MUNICIPALITY OF THE COUNTY OF KINGS SPECIAL COUNCIL

February 19, 2019 Following Committee of the Whole AGENDA

Audio Recording Times Noted in Red (Minutes:Seconds)

- 1. Roll Call 00:00
- 2. Approval of Agenda
- 3. Disclosure of Conflict of Interest Issues None
- 4. Recommendations from February 19, 2019 Committee of the Whole
 - a. Award of Contract 19-01: Coldbrook Sidewalk 00:54
 - b. Non-Union Salary Management 01:41
- 5. Comments from the Public None
- 6. Adjournment 21:00

TO Municipal Council

PREPARED BY Scott Conrod, CAO

MEETING DATE February 5, 2019

SUBJECT Non-Union Salary Administration

ORIGIN

- December 18, 2018 COTW In-camera discussion on Cost of Living Pay Increase for Non-Unionized Employees.
- January 29, 2019 report prepared by Gerald Walsh Associates Inc.

RECOMMENDATION

That Council approve salary ranges for non-unionized personnel as contained within the January 29, 2019 report prepared by Gerald Walsh Associates Inc., and

That Council further approve the non-unionized 2018-19 retroactive adjustment and the salary framework recommended within the February 5, 2019 Request for Decision report, and

That these and other relative aspects be drafted in a related policy for Council consideration.

INTENT

For Council to review the proposed salary ranges for non-unionized personnel, and the non-unionized salary framework contained in the January 29, 2019 report prepared by Gerald Walsh Associates Inc., and the February 5, 2019 Request for Decision report.

DISCUSSION

Present Day System

Presently the Municipality of the County of Kings (MoK) non-unionized salary structure is organized within two salary bands:

- Management (levels ranging between M1 to M6), and
- Non-Management (levels M1A to M1B).

MoK employs a five (5) step system for each of the levels listed above. Movement to the next step is provided after the completion of a twelve (12) month period. The current method is a non-performance based system.

Market Based Report

With the exception of the CAO, Gerald Walsh Associates Inc. (the Consultant) was engaged to provide a market based salary review of positions similar to those retained by MoK. Walsh was also charged with



making recommendations on a salary framework. The Consultant has recommended two options as alternatives to the present day system (see Appendix A for more detail).

Option 1 - Step Method

- Broaden current steps from 5 to 7
- Relate the steps to: tenure (1&2); market rates (3, 4, & 5); and critical expertise and above normal performance (6&7).

The Consultant recommends that progression through the steps be based on performance.

Option 2 – Percentage increases based on performance

- Salary ranges are established but without steps
- Movement in a range would be based on performance

Without limitation, other key recommendations of the Consultant include:

- Council being responsible for:
 - Approving the ranges per position
 - o The annual salary budget
- The CAO being responsible for:
 - o Placing individuals within the approved range and budget
 - Following a performance based (evaluation process) system to move personnel within the approved ranges/budget
- The ranges to be adjusted annually by the Consumer Price Index
- A market review of ranges, at minimum, be conducted every four years

Suggested Considerations

Framework

A modified Option 2 (salary ranges – without steps) is being recommended for Council consideration. The proposal involves both a performance-based progression within an approved range and an annual inflation (CPI) factor. The recommended approach follows the Consultant's advice on the Regional Municipality of Peel system (with lower performance-based percentage increases), and incorporates a proposed five-year running average of CPI as a mechanism to adjust for cost of living increases.

Table 1 - CPI and Performa	nce Based Incr	ease Rates	5
For Discussion Purposes O	nly		
Evaluation	Performance	CPI*	Total
Unsatisfactory	0.00%		0.00%
Needs Improvement	0.00%	1.38%	1.38%
Meets Job Expectations	1.00%	1.38%	2.38%
Exceeds Job Expectations	1.50%	1.38%	2.88%
Exceptional	2.00%	1.38%	3.38%
*CPI increases will be based on the five year average June			
CPI all goods June - Nova Scotia			
2018-06	2.2%		
2017-06	0.5%		
2016-06	1.2%		
2015-06	0.8%		
2014-06	2.2%		
average	1.38%		
CPI 2015-2018			
CPI 2014			

2018-19 Fiscal Year Considerations

Changing to the hybrid system suggested herein, updating the protocol, and completing performance reviews to address retroactive increases, per the current system, is not possible prior to the end of February (for inclusion on 2018 T4s). It is therefore being recommended that the CAO be authorized to treat 2018 as a transition year – a year during which retroactivity is applied at a rate of 2.38% (meets job expectations – see table 1). Table 2 shows the incremental cost (salary and benefits) relative to November 1, 2018 to March 31, 2019 – the retroactive period.

