

\*\*All present are expected to conduct themselves in accordance with our City's Core Values\*\*



## OFFICIAL NOTICE AND AGENDA

of a meeting of a City Board, Commission, Department, Committee, Agency, Corporation, Quasi-Municipal, Corporation, or Sub-unit thereof.

Meeting of the: **Human Resources Committee**  
Date/Time: **Monday, November 19, 2018 at 4:30 PM**  
Location: City Hall (407 Grant Street) – Council Chambers – 1<sup>st</sup> Floor  
Members: Becky McElhaney (C) Gary Gisselman, Dawn Herbst, Michael Martens, Tom Neal

### AGENDA ITEMS FOR CONSIDERATION

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- 1) Presentation of City of Wausau Wage Study Report by Arthur J. Gallagher & Co.
- 2) Discussion for Future Action of City of Wausau Wage Study

Becky McElhaney, HR Chair

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This Notice was posted at City Hall and faxed to the Daily Herald newsroom on 11/16/2018 at 10:30 AM

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Questions regarding this agenda may be directed to the Human Resources Office at (715) 261-6630.

It is anticipated that each item listed on the agenda may be discussed, referred, or acted upon unless it is noted in the specific agenda item that no action is contemplated. It is possible that members of, and possibly a quorum of members of other committees of the Common Council of the City of Wausau may be in attendance at the above mentioned meeting to gather information. **No action will be taken by any such group at the above mentioned meeting other than the committee specifically referred to in this notice.**

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Other Distribution: Alderperson, Mayor, Department Heads, Union Presidents.



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## HUMAN RESOURCES DEPARTMENT

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### Memorandum

To: HR Committee  
From: Toni Vanderboom, Human Resources Director  
Date: November 19, 2018  
Re: Proposed Annual Wage Increase Procedures

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The City of Wausau has been operating without an established administrative procedure over annual salary increases since the attempt to transition to a pay performance scale in 2014. City Council and the Mayor have worked diligently to grant annual increases through the budgetary process each year, to the betterment of the City and its employees.

The Human Resources Committee has clearly communicated a desire to create a sustainable procedure for annual salary increases as part of the current wage study. To that end, this memorandum explores three of the most common options for pay increase administration: Pay for Performance, Across the Boards, and Step Increases.

#### **Pay for Performance**

Definition: Annual increases are tied to employee performance; top performers receive higher incentives (in this case, base salary increases) while underperformers receive lower or no incentives.

#### Pros:

- Administered properly, pay for performance rewards top performers and can motivate employees to perform
- Low performer turnover

#### Cons:

- Low performer turnover
- SHRM identifies the following challenges to Pay for Performance Plans: insufficient funding, faulty goal setting (no clear definition of performance), unrealistic employee reward expectations, poor modeling by leadership, the mindset that “everyone is a high performer”
- Administered improperly, top performers are not identified or recognized which leads to loss of motivation and negative morale
- Managers may be reluctant to properly identify low performers; lack of consistency across management staff

### **Across the Board**

Definition: A universal increase is granted to all employees.

Pros:

- Everyone is treated the same
- The City can control budgetary expenses by establishing an increase in each annual budget in line with the City's current fiscal status

Cons:

- Equal does not mean fair (i.e. a high performer and underperformer will receive the same salary incentive, despite disparities in performance)
- The inability to project or guarantee future increase amounts may have a negative impact on recruitment and lead to employee turnover
- Employees may feel that they are not progressing through the salary scale fast enough

### **Step Increase**

Definition: Fixed increases, or steps, are established to guide how an employee moves through the pay plan.

Pros:

- Employees and prospective employees can project future expected increases
- The City can easily anticipate future budgetary impact

Cons:

- The City is effectively "locked in" for future salary increases
- Expensive
- The City has no avenue to withhold increases in case of employees who do not meet performance standards
- Can result in a negative impact on morale because high performers receive the same increase as underperformers

Personally, I have had good experience in the past with a pay for performance plan—especially one with an established budget increase. However, in light of the past troubled implementation of a similar plan, I am not sure that this is the best time for a second attempt at a pay for performance plan. However, I do strongly believe that any annual administrative plan should include a minimum performance threshold to receive an increase.

To the credit of the Mayor and the City Council, the City has worked diligently to approve across the board increases for employees over the last several years. If the Council prefers to maintain direct control over the fiscal impacts, the City can continue to approve the budget for across the board increases. However, over the past several years under this approach, the Human Resources department frequently receives input from employees who feel that they are not progressing through the salary scale, and that their longevity with the City and performance is not being recognized under this approach.

For this reason, provided the City can accept the financial implications of such an approach, I would recommend a combination of the three options above. The City can establish a set step system, and the Human Resources Department will continue to monitor market data and recommend cost-of-living

adjustments to the salary scale as appropriate. Guidelines would also be established to identify individuals who are not meeting performance expectations, which could result in the employee not receiving a step increase. This would have the benefit of allowing current and prospect employees the secure knowledge of future salary increases, provided they continue to meet performance expectations.

# City of Wausau Salary Study



Mike Verdoorn & Megan Olson | November 19, 2018

Draft Working Copy: For Discussion Only



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# Topics

- Project Objectives
- Executive Summary
- Methodology
  - Job Evaluation
  - Compensation
- Analysis and Findings
- Salary Structure Development
- Implementation and Cost Options
- Recommendations and Next Steps



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# Project Objectives



# Project Objectives

**The City of Wausau (City) contracted with Gallagher Benefit Services, Inc. (GBS) to conduct a compensation study covering all non-represented employees.**

- The objectives of the study were to:
  - Classify City jobs using the Decision Band Method (DBM®) to ensure proper internal equity.
  - Collect market salary information to ensure external competitiveness.
  - Build a salary structure that balances internal equity within the City and external competitiveness with the market.



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# Executive Summary



# Executive Summary

Market	50 <sup>th</sup> Percentile	75 <sup>th</sup> Percentile
Public	+1.4% (highly competitive)	-7.3% (competitive)
Full Market	-2.6% (highly competitive)	-13.2% (potentially misaligned)

- Public Market: includes only public sector data cuts.
- Full Market: includes public and private sector data cuts.



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# Methodology



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## Methodology: Job Evaluation

- Human Resources provided 110 updated job descriptions for all positions in the study.
- Conducted 16 occupational panels with selected groups of employees.
- Held interviews with department heads.



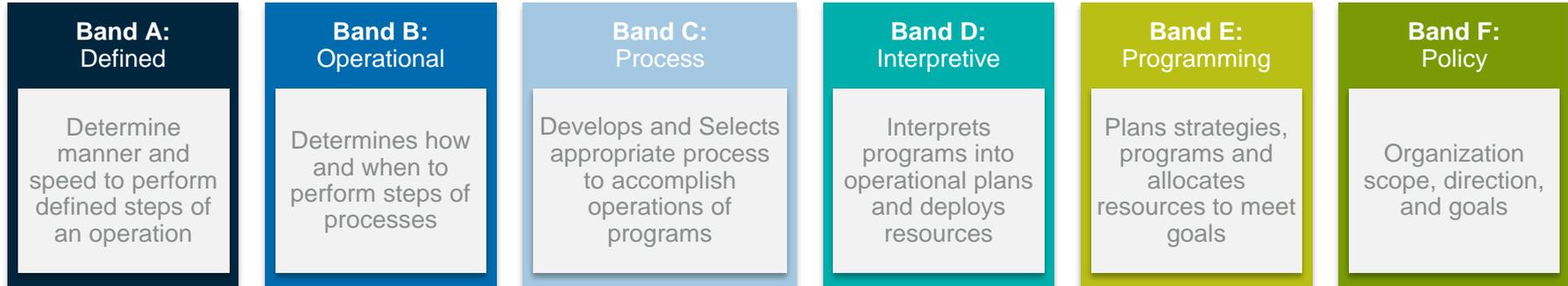
# Methodology: Job Evaluation

- Decision Band Method® (DBM) - formal job evaluation method applied to define:
  - Internal equity
  - Job value hierarchy
  - Assignment to pay grades
  - Evaluation of new or changed jobs
- Primary criteria of evaluation:
  - Decision making
  - Supervision
  - Complexity and difficulty of job responsibilities
- DBM evaluations reviewed by HR and Department Heads.



# Decision Band Method®

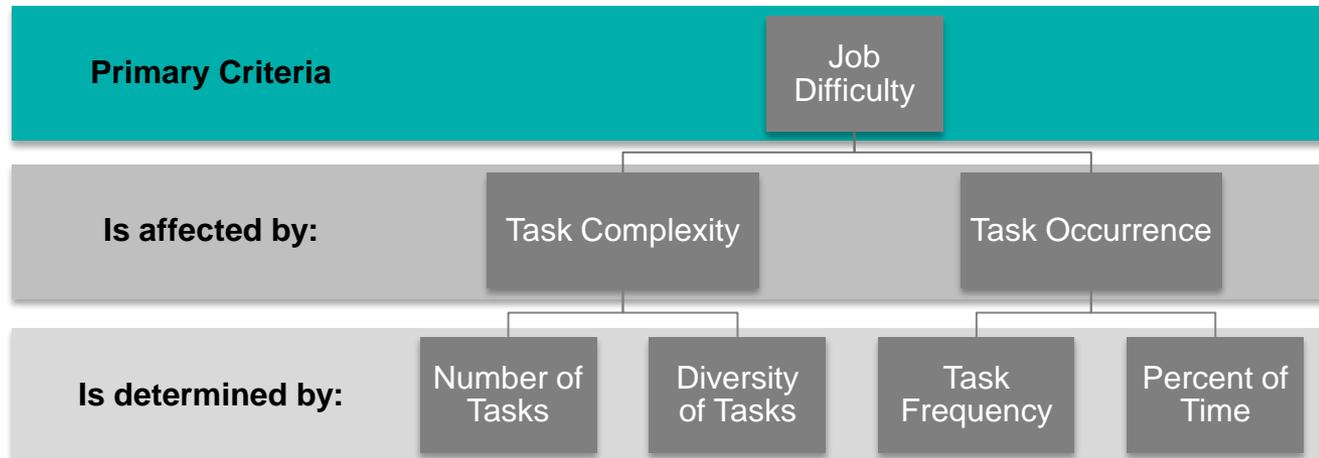
## Step 1: Determine appropriate band



## Step 2: Determine appropriate grade



## Step 3: Determine appropriate subgrade





# Methodology: Compensation

- GBS selected a list of 40 benchmark jobs, which represented 36% of City jobs.
- We utilized the following guidelines for benchmark selection:
  - Representation of all job families and levels throughout the organization.
  - Highly populated jobs.
  - Jobs found in most organization.
  - Jobs with recruitment or retention issues.



## Methodology: Compensation

- Appropriate published survey sources were used to collect market salary information:
  - American Water Works Association Survey
  - Bureau of Labor Statistics (BLS) Survey
  - CompData Midwest Survey
  - Economic Research Institute Survey
  - Gallagher Compensation & Benefits Survey for Housing Organizations
  - Mercer Surveys
  - PSI, Twin Cities and Upper Midwest Survey
  - QualComp Minnesota Statewide Compensation Survey
  - Willis Towers Watson Surveys



# Methodology: Compensation

- Market data was collected for the following 38 benchmark jobs:
  - Public sector data was available for 32 of 40 benchmark jobs.
  - Private sector data was available for 37 of 40 benchmark jobs.

BM No.	Job Title	BM No.	Job Title
1	Property Appraiser	11	Administrative Assistant III
2	Housing Project Coordinator	12	Senior Human Resources Generalist
3	Building Maintenance Technician	13	Director Human Resources
5	Assistant Planner	14	Legal Assistant
6	Accounting Assistant - Finance	15	City Attorney
7	Payroll Specialist	16	Executive Assistant
8	Accountant	17	Administrative Assistant I
9	Assistant Finance Director	18	Parking Control Specialist
10	Finance Director	19	Humane Officer



# Methodology: Compensation

- Market data was collected for the following 38 benchmark jobs:
  - Public sector data was available for 32 of 40 benchmark jobs.
  - Private sector data was available for 37 of 40 benchmark jobs.

BM No.	Job Title	BM No.	Job Title
20	Law Enforcement Computer Technician	31	Equipment Operator
22	Engineering Technician	32	Electrical Worker - II
23	GIS Analyst	33	Electrical Worker - III
24	Environmental Engineer	34	Fleet and Facilities Manager
25	Project Engineer	35	Sewer Maintainer
26	Project Manager (City Engineer)	36	Sewer Plant Mechanic
27	Plumbing Inspector	37	Water Plant Operator
28	Electrical Inspector	38	Plant Maintenance - Relief Operator
29	Parking Cashier	39	Transit Maintenance Supervisor
30	Stockroom Specialist	40	Transit Director



# Methodology: Compensation

- Salary Survey data collected using the following steps:
  - Reviewed job descriptions to ensure we understood the duties and responsibilities of benchmark jobs to make appropriate job matches from published survey sources.
  - We followed standard WorldatWork compensation guidelines for job matching (match only those jobs that match at least 80% of the duties, responsibilities and functions as outlined in the benchmark job summary).



# Methodology: Compensation

## Aging Salary Data

- We aged all salary data to a common effective date, December 31, 2018 using the *WorldatWork* prevailing market trend of 3% per year for actual salaries and 2% for salary structure.

## Adjusting Salary Data

- Referencing the ERI cost-of-labor differential, market data can be adjusted to reflect the defined labor market.
- To ensure the City's ability to compete with the broader labor market, data was adjusted to reflect the State of Wisconsin market, rather than the City of Wausau only.



# Methodology: Compensation

## Data Statistics

- We combined survey data for each benchmark job to calculate the average of the 25th percentile, 50th percentile (median), and 75th percentile across job matches.

## Outlier Analysis

- It is our professional practice to review raw salary data for any outliers.
- To mitigate the loss of salary data, we reviewed job matches that were greater than +/- 15% variance from the overall market average for the benchmark. We reviewed the job matches against the benchmark job duties to ascertain at least 80% job match. Positions that did not meet both criteria were removed as outliers.
- We further reviewed benchmark jobs where the City average salary was +/-15% from the overall market 50th percentile to ensure that job matches were representing the correct level and nature of responsibilities.



# Methodology: Compensation

## Market Comparisons

- We compared the City to two market segments:
  - Full Market: includes public and private sector data.
  - Public Sector: includes only public sector data.
- Throughout this project, data was assessed and evaluated from multiple perspectives, with two differing concepts in mind – considering actual salary alignment with market, and considering salary structure alignment with market.
- Actual Salary
  - Reflects actual employee pay at the City.
  - Comparisons of City actual (base) pay, to actual employee pay in the labor market, will be discussed later in the presentation.
- Salary Structure
  - Reflects methodology and construction of the pay structure itself - including but not limited to pay ranges, alignment of those ranges to market data, range spread, etc.
  - We will discuss comparisons of the City's existing pay structure to market competitor pay structures and alignment with actual pay.



# Methodology: Compensation

## Benchmark Comparison Calculations from the Market

- For each benchmark comparison, the percentage difference between the City's average actual salary and market salary was calculated to determine whether the City's actual salaries are above, below or competitive with prevailing market.
- For each benchmark comparison, the percentage difference was calculated between the City and the market in terms of actual salary:
  - Positive (+) figure indicates that the City pays above the market.
  - Negative (-) figure indicates that the City pays below the market.



# Methodology: Compensation

## Acceptable Variance

- We used the following guidelines when determining the competitive nature of current compensation:
  - +/-5% = Highly Competitive
  - +/-10% = Competitive
  - +/-10-15% = Possible misalignment with market
  - >15% = Misalignment with market
- Some of the benchmark jobs that have more than a 15% variance from the market are not necessarily in misalignment.
- Factors such as performance, turnover, and longevity will impact actual salaries and may explain some of the differences between the City and the market actual salaries for individual jobs.



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# Analysis and Findings



# Base Salary: Market Competitiveness

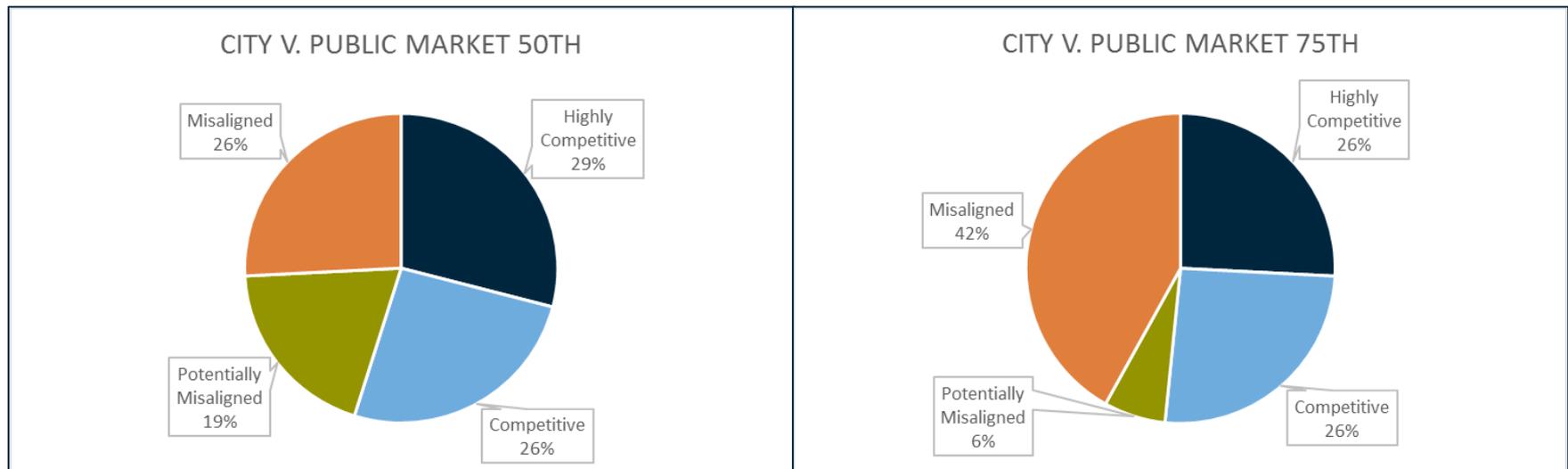
The following chart represents an aggregate comparison of all benchmark positions and is not a simple average of the benchmark comparisons:

City vs. Market	Base Salary Market P50		Base Salary Market P75	
	Full Market	Public Sector	Full Market	Public Sector
% Overall Difference	-2.6%	+1.4%	-13.2%	-7.3%
Market Competitiveness	<i>Highly Competitive</i>	<i>Highly Competitive</i>	<i>Possible Misalignment</i>	<i>Competitive</i>



# Base Salary: Market Competitiveness

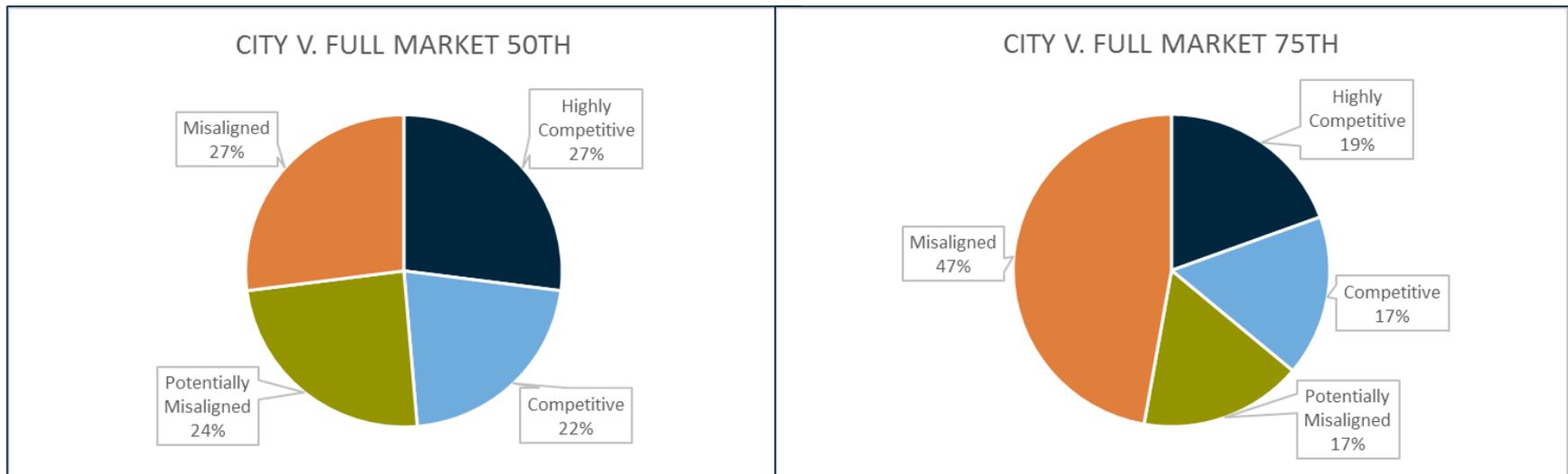
The following charts represent the percent of benchmark jobs that fall within each market competitiveness tier:





# Base Salary: Market Competitiveness

The following charts represent the percent of benchmark jobs that fall within each market competitiveness tier:





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# Salary Structure Development

# Salary Structure Development



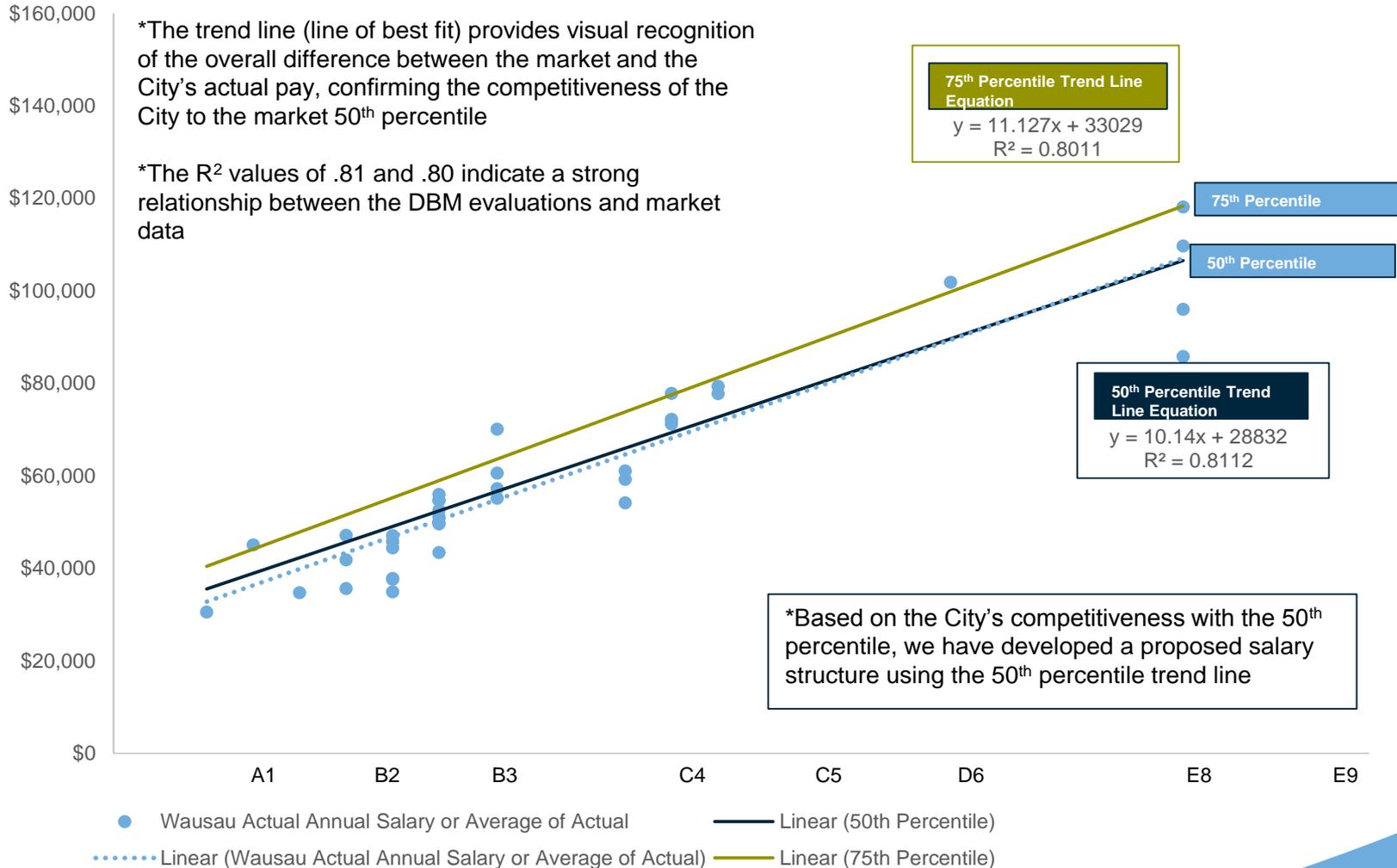
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- Upon completion of the job evaluation and market data collection phases, GBS integrated market and job evaluation data to create the market trend lines listed below, which are shown on the following slides:
  - 50<sup>th</sup> & 75<sup>th</sup> Percentiles of the Full Market, adjusted to State of Wisconsin



# Salary Structure Development





# Salary Structure Development

- By utilizing a combination of the market data and the job evaluation results, we are proposing a salary structure that is competitive with the market and internally equitable.
- The proposed structure is based on the 50<sup>th</sup> percentile of the full market, adjusted to State of Wisconsin.
- We created varying range spreads across the DBM bands:
  - Bands A and B: 40%
  - Bands C, D, and E: 50%
- Varying range spreads represent the differences in skill variability and time to reach full job proficiency across job levels.

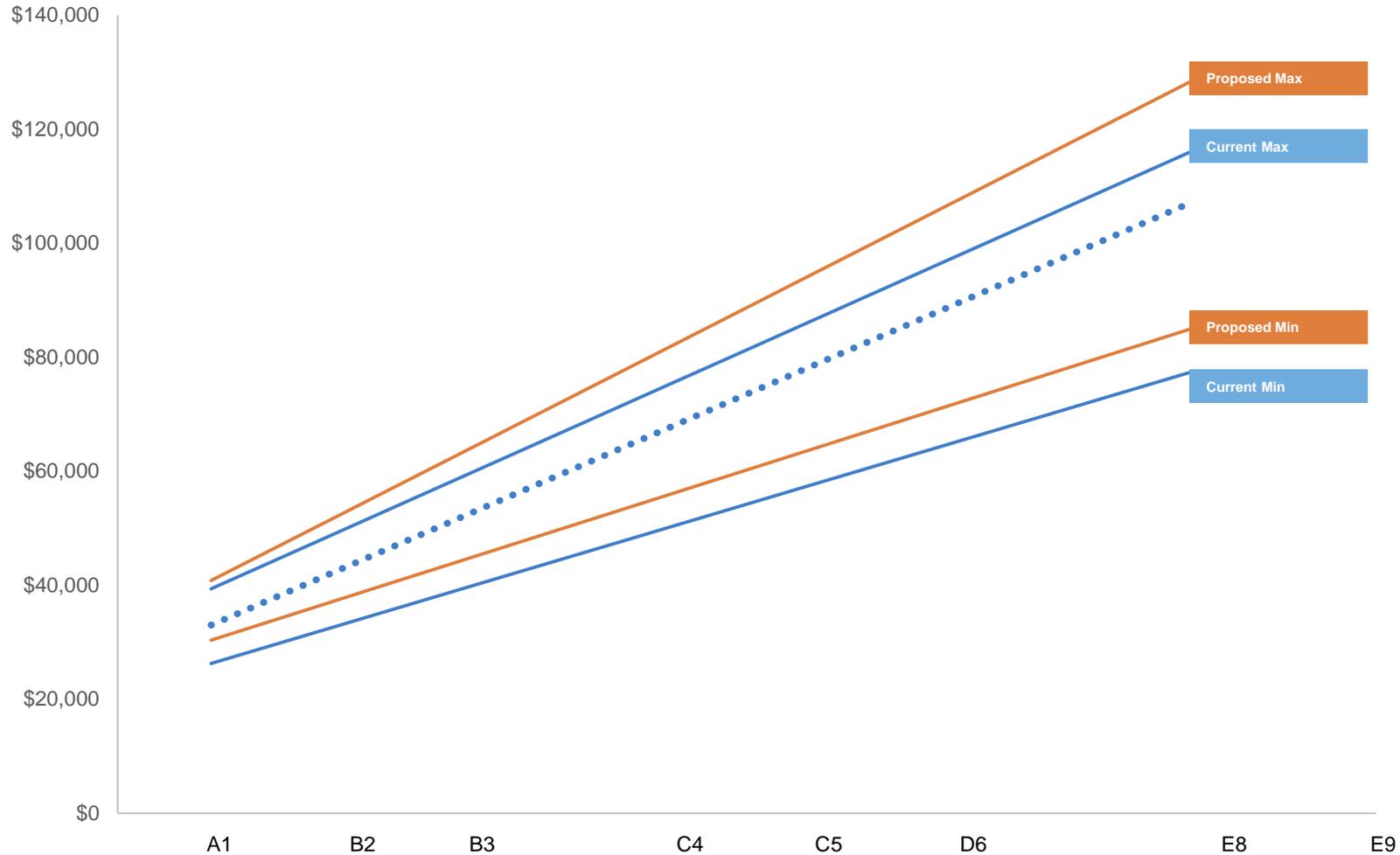


# Salary Structure Development

Full Market, Wisconsin – 50 <sup>th</sup> Percentile				
DBM Rating	Minimum	Midpoint	Maximum	Range Spread
A11	\$29,663	\$35,595	\$41,528	40%
A12	\$32,477	\$38,972	\$45,467	40%
A13	\$35,291	\$42,349	\$49,407	40%
B21	\$38,113	\$45,735	\$53,358	40%
B22	\$40,927	\$49,112	\$57,297	40%
B23	\$43,741	\$52,489	\$61,237	40%
B24/B31	\$47,264	\$56,717	\$66,170	40%
B25/B32	\$51,489	\$61,787	\$72,085	40%
C41	\$52,812	\$66,015	\$79,218	50%
C42	\$55,514	\$69,392	\$83,270	50%
C43	\$58,215	\$72,769	\$87,322	50%
C44/C51	\$61,598	\$76,997	\$92,396	50%
C45/C52	\$65,654	\$82,067	\$98,480	50%
D61	\$69,036	\$86,295	\$103,554	50%
D62	\$71,738	\$89,672	\$107,606	50%
D63	\$74,439	\$93,049	\$111,658	50%
D71	\$77,822	\$97,277	\$116,732	50%
D72	\$81,878	\$102,347	\$122,816	50%
E81	\$85,260	\$106,575	\$127,890	50%
E82	\$87,962	\$109,952	\$131,942	50%
E83	\$90,663	\$113,329	\$135,994	50%
E91	\$94,046	\$117,557	\$141,068	50%
E92	\$98,102	\$122,627	\$147,152	50%



# Salary Structure Development





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# Implementation and Cost Options



# Implementation and Cost Options

- The following table outlines costs associated with placing employees into the proposed structure – Full Market 50<sup>th</sup> Percentile, adjusted to State of Wisconsin (40-50% range spreads):

Implementation	Bring to Minimum	Bring to Step (based on time in position)	Bring to Step, up to Midpoint (based on time in position)
Cost	\$37,021	\$561,257	\$275,099
% of Salary Cost	0.38%	5.74%	2.81%
# EE's Receive Increase	24	97	76
# EE's Below Proposed Minimum	24	24	24
# EE's Above Proposed Maximum	3	3	3



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# Recommendations and Next Steps



# Recommendations

- Adopt the Decision Band Method® to establish internal equity.
- Implement the proposed salary structure option.
- Select an implementation option (bring to min, bring to step, bring to step up to midpoint).



# Ongoing Administration

- Pay administration guidelines should be implemented for placing and moving employees through the structure, we recommend the following:
  - The hiring range should be from the range minimum for minimally acceptable qualified individuals to the first quartile (25th percentile) for well qualified individuals.
  - Appointment above the first quartile should require the approval of Human Resources, and appointment above the midpoint should require the approval of the nominated authority.



# Ongoing Administration

- The salary structure should be adjusted by a structure movement trend factor every year to remain competitive with the market.
- Salary advancement through the structure should be based on competent performance in the job class at a higher rate than the salary structure adjustment.
- In addition to adjusting the salary structure each year to keep pace with the market, the City should conduct a comprehensive market compensation study similar to the salary study part of the project at least every three to five years.



# Ongoing Administration

- The City should annually review its internal alignment to ensure proper leveling between jobs.
- The City should determine whether to handle reclassification requests internally, or whether GBS will review and respond to requests.
  - We recommend the City maintain a schedule for reclassification requests (i.e. reclassification requests are reviewed once every quarter). This helps to ensure the City maintains proper internal hierarchy.



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# Next Steps

- Presentation to Council.
- Development of an appeals process:
  - Determine what is appealable.
  - DBM® ratings in themselves are not appealable. HR is responsible for determining DBM® ratings and maintaining proper internal equity.

# Thank You

**Mike Verdoorn | Principal Consultant**  
**Megan Olson | Consulting Associate**

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