



Project Terms of Reference

Project Name: St. Albert Compensation Review
Project Sponsor: St. Albert City Council
Council Information Request: 366.2010 – *“That Administration prepare a Terms of Reference for an independent Wage and Benefit Review of all sectors (union and non-union) of the organization by July 1, 2010”*

Background / Rationale:

The City of St. Albert is an urban municipality located within Alberta’s Capital Region, with a population of approximately 60,000 residents. St. Albert celebrates a rich history that dates back almost 150 years and is the oldest, non-fortified community in Alberta. Based in this proud tradition, the City has focused on ensuring its residents enjoy a high quality of life and similarly high quality program / service standards.

St. Albert’s commitment to quality services and sustainability has been well articulated in City Council’s Mission Statement, being that “The City of St. Albert provides leadership in a well-managed and progressive and sustainable environment to deliver high quality, innovative municipal services that meet the expectations of citizens and business.”

To deliver these programs and services, the City of St. Albert requires an administrative organizational structure of approximately 500 permanent employees, up to 500 casual employees, and contracted personnel in the RCMP, Transit, and a variety of other departments. The City recognizes that its employees are one of the most important resources it has - the loyalty, knowledge and skills of the City’s workforce is essential to ensure continued high quality service delivery. In fact, one of City Council’s core values is “competent, productive and satisfied employees”.

Council has also identified a strategic objective that the City will “ensure that strong financial policies and management are in place to protect and enhance the City’s financial sustainability”. Considering that employee compensation comprises approximately 43% of the City’s total operating budget, ensuring that compensation practices are best aligned with the organization’s strategic objectives is key.

Therefore, to ensure that the City’s compensation framework and practices are supporting the City’s long term financial sustainability, as well as supporting the City’s ability to attract and retain high quality employees, City Council has requested that its Administration prepare a Terms of Reference for an independent Wage and Benefit Review of all sectors (union and non-union) of the organization. The results of this review will be considered as part of the City’s budget planning process.

City of St. Albert’s Key Review Objective:

To ensure that the City’s compensation system, including related philosophies, policies, procedures, and practices, is properly aligned to its strategic human resource and fiscal sustainability objectives, as well as to the broader employment market. Essentially, to ensure that employee attraction and retention priorities are balanced with the City’s need to manage its human resource related costs and its service level requirements.

Resulting recommendations may be used to provide important inputs into the City’s future collective agreement negotiations, future internal compensation decisions, and/or City Council compensation frameworks.

Scope of Review:

This review considers the compensation for members of City Council and each of the City's administrative employee groups (unionized and non-unionized). This review does not include compensation related to the City Manager, or the City's contracted personnel. Note that the Final Report will be subject to the terms of the Freedom of Information and Protection of Privacy Act; as such certain sections of the Final Report may not be publicly disclosed. All other sections will be available for public review.

In the context of this review, "compensation" shall include salary, employee group benefits, hours of work, vacation provisions and other leave, and pensions (including management pensions).

1. Compensation Policy Context Review:
 - Comment on the appropriateness of the City's compensation policies and related elements (i.e. philosophies / policy statements, comparators, percentiles, timing, Council strategy / outcome goals, etc.).
 - This also includes the City's approach to compensation governance, including Council / Administrative roles, delegated authority, and any other relevant aspects.
2. Compensation Methodology Review:
 - Comment on the appropriateness of the City's compensation processes, procedures, and practices, including their alignment with policy, validity, and market consistency.
 - This also includes the City's method in determining union negotiation mandates and collective agreement negotiation philosophies and processes.
3. Review of Recent Implementation:
 - Comment on whether the City followed its policies and methodologies during recent union negotiations and salary survey for non-unionized employees. In the event that the City's implementation did not follow its policies and methodologies, identify where the issue(s) occurred, the implication(s), and the steps required to correct.
4. Provide a strategic commentary regarding compensation trends, results of academic research (as required / available), the effects of organizational demographics, impact of economic / market conditions, and other considerations. All of these items should also be considered when forming recommendations.
5. Consider the items noted in Appendix B as a complement or addition to the items contained within the Scope of Review section.
6. Identify potential opportunities, risks and costs associated with implementing any recommendations.

Also note that the City may re-engage the consultant at a later date to provide additional detailed analysis based on the recommendations within the Final Report.

Project Fundamentals:

1. Client:
 - St. Albert City Council
2. Project Committee: (as identified by Mayor Crouse)
 - Nolan Crouse, Mayor
 - Roger Lemieux, Councillor
 - One member at large
3. Project Assistance / Resources:
 - Bill Holtby, City Manager
 - Other employees as assigned by the City Manager
4. Stakeholders:
 - St. Albert City Council
 - St. Albert City Manager
 - St. Albert Senior Leadership Team

- St. Albert Human Resources Department
 - St. Albert unionized employee groups and non-unionized employee groups
 - Residents of St. Albert
 - Other municipalities and comparable organizations
5. Required Data / Documentation:
- The City's Human Resources Department (including its HR Director) will be available to the consultant to provide required data, context, and comment as necessary.
6. Cost Estimate:
- The majority of the cost for the project will include consultant fees. It is anticipated that the scope of this project will amount to no more than \$100,000 in direct costs.
 - City of St. Albert administrative costs relative to time required to prepare materials, provide information, and eventually communicate results will also be incurred. It is estimated that approximately 100 hours of staff time will be required.
7. Proposed Time Frame / Milestones:
- June 21, 2010 - City Council reviews Terms of Reference / launches project
 - June 22, 2010 to June 23, 2010 - RFP prepared
 - June 25, 2010 - Project Committee reviews draft RFP
 - June 28, 2010 - RFP issuance
 - July 21, 2010 - Bid deadline
 - July 21, 2010 to August 3, 2010 – Project Committee (with City Manager in support role) reviews bids and shortlists, meets with bidders as necessary, and selects consultant
 - August 9 or 10, 2010 - Project Kickoff Meeting between Project Committee and consultant (with City Manager in support role)
 - November 10, 2010 - Anticipated presentation of draft Final Report to Project Committee (with City Manager in support role)
 - November 15, 2010 - Anticipated public presentation of Final Report to City Council

Attachments:

1. Appendix A – Additional Information on St. Albert's Compensation System
2. Appendix B – Additional Considerations for Consultant

Additional Information on St. Albert's Compensation Systems

Current City Council Compensation System:

The City believes that residents who are elected to serve their community as a City Councillor should receive fair compensation for their time and expenses.

