

FY 16-17 Budget Message Appendix A

**2016 MACON COUNTY COMPENSATION STUDY
AND RECOMMENDATIONS**

May 10, 2016

Presented To:

2016 Macon County Board of Commissioners

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I. INTRODUCTION

The Macon County Board of Commissioners authorized the County Manager to conduct an organizational compensation study on January 26th 2016. The purpose of this study is to identify compensation inequities within the organization. Upon identification of the aforementioned inequities the compensation study will make recommendations for addressing the same. Additional recommendations will be provided to ensure that the Macon County compensation program remains current and in-line with market expectations moving forward.

To assist in conducting the organizational compensation study, a group of eight county employees was selected by the County Manager:

Lori Hall- Finance Director

Chris Stahl- Solid Waste Director

Mike Decker- Human Resources Director

Warren Cabe- Emergency Management Director

Pam Perry- Human Resources Coordinator

Andy Muncey- Information Technology Director

Patrick Betancourt- Director of Social Services

Richard Lightner- Tax Administrator

Derek Roland- County Manager

The following report will summarize the research conducted and methods used to identify compensation inequities by the committee. Upon reading this report you will find the methodologies to be equitable, logical, and in-line with parameters set by the previously approved Springsted Classification and Compensation Study and the Macon County Board of County Commissioners.

II. APPLICABILITY OF THE SPRINGSTED CLASSIFICATION AND COMPENSATION STUDY

The Springsted Classification and Compensation Study served as an important tool for the committee when conducting the internal analysis. This study which was completed in late 2012 is reflective of significant County Staff involvement, as well as involvement from many outside agencies. County staff attended and participated in multiple employee orientation meetings, interviews, and completed individual Position Analysis Questionnaires. In addition, Springsted conducted approximately 70 individual job audits with County employees allowing them to better understand job classes, the essential functions performed and the minimum qualifications required.

A comprehensive wage and benefits survey was also conducted as part of this Study in March 2012. Seventy nine benchmark positions were included in the survey. The benchmark positions reflected a cross section of County positions and were chosen to reflect positions with high turnover and recruitment/retention issues and ensured that all job types were represented. Survey participants were selected based on demographics and geographic proximity. Eleven counties and two cities were approved by Macon County and invited to participate in the survey. Of the thirteen jurisdictions, ten responded, yielding a response rate of 77%. Below is a list of those who were invited to participate in the survey:

<i>Burke County</i>	<i>McDowell County</i>
<i>Henderson County</i>	<i>Richmond County</i>
<i>Person County</i>	<i>Rutherford County</i>
<i>Bladen County</i>	<i>Watauga County</i>
<i>Transylvania County</i>	<i>City of Hendersonville</i>
<i>Haywood County</i>	<i>City of Morganton</i>
<i>Jackson County</i>	

Upon analyzing data specific to Macon County as well as that received from surrounding jurisdictions, the Springsted Classification and Compensation Study brought forth three recommendations, which they felt would address internal equities within the Macon County Pay Plan. Macon County chose to implement Option 2.

Option 2 of the Springsted Classification and Compensation Study was approved by the Macon County Board of Commissioners on April 9, 2013. This option included the **implementation of a new pay scale** which allowed the county to provide salaries commensurate with market conditions, **bringing all employees falling below the newly established minimums to those minimums, and a 2% increase to individual employees**, placing them within the proposed paygrade.

Listed below are the justifications used by Springsted for each component of Option 2. These justifications were taken directly from the Springsted Study.

Implementation of a new pay scale: *On average, based on the salary survey comparisons, the County's salary ranges are 21% lower when comparing minimums, midpoints and maximum wage levels.*

Bringing all employees falling below the newly established minimums to those minimums: 55% of the general County workforce is being paid below the minimum salary rate of their proposed pay grade.

2% increase to individual employees: *Individual employee salaries were also placed within the proposed pay grade by providing a 2% increase to address **some** salary compression issues. For example if an employee has been placed at the minimum of a grade (Step 1), this option would grant a 2% increase for the employee. **Macon County did not implement this portion of Option 2 as recommended. A 2% increase in salary was only given to employees who were NOT brought up to newly established minimum grades.*

Fringe Benefits - Fringe benefits were taken into consideration by the Springsted Classification and Compensation Study as well. The various organizations that responded to the salary survey also provided information about their fringe benefit programs. The following observations were made by Springsted based on a review of the survey data.

Springsted Fringe Benefit Comparison

Benefit	Macon County	Survey Group
Holiday Leave (Avg.)	11 days per year	11 days per year
Annual Leave (days per year)	<5=12 days/5-9=15 days 10-14=18 days/15-19=21 days 20+= 24 days	Consistent with Macon County
Annual Leave that can carry over from year to year	30 days	28-30 days
Sick Leave (days per year)	12	12
Sick Leave that can carry over from year to year	Unlimited	Unlimited
Pay out for sick leave	No	No
Retirement and Death Benefit	Yes	Yes
Life insurance Contribution	100%	100%

The information above shows Macon County being consistent with the survey group in each of the selected fringe benefits; however, these benefits do not include 401(k), longevity or health insurance. While Health Insurance comparisons were provided by Springsted, the committee felt that changes could have taken place in many of the counties similar to those occurring in Macon County. This is largely attributable to regulations stemming from the passage of the Affordable Care Act. 401(k)

contributions and longevity were not taken into consideration in the Springsted Classification and Compensation Study.

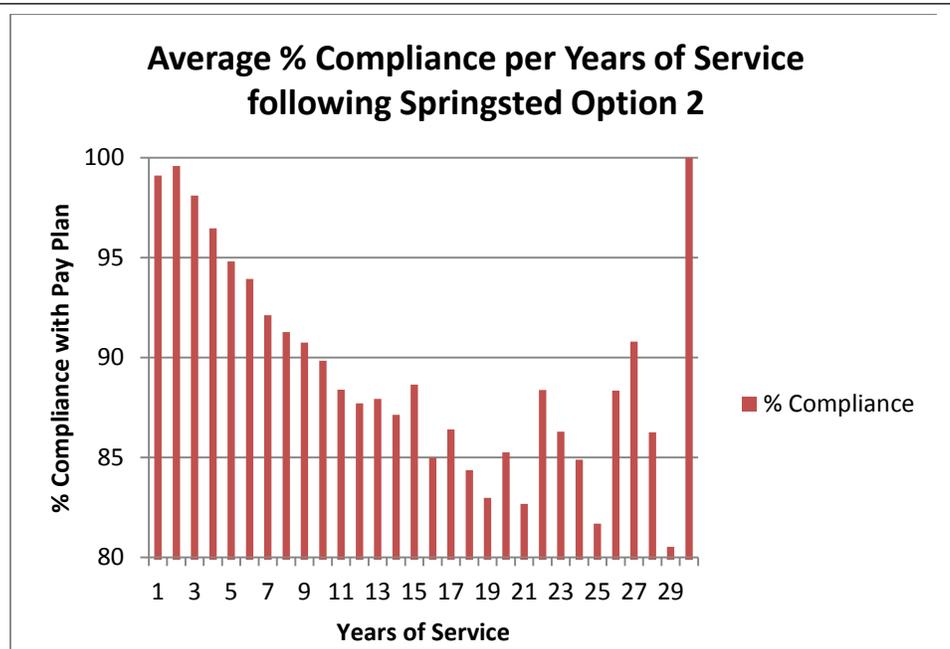
In recognizing the impact of fringe benefits such as 401(k), longevity and health insurance on an employee's total compensation, the committee felt it necessary to incorporate this information into their pay plan analysis. Thus, the committee reviewed these fringe benefits as part of their refined peer group compensation comparison. Comparative Information regarding these fringe benefits is contained in section IV of this report.

The committee acknowledged the previous research and thorough analysis conducted by Springsted in 2012. While Macon County did not implement the recommendations in their entirety, choosing to implement Option 2 has made the Springsted Classification and Compensation Study an active part of the current Macon County Pay Plan. The approved Option 2 ensured that the pay scales and job classifications for Macon County positions and selected fringe benefits were in line and competitive with other governmental entities in our region. Furthermore, it brought all those Macon County employees working below the newly established minimum grades up to those grades.

