



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 21-507

Meeting Date: 12/7/2021

TITLE:

COMPENSATION PLAN AND SALARY SCHEDULE REVISIONS TO ADDRESS RECRUITMENT AND RETENTION (PHASE ONE)

DEPARTMENT: CITY MANAGER'S OFFICE- HUMAN RESOURCES DIVISION

PRESENTED BY: KASAMA LEE, HUMAN RESOURCES MANAGER

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RECOMMENDATION:

1. Adopt Resolution Numbers 2021-XX, 2021-XX and 2021-XX revising the Compensation Plans and Salary Schedules of designated classifications to address Phase One of the City's hard to fill and/or hard to retain positions, and to ensure internal alignment with the classification series (Attachments I-III).
2. Adopt Resolution Number 2021-XX revising the Compensation Plans and Salary Schedules for part time employees to align the salary schedule with minimum wage increases effective January 1, 2022, and provide adjustments necessary to address compaction (Attachment IV).

BACKGROUND:

Over the last several years, the City has conducted numerous recruitments at all levels within the organization that have required multiple application periods and/or multiple rounds of interviews before a candidate is finally selected. In some cases, despite multiple attempts, certain positions remain vacant. In other cases, positions are filled, but become vacant shortly thereafter due to higher salaries offered by competing cities.

Staff has learned that the City's compensation package in many classifications, ranging all the way from part time positions (e.g. Community Services Leaders) to management level positions (including executive/management classifications) is below neighboring and other local agencies. This makes it difficult to attract and retain high quality and experienced applicants that will stay in the City's employ for a significant period of time. With the predicted rise in the rate of retirements across Departments, large discrepancies in compensation for positions will become a greater challenge. In addition, the City is experiencing employee turnover in certain classifications for higher salary and benefits packages with other local agencies.

In January 2021, the City Council and City leadership team attended a workshop and identified their Three Year Goals and certain key priorities for the next six months through July 2021. One of the City Council's Goals is to "Recruit and Retain High Quality Staff".

Strategic Objectives were identified for the next six months to assist the Human Resources Division in meeting this goal. This included developing a framework for a market analysis of employee compensation for hard-to-fill positions and to present the results to the City Manager.

The City's standard market analysis includes an evaluation of the average total compensation of comparable classifications in the five cities that border the City of Costa Mesa. These cities include the Cities of Fountain Valley, Huntington Beach, Irvine, Santa Ana and Newport Beach. The total compensation for each classification includes: the classifications' base salary, PERS retirement benefit formulas, employee retirement contributions, and City contribution(s) to medical and dental plans or cafeteria plans. This framework is similar to the framework used for market compensation studies in the past.

On September 27, 2021, the City Council and City leadership team conducted a second workshop to revisit the Three Year Goals and identify the key priorities for the next six months through March 2022. One of these new objectives is to "Present to the City Council for consideration hard-to-fill positions requiring a market adjustment based on current data".

ANALYSIS:

In identifying classifications considered "hard-to-fill" and other recruitment and retention challenges, it is important to note that the Costa Mesa City Employees Association (CMCEA) MOU contains a provision for CMCEA to request up to five compensation inequity studies each year. This allows for at least five positions in this particular bargaining group to be analyzed by HR to identify whether there is a discrepancy in that position's compensation relative to the prevailing market. This agenda report includes all five classifications submitted by CMCEA for analysis and consideration as part of this MOU provision. However, further classifications in the City are still in need of review. Hence, additional recommendations will be coming forth to the City Council to address such misalignments.

The Human Resources Division also reviews recruitment and retention trends on an ongoing basis for all departments and employee associations and makes recommendations to the City Manager for correction as well. "Hard-to-fill" positions include positions that are currently vacant, positions that are not currently vacant but are traditionally hard to fill, and positions that are currently filled but are expected to be difficult to fill in the future or to retain due to their relative position in the market. Further, if certain positions were to become vacant, it would be detrimental to City operations; hence it is imperative to keep those positions filled and compensated commensurate with the market to ensure the continuity of operations.

The Human Resources Division will be presenting further recommendations to the City Council for classification and/or compensation adjustments in phases to methodically examine positions and the ability for adjustments to be accommodated within the City's budget and financial resources on an ongoing basis.

In this initial Phase One, classifications in the Engineering, Building Inspection & Plan Check and Police Communications (Dispatch) series are recommended to the City Council for adjustments to better align them to market compensation levels and to also align internally to maintain the integrity of

the classification series. These alignments will also help ensure that supervisory and management level positions are competitive and provide a career path for emerging leaders in the organization. For succession planning purposes, it is important to make sure the proposed salary adjustments in the requested five classifications do not inadvertently create disincentives for current employees to become supervisors or managers due to insufficient pay in the higher classifications. A summary of all proposed salary updates is attached (Attachment V). In sum, while the CMCEA has requested five classifications, a total of 11 classifications will be essentially brought to market or adjusted to ensure internal alignment. Amendments to related supervisory and management level positions are also recommended, consistent with Best Practices in order to address recruitment and retention issues in a structural manner. It is unproductive to “fix” five classifications, only to inadvertently “break” several others by creating compaction or disincentives for employees to test for higher level positions.

The City has also experienced significant challenges recruiting and retaining part-time Community Services Leader and Aquatics/Lifeguard classifications. There have been several minimum wage increases over the last several years, however, these classifications have only been paid at the minimum wage or slightly above the minimum wage with no additional steps in which to progress. As a result, the applicant pool for these classifications has been very limited. Turnover in these jobs is also very high.

The California minimum wage for employers with 26 employees or more will increase to \$15 per hour effective January 1, 2022. Staff is proposing updates to the salary ranges for the Community Services Leader and Lifeguard classification series to adjust for the 2022 California minimum wage and potential future minimum wage adjustments, provide for an approximate 5/10/15% differential between classifications in the series which will provide more incentives for promotions within the series and provide for movement within the five steps of the salary range for employees who remain employed with the City, which will assist with retention. As so many of the City’s parks and recreation, and quality of life programs and services are performed by these employees, it is essential that we correct the structural inequities existing in the compensation of these classifications. A summary of the proposed updates to certain part time classifications is attached (Attachment VI).

ALTERNATIVES:

City Council could decide not to approve the recommended action(s) and direct staff accordingly.

FISCAL REVIEW:

There are sufficient vacant positions citywide that departments can absorb the proposed compensation adjustments within the FY 2021/2022 Adopted Budget. The part time staff salary adjustments are estimated at \$45,000 for the current fiscal year. The cost of the proposed full time classification adjustments is \$275,000 in the current fiscal year. In addition to vacancy savings, there is also sufficient General Fund revenue to fund these amendments.

Moreover, the savings to the City resulting from fewer position recruitments, less employee turnover, fewer temporary staffing contracts and less reliance on consultant services has not been calculated but will significantly offset these costs.

LEGAL REVIEW:

The City Attorney's Office has reviewed the agreements and resolutions and this report and approved them as to form.

CONCLUSION:

The proposed salary range adjustments support the City's Strategic Plan Goals to recruit and retain high quality staff. Staff recommends that the City Council:

1. Adopt Resolution Numbers 2021-XX, 2021-XX and 2021-XX revising the Compensation Plans and Salary Schedules of designated classifications to address Phase 1 of the City's hard to fill and/or hard to retain positions and corresponding supervisory classifications to adjust for compression (Attachments I-III).
2. Adopt Resolution Number 2021-XX revising the Compensation Plans and Salary Schedules for part time employees to align the salary schedule with minimum wage increases effective January 1, 2022, and provide adjustments necessary to address compression (Attachment IV).