Table 2 - Retroactive Cost to MoK	
For Discussion Purposes Only	
Retro Salary	\$ 11,246
Retro Benefits	2,249
	\$ 13,496
n.b. at 2.38% for 5 months	



2019-20 Fiscal Year Considerations

It is assumed that Council will want an approximate fiscal impact of the Consultant's recommended salary ranges on a full fiscal year (budget to budget) comparative basis. This estimate needs to consider that individual employees have yet to be placed within a corresponding range for the position in which they occupy. To gauge the monetary impact, table 3 has been generated by employing certain statistical rules of thumb (see notes below) and within a sensitivity format that ranges from low to high. The mid-range scenario is considered to be the most likely – showing a full-year incremental cost of ~\$120,870.

Table 3 - Estimated Incremental Cost - Full Fiscal	Yea	ar		
For Discussion Purposes Only				
	Salary & Benefits		Increase from Current	
Non Union Salary current adjusted by 2.38%				
CPI and Performance	\$	1,417,594		
Estimated salaries - low range	\$	1,451,333	\$	33,739
Estimated salaries - mid range (likely scenario)	\$	1,538,464	\$	120,870
Estimated salaries - high range	\$	1,680,593	\$	262,999
Basis of estimates include:				
Low Range: Current employer cost plus 2.38% in	crea	se		
Mid Range: Consultant's mid range plus 2.38% in	crea	ase		
High Range: Consultants mid range plus 75% of t consultants mid and high ranges plus 2.38% incre			tw	een

Outliers

The above and following does not include:

- the remuneration and process of evaluation of the CAO; or
- the cost of new positions that Council may wish to consider.

FINANCIAL IMPLICATIONS

- 2018-19 ~\$13,500 for retroactive increase (which can be accommodated within the current global salary budget).
- 2019-20 ~\$121,000 increase over the 2018-19 global budget estimate.

STRATEGIC PLAN ALIGNMENT

This falls under the KSP: Good Governance, as it directly relates to the improvement of remuneration policies.

ENGAGEMENT

Third-party review of market conditions



ALTERNATIVES

- Retain existing non-union salary administration system (a non-performance based increase that tracks the adjustment provided to unionized employees under the Collective Agreement 2.5%)
- Adopt the Consultant's Option 1 recommendation (maintain steps)
- Adopt the Consultant's Option 2 recommendation unmodified (performance only adjustments)

IMPLEMENTATION

- Council approval of 2018-19 retroactive adjustment, proposed salary ranges, and the modified option 2 as described herein in public session.
- Council consideration of the global salary budget per normal budgetary deliberations.
- The CAO or the Departmental Director, as the situation warrants, places personnel within a related and approved salary range prior to June 2019.
- The CAO or the Departmental Director, as the situation warrants, completes annual performance reviews and maintains increases within approved departmental salary budgets.

APPENDICES

 Municipality of the County of Kings Non-Union Salary Administration Framework Report – Gerald Walsh Associates Inc, January 29, 2019

APPROVALS

Scott Conrod, Chief Administrative Officer

January 30, 2019

MUNICIPALITY OF THE COUNTY OF KINGS

Non-Union Salary Administration Framework Report Prepared by Gerald Walsh Associates Inc. January 29, 2019

1. Overview

The Municipality of the County of Kings asked us to conduct a salary review for fifteen (15) non-union position in the organization. These positions include:

- Active Living Coordinator
- Strategic Projects Specialist
- Municipal Clerk
- Operations Manager
- Human Resources Specialist
- Revenue Manager
- Financial Reporting Manager (1)
- Manager of Building and Enforcement Services

- Engineering Manager
- Land Use Planning Manager
- Manager of Information Technology
- Director of Land Use Planning
- Director of Finance & Information
 Technology
- Director of Engineering, Public Works, Lands & Parks
- Deputy Chief Administrative Officer

The recommended "fair market value" salary ranges for all these positions are presented in Appendix A.

