



TO: Members of City Council
CC: Stephen Postema, City Attorney
FROM: John Fournier, Acting City Administrator
RE: Pay Equity among City Employees
DATE: 8/29/21

In this memo, I provide an analysis of pay equity issues that staff has identified in the City of Ann Arbor and that I intend to correct imminently. A pay equity analysis is a review of pay rates across the City to identify and assess differences in pay relative to demographics, job duties and responsibilities, seniority, and other relevant data. I detail a specific analysis of the city administrator's direct reports, discuss pay equity issues that have been identified among the rest of the non-union employee group in the City, and explain a series of remedial steps to correct these issues. While generally speaking the personnel administration of the city is a responsibility assigned to the city administrator by charter, there are times when compensation and personnel issues grow to become important policy questions for the City. In that spirit, I am highlighting these important issues for the Council and providing this discussion and analysis.

Pay Equity in the City of Ann Arbor

In 2017, the City of Ann Arbor completed its most recent salary study in an effort to understand and try to correct identified pay issues among non-union employees. These employees, unlike many of our unionized employees, are at particular risk of experiencing stagnant wage growth and pay inequities because the City has not implemented a standardized process for reviewing employee performance, assigning pay increases in recognition of service to the city, and/or creating a reliable system whereby employees' pay may progress through their assigned salary range during their career. For that reason, many non-union salaries are offered purely based on market conditions at the time of hire, perceived quality of the candidate, the generosity of individual managers, or other factors. Over time, this can lead to pay inequities. Historically, because of implicit bias and other factors, these inequities may favor white men at the expense of women and minority employees. Therefore, it is critical for any organization to review the relative compensation of their employees on a regular basis and make adjustments to promote fairness in compensation.

The day after I was appointed to serve as the acting city administrator, I asked the human resources director, Mr. Tom Guajardo, to prepare a pay equity analysis of non-union staff. Over the last several weeks I have met with the human resources director, members of the human resources staff, the city's senior staff leadership, and city attorneys to formulate a response to our pay equity issues. On Friday, August 27th I was provided with a draft analysis of pay inequities among non-union employees and proposed pay adjustments to address them by Mr. Guajardo and his staff.

The conclusion of the analysis is that the City may have approximately 40 non-union employees who should receive some kind of pay adjustment ranging in size from a few hundred dollars to more than \$10,000 in some cases. A further analysis of costs is explored later in this memo.

Analysis of Pay Equity Issues among Senior City Leaders

As part of this pay equity analysis, I have invested some of my attention to the salaries of the city administrator's direct reports (sometimes referred to as the "Executive Team" or the "Senior Leadership Team"). This is a somewhat ad hoc group, but generally it refers to the senior city leaders who manage service areas, public safety department chiefs, and the unit managers who manage enterprise functions for the City that are strategically important to the city administrator including the IT director, the HR director, the communications director, the safety manager, the sustainability and innovations manager, and the city clerk. Sara Higgins is generally also considered a part of this group because of the important role she plays in managing the business functions of and certain strategic projects within the office of the city administrator.



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I will acknowledge that it may seem problematic that our most highly compensated employees should receive pay adjustments before others in the organization, and this is a critique that I agree with to an extent. However, it is also true that the City has received specific and individual complaints from more than one employee who is a member of senior city leadership relating to pay equity, some of them dating back years, that have up to this point gone unaddressed and I believe we have an obligation to address them as quickly as possible

Among this group senior city leaders, I am not pleased to report that I have identified five employees who are compensated inequitably. Four are women, one is an ethnic minority, and I will be adjusting their salaries as soon as possible. These employees are:

Marti Praschan, Chief Financial Officer

Ms. Praschan is the only female service area administrator and is also the lowest compensated among them, despite having 25 years of progressively responsible service with the City of Ann Arbor in positions directly related to the financial administration of city resources. I intend to adjust her salary to reflect her prior years of service and experience and assign her a salary that is at the exact mid-point of the salary range for a Grade 15 employee.

Tom Guajardo, Human Resources and Labor Relations Director

While Mr. Guajardo is new to the City, he also brings decades of experience as an HR executive. In addition, the HR director is generally considered to be among the more senior and critical unit managers in the City, as reflected by the fact that the position has been placed in the second highest salary grade (Grade 14) among all city staff by our independent salary consultant. The only other senior leadership team member in Grade 14 is the IT director, who brought a similar track record of prior work experience with him when he started with the City. In recognition of these similarly situated individuals, I intend to elevate Mr. Guajardo's salary to be equal to that of the IT director's salary.

