



MEMORANDUM

Date: August 14, 2023

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner 
County Administrator

Re: **Countywide Classification and Compensation Study – Phase 2 Recommendations**

On July 25, 2023, the Board of Supervisors voted on the Countywide Classification and Compensation Study and approved the recommendation to implement Phase 1 and initiate implementation of Phase 2. (County Administrator memorandum dated July 19, 2023) The Phase 1 and Phase 2 goals are:

1. Establish a new classification and compensation plan;
2. Pay market-based pay rates;
3. Address compression; and,
4. Retain employees.

The Board of Supervisors previously dedicated \$19 million of the FY2023/24 General Fund budget for salary (\$9 million) and associated benefits (\$5 million) and contingency for personnel policy changes (\$5 million). The \$19 million dedicated to implementing a new job/salary structure designed to pay market-based pay rates is cost-effective given the significant changes that the new classification and compensation plan is correcting. For purposes of comparison, in 2021, when the City of Tucson implemented similar market-based improvements to its compensation system, the cost was over \$33 million and it affected approximately 5,000 employees. Additionally, it was previously estimated that the cost of Phase 1 was projected to be \$9.5 million; however, this projection included all funding streams. Specific to the General Fund, the projected cost for Phase 1 for the remainder of FY2023/24 is **\$5.85 million**.

Phase I Implementation

In Phase 1, as approved, all employees are placed into their new job classifications and their respective new salary grades, effective September 10, 2023. Wage adjustments will be made to move employee salaries that are below new salary grade minimums to those minimums ("Minimum Market Adjustment"), which had an estimated cost of \$9.5 million (combining all funding streams). This means that 830 (81%) of our job classifications that were found to be below the market-based pay rate will be adjusted to the market, and 2,316 (33%) of employees' current salaries will be moved to the minimum of their new salary grade.

After implementation of Phase 1 and movement of all employees that were below the salary grade minimum to the minimum of their respective new salary grades, current employees fall within the following quartiles:

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Placement in Grade	Before Phase 1	After Phase 1
Below Minimum New Grade	2,316	
At Grade Minimum	588	2,904
1st Quartile	2,223	2,223
2nd Quartile	1,228	1,228
3rd Quartile	453	453
4th Quartile	250	250
Above Maximum of New Grade	206	206

Phase 2 Implementation

For Phase 2, Human Resources was directed to provide options for placement of current employees within their respective new salary ranges and the various costing options to County Administration. Phase 2 has two goals:

1. Address Compression; and,
2. Retain Employees.

The Phase 2 proposal is to provide a compression adjustment or a retention adjustment, whichever amount is greater. To ensure that all employees are positively affected in Phase 2, **applying one** of these two options is recommended.

1. Compression Adjustment

Compression exists from decades of hiring at the minimum of the salary grade combined with the most recent pay adjustments to bring 2,316 employees to the minimum of their new salary grades. To address compression, a conservative pay progression model was selected to ensure employees are treated equitably and that adequate funding remains to address retention of current employees where compression does not exist. Various pay progression models were developed and reviewed that emphasized the value of overall service with the County and length of time in the employee's current job classification. Various percentages for each factor were analyzed to observe results. As the length of time in an employee's current classification is most likely paid at a higher rate of pay than prior positions held with the County, this factor was examined and weighted to ensure a pay progression model was selected that produced equitable results and maintained internal equity within our organization, while also valuing County service.

➤ 25% / 75% Pay Progression Model (Compression Adjustment)

It is proposed to implement a 25% / 75% pay progression model for placement of current employees within their respective new salary range. This calculation ensures that an

employee's overall service with the County is recognized and that time in their current position remains equitable with comparator employees in like positions.

○ **Criteria for Compression Adjustment**

- a. Overall length of service with the County weighted at 25%;
- b. Length of time in current position weighted at 75%;
- c. The total of these two percentages will dictate the number of years an employee moves within the salary range (assuming a salary range spread of 20 years, divided into 4 equal quartiles);
- d. No employee will exceed the third quartile of their new salary range; and,
- e. No employee will receive an adjustment exceeding \$15,000 (when combining the Minimum Market Adjustment and Compression Adjustment).

○ **Examples**

Below is an example of an employee in Grade 8, and four separate pay progression models dependent on overall years of service with the County (25% credit) plus the length of time in current job classification (75% credit).

<i>Structure A - Pima County and Courts</i>				<i>Yrs Service/Yrs Position Placement</i>			
<i>Salary Range - Annual</i>				<i>20/1</i>	<i>15/5</i>	<i>10/7</i>	<i>10/10</i>
<i>Grade</i>	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>	<i>Credited Years</i> <i>5/.75 = 5.75</i>	<i>Credited Years</i> <i>3.75/3.75 = 7.5</i>	<i>Credited Years</i> <i>2.5/5.25 = 7.75</i>	<i>Credited Years</i> <i>2.5/7.5 = 10</i>
8	\$46,097	\$54,164	\$62,230	\$50,735	\$52,147	\$52,348	\$54,164

Example 1 (15/5): An employee was hired in 2008, as an Animal Care Technician (grade 1), promoted to an Animal Care Field Officer in 2014 (Grade 5), and promoted to an Animal Care Field Supervisor (Grade 8) in 2018. This employee has 15 years of overall service with the County and 5 years in their current job classification. Therefore, this employee A would receive:

25% credit for a total of 15 years of service with the County =	3.75 years
75% credit for 5 years in their current job classification =	3.75 years
Total =	7.50 years

The employee would be placed at a comparable rate of 7.5 years in the Grade 8 salary range. his placement reflects the mid-point of the second quartile or an annual salary of \$52,147.

Example 2 (10/10): An employee was hired as a Paralegal (Grade 8) in 2013, and remains in their current job classification. Employee B will receive:

25% credit for a total of 10 years of service with the County =	2.50 years
75% credit for 10 years in their current job classification =	7.50 years
Total =	10 years

The employee is placed at a comparable rate of 10 years in the Grade 8 salary range. Here, this placement is the mid-point of the salary range or \$54,164. The mid-point of a salary range typically reflects an employee being fully proficient in their role and meeting all the preferred qualifications for the position. Where an organization has a compensation philosophy in place and regularly maintains its salary structures, the mid-point of the range is where the employee should aim to be within the organization.

Calculations for various combinations of years of service and placement for those years of service within the range for Grades 1 – 26 are included as Attached. Note: the Attachment does not include capping at the \$15,000 maximum, as the adjustment applied to each employee is variable dependent upon each employee's years of service with the County.

- ***Costing for Compression Adjustments***

In applying the compression pay progression model, the total estimated cost is **\$7.4 million** for the General Fund.

1. Retention Adjustment

Where the compression pay progression model does not provide a pay adjustment to an employee, this signifies there is no compression to address. However, it is crucial to retain a qualified and highly motivated workforce and apply a pay adjustment to this group of employees, given the critical and unusual labor market conditions created over the last few years.

- ***3% Pay Adjustment (Retention Adjustment)***

Where an employee did not receive a Minimum Market Adjustment or was not affected by compression, it is proposed to provide a 3% pay adjustment to the employee's base pay. While Human Resources will bring forth future options addressing pay for those employees exceeding the maximum of their salary grade, at this time, it is imperative that we retain talent to ensure the ongoing stability of our organization. Additionally, providing a 3% pay adjustment will not affect the market-based pay rates previously identified as the market is constantly shifting and as of late, rapidly increasing.

○ ***Costing for Retention Adjustments***

In applying a 3% pay adjustment, the total estimated cost is **\$2.5 million** for the General Fund.

2. Exclusions from Pay Adjustments

Employees excluded from a Compression or Retention Adjustments are:

- Employees working for the County less than one (1) year (i.e., employees hired after September 10, 2022). There are roughly 1,000 employees who have been with the County for less than one (1) year. It is recommended to review these employees after implementation of Phase 2 and provide a proposal to the Board of Supervisors in January 2024, to ensure that this group of employees are fairly compensated at the market pay rate. Any adjustments would be applied in January 2024, and not made retroactive.
- Election Workers;
- Elected Officials;
- Employees who received a pay adjustment after January 1, 2023, are excluded from a Retention Adjustment but will receive a Compression Adjustment if applicable; and,
- Employees who received in excess of \$15,000 for their Minimum Market Adjustment are excluded from Compression and Retention Adjustments.(affects seven employees)

Order of Adjustments

In determining the pay adjustments for all employees, the following process will be used:

1. Apply Minimum Market Adjustment (Phase 1) + Compression Adjustment (Phase 2)
OR
2. Retention Adjustment (Phase 2)

The pay adjustment for an employee will be the greater of these two options, not less than 3%, and not to exceed \$15,000. *Exception – seven employees require in excess of \$15,000 to get to the minimum of their respective new salary grade. In those specific cases, Human Resources recommends that no Compression Adjustment be provided in order to remain within the current budgetary constraints.

