

MINUTES

**McCall City Council
Special Meeting
McCall City Hall -- Legion Hall
June 1, 2017**

Call to Order and Roll Call
Business Agenda
Adjournment

CALL TO ORDER AND ROLL CALL

Mayor Aymon called the special meeting of the McCall City Council to order at 9:05 a.m. Mayor Aymon, Council Member Swanson, and Council Member Witte all answered roll call. Council Member Giles and Council Member Scott were absent.

City staff members present were Nate Coyle, City Manager; BessieJo Wagner, City Clerk; Erin Greaves, Communications Manager; Linda Stokes, City Treasurer; Michelle Groenevelt, Community Development Director; Kurt Wolf, Parks and Recreation Director; Jay Scherer, Airport Manager; Eric McCormick, Golf Course Superintendent; Meg Lojek, Library Director; David Simmonds, Information Systems Manager; Traci Malvich, Human Resources Manager; Nathan Stewart, Public Works Director;

BUSINESS AGENDA

BDPA Salary Analysis Presentation - Internal and External Review

Bonnie Brazier and Andrea Fogleman Consultants from BDPA presented to the Council. Their task was to develop a Classification and Compensation system that is both internally equitable and externally competitive for the purpose of attracting and retaining qualified employees.

This was a Three Step Process:

Step 1 – They conducted a job valuation process to establish internal equity of city jobs, based on current job descriptions

Step 2 – Next wage and benefit data was compiled to analyze total compensation within the market area

Step 3 – The final step is to design a pay range structure competitive in the market area based on the City's pay philosophy

The consultants explained that the goal of this presentation is for the Council to choose a pay philosophy so they can apply that philosophy to a rate and range structure.

The consultants explained that the first step of the process - Internal Equity - Job Valuation – is a method to determine a job’s value to an organization and establishes internal equity based on the components of the Equal Pay Act. They explained that Jobs are reviewed as if they are vacant based on the job’s primary function and minimum qualifications. The Three part process starts with the Whole Job Method where effort, skill, responsibility, and working conditions are analyzed. They then defined job valuation factors such as job knowledge, responsibility and impact, communications and customer service, complexity, and supervision and working conditions. Last they will apply Salary Survey Data to overlay internal equity.

The result of the job valuation process establishes internal equity of positions and displays them on a Kinds and Levels Chart. A Kinds and Levels Chart is a system that determines how much an employee is to be paid as a wage or salary, based on one or more factors such as the employee's level, rank or status within the employer's organization, the length of time that the employee has been employed, and the difficulty of the specific work performed.

The consultants explained the External Competitiveness and Survey Process. Job matches were made with 42 city classifications; this is a good cross-representation of all jobs at all levels. The consultants then matched the jobs based on the job’s primary function and minimum qualifications, understanding that a “perfect” match is never found. Then they only match jobs where they find at least three valid matches. Also, not all jobs will have a survey match; in that case, the consultants depend on the analysis of internal equity to slot the job in the appropriate level. Their market area consisted of Blaine County, Caldwell, Hayden, Jerome, Meridian, Moscow, Mountain Home, Post Falls, Sandpoint; Liberty Lake, WA; and Logan, UT. They compiled both salary data (actual pay rate, range minimum & maximum) and benefit data for a total compensation analysis.

The survey results contained many variables. Because of all the variables, the consultants did not use the data to recommend individual pay adjustments for specific positions; some positions will be over market and some under market. Therefore, it does not mean that the employees in the positions will automatically receive an increase. The consultants then use the data as a quality assurance check on how jobs are aligned for internal equity purposes.

Variables in the data may include:

- Type of pay plan employer offers;
- Whether or not the employee is new or high seniority;
- Whether the employee’s performance is good or bad;
- Size of organization and their relative market area
- Some positions will be over market; some will be under market

The consultants did not recommend that employees in those positions automatically receive an increase for the percent under market; nor did they recommend pay cuts for employees in those positions that are over market. Although they had data for 42 specific job classifications, the data was only used overall on the average to build a salary structure that is competitive in the market for all positions. The consultants stated that their goal is to develop a compensation system that is both internally equitable and externally competitive.

The survey findings of base pay were that overall, on-the-average, the data shows that actual pay in McCall is below the market actual pay by approximately -8%., with the Pay range minimum and maximum amounts below market by -7% & -8% respectively. The consultants emphasized that this did not mean every employee should get an 8% increase or that the City needs to budget 8% to fix the issue. It was stated that some positions are below market and some are over market; and that the consultants look for the line of centralization that represents the City's pay line. They did not recommend that the City pay the most or the least; they will present a pay range schedule that is competitive in the market, which is somewhere in the middle. Their opinion was that the pay schedule is competitive if it is 5% plus/minus market.

There was some discussion regarding the how the consultants determine the 8% and was explained that it was a simple average.

Survey findings of total compensation found that overall, the City offers a competitive benefit package. Total Compensation is calculated through a formula developed by the International City/County Manager's Association. The process includes the value of vacation time at 5 years of employment, the value of sick leave if it has a cash value at 5 years, the contribution made to retirement plans, and the premium amount paid by the City for health, dental and vision insurance, regardless of the plan design.

There was some discussion on what might be driving up the City's medical premiums.

In summary the consultants reviewed internal equity of all City jobs displayed on a Kinds and Levels Chart; compiled data that reflects external competitiveness of overall City pay related to the defined market area; and evaluated Total Compensation.

The next step in the process is for the Council to determine the City's pay philosophy:

- How should employees move through a salary range?
- Based on longevity?
- Based on performance?
- Based on skill levels?

Some structure Design Alternatives were discussed. A Combination or Step Plan is typically based on longevity. Range width is usually narrower than the open range or target range plan because employees move through the range due to their longevity. Movement is usually automatic each year until employees reach the range maximum. The original design of City's current plan was a combination plan. At some point the City could not afford the step increases and the schedule was modified to make 1% steps.

A Target Range or Open Range plan is based more on performance; it provides more budget flexibility because you do not have to budget a specific percentage. Increases in this type of schedule are awarded at varying percentages based on current pay position in the range in relation to the market rate. Each year the City would consider budgeting a market adjustment to the ranges and performance adjustments to move pay into a market range. The upper portion of the range is reserved for long term superior performance. In some cases, awards in the top portion of the range are awarded as a one-time lump sum versus an increase to base pay.

In this schedule, over time the City would see the majority of pay rates clustered around the market rate and this is where employee retention takes place because at rate employees could reasonably expect to make the same if they went to work for one of the other surveyed employers performing similar work. Market increase needs to be considered at least every other year if not every year to keep salaries current and competitive for retention.

The consultants then stated that the Council needs to determine pay philosophy - how should employees move through the salary range. The consultants asked for the Council's direction in this regard so that they can design and propose a salary schedule based on their pay philosophy.

There was significant discussion. City Manager Nate Coyle recommended pay for performance with a continual overall market increase. Human Resources Manager Traci Malvich agreed stating that currently the philosophy was a step process with pay for performance. She also stated that the Council should consider keeping the ceiling continually moving to avoid employees reaching the max too soon,

Mayor Aymon felt that retention was most important, and that hiring or turnover is very expensive. She stated that the strategy needs to be recruitment and retention and would like to be within the 5 % or better salary range and performance should also be awarded.

City Manager Coyle stated that department heads need to look at their employees and determine who their top performers are and that all employees should not all be at the top of the performance ranking.

Nic agreed and asked about what the percentage for pay for performance should look like – 1% or should that look different – some discussion of how pay for performance should function – if you are going to have pay for performance then you need to pay for performance

Discussion of the available funds for pay for performance

Council Member Swanson also commented that he felt that people that are stuck at the top of the salary structure need to move so they do not continue to be stuck. He liked the idea of having the ability to promote within and also felt that the budget needs to look at how the Council can bring everyone up to within market range.

There was some discussion about personnel being the number one asset of the city.

The Council's consensus was to go with pay for performance with annual market adjustments.


The next steps in this process is to develop a compensation plan:

- Design a salary structure that links internal equity and external competitiveness
 - Establishes parameters (minimum & maximum) based on market rates
 - Includes salary administrative guidelines
 - Based on the City's Pay Philosophy
- Calculate implementation costs
- Present recommendations on June 15, 2017

ADJOURNMENT

Without further business, Mayor Aymon adjourned the meeting at 10:30 a.m.

ATTEST:


BessieJo Wagner, City Clerk




Jackie J. Aymon, Mayor