For purposes of this review, fair market value is defined as the range you would have to pay to *find, keep, and motivate qualified employees*. It can also be considered the range you would have to pay should you be required to hire external qualified candidates into those roles.

In conducting this assignment, we reviewed the job descriptions of all positions. We also spoke with the Chief Administrative Officer, Deputy Chief Administrative Officer, and Human Resources Specialist frequently throughout the review period to ensure we understood the duties and responsibilities of the various roles and the necessary experience, qualifications, skills, and personal qualities needed to perform the jobs successfully.

We then reviewed comparative salary data from a variety of internal and external sources. We drew extensively from our internal database of candidates' compensation levels and from the various searches we have conducted over the years in the sector. We also reviewed various salary surveys for the municipal sector and other professional bodies.

⁽¹⁾ Financial Reporting Manager currently is not an approved position however we were asked to include it in this review.

While there are no hard and fast rules on the overall width (lowest to highest) of the salary ranges, our standard practice for municipalities, not-for-profits, and associations has been to create ranges that are approximately 20% - 30% wide.

As noted in Section 8 of this report, Council is responsible for approving the overall salaries budget as part of the annual budgeting process. Council also is responsible for approving new positions and as part of that approval process establishes the salary range for the position. The CAO is responsible for approving individual salaries within the approved ranges.

As noted in Section 9, we recommend that the Municipality conduct a thorough market review of salary ranges every four years. In the interim, automatic adjustments to salary ranges will take place based on cost of living changes.

2. Placement Within Salary Range

There are two methods by which the Municipality may determine where an employee should be placed within a salary range, and how their actual salary would increase over time:

Option 1 – Step method

Option 2 – Percentages increases based on performance

Option 1 – Step Method

The Municipality now uses a "step" system. The current system has five (5) steps within each pay band. On our opinion, this is too few and should be set at seven (7) steps at a minimum. In determining the appropriate number of steps, the Municipality should consider the retention of younger managers. Too many steps may lead to employees acquiring on-the-job skills and experience at the Municipality and then departing for better paying jobs elsewhere. Too few steps may not be reflective of on the job training requirements and come at a higher cost.

Should the Municipality adopt the step method, here are the guidelines you should follow when placing employees:

Steps 1 and 2

This is considered the entry level for new employees. (See "New Hires" section.) All new employees would typically start at or near the lower end of their range although there may be justification for starting an employee at a level higher than 2 if they have extensive experience or expertise that they are bringing to the job. Employees at Step 1 or 2 are generally considered to be "developing" in the role.

Steps 3, 4, and 5

Steps 3, 4, and 5 are considered the closest to fair market value for experienced employees and the majority of your employees should fall within these three levels. An employee would advance to the next higher level (called a "step promotion") based on satisfactory performance only. They do not advance to a higher level based on length of service or tenure. Therefore, there has to be clear demonstration of substantial contribution to the organization—documented in the annual performance review process—before granting a promotion to the next level.

Steps 6 and 7

Employees would be at this level only if they possess critical expertise required by the organization; have consistently exceeded the job requirements; or have demonstrated outstanding performance and contribution.

Step Promotion

Should the Municipality continue with the step method, employees would advance through their pay bands via a step promotion. A step promotion occurs when an employee's pay moves from one step to the next step within the salary range for the position.

It is important to remember that step promotions occur based on performance—not seniority or length of time in the job. There must be clear demonstration of exceptional job performance and substantial contribution to the organization, as evidenced by an annual performance review, in order for an employee to be eligible for a step promotion.

The Municipality currently has a detailed performance evaluation process. We did not examine the performance evaluation system now used by the Municipality and therefore have no opinion on its effectiveness.

