

## PAY PLAN IMPLEMENTATION

We conducted a market survey of minimum and maximum salaries for the selected jobs. The default approach to salary recommendations is to "meet" the market which is essentially placing jobs at the 50<sup>th</sup> percentile. The Town has chosen to go above this and to slightly "lead" the market with a 3% additional adjustment.

Range percentages (the difference between the minimum and maximum of the range) varied as follows:

Bald Head Island	50%
Chesapeake, Virginia	56%
Duck	55%
Kill Devil Hills	55%
Kitty Hawk	78%
Manteo	74%
Southern Shores	50%
Virginia Beach	47%
Currituck County	38%
Dare County	60%
Average	57%
Nags Head Current	50%
Nags Head Recommended	55%

The salary ranges in the recommended pay table are approximately 55% from starting to maximum salary. Grades 5% apart have been established. An open range salary schedule has been recommended to provide flexibility in providing in range salary increases. These ranges provide for employee advancement as a result of increased value to the Town because of increased experience, and as an incentive and reward for increased performance. When annual market adjustments (cost of living adjustments) are made to pay ranges to account for inflation and local labor market changes, the whole table should reflect the adjustment, thus maintaining competitive entry rates of pay.

Compression. Normally, given the seniority of Town employees, one would expect to find half of the Town=s employees below Midpoint and half above Midpoint. As can be seen on page 19, that is not the case currently or in the recommended implementation options. There are two primary disadvantages to this compressed distribution. The first is that long term high performance employees are making the same or nearly the same as short term employees. There are often morale problems associated with this and it can lead to turnover. The second problem is that when the Town has a highly qualified employee to hire, it is very difficult to go above the entry salary because long term employees are very close to entry.

### Implementation

#### Option I

In this approach, employees are placed at the Minimum of the salary range in the recommended salary grade if the employee has passed probation. In addition, we place the employee 1.5% per year of service above the Minimum to reduce compression somewhat.

Cost	\$364,143
Cost as a percentage of payroll	5.4%

### Option II

Employee salaries are placed in the range in Option II the same way as Option I except that the 1.5% per year is based on time in current job rather than time with the Town. For example, if a Police Sergeant has been with the Town for 10 years and 5 of those years as Sergeant, in Option I, he or she would be placed 15% above minimum. In Option II he or she would be placed 7.5% above minimum.

Annual cost to implement	\$184,818
Cost as a percentage of payroll	2.8%

### Option III

Employee salaries are placed in the range in Option III based on an average of Options I and II. For example, if a Police Sergeant has been with the Town for 10 years and 5 of that as Sergeant, in Option I, he or she would be placed 15% above minimum. In Option II he or she would be placed 7.5% above minimum. In Option III he or she would be placed 11.25% above minimum.

Annual cost to implement	\$274,481
Cost as a percentage of payroll	4.1%

All of the options calculated above are somewhat conservative because an employee would have to have been with the City for more than 33 years to be placed at the top of the range. We recommend Option III because it gives employees some credit for previous service but also recognizes that they have not been in the higher level job for their entire career.

### Important Notes:

1. The recommended salary ranges are based on market data effective in March 2021. Effective July 1, many of these same employers will adjust their ranges for cost of living. If Nags Head does not also make an adjustment, salaries will be behind market.
2. The costs reflected above represent salary cost only and do not reflect the cost of benefits associated with salaries. Also, these costs will change with turnover, so the cost shown is a snapshot in time.
3. We recommend that the Town Manager have the flexibility to a) withhold any adjustments for employees with documented disciplinary action in the last 12 months until their performance is demonstrated to meet the Town's needs for their position; and b) make minor adjustments where necessary when the implementation strategy creates significant internal equity issues.
4. Classification implementation adjustments are, in essence, one time "catch ups". They do not take the place of market adjustments (COLA), promotional, range movement, or career development increases.