In light of the aforementioned, the committee chose NOT to re-visit the work previously accomplished by Springsted and approved by the Macon County Board of Commissioners via Option 2 implementation. Instead, the committee focused on the portion of the Springsted Classification and Compensation Study which was not adopted. Option 3, as proposed by Springsted was entitled Years of Service (YOS). Under this option, employees would have been rewarded for longevity in their current position, recognizing the value length of service has on the development of skills and abilities relevant to that position.

In choosing not to implement Option 3 (YOS) of the Springsted Classification and Compensation Study, compression issues were intensified. As previously discussed, Option 2 established a new pay scale for Macon County, increasing minimums, midpoints and maximums for Macon County positions, which were an average of 21% below the market comparison according to Springsted. The funding associated with Option 2 implementation, brought those employees who were being compensated at rates below the newly established minimums up to the new minimum levels. Thus, the beneficiaries of Option 2 were primarily recently hired employees who were brought on at previously established minimums, not having the time to advance in position or pay grade under the previous pay plan. Although Option 2 brought more recently hired employees up to a competitive market value, this option contained no mechanism to adjust the salaries of longer serving employees who were being compensated above the newly established minimums. Thus, actual salaries of recently hired employees, while at minimum levels moved closer to the salaries of longer serving employees including superiors who had not advanced consistently through the previous pay scale, nor had been given consideration under Option 2 of the Springsted Study. In some cases, these newly established minimums were extremely close to the actual salaries of longer serving employees holding the same position.

Average % Compliance per Years of Service	
Longevity	Ave % Compliance
0-1	99.11
1-2	99.59
2-3	98.11
3-4	96.48
4-5	94.81
5-6	93.94
6-7	92.12
7-8	91.27
8-9	90.76
9-10	89.85
10-11	88.40
11-12	87.72
12-13	87.94
13-14	87.13
14-15	88.65
15-16	84.99
16-17	86.40
17-18	84.37
18-19	82.99
19-20	85.26
20-21	82.68
21-22	88.38
22-23	86.30
23-24	84.90
24-25	81.70
25-26	88.36
26-27	90.81
27-28	86.27
28-29	80.53
29-30+	100.00

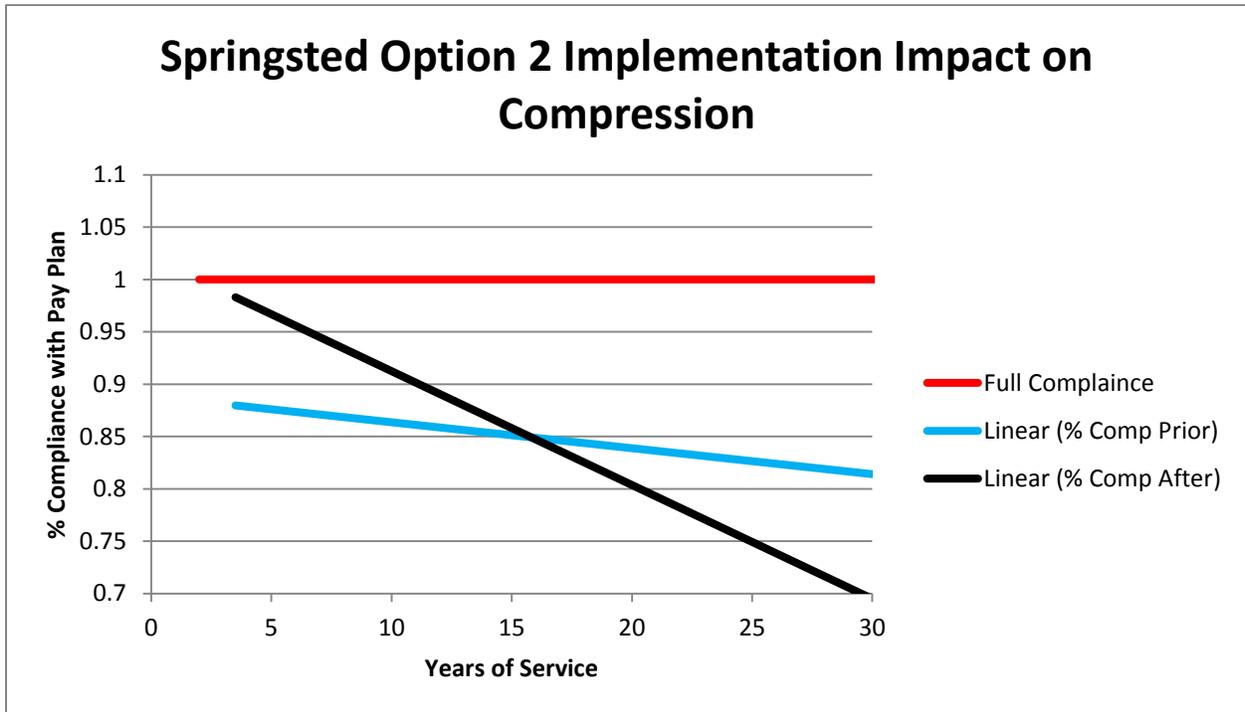


The Table and Chart on this page provide another illustration of compression existing within the current employee salary distribution. It is evident from the Chart that employee salaries are not keeping up with the market as years of service increase. It is important to note that, due to a fewer number of employees at more years of service, the compliance rates for years of service: 18 through 29 are less reliable. A single employee that is out of range in salary compliance can greatly skew the overall average.

Grade	0-5 YOS Average	5-10 YOS Average	% Increase	10-15 YOS Average	% Increase
25	\$31,766.34	\$31,471.46	-0.9283	\$31,817.08	0.1597
26	\$32,887.37	\$32,913.40	0.0791	\$36,515.07	11.0307
27	\$34,624.35	\$34,719.22	0.2740	\$36,528.34	5.4990

The Table above illustrates the percent increase over time for employees in the same Pay Grade. In these examples, 5-10 year employees are making, at best 0.27% more than 0-5 year employees; with Grade 25 actually making less on average. The numbers improve some for 10-15 year employees, except in Grade 25. Two important items to consider from this Table: 1) These Grades were chosen because they have enough employees to evaluate. 2) There were fewer employees to evaluate at the longer service times, so the averages could be more easily skewed by one or two employees out-of-range with the pool in their respective categories.

Macon County has taken many steps towards addressing compensation inequities within the Macon County Pay Plan. Following adoption of the Springsted Study Option 2, the county’s pay scale and pay grades are in-line and regionally competitive. The county’s starting salaries for new Macon County employees are regionally competitive as well and serve as an excellent recruiting tool for the organization. Actions taken by Macon County following Springsted implementation have attempted to keep salaries from becoming further compressed and remain in line with market expectations; however, compensation issues linger.



The Graph titled “Springsted Option 2 Implementation Impact on Compression” illustrates compliance trends before and after Implementation of Option 2. The X axis, or Years of Service represents time served in the organization from 0-30 years. The Y axis or % of Compliance with Pay Plan is labeled 0.7-1.1 and represents salaries of employees. To be **fully compliant** with the pay plan in this illustration, it is assumed that an employee will advance one step per year within their respective pay grade. A step is defined as the grade maximum minus grade minimum divided by 30 (as 30 years of service is assumed to be a full career) 100% or **full compliance** is illustrated by the red line for comparative purposes.

The blue line, or “before line,” illustrates the trend in actual salaries of Macon County employees before implementation of Springsted Option 2. From this line, it is evident that prior to Springsted Implementation all Macon County Employees were being compensated below the calculated 100% compliance mark. The gradual downward slope of the blue line shows salaries trending further away from the 100% compliance mark as years of service increase.

The black line, or “after line,” illustrates the trend in actual salaries after implementation of Springsted Option 2. As you will notice, the downward trend away from the 100% compliance mark is much

steeper following implementation of Springsted Option 2. This is due to the fact that the majority of employees serving five years or less were brought up to the newly established minimum grades with Option 2 implementation. When these employees (approx. 55% of county workforce according to Springsted) were brought up to the new minimums they were at 100% compliance as defined herein. The longer serving employees who were typically those working at levels above the newly established minimums saw only a 2% increase in salary with the implementation of Option 2. Although these longer serving employees did see a compensation increase, they fell further away from 100% compliance as grade maximums increased as well. In some cases grade maximums increased as much as 46%.