Within the current system, employees are evaluated on the following scale:

- Exceptional
- Exceeds Job Expectations
- Meets Job Expectations
- Needs Improvement
- Unsatisfactory

It is our recommendation that an employee must consistently "meet" or "exceed" job expectations in all rated criteria before they would become eligible for a step promotion.

Exceptions

On occasion, there may be justification to increase an employee's pay by more than one step.

For example:

- If an employee has made a very substantial contribution to the municipality's goals, above and beyond what would reasonably be expected.
- If the market rate (salary) for an employee's skills and qualifications has increased and an adjustment is needed to bring the employee's pay to fair market value.
- If the scope and responsibilities of the job expand well beyond the original position requirements for which the employee was hired.
- If the qualifications required to perform the job change and the employee has achieved the required credential(s). For example, it is determined that a professional accounting designation is required for a particular position for which a business degree might have been a sufficient requirement for in the past.
- If a role is considered a "mission critical" role—meaning that it is absolutely critical to the municipality's long-term success.
- If there is such a high demand in the marketplace for the skills you need in a role that you have difficulty recruiting for these roles.
- If you have to remedy an internal equity situation where, for example, two employees doing the same job are paid differently.

Option 2 – Percentage increases based on performance

Instead of the step method to place and advance employees through the pay band, the Municipality may simply choose to grant percentage increases in salary based on performance. If this option is chosen, there are no 'steps' in a salary range. There are only the minimum and maximum amounts set for the range.

As in the step method, the amounts by which individual salaries would increase are also based strictly on performance—not seniority or length of time in the job.

On the following page, you will see an example of a system used by the Regional Municipality of Peel in Ontario which outlines how such a process would work.

Performance Ratings Methodology Used by Regional Municipality of Peel

The salary band is set with a minimum and maximum, and performance is rated yearly and salary increases applied using the following guidelines:

Excellence = 6% salary increase

Clearly and consistently exceeded all established measurements and expectations. Takes the initiative in organizing, prioritizing, and solving problems and makes appropriate decisions to reach a satisfactory outcome for goals. Demonstrates excellence in the achievement of goals as well as the skills and knowledge required to perform all job responsibilities. Contributes significantly to the broader goals of the department, organization, and community.

Exceeds Most Expectations = 5%

Frequently exceeded most established measurements and expectations, while others were fully met. Frequently takes the initiative in organizing, prioritizing and solving problems and makes appropriate decisions to reach a satisfactory outcome for goals. Demonstrates a strong commitment to the quality and effectiveness of achieving goals

Exceeds Some Expectations = 4%

Exceeds some performance expectations in the achievement of goals as well as the skills and knowledge required to perform job responsibilities. Contributes considerably to the broader goals of the department, organization and community.

Meets Expectations = 3%

Fully, consistently, and completely met established measurements and expectations. Uses understanding and experience to assess situations, prioritize and solve problems, and make appropriate decisions to reach a satisfactory outcome for goals. Demonstrates knowledge of job responsibilities to execute own work and a commitment to quality in achieving goals.

Meets Some Expectations = 2%

Partially met some of the expected outcomes. Is not consistently reliable in handling own job responsibilities or in reaching desired results. Needs to become more proficient in performing work to achieve goals

Does Not Meet Expectations = 0%

Did not meet the established expectations. Does not demonstrate the knowledge or skills required to meet desired results and required significant manager involvement.

Using the Municipality's current performance evaluation criteria, you might consider granting increases as follows should these overall ratings be achieved:

Exceptional – 2.0%
Exceeds Job Expectations – 1.5%
Meets Job Expectations – 1%
Needs Improvement – 0%
Unsatisfactory – 0%

The above would be considered merit increases. In addition to the above amounts, we recommend that salary bands increase annually by cost of living.

3. Updating of Salary Ranges for Cost of Living Changes

Pay levels are constantly changing with external market and economic activity. The best way to remain current is to conduct an external salary review annually. However this is not a viable option for most municipalities.

As noted in Section 9, we recommend that the Municipality conduct an external salary review every four years. In the intervening years, we recommend that an automatic adjustment to salary ranges be made to reflect cost of living increases. Effectively, these increases are designed to ensure employees maintain the same standard of living on a year-over-year basis.

