Land Fill	7	2

Updated summary description definitions for the 53 survey jobs were included in the participant package to help them match their positions to those included in the survey. Typically, survey job descriptions list a generic or widely used title, several sentences that describe the main focus of the job, and then the main and most important functions/key responsibilities. Participants were reminded to match jobs on job content, not job titles.

Selected organizations were invited to participate and submit survey information via email. The Consultant reviewed the data submitted by each participant for consistency and accuracy and contacted the individual who submitted the data with questions or to seek additional information when not provided. All wage data was annualized to 2,080 hours per year and results are reported in accompanying reports on an annual salary basis.

#### Compensation:

As mentioned in the previous section, a total of 53 jobs were included in the survey – 28 for ACSA and 39 for RWSA/RSWA with 14 jobs represented in both organizations. The number of jobs included in the survey is significantly greater than the rule of thumb 50% of an organization’s jobs. 74% and 80% of jobs were included for RWSA/RSWA and ACSA respectively. As a rule of thumb, benchmark jobs should closely resemble jobs performed in other organizations and/or across industries. Benchmark jobs should:

- Be important in the organization’s internal hierarchy;
- Represent many job levels or grades in the salary structure; and
- Be matched to 70% or more of the duties found in the survey jobs

Data relative to number of employees per survey participant organizations is as follows:

	<b>Actual # of Employees</b>
RWSA	70
RSWA	26
ACSA	69
Survey Participants: Low	10
Survey Participants: High	6959
Survey Participants: Average	889

Katrina Thraves, Cynthia Burnett and the Consultant reviewed the “raw” survey data on a job-by-job basis and identified and discussed data discrepancies. When there was a significant variance (+/-) between survey data and Authority ranges, Authority representatives evaluated the respective participant response to level of job match: Less, Equal, or Greater as well as the organization’s total employee base as compared to the Authority. See Appendix, 1. Compensation, b. Compensation Survey Summary.

Survey data was collected in January, 2009. Of note, survey participants have been provided without cost the summary compensation and general information data, a practice consistent with the survey industry.

Jobs not included in the survey are those where applicants are typically secured in the local labor market and salary market data is available. External market data for these jobs (8 for RWSA/RSWA and 5 for ACSA) was secured from one local survey and two national subscription-based sources.

External Market Data Sources\*:

- 2009 Greater Richmond Compensation Survey (Purchased, Consultant)
- CompAnalyst Subscription (Consultant)
- ERI Salary Assessor Subscription (Consultant)

\*An annual aging factor of 3.5% was applied to published survey and subscription data to one common point in time (1/09) so that consistent market comparisons were made.

External surveys provide salary market data by 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> Percentile and Average Annual Salary. Because the ACSA/RWSA/RSWA survey focused on gathering minimum, midpoint, and maximum ranges rather than actual incumbent salaries, data for 50<sup>th</sup> Percentile was used against which to gauge Authority midpoints. 50<sup>th</sup> Percentile, also known as the Median, is defined as the midpoint of a data array in which the data are ranked from lowest to highest. 50% of the data are less than the 50<sup>th</sup> Percentile and 50% of the data are greater than this number.

Benchmark jobs also serve as internal anchor points for non-benchmark jobs. 2 ACSA jobs and 7 RWSA/RSWA jobs were not included in either the custom survey or external market data collection. Assignments of these jobs to the pay grade structure was accomplished based on slotting or comparing the value of the job’s relative worth to other jobs for which data was collected.

General Information and Policy:

In addition to Compensation data, the survey also solicited information about the participant organization’s compensation structure and merit increases. Summary responses are included in the Appendix, 2. General Information attachment.

Survey Observations and Recommendations

Compensation Survey: Variances to ACSA Ranges

Summary of variances between ACSA range midpoints and survey midpoints, and where available, 50<sup>th</sup> Percentile data from external market sources, indicates 13 (8 from the Authority sponsored survey and 5 from external market data) positions out of 32 (not including the Executive Director position) surveyed are above current range midpoints:

Summary of Variances to Range Midpoint: 2009 and 2007

	<b>2009 Survey</b>	<b>2007 Survey</b>
Above current midpoint	<b>13 (41%)</b>	<b>4 (17%)</b>
-0.1% to -3.0%	3	4
-3.1% to -6.0%	7	3
-6.1% to -10.0%	6	5
-10.1% to -15.0%	3	4
> -15%	0	4
<b>Total # jobs &lt; than range midpoint</b>	<b>19 (59%)</b>	<b>20 (83%)</b>
<b>Total # jobs surveyed*</b>	<b>32</b>	<b>24</b>

\*Does not include Executive Director position

The number of jobs matched by survey participants ranged from a low of 4 (Modeling Engineer and System Quality Tech/Crew Leader) to a high of 20 (Customer Service Representative). The average number of jobs matched by survey participants is 11.6 for 2009 compared to 10.8 for 2007.

The variances between current ACSA ranges and survey data ranges are not limited to specific job families, job levels, or job knowledge or skill although several jobs with the largest variances tend to be for “hot” jobs – those jobs for which knowledge and/or skill

is in high demand with limited supply in the labor market: GIS Technician, Facilities Supervisor, Environmental Compliance Specialist, and Modeling Engineer.

### ACSA Current and Proposed Schematic

The following three charts illustrate, by title, where ACSA jobs fall above or below Market Midpoint. See Appendix 1, d. Compensation Summary by Job Variance

- Chart 1: Current 08/09 Job Levels, 7/07 Ranges compared to 2009 Survey Data and Variances
- Chart 2: Consultant Position Job Level change Recommendations for 09/10 using 07 ranges
- Chart 3: Range structure adjusted for 09/10 (Proposed): 07 Range structure increased by 3.0% and position job level change recommendation decisions by Executive Director

### ACSA Salary/Wage Structure

ACSA Salary/Wage Structure (the hierarchy of job grades and pay ranges within an organization) includes 26 pay grades in which 34 ACSA job titles are slotted. The range widths (minimum to maximum) are 60% and midpoint to midpoint difference (the difference in wage rates paid in the midpoints of two adjacent grades) is 5.0%.

Some organizations have found that when too many grades (with insufficient differences between them) are in place, the compensation system becomes overly complex and increasingly unmanageable. ACSA has 34 job titles slotted in 16 of 26 levels. Consideration should be given to reduce the number of pay grades from 26 to a number appropriate for the size of ACSA.

To achieve a reduction in number of pay grades, midpoint to midpoint differentials can be adjusted to a percent greater than the current across the board 5%. According to WorldatWork, typical midpoint-to-midpoint differentials can be developed according the type of job and/or the location of the job within the hierarchy.

- 5% to 12% between grades for clerical/production
- 8% to 15% between grades for paraprofessional, professional management
- 15% to 25% total midpoint differential between supervisor and subordinates
- 20% to 35% midpoint differential between grades for executive levels

Jobs are assigned to grades in a traditional salary structure based on internal value and/or market value. The determination of the placement within the pay grades for an organization's pay structure is accomplished by evaluating the following:

- Skill or responsibility distinctions: The number of skills and/or responsibility distinctions in the organization;
- Supervisor/subordinate relationships: The number of levels of supervision and number of grades between supervisor and subordinate at each level;
- Career progression: The organization's view of an employee's career advancement; and
- Administrative considerations: Generally more grades = more administration

Observation:

Consideration should be given to reduce the number of pay grades. Broad banding is a way to combine/consolidate a large number of pay grades and salary ranges into much fewer broad bands with relatively wide salary ranges, typically with 100 percent differences between minimum and maximum or more. It refers to the collapsing of job clusters or tiers of positions into a few wide bands to manage career growth and deliver pay.

The number of bands, the width or height of the bands and the degree of overlap are determined by the type and number of jobs, and culture, size and type of organization.

The table below\* lists some of the specific advantages and disadvantages of broad banding.

Advantages	Disadvantages
Provides wider ranges than the spread of a traditional pay range; generally permits the movement of individuals between jobs without being overly limited by pay ranges	Reduces the value of ranges as parameters for governing pay rates
Reduces the number of job grades (e.g., from 26 to as few as four)	Affords less control for the organization in salary promotion decisions
Supports de-layering efforts; reduces the number of reporting levels within an organization	Creates overly broad salary ranges; affords less control of salary costs as there is no mechanism to tie the salary growth of individual employees to the skills necessary for advancement to the next higher-level position
Enhances employee mobility as employees can transfer without requiring a change in assigned pay range	Requires substantial communication and may raise expectations regarding higher top salaries in range
Shifts value of job to individual skills and contribution	

\*2008 SHRM (Society for HR Management) Learning System, Section 4-3 Total Rewards, Compensation Structure

Characteristics of conventional compensation programs (based on principles established more than 40 years ago) are hierarchies; they control managers and employees, are job-focused; slow and bureaucratic and structured. Characteristics of broadbanding programs are fewer levels; empowerment; person-based pay; reinforcement for horizontal or lateral development and less structure.

