



MAYOR & COUNCIL MEMORANDUM

January 20, 2021

Subject: The City Manager's Employee Retention Plan (City Wide)

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Issue – This item has been scheduled to allow the Mayor and Council to engage in continued discussion and to provide further direction relating to the City Manager's Employee Retention Plan. Specific elements of that Plan that will be part of today's discussion include the proposed 2% COLA for permanent City employees, and the development and implementation of a Pay for Performance structure going forward.

City Manager's Office Recommendation – The City Manager's Office recommends that the Mayor and Council take the following actions:

1) Approve a 2% Cost of Living Adjustment (COLA) across the board with an effective date of January 31, 2021, as follows:

- A 2% Cost of Living Adjustment (COLA) is being proposed for permanent employees (Full-time; Part-Time; Appointed).
- Employees must have been employed with the City from [on or before] February 2, 2019.
- Employees part of the \$15 Minimum Wage Increase and related decompression efforts are excluded from this COLA;
- Employees on approved leave (military, FMLA, etc.) and who meet the other criteria will receive the COLA.
- Distribution is proposed to be made in the paycheck scheduled for February 18, 2021.

2) Approve market adjustments for TPD non-command sworn staff as described below, as a retention strategy, effective February 28, 2021, to be reflected on pay day of March 18, 2021.

3) Approve moving forward with the development of an organizational Pay for Performance structure and approve the Tucson Police Department's proposed model as a pilot program.

Present Considerations – Initial discussion took place at the Mayor & Council meeting of January 5, 2021, regarding elements of the City Manager's Employee Retention Plan. Mayor and Council requested the item for a 2% COLA return for additional consideration, as well as more detail on the proposed retention issue for non-command staff at TPD along with the corresponding pilot program on Pay for Performance.

The proposed 2% COLA will result in upcoming modifications to the Compensation Plan by adjusting relevant salary schedules. This will also help in establishing better market posture for classifications across the board.

The retention issue at TPD for non-command sworn staff is concerning. Over the past year, we have seen a net reduction of 40 sworn positions with a projected attrition or turnover rate for this fiscal year of 12%. Average turnover for the past three consecutive fiscal years has been 10%. Retention and recruitment for sworn staff is a continuous challenge that will reach alarmingly low levels in the next few years if not addressed. Tucson salaries for sworn staff are not competitive within our local region or within the state. The classifications of Police Officer and Sergeant are 11.4% and 2% below market after considering the impact of the 2% COLA, respectively. Before successfully building on a pay for performance compensation model it is imperative that market adjustments be made to gain a competitive stance within our region and once again gain the ability to better recruit and retain sworn staff.

Pay for Performance will become part of a comprehensive performance management program based on set expectations, key performance indicators, and a variety of job-related metrics and milestones developed by each respective department. The Human Resources Department and the Innovation Office will work alongside departments to develop a standard approach to Pay for Performance and will monitor the TPD pilot program to inform future decisions and guidance for other departments.

Additionally, at the request of Mayor and Council, labor representatives will be convened to discuss the proposed 2% COLA and Pay for Performance.

Plan Tucson Consideration(s) – This item relates to Chapter Four, Plan Implementation & Administration, and the City's ability to implement Plan Tucson by having the right foundational elements in place, such as resources, partnerships, procedures, agreements, and other administrative elements. This item helps advance training and higher education to pursue career advancement, which is part of the Job & Workforce Development Goal for Plan Tucson.

Financial Considerations

2% COLA

The FY21 general fund budget includes \$2M for the remaining 10 pay periods for a 2% COLA.

Annualized ongoing cost of this COLA is projected at \$5.2M for general fund and \$1.5M for non-general funds and contained in future budget projections.

TPD Market Adjustment

The FY21 general fund budget includes \$3.3M for the remainder of this current fiscal year to fund 8 pay periods of the TPD market adjustments.

Annualized ongoing cost of these adjustments will be approximately \$10.6M and it is intended this cost will be absorbed by continued strategies for additional operational reductions to include elimination of special assignment pay.

Pay for Performance

The projected budget five-year plan also includes \$7.8M for varied type of compensation strategies to include pay for performance across the organization, which includes approximately \$1.2M for the TPD pilot program, to begin in FY22, and an additional average cost of \$600K per year over three more fiscal years.

Legal Considerations – Compensation Plan revisions will be reviewed with legal staff and brought to Mayor & Council in February. The City Attorney's Office also will continue to work with staff to ensure civil service compliance regarding elements of Pay for Performance models.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "M. Ortega", with a long horizontal flourish extending to the right.

Michael J. Ortega, P.E.
City Manager

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Human Resources

Attachment: Employee Retention Plan Update