



Classification and Compensation Study

City of Santa Fe, New Mexico

December 2018

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Mission Statement

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.



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LETTER OF TRANSMITTAL

December 4, 2018

Bernadette Salazar
Human Resources Director
City of Santa Fe
200 Lincoln Avenue
Santa Fe, NM 87504

Re: Classification and Compensation Study

Dear Ms. Salazar:

Springsted Incorporated is pleased to provide the City of Santa Fe with its completed Classification and Compensation Study. The study provides an overview of the City's current classification and compensation system and our final report including the methodology used to develop the classification and compensation system, ongoing administrative guidelines, and other compensation-related findings.

The study represents a comprehensive review of the City's classification and compensation system. The recommendations offered, we believe, will provide for internal equity among City positions and yield valuable information as the City considers how best to ensure external competitiveness in the future.

Springsted expresses its thanks to City staff who completed Springsted's Position Analysis Questionnaires used to verify current job responsibilities and minimum job qualifications. We also express our gratitude to various Human Resources staff and department heads for providing direction and feedback through all phases of the study. Springsted appreciates the privilege of serving the City and hope that we may be of assistance to you in the future.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "TL Cox", is written over a light blue rectangular background.

TL Cox, Executive Vice President
Consultant

1. Introduction

A properly-designed classification and compensation system provides an objective framework for determining how employees will be paid. As a general rule, most organizations conduct comprehensive classification and compensation studies every five to seven years, ensuring their ability to hire and retain qualified employees and maintain equitable internal relationships. The external market focus is important because it ensures that the compensation plan is adequate to attract new employees and retain existing employees. If compensation levels fall below those in the appropriately-defined marketplace, the organization may experience difficulty in recruitment and retention. If salary ranges are higher than necessary, an organization is not making the best use of limited personnel funds. In today's economy, it is important to remain competitive and, in order to do so, it is necessary to monitor the external market for changes on a periodic basis.

The periodic review also enables an organization to account for changes in job responsibilities and qualifications due to the use of technology, modifications in work processes, and other factors that can affect the "core content" of positions. Changes in job requirements, such as addition of new programs or assumption of duties for a vacated position, may result in a new pay grade assignment. In order to properly maintain the internal equity among positions, an ongoing process is needed to review job responsibilities and qualifications and the subsequent assignment to pay grades to ensure jobs are equitably compensated.

To ensure the stated goals of external competitiveness and internal equity, the City of Santa Fe, New Mexico retained Springsted Incorporated to conduct a Classification and Compensation study. Although the initial project schedule was much shorter, some delays resulted in completion in December 2018. Schedule extensions sometimes occur in a study of this nature to allow more time for employees to complete (or supervisors to review) Position Analysis Questionnaires; to collect sufficient compensation survey information from benchmark organizations; and to enable appropriate timelines for the decision-making processes that come with such significant changes. Completion of this study, therefore, reflects a significant effort by City staff at all levels of the organization.

The study represents a comprehensive review of the components that affect an organization's compensation program – job descriptions, essential functions, and minimum qualifications; the resulting alignment of positions throughout the City's various work areas; design of the current compensation structures; market competitiveness of City salary ranges; and ongoing administrative guidelines.

Springsted's understanding of the City's objectives for this study were as follows:

- Provide opportunities for employees to participate in the process
- Determine the appropriate classification of City positions (alignment, titles, etc.) and update job descriptions
- Survey Santa Fe's City-defined benchmark organizations to determine competitiveness of salary ranges
- Develop pay structures that reflect the modified job hierarchy and incorporate appropriate market data

- Calculate implementation cost for moving employees into the new ranges
- Establish administrative guidelines that provide for ongoing maintenance according to best practices

Major findings of the study can be summarized as follows:

- ***Internal relationships (i.e. the alignment of City positions) did not fully reflect job duties and minimum qualifications:*** Internal pay relationship inequities existed within the City's pay structures. Jobs requiring comparable minimum qualifications and having equivalent responsibilities weren't necessarily compensated at similar levels. To remedy this, Springsted, along with the City's Human Resources team, reviewed civilian job classes and evaluated them against established criteria. The resulting placement of positions define pay grades that reflect internal equity/comparable internal pay relationships. Moreover, through an iterative job analysis, the number of job titles (i.e. classifications) was significantly reduced (from 475+ to approximately 330) to ensure that employees with similar minimum qualifications, essential functions, etc. are grouped together in the same title. This also enabled Springsted to recommend the creation of select career families that provide opportunities for meaningful advancement within the pay structure. Completed job documentation, along with the Human Resources staff and department heads, were consulted to determine the allocation of employees within these new titles and career families.
- ***Market competitiveness of Santa Fe's salary ranges varies by position, though Santa Fe is, on average, slightly below market (-1%).*** Although Santa Fe's competitiveness varies significantly by different jobs, the market is dynamic and tends to change at a different pace for different types of roles. Given the amount of time that has passed between studies that were implemented by the City, some pay ranges were above market enough that they skewed these results. If looking only at positions that are below, the City's competitiveness varies greatly, with Santa Fe being approximately 11% below the average salary range for defined benchmark organizations. This suggests the City may have experienced difficulty recruiting and retaining employees in certain classes.
- ***Average market range spreads are different than those found in Santa Fe's current structures:*** Santa Fe's current range spreads, which differ by position, vary from 18% to 86% for benchmark positions. The average market range spread is roughly 50%. As a result of this discrepancy, the pay range minimums and maximums may be higher or lower than average based on the current degree of City competitiveness. Corrective action for average market range spreads are available (and discussed in detail below).

The following report documents the general findings of the study as well as the methodology used to develop recommendations for the City's new classification and compensation system. The study was conducted with extensive participation from various City staff identified above and according to leading market practices.

2. Methodology

Springsted Incorporated used the following methodology to a classification and compensation study for the City of Santa Fe:

1. Springsted staff met with the project team to establish the initial working relationship, develop the project timeline, review current policies and practices, and to collect data on the existing classification and compensation systems, job descriptions, and organizational structure. This series of meetings and other informal communications also provided an opportunity to discuss the City's specific goals for the study and to plan for the forthcoming employee and management communication sessions.
2. All department heads were invited to a leadership meeting where Springsted discussed the purpose of the study, Springsted's methodology, and their role in coordinating the completion and review of Position Analysis Questionnaires (PAQ), which were emphasized as being a critical input for Springsted's analysis and the basis from which job evaluation would be conducted and matches to the market survey would be verified. Springsted also distributed a questionnaire to each department director to determine what challenges, if any, they experienced with Santa Fe's existing classification and compensation systems.
3. All City employees were invited to attend multiple informational meetings to introduce the study, explain the process, and to answer any questions regarding Springsted's background and methodology. These meetings also provided an opportunity for employees to voice concerns and to have input into the study. Again, the essential nature of PAQ were discussed in employee meetings.
4. All employees were invited to complete a PAQ either electronically, using Microsoft Word, or in hard copy. They were encouraged to participate in the study by using the PAQ to describe their job duties and responsibilities and respond to questions on characteristics applicable to each position. Supervisors, managers, and directors then reviewed the completed questionnaires for completeness and accuracy and provided any additional information they felt was relevant to the position.
5. While City employees were completing the PAQ, Springsted developed, distributed, and analyzed the results of a comprehensive salary survey which was distributed to the survey respondents identified by the City. One hundred and thirty-four (134) benchmark positions were included in the survey, which is admittedly a sizable document for respondents to complete. A large number was identified, however, due to the number of titles within the City's existing pay plans. The benchmark positions selected represented a diverse mix of departments, workgroups, single and multi-incumbent positions, pay grades, disciplines, etc., all with the goal of conducting a comprehensive review of the market for various pay grades and levels of responsibility. Using the City's existing job descriptions, job summaries were developed that included essential/key job functions and minimum job qualifications, which enabled

respondents to accurately match their positions to Santa Fe's benchmarks. City staff approved both selection of the benchmark jobs and the summaries that were used prior to distribution.

The following organizations responded to either select components of or the full study.

- Albuquerque, NM
- Colorado Springs, CO
- Denver, CO
- Farmington, NM
- Las Cruces, NM
- Los Alamos County, NM
- State of New Mexico
- Phoenix, AZ
- Rio Rancho, NM
- Santa Fe County, NM

Survey respondents were asked to provide information on only those benchmark positions which they considered to be comparable to positions in their organizations. Therefore, survey respondents did not provide data for every position surveyed. Additionally, Springsted's staff made informed decisions regarding the accuracy of certain matches and omitted select information to ensure statistical validity, resulting in the analysis of data for one hundred and seven (107) benchmark positions with an average of almost seven (7) respondents per position, well beyond the number necessary to draw defensible, statistically-valid conclusions for the City's new pay structure. Aggregate market results are included as Appendix B of this report. Observed benefits trends are included as Appendix C.

