

Date: Wednesday, Feb. 22, 2017
Time: 6:55 pm
Place: Westside Fire Station

SALARY & PERSONNEL COMMITTEE

- A. CALL TO ORDER & ROLL CALL
- B. CORRECTION OF MINUTES
- C. BUSINESS: OPEN

- 1. PROPOSAL FROM LABOR ATTORNEY FIRM JACKSON LEWIS FOR HIGHER HOURLY RATES

Contracted rates for the labor attorney have been established by resolution. The City has received a letter requesting an increase in these rates.

Individual Requesting Item	City Administrator
Expected Length of Discussion	10 minutes

- 2. POLICY REGARDING PAY SCHEDULE ADJUSTMENTS

Discussion and possible action

Individual Requesting Item	Salary & Personnel Committee
Expected Length of Discussion	10 min.

Documents:

[*Appendix AI Employee Compensation Plan 2017_Final.pdf*](#)
[*Appendix AI Employee Compensation Plan 2017_Marked.pdf*](#)

- D. BUSINESS BY MEMBERS

May make brief comments or bring up items to be discussed at a future meeting

- E. ADJOURNMENT

This Committee may take any action it considers appropriate related to any item on this agenda.

Requests from persons with disabilities who need assistance to participate in this meeting, including need for an interpreter, materials in alternate formats, or other accommodations, should be made to the Office of the City Clerk at (608) 329-2564 with as much advance notice as possible so that proper arrangements can be made.

Members: Chairperson Brooke Bauman, Michael Boyce, Reid Stangel, and Alt. Richard Thoman



Employee Compensation Plan

HR Appendix: AI

Adoption Date: January 7, 2014

Pages: 6

Last Update: February 22, 2016

I. **PURPOSE** This Employee Compensation Plan is a general overview of some of the employment policies, procedures, rules and regulations of the City of Monroe and Monroe Utilities (hereinafter referred to as the Employer). It has been prepared to acquaint all employees with these compensation policies, procedures, rules and regulations, and to provide for the orderly and efficient operation of the Employer.

II. POLICY

(A) **FILLING VACANT POSITIONS:** The City will attempt to hire or place employees at the minimum of the pay ranges; however, if the best applicant requires higher compensation, then the hiring authority shall have the latitude to recommend new employees start at a salary up to Step 5 of the range. Compensation recommendations higher than Step 1 must be approved by the Common Council, and should be used for special circumstances (e.g. candidates with exceptional qualifications).

(B) **POSITION RE-CLASSIFICATION:** When job duty changes are significant and permanent, incumbents may request a re-evaluation of the Comprehensive Position Questionnaire (CPQ). A CPQ shall be required for ALL new, revised, or current positions not previously covered under the Plan. The maintenance of current CPQs and job descriptions shall be coordinated by the city administrator or their designee. When necessary or requested, the city administrator or their designee shall review the CPQ responses for evaluation and recommendation of placement on the Pay Schedule. The Common Council retains the right to make the final decision on the recommendation(s) of the city administrator.

Unless a specific designated funding source is identified and approved by the Common Council, compensation adjustments for new and/or revised positions shall be coordinated at the same time salary adjustments are made for other positions (typically the beginning of the year or at midyear).

(C) **SCHEDULE ADJUSTMENTS:** Each year the city administrator or their designee shall identify the “**Applicable CPI-U as determined by WI Department of Revenue**” to be used for collective bargaining agreements with a beginning date of January 1, 20xx. Under direction of the Wisconsin Department of Revenue (DOR), the Wisconsin Employment Relations Commission (WERC) maintains a [Consumer Price Index Calculation Chart](#) containing this information. The percentage identified on this chart shall be used as the multiplier for the subsequent year in order to establish the “across the board” adjustment to the Pay Schedule for use in calculating salary / wage adjustments for non-represented employees.

(D) **PERFORMANCE EVALUATION:** The City has adopted a performance evaluation system which is compatible with position responsibilities. The purpose of the performance evaluation system is to ensure all individuals are evaluated based upon the same set of criteria in conjunction with their current position, which will then be used in the recommendation of step increases. The form itself provides dimensions which are carefully defined so that managers can be objective in their ratings. Performance evaluations shall be completed at least once annually prior to October 1st of each year.

- (E) **STEP INCREASES:** On an annual basis the performance of each employee governed by the Plan shall be evaluated using the performance evaluation system noted in II (D). Any employee whose performance exceeds standards as established through the performance evaluation system shall be recommended to the Salary and Personnel Committee for a step increase effective the following year. Additionally, employees who are below the midpoint of their range (Step 11) shall be credited with one step each year up to the midpoint of their range. In other words, employees below the midpoint of their range may receive two steps in a single year (one automatic and one for merit).
- (F) **MARKET ADJUSTMENTS:** The city administrator or their designee shall measure the market routinely, and if the market changes, shall recommend an adjustment to the Salary and Personnel Committee that is internally equitable. When this occurs, the pay of the incumbent shall not be reduced. In an instance where the pay of the incumbent exceeds the range maximum; however, the City will consider viable options regarding compensation adjustments, including but not limited to placing the position at a higher Grade on the Pay Schedule.

APPENDIX I – BACKGROUND INFORMATION / PLAN ADOPTION

COMPENSATION PLAN METHODOLOGY

- I. **USE OF PAY RANGES:** Following DMG's recommendation, each position was placed into a salary grade based on the relative worth of the position as defined by job evaluation. Then, each salary grade was assigned a range of pay. The use of pay ranges recognizes pressure from the external labor market and within the City.

Differences in rates paid to employees on the same job also should be consistent with the City's pay policies and objectives. So, DMG recommended the use of pay *ranges*, rather than a single rate of pay to meet two intentions:

- (A) The intention to recognize individual quality and performance variations with pay, and
- (B) The intention to meet employees' expectations that pay increases will occur over time.

For each position in the survey, the market represents a range of actual pay rates. So, while there is a lot of emphasis on the "going market rate," the recommended salary structure would ideally reflect the range of actual pay rates in the market. If it does not, the City risks overpaying less experienced and less valuable employees, and underpaying highly experienced and more valuable employees.

- II. **DETERMINING THE NUMBER OF PAY GRADES:** When pay grades are utilized, the number of grades is typically influenced by one or both of the following factors:
- (A) The number of different levels of relative job value that are recognized by the organization;
 - (B) The difference in pay between the highest and lowest paid jobs in the pay structure.

To determine whether the proper number of grades has been established, DMG had to: (a) determine whether the jobs in each grade should have the same range, and (b) ensure that jobs in different grades warrant different pay ranges. This involves some professional judgment. For the City of Monroe DMG developed a pay grade structure with positions placed into grades on the basis of 50 point intervals. This means that jobs within 50 points of each other in the job evaluation process will be assigned to the same pay grade and therefore have the same pay opportunity with the City. The city administrator utilized DMG's original structure and philosophy with the addition of several grades to adjust for the City's adoption of the position of city administrator.

- III. **ASSIGNING SALARY FIGURES TO PAY RANGES:** In developing pay ranges, DMG integrated the market data with job evaluation data, using a statistical technique called linear regression analysis. This technique allowed DMG to develop a "pay line" which makes the best "fit" or relationship between the internal worth of jobs as measured by job evaluation and the external worth of jobs measured by market analysis. DMG wanted the resulting pay ranges to reflect both measures of the value or worth of City positions.

The pay line which results from regression represents the statistical averaging of variance around the average values and allowed DMG to graphically depict a summary of the relationship between job evaluation points and market salary data. This information was utilized by the city administrator in recommending the Pay Schedule adjustment for 2013. To update the Schedule the city administrator reviewed the 1997 study completed by DMG in comparison to the recommended range for the position of City administrator and recognized a gap of about fifty-five percent, which was applied as an "across the board" adjustment to the 1997 study. This resulted in the Pay Schedule represented in Exhibit A.

- IV. RELATING THE “MARKET” PAY PRACTICES TO THE NEW PAY RANGES:** An important issue presented by DMG to City leadership during the course of this study was the issue of the City's pay philosophy on how it wishes to relate pay to the market. In this regard, an organization can choose to be a pay leader, can choose to match the market, or can choose to pay less than the market. Again, the decision should relate back to what the organization wishes to achieve in terms of its compensation objectives.

The policy regarding external competitiveness affects both the organization's ability to attract and retain a quality workforce and the organization's ability to control labor costs. So, while paying above market may enhance an organization's ability to attract and retain quality employees, the decision could also result in public outcry due to increased labor costs. Likewise, while the decision to pay below market may yield accolades for holding down labor costs, the decision could also result in increased turnover, hiring difficulty, and increased training costs.

In working with the Committee, DMG ultimately presented a plan which was competitive in the market, as opposed to leading or lagging behind market pay practices. This is the most common approach chosen by public sector clients, and will allow the City to hire and retain qualified and competent staff.

- V. ESTABLISHING THE WIDTH OF THE PAY RANGES:** Another major policy issue DMG presented to leadership addressed the question of the width of the new pay ranges. As discussed, the new pay structure has grouped positions having similar responsibility levels and job duties into pay grades with salary ranges. Each salary range has a minimum salary and a maximum salary to provide enough flexibility to compensate employees based upon their growth, development, and performance. From a pay administration standpoint, grouping positions into salary grades is much more practical than assigning each position to its own salary range.

The pay range can also be defined as the variation in pay that is available for a job. Pay ranges can be used to allow for job proficiency, length of service, or performance-based pay increases. Pay range width is determined based on considerations such as the expected length of service for employees (the organization's turnover rate), the expected size of annual increases, and the expected length of time it takes an employee to become proficient if performance increases are granted.

According to DMG most public employers have a great deal of difficulty administering pay-for-performance systems for a number of reasons. First, consistency is a problem because most public administrations do not have strong centralized management structures, which are common in the private sector. Second, reliable, objective performance measures are more difficult to create in the public sector. They are not impossible to create, but they are expensive to create and maintain. In addition, the nature of the political process often makes it difficult for public bodies to agree on the definition of success in public service.

Third, the combination of imprecise performance measurement systems, inconsistent system management, and the fact that public employee salaries are public information make it very difficult to gain staff support for the system. This is usually a fatal flaw because a pay-for-performance system is only effective if it motivates performance.

DMG noted an acceptable compromise is to use narrower pay range spreads with defined pay steps which employees can attain based upon documentation that they are meeting performance expectations. The narrower pay ranges (35% spread) keep pay from going too high and provide entry level rates which enable public employers to hire qualified staff. The latter point is important in a government unit which has mostly single incumbent positions with little available training time or resources. The midpoint of the pay range is intended to approximate market practice.

DMG developed a pay plan for the City of Monroe to consider which is grounded on these principles. The listing of pay grades, evaluation points within each grade, and assigned minimum, midpoint and maximum rates for each grade is presented in Exhibit A. The next exhibit, Exhibit B, presents the list of all study positions assigned to their pay grades and corresponding pay ranges. Again, the proposed pay plan is based on the statistical relationship between job evaluation scores and market salaries, 50-point job groupings, and 35% pay range spreads.

VI. ESTABLISHING PAY FOR POSITIONS REQUIRING A MARKET ADJUSTMENT: According to DMG, there are sometimes positions in a compensation plan which, should be considered for placement at a higher range of pay than that which is established. These are positions which currently command higher rates of pay in the market, due to market demands. DMG did NOT recommend permanently placing these positions in a higher grade, because market conditions may change. For example, while registered nurses were in short supply in most parts of the country for many years, resulting in rapid and consistent increases in the market, the conditions have now for the most part changed. When a position is placed in a higher grade, all documents and communications will be retained by the City administrator to reflect the temporary assignment of this position.

In the case of a position where there is a market-based adjustment. Employees should be implemented onto the Plan using the same implementation rules as everyone else, but in the market-based range.

Market adjustments in the future must be used sparingly, and be the exception, rather than the rule. Market adjustments should generally be considered, in the future, only under one of the following circumstances:

- (A) The City has documented problems recruiting and/or selecting employees within the assigned pay range (Example: a position is advertised two or more times, resulting in few or no qualified individuals).
- (B) The City has an unacceptable rate of turnover in a position, and exit interview information indicates a pay issue. Keep in mind that the newly-created pay ranges will take care of the great share of any retention problems due to pay. This rationale for a market adjustment should be rare in the future.
- (C) Periodic market surveys conducted by the City show that the midpoint of the City's pay range is more than 15% less than the average rate of pay shown for a given position in the market analysis.

The allowance of market adjustments *does* disrupt some of the internal equity in this Plan, because there are jobs ranked higher than these jobs which will not be paid as highly as these jobs. This is why market adjustments should be used so sparingly.

VII. STEP-BASED PAY PLAN: While the introduction of a step based pay plan is a major change in the compensation program for the City, it provides a lot of advantages over other types of compensation plans particularly in the public sector, and generally allows cities to control salary costs better than open plans with no defined steps or guidelines for pay increases. Because the grades are based on internal equity (i.e. higher level jobs receive higher pay), grade structures with step increases are generally well-accepted by the employees and their managers as fair and equitable.