### ACSA Compensation Guidelines

#### Recommendations:

1. Continue to conduct a comprehensive compensation survey at least bi-annually (Conducted 2007 and 2009; conduct again 2011) to assure that ACSA adjusts pay ranges in relation to those provided by participants and labor markets. Effectively conducted and acted upon, data provided in the survey form the basis for establishing sound and equitable salary range structures, thus providing the financial incentive needed for maximum employee job satisfaction and retention.
2. ACSA has traditionally determined “the market” by comparing their ranges with range data provided by state-wide authorities every other year. To gain a complete picture of “the market” to determine if ACSA is externally competitive, consideration should be given to gathering external market data (“market pricing”) in addition to range data. The information gathered will provide a more accurate reading of pay competitiveness in the labor markets and provide a second point of reference to determine midpoints for ranges.
3. Adjust ranges annually in accordance with published salary structure increase projections. Range structure adjustment trends and projections are available annually by WorldatWork as well as by several compensation consultancies.

Projections for structure adjustments for 2009 are 2.6%-2.7%. See Appendix 1. Compensation, j. Salary Budget and Salary Structure Trends and Projections. Based upon this projection, the fact that more than half of the surveyed positions below midpoint of FY 08/09 ranges, and the current economic situation, I recommend that Authority ranges be adjusted by 3%. This will help to ensure that the ACSA ranges stay reasonably competitive with the market and current economic situation.

4. Recommendation is made for ACSA to move to a Broad Band structure during FY 09/10 and make any changes to the slotting of positions (as the result of the Survey) with the implementation of the Broad Band structure. Recommendation is made to organize ACSA pay grades and salary ranges into 4 broad grades. Job titles currently organized in the traditional 26 pay level structure would be

combined into the four bands and treated for administrative purposes as single, broad bands

- **Support Band** – Positions within this band are designed to support the mission of the ACSA through a range of tasks from *unskilled* physical to *skilled clerical* work, involving routine to increasing levels of responsibility. Employees in this band receive regular supervision in most tasks. Education and experience required are minimal in lower zones, increasing to considerable experience in higher zones; training and education is gained on the job and through educational programs to broaden knowledge and skill in order to advance.
- **Technical Band** – Technical positions advance the mission of the ACSA through performance of a range of tasks requiring specific, responsible to sometimes complex applications. Employees in this band apply a thorough understanding of their technical skill set to often recurring problems and situations. They possess a level of experience and/or education that requires regular supervision initially, moving to general direction as they gain experience and education on the job.
- **Professional Band** – Professional Band positions comprise those routinely exercising supervision of other personnel in work groups of various size, or departmental sections. Professional employees perform difficult to complex tasks requiring the application of advanced knowledge and problem solving skills to independently solve problems and situations by applying policies in place, and/or by recommending an executable solution to management personnel.
- **Management Band** – The management band includes those personnel who are routinely involved in the planning, organizing, directing or control of agency activities, procedures and practices. They possess advanced social skills, the highest level of mastery in their section or department, and routinely develop agency policy for recommendation to the Director and Board of Directors.

Respectfully submitted,

Carolyn J. Fowler, SPHR, CCP, CBP, GRP

## **Appendix Table of Contents**

### **1. Compensation**

- a. 2009 Compensation Survey Participants and Non Participants
- b. Compensation Survey Summary
- c. ACSA Compensation Survey Summary and Variances By Survey Job
- d. ACSA Compensation Summary by Job Variance
- e. ACSA All Survey Jobs by Position
- f. Survey Detail/Raw Data
- g. External Salary Market Data
- h. ACSA FY 2010 Proposed Salary Scale and Schematic
- i. Jobs Included in 2009 Compensation Survey (RWSA/RSWA/ACSA)
- j. Salary Budget and Salary Structure Trends and Projections
- k. 2009 Compensation Survey Position Titles and Description Listing
- l. Sample Broadband Organization of Jobs

### **2. General Information**

- a. Response to General Information Questions from the 2009 Compensation Survey

**NOTE: Copies of the above documents are not presented here due to file size. This is public information, however, and is available by calling 434/977-4511 x 108, Katrina Thraves, Admin. Supv./HR Administrator.**