

REPORT TO CRD BOARD OF DIRECTORS MEETING OF WEDNESDAY, MAY 09, 2018

SUBJECT CRD Exempt Staff Compensation Plan Alignment

ISSUE

To present information and recommendations on the implementation of the exempt staff compensation alignment review.

BACKGROUND

The CRD Board approved an exempt staff compensation Career Ladder Plan and policy which balances external market factors and internal pay relationships and establishes a market policy as follows:

- CRD exempt staff compensation will be maintained at the 50th percentile (median) of the market;
- Eleven (11) specific comparator organizations have been determined as the market for which CRD exempt staff salaries and roles will be compared;
- The market will be tested every three (3) to five (5) calendar years to ensure alignment with the compensation philosophy; and,
- The market adjustment will have a cap, not to exceed three percent (3%) of total exempt staff compensation, in the implementation of any needed adjustments.

The compensation policy and market comparisons are used to determine the wage line for exempt staff salaries. The wage line illustrates the relationship between the external value of a job (from salary survey information) and the internal value of jobs (from job evaluation). A third-party professional (consultant) is commonly engaged to gather data and test the wage line against the policy and market. In this process the consultant tests a group of benchmark positions against like-roles within the defined market. To obtain valid results, organizations in the market must be of similar size and scope to ensure appropriate comparators.

In addition to market data (i.e. survey data), it is imperative that individual job value also balances internal relativity (an organization's classification or job evaluation assessment system of jobs). Typically, the more senior the position within the internal hierarchy, the more sensitive it becomes to external market influence. Usually within any organization, the only position that is fully market dependent is that of the CAO. The value of all other positions will be influenced by both the external market value (the information that determines the wage line) and the individual organization's assessment of what it values (the banding together of like-positions). The CRD's Career Ladder job evaluation approach measures this internal relativity and is considered the best practice approach in compensation management.

Consistent with the Board's market test frequency requirement, Dillon Case and Associates was retained to undertake the external salary analysis to ensure that the Board's 'median of market' compensation philosophy for exempt staff compensation is maintained. As part of this review, on February 14, 2018 the CRD Board confirmed the following eleven (11) organizations as the market for CRD exempt staff

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compensation reviews: District of Saanich; City of Abbotsford; City of Burnaby; City of Coquitlam; City of Kelowna; City of Richmond; City of Surrey; City of Vancouver; City of Victoria; Metro Vancouver; and Regional District of Nanaimo.

On April 5, 2018, Dillon Case and Associates concluded their market review. In their review of the CRD, Dillon Case concluded (Appendix 3) that the CRD exempt wage line requires an average adjustment of 2.67% to maintain the CRD Board's established compensation philosophy of median of market. This overall adjustment is within the 3% threshold for such reviews as established by the Board. The consultant's recommended pay line to maintain the median of market is attached in Appendix 1. A full paygrid for reference is found in Appendix 2.

ALTERNATIVES

1. That the market salary adjustment recommendations of the external consultant for CRD Exempt Staff salaries be approved, as outlined by the consultant on April 5, 2018 (Appendix 1); and that the adjustments be implemented effective January 1, 2018, consistent with CRD Board policy for exempt staff compensation reviews.
2. That the CRD Board refer the market salary adjustment recommendations of the external consultant for CRD Exempt Staff salaries back to staff with new direction.

FINANCIAL IMPLICATIONS

CRD exempt staff compensation is currently out of alignment with the 50th percentile (median) of the market as determined by the market review prepared by Dillon Case and Associates for 2018.

While not implemented to date, CRD exempt staff rates of pay will be adjusted by the average District of Saanich and City of Victoria annual cola rates to 2018. As a result of the 2018 comparator market review, a recommended average wage adjustment 2.67% is proposed to be implemented to maintain the CRD Board's compensation philosophy of median of market. This market adjustment is within the 3% threshold for such adjustments as established by the Board.

As part of the budget process staff monitor increases in price indexes, inflation and local government sector wage adjustments and include an allowance in the annual budget to offset the costs of wage increases. Wage adjustment allowances were carried forward for 2017 and added in 2018 to provide for inflation and wage adjustment costs and are recovered from requisitions and other revenue such as fees and charges. The gross wage line cost of implementing the compensation plan effective January 2018 is \$280,542.

CRD exempt staff do not receive some of the other additional compensation allowances (eg. vehicle allowances and greater overtime allowances) that the many of the comparator organizations provide to management staff. Despite some additional compensation allowances among comparator organizations in the review, and with some concerns being raised by exempt employees, staff are not recommending that additional compensation allowances change at this time.

Two CRD wage levels, L6X Chief Financial Officer (CFO) and L6CS General Manager of Corporate Services (Corporate Officer) were found to exceed the median market. As the Board approved the recruitment of the CFO with a wage level that exceeded median market, it is recommended that this wage level be maintained and not be restricted from annual cost of living adjustments. Similarly, the Corporate Officer was recently recruited and while the wage level is recommended to be adjusted to market, it is recommended that the wage level not be restricted from annual cost of living adjustments. These exceptions only effect the two positons, and given that market and average market wage rates are

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considerably higher than median rates for executive positions there would otherwise be an increase risk that the incumbents could be recruited out of the organization.

ORGANIZATIONAL IMPLICATIONS

Since 2014, it has become increasingly apparent that the market for which the CRD is drawing staff from, and losing staff to, has significantly changed. Comparing 2006 to 2018, the operating budget of the CRD has increased from \$155 million to \$247 million, and with CRHD and CRHC the combined operating budget is \$295 million. In addition, the annual capital budget has also increased to \$272 million in 2018 with a 5 year capital plan of approximately \$850 million.

The CRD is no longer attracting or losing staff to much smaller or less complex organizations, but rather to those organizations more in line with the CRD's size, scope and complexity. Further, to attract and retain exempt staff, the CRD has been required to modify its pay for a number of jobs. This has been compounded in some circumstances by relocation affordability factors. Further, to enable a large amount of capital development, the CRD is hiring a significant number of term contract employees which need to be compensated at market rates for the nature of the capital work and with compensation levels which are considerably greater than those of regular CRD exempt employees (see Appendix 2).

CONCLUSION

The current lag in annual wage adjustments for exempt staff is beginning to have implications on recruitment and retention, notably as the scope and complexity of work continues to increase and as many others in the market have implemented compensation adjustments for 2018.

The region is experiencing rapid growth and has one of the most prosperous economies in the country. As the CRDs operations and capital plan expand and the labour market becomes more competitive, it is important that exempt staff continue to be compensated according to the approved Board plan and policy.

In order to maintain the plan and policy, exempt staff compensation requires a market adjustment to come into alignment with the 'median of market, for 2018 and to ensure that the CRD is able to continue to retain and attract experienced and qualified exempt staff.

RECOMMENDATION

That the market salary adjustment recommendations of the external consultant for CRD Exempt Staff salaries be approved, as outlined by the consultant on April 5, 2018 (Appendix 1); and that the adjustments be implemented effective January 1, 2018, consistent with CRD Board policy for exempt staff compensation reviews.

Submitted by:	Chris Neilson, MBA, CHRP, Senior Manager Human Resources
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

Attachment: 3

Appendix 1: Proposed 2018 CRD Salary Structure

Appendix 2: CRD Exempt Salary Pay Plan Consultant Proposed Rates January 1, 2018;
Dependent Contractors – Construction 2018 Contract rate

Appendix 3: Report: Management Compensation Review Capital Regional District