There are certain other advantages of step-based pay plans, which make them particularly suitable for the City of Monroe:

- (A) Step plans provide a mechanism for employees to be rewarded, by small salary increments for continued performance, service and contribution throughout their tenure

- (B) Step plans provide a range of pay so that new and/or inexperienced employees are paid below the average market salary, and that tenured, more highly-experienced employees can have the opportunity to earn salaries comparable to market practices, and if funds are available, the opportunity to eventually earn salaries which are above average market practices. (This is important to retain key, highly qualified, highly-trained employees in a market which competes for their talents)
- (C) Step plans provide a range maximum, above which employee's pay should not exceed, so that salary levels remain reasonable given the market and internal equity considerations.
- (D) Employees can project their pay progression over time until they reach the top step, assuming competent performance.
- (E) Until employees reach the top step, pay compression is minimized.
- (F) Step increases are relatively insulated from periodic changes in a governing body pay policy.
- (G) Employees don't feel that they are competing with one another for a limited amount of annual pay adjustment dollars. These plans are generally perceived as "fair."
- (H) If the system is enhanced correctly, a pay incentive for individual employees to go above and beyond "normal" expected level of job performance can be built into the plan.

Among other things this type of step plan results in equal dollar increases as a person moves through the steps in their grade. Many would argue that this is a fairer method of step progression than are steps that are based on percentage increases. In the percentage increase systems, employees at the higher steps enjoy sometimes significantly higher pay increases than those at lower steps within the same pay grade.

Whether step progression ends up being one step universally, or varies based on performance, there may be any number of intervening events which could alter that progression; e.g., promotion, reclassification, departure to accept another position, etc. The main point to this approach is to recognize increased performance over time with reasonable pay increases. This approach will solve a major shortcoming of the City's current pay system and it will help the City pay closer to market rates without an unworkable burden on the budget.

VIII. ADOPTED SALARY / WAGE IN ACCORDANCE WITH PAY SCHEDULE: Beginning in 2013, the Common Council upon recommendation of the Salary and Personnel Committee has adopted the Pay Schedule outlined in Exhibit A. In establishing the beginning salary or hourly wage for employees, the schedule adopted by the Common Council for 2013 was utilized. The salary / wage corresponds with the grade and step established by the remainder of the Compensation Plan. In future years, employees will move along the steps in accordance with this Plan.

IX. POSITION CLASSIFICATION: To establish the starting point for each position for 2013, affected employees or their department supervisor were requested to complete a Comprehensive Position Questionnaire (CPQ) as used previously by DMG. Once completed, each CPQ was evaluated by the City administrator and scored based upon the criteria outlined by the previous study completed by DMG. Grades established by the City administrator's scoring were checked against DMG's previous study (when applicable) and comparable positions as provided by responding department supervisors. Moving forward, the City should maintain the job evaluation and position classification system by keeping CPQs and position descriptions current.

X. MARKET ADJUSTMENTS: Because of the current compensation rates requiring higher pay for some positions to work within the Pay Schedule for 2013, the following positions are placed in pay ranges with the associated Grades:

- (A) Deputy Fire / Emergency Management Chief Grade 16
- (B) Fire / Emergency Management Chief Grade 19



Employee Compensation Plan

HR Appendix: AI

Adoption Date: January 7, 2014

Pages: 6

Last Update: ~~April 21, 2015~~ [February 22, 2016](#)

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Whether step progression ends up being one step universally, or varies based on performance, there may be any number of intervening events which could alter that progression; e.g., promotion, reclassification, departure to accept another position, etc. The main point to this approach is to recognize increased performance over time with reasonable pay increases. This approach will solve a major shortcoming of the City's current pay system and it will help the City pay closer to market rates without an unworkable burden on the budget.

VIII. ADOPTED SALARY / WAGE IN ACCORDANCE WITH PAY SCHEDULE: Beginning in 2013, the Common Council upon recommendation of the Salary and Personnel Committee has adopted the Pay Schedule outlined in Exhibit A. In establishing the beginning salary or hourly wage for employees, the schedule adopted by the Common Council for 2013 was utilized. The salary / wage corresponds with the grade and step established by the remainder of the Compensation Plan. In future years, employees will move along the steps in accordance with this Plan.

IX. POSITION CLASSIFICATION: To establish the starting point for each position for 2013, affected employees or their department supervisor were requested to complete a Comprehensive Position Questionnaire (CPQ) as used previously by DMG. Once completed, each CPQ was evaluated by the City administrator and scored based upon the criteria outlined by the previous study completed by DMG. Grades established by the City administrator's scoring were checked against DMG's previous study (when applicable) and comparable positions as provided by responding department supervisors. Moving forward, the City should maintain the job evaluation and position classification system by keeping CPQs and position descriptions current.

X. MARKET ADJUSTMENTS: Because of the current compensation rates requiring higher pay for some positions to work within the Pay Schedule for 2013, the following positions are placed in pay ranges with the associated Grades:

- | | | |
|-----|--|----------|
| (A) | Deputy Fire / Emergency Management Chief | Grade 16 |
| (B) | Fire / Emergency Management Chief | Grade 19 |