

SPECIAL COMMON COUNCIL MEETING

Council Chambers
County-City Building

November 18, 2013
5:30 p.m.

1. Roll Call.

Consideration and Possible Action on the Following:

2. Minutes and actions of the Personnel Committee meeting of November 11, 2013.
3. Implementation of the Pay Plan Recommendations.
4. Public Hearing on the General Local Municipal Budget for 2014 (Hearing to start at 6:30 p.m.).
5. Adjournment.

Any person who has special needs while attending these meetings or needing agenda materials for these meetings should contact the City Clerk as soon as possible to ensure a reasonable accommodation can be made. The City Clerk can be reached by telephone at (715) 346-1569, TDD #346-1556, or by mail at 1515 Strongs Avenue, Stevens Point, WI 54481.

Copies of ordinances, resolutions, reports and minutes of the committee meetings are on file at the office of the City Clerk for inspection during the regular business hours from 7:30 A.M. to 4:00 P.M.

PERSONNEL COMMITTEE MEETING
Monday, November 11, 2013 – 8:21 p.m.
Lincoln Center ~ 1519 Water Street

PRESENT: Chairperson O’Meara; Alderpersons Slowinski, Moore, Patton, Phillips

OTHERS

PRESENT: Mayor Halverson; C/T Ladick; Clerk Moe; Attorney Beveridge;
Alderpersons Suomi, M. Stroik, Doxtator, R. Stroik; Directors Ostrowski,
Schrader, Lemke, McGinty, Schatschneider; Chief Ruder; Chief
Kujawa; Assistant Chief Skibba; Assistant Chief Zenner; Police & Fire
Commission President Schleih; Superintendent of Streets Laidlaw;
Clifford Bembeneck; Steve Plaski; Steve Louis; Ernie Quesada; Kenny
Rozek; Dale Schulfer; Rick Zinda; Roger Skrzeczkoski ; Todd Jacowski;
Tricia Church; Carrie Freeberg, Finance Office Manager; Barb
Jacob; Charlie Carlson; Assistant to the Mayor Pazdernik;
Human Resource Manager Jakusz; Nate Enwald, Portage County
Gazette; Brandi Makuski ~ SPCT; Chris Jones, Stevens Point Journal

Chairperson O’Meara called the meeting to order.

1. Discussion and possible action on request to fill vacancy in Streets Division.
Human Resource Manager Jakusz stated that this is an already budgeted for position. Alderman Moore moved to approve re-filling the vacancy, Alderman Slowinski seconded. Ayes all, nays none. Motion carried.
2. Discussion and possible action on amendment to Administrative Policy 3.01 Standard Benefits, #11.
Human Resource Manager Jakusz stated that the request is to amend the policy to allow for an annual safety toed shoe allowance for the three Engineering Technicians due to the amount of time they spend on construction sites.
Alderman Slowinski moved to approve the amendment, alderman Patton seconded. Ayes all, nays none. Motion carried.
3. Discussion and possible action on Implementation of pay plan recommendations.
Mayor Halverson provided an overview of the study findings. He indicated that \$156,000 was held in contingency in the 2014 budget and that the cost of implementation of the findings is \$114,645. This includes the cost of both wages and fringes and the pro-rated portion for the affected employees in Transit and at the airport.

He reviewed the information on the spreadsheets, i.e. current salary/new salary; dollar amount to minimum (for those positions that are below the minimum salary of a pay grade) and dollar amount to step for those positions between steps on the matrix. He indicated that two versions of the matrix were included; one with hourly rates and one with annual salaries. He noted that the "control point" on the matrix is the mean average of all comparable positions.

The intent of implementation is to move employees to the minimum if current salary is below the minimum; to move employees to a step where current salary is between steps and lastly to freeze pay for those positions that are over the maximum of the grade in which they are placed.

He reiterated the weight given to outside comparables

Job Level	Private	Public
Department Heads/Managers	25%	75%
Supervisors, Professionals & Advanced Technical	50%	50%
Non-exempt	75%	25%

Alderman Phillips asked if the cost was projected out any further than for the first year implemented. Mayor Halverson indicated that the cost for movement to step in 2015 would be \$69,000 without an across the board or CPI increase.

It was also noted that, if there is turnover, that number could be impacted and actually reduced.

Alderman Phillips noted that one employee is getting a huge raise. Mayor Halverson replied that this position is significantly lower than comparable positions.

Mayor Halverson continued his overview of the joint letter sent out by he and Comptroller/Treasurer Ladick endorsing implementation of the study findings and also suggesting a health insurance premium holiday during the last quarter of 2014 as well as increasing the benefit for those employees who do not carry the City's health insurance plan from \$200 to \$750 for 2014.

Alderman Moore asked if the cost for the health insurance items was included in the implementation cost noted previously. Mayor Halverson

replied that it is not. The funding for that is in a segregated health account.

Alderman Moore then asked when the Committee would receive the full study. Discussion ensued and Mr. Carlson began the review of his power point presentation.

At the conclusion of the power point presentation, several members of the committee indicated they would like to see the complete study.

Mr. Carlson replied that he will draft an executive summary that will include the methodology used and a more detailed review of the power point. He then asked the Committee members what they would like to know.

Alderman Moore stated he would like a copy of the power point. Human Resource Manager Jakusz replied that she will send that out on Tuesday morning.

Alderman Slowinski indicated that he would like to see the market review data. Mr. Carlson replied that he will provide it as part of the executive summary. Alderman Slowinski also voiced his concern over new hires being placed further along in the step system than some of the longer term employees. Mayor Halverson replied that positions with similar levels of responsibility are placed in the same grade level and from that point placed in step. To attempt to weigh time in service with step placement when building the pay plan would skew the outcome.

Alderman Suomi stated that the study doesn't give a period of time a position would remain red circled. Mr. Carlson replied that a number of things relating to this must be considered such as whether or not the City can afford it. Beyond that, the City could authorize, for example a percentage bonus check, the employee could also move to a higher paid position or because of changes in current position the position could be reclassified.

Steve Louis questioned how long employees would be red circled. His fear is that some of the Streets employees wouldn't see a pay increase in their careers. He added that the comps he provided to the Alderman don't match the study results.

Ken Rozek voiced his displeasure that Streets positions were placed at Steps 6 and above which receive increases after two or three years. He

added that the information provided tells him nothing; he needs the numbers justified.

Alderman Slowinski feel it would be best to wait to take formal action until the rest of the information is received. He suggests moving it forward to Council without approval.

Mr. Carlson reminded that the information provided by Mr. Louis to the Alderpersons was public sector data only; the result of the study included private sector data that was blended as described previously. The committee had previously indicated they wanted private sector data included in the study. If only public sector data is include, the implementation cost for wages alone will increase by approximately \$50,000.

Dave Schleihs, President of the Police and Fire Commission acknowledged the challenges of drafting a pay plan for a wide variety of positions. He stated his opinion that employees shouldn't be put on hold and that action should be taken.

Chief Ruder stated that he echoes the comments made by President Schleihs and added that in his 15 years working in management in the City, the City has never had a better group of department heads.

Roger Skrzeczkoski requested a list of individual scores from the JDQ's be provided so that employees can compare their scores with others.

Mr. Carlson reviewed the different options for releasing point scores and the appeal process:

- *Prove point scores of all; full disclosure.
- *Not disclose point scores; its management's decision.
- *Show levels and not point detail.
- *Provide rating guide and score results from the five factors (education and required experience, decision-making, thinking challenges, communications, working conditions)

The process must be manageable; it is NOT a free for all.

Alderman Slowinski moved to report on the pay plan to the City Council without recommendation and with the request for additional information in place; Alderman Patton seconded.

Mr. Carlson reiterated that his executive summary will include the twenty benchmark positions including market estimates; private/public sector averages and where they came from.

Motion carried on a vote of 4 – 1; Alderman Moore voting nay.

4. Adjournment ~ 9:50 p.m.



November 13, 2013

MEMORANDUM

TO: Mayor Andrew Halverson

FR: Charles E. Carlson, Partner and Consultant

RE: Proposed Pay Plan

On Monday evening, November 11, the Personnel Committee voted to send the pay plan that we developed with you to the City Council on November 18. In doing so, the Committee asked for additional information on the methodology used to develop the plan. Accordingly, I am providing this executive summary memorandum to you for your Council presentation. In addition, you have provided the outline that I used for reference at the Committee meeting. This memorandum will be an expanded version of that outline.

The uniform pay plan that we developed, under the terms of the Scope of Work in our professional services agreement with the City, covers approximately 130 current staff with an annual payroll of approximately \$6.15 million and an average base salary of \$48,800. If adopted the plan would pull a diverse group of pay plans into a uniform structure with 16 pay ranges; 13 ranges would have positions assigned, and three would be vacant and available should positions change.

The City is familiar with this process because it is identical to the research methodology we used, and the City Council adopted, seven years ago for what was then called a non-represented employee pay schedule. The base pay of all other employees was determined by collective bargaining under a system of laws and regulations that effectively precluded any reference to private sector pay or benefits. In adopting what is known as Acts 10 and 32, the Wisconsin legislature reduced collective bargaining scope to cover only a limited base

wage increase and safety conditions. The structure and administration of the pay plan for all employees, except unionized protective service and transit employees, is now the City Council's obligation.

Therefore, the scope of this project was to develop a pay plan that would do the following: 1) balance internal equity and consistency with market competitiveness; 2) develop a consistent pay plan for all covered staff; 3) emphasize performance management; and 4) a review of the level of benefits provided City of Stevens Point employees.

Internal Relationships

Internal equity and consistency was achieved using CDC's Job Evaluation System to rate five key job-related factors. The job evaluation factors are:

- Formal Preparation and Experience
- Decision Making (Impact)
- Thinking Challenges and Problem Solving
- Interactions and Communications
- Work Environment

When the evaluation was finished, the point scores on each factor were totaled to obtain the overall point value of the job. Having a point score allows CDC to band jobs together that may be quite dissimilar in order to establish a job hierarchy and classification system.

CDC determined the number of recommended pay grades by placing jobs with similar total point scores into a pay grade with the assumption that jobs of similar value should have the same pay opportunities. Because there are five factors of job worth measured, jobs can end up in the same grade with differences in point scores among some of the factors.

Competitiveness

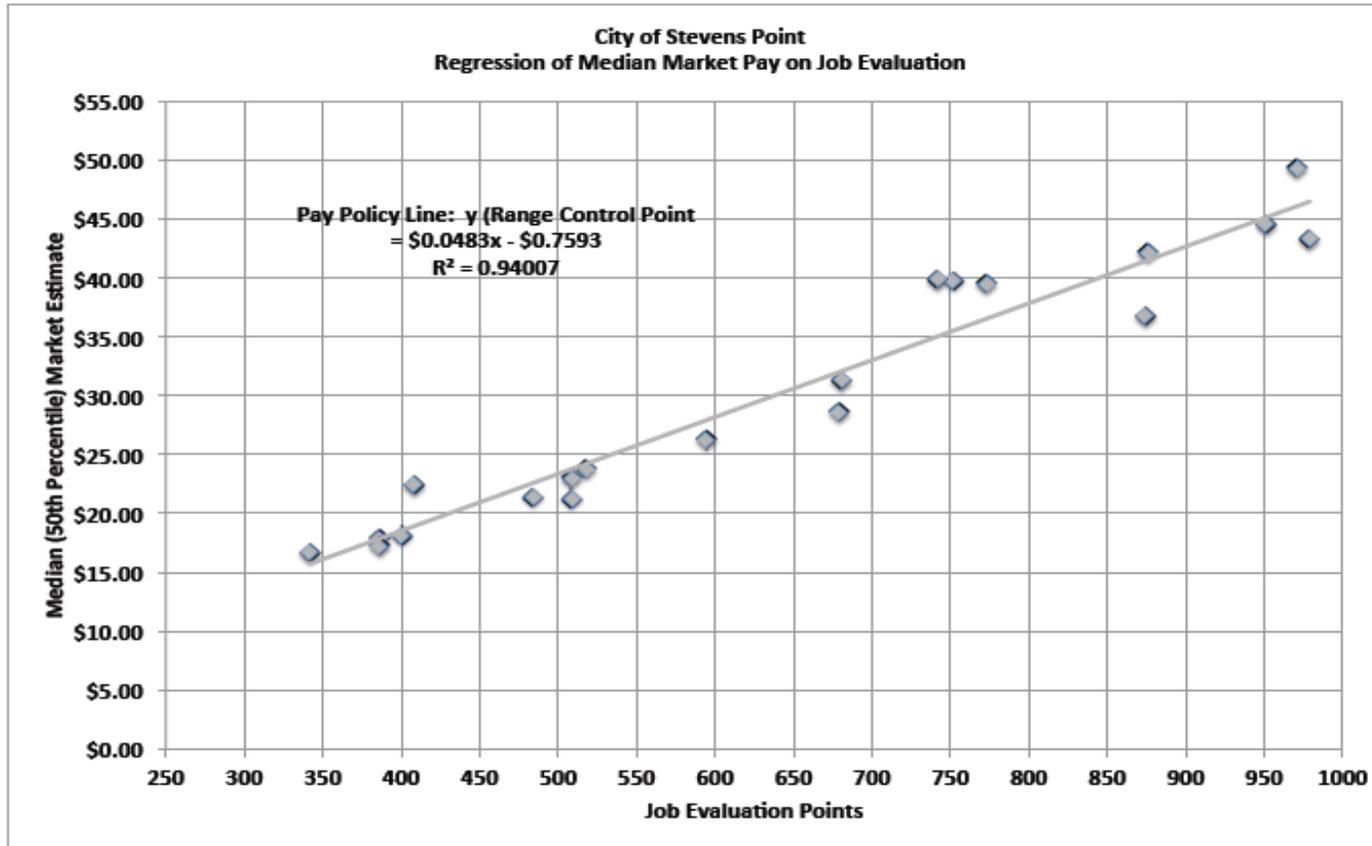
At the direction of the City Council, our market analysis included base wage data from the following cities: Fond du Lac, Manitowoc, Marshfield, Watertown, Neenah, Superior, Wausau, and Wisconsin Rapids. Private sector matches were developed from the following sources: U.S. Bureau of Labor Statistics, Central Wisconsin Society of Human Resources Survey, and Towers Watson.

In analyzing the data, we weighted the public and private sector data according to typical market experience, which the City administration verified, as follows: Management jobs at 75% public sector/25% private sector; mid-level positions (first line supervisors and professional staff) at 50/50% each sector; and non-exempt (hourly compensated positions at 25% public sector/75% private). For your information, we have completed, or are in the process of completing pay studies in four of the eight cities selected by the City Council for market comparisons, and in all four of those projects, those cities required us to use private and public sector data, and the weighting was similar to the Stevens Point project. The resulting benchmark data used to develop the new pay plan is as follows:

Benchmark Position	JE Score	Hourly Rate*	Market Estimate	Market Index	Public Sector Avg.	Private Sector Avg.
CUSTODIAN	342	\$20.56	\$16.67	123%	\$20.94	\$15.25
DPW MAINTENANCE WORKER	386	\$21.35	\$17.90	119%	\$21.80	\$16.60
ADMIN SUPPORT SPECIALIST	400	\$17.59	\$18.14	97%	\$18.88	\$17.89
ACCT CLERK II	401	\$17.95	\$17.23	104%	\$19.21	\$16.57
EQUIPMENT OPERATOR	408	\$21.30	\$22.46	95%	\$22.96	\$22.29
ADMINISTRATIVE ASSISTANT - FIRE	481	\$22.38	\$21.65	103%	\$20.47	\$22.05
MECHANIC	484	\$20.46	\$21.40	96%	\$22.99	\$20.87
ADMINISTRATIVE ASSISTANT/PARALEGAL	509	\$21.23	\$23.00	92%		\$23.00
ENG TECH III	518	\$22.91	\$23.79	96%		\$23.79
BUILDING INSPECTOR	594	\$30.04	\$26.26	114%	\$28.84	\$23.69
SENIOR ACCOUNTANT	679	\$25.76	\$28.62	90%		\$28.62
IT NETWORK ADMIN	681	\$27.31	\$31.34	87%		\$31.34
HUMAN RESOURCE MANAGER	742	\$30.88	\$39.89	77%	\$39.45	\$41.21
SUPERINTENDENT OF STREETS	752	\$31.67	\$39.77	80%	\$39.77	
ASSISTANT POLICE CHIEF	773	\$34.27	\$39.54	87%	\$39.54	
CITY ENGINEER	835	\$33.00	\$42.20	78%	\$42.45	\$41.46
DIRECTOR OF PARKS, REC, & FORESTRY	874	\$36.93	\$36.78	100%	\$36.78	
FIRE CHIEF	951	\$39.16	\$44.57	88%	\$44.57	
PUB WORKS DIRECTOR	971	\$31.52	\$49.37	64%	\$49.37	
POLICE CHIEF	979	\$40.12	\$43.31	93%	\$43.31	

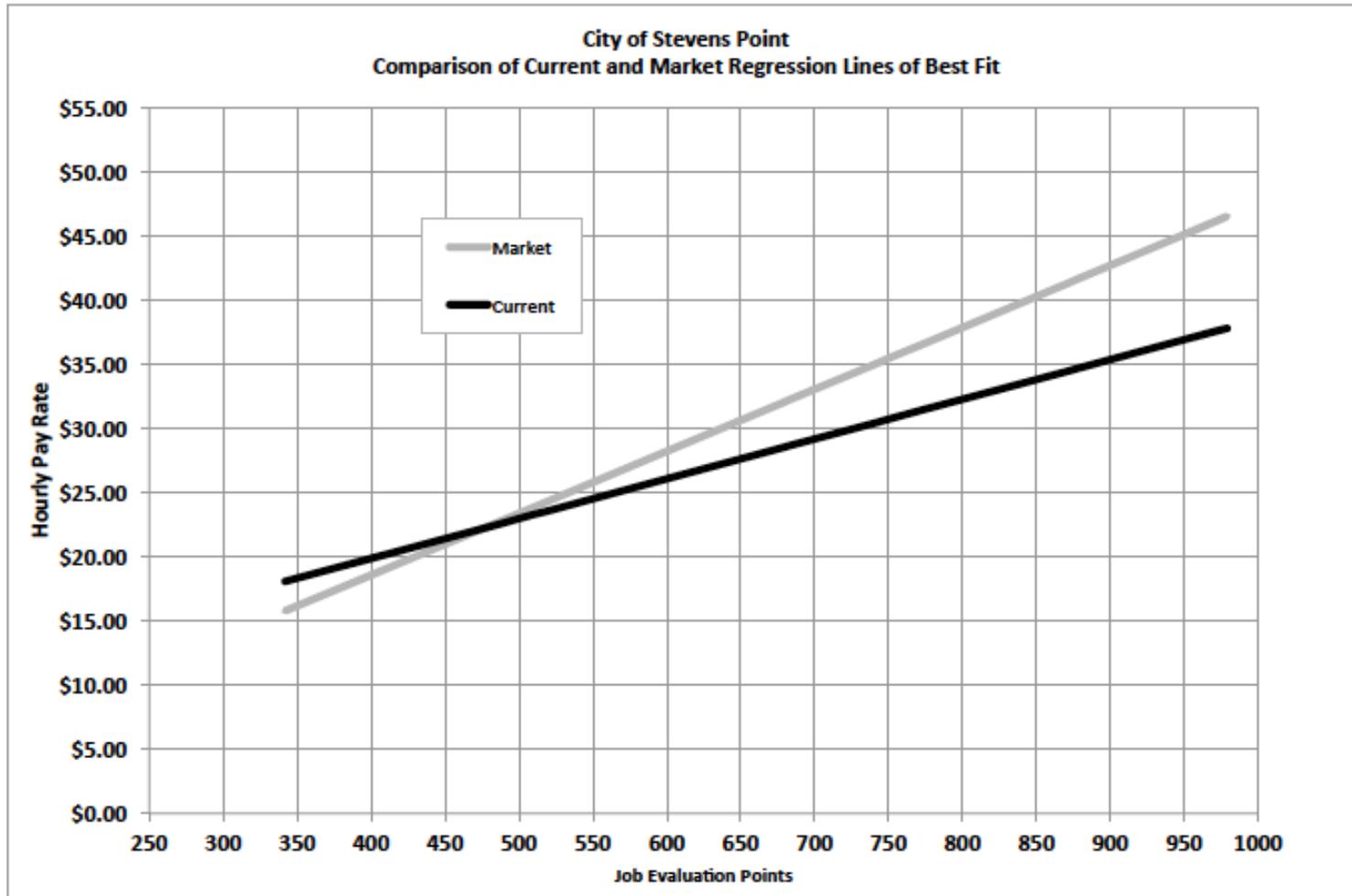
Avg. Market Index 94%

The job evaluation results for the benchmark positions is useful for developing a new pay plan if there is a close relationship between job scores and market rates. A valid job evaluation system/pay model accurately “predicts” market pay. Is this the case with the City of Stevens Point data?



Clearly, the relationship between job evaluation scores and our market estimates is strong, as measured by the regression coefficient of 0.94, which can be interpreted as 94% of the market variance can be explained by job evaluation scores. The equation for the market line is: y (Predicted pay/Control Points) = {\$.0483 (slope of the line) times job evaluation score} - \$.7593 (y-axis intercept).

What, then, is the relationship between this market policy line and current City pay practices? Is the City paying high, low, or on target? The graph on the following page tells the story. The City is paying somewhat above market for its lower level positions and substantially below market for its supervisory and management benchmark classifications.



The black line reflects the relationship between job evaluation scores and the City's current pay rates; the gray line again is the market line that graphed above with the benchmark data points. The plan summarized below would correct these pay relationships over time and with manageable fiscal impact. We have developed our recommendations on an assumption the City's policy will be to try to "match" the market on average.

The Plan Recommendation (As presented to the Personnel Committee) -

The plan is a recalibration of the step plan currently covering management employees. It has eleven steps, range spreads of 28.5%, and each step is 2.5% of each range Control Point, which also is the midpoint of the grade. Each range Minimum is 87.5% of the Control Point, and each range maximum is 112.5% of the Control Point. The new pay plan matrix is on the following page of this executive summary.

We developed the following implementation strategy recommendation in consultation with the Mayor's office and Human Resources:

- Pay plan implementation would be at the start of the first full pay period in January 2014.
- Any employee currently paid below the Minimum of the new range would be increased to the Minimum rate.
- Any employee currently paid at a rate between the range Minimum and Maximum would be placed on the step that provides an increase; there would be no special adjustments for length of service or performance.
- Normally, employees would be hired at the Minimum, unless an applicant has unusually strong qualifications desired by the City.
 - Progression up to the Step 6, the Control Point, is in one-year steps.
 - Progression to Steps 7-9 would be in two-year increments.
 - Progression to Steps 10-11 would be in three-year increments.
- All employees would receive an annual performance evaluation.
- Pay progression through the plan requires that the employee at least meet performance expectations on the most recent evaluation.
- Employees with pay rates above the maximum rate of their pay range would have their pay frozen, or "red-circled" until the pay rate is again within the pay range. The City could consider non-base pay, or even base pay, increases in future years to red-circled staff if there are sufficient funds and employee performance meets or exceeds measured expectations.

**CITY OF STEVENS POINT
RECOMMENDED 2014 STEP STRUCTURE - SALARY FORMAT**

Grade	Start	End	87.5% Minimum	90.0% Step 2	92.5% Step 3	95.0% Step 4	97.5% Step 5	100.0% Control Point	102.5% Step 7	105.0% Step 8	107.5% Step 9	110.0% Step 10	112.5% Step 11
R	950	999	\$85,592	\$88,046	\$90,480	\$92,934	\$95,368	\$97,822	\$100,277	\$102,710	\$105,165	\$107,598	\$110,053
Q	900	949	\$81,141	\$83,450	\$85,779	\$88,088	\$90,418	\$92,726	\$95,035	\$97,365	\$99,674	\$102,003	\$104,312
P	850	899	\$76,669	\$78,853	\$81,037	\$83,221	\$85,426	\$87,610	\$89,794	\$91,998	\$94,182	\$96,366	\$98,571
O	800	849	\$72,176	\$74,235	\$76,315	\$78,374	\$80,434	\$82,493	\$84,552	\$86,611	\$88,670	\$90,750	\$92,810
N	750	799	\$67,704	\$69,638	\$71,573	\$73,507	\$75,442	\$77,376	\$79,310	\$81,245	\$83,179	\$85,114	\$87,048
M	700	749	\$63,253	\$65,062	\$66,851	\$68,661	\$70,470	\$72,280	\$74,090	\$75,899	\$77,709	\$79,518	\$81,307
L	650	699	\$58,760	\$60,445	\$62,130	\$63,814	\$65,478	\$67,163	\$68,848	\$70,512	\$72,197	\$73,882	\$75,566
K	600	649	\$54,288	\$55,848	\$57,387	\$58,947	\$60,486	\$62,046	\$63,606	\$65,146	\$66,706	\$68,245	\$69,805
J	550	599	\$49,837	\$51,251	\$52,686	\$54,101	\$55,536	\$56,950	\$58,365	\$59,800	\$61,214	\$62,650	\$64,064
I	500	549	\$45,365	\$46,654	\$47,944	\$49,234	\$50,544	\$51,834	\$53,123	\$54,434	\$55,723	\$57,013	\$58,323
H	450	499	\$40,872	\$42,037	\$43,222	\$44,387	\$45,552	\$46,717	\$47,882	\$49,046	\$50,211	\$51,397	\$52,562
G	400	449	\$36,421	\$37,461	\$38,501	\$39,541	\$40,581	\$41,621	\$42,661	\$43,701	\$44,741	\$45,781	\$46,821
F	350	399	\$31,949	\$32,864	\$33,758	\$34,674	\$35,589	\$36,504	\$37,419	\$38,334	\$39,250	\$40,165	\$41,059
E	325	349	\$28,600	\$29,411	\$30,222	\$31,034	\$31,866	\$32,677	\$33,488	\$34,320	\$35,131	\$35,942	\$36,754
D	300	324	\$26,478	\$27,248	\$27,997	\$28,746	\$29,515	\$30,264	\$31,013	\$31,782	\$32,531	\$33,301	\$34,050
C	275	299	\$24,523	\$25,210	\$25,917	\$26,624	\$27,310	\$28,018	\$28,725	\$29,411	\$30,118	\$30,826	\$31,512
B	250	274	\$22,693	\$23,338	\$23,982	\$24,648	\$25,293	\$25,938	\$26,582	\$27,227	\$27,893	\$28,538	\$29,182

Notes: All step advancement requires a formal performance review, and the employee must at least meet performance expectations. Steps 2-6 are at annual intervals

Movement through Steps 2-6 is at one-year intervals; Steps 7-9 at two-year intervals; and Steps 10-11 at three-year intervals.

- The City has performed an implementation cost analysis, and this implementation plan is within the amount of funds set aside to implement a new plan.

The pay matrix is based on the formula for the market pay line shown on the market graph: y (predicted pay, or market average) = y (predicted pay) = $\$.0483$ times x (job evaluation score) - $\$.7593$. Our objective is to create range Control Points linked to market data, so for example, in to calculate a Grade Midpoint for Grade which includes all jobs from 550 to 599 job evaluation points. We substitute the middle point value of 574.5 points into the pay equation as follows: $(\$.0483 \text{ times } 574.5 \text{ pts}) - \$.7593 = \$26.99$. We aged the data 1% for market changes between July 2013 and January 2014, so the Control Point of Grade J is $\$27.38$, allowing for rounding, and the pay range is $\$23.96$ to $\$30.80$.

The allocation of employees to the pay plan by step would be as follows:

DISTRIBUTION UPON IMPLEMENTATION
Number of
Employees at

Step 1	28	22%
Step 2	9	7%
Step 3	5	4%
Step 4	8	6%
Step 5	6	5%
Step 6	15	12%
Step 7	3	2%
Step 8	4	3%
Step 9	7	6%
Step 10	2	2%
Step 11	2	2%
> Max	36	29%

Total 125 100%

There are three major issues with this new pay plan. First, we feel the immediate obligation is to increase the pay of the twenty-eight employees who are below the Minimum of their range to the new Minimum. Several of the individual increases will be substantial

because the City has been underpaying those positions so much. However, when one considers that implementation only gets them to the Minimum, not to the market, and given that their skills are highly marketable for valuable leaders, we feel this is an absolute requirement.