This automatic cost of living increase would be based on the Annual Consumer Price Index for Nova Scotia, as published by Statistics Canada. The CPI is a good cost of living measure for the purposes of adjusting salaries. To quote from Statcan directly: "The CPI is widely used to adjust contracted payments, such as wages, rents, leases and child or spousal support allowances. Private and public pension programs (Old Age Security and the Canada Pension Plan), personal income tax deductions, and some government social payments are also escalated using the CPI."

We understand your pay cycle commences November 1st of each year. As the Statistics Canada takes several months to come out, we recommend that you use June versus June data to make your calculation. The link to the relevant CPI data can be found here:

https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000401

4. New Hires

Newly-hired employees would typically start at the minimum rate of pay within their range. This step is considered the developmental zone as new employees often do not possess all the qualifications for the job and bring limited applicable experience. Therefore, the minimum rate of pay would be considered the normal default for new hires.

There may be circumstances when it is determined that a rate of pay higher than the minimum is required in order to hire a key person. For example, factors that may be considered include:

- The person brings greater knowledge, skills and abilities than required to the job;
- Salary level the candidate was earning in their previous job;
- Market salary rate for the role; and/or
- Salary relationship to subordinates, peers, and supervisor.

In all cases, flexibility and good judgment should be used when determining the salary level to offer to a prospective new employee, although the pay rate for new hires should never exceed the maximum pay rate for the position.

Should the hiring manager wish to hire a new employee at a higher rate of pay than the minimum, they should prepare a rationale for doing so (see Appendix 2 attached). This form should receive the concurrence of the departmental director and a human resources representative and be approved by the Chief Administrative Officer before being implemented.

5. Salaries Not Within Range

If an employee's pay level reaches the upper end of their range (the maximum pay level), their pay should be "red circled." This would mean that the employee is ineligible for any salary increases except for cost of living adjustments to the pay band.

Red circling, not surprisingly, will likely lower employee morale and may motivate the employee to pursue employment elsewhere. To offset this possibility, you may consider offering the employee a bonus that is roughly the amount of what the base pay increase would have been. This satisfies the employee without raising their base pay even more. Alternatively, you might explore developmental opportunities to promote the employee into the next pay level.

If an employee's current pay is below the minimum level of the salary range, they are considered to be "green circled." The obvious (and fairest) solution is to increase the employee's pay to at least the minimum in the range. An exception may be if an employee has been performing below expectations. In this case, the employer may want to consider requiring successful completion of a performance improvement plan prior to granting a pay increase.

6. Acting Pay

In the event an employee is asked to serve in an acting capacity for another employee who is more senior, in most instances the acting employee's pay will be adjusted to the minimum pay range (level) of the person being replaced.

In the event that the acting employee's pay level is already higher than the minimum pay level of the person being replaced, then the employee will receive a 5% increase in their pay during the acting period. At the conclusion of the acting period, the employee's pay will return to its previous level.

At the moment, there appears to be no specific policy that determines the minimum amount of time a person must serve in an acting capacity before their pay is increased. We would recommend that the Municipality establish such a policy.

7. Communicating With Employees

Good communication is essential to the salary review process as employees are entitled to fully understand the basis upon which their compensation is determined. The process must be seen as transparent and fair.

Therefore, we would recommend that a compensation policy document be prepared and distributed to existing employees. All new hires should also be given this information upon hiring. This policy should be written in an "employee-friendly" manner and structured roughly along the lines of this report. Content would include:

- Compensation strategy statement
- Job classifications and pay ranges of each one
- How salaries are determined including annual adjustments, salary increments, etc.
- Approval process
- Information on acting pay, red circling, etc.

A sample compensation policy document is shown on the following page for your consideration:

The Municipality of the County of Kings recognizes that compensation and benefits play an important role in our ability to attract, motivate and retain high-quality, talented employees.

Salaries and non-cash benefits should be equitable and competitive, and reflective of current market conditions in both the private and comparable public sector organizations for the skills and qualifications required to do the job successfully.