Implementation of the Springsted Classification and Compensation Study Option 2 addressed many inequities within the Macon County Pay Plan as aforementioned. Unfortunately, failure to implement this study in its entirety, as shown in the graph on the preceding page has adversely affected longer serving Macon County employees and intensified compression within the current Macon County Pay Plan.

III. Lingering Compensation Issues

Compression- Pay compression is the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. In adopting Option 2 of the Springsted Classification and Compensation Study, minimum salaries were raised and employees making below those minimums were brought to the new levels. As previously discussed, the beneficiaries of Option 2 were primarily those employees who were newer to the organization and had been hired on at previously established minimum levels. In addition, future Macon County employees would benefit as well, being hired on at levels in line with the established market. As Option 2 did not adjust the salaries of those longer serving employees who were, for the most part, being compensated at levels above the new Option 2 minimums, pay compression within many departments occurred. The charts below show salaries of new hires, as well as the actual salaries and years of service for employees currently serving in the Maintenance Worker I and Sheriff’s Deputy positions. Compression becomes evident in these examples as the pay difference between those longer serving employees and those recently hired is minimal.

Maintenance Worker I	Current Salary	Years of Service
New Employee	\$22,932	0
Employee 1	\$23,390	1.8
Employee 2	\$23,390	4.5
Employee 3	\$23,842	12.8
Employee 4	\$23,855	13.9

Sheriff Deputy	Current Salary	Years of Service
New Employee	\$32,268	0
Employee 1	\$32,913	1.6
Employee 2	\$32,913	7.4
Employee 3	\$32,913	8.2

Inability to advance through Pay Plan/ Salary Range- The Macon County Pay Plan contains thirty two (32) pay grades ranging from 17 to 48. Each of the pay grades are 5% apart with a minimum to maximum range of 50%. While minimums and maximums were adjusted for many of the pay grades as part of the Springsted Study, the separation between each pay grade of 5% and the minimum to maximum range within each pay grade of 50% remained consistent with the original Macon County Pay Plan.

The Macon County Personnel Policy contains guidelines which dictate an employee’s advancement within the pay plan and/or salary range. Under the current policy there are essentially four ways for an employee to receive an increase in compensation:

1. **Promotion-** When an employee is promoted to a position with a higher salary grade the employee’s salary shall normally be advanced to at least the minimum level of the new

position. However, the new salary may not exceed the maximum rate of the new salary range. The purpose of the promotional pay increase is to recognize and compensate the employee for assuming increased responsibility.

2. **Transition to a new Salary Plan**- All employees being paid at a rate above the minimum and below the maximum are considered as being paid at a competitive rate for the job class and may receive any approved salary plan implementation increases as authorized by the board. All employees being paid at a rate lower than the minimum rate established for their respective classes shall have their salaries raised to the new minimum of their classes (unless on probationary status).
3. **Cost of Living Adjustment (COLA)**- An annual adjustment that may be made by the Board of Commissioners to all pay ranges for all regular employees who have served a minimum of six months in a permanent position.
4. **Performance Evaluation System**- A periodic review of an employee's performance designed to facilitate year and equitable merit pay decisions, recognizing performance as the basis for pay increases within the established pay range. ** While a Performance Evaluation System is in place for Macon County it has not been utilized in quite some time according to department heads and administrative staff.**

While there are mechanisms contained within the Personnel Policy for advancement, lack of funding has resulted in Macon County's inability to take advantage of them. Following the recession, which began in 2009, Cost of Living Increases for Macon County, like many counties across our state and region, have been minimal due to budgetary constraints. These same constraints have also given way to department heads placing less priority on the Performance Evaluation System over time, as no new funding was available to reward an employee's high level of performance.

Promotions are given in Macon County and most of the time these promotions do result in salary increases in recognition of employees increased responsibilities and duties. If the employee is being promoted to a higher pay grade, the minimum of the new pay grade (if higher than their compensation in the previous grade) becomes their new salary. The aforementioned issues however have made advancement for the promoted employee within this new pay grade problematic. While Macon County did transition to a new salary plan in 2013, the portion implemented had no substantial effect on those employees being paid at a *competitive rate* as defined by the Macon County Personnel Policy (listed in # 2 above).

The Macon County Personnel Policy defines *Salary Range* as the *minimum and maximum salary levels for a given classification for hiring purposes*. While the personnel policy does not address length of service as a mechanism for advancing an employee within these salary ranges, it does indicate through the mechanisms listed above that an employee's sustained high level of performance should result in pay increases throughout their career. The examples on the following page illustrate, that this is not always the case for Macon County Employees.

Grade	Min	Max	Actual	YOS
25	\$30,731	\$46,097	\$32,470	18.5
27	\$33,881	\$50,822	\$37,391	20.3
31	\$41,183	\$61,774	\$43,798	19.7

Springsted highlighted the importance of ongoing administration in the Classification and Compensation Study: *“After initial implementation is achieved, the County will need to develop administrative procedures that provide for annual salary adjustments based on market and economic conditions and adjustments that recognize individual employee performance.”* This recommendation by Springsted was not adhered to by Macon County following the adoption of the Springsted Study. Thus, many Macon County Employees continue to have difficulties advancing within their salary ranges.

Departmental Inequities

Compression issues and the inability to advance in pay scale/grade have been more prevalent in some departments than others. This has occurred for a number of reasons including:

1. **Redistribution of funds-** In some cases when an employee retires that was making above the minimum grade of their salary and that employee is replaced, he or she is replaced with someone making the minimum grade. The difference in salaries between the retired employee and the new employee is then distributed among others in the department at the discretion of the department head. A second example is when an employee retires and they are not replaced. In this instance all or a portion of the retired employee’s salary is distributed among others in the department particularly those that have assumed the duties of the previous employee.
2. **Reducing operating expenses-** Departments who have line items for operating expenses in their budgets that are not being utilized 100% often times use these savings to compensate employees who have taken on additional responsibilities within the department. While these increases in compensation are justified for the particular department, other departments, namely those smaller in size, do not have room within their smaller budgets to reduce operating expenses and use these monies towards compensation increases.
3. **Negotiations upon hire/Negotiations for Retention-** When a new employee is hired that has previous experience in a position or has a skillset which far exceeds the minimum requirements for a position, it is possible for their starting salary to be negotiated to a level above the minimum. This same negotiation process can potentially occur when a skilled or experienced employee has a job offer from an outside organization. These negotiations are more common among department head and supervisory positions.

Each of the reasons listed above have contributed to departmental inequities in terms of employee compensation. While two employees in separate departments each working at a grade 25 have taken on additional responsibilities and continued performing at a high level, one employee could have received increases over time which has positioned them appropriately in their pay grade due to reasons listed above, while the other did not.

Decline in Morale

Each of the lingering compensation issues mentioned above has contributed to a decline in the morale of many Macon County Employees. Those most affected are the longer serving employees who during their tenure with Macon County have developed knowledge and skills that are invaluable to the organization. The committee feels strongly that addressing these compensation issues will boost employee morale leading to a higher performing organization.

IV. Comparative Analysis

The committee selected six counties for the comparative analysis. Like the Springsted Classification and Compensation Study, these counties were chosen based on demographics and geographic proximity. Five of the six counties selected were previously approved for use in the Springsted Study by the Macon County Board of Commissioners. The counties selected were:

Jackson	Transylvania	McDowell
Haywood	Watauga	Cherokee

Through conversations and information exchange with county and regional representatives, the committee achieved a 100% response rate for all information requested. This information included salary ranges, actual salaries, and years of service for all positions in each county. In addition the committee requested from each county benefit contribution levels for health insurance, 401(k) and longevity as each of these had been left out of the Springsted Study. The committee used the information received for the following purposes:

1. Assess the regional competitiveness of Macon County pay scale.
2. Assess each county's pay plan compliance rate using actual salary and years of service data to determine an acceptable rate of compliance for the western region.
3. Assess the regional competitiveness of key Macon County benefits.