The current Council compensation system was established by a Citizens's Advisory Committee in 2003. It has been amended from time to time, however it is now articulated in Council Policy C-CC-03, City Council Remuneration and Expense Reimbursement. This policy specifies the value of each element of Council's compensation, including salary, benefits, per diems, expense reimbursements, Council Development budgets, vehicle allowances, and accessories provided to members.

Note that Council compensation is reviewed through a biennial survey of the City of Lethbridge, City of Medicine Hat, Regional Municipality of Wood Buffalo, City of Grande Prairie and the City of Red Deer. Each of these municipalities has part-time Councillors and a full-time Mayor. Council salaries are set at the 60th percentile, as per policy.

Details on City Council compensation are noted within St. Albert Policy C-CC-03, City Council Remuneration and Expense Reimbursement.

Current Unionized Employee Compensation System:

Compensation for the City's three union groups are based on negotiated collective agreements.

The City adheres to a defined union negotiation process, based on an interest-based bargaining philosophy and mutual gains. The City's attempts to ensure its approach is consistent with applicable labour relations legislation and best practices in collective bargaining. The City's approach is also based on an initial negotiation mandate provided by City Council. Following the negotiation process, Administration returns to Council to secure settlement authorization.

On March 27, 2009, the City signed a negotiated agreement with its CUPE Local 941 (Public Works) unionized employees, for a January 1, 2009 to December 31, 2010 term. On September 24, 2009, the City signed a negotiated agreement with its CUPE Local 941 (RCMP) unionized employees, for a January 1, 2009 to December 31, 2010 term. And finally on March 31, 2010, the City signed a negotiated agreement with its IAFF Local 2130 unionized employees, for a January 1, 2009 to December 31, 2010 term.

Details on unionized employee compensation and benefits are noted within each collective agreement.

Current Non-Unionized Employee Compensation System:

Compensation for the City's Non-Union Employee group is based on a biennial salary survey, completed by City Administration in accordance with City Administrative Policy A-HRS-03.07. The City also provides a cost of living salary adjustment, in the years that a salary survey is not completed. Since 2006, the salary survey comparators have included the City of Lethbridge, City of Medicine Hat, City of Red Deer, City of Edmonton, Strathcona County, Parkland County, City of Grande Prairie, Government of Alberta, and the University of Alberta. A total of 33 benchmark positions were surveyed which represented 2 – 3 positions from each level of the pay grid. Salaries within each classification band are benchmarked to the 60th percentile.

On April 19, 2010, City Council approved an adjustment to the compensation of its Non-Union Employees based on the results of this comparative review. Contrary to past practice, the adjustments were approved retroactive to April 1st, rather than January 1st. This step was taken to ensure that the corporation's current budget allocation would be maintained.

Details on the compensation of Non-Union Employees are noted in various Human Resource policies.

Current Non-Unionized Employee Classification System:

As with most organizations, the City of St. Albert uses an employee position evaluation system to internally rank non-unionized positions. The City's approach is based on a modified Hay system, using 12 classification bands, each with a six step pay range. Such a system facilitates pay, recruitment, training, internal advancement and various other Human Resource practices.

Step 1 of the evaluation process assigns the job to a level of decision-making responsibility. Step 2 further determines the relative worth of jobs by differentiating them based on six other factors. In determining an overall job worth hierarchy, Step 2 evaluation results are only used to differentiate jobs within a particular decision-making level.

Additional Considerations for Consultant

The following items relate directly or indirectly to the policy context or methodology reviews in the Scope of Review section. These items should be considered from a policy perspective, either as a complement or addition to those items listed in the Scope of Review.

1. Comment on the appropriateness of the City's compensation comparators, including selection process, geographical relevance, appropriate size / type / industry, etc. This also includes whether the City's practice of using a common comparator group for all non-unionized positions is appropriate.
2. Comment on the appropriateness of the City's policy position relative to its non-unionized employee position evaluation system. Considerations include pay grids, step determinations (including minimums and maximums), and internal position classifications. This also includes wage rates for casual employees.
3. Comment on the appropriateness of the City's use of percentiles in establishing salary grids used to attract / retain a highly skilled workforce.
4. Comment on the sustainability of municipal compensation practices in general, from a current and recent historical perspective. This includes consideration of the perception that municipalities 'leapfrog' each other's compensation.
5. Comment on the results of the City's recent employee group benefit benchmarking analysis (to be provided by the City), relative to the City's position versus the comparator group and the appropriateness of the recommendations.
6. Comment on the appropriateness of providing cost of living salary adjustments in the off year of market salary reviews.
7. Comment on the appropriateness of the City's effective dates for compensation adjustments, considering the time required to ensure appropriate annual reviews and limit the payment of retroactive adjustments.
8. Comment on the appropriateness of the City's policy position around leaves of absence, including the requirement for employees to pay the full cost of group benefits and other items during this time.
9. Comment on the appropriateness of the City's policy position relative to management pensions, designed to attract and retain key management positions. This includes which employees receive the benefit and comparisons to other comparable organizations. (see Scope of Review item 2)