The Municipality's pay plan is designed to be flexible in order to recognize the various levels of experience that employees bring to the organization and to reward exceptional job performance and contribution to the organization.

All employees at the Municipality receive annual performance reviews which include the establishment of clear performance goals and expectations and professional development plans. There is no automatic progression in pay based on years of service. Rather, performance is rewarded through salary increases and promotions, based on the achievement of performance goals.

8. Authorities and Responsibilities

Municipal Council is responsible for reviewing and authorizing the overall salaries budget, as part of the annual budgeting process. Council does not approve individual pay bands nor individual salaries.

The Chief Administrative Officer is responsible for approving individual pay bands and individual salaries within those pay bands. Any exceptions to the salary range grid must receive the prior approval of the CAO.

Hiring managers are responsible for sourcing, interviewing and recommending candidates for hire. Their recommended selections (including where the candidate is placed on the salary band) must receive the dual concurrence of the respective departmental director and the human resources department.

9. Frequency of External Salary Reviews

Much like the approach you have used with this review, it is appropriate to periodically gather research and conduct surveys with comparable organizations to ensure you remain competitive and therefore capable of attracting and retaining talented employees.

It is our experience that organizations typically conduct an external review of their salary levels and other forms of compensation about every four years. In the interim, increases will be

granted by way of automatic cost of living increases (annual adjustments to salary ranges) and step promotions (if option 1 chosen) or performance based increases (if option 2 chosen), if warranted.

Of course, if external market conditions change dramatically before four years, a full review should take place.

10. Job Title Changes

You might consider revising the job title of your Human Resources <u>Specialist</u> to Human Resources <u>Manager</u>.

Even though this role, at the moment, has no direct reports it clearly is an instrumental role within the organization as it manages the entire human resources function.

11. Other Factors to Consider

Paying fair and competitive wages—while important—should be just one part of an organization's strategy to attract and retain employees. That is because individuals consider several factors, not just pay, when deciding to join (or leave) an organization.

Other workplace factors that you may review over time include:

- Group benefit and pension arrangements;
- Workload;
- Advancement opportunities;
- Employee recognition;
- Type of work;
- Professional development and learning opportunities;
- Leadership style;
- Workplace culture.

Many of the above will have an impact on your success in attracting and retaining employees.

Thank you

We would like to express our gratitude to the Municipality of the County of Kings for engaging us to conduct the salary review and to those who provided valuable insight and participated in the collection of data.

APPENDIX 1

Proposed Salary Ranges – Non-Union Staff Prepared January 29, 2019

	Current	Current	Proposed	Proposed
Position	Low	High	Low	High
Active Living Coordinator				
Strategic Projects Specialist				
Municipal Clerk				
Manager (set at 75% of Director levels)				
Operations Manager			75,000	97,500
Human Resources Manager (now Specialist)			75,000	97,500
Revenue Manager			75,000	97,500
Financial Reporting Manager (1)			75,000	97,500
Manager of Building and Enforcement Services			75,000	97,500
Engineering Manager			75,000	97,500
Land Use Planning Manager			75,000	97,500
Manager of Information Technology			75,000	97,500
(1) Not an approved position currently.				
Director				
Director of Land Use Planning			* 100,000	130,000
Director of Finance & Information Technology			100,000	130,000
Director of Engineering, Public Works, Lands & Parks			100,000	130,000
Deputy Chief Administrative Officer			100,000	130,000

^{*} The Public Sector Compensation Disclosure Act requires public sector bodies to report the names and compensation of anyone paid over \$100,000 during the fiscal year.

APPENDIX 2

Sample Form Salary Rationale For New Hires

This form to be used only if new employee is NOT being hired at MINIMUM RATE

Position Title	
Classification	
Salary Range for this Classification	
Candidate Name	
Minimum Salary (default)	\$
Proposed Salary	\$
Include reference to candidate's knowle	ould be hired at a level higher than the minimum level. edge, skills and abilities; his/her previous salary level; able); relationship to peers, subordinates and
Recommended:	
Hiring Manager	
Concurred:	Concurred:
Human Resources	Departmental Director
Approved:	

Chief Administrative Officer