



## General Government & Social Services Committee

May 14, 2019

### Summary and Motions

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Committee chair, Susan Lamb, called the meeting to order at 1:01 p.m. Committee members Steve Kay, Richard Moloney, Chuck Ellinger, James Brown, Bill Farmer, Angela Evans, Fred Brown, Jennifer Reynolds, and Kathy Plomin were present. Councilmembers Jake Gibbs, Josh McCurn, and Amanda Bledsoe were in attendance as non-voting members.

#### **I. Approval of April 16, 2019 Committee Summary**

A motion was made by CM Ellinger to approve the April 16, 2019, General Government & Social Services Committee Summary, seconded by CM Evans. The motion passed without dissent.

#### **II. Evaluation of Pay Practices at the Division of Waste Management**

John Maxwell, Director of the Division of Human Resources, provided some background information for LFUCG's pay practices, highlighting that the city used to operate on a step program, switched to an open range system around 1994, and transitioned into the current open range system in 2013. He emphasized the amount of work that went into the last job classification restructuring. The administration engaged Hanna Resource Group to help examine what a step system would entail, fairness of the system and salary calculations, market competitiveness particularly for Resource Recovery Operators, and ultimately make recommendations to the council. (The committee approved an additional 15 minutes for the presentation.)

Lyle Hanna, President of Hanna Resource Group, explained that nationally, people are moving away from step pay programs, comparing the model to antiques. He provided an overview of the pay range for RRO. Candra Bryant, Chief Operating Officer, talked about how pay grades are established under the guidance of LFUCG's compensation policies and driven by market data. She explained the standardized entrance rate procedure, how credits are applied based on experience and education, and provided an example of the calculation of a pay rate. CM Bledsoe clarified that the maximum of seven years of experience in the pay rate formula is an LFUCG policy. Bryant then explained how promotions, demotions, and lateral job transfers are calculated differently based on the number of pay grades the employee is changing through. She highlighted pay outliers such as the change in the compensation system and structure, as well as failing to adjust salary ranges annually. She said there are 12 outliers out of all 106 RRO positions.

Bryant provided a market analysis on RRO, highlighting the 25th, midpoint, and 75th percentiles of the market base pay compared to LFUCG's pay range and base pay. She concluded that Lexington's midpoint is paying slightly above the market midpoint, which is a competitive compensation. She explained how the rate of pay for all RRO is applied to a chart in the presentation. Bryant described a step pay program as automatic pay increases based on tenure with the employer, comparing it to a defined benefit program that locks employers into salaries they can't afford; she added that this pay structure makes positions less competitive in the market. She outlined what a step program would look like for RRO, concluding that many of the entry level people could have to take a step back.

Next Bryant reviewed the incentive pay program that within LFUCG, only applies to RRO, which builds in two hours of paid but not worked hours four days each week. She reviewed the research of cities that

do and do not have similar incentive pay structures. She explained an analysis of RRO pay with the addition of CDL and hazardous duty pay, plus 20 percent of the salary (i.e. eight hours of pay for hours not worked), and how that compares to the market along with the step pay scale that was outlined earlier. Hanna Resource Group's recommendations included LFUCG continue using an open range pay structure, review the incentive pay plan, and consider a workforce utilization analysis.

Public comment was allowed; comments included the following: several employees from the Division of Waste Management are seeking equality for workers; it's a dangerous job; RRO are public safety workers; the market analysis and benchmarked workers were questioned as well as if Lexington's cost of living was taken into consideration; RRO with many years of experience making less than the midpoint; better pay in the same industry with another employer in Lexington; employees train others who are paid more than the trainers themselves; the cost to acquire a CDL is more than \$10,000; Lexington is a clean city because of them; they are doing their job; evaluations don't count in relation to raises; insurance costs are going up; do the right thing; a major complaint brought to the council in October was about inequity in pay (i.e. new hires getting paid more than experienced drivers) was not addressed in the presentation; the research provided in the presentation didn't take into account that drivers use computer systems; no one has talked to employees of the Division of Waste Management.

CM Moloney mentioned his experience as commissioner of the department and said RRO is one of the most dangerous jobs in the country. He pointed out the use of the computer route ware system that is required of the position, which led to the reclassification of this position because it is the hardest of all jobs that require a CDL. He explained a possible way to differentiate the drivers based on three types of trucks and certifications. He said that no one has previous experience with the computer route ware that is specific to RRO so he questioned any experience applied in the standard pay rate calculation. He sees another problem with overtime when compared to individuals who are not working a full day.

CM J. Brown said the main concerns he heard in October focused on inequity in pay based on new hires compared to employees who have been working as RRO for years. He said that the computer route ware job requirement was addressed through the creation of the RRO position. He said the complaints he is hearing are not about the minimum or maximum salary, instead, it's the challenge for employees to reach the maximum of that range. He asked how it is possible to reach the top of the pay grade for RRO and if the Mercer pay program allowed for scheduled pay increases. Hanna explained \$1.2 million of adjustments were made to pay grades as a result of the most recent pay restructuring, MAG, and a lot of that money went to RRO employees. He said open range systems do not have an automatic way to reach the top of the pay scale. He added that all RRO and their pay was reviewed for this presentation. Bryant explained that the compensation structure applies to all of LFUCG and that from a compensation professional perspective the goal is to achieve a salary around the midpoint, not to reach the top. J. Brown said the challenge is that no one is making their way to the top. He said this division is different from other divisions because of a dedicated tax or fund that pays the salaries; he questioned whether compensation levels could increase if tied to an increase in taxes collected for this fund. Sally Hamilton, CAO, said this might be possible but from her perspective that this could cause greater disparity among employees; she emphasized the existing and growing divide between sworn and non-sworn employees and cautioned the use of specific funds compared to those that are paid through the general fund.

