CITY ADMINISTRATOR'S OFFICE MEMO

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To: Mayor and City Council

From: City Administrator, Kim Downs

Date: June 11, 2019

RE: Compensation Committee Recommendations for FY-20 Union Employee and Non-Union Employees

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Compensation Committee Recommendations FY-20 Approval

POLICE UNION PROPOSAL- NEGOTITATIONS REQUEST:

- Union negotiations with Police Union 238 is completed. They have officially accepted the 3% wage increase for FY-2020 along with the definition permanently and totally disabled in accordance to hospitalization and major medical coverage as defined below:
    - Completely disabled should be defined as the following: A person is **permanently and totally disabled** if both of the following apply. He or she can't engage in any substantial gainful activity because of a physical or mental condition. A physician determines that the **disability** has lasted or can be expected to last continuously for at least a year or can lead to death. In addition, the employee is eligible for Social Security Disability Insurance (SSDI) and Medicare for a single coverage to marry upon the city providing a hospitalization and major medical supplemental health insurance benefit through the city.
    - Today the cost of such benefit-$224.40 per month. We typically see a 2% increase annually. Currently, we cover five (5) employees who retired and were employed by the city 15+. Most had 25+ of employment with the city.

Recommendation-Compensation Committee has reviewed and recommends approval of the FY-20 Police Union 238 Agreement

Non-Union Employees FY-20 Request:

The City of Hiawatha retained Newport Group to conduct a market rate compensation study for selected positions in the organization. The objectives were to:

- Provide compensation market data that relates to the industry, organization size, market area, and roles for the selected exempt and non-exempt positions
- Provide recommendation for changes to compensation level and market adjustments
- Provide recommendations for compensation ranges for each role

Market-competitive pay systems play a significant role in attracting and retaining the most qualified employees. Pay equity was considered in the study without discrimination. Market competitive pay systems should promote a city's attainment of competitive strategies. Paying more than necessary can undermine lowest-cost strategies: Excessive pay levels represent an undue burden. When setting pay strategies cities don't want to lose sight of other employee needs such as dollars for training and development. It is important to strike a balance between offering sufficient high salaries to attract and retain talented candidates and providing sufficient resources to enable them to be productive and creative.

Performance-based rewards were not addressed per se' but the goal of an annual merit increase is to keep people within the market range on their base pay. HR Magazine stance on merit increases state if wages are within the market range then yearly adjustments aren't necessarily intended to be a method of rewarding people for their performance. "If a company is still in the mindset that they're using annual merit increases to reward and engage employee, then they're already behind the eight-ball, because how much can you differentiate with just a 2.5% to 3% pay increase budget? It just doesn't work; there's not enough."

There is more value in the pay structure as it remains competitive and communicated aggressively. Review and update the study accordingly to