Range Spread

After the implementation of Phases 1 and 2, employees will fall within the below quartiles of their respective new salary ranges:

Placement in Grade	Before Phase 1	After Phase 1	After Phase 2
Below Minimum New Grade	2,316		
At Grade Minimum	588	2,904	1,169
1st Quartile	2,223	2,223	2,247
2nd Quartile	1,228	1,228	2,015
3rd Quartile	453	453	1,231
4th Quartile	250	250	320
Above Maximum of New Grade	206	206	282

Appeals Process

An appeals process will be established for both employees and Department heads.

1. Employee Appeals Process

An employee may file an appeal to their job classification only if they believe they have been placed in the incorrect job classification. The 30-calendar day appeal period will begin after the implementation of Phase 1, or September 11, 2023, through October 10, 2023. Initial reviews will be conducted by an internal Compensation Committee consisting of Department Directors that will determine whether an additional administrative review is warranted. Human Resources will provide an Appeal Form for Employees and create FAQs outlining this process.

2. Department Appeals Process

A Department may request review; however, any appeal must be made by the Department Head. The Department Head may file an appeal if they believe an error was made in:

- a. Placement of an employee into a job classification; or,
- b. Salary grade placement for a job classification.

The 30-calendar day appeal period will begin after the implementation of Phase 1, or September 11, 2023, through October 10, 2023. The Deputy County Administrators will conduct initial reviews, in consultation with Human Resources. Human Resources will provide an Appeal Form for Departments and create FAQs outlining this process.

Matters outside the appeal process that Department Heads should bring directly to Human Resources attention include:

1. The need for a new classification – these requests will be placed in a queue for review; and,
2. Errors in calculating pay adjustments in Phase 1 and Phase 2 – these should be brought without delay.

3115/Attorney Salary Grade

During Phase 1, Grade A1, encompassing the 3115/Attorney classification for 18 remaining classified employees, was not adjusted due to error. While no newly hired Attorneys will be hired into this classification, the salary grade should be adjusted to accommodate current attorneys and pay adjustments. Therefore, Human Resources is making a request to adjust the A1 salary grade to be identical to the A3 salary grade, encompassing 7676/Attorney II classification at the minimum of \$89,809 to the maximum of \$170,287.

Phase 3

After the implementation of Phase 2, Human Resources will begin identifying approaches for Phase 3, on how employees will move through their ranges in the future and provide recommendations to the Board of Supervisors for approval. Additionally, Human Resources will draft policy changes on determining new hire pay, proposed pay incentives, use of special pays, and use of job classifications by departments.

Cost Summary

All funding projections are from the General Fund and for the remainder of the current fiscal year, effective pay period beginning September 10, 2023.

• Phase 1 – Minimum Market Adjustment	\$5.85 Million
• Phase 2 – Compression Adjustment	\$7.4 Million
• Retention Adjustment	\$2.5 Million
Total:	\$15.75 Million

Any remaining funding in FY2023/24 budgeted for this effort is reserved to address employee appeals, identified pay adjustments for employees hired after September 1, 2022, who were excluded from current pay adjustments, and compensating new hires in-line with our new pay philosophy of hiring above the minimum of the salary grade for qualified applicants.

Recommendation

Pima County has consistently prioritized investments in our employees through the annual budget process. As noted in a Memorandum of July 3, 2023, the Board of Supervisors has approved salary increases in five of the last six fiscal years. The one year in which no general adjustments were made was Fiscal Year 2020/21, however market adjustments of 2.75% to 26% were provided for Public Health Nurse classifications. Historically, a larger percentage adjustment was given to those earning less, which has contributed to the market disparity in those earning at the higher ranges.

I recommend the Board of Supervisors:

1. Approve a Compression Adjustment (25% / 75%), as outlined herein, for placement of current employees within the range of their respective new salary grades at a cost of **\$7.4** million; and,
2. Approve a Retention Adjustment (3%), as outlined herein, for current employees whose combined Market Minimum Adjustment and Compression Adjustment are less than 3%, at a cost of **\$2.5** million.
3. Make approvals for Phase 2 Compression and Retention Adjustments effective the pay period beginning September 10, 2023.
4. Change the A1 salary grade affecting 3115/Attorney classification to be identical to the A3 salary grade.

Current projections and range spreads are estimates. If there are any modifications to the data, I will provide another update.