6. Upon receipt of the completed PAQ, Springsted analyzed essential job duties, minimum job qualifications, and key factors concerning jobs to make preliminary classification decisions. Positions allocated to the structure were evaluated using Springsted's Systematic Analysis and Factor Evaluation (SAFE[®]) system. The SAFE[®] system provides a consistent and objective approach to measuring job factors which define the internal value of positions within local government.

The SAFE[®] system enables jobs to be evaluated based on the following criteria and results in an equitable and consistent method of relating positions to the compensation plan. Internal evaluation is then reconciled with the external market data to determine if additional analysis or further adjustments are warranted.

- Training and Ability
- Experience Required
- Level of Work
- Human Relations Skills
- Physical Demands
- Working Conditions/Hazards
- Independence of Actions
- Impact on End Results
- Supervision Exercised

7. Following the initial evaluation of positions and preliminary comparison to market data, Springsted brought a team of consultants onsite to a) train Human Resources staff in the SAFE® analysis and verify the accuracy and consistency of initial ratings; b) conduct interviews and focus groups with employees to clarify responses in the PAQ; and c) follow up with department heads as necessary to gather additional information and discuss next steps.
8. Springsted then engaged the department heads in an iterative process to review preliminary results. This included one onsite meeting to review the initial alignment of jobs (absent the proposed salary ranges) and a second onsite meeting to review the alignment of jobs with the accompanying, at market salary range. Feedback was gathered and analyzed and, when changes could be supported through PAQ, market data, and the SAFE® evaluation, they were made. Upon the change in City administration and the appointment of new executive staff, Springsted then shared a list of titles for further consideration (based on remaining inconsistencies with market, prior policy decisions regarding progression within career families, etc.) and, again, when consensus could be reached and an update supported through job evaluation, subsequent changes were made.

The following approach was used to guide development of pay structures for civilian positions:

- Reduce inconsistencies between internal worth and external value
- Apply the average market range spread for all jobs (50%) consistently across all positions (with the assumption that any individual changes to range spreads would be accomplished during the City's negotiation process with bargaining units)

The following approach was used to guide development of pay structures for sworn police and fire positions, which are not included in the SAFE® analysis:

- Remedy identified inconsistencies with market range values (to accommodate City-defined ranks that may not exist in other organizations)
- Apply the average market range minimum and maximum values or the current percent differential between ranks (again, the assumption is that individual changes to these ranges would be accomplished during the City's negotiation process police and fire bargaining units)
- For Forestry positions, which did not have sufficient market data, the City provided the federal government's applicable GS grade for range development

9. After a change in Administration, the City identified concerns regarding some of the agencies used for comparisons and the feasibility of using these organizations as the appropriate competitive market. The perspective was discussed, with the potential impact on project timeline and fee structure weighed against the City's ability to proceed with an implementation plan according to desired timelines. The decision was ultimately made to

proceed with the existing survey respondents, but to evaluate the immediate cost and long-term sustainability of different competitive positions relative to this market. Springsted therefore provided the requested structures at market, 95% and 93%. These options were created under the assumption that City staff would use them as a guidepost for negotiations with the unions represented in this study and that adjustments would be made to the desired level of competitiveness (i.e. moving the entire structure up or down by an agreed-upon percentage), as appropriate, to ensure the ability to fund increases going forward. Similarly, as a result of those discussions, the City would presumably decide upon an appropriate competitive position for non-represented staff as well.

10. Guidelines for implementation and ongoing administration of the classification and compensation system were developed. These guidelines provide for annual adjustments to the salary schedule ensuring that the City's pay scales stay current with changing economic and market conditions. Various implementation options were developed based on discussions with the City concerning.
 - Employees below minimum: place any employee below the new proposed range minimum at the minimum of the range;
 - Time in position adjustments: City staff provided Springsted a listing of the various salary increases budgeted for different employee groups (represented and non-represented) over the past ten (10) years, which equated to approximately 2.58% annually for all groups. Scenarios were then developed providing employees this amount, as well as half this amount, based on their time in position. Due to the cost of these scenarios, however, the City has communicated a plan to move forward with the first option, adjustment to minimum.

3. Findings and Recommendations

Conducting a comprehensive classification and compensation study involves the thorough analysis of substantial quantities of data collected from employees and supervisors, comparable employers, and the City. Using this information, Springsted has developed recommendations for a new classification and compensation system for the City of Santa Fe.

