

# City of Alexandria, Virginia

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## MEMORANDUM

**DATE:** APRIL 24, 2013

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** RASHAD M. YOUNG, CITY MANAGER /s/

**DOCKET TITLE:**

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Consideration of the Creation of Executive Pay Bands

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**ISSUE:** City Council consideration of the establishment of Executive Pay Bands; one band for Deputy City Managers and a second band for all department directors.

**RECOMMENDATION:** That City Council:

- (1) Approve new and separate Executive Pay Bands for Deputy City Managers and department heads; and
- (2) Authorize the City Manager to move all Deputy City Managers and department heads onto the bands at the beginning of FY 2014 in preparation for the FY 2015 implementation of a new performance management/accountability system with pay linked to performance.

**BACKGROUND:** I am requesting these broad pay bands to foster our Guiding Principles and our commitment to accountability and performance based pay. These new pay bands will compliment a new emphasis on performance management and accountability for those charged with leading the continued implementation of the City's strategic plan. At the April 4, 2013 Budget Work Session on Employee Compensation we addressed our first Guiding Principle *Aligning the work we do with the strategic plan* and the need to cascade from the strategic plan to departmental business/work plans and then to the job descriptions and measurable performance goals of individual employees.

At the present time Deputy City Managers and department heads are tightly clustered in a three grade range (GS30 and 31 for department heads and GS32 for Deputy City Mangers). Most of

our leadership group is at or near the top step of their grade. This rigid grade and step system causes compression and impedes our ability to hold our leadership accountable, recognize the differences in the complexity of their work plans, reward their accomplishments and creativity and ensure comparability in the market.

Under the new pay bands, Deputy City Managers will be assigned to Band I and Department Heads will be assigned to Band II as outlined below:

Deputy City Managers	Band I	\$102,677	\$181,891
Department Heads	Band II	\$88,706	\$173,229

All Deputy City Managers and Department Heads will be placed in the applicable band at their current salaries at the beginning of FY 2014 - assuming the new bands receive Council approval. During FY 2014, employees in the new pay bands who receive a satisfactory performance evaluation will earn merit-based pay increases based on the current system at variable rates of 5%/3.5%/2.3%. We have been working with the Human Resources Department to align strategic plans, departmental work plans, individual position descriptions, performance expectations and measurement tools. This work will continue and be in place as early in FY 2014 as possible. These linked tools will allow all employees placed in the new bands to participate in the development of goals, outcomes and measures well in advance of the first evaluation under our new accountability system scheduled for July 1, 2014. Deputy City Managers and department heads will have most or all of FY 2014 to work under the new accountability system before their first evaluation. Merit adjustments in FY 2015 will vary based on the level of challenge and the degree to which strategic outcomes are met.

The executive pay system will also serve as a model for future changes to performance management systems for other General Salary Scale employees. There too, we will link the job description and performance standards of individual employees to the strategic objectives of their department, work unit and annual work plans. Our experience with the Executive Pay bands will guide our expansion to other job families but will not necessarily be translated exactly. We anticipate that pay for performance principles may require careful tailoring to specific groups of jobs to ensure employee engagement and market competitiveness.

**FISCAL IMPACT:** As noted above, Deputy City Managers and department heads will be placed in the new bands but their merit increases will be processed under the current pay increase system. Consequently, there will be no additional fiscal impact in FY 2014 aside from what is personnel expenditures that are already included in the City Manager’s FY 2014 proposed budget.

**STAFF:**

Bettina A. Deynes, Director, Human Resources Department  
 William Mitchell, Assistant Director, Human Resources Department