JKL

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer
Steve Holmes, Deputy County Administrator
Cathy Bohland, Director, Human Resources
Ellen Moulton, Director, Finance and Risk Management

ATTACHMENT

25% / 75% Pay Progression Model

Structure A - Pima County and Courts (Excluding Law Enforcement)						Yrs Service/Yrs Position Placement				
Grade	Salary Range - Annual					20/1	15/5	10/7	10/10	16/14
	Minimum	1Q	Midpoint	3Q	Maximum	5.75	7.5	7.75	10	14.5
1	\$32,760	\$35,627	\$38,493	\$41,360	\$44,226	\$36,056	\$37,060	\$37,203	\$38,493	\$41,073
2	\$34,398	\$37,408	\$40,418	\$43,427	\$46,437	\$37,859	\$38,913	\$39,063	\$40,418	\$43,126
3	\$36,118	\$39,278	\$42,439	\$45,599	\$48,759	\$39,752	\$40,858	\$41,016	\$42,439	\$45,283
4	\$37,924	\$41,242	\$44,560	\$47,879	\$51,197	\$41,740	\$42,901	\$43,067	\$44,560	\$47,547
5	\$39,820	\$43,304	\$46,788	\$50,273	\$53,757	\$43,827	\$45,046	\$45,221	\$46,788	\$49,924
6	\$41,811	\$45,469	\$49,128	\$52,786	\$56,445	\$46,018	\$47,299	\$47,482	\$49,128	\$52,421
7	\$43,902	\$47,743	\$51,584	\$55,426	\$59,267	\$48,319	\$49,664	\$49,856	\$51,584	\$55,042
8	\$46,097	\$50,130	\$54,164	\$58,197	\$62,230	\$50,735	\$52,147	\$52,348	\$54,164	\$57,794
9	\$47,393	\$52,132	\$56,872	\$61,611	\$66,350	\$52,843	\$54,502	\$54,739	\$56,872	\$61,137
10	\$49,763	\$54,739	\$59,715	\$64,692	\$69,668	\$55,485	\$57,227	\$57,476	\$59,715	\$64,194
11	\$52,251	\$57,476	\$62,701	\$67,926	\$73,151	\$58,260	\$60,088	\$60,350	\$62,701	\$67,404
12	\$54,863	\$60,350	\$65,836	\$71,322	\$76,809	\$61,173	\$63,093	\$63,367	\$65,836	\$70,774
13	\$57,607	\$63,367	\$69,128	\$74,889	\$80,649	\$64,231	\$66,248	\$66,536	\$69,128	\$74,312
14	\$60,487	\$66,536	\$72,584	\$78,633	\$84,682	\$67,443	\$69,560	\$69,862	\$72,584	\$78,028
15	\$66,536	\$73,189	\$79,843	\$86,496	\$93,150	\$74,187	\$76,516	\$76,849	\$79,843	\$85,831
16	\$73,189	\$80,508	\$87,827	\$95,146	\$102,465	\$81,606	\$84,168	\$84,533	\$87,827	\$94,414
17	\$80,508	\$88,559	\$96,610	\$104,661	\$112,711	\$89,767	\$92,584	\$92,987	\$96,610	\$103,855
18	\$88,881	\$99,991	\$111,101	\$122,211	\$133,321	\$101,658	\$105,546	\$106,102	\$111,101	\$121,100
19	\$102,213	\$114,990	\$127,766	\$140,543	\$153,320	\$116,906	\$121,378	\$122,017	\$127,766	\$139,265
20	\$117,545	\$132,238	\$146,931	\$161,624	\$176,318	\$134,442	\$139,585	\$140,319	\$146,931	\$160,155
21	\$135,177	\$152,074	\$168,971	\$185,868	\$202,765	\$154,608	\$160,522	\$161,367	\$168,971	\$184,178
22	\$155,453	\$174,885	\$194,317	\$213,748	\$233,180	\$177,800	\$184,601	\$185,572	\$194,317	\$211,805
23	\$178,771	\$201,118	\$223,464	\$245,811	\$268,157	\$204,470	\$212,291	\$213,408	\$223,464	\$243,576
24	\$206,275	\$237,216	\$268,157	\$299,098	\$330,039	\$241,857	\$252,686	\$254,233	\$268,157	\$296,004
25	\$247,529	\$284,659	\$321,788	\$358,918	\$396,047	\$290,228	\$303,224	\$305,080	\$321,788	\$355,205
26	\$309,412	\$355,824	\$402,235	\$448,647	\$495,059	\$362,785	\$379,029	\$381,350	\$402,235	\$444,006

*The chart does not include capping at the \$15,000 maximum – the adjustment applied to each employee is variable dependent upon each employee’s years of service with the County. *Corrected 16/14 formula.