Regional competitiveness of Macon County pay scale

To assess the regional competitiveness of the Macon County pay scale 66 individual Macon County positions were selected ranging in grade from 19 to 44. The positions selected were taken directly from those used in the Springsted Study. The committee then selected 66 positions from each of the counties in the peer group that were identical or closely similar to the Macon County positions selected. The minimum and maximum salary amounts for each of the selected Macon County positions were compared to those from each of the peer counties. The comparison showed Macon County's minimum salary levels to be an average of 3.63% higher than those of the peer group. Macon County's maximum salaries were 0.54% higher than those of the peer group.

The results of this comparison clearly illustrates Macon County's pay scale to be in line and regionally competitive. Furthermore, the committee felt that this validated Macon County's decision to adjust the pay scale following Springsted's 2012 recommendation. Although it has been almost three years since Option 2 of the Springsted Classification and Compensation Study was adopted, the passage of time appears to have had no effect on regional pay scales.

Regional pay plan compliance rates

Upon finding that Macon County's pay scale was in-line and competitive with peer counties, discussions then turned to how compliant each county, including Macon, was in terms of adherence to the pay scale in place. To assess compliance:

- The actual salaries and years of service for employees filling the 66 positions used in the pay scale comparison were attained from each county.
- The salary ranges for each of the positions were then calculated by subtracting the grade minimums from the grade maximums.
- The salary ranges were then divided by 30 (assuming a 30 year career) to establish each county's annual step for the 66 positions selected.
- The annual step increases for each position were then multiplied by the actual years of service of the employees filling those positions.
- This number, when added back to the grade minimum of each position was illustrative of 100% compliance.
- The actual salaries of the employee's filling these positions were then compared to the positions 100% compliant salaries to determine the rate of compliance.
- The compliance rates for each of the 66 positions were then averaged for each county to determine the county's overall compliance rate.

It was evident that no county in the six county comparative analysis was funding all positions at 100% compliance. The normal limits of compliance ranged from 89.59% to 95.43% with Macon County at 92.63%. After much discussion, the committee felt that a goal of 94% pay plan compliance was acceptable, as this rate would be among the most competitive in the region, while still remaining within the established normal limits.

Regional competitiveness of key Macon County benefits

As previously discussed in section II of this report, the Springsted Classification and Compensation Study determined that a number of Macon County fringe benefits were consistent with the survey group used in that study. Springsted, however did not consider what this committee felt to be key fringe benefits including health insurance, 401(k) contributions, and longevity.

Health Insurance

	Emp. Only (Total Cost)	Emp. Only County \$	Emp./Child (Total Cost)	Emp./Child County \$	Emp./Children	Emp./Children County \$	Emp./Spouse	Emp./Spouse County \$	Family	Family County \$
Macon	\$562	\$562	\$730	\$655	\$961	\$782	\$1064	\$838	\$1413	\$1030
Jackson	\$744	\$744	\$1,157	\$951	\$1,356	\$1050	\$1356	\$1050	\$1576	\$1160
Haywood	\$770	\$770	\$909	\$770			\$1119	\$770	\$1282	\$770
Transylvania	\$639	\$589					\$1097	\$843	\$1476	\$1033
Watauga	\$570	\$570	\$694	\$570	\$694	\$570	\$889	\$570	\$1145	\$570
McDowell	\$384	\$384	\$609	\$384			\$867	\$384	\$1098	\$384
Cherokee	\$667	\$667			\$997	\$667	\$1167	\$667	\$1367	\$667

All responding counties aside from Transylvania pay 100% of employee only coverage. As Macon County pays 100% of employee only coverage, it is in line with the peer group. On average employees in the peer group pay \$348 per month for spousal coverage while Macon County Employees pay \$226. For family coverage, Macon County Employees pay \$383 per month while the peer group average is \$535.

Macon County Employees have an insurance benefit second to none in the region. While employees carrying dependent coverage pay less than employees in peer counties, Macon County's contribution levels remain extremely close to the normal limits established for county contribution levels in dependent coverage categories. Thus, Macon County Employees enjoy a first class health benefit at an extremely attractive rate without placing an undue cost burden on the county. This has been made possible through the hard work of the Macon County Insurance Committee.

401(k)

Three of the six counties from the selected peer group make a 401(k) contribution for non-law enforcement employees. The contribution levels range from \$32.64 per month, to 5% annually. At 2% annually, Macon County appears to be in-line with those counties contributing to non-law enforcement employees. It is important to note that all counties in North Carolina are required by law to make a 5% 401(k) contribution for sworn law enforcement officers.

Macon- 2% of Employee Annual Salary/ 5% for Law Enforcement

Jackson- 5% for Law Enforcement

Haywood- 2% of Employee Annual Salary/5% for Law Enforcement

Transylvania- 5% for Law Enforcement

Watauga- 5% of Employee Annual Salary 401(k) or 457/ 5% for Law Enforcement

McDowell- \$32.64 per month per Employee/5% for Law Enforcement (Annual Salary)

Cherokee- 5% for Law Enforcement

Longevity

Five of the six counties from the selected peer group provide a longevity benefit to employees. Macon County contribution levels appear to be consistent with those counties currently providing this benefit.

Macon	10-15	15-20	20-25	25+		
	1.5%	2.25%	3.25%	4.5%		
Haywood	5-10	10-15	15-20	20-30	30+	
	2%	2.5%	3%	3.5%	4%	
Jackson	0-5	5-10	10-15	15-20	20+	
	\$100	\$400	\$600	\$750	\$1000	
Transylvania	5-10	11-15	16-20	21+		
	2%	3%	4%	5%		
Watauga	0-5	5-10	10-15	15-20	20-25	25+
	\$100	1%	1.5%	2%	2.5%	3%
McDowell	10-15	15-20	20-25	25+		
	1.5%	2.25%	3.25%	4.25%		

Cherokee- No Longevity

Summary of Comparative Analysis

The results of the comparative analysis conducted by the committee in combination with the previous work completed by Springsted led to the following conclusions:

1. The Macon County Pay Scale is in-line and regionally competitive with peer counties.
2. Macon County's compensation levels at 92.63% compliant appear to be in-line and regionally competitive with Peer Counties. As the normal range of compliance was 89.59% to 95.43%. The committee feels a goal of 94% compliance for Macon County is acceptable and justified.
3. Macon County's benefit package, aside from Health Insurance, is in-line and regionally competitive with peer counties based on the analysis conducted by the committee and the previous benefit comparison conducted by Springsted. While 83% or 5 of the 6 counties surveyed by the committee provide employee only coverage at no cost to the employee, Macon County employees pay significantly less for dependent coverage than those employees in the peer counties. Thus, the committee feels the Macon County Health Insurance Benefit is above average.

V. Compensation Calculations

The committee evaluated numerous methodologies in addition to the un-implemented Springsted Study recommendations. Springsted's Option 3 would recognize the value of length of service and the development of skills and abilities in regards to performing the tasks of the position. This would be accomplished by increasing employee salaries by 0.5% for each year of service in their current position. Second, the committee evaluated the Springsted recommendation based on total years of service with Macon County, and not limited to service time in current position, increasing employee salaries by .5% for each year of service with Macon County (this methodology was not included in the Springsted Classification and Compensation Study but was provided to the County at the request of administration). Third, the committee evaluated fully funding the Springsted Pay Plan as approved by the Board of Commissioners. The calculations for this option are based on the Minimum and Maximum of each Pay Grade, with an annual step increase granted for each year of service in position with Macon County. This option also considers overall service by using the calculated longevity formula described herein. Finally, the committee evaluated the Pay Plan referenced in the previous option, incorporating the results of the Comparative Analysis as described in Section IV of this report.