A. Evaluation of the Current Classification and Compensation Program

Discussions with City personnel and review of compensation data indicate that, although market competitiveness varies by position (with some jobs below market, others above, and some very close), Santa Fe is, on average, slightly below the market average. Other findings indicate:

- Concerns about the potential for future employee turnover because employees choose to leave the City to take higher paying jobs or promotional opportunities with other employers. Note that this concern could be further exacerbated by the discrepancy between Santa Fe's range spreads and the average spreads in the market (i.e. where the City may be paying more than it needs to for certain jobs and less than a competitive rate for others).
- Positions with comparable responsibilities requiring similar education and experience requirements that are assigned to significantly different pay grades or, in other cases, different job titles (which results in compensation differences not easily understood by employees)

B. Evaluating Job Classes

As discussed above, civilian positions were evaluated using Springsted's SAFE[®] system. This system, along with the market data, was used to determine placement in the proposed pay structures.

C. Developing A Salary Schedule

The process of developing a salary schedule draws substantially from market data obtained in Santa Fe's compensation survey.

Survey Results. The salary survey included a series of questions designed to obtain information on a variety of benchmark positions. Some job titles were not used in developing the salary curve because positions did not match the position being surveyed or the data received was inconsistent or inadequate to ensure statistical validity. Survey results were compared against the internal (i.e. SAFE[®]) evaluation to validate placement.

Designing the Salary Schedule. The first step in designing a compensation plan is to create a salary curve using the salary survey data for the City's benchmark positions and the corresponding job evaluation point factors for each benchmark position. This data produced the salary curves shown in Figure 1. Any given point on the salary curve identifies where the market salary rate and the job evaluation point factors intersect.

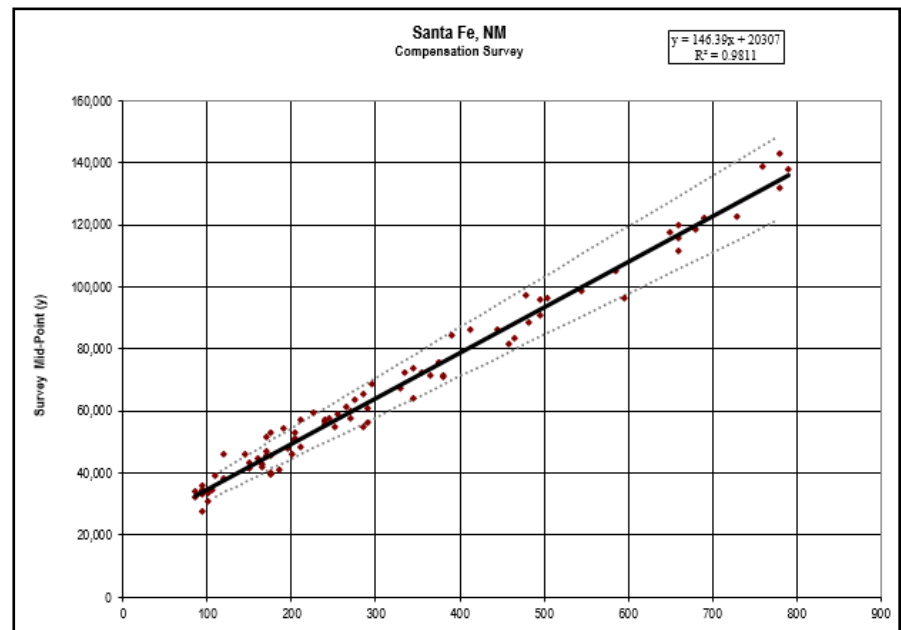


Figure 1

Using the SAFE[®] evaluation, as well as data obtained from the market survey, new pay ranges were developed for the City using the average market range spread of all jobs. This resulted in grades with a spread of 50% and a midpoint progression (i.e. the difference between grades) of 5%. For public safety positions, all police and fire jobs were placed into their respective grades based on perceived relationships (i.e. Police Officer I, Police Officer II, etc.) and the average market range minimum and maximum values were used as the basis for structure development (although some adjustments were made to account for ranks which may not commonly exist in the market). This resulted in range spreads that vary by rank. Proposed salary ranges are included as Appendix A of this report.

