

**CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
MARCH 16, 2010 AGENDA**

| Subject: | Type: | Submitted By: |
|--|---|--|
| DETERMINE SALARY RANGE ADJUSTMENT AND PFP BASE FACTOR FOR FY2011 | ◆ RESOLUTION ORDINANCE RECEIVE/FILE | RITA RAMIREZ ASSISTANT CITY ADMINISTRATOR |

SYNOPSIS

A resolution has been prepared to incorporate adjustments to the pay-for-performance (PFP) base factor and salary ranges for the preparation of the fiscal year 2011 budget.

FISCAL IMPACT

This will determine the percent to be included in the FY2011 budget for salary increases.

RECOMMENDATION

Approval to prepare the FY11 budget incorporating a PFP base factor of 2.5% and salary range adjustments of 2.5%.

BACKGROUND

The City's Pay-for-Performance compensation plan went into effect in October of 2009 and the Council Policy statement governing this plan calls for Council to make two determinations annually regarding the PFP compensation system.

1. Establish a "base factor" which is the salary increase percentage that employees who receive an overall performance rating of "Meets Expectations" will be eligible to receive.
2. Adjustment to the salary ranges in order to keep La Vista's salaries comparable to the market. *(This adjustment only changes the salary ranges—it does not increase employee pay.)*

Staff has compiled the following data regarding actual and projected compensation increases. As pay-for-performance becomes increasingly more prevalent, some data is starting to be available showing pay increases by performance category and salary range increases. While this information is still minimal, we have provided what was available from our sources. Finally, you will see that by having access to the salary survey(s) we were able to narrow down some of the data to organizations with less than 500 employees and revenue up to \$30 million for both all employees and public administration employees. This data gives a more representative look at organizations closer to the City of La Vista in size, budget, and scope of services.

In conjunction with the salary increase trends, we also looked at the Consumer Price Index for the Midwest Region. The CPI rose 2.9% from January 2009 to January 2010. CPI projections for 2010 vary from a 1.8% increase by the Hay Group to a 2.6% increase by the Conference Board.

Based on the data collected and initial budget projections, staff is recommending that the Pay for Performance base factor for 2010-2011 be set at 2.5% and that the salary ranges also be increased by 2.5%. The base factor is what actually results in salary increases for employees. Under our current PFP system employees who meet expectations would receive a 2.5% increase, those exceeding expectations would receive a 3.5% increase, and those classified as exemplary would receive a 4.5% increase. Again, increasing the salary ranges does not increase employee pay, it only keeps La Vista's schedule in line with the market. (Note: The entries marked with an * indicates that data does not include companies that gave 0% increases in 2009 or that are projecting zero increases in 2010.)

| | Average Wage Increases 2009 | Projected Wage Increases 2010 |
|--|--------------------------------|----------------------------------|
| Bureau of Labor Statistics (State & Local Government) | 2.00% | |
| Conference Board | 2.50% | 2.80% |
| Hay Group | 1.90% | 2.50% |
| Hewitt Associates | 1.80% | 2.40% |
| Mercer | 3.20% | 2.7%* |
| Watson Wyatt | 3.14% | 3.1%* |
| World at Work (National) | 2.15% | 2.80% |
| World at Work (Nebraska) | 2.10% | 2.90% |
| World at Work - All Industries; 1-499 Employees; Revenue up to \$30 Million | | |
| National | 2.70% | 3.20% |
| Nebraska | 3.50% | 3.20% |
| World at Work - Public Administration; 1-499 Employees; Revenue up to \$30 Million | | |
| National | 4.10% | 3.50% |

| | Average Wage Increases 2009 | Projected Wage Increases 2010 |
|---|--------------------------------|-------------------------------------|
| Watson Wyatt Met Expectations 3.35% Exceeded Expectations 4.10% Far Exceeded Expectations 4.95% Increase to Salary Range 2.82% | | 2.64%* |
| World at Work Met Expectations 2.10% Exceeded Expectations 3.10% Far Exceeded Expectations 4.00% Increase to Salary Range | | 2.4%* |

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA DIRECTING THE PREPARATION OF THE FY 2011 BUDGET WITH A PAY-FOR-PERFORMANCE BASE FACTOR OF 2.5% AND AN ADJUSTMENT TO THE SALARY RANGES OF 2.5%.

WHEREAS, the City Council has adopted a pay-for-performance compensation system for employees; and

WHEREAS, the Council Policy Statement governing the administration of the pay-for-performance compensation system calls for the City Council to establish a base factor for salary increases and consider adjustments to the established salary ranges; and

WHEREAS, City staff has researched and presented data regarding salary trends for 2009 and 2010; and

WHEREAS, based on the data presented and the overall financial condition of the City, a PFP base factor of 2.5% and salary range adjustments of 2.5% are recommended for FY 2011; and

WHEREAS, official action to establish the PFP base factor and determine salary ranges will be taken by Council in conjunction with the adoption of the FY 2011 budget.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Council of La Vista, Nebraska, do hereby direct that the FY 2011 budget be prepared with a pay-for-performance base factor of 2.5% and an adjustment to the salary ranges of 2.5%, all effective October 1, 2010.

PASSED AND APPROVED THIS 16TH DAY OF MARCH 2010.

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, CMC
City Clerk