Section V will demonstrate the methodologies and assumptions regarding each of the options listed above. Additionally, the advantages and disadvantages of each option will be summarized as related to the determined goals of the committee. The goals established for these evaluations, in order of importance, are as follows:

- Alleviate compression within the current salary structure.
 - Recognize the value gained through longevity in ability, efficiency, and institutional knowledge

- Tool for Recruitment and Retention of employees.
- Perform analyses using a standard methodology that considers all employees without consideration of impacts to individual employee salaries.
- Ensure that pay structure is in line with the regional employment market for like skills and positions.
- Select a Pay Plan Option that can be implemented without an ad-valorem tax increase.
- Propose a Pay Plan and methodology that can be maintained administratively and sustainably funded.

V.I. Method 1: Springsted – Option 3.

For Method 1, members of the committee applied the recommendation from Option 3 of the Springsted Classification and Compensation Study to the current employee roster as of the time of the evaluation. Salaries of each employee were increased by **0.5% per year of service, in position**, with Macon County. A summary of the **Method 1** Evaluation is listed below:

<u>EE Salary + ((Employee Salary x 0.5%)(Years in Position)) = Recommended Salary @ Method 1.</u>	
County Average Employee Time in Position:	6.60 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 1 Implemented:	\$37,852.40
Average Increase per Employee – Method 1 Implemented:	\$1,206.51
(\$37,852.40 - \$36,645.89)	
Average Increase per Employee per Year in Position – Method 1 Implemented:	\$182.80
(\$1,206.51 / 6.60 Years in Position)	
**All budget #'s representative of 80 hr. pay period	

Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 1 Implemented:	\$13,891,829.48
Budget Increase to Fund Method 1:	\$442,789.68
% Increase to Fund Method 1:	3.29%

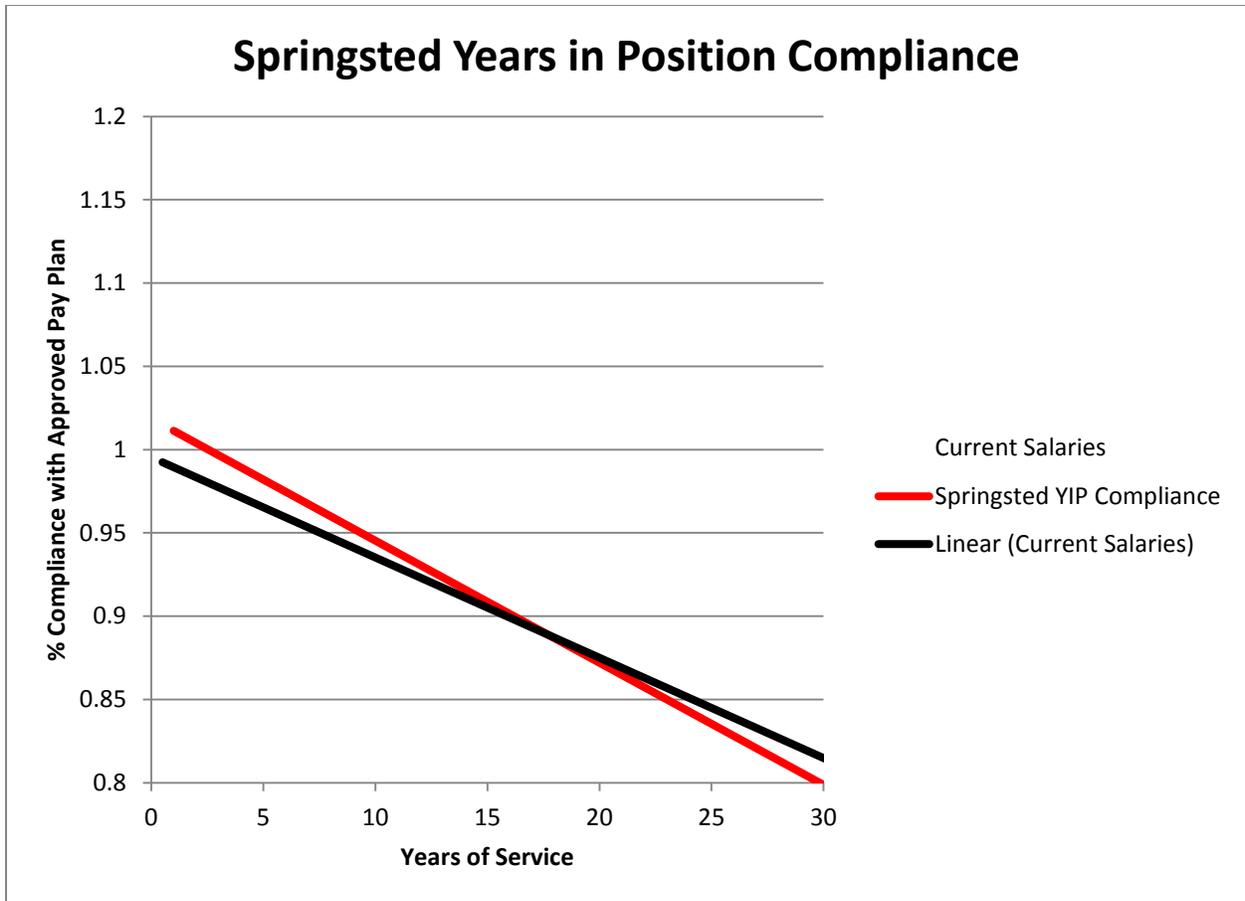


Chart Assumptions:

- 1) Employee pool static: no new hires, retirements, change in position or grade.
- 2) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Option 1:

- Increased negative impact on compression based on Years of Service.
 - Years in Position does not recognize employees overall longevity. Longer serving employees may actually be penalized for earning a promotion.
 - Example: A 20 year employee at grade 25 earning 32,000 per year would receive a 10% or \$3,200 increase in salary. If the same 20 year employee however, had been promoted to the grade 26 minimum 2 years prior to implementation of this option, the same employee would receive a 1% or \$323 increase in salary.
- (Grade 25 @ 20 yrs) * (0.5% * 20 Years) = 10%**
 \$32,000.00 * 1.10% = \$35,200 Springsted Recommended Salary
- (Grade 26 Promotion) * (0.5% * 2 Years) = 1%**
 \$32,268 (Gr. 26 min.) * 1.01% = \$32,591 Springsted Recommended Salary

V.II. Method 2: Springsted Revised to Years of Service.

For Method 2, members of the committee applied the recommendation from Option 3 of the Springsted Classification and Compensation Study to the current employee roster as of the time of the evaluation. Salaries of each employee were increased by **0.5% per year of service** with Macon County; without regard for time in position. This methodology was selected for analysis due to potential inequities discovered during the evaluation of Method 1; as listed above. A summary of the **Method 2** Evaluation is listed below.

<u>EE Salary + ((Employee Salary x 0.5%)(Years of Service)) = Recommended Salary @ Method 2.</u>	
County Average Employee Years of Service:	9.33 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 2 Implemented:	\$38,400.96
Average Increase per Employee – Method 2 Implemented:	\$1,755.07
(\$38,400.96 - \$36,645.89)	
Average Increase per Employee per Year of Service – Method 2 Implemented:	\$188.11
(\$1,755.07 / 9.33 Years of Service)	
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 2 Implemented:	\$14,093,153.88
Budget Increase to Fund Method 2:	\$644,114.08
% Increase to Fund Method 2:	4.79%

The graph below, demonstrates the impact on compression represented by implementation of **Method 2**:

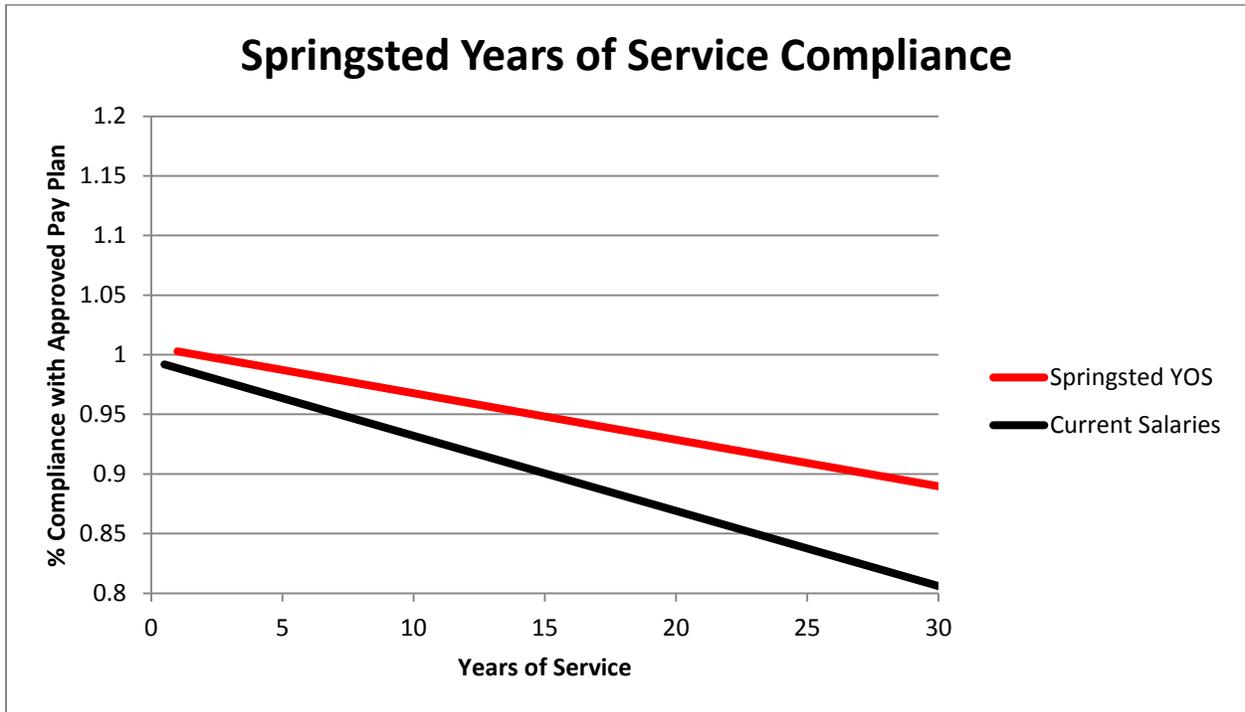


Chart Assumptions: 1) Employee pool static: no new hires, retirements, change in position or grade.
2) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Method 2:

- Moderate improvement to compression. Salary increases spread more equitably.
- Compensation for an entire service career is based on a percentage of employee's current pay.

V.III. Method 3: Fully Funded Pay Plan

For Method 3, the committee developed its own calculation method to recognize each employee’s entire service career as well as time served in current position. The calculation method, which was unanimously approved by the committee, used the minimum of each employee’s current salary grade as a starting point. Each employee’s **calculated longevity** with the organization was then multiplied by the annual step amount for the employee’s current salary grade. This amount was then added to the minimum of the employee’s current grade producing the recommended salary amount.

Macon County Pay Grades/Steps

Grade	Maximum	Minimum	Range	Step	Grade	Maximum	Minimum	Range	Step
17	31,200	20,800	10,400	346.67	33	68,106	45,404	22,702	756.73
18	32,760	21,840	10,920	364	34	71,511	47,674	23,837	794.57
19	34,398	22,932	11,466	382.2	35	75,087	50,058	25,029	834.3
20	36,118	24,079	12,039	401.3	36	78,841	52,561	26,280	876
21	37,924	25,283	12,641	421.37	37	82,783	55,189	27,594	919.8
22	39,820	26,547	13,273	442.43	38	86,922	57,948	28,974	965.8
23	41,811	27,874	13,937	464.57	39	91,268	60,845	30,423	1014.1
24	43,902	29,268	14,634	487.8	40	95,832	63,888	31,944	1064.8
25	46,097	30,731	15,366	512.2	41	100,623	67,082	33,541	1118.03
26	48,401	32,268	16,133	537.77	42	105,654	70,436	35,218	1173.93
27	50,822	33,881	16,941	564.7	43	110,937	73,958	36,979	1232.63
28	53,363	35,575	17,788	592.93	44	116,484	77,656	38,828	1294.27
29	56,031	37,354	18,677	622.57	45	122,308	81,539	40,769	1358.97
30	58,832	39,222	19,610	653.67	46	128,423	85,616	42,807	1426.9
31	61,774	41,183	20,591	686.37	47	134,845	89,896	44,949	1498.3
32	64,863	43,242	21,621	720.7	48	141,587	94,391	47,196	1573.2

Calculated Longevity: The committee spent a great deal of time in debate over years in service versus years in position. Years in position, as mentioned in Method 1, could penalize recently promoted employees based on the arbitrary timing of plan implementation. Additionally, it has the potential to minimize the importance of loyalty, institutional knowledge, or efficiencies and abilities gained through service.

Concerning years of service, the committee did not find it logical to compensate an employee for their entire time served using the step of their current salary grade if portions of their service occurred at lower grades. Thus, the committee sought an equitable solution to compensate employees for their years in current position as well as those years served outside of that position and grade. The table labeled “Macon County Pay Grades/Steps” on page 19 lists the County Pay Grades and Ranges . There is a 5% uniform increase between each pay grade and range. Therefore, time served at different pay grade can be translated to time at the current grade based on the percentage value of the previous grades to the current grade. Calculated longevity can then be determined by adding time in each grade multiplied by the percentage value of each grade to current grade. These percentages are listed below:

Calculated Longevity Multiplier

Current Grade	+1 Grade	+2Grades	+3Grades	+4Grades	+5Grades	+6Grades	+7Grades	+8Grades	+9Grades	+10
Multiplier	.9524	.9070	.8368	.8227	.7835	.7462	.7107	.6768	.6446	.6139

****Time served in current pay grade is calculated at 100%****

Example 1: Employee worked at Grade 20 for 5 years; was promoted to a Grade 22 for 5 years; and was again promoted to Grade 24 for the last 3 years. The employee has 13 years of service, but their calculated longevity would be 11.64 years:

$$\begin{aligned}
 &(4 \text{ Grades below} \times 5 \text{ years}) + (2 \text{ Grades below} \times 5 \text{ years}) + (\text{Current Grade} \times 3 \text{ years}) = \text{Calc Long.} \\
 &(0.8227 \times 5 \text{ years}) \quad + \quad (0.9070 \times 5 \text{ years}) \quad + \quad (1 \times 3 \text{ years}) \quad = \\
 &(4.1135 \text{ years}) \quad + \quad (4.535 \text{ years}) \quad + \quad (3 \text{ years}) \quad = \quad \mathbf{11.6485 \text{ years.}}
 \end{aligned}$$

**** While the employee has 13 years of actual service, the calculated longevity formula yields 11.6485 calculated years of service which will be applied at the current grade. ****

To determine placement in pay plan at the current Grade 24 the employee’s calculated longevity of 11.64 years would be multiplied by the Grade 24 step amount of \$487.80. This amount would then be added to the Grade 24 minimum to determine the recommended salary:

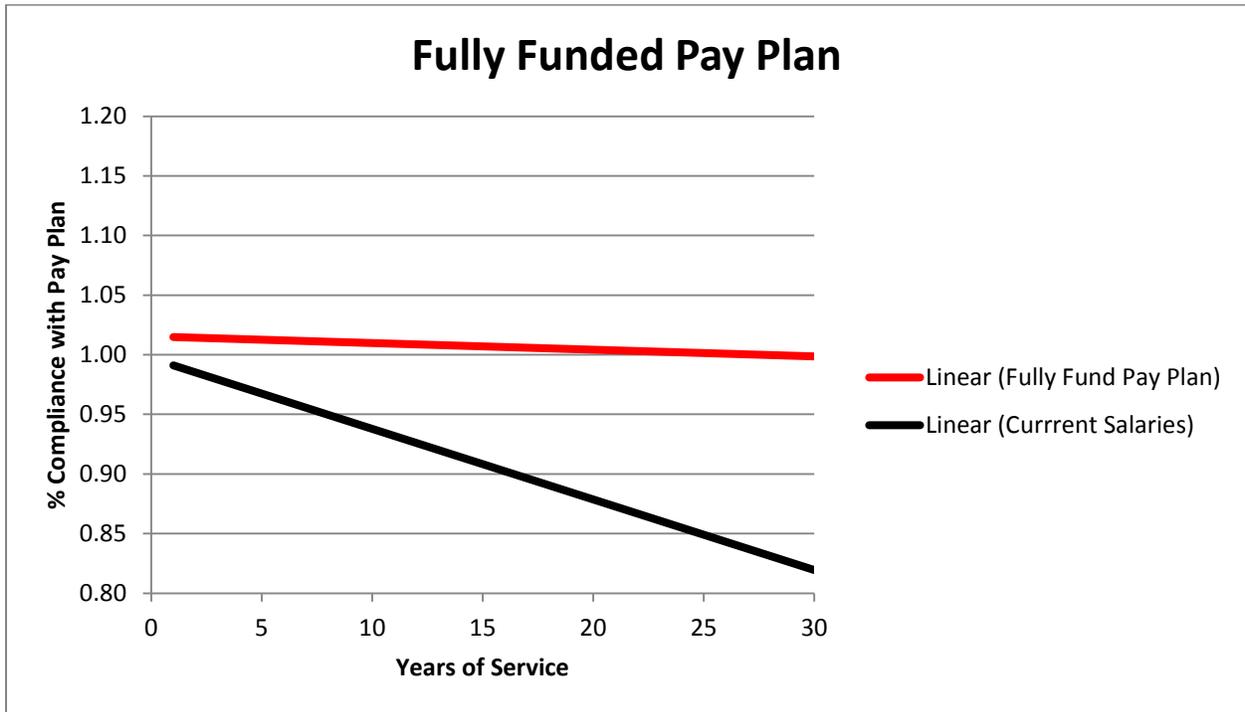
$$\begin{aligned}
 &((\text{Grade 24 Minimum}) + (\text{Grade 24 Step} \times \text{Calculated Longevity})) = \text{PPR Salary} \\
 &((\$29,268.00) \quad + \quad (\$487.80 \times 11.6485 \text{ years})) \quad = \quad \$34,950.14
 \end{aligned}$$

There are two important things to notice in these calculations. First, calculated longevity is a methodology for determining placement within the range of each Grade; it does not alter actual longevity with respect to total years of service-time, longevity pay, or retirement. Second, there is nothing in the calculations that ties back to the current salary for the employee. This is a mathematical calculation to determine pay plan recommended salary. It treats every employee equally without bias.

A summary of **Method 3** findings is listed below

<u>EE Pay Grade Min. + ((Step)(Calculated Longevity)) = Recommended Salary @ Method 3.</u>	
County Average Employee Years of Service:	8.85 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 3 Implemented:	\$39,505.25
Average Increase per Employee – Method 3 Implemented:	\$2,859.36
(\$38,968.32 - \$36,645.89)	
Average Increase per Employee per Year in Position – Method 3 Implemented:	\$323.09
(\$2,859.36/ 8.85 Years in Position)	
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 3 Implemented:	\$14,498,425.97
Budget Increase to Fund Method 3:	\$1,049,386.17
% Increase to Fund Method 3:	7.80%

The graph below, demonstrates the impact on compression represented by implementation of **Method 3**:



- Chart Assumptions:**
- 1) Employees with 30 years plus years of service increased to Pay Plan Maximum.
 - 2) Employee pool static: no new hires, retirements, change in position or grade.
 - 3) No changes to Pay Grade Structure via C.O.L.A. or other

Evaluation of Method 3:

- Compression problems fully resolved.
- All employees below 100% compliance are brought to 100% compliance based on calculated longevity.
- Does require additional future evaluation of employees currently above 100% Pay Plan compliance.
- Reflects FY 15-16' 30+ year employees salary adjustment
- Most expensive option.

V.IV. Method 4: Partially Funded Pay Plan.

Like Method 3, Method 4 also uses the calculated longevity formula to arrive at recommended employee salaries. In addition however, this method uses the results of the comparative analysis in section IV in addition to the calculated longevity formula. The committee believes that adding these factors encompass justified considerations resulting in a Method that best meets the goals of the committee. Explanations of the additional considerations are listed below:

1) **Regional Market Comparisons:** While Springsted did look at several other Counties and Municipalities in their Study, the committee took a more in depth approach to evaluating comparable pay plans in the region. A more complete explanation of this process is provided in section IV of this report. For the current purpose of defining the methodologies used in Method 4, it is sufficient to state the conclusion of the comparable analyses recommends that Macon County fund the existing pay plan at 94%.

Example 1: Employee worked at Grade 20 for 5 years; was promoted to a Grade 22 for 5 years; and has been working at a Grade 24 for the last 3 years. The employee has 13 years of service, but their calculated longevity and salary would be:

$$\begin{aligned} & (4 \text{ Grades below} \times 5 \text{ years}) + (2 \text{ Grades below} \times 5 \text{ years}) + (\text{Current Grade} \times 3 \text{ years}) = \text{Calc Long.} \\ & (0.8227 \times 5 \text{ years}) \quad + \quad (0.9070 \times 5 \text{ years}) \quad + \quad (1 \times 3 \text{ years}) \quad = \\ & (4.1135 \text{ years}) \quad + \quad (4.535 \text{ years}) \quad + \quad (3 \text{ years}) \quad = \quad \mathbf{11.6485 \text{ years}.} \end{aligned}$$

To determine placement in pay plan at the current Grade 24, the employee's calculated longevity of 11.648 years would be multiplied by the Grade 24 step amount of \$487.80. This amount would then be added to the Grade 24 minimum. This total would then be multiplied by 94% to determine the recommended salary.

$$\begin{aligned} & ((\text{Grade 24 Minimum}) + (\text{Grade 24 Step} \times \text{Calculated Longevity})) \quad \times 94\% = \text{PPR Salary} \\ & ((\$29,268.00) \quad + \quad (\$487.80 \times 11.6485 \text{ years})) \quad \mathbf{\times 94\% = \$32,853.13} \end{aligned}$$

A summary of **Method 4** findings is listed below:

<p>Calculated Longevity: (Previous Grade/Current Grade x Years at Previous Grade) + (Repeat as needed for each previous Grade) + Years of Service at Current Grade= Calculated Longevity.</p> <p>Pay Plan Recommended Salary: {(Current Grade Minimum) + (Current Grade Step x Calculated Longevity)} x94% = PPR Salary</p>	
County Average Employee Years of Service - Calculated:	8.85 Years
Total Employees Evaluated:	367
Average Employee Salary – Current:	\$36,645.89
Average Employee Salary – Method 4 Implemented:	\$37,950.76
Average Increase per Employee – Method 4 Implemented: (\$37,950.76 - \$36,645.89)	\$1,304.87
Average Increase per Employee per Year in Position – Method 4 Implemented: (\$1,304.87/ 8.85 Years of Service - Calculated)	\$147.44
**All budget #'s representative of 80 hr. pay period	
Total County Salary Budget – Current:	\$13,449,039.80
Total County Salary Budget – Method 4 Implemented:	\$13,927,979.15
Budget Increase to Fund Method 4:	\$478,939.35
% Increase to Fund Method 4:	3.56%

The graph below demonstrates the impact on compression represented by implementation of **Method 4**:

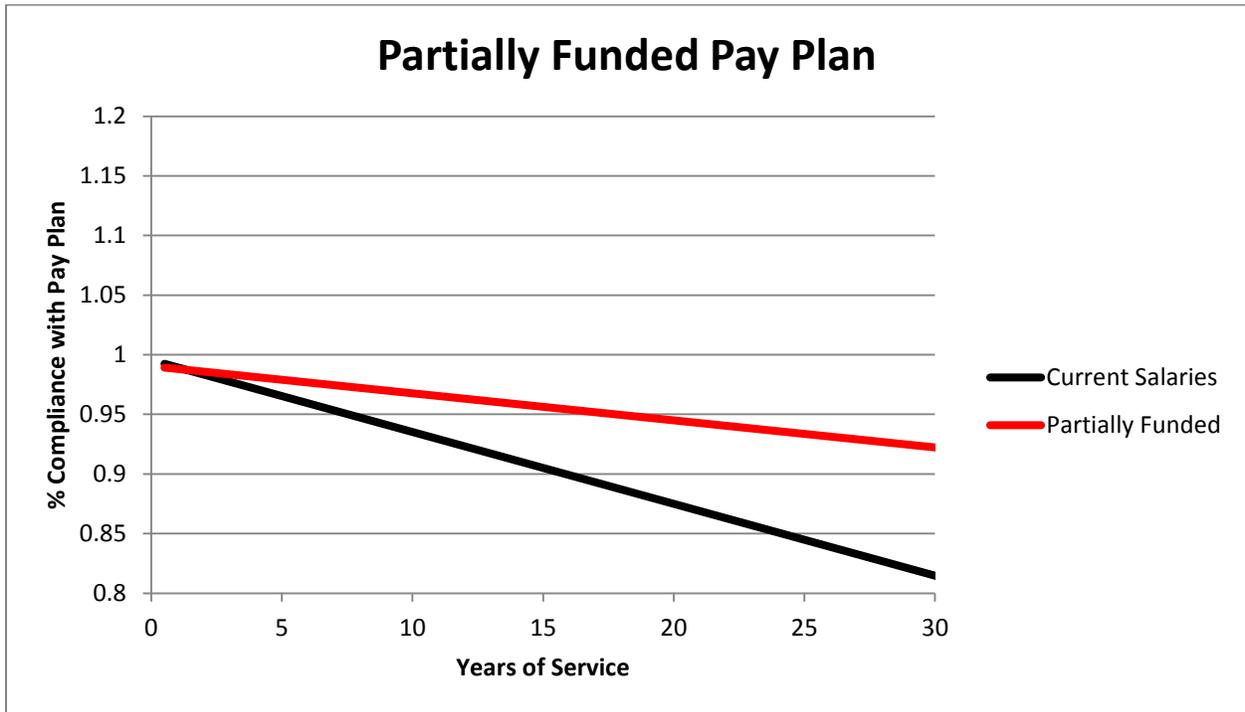


Chart Assumptions:

- 1) Employees with 30 plus years of service increased to Pay Plan Maximum.
- 2) Employee pool static: no new hires, retirements, change in position or grade.
- 3) No changes to Pay Grade Structure via C.O.L.A. or other.

Evaluation of Method 4:

- While compression is not eliminated, it is improved.
- All employees below 94% compliance are brought to 94% compliance.
- Does require additional future evaluation of employees currently above 94% Pay Plan compliance.
- Reflects FY 15-16' 30+ year employees salary adjustment

VI. Available Revenue

Preliminary Sales Tax Projections

As of March 18, 2016 Macon County has received six months of actual sales tax receipts (July through December). In projecting 2% growth over the prior fiscal year for the remaining six months of FY 15-16' (January through June) the estimated sales tax revenue at current fiscal year end is \$6,754,790. Moving forward into FY 16-17' and assuming a 3% growth in sales tax revenues over the estimated FY 15-16' year-end amount, \$6,957,434 will be budgeted for sales tax revenue next fiscal year. This estimate represents an increase in revenue of **\$215,018** over the current fiscal year's budgeted sales tax amount of \$6,742,416.

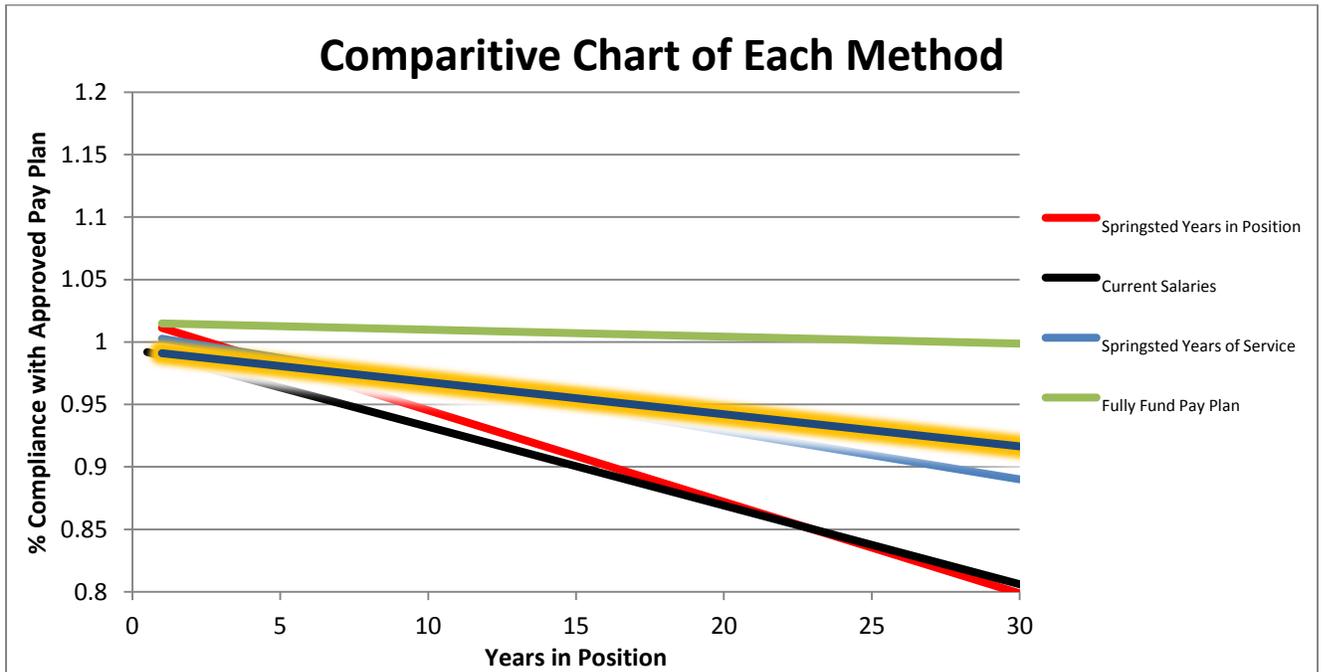
Preliminary Property Tax Projections

Property tax revenues in the budget consist of seven line items: interest charged, advertising costs, tax-prior years, current year taxes, motor vehicle tax-prior years, motor vehicle tax-current year and delinquent collections. Based on estimated values supplied by the Macon County Tax Office and applying a 97.61% collection rate to property/utilities and a 99.9% collection rate to vehicles, the FY 16-17' budget for current year taxes is projected to be \$25,958,438 and the FY 16-17 budget for motor vehicle tax-current year is projected to be \$959,472. Using historical data, the remaining five items that make up the property tax revenue budget were projected. As of March 18, 2016 the projected FY 16-17' budget for property tax revenues is estimated to be \$27,798,410 as compared to \$27,069,263 which was budgeted for the current fiscal year. This results in a projected increase in revenues of **\$729,147** for next fiscal year.

In assuming that all operating expenditures in the FY 16-17' budget remain at current year levels, the projected revenue increases from Macon County's two primary revenue sources yield an estimated **\$944,165 in additional revenue for FY 16-17'**. ** The estimates contained in this section were made on March 18, 2016 and are subject to change before adoption of the FY 16-17' budget.**

VII. Recommendations

1. Implement Method 4 as proposed, bringing all employees with less years of service to a minimum of 94% Compliance with approved Pay Plan. All employees receiving less than \$175 as determined by the study will receive 16 hours annual leave rather than an increase in compensation.



As the fully funded or 100% compliance method (green line) was neither affordable nor in-line with regional comparisons for compliance, the committee has recommended 94% compliance method (blue line highlighted in yellow). This option alleviates compression and ensures that all county employees are being compensated at levels in line with the region.

2. Department Heads to provide justification for all employees currently being compensated above the 100% compliance level prior to recommending step increase.
 - a. These employees will not receive a decrease in salary upon implementation.
 - b. Justifications for these employees are for administrative purposes only and will be taken into consideration as part of any recommended increase in step.
3. Use formula in Method 4 when evaluating salary adjustments or promotions.
 - a. Consider calculated longevity and regional compliance
4. Compensation Study Group will continue working to develop a meaningful performance based measurement system to be used with Method 4 formula when evaluating salary adjustments or promotions on an annual basis.