4. Implementing the Recommended Salary Plan

To estimate implementation costs, Springsted used the most recent employee salaries supplied by the City for all departments and calculated multiple scenarios. The scenarios were designed to provide the City with a basis for negotiations with the union both on the structures to be implemented (i.e. desired competitive position) and how the implementation would impact individual employees (adjustment to minimum, time in position adjustments following initial implementation, development of a step plan, etc.).

Ongoing Administration

After initial implementation is achieved, the City should develop administrative procedures that provide for annual market analyses and salary adjustments based on market and economic conditions, the City's ability to pay, and adjustments that recognize individual performance. It should be recognized that as the market shifts, employee's base salaries should shift with adjustments in the City's compensation schedule to maintain market competitiveness and appropriate pay range penetration (pending mutually-agreeable terms in the City's collective bargaining agreements). In addition, employees demonstrating higher levels of performance should be recognized and advanced through the salary range on an appropriate and consistent basis. Increases in compensation are typically provided by the means which follow.

Structure adjustments. In subsequent fiscal years, it will be necessary for the City to adjust the salary schedule and grades based on market adjustments and other factors such as difficulties in recruitment or retention. The City can establish a guideline for determining annual base adjustments. For example, the City could base its adjustment on the Consumer Price Index (CPI), metrics provided by professional associations such as the Society for Human Resources Management (SHRM) or WorldatWork, or via a survey of the defined competitive market (i.e. through contacting comparable jurisdictions to determine what percentage adjustment they are making to their pay scales). An example base adjustment is described below:

If the CPI, for example, is 2.5, a 2.5% increase would be applied to the wage rates of each pay grade. In addition, all employees with performance that meets or exceeds job expectations would receive the 2.5% increase applied to their base salary. By making this base adjustment to all employee salaries, the City ensures that employees will not fall behind the market.

Equally important will be an assessment of the ongoing competitiveness of the new structures should Santa Fe, with input from the unions, redefine its competitive position to something below market.

- To address concerns raised by the project team regarding these organizations, Springsted would recommend the following future analysis:
 - Identify (in conjunction with the various unions) regional entities who are viewed to be a more accurate representation of who Santa Fe competes with for the recruitment and retention of talent. Pinpoint a series of positions (i.e. jobs in various pay grades, departments, etc.) and compare average market midpoints (for

civilian roles) and average market minimums and maximums (for sworn police and fire) to corresponding data points in Santa Fe's pay grades.

- If market averages are consistent (i.e. within a margin of error of roughly 5%), no further action may be necessary. If market averages are inconsistent and, especially much higher or lower, Santa Fe, in conjunction with representation from City administration, elected officials, and the various unions, may wish to wholly redefine the policy decision concerning its comparative organizations and, whether through outside assistance or completed internally by City staff, collect substantially more market data and reconcile external values with internal placement (i.e. the SAFE[®] scores) to update pay plans.

Employee Adjustments. Employees should progress through their assigned range of pay based on a combination of time in position and performance factors. Employees will typically move through their range at a more rapid pace early in their career with an organization as opposed to the latter stages of their employment. This occurs because employees are generally hired by an organization at the minimum or near the minimum of their pay grade while the midpoint of the salary range is recognized as the 'market rate'. Springsted would suggest that the City solidify a philosophy or policy regarding movement through the range (which is especially important given the implementation option selected, which is likely to create a degree of compression between employees with different time served in their respective positions). Multiple options exist and should be explored in conjunction with union representation and with consideration given to fiscal sustainability. Some options include:

- Develop a system that provides a visible, consistent way for employees to progress through their ranges to the midpoint of the job (i.e. those at market), but then ensures future increases for employees at or above midpoint are determined based on performance in their position (meaning that higher performing employees penetrate their range above midpoint more rapidly than their counterparts).
- Develop a system that provides a series of steps throughout the pay range: This approach provides a level of assurance to employees that they will progress throughout their ranges over time. It also may be easier to administer for the City since the increases are more standardized and predictable. However, it does tend to be more expensive (due to the perceived rigidity of increases and the likelihood of employees, over time, moving above the market value of the job). Similarly, only a single market survey respondent indicated that they had a step plan while a majority of the others maintain an open range system. However, if the City explores different benchmark organizations in the future, it will want to assess how they move employees through the range (open or step-based placement) and how those increases are given (tenure, performance, etc.).

APPENDIX A
Proposed Salary Ranges

APPENDIX B
Aggregate Market Results

APPENDIX C
Benefits Review