Jackie Beaudry, City Clerk

Ms. Beaudry's talents and accomplishment are well known to the Council, however it is worth repeating that Ms. Beaudry was recently named the Michigan Clerk of the Year and recently administered three elections in one year during the pandemic with record turnout, increased national scrutiny, and yet the City experienced no major issues with our elections of any variety. She is also a very long-tenured city employee, having served as the Clerk for more than 16 years and in other positions before that. Despite these facts, Ms. Beaudry's salary still sits below the midpoint for her salary range. With these facts in mind, I will be elevating her salary to match the highest paid employee in her grade (Grade 12).

Lisa Wondrash, Communications Director

Ms. Wondrash is similarly situated to Ms. Beaudry in that they are both Grade 12 employees, and are the only Grade 12 employees on the city's senior leadership team. In addition, she has been the city's communications director for nearly 16 years, and in that time has provided exemplary work



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for the City of Ann Arbor and its residents. Because her closest comparable is the City Clerk, I will be elevating her salary to match Ms. Beaudry's.

Dr. Missy Stults, Sustainability and Innovations Manager

Dr. Stults is in a unique position among the city's senior leadership team, in that her position is graded much lower than it should be at Grade 11 and is in fact the second lowest graded unit manager among the senior leadership team. When Dr. Stults was hired, she did not have a staff, nor a well-defined portfolio, nor did many in the city understand the truly transformative project that she would undertake in Ann Arbor. However, with three years of hindsight it is clear that Dr. Stults has created an ambitious, transformative, and effective city unit of more than a dozen staff members who are working with partners across the organization and community to create a more sustainable future. I have come to regard her work as essential to the city's operations, and her unit of government has become a true enterprise function within our organization. I intend to work with her to rewrite her job description, regrade her position, and award a salary that is commensurate with the work she is doing for the city and community.

I believe that these changes in salary are important not just for these individuals, but to demonstrate to the organization and community that we are serious about investing in our people and serious about equity among our employees. I am moving forward with salary adjustments for Ms. Praschan, Mr. Guajardo, Ms. Beaudry, and Ms. Wondrash effective in the current pay period, and will conclude an adjustment for Dr. Stults before the end of my time as the acting city administrator.

Analysis of Pay Equity Issues among Non-union Staff

Among the remaining non-union staff, Human Resources has flagged nearly 40 additional employees as candidates for equity adjustments. By employing a methodology where all employees within a salary grade are compared to each other based on years of service and their current salary, and then adjusting those salaries so that there is a more direct correlation between these two figures we can ensure a basic level of equity among our staff.

Given the size of this list, and the fact that the analysis is very much a draft document at this point, I will not be providing an individual analysis of each of these positions in this memo. However, the total initial cost of making these equity adjustments is roughly \$200,000 in annualized salary cost, plus additional expenses in related benefits. I will be working with our CFO and the HR director to better refine these figures and identify a strategy to fund these adjustments with as little impact on our budget as possible. I also intend to move very quickly to make these adjustments. However, I also want to be transparent with the Council that I view these adjustments as critical to improving the culture of our organization and ensuring our future success as a City. With this in mind, I may be bringing a budget amendment forward to address these issues at a future council meeting.

Conclusion and Future Initiatives

Adjusting salaries every few years to make up for pay inequities is an important step in ensuring fair compensation among our employees. Additionally, there are other important steps the City can take that prevent these inequities from being created in the first place. These policies and programs include:



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- An employee engagement program that provides positive feedback to employees and can be the basis for ensuring satisfactory performance from our workforce;
- A non-union salary progression policy that allows employees to automatically receive step increases based on years of service and their activity in the employee engagement program;
- Leadership develop programs, new employee mentoring and success programs, and employee development initiatives that can help all of our employees build skills and pursue opportunities for advancement within the organization; and
- A greater investment in diversity, equity and inclusion programs so members of the organization can more readily recognize and confront implicit biases that might be expressed through salary and compensation decisions.

It is my sincere hope that in the future staff will be able to report to the Council that we have successfully implemented these programs and that they are making a difference to improve our workplace culture and therefore improve the efficiency and effectiveness of the services that we provide to our City.