December 9, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

> Authorize the City Manager to execute a contract with Reward Strategy Group to conduct a comprehensive review of the City's current classification and compensation structure, and to develop recommendations to revise the classification structure and conduct a compensation study for a period of three years in an amount not to exceed $350,000. (Citywide)

DISCUSSION

On May 6, 2008, the City Council approved the Memorandum of Understanding (MOU) for the International Association of Machinists and Aerospace Workers (IAM) with a term of October 1, 2007 through September 30, 2012. A significant priority emerging from the negotiations was the need to review and revise the City's classification and compensation structure. The classification system has not had a comprehensive review in over 30 years and has become inflexible and unresponsive as fundamental changes in business and organizational needs have occurred. In addition, the compensation system has deteriorated with salary freezes that have occurred over the last five years combined with increased employee contributions toward benefits and retirement, impacting the City's ability to attract individuals to many critical positions.

Instead of across the board adjustments, the IAM MOU addresses these challenges by requiring a comprehensive Classification and Compensation Study be conducted, with the goal of bringing as many classifications as possible to the market median by 2012 within established, agreed upon funding limits. By simplifying and revising the City's classification and compensation system to be efficient, easy to administer and transparent, a Classification and Compensation Study conducted by an industry expert will increase the City's ability to attract and retain well-qualified employees and ultimately build the City's organizational strength and ability to deliver quality services to community.

ADMINISTRATION 570-6372 • CLASSIFICATION/COMPENSATION 570-6151 • EMPLOYMENT BENEFITS AND SERVICES 570-6302

RISK MANAGEMENT 570-6754 • LOSS CONTROL AND PREVENTION 570-6476 • LABOR RELATIONS 570-6140 • EQUAL EMPLOYMENT/ADA 570-6304

TTY 570-6706

A Request for Proposals (RFP) for professional services in the classification and compensation arena was advertised on July 31, 2008, and 11 firms submitted proposals in response to the RFP. One certified Women-Owned Business Enterprise (WBE) and Minority-Owned Business Enterprise (MBE) firm submitted a proposal. A joint labor/management Classification and Compensation Committee composed of six management representatives, six IAM representatives, and supporting staff, reviewed and interviewed proposers. Reward Strategy Group was selected as the most qualified for the project.

City Council approval is being requested to enter into an agreement with Reward Strategy Group (RSG) to provide the requested professional services. Founded in 1987 and based in San Diego, RSG is a professional classification and compensation consulting firm dedicated to helping public organizations increase their organizational effectiveness. RSG has extensive experience performing classification and compensation studies for public sector clients including the City of San Bernardino, City of Portland, Long Beach Community College District, Las Vegas Valley Water District, Los Angeles County Superior Court, City of Moreno Valley, and the City of Oxnard. During the past five years, the firm also has been retained by the City of Long Beach for projects including a management compensation study, Long Beach Water Management Compensation Study, and the Port of Long Beach salary structure and pay-for-performance program redesign.

RSG will utilize their existing knowledge in the classification and compensation arena, as well as their knowledge of the City of Long Beach, in conducting a comprehensive analysis of the City's classification system and gathering compensation data from the City's comparable agencies. The study consists of two major phases – the classification phase and the compensation phase. Employee involvement will be integral throughout the entire Study. During the classification phase, RSG will engage extensively with employees and their supervisors to collect and confirm job content information through questionnaires and interviews. The firm will conduct a rigorous assessment of the collected data, examining how effectively classifications are grouped into class series and career ladders and how appropriately they reflect the current duties and responsibilities assigned to positions. The firm will then develop recommendations on a new classification structure in addition to preparing new classification specifications for all proposed IAM classifications.

During the compensation phase of the study, the firm will select benchmark classifications and collect compensation data from the comparable agencies as outlined in the IAM agreement. RSG will conduct a thorough analysis of the external competitiveness of the City's benchmark classifications, as well as conduct an internal classification analysis to establish internal equity. RSG will then document the degree to which classifications are below market median and present a strategy to bring as many classifications as possible to the median during the timeframe outlined in the IAM agreement and within the negotiated funding limits. Lastly, RSG will establish a methodology to sustain the classification structure over time.

This matter was reviewed by Deputy City Attorney Christina Checel November 12, 2008 and Budget Management Officer Victoria Bell on November 17, 2008.

TIMING CONSIDERATIONS

City Council approval of this item is requested on December 9, 2008, in order to move forward with the study and meet the target dates as required in the IAM MOU.

FISCAL IMPACT

The proposed agreement will not exceed $350,000, which will be paid over the course of three Fiscal Years. The cost of the study is budgeted in the Citywide Activities Department (XC); 40 percent of the cost of the study will be allocated to the General Fund, with 60 percent being allocated to non-General Fund sources based upon composition of the IAM workforce.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

SUZANNE R. MASON
DIRECTOR OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER