



CITY OF WAUWATOSA
EMPLOYEE RELATIONS COMMITTEE
MINUTES • JULY 9, 2013

Regular Meeting**Committee Room #1****6:30 PM**

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Causier, Berdan, Wilson, Hanson (6:34pm), Organ (6:41pm) - 5

ALSO PRESENT: Alds. Walz-Chojnacki, Birschel, Dubinski, Moldenhauer, Roznowski, Wilke, Donegan, McBride, Pantuso, Tilleson; J. Archambo, City Admin.; A. Kesner, City Attorney; J. Ruggini, Finance Dir.; B. Aldana, HR Dir.; C. Ledesma, City Clerk; A. Brown, Asst to City Admin.; P. Enders, Econ. Dev. Dir.; C. Fox, PD Lt.

Ald. Causier as Chair called the meeting to order at 6:32pm.

EMPLOYEE RELATIONS COMMITTEE ITEMS

1. Continuation of the presentation from June 25, 2013 regarding policy decisions in preparation of the Classification/Compensation Study and Policy Review presented by Carlson Dettmann Consulting

Ms. Aldana and Ald. Causier explained that Mr. Carlson of Carlson Dettmann Consulting would review and continue his June 25, 2013 presentation regarding the Classification/Compensation Study and Policy Review.

Ald. Hanson arrived at 6:34pm.

Ms. Aldana explained that policy options would be presented to the Employee Relations Committee, but the final compensation policy must be approved by the whole Common Council. She explained that compensation studies are performed periodically to determine how City compensation compares to the labor market.

Ms. Aldana noted that the last full compensation study was completed in 2001 with an update study completed in 2007. She emphasized that the current study has a much larger scope due to the inclusion of former represented positions. All positions in the City, except for Police and Fire, are included in the current study. The older studies only reviewed non-represented positions because represented position compensation was determined in the contract negotiation process.

Mr. Carlson of Carlson Dettman Consulting explained his presentation would provide an overview of the Compensation Study and describe future compensation policy options.

Mr. Carlson noted that during the era of collective bargaining, compensation studies were limited to public sector comparisons. The current study uses both private and public sector data. He explained that the current Compensation Study includes a job evaluation process, a market study and the design of pay plan options.

Mr. Carlson explained that Carlson Dettman recommends compensation plans that balance internal equity and fairness with market competition. They also recommend one pay plan for all staff, except Police and Fire, as well as a policy that emphasizes employee development and performance management.

Ald. Organ arrived at 6:41pm.

Mr. Carlson described the job evaluation process performed by Carlson Dettman. The job evaluation performed by the firm graded job questionnaires by five factors including education and required experience, decision-making, thinking challenges, communications and working conditions. After the City chooses a pay plan structure, the firm will create a specific pay plan and present it to the Employee Relations Committee. After the plan is approved by Council, employees will have the opportunity to discuss and review their placement within the new pay plan structure.

Using example data, Mr. Carlson explained that each position was scored based on the experience necessary to qualify for the position, the extent and nature of decisions made, the level of problem solving required, the necessary interactions and the level of effort required. A rating guide and point matrix were used to award points for each factor pertinent to job performance. The information provided in the job description questionnaires, the supervisor interviews, and the consultant's background knowledge each impacted the grading process.

Mr. Carlson explained that the City currently recognizes 130 job classifications. Carlson Dettman suggests that the City allocate positions into uniform grades with 50-point intervals. For the City of Wauwatosa, this would result in 20 uniform grades.

Mr. Carlson explained that Act 10 fundamentally changed compensation policy formation in the public sector. Act 10 allows public entities to create pay plans based on comparisons to both public and private sector data.

Mr. Carlson described the external study of market rates performed by the firm. In their market study, Carlson Dettman consultants matched 42 benchmark positions to market data from multiple sources including custom public sector surveys, Bureau of Labor statistics, Towers Watson data and Milwaukee Area Compensation Association data. The job classifications chosen included a sample that covered thousands of area employees.

Mr. Carlson stated the City must determine where to position itself in the labor market. The City can choose to pay high, average or low within the labor market. The City must then decide how to weight the data. The City must decide how much weight to place on public versus private sector labor data. Carlson Dettman suggests that the City weights the data based on the recruitment and retention experiences of the City.

Mr. Carlson explained that the City must consider benefits in the compensation policy formation process. He stated that the City is currently a competitive benefits provider. However, the benefits are not so high that he would suggest lowering the pay plan to compensate for the high level of benefits.

Mr. Carlson stated that the firm applied data weighting based on the recruitment and retention experience of the City. Mr. Carlson stated that the City most often hires department heads and managers from the public sector (25% private/75% public). He also noted that supervisors, professionals and advanced technical positions are filled equally from the public and private sectors (50% private/50% public), and non-exempt employees are most often filled from the private sector (75% private/25% public).

Mr. Carlson stated that most public managers would not agree with the 75% weight given towards private sector data for non-exempt positions. He explained that public managers generally prefer to hire public sector employees from other public entities. However, he suggested that it is in the City's best interest to pursue private sector candidates and asked how many candidates applied to a recent job posting.

Ms. Aldana confirmed that a recent clerical job posting received over 500 applicants within the two week posting period.

Mr. Carlson presented a graph of the market line which illustrated the correlation between median market estimates and the job evaluation scores calculated by the firm. Linear regression analysis was used to examine the correlation between median market estimates and the job evaluation scores. The linear regression analysis revealed a correlation coefficient of 0.93. Mr. Carlson explained that this coefficient indicates the job evaluation system explains 93% of the variance in market pay.

Mr. Carlson presented a graph of the market line compared to the City's current pay structure and stated the City is currently paying higher than the market average rate. He explained the middle point value of the job evaluation scores can be used to assign a control point for each grade of a new pay plan.

Mr. Carlson explained that the current City pay structure is a step system for traditional non-represented staff with 13 steps in annual 3% increments and a variety of plans for former union positions. He recommended that the City move towards a pay structure that emphasizes performance management with a pay range spread of at least 35-40% to accommodate for variance in performance.

Mr. Carlson presented three options for possible pay plan structures, options A, B and C.

Mr. Carlson described Option A as a revised step plan. This pay structure would be a step system with steps equaling 2.5% of the range control point. He explained that this plan is similar to the current non-represented pay structure, but with smaller steps and a smaller range spread of 28.5%. Progression in Option A would be based on annual performance and would require that employees at least meet expectations. He noted that this model is reminiscent of the current pay plan structure.

Mr. Carlson described Option B as an open range plan, or private sector model. This type of pay structure would have a minimum, control point and maximum, but no fixed steps. This structure would have a larger spread of 50% and would establish a merit pay matrix to manage progression. Mr. Carlson gave examples of 3% for meeting expectations, 4% for exceeding expectations and 5% for substantially exceeding expectations. This type of pay schedule would be adjusted periodically based on market changes.

Mr. Carlson described Option C as a combination plan that uses both step and open range structures. This type of plan would have steps of 2.5% from the minimum to the control point and then merit-based progression between the control point and the maximum, similar to the open range plan.

Mr. Carlson explained that the exact pay rates are likely to change once the firm is given direction by the Committee. After a compensation policy direction is chosen, the details of specific positions and their position within the pay structure will be addressed and individuals will be given opportunity to discuss the grade they have received.

Mr. Carlson explained that the City must choose the pay plan that makes sense. The plan should be internally equitable, reflect market rates and support employee development.

Echoing Ms. Aldana's statements from the last meeting, Mr. Carlson emphasized that the Council must provide consistent support to staff during implementation of any compensation policy. The Council must choose a compensation policy that it will continually support.

Mr. Carlson recommended that the City consider Option C as a plan that will bring forth performance management, but allow an easier transition from the current structure. However, he noted that any new compensation plan will require hard work and dedication on behalf of everyone involved.

Mr. Carlson noted that the firm must avoid compression created by public safety overtime and ensure that there is a decent spread between first line officers and supervisors. In addition, the firm must address the issue of overtime in the compensation policy. He noted that some overtime is inevitable, but the policy must reflect what is considered acceptable.

Mr. Carlson explained that Carlson Dettman does not recommend pay rate reductions, but he emphasized that red-circling, or pay freezes, would occur in any of these three options. He stated that approximately 75 employees, out of 250 total employees, would experience red-circling in Options B and C. He noted that Option A would result in even more red-circling.

Mr. Carlson explained that Carlson Dettman is asking for direction from the Committee regarding the type of pay plan. They will then generate a plan to be analyzed, discussed and made part of the City's budget process.

Mr. Carlson explained that the c/ratio is the relationship between current pay and the pay range control point. The overall c/ratio of the new plan based on their market estimate study is 112.5%. This means that the current City pay plan is approximately 10% above the market average rate.

Ald. Wilson asked if the graph was representing the current pay plan or the new pay plan.

Mr. Carlson explained that the current pay plan is approximately 10% higher than the new pay plan's control point. This is why there would be such prominent red-circling under any of the three options.

Ald. Birschel asked if Carlson Dettman has considered what would happen in extraordinarily high inflation times and how the subjective nature of performance management would be addressed.

Mr. Carlson explained that the City's financial decision-making rests on how much money is available. He stated that health costs were minimal during the high inflation of the 1970s, unlike now, and he noted that the current federal administration is dedicated to limiting inflation. He emphasized that while the Police and Fire unions are still negotiating contracts, the City should be concerned with matching the non-represented pay plan with that of the Police and Fire contract negotiations.

Mr. Carlson stated his main concern is the consistent funding of the pay structure and the strength of administration during implementation of a new compensation plan. A new compensation policy would require the City to address inconsistencies within the public sector pay structure. Public sector pay structures were previously insulated by the collective bargaining process and this insulation created both low and high extremes.

Ald. McBride agreed with Mr. Carlson's statement that there is inconsistency in the public sector pay structure. He remarked that elected officials must not succumb to political pressure and should pay employees what they are worth.

Ald. Donegan asked if the market study results reflected this type of inconsistency for higher level or professional staff. He asked if higher level and professional employees are currently paid less than market rate salaries.

Mr. Carlson explained that high level jobs are paid reasonably well on the current plan, mid-level jobs will see a possible increase on a new plan, and many of the former union hourly staff will experience red-circling on a new plan. The red-circling is not contained to one level, but the majority occurs in the hourly staff level.

Ald. Wilke asked when the market line data was compiled and stated that the comparison between current City pay rates and market averages is misleading due to the recent economic downturn and coinciding drop in private sector salaries. He stated the comparison is irrelevant as private sector salaries are at a low point and beginning to rise again.

Mr. Carlson stated the study used current data that was aged forward. He noted that the City's current pay plan exceeds the market average, but it also exceeds the current public sector average.

Ms. Aldana explained that compensation studies are part of a dynamic and ongoing process. Additional studies will reassess the pay plan structure when the market changes.

Ald. Wilke encouraged others to not overreact to the comparison between current pay rates and market average rates due to the current state of the private sector.

Ald. Walz-Chojnacki asked what the City can expect in terms of future applicant pools and how the City compares to applicant pools of other entities.

Mr. Carlson stated that the City offers reasonable pay, good benefits, and stable employment, and currently receives more than sufficient response to job postings. However, the labor market is ever-changing and future benchmarking will be required to assess the City's ability to attract quality applicants.

Ald. Moldenhauer asked Mr. Carlson to clarify when red-circling would affect 75 employees.

Mr. Carlson stated approximately 75 employees would be red-circled under both Options B and C. He then reiterated that even more employees would be red-circled under Option A.

Ald. McBride remarked that over his 15 years experience on the Civil Service Commission, he noticed the same high pay phenomenon as the Compensation Study. He concluded from this experience that the City chose to pay higher, like some private companies, to ensure they attract and retain the best employees. He stated he does not advocate for or against this pattern of high compensation, but noted that this consistent historical pattern must be discussed as part of the policy review process.

Mr. Carlson stated the City may choose to pay above the market rate average.

Ald. Donegan remarked that in lieu of a Compensation Policy, Act 10 has created a stagnant pay structure for City employees. At the end of 2014, City employee salaries will equal the salaries at the end of 2010.

Ms. Aldana confirmed Ald. Donegan's remarks.

Mr. Carlson agreed that public salaries have remained flat, but there has also been little or no job loss. He stated that most public employees entered the public sector for a stable career. At this time, a compensation policy will

allow City employees to understand what will occur in the future and provide some form of certainty for public employees.

Ald. Donegan remarked that City compensation has remained flat due to financial constraints that go beyond Act 10. He noted that financial constraints will continue, but the City must address how employees are treated now. He emphasized that the City's best performers are currently undervalued, and poor performers are often overcompensated. He urged the Committee to pursue a plan that includes merit-based compensation.

Ald. Wilke asked how much employees have been involved in the Compensation Study process and if the job evaluation process used job title or job descriptions as the point of comparison. He also asked if the process included an opportunity for employees to provide input and review their position score.

Ms. Aldana stated that there were kick-off meetings for the Compensation Study. Employees then completed their own Job Description Questionnaire (JDQ) which was reviewed by their supervisor, and then submitted to Human Resources. The job comparison is based on job descriptions, not job title alone. Additional meetings regarding the 2014 Budget Gap and Compensation Study status were conducted last week.

Mr. Archambo stated there will be a review process, but noted that red-circling will occur in any of the pay plan options.

Ms. Aldana added that the review process will allow employees to review their placement within the compensation plan, but not to review the plan itself.

Mr. Carlson explained that the City will decide the level of transparency. Many public employers keep the process completely open and transparent, unlike private sector businesses. Transparency will help employees understand how they fit into the new structure.

Ald. Wilke remarked that the process should be as transparent as possible to help employees understand the changes and to ensure equity.

Ald. McBride expressed concern about going directly from a collective bargaining pay structure to an open range plan like Option B. He remarked that Option C would work best as a transitional compensation plan that allows for increased emphasis on performance management. He recommended Option C as an appropriate next step for the City compensation policy.

Ald. Donegan stated that he does not pressure the Committee to choose any one option, but he encouraged the move towards performance management.

Ald. Hanson agreed with Ald. McBride's statements regarding a transitional hybrid plan like Option C.

Ald. Wilson remarked he supports a pay what you earn plan, but is concerned about a structure that places existing employees beyond the pay plan maximum. He emphasized that the City should strive to compensate employees in a way that reflects the quality of their work. He remarked that Option C limits new employees by placing them into a step system.

Ms. Aldana remarked that the policy could be written to permit multiple step increases, or step skipping, if employees exceed performance expectations in the first five years of the plan.

Ald. Wilson stated that he does prefer any of the presented plans, but he noted that the City should curve up to ensure that good employees are not under-compensated. He stated that he cannot endorse a pay plan without a better understanding of the City's ability to fund these pay structures. He emphasized that the Committee needs this financial trend data in order to assess and choose a pay plan structure.

Mr. Carlson stated that he would like direction from the Committee, so that he can provide more detailed information about funding options and financial feasibility of the plan.

Ald. Organ stated that during the benefit revision process, an argument was repeatedly made regarding public employee pay and benefits. The argument claimed that public sector employees were paid less to counter the high level of benefits provided by the City. She asked if she could assume that City employees have received higher pay than their private sector counterparts while also receiving better benefits.

Mr. Carlson stated that the assumption is an overall correct statement for the City of Wauwatosa. However, he explained there are exceptions and the statement is not true for all public entities.

Ald. Berdan echoed Ald. Wilson's request for more information, but expressed interest in a hybrid plan that emphasizes performance management. She stated that this type of plan will inevitably include subjective decisions and she emphasized that the City must consistently apply the new policy to ensure equity.

Ald. Causier expressed interest in Option C as well, but echoed Ald. Wilson's desire for additional data that considers the City's current pay structure and examines the City's ability to fund such a pay plan. She asked Mr. Carlson if he could address the issue of high performers and provide information on City financial trends within his drafted plan.

Mr. Carlson confirmed he could address those issues. He stated that he can work towards the hybrid plan and provide analytics without a firm plan choice from the Committee.

Mr. Archambo remarked that the Committee has the option to change direction after reviewing the drafted pay plan and analytics.

The Committee directed Mr. Carlson to create a hybrid pay plan following Option C and requested analytics to compare the pay plan options at the next meeting.

The meeting adjourned at 8:14pm.

Carla A. Ledesma, CMC, City Clerk