Evans mentioned her recent experience speaking with an employee about this issue happening in another division. She said government is not the same as the private sector and questioned the council's role to ensure that employees get the maximum pay. She asked about two specific outliers on the market analysis and how those types of situations occur. Maxwell said, by ordinance, employees have a

way for their pay to be reviewed if they feel it is not equal; he explained there are a couple of individuals who were demoted from managerial positions and that he would be happy to meet with council members, individually, to review specific cases. Hanna said the two outliers Evans described are both demotions.

Bledsoe asked about the data outlined in the incentive pay chart, which Bryant explained is the median over one year. Bledsoe said personnel remains a constant topic of conversation for LFUCG and talked about difficulties to keep up with the market while being financially responsible, particularly after LFUCG has trained an employee. She said we have to start thinking differently how we recruit and retain employees, especially when benefits continue to change, describing ideas such as the possibility of a signing bonus, incentive pay every so many years, or consideration of the cost to acquire a CDL.

CM Gibbs talked about difficulties employees within the Division of Waste Management face regarding the shift and time of day they work. He said we need to look at raising pay for all LFUCG employees. After concluding the combination of the CDL and hazardous duty pay supplements total just under \$1,000 per year, he asked about the incentive pay market analysis, which shows many employees making about \$46,000 annually. The actual average annual salary is about \$40,000. Bryant explained 20 percent of the salary was added to the base pay of RRO, which is not actual money.

VM Kay concluded that the analysis adds the additional value of the incentive hours (eight hours each week) but no one is getting paid that additional money. CM McCurn asked about that actual salary that is filed on their income tax. Tammy Walters, Deputy Director of the Human Resources, described the analysis as a theoretical annualization of the incentive time.

J. Brown asked if we have the flexibility to eliminate overlapping pay grades. Maxwell said the system allows experience and education to penetrate a salary range, which a step system would not take into account. He said it's not unusual to have overlapping pay grades because of benchmarking and pointed out the RRO position was reclassified one pay grade higher under the last restructuring, which provides employees an opportunity to move up pay grades. J. Brown said he wants to explore the elimination of overlapping pay grades or why that is not a good idea. He understands that increased productivity is being addressed by reassigning routes. He said he would like to see a hazardous assessment of RRO (i.e. a re-evaluation of the roles and activities of the job.) J. Brown said that ultimately this is about the impact of morale and we need to make some improvements.

CM Lamb talked about her experience as an employee and the ongoing discussion of pay, particularly with the mercer system, which included 'pay for performance' that was never fully funded. She described the problem with step programs because employees will top out at the maximum salary. She said we need to look at this and work to find a solution, for all civil service employees. CM Reynolds said that everyone deserves even and equal pay, and enough pay to afford their expenses.

Evans asked which numbers outlined in the presentation are reported on their W-2 forms. Bryant explained the incentive pay market analysis first added the annualized pay and the CDL and hazardous duty pay, plus an additional 20 percent of the salary was added (i.e. eight hours or one day of time they are paid for but not actually on duty.) Evans said this may need to be looked at as well.

Gibbs expressed concern regarding the average number of years people stay in this position is about six and asked if there is an analysis of why people are leaving. Maxwell said, generally, that millennials change jobs more often than older generations. He made note of the challenges presented when

competing with non-governmental organizations, shrinking pools of eligible applicants, and low unemployment rates. He agreed to provide a brief summary of why people are leaving. They both agreed with the need to hold on to our employees.

Kay explained an example to clarify the incentive market analysis describing an employee getting paid \$20 per hour for a 40-hour week, plus CDL and hazardous duty pay, making the total for actual pay \$814 per week or \$42,367 annually. Kay concluded he disagrees with Hanna Resource Group's analysis and that RRO work four 10 hour days per week, which includes a system that allows them to be off the clock two hours each day and that is a different question. He confirmed that CDL pay goes to all CDL drivers within LFUCG. He asked who receives hazardous duty pay and what percentage of employees received the supplement, which Maxwell explained there is an analysis done to establish whether a job classification receives hazardous duty. Kay said we should look at job classes that receive hazardous duty pay and consider an increase there.

Moloney reemphasized the unique requirements and responsibilities of RRO. He talked about moving the starting salary further above or away from other CDL positions. He said RRO must be separated from all other CDL positions.

Bledsoe confirmed LFUCG's hazardous duty pay for civil employees is different from anything associated with collective bargaining agreements. She said it would be helpful to have a rundown of the individuals and divisions that qualify for hazardous duty pay, with exact numbers and the potential impact of changes made to the supplement. Maxwell said they will get this information to the council. They clarified that environmental hazards are addressed under the same hazardous duty pay. Bledsoe asked the administration to identify which positions are impacted by taxing districts and or restricted funds that should be considered when discussing potential supplement increases.

Hamilton distinguished hazardous duty pension from pay and said she is hearing they need to take a closer look at positions that receive hazardous duty and CDL pay, which may be the way to address this fairly and across the board. She said they need to research and review questions like who is receiving these supplements, when the determinations were made, have jobs changed, etc. She said they could do this research over the summer break and possibly return in August with a proposal that outlines an estimated cost.

No additional comment or action was taken on this item.

## **VI. Items Referred to Committee**

No comment or action was taken on this item.

A motion was made by CM Plomin to adjourn, seconded by CM J. Brown. The motion passed without dissent.

The meeting adjourned at 3:05 p.m.