Second, placing employees on the step that provides an increase, instead of placing them on a step that reflects their City experience on that job is very hard for experienced employees to accept. However, the alternative is just not within the City's budget. Furthermore, they now have a higher pay horizon that can be earned over time.

Third, the thirty-six red-circled employees are not going to be happy about the new plan. However, we suggest the City consider the following observations.

- The red-circled employees have been above market and still will be, whereas others are just coming to the Minimums of their new pay ranges. We have not recommended anyone be reduced in pay, so, as we explained to employees during orientation sessions at the start of the project, the worse result would that they would come out of the project making what they were being paid going into it.
- Almost all of these employees are in FLSA non-exempt job classifications for which the City has continued overtime pay practices with pay premiums above those required by law. Most municipalities have changed their practices to eliminate these premiums. The City has been more than fair in this regard.
- Third, as will be explained below in the benefits analysis section, the benefits costs, coupled with high pay, make the red-circled employees vulnerable to outside competition in a cost-cutting environment. The City has not gone down this path, and putting the brakes on this compensation package should work toward improved job security.

Benefits

Our project agreement with the City calls for us to “Comment on the quality and cost of the benefit program and recommend modifications that seem warranted by the Client’s total compensation philosophy.” Appropriately, clients ask this be taken into consideration because, historically, public employee fringe benefit programs tend to be superior to those typically received by a community’s citizens, and the public body wants to feel confident it is being fair to taxpayers and employees. How is the City Stevens Point doing in this regard?

All of the data collected by us and others over the years, combined with our years of practical experience, points to a clear conclusion that public employee benefits are very good, and typically better than most people enjoy. However, that outcome reflects Wisconsin's long-standing public policy, which is not untypical of government policy in many areas of the world, and is completely consistent with a practice of hiring public employees and investing in them for a career in public service.

We asked the City to provide two specific examples from payroll records that break out benefit costs for a manager and for a public works employee. The results are tabulated below:

	Mid-Level Manager	DPW Level 3
REGULAR PAY FULL TIME	\$51,332	\$23,469
OUT OF CLASS PAY	\$0	\$16,375
OVERTIME	\$0	\$2,200
VACATION PAY	\$6,221	\$3,588
SICK PAY	\$2,073	\$669
COMP TIME	\$1,424	
FLOATING HOLIDAY	\$235	\$166
LONGEVITY	\$300	\$660
MISCELLANEOUS PAY	\$30	\$17
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	\$61,614	\$47,144
SOCIAL SECURITY	\$3,593	\$2,744
MEDICARE	\$840	\$642
WORKMAN'S COMPENSATION	\$2,031	\$1,458
MEDICAL INS FAMILY Employer Pd	\$25,939	\$25,939
INCOME CONTINUANCE Empr Paid	\$13	\$10
STANDARD LIFE INS Empr Pd	\$22	\$22
MM LIFE INS Empr Pd	\$60	\$31
WRS GENERAL ER Cont	\$3,635	\$2,781
	<hr/>	<hr/>
	\$36,133	\$33,628
TOTAL COMPENSATION	<hr/> <hr/>	<hr/> <hr/>
	\$97,747	\$80,771

We believe any reasonable observer would conclude that the level and cost of benefits provided by the City of Stevens Point to its employees is extraordinarily high compared to what is available to the average worker in our economy, and certainly in Stevens Point. The cost of fringe benefits can be divided into four major cost categories – required benefits (social security, Medicare, unemployment compensation, and worker’s compensation), paid time off (vacation, sick leave, holidays, etc.), pension, and health care.

Of the four benefit cost areas, the City is consistent with others on required benefits (social security, medicare, workers compensation). Those expenses are driven by statutory requirements and lost time or reduction in force experience. The City provided three examples of total compensation at our request to illustrate the impact of benefits on total compensation. The tabulation is presented on the following page of this summary.

Paid time off benefits costs tend to be higher than most community employers because the City has a workforce with many years of service.

In the retirement area, the State of Wisconsin has an exceptional public employee pension program. It is well-funded and well-managed, and a critical cornerstone of our public employment policy. However, until the passage of Acts 10/32, there was growing criticism that it was too rich a benefit because the entire cost was born by taxpayers. Since passage, all public employees, except for unionized police, fire and transit employees, are required to pay half of their pension costs, and new agreements are being reached with unions representing those exempted employees to do the same. These changes helped level the competitive playing field.

The fourth benefit cost area – health insurance – remains a challenge, particularly since passage of the Affordable Care Act. The Act is raising everyone’s awareness about the practical and social equity issues surrounding access to and the cost of health care.

The most quoted basis of comparison of health plan costs and contribution rates is provided by the Kaiser Family Foundation (www.kff.org). Historically, public employees have benefitted from exceptionally good health care programs that mirrored those developed in collective bargaining with large private sector employers. These programs were outcomes of the post WWII period and the extraordinary growth of the American economy. Unfortunately, our economy changed, and many private sector programs disappeared with the private sector jobs and their benefit programs. Public employees remain and continue to be key contributors to the quality of our communities.

Two things, though, created a disparity. First, health insurance costs have skyrocketed and will continue to grow at a rate faster than our economy. Second, our historic collective bargaining laws and practices insulated public employees from the changes private sector employers and employees were implementing in their health insurance programs. The result is that public employees in many areas of Wisconsin have health insurance benefits that are superior in plan design and employer contribution levels than taxpayers have available. With the Affordable Care Act, this is a rapidly growing public policy concern.

The City implemented a number of plan provisions in 2013 that have helped control plan expenses in 2013. The savings are sufficient for the City Mayor and Comptroller to recommend a three-month premium holiday during the last quarter of 2014 during which employees would not have their premium share deducted from their paychecks. This cost is approximately \$70,000 and represents the equivalent of a one-time adjustment of more than 1% of base payroll. This holiday is proposed in lieu of a pay increase in 2014 and would be from insurance fund balances so there is no levy impact or on-going expense.

This “holiday” notwithstanding, we believe the City should make a serious move toward a greater premium contribution share paid by employees. The current City premium contribution is about twice the national average for employer contribution, and the difference is the equivalent of \$6/hour in benefit costs. The national average for contribution proportions is around 80% employer paid/20% employee paid. One way to create a more representative balance would be to have the employees and City share future plan premium increases on a 50/50 basis until an 80/20 split is reached.

Conclusion

In the final analysis, we believe a good pay plan has to be workable. The plan we have developed with the Mayor’s office and Human Resources places reasonable controls on areas of the pay plan where compensation is unreasonably high and raises pay for leadership positions where compensation is very uncompetitive. These changes would be implemented in a manner that the City believes it can afford. In addition, we believe employees should have the opportunity to appeal a classification placement following adoption of a new plan by the City Council, and we have provided Human Resources with a form for that purpose.

The key to developing a uniform pay plan in a post-Act 10 world is balance objective measurement and establishment of internal equity with sound market-based analysis and couple a new plan to effective performance management. The structure described in this report is fair and affordable and will give the City a strong foundation to continue to make the changes in benefits that it needs to make to protect public service cost effectively.

City of Stevens Point, WI Classification/Compensation Study Findings and Recommendations

November 11, 2013

**Carlson Dettmann Consulting, LLC
Madison, WI**

**CARLSON
DETTMANN
CONSULTING**

Sound Compensation Program Standards

1. **Aligned with strategic objectives**
2. **Creates internal equity**
3. **Competitive**
4. **Considers total compensation design**
5. **Supports performance management**
6. **Affordable**
7. **Legal**
8. **Understandable**
9. **Efficient to administer and consistent**
10. **Audited regularly**

Project Objectives

- **Balance internal consistency with market competitiveness**
- **Consolidate pay plan structure**
- **Review linkages between benefits and pay, and performance and pay**

Pay plan presented today fulfills these objectives

Major Study

- **About 130 employees**
- **Over \$6.1M payroll**
- **Avg. annual FTE wage = \$48,800**

Job Evaluation → Internal Consistency

- **Evaluations based on documentation**
- **Five factors**
 - Education & required experience
 - Decision-making
 - Thinking challenges
 - Communications
 - Working conditions
- **Objective analysis and application**
 - Internal review and adjustments, where justified
 - Appeals following adoption

Using the Results

- **Result is many job classifications, each with a point score**
- **What do we do with this?**
 - A unique pay range for each classification is unworkable
- **Instead, allocate positions into grades**
 - **BUT, one unified plan for the City of Stevens Point**

Three Major Policy Questions

1. **What are your comparison markets?**
2. **Where does the City want to position in those markets?**
3. **How do you want to deliver pay?**

Q#1: Market Measurement?

- **20 benchmark positions**
 - Job classifications matched to data
 - Representative of different pay and responsibility levels at the City of Stevens Point
- **Data sources**
 - Custom public employer survey
 - * 8 cities selected by City Council
 - * Fond du Lac, Manitowoc, Marshfield, Watertown, Neenah, Superior, Wausau, and Wisconsin Rapids
 - Published data from established sources
 - * Bureau of Labor Statistics, Towers Watson, & Central WI SHRM

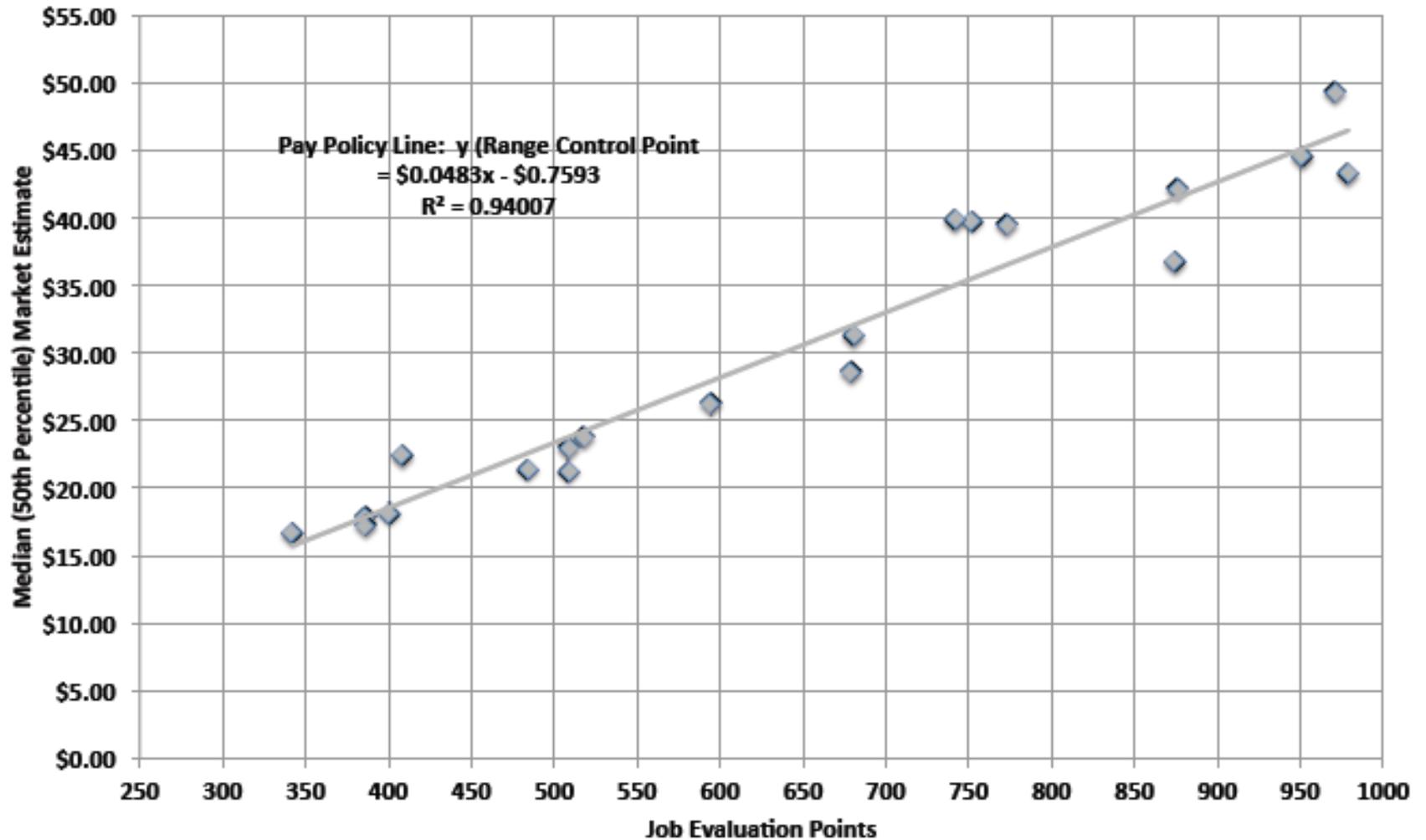
Policy for Weighting the Data

JOB LEVEL	PRIVATE	PUBLIC
Department Heads & Managers	25%	75%
Supervisors, Professionals & Advanced Technical	50%	50%
Non-exempt	75%	25%

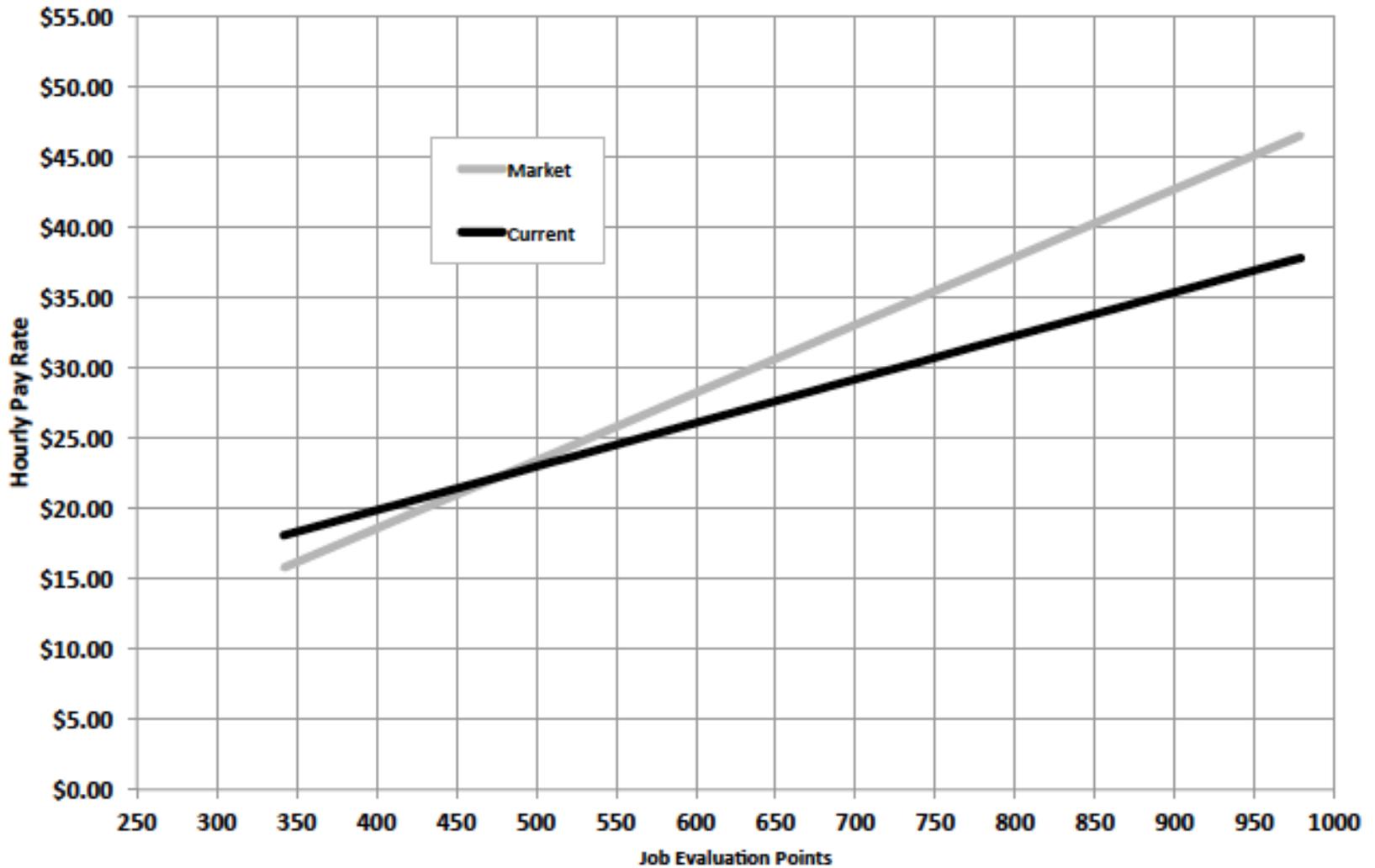
Policy Question #2

- **Where does the City want to position itself in its labor markets?**
 - **Based on discussions with Committee, plan is built around average pay**
- **Do benefits matter?**
 - **Yes**
 - **Health insurance is being addressed**
 - ★ **More work to be done**
 - **Employees now contributing 50% of pension**

City of Stevens Point
Regression of Median Market Pay on Job Evaluation



City of Stevens Point
Comparison of Current and Market Regression Lines of Best Fit



Q#3: Pay Delivery – Options?

- Public employers across Wisconsin are moving to more performance management
- Quick movement to pay for performance is relatively rare
- Interest is intense in making at least some compensation performance driven
- Desire tends to outpace ability to manage ... but that can change and *assistance is available*

Pay Plan Design

- **Assume the City will continue current structure**
 - Step 6 (Control Point, or C/P) linked to market estimates
- **11 steps**
 - Minimum = 87.5% of C/P
 - Maximum = 112.5% of C/P
- **Steps require performance at least meeting expectations**
 - Steps 2-6, each year
 - Steps 7-9, every two years
 - Steps 10-11, every three years

Trend Line Data

○ Equation for pay policy line:

- y (predicted pay) = \$.0483 times x (job evaluation score) - \$.7593
- .0483 is line slope (every point = \$.0483)
- -\$.7593 is the y -axis intercept
- Correlation coefficient is 0.94
 - ★ Can be interpreted as job evaluation system explains 94% of the variance in market pay
 - ★ This is a very high coefficient; tight fit
 - ★ Excellent basis for designing a pay plan

Example of How We Use the Line Data

- **Objective is to create range Control Points linked to market data**
- **Example: Calculating a Grade Midpoint ... Grade "J"**
 - Grade J Point Range is 550-599 pts.
 - Middle value is 574.5 pts
- **Using the line equation**
 - $(\$0.0483 \text{ times } 574.5 \text{ pts}) - \$0.7593 = \$26.99$
 - $\$26.99 \text{ aged by } 1\% = \$27.38 \text{ (with rounding)}$
- **Becomes the Gr J Control Point (Step 6)**
 - Range = \$23.96 to \$30.80

**CITY OF STEVENS POINT
RECOMMENDED 2014 STEP STRUCTURE - HOURLY FORMAT**

Grade	Start	End	87.5% Minimum	90.0% Step 2	92.5% Step 3	95.0% Step 4	97.5% Step 5	100.0% Control Point	102.5% Step 7	105.0% Step 8	107.5% Step 9	110.0% Step 10	112.5% Step 11
R	950	999	\$41.15	\$42.33	\$43.50	\$44.68	\$45.85	\$47.03	\$48.21	\$49.38	\$50.56	\$51.73	\$52.91
Q	900	949	\$39.01	\$40.12	\$41.24	\$42.35	\$43.47	\$44.58	\$45.69	\$46.81	\$47.92	\$49.04	\$50.15
P	850	899	\$36.86	\$37.91	\$38.96	\$40.01	\$41.07	\$42.12	\$43.17	\$44.23	\$45.28	\$46.33	\$47.39
O	800	849	\$34.70	\$35.69	\$36.69	\$37.68	\$38.67	\$39.66	\$40.65	\$41.64	\$42.63	\$43.63	\$44.62
N	750	799	\$32.55	\$33.48	\$34.41	\$35.34	\$36.27	\$37.20	\$38.13	\$39.06	\$39.99	\$40.92	\$41.85
M	700	749	\$30.41	\$31.28	\$32.14	\$33.01	\$33.88	\$34.75	\$35.62	\$36.49	\$37.36	\$38.23	\$39.09
L	650	699	\$28.25	\$29.06	\$29.87	\$30.68	\$31.48	\$32.29	\$33.10	\$33.90	\$34.71	\$35.52	\$36.33
K	600	649	\$26.10	\$26.85	\$27.59	\$28.34	\$29.08	\$29.83	\$30.58	\$31.32	\$32.07	\$32.81	\$33.56
J	550	599	\$23.96	\$24.64	\$25.33	\$26.01	\$26.70	\$27.38	\$28.06	\$28.75	\$29.43	\$30.12	\$30.80
I	500	549	\$21.81	\$22.43	\$23.05	\$23.67	\$24.30	\$24.92	\$25.54	\$26.17	\$26.79	\$27.41	\$28.04
H	450	499	\$19.65	\$20.21	\$20.78	\$21.34	\$21.90	\$22.46	\$23.02	\$23.58	\$24.14	\$24.71	\$25.27
G	400	449	\$17.51	\$18.01	\$18.51	\$19.01	\$19.51	\$20.01	\$20.51	\$21.01	\$21.51	\$22.01	\$22.51
F	350	399	\$15.36	\$15.80	\$16.23	\$16.67	\$17.11	\$17.55	\$17.99	\$18.43	\$18.87	\$19.31	\$19.74
E	325	349	\$13.75	\$14.14	\$14.53	\$14.92	\$15.32	\$15.71	\$16.10	\$16.50	\$16.89	\$17.28	\$17.67
D	300	324	\$12.73	\$13.10	\$13.46	\$13.82	\$14.19	\$14.55	\$14.91	\$15.28	\$15.64	\$16.01	\$16.37
C	275	299	\$11.79	\$12.12	\$12.46	\$12.80	\$13.13	\$13.47	\$13.81	\$14.14	\$14.48	\$14.82	\$15.15
B	250	274	\$10.91	\$11.22	\$11.53	\$11.85	\$12.16	\$12.47	\$12.78	\$13.09	\$13.41	\$13.72	\$14.03

Notes: All step advancement requires a formal performance review, and the employee must at least meet performance expectations. Steps 2-6 are at annual intervals

Movement through Steps 2-6 is at one-year intervals; Steps 7-9 at two-year intervals; and Steps 10-11 at three-year intervals.

**CITY OF STEVENS POINT
RECOMMENDED 2014 STEP STRUCTURE - SALARY FORMAT**

Grade	Start	End	87.5% Minimum	90.0% Step 2	92.5% Step 3	95.0% Step 4	97.5% Step 5	100.0% Control Point	102.5% Step 7	105.0% Step 8	107.5% Step 9	110.0% Step 10	112.5% Step 11
R	950	999	\$85,592	\$88,046	\$90,480	\$92,934	\$95,368	\$97,822	\$100,277	\$102,710	\$105,165	\$107,598	\$110,053
Q	900	949	\$81,141	\$83,450	\$85,779	\$88,088	\$90,418	\$92,726	\$95,035	\$97,365	\$99,674	\$102,003	\$104,312
P	850	899	\$76,669	\$78,853	\$81,037	\$83,221	\$85,426	\$87,610	\$89,794	\$91,998	\$94,182	\$96,366	\$98,571
O	800	849	\$72,176	\$74,235	\$76,315	\$78,374	\$80,434	\$82,493	\$84,552	\$86,611	\$88,670	\$90,750	\$92,810
N	750	799	\$67,704	\$69,638	\$71,573	\$73,507	\$75,442	\$77,376	\$79,310	\$81,245	\$83,179	\$85,114	\$87,048
M	700	749	\$63,253	\$65,062	\$66,851	\$68,661	\$70,470	\$72,280	\$74,090	\$75,899	\$77,709	\$79,518	\$81,307
L	650	699	\$58,760	\$60,445	\$62,130	\$63,814	\$65,478	\$67,163	\$68,848	\$70,512	\$72,197	\$73,882	\$75,566
K	600	649	\$54,288	\$55,848	\$57,387	\$58,947	\$60,486	\$62,046	\$63,606	\$65,146	\$66,706	\$68,245	\$69,805
J	550	599	\$49,837	\$51,251	\$52,686	\$54,101	\$55,536	\$56,950	\$58,365	\$59,800	\$61,214	\$62,650	\$64,064
I	500	549	\$45,365	\$46,654	\$47,944	\$49,234	\$50,544	\$51,834	\$53,123	\$54,434	\$55,723	\$57,013	\$58,323
H	450	499	\$40,872	\$42,037	\$43,222	\$44,387	\$45,552	\$46,717	\$47,882	\$49,046	\$50,211	\$51,397	\$52,562
G	400	449	\$36,421	\$37,461	\$38,501	\$39,541	\$40,581	\$41,621	\$42,661	\$43,701	\$44,741	\$45,781	\$46,821
F	350	399	\$31,949	\$32,864	\$33,758	\$34,674	\$35,589	\$36,504	\$37,419	\$38,334	\$39,250	\$40,165	\$41,059
E	325	349	\$28,600	\$29,411	\$30,222	\$31,034	\$31,866	\$32,677	\$33,488	\$34,320	\$35,131	\$35,942	\$36,754
D	300	324	\$26,478	\$27,248	\$27,997	\$28,746	\$29,515	\$30,264	\$31,013	\$31,782	\$32,531	\$33,301	\$34,050
C	275	299	\$24,523	\$25,210	\$25,917	\$26,624	\$27,310	\$28,018	\$28,725	\$29,411	\$30,118	\$30,826	\$31,512
B	250	274	\$22,693	\$23,338	\$23,982	\$24,648	\$25,293	\$25,938	\$26,582	\$27,227	\$27,893	\$28,538	\$29,182

Notes: All step advancement requires a formal performance review, and the employee must at least meet performance expectations. Steps 2-6 are at annual intervals

Movement through Steps 2-6 is at one-year intervals; Steps 7-9 at two-year intervals; and Steps 10-11 at three-year intervals.

Medical Plan Benchmarking

Medical	City of Stevens Point HSA-eligible CDHP	Mercer 2012 Employer Sponsored HSA-eligible CDHP Midwest Region	Mercer 2012 Services Industry HSA-eligible CDHP Municipalities/Government
Deductible	\$1,500 / \$2,500 Individual In/Out of Network \$3,000 / \$5,000 Family In/Out of Network	\$1,500 / \$3,000 Individual In/Out of Network \$3,000 / \$6,000 Family In/Out of Network	\$1,500 / \$3,000 Individual In/Out of Network \$3,000 / \$6,000 Family In/Out of Network
Coinsurance	100% In Network / 80% Out of Network	80% In Network / 60% Out of Network	80% In Network / 60% Out of Network
Maximum Out of Pocket	\$1,500 / \$3,000 Individual In/Out of Network \$3,000 / \$6,000 Family In/Out of Network	\$3,000 / \$6,000 Individual In/Out of Network \$6,000 / \$12,000 Family In/Out of Network	\$3,500 / \$5,950 Individual In/Out of Network \$8,050 / \$11,000 Family In/Out of Network
Office Visits (PCP)	100% after Deductible In Network 80% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network
Prescription Drug	100% after Deductible In Network 80% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network
Hospital Inpatient	100% after Deductible In Network 80% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network	80% after Deductible In Network 60% after Deductible Out of Network
Emergency Room	100% after Deductible In Network 80% after Deductible Out of Network	80% after Deductible In Network	80% after Deductible In Network
Average Health Plan Cost per EE per Year	\$16,622	\$11,026	\$12,042
Annual Health Savings Account Contribution	\$1,000 Individual \$2,000 Family	\$500 Individual \$1,000 Family (72% of employers seed the account)	\$750 Individual \$1,500 Family (77% of employers seed the account)
Employee Contribution Percentage	10% Individual 10% Family	31% Individual 54% Family	13% Individual 23% Family
Average Monthly Employee Premium Contribution	\$79.80 Individual \$202.20 Family	\$106 Individual \$461 Family	\$50 Individual \$234 Family

Red-Circling in Practice

- **Principle: Individual employee pay not reduced if above range**
 - Significant morale issue if cut pay
 - Should only cut pay if financially imperative
 - Savings come with turnover
- **Red-circling does not mean can't grant inflation adjustments**

Appeals and Maintenance

- **Appeals processed following plan adoption by City Council**
 - Must be based on documentation
 - For changes in responsibilities
 - Missed items on documentation
 - Feel not classified correctly
 - Council policy decisions on market, implementation, and pay structure cannot be appealed
- **Maintenance plan**
 - Annual opportunity for classification review
- **Periodic market review**

Questions?
