



TO: Mayor and Councilmembers

FROM: Kristine Schmidt, Assistant City Manager

CONTACT: Jennifer Jennings, Human Resources/Risk Manager

SUBJECT: Contract Amendment Adding a City-Wide Classification Analysis and Total Compensation Market Assessment Update to the Contract with the Segal Company

RECOMMENDATION:

- A. Authorize City Manager to execute an amendment to the Professional Services Agreement with the Segal Company in an amount not to exceed \$95,000, with a term ending December 31, 2023, adding a City-Wide Classification Analysis and Total Compensation Market Assessment Plan Update to the original scope of work, subject to City Attorney approval as to form of the contract documents; and
- B. Authorize the City Manager to approve an additional amendment at a future date, if needed, for possible additional position analyses with the Segal Company in the amount not-to-exceed \$10,000.

BACKGROUND:

Following discussions regarding employee salaries and benefits in the spring of 2013 during the two-year budget adoption process, the City Council directed staff to move forward with a comprehensive compensation study and authorized an agreement with the Segal Waters Consulting Group (now known as the Segal Company or "Segal") on September 16, 2013. This multi-phase study included position analyses, job evaluations, salary data collection and market review, salary structure design and development, and pay administration guideline development.

Through various communication sessions, Segal collected job description information from all staff and conducted an internal position evaluation. The tools utilized to collect information from employees included a Job Description Questionnaire and a Job Evaluation Manual. In order to create a hierarchy in which to place jobs within grades of a new salary structure, the job documentation collected from employees was analyzed and assigned points based on factors such as education, experience, management and supervision, freedom to act, technical skills, fiscal responsibility, and working conditions.

Market data on pay and benefits was then collected from benchmark organizations and compared to 46 City job classifications. Forty-eight benchmark organizations were selected based on geographic proximity, nature of services provided, and employer size and complexity criteria. Of the 48 benchmark organizations originally selected, salaries were surveyed in 34 organizations; 15 organizations were selected to compare the unique positions within the City; and, 17 organizations participated in the benefits survey. For positions with private sector matches, Economic Research Institute data was utilized for comparisons purposes.

Internal position evaluation and external market data were considered in the development of a new salary structure. The market summary showed the relationship to the then-current job market for each position. To more closely resemble the average of labor market data surveyed, features of the salary structure included a 28 percent spread (minimum to maximum rate of pay), adding an additional sixth step to the range with a 5 percent increase between each step. The City's salary range policy, adopted by the City Council in May of 2002, established the 75th percentile as the City's market relationship to the average of market data collected from benchmark organizations. This policy was also utilized 2013 to define the new salary structure in relation to the market data.

Besides salary data, Segal collected benefits information from benchmark organizations including: vacation leave, management leave and sick leave, health benefits, retirement, medical insurance, dental and vision coverage, pay practices, and allowances and reimbursements.

The Segal report also included recommendations on administrative guidelines in the areas of management pay philosophy, compensation program objectives, pay structure maintenance, and guidelines for salary increases in order to manage the pay system and allow for a compensation program that was internally equitable, externally competitive, and aligned with the City's overall compensation philosophy.

On March 3, 2015, the City Council received a report on the final recommendations of Segal's initial analyses and authorized various amendments to the City's Salary and Classification Plan, and agreements with SEIU to allow for the implementation of those recommendations.

DISCUSSION:

The purpose of the Segal study was to perform a comprehensive review of the City's original compensation program and to ensure that it effectively supported recruitment and retention, training, workforce planning and resource allocation, and performance management. These are essential components of an effective Human Resources program, and over the last ten years they have supported the City's ability to be competitive in the labor market, manage financial resources, and ensure positions were properly defined and compensated.

However, there have been significant changes to both the City and the municipal job market over the last decade, necessitating an update to the prior study conducted by Segal. The City has added many positions since the initial study was completed, most notably with the addition of the Library Department, but also across all departments in the organization. In addition, cities are facing challenges in recruiting and retaining qualified staff. Applicant pools are smaller, and there is greater competition among cities and counties to attract and retain employees. Furthermore, the cost of living in Santa Barbara County and elsewhere in California has driven job seekers out of the area, while at the same time COVID-19-era remote work options have changed the employment landscape dramatically.

In order for the City of Goleta to remain effective in attracting, compensating and retaining employees, staff recommends that an update to the original Segal analyses be conducted. To that end, staff contacted the project manager from Segal who completed the study in 2015 to request a scope of work for an update of their original study. Because of the complexity and depth of the initial study conducted by Segal and its recommendations and implementation tools, staff determined that an update, rather than a wholesale creation of a new classification and compensation plan, was appropriate and having Segal perform the update was the most efficient and cost effective. Therefore, instead of issuing a Request for Proposals (RFP) for a new study, which would likely cost twice as much as an update to the existing study, staff recommends that the City approve an amendment to the previous contract with Segal authorizing an update to the 2015 study. Attachment 1 contains the proposed scope of work for the update, which is comprised of two phases. The first phase is a Classification Analysis which includes the following:

- Stakeholder interviews;
- Gathering information about positions added to the City Classification and Compensation Plan since 2015, updating Job Description Questionnaires from the previous study, and analyzing the new positions;
- Performing an internal equity evaluation between positions included in the 2015 study and those added since that time

The second phase of the recommended study includes:

- Determining market study methodology;
- Identifying benchmark job titles;
- Identifying comparable employers and other data sources utilizing previously identified agencies;
- Collecting and analyzing market data;
- Determining the City's preferred total market compensation position and finalizing recommended amendments to the City's Classification and Compensation Plan.

Together, these two phases will bring the City's Classification and Compensation Plan up to date with current market conditions, strengthen the internal equity of the City's pay structure, and improve the City's ability to attract and retain employees.

Council is asked to authorize the City Manager to enter into an amendment to the existing professional services agreement with Segal, on a form approved by the City Attorney, for \$95,000 for the work described above and a term not exceeding December 31, 2023. In addition, Council is asked to authorize the City Manager enter into an amendment, on a form approved by the City Attorney, for \$10,000 at a future time if the list of positions initially provided to Segal for the update changes and analysis for different positions become necessary.

FISCAL IMPACTS:

If the City Council approves the recommended amendment to the agreement Segal, the City will incur up to \$95,000 in General Fund expenses. The FY 2022-23 budget includes an allocation of funds for professional services in Account No. 101-5-1200-51200, therefore, no further allocation is needed at this time to cover the cost of the scope of services identified in the draft agreement.

Once the recommended classification analysis and total compensation market assessment update is conducted, the Council will have the opportunity to make decisions about compensation for employees which may have additional fiscal impacts in the future, but which will be disclosed and discussed as those options are identified.

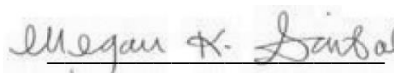
ALTERNATIVES:

The Council could choose to not approve the amendment to the agreement with Segal. If that were the case, the classification analysis and total compensation market assessment update would not occur, and the City's existing classification and compensation plan would not be adjusted to reflect the impacts of new positions and current labor market conditions, resulting in the City potentially falling behind other municipalities. As a result, the City may be hampered in its ability to attract and retain employees in the future.

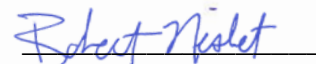
Reviewed By:


Kristine Schmidt
Assistant City Manager

Legal Review By:


Megan Garibaldi
City Attorney

Approved By:


Robert Nisbet
City Manager

ATTACHMENTS:

1. Proposal for a Classification Analysis and Total Compensation Market Assessment Update

ATTACHMENT 1:

Proposal for a Classification Analysis and Total
Compensation Market Assessment\ Update

Revised Scope of Work

Executive summary

We understand the City seeks the assistance of a consultant to perform a limited classification review and conduct a total compensation market study. Our proposed work plan for this assignment includes the following steps:

Classification Analysis

Tasks	Scope of Services
1. Project Initiation	Identify a clear project strategy that will facilitate a smooth and effective working relationship resulting in a successful outcome for the City
2. Conduct Stakeholder Interviews	<ul style="list-style-type: none">• Collect confidential information through a written questionnaire with key stakeholders, such as department directors and other senior staff• Understand the perspective and needs of senior managers, including their opinions regarding the effectiveness of the current classification and compensation policies with regard to meeting their operational needs and staffing requirements
3. Information Gathering (utilizing Job Description Questionnaire from previous study)	<ul style="list-style-type: none">• Gather information from employees and supervisors using the Job Description Questionnaire (JDQ) from the previous study
4. Analyze the Jobs	Review each JDQ and document distinguishing characteristics, scope of work, and key characteristics and make recommendation for retention or reclassification of the position
5. Apply Segal Evaluator™ Approach (Internal Equity) where applicable	<ul style="list-style-type: none">• Establishes the City's internal relationships• Uses specific compensable factors across all departments and positions to create an internal hierarchy of jobs• Provides an objective quantitative approach• Determines values for each compensable factor and calculates a total point score for each position• Provides an organization-wide hierarchy is developed which establishes internal equity• Complements and co-exists with a market data to structure development

Total Compensation Market Assessment

Tasks	Scope of Services
1. Review Market Study Methodology	<ul style="list-style-type: none"> Gain consensus on the overall goals and strategy regarding salary/benefits/total compensation, including the market study Clarify and finalize the market study methodology (public sector and/or private sector data)
2. Identify Benchmark Job Titles	<ul style="list-style-type: none"> Develop a recommended list of up to 40 benchmark job titles to include in the market study that captures a broad array of occupational groups, departments, and pay levels throughout the City
3. Identify Comparable Employers and Other Data Sources Utilizing Previous Identified Agencies	<ul style="list-style-type: none"> Identify up to 20 comparable employers, utilizing previous identified agencies, to include in the study such as public sector entities that are geographically proximate and public sector employers outside of the immediate commuting area, but that are similar to the City in terms of size, scope, population, or other characteristics
4. Collect and Analyze the Market Data	<p>Design a survey instrument for collecting the market information, which we typically develop in MS Excel which may include, based on type of study, the following:</p> <ul style="list-style-type: none"> Benchmark job base pay ranges (minimum and maximum annual pay rates) and actual average pay rates Policies regarding pay progression (that is, how employees move through a pay range) Policies regarding adjustments to the pay schedule Supplemental pay practices (such as additions for special skills, bilingual pay, performance bonuses, etc.) and other relevant pay policies (such as hiring salary practices, remote work, flexible schedules, etc.) Paid time off accrual rates (vacation time, sick leave, and holidays) Prevalence, cost, and cost-sharing arrangements for medical plans and other benefits (prescription drugs, dental, vision, etc.) and prevalence and costs associated with retirement programs Prevalence of supplemental benefits and perquisites (such as wellness programs, tuition assistance, etc.)
5. Determine Total Compensation Market Position	<ul style="list-style-type: none"> Determine the City's total compensation market position Identify each employer's annual cost for providing medical and other health related benefits, as well as retirement programs Compare the City's total compensation costs to the market average
6. Prepare and Deliver a Draft Report to you Detailing our Findings	<p>Prepare a report detailing our methodology and findings with at least the following:</p> <ul style="list-style-type: none"> An Executive Summary, briefly describing our key findings A description of the study objectives and methodology The City's competitive market position for pay, applicable to each benchmark job title and job family Total Compensation market position, benefits, and prevailing policies and other compensation-related practices collected in the survey Appendices showing detailed information collected for the market study The City's total compensation market position

Tasks	Scope of Services
7. Recommendations Development	<p>Design a Recommended Salary Schedule</p> <p>Develop recommended updates to the current salary structure that are consistent with the City Council's policy to offer pay that is at the 75th percentile of the benchmark cities</p> <p>Recommend Pay Grade Assignments</p> <p>Ensure the new system 1) is market based, 2) considers the comparable worth based on job duties and competencies, and 3) is easily understood and used by managers and employees</p> <p>Assist with Implementation</p> <ul style="list-style-type: none"> • Assisting the City with supporting or defending the study results and recommendations with key stakeholders or officials • Provide a training session with the City's Human Resources staff to transfer the tools, methodologies, and recommendations - including a description of the analytic processes that we used to conduct the study, as well as assistance with defining the operational needs that result from the potential changes in policy
8. Present Final Results	<p>Develop and deliver one presentation that will contain at least the following elements:</p> <ul style="list-style-type: none"> • Background and reasons for the project • Objectives and goals of the project • Methodology used to conduct our analysis • Key findings and outcomes

Fee Schedule

Segal is fully aware of the sensitivity of budget allocations for public sector employers. We believe that you will find our approach focused toward achieving the City's objectives in the most cost-effective manner consistent with quality, accuracy, and timeliness.

Project Step	Fixed Fee
Step 1: Project Initiation Assumes we will be on-site one (1) day to conduct one (1) focus group with Department Heads via video conference, as well as time associated with learning about the City's current compensation and classification structures, policies, and practices.	\$5,000
Step 2: Classification Analysis Assumes the following: <ul style="list-style-type: none"> • Collect and analyze data for up to ten positions that are identified for review, utilizing job description questionnaire from previous study • Apply Segal Evaluator™ job evaluation approach as appropriate 	\$10,000
Step 3: Total Compensation Market Assessment Assumes the following: <ul style="list-style-type: none"> • Develop a customized total compensation market survey document with up to 40 benchmark job titles, to be distributed to no more than 20 public sector peer employers utilizing agencies previously identified • One draft and one final report of the market study findings 	\$65,000
Step 4: Recommendations Development Assumes the following: <ul style="list-style-type: none"> • Develop pay schedule(s) to cover all jobs covered by the study • Recommend grade assignments for all job titles covered by the study • Assist with implementation 	\$10,000
Step 5: Present Final Results to the City Assumes we develop and deliver one presentation, via video conference, to the City	\$5,000
Total Fixed Fee	\$95,000

The proposed fee includes charges for all professional, analytic, and administrative services, as well as all expenses associated with materials, supplies, overhead, and travel for all tasks outlined in this proposal except as otherwise noted.

Our total fixed fee will be billed at the end of each month in 5 equal invoices for \$19,000.

Please note: if the information in the census file is inaccurate additional hourly fees may be charged for data correction and preparation.

Travel expenses for meetings scheduled less than one week in advance will be charged additionally. If a scheduled meeting is cancelled by the client, any non-refundable travel expenses will be billed to the client at cost.

Our proposed fee assumes only the services and on-site meetings described in the proposal. Should the City request additional services or additional on-site meetings, we would charge the hourly rates shown below, as well as for the time and expenses associated with travel.

Title/Role	2023 Hourly Rate
Vice President, Senior Consultant	\$450
Consultant	\$420
Associate Consultant	\$350
Senior Associate	\$265
Associate	\$225

For your convenience, invoices can be paid by wire transfer. Please see the following information included below.

By Wire Transfer

JP Morgan/Chase Bank
 Acct Name: The Segal Company (Westernstates) Inc.
 Acct Type: Checking
 Acct #: 1440-74105
 ABA #: 021000021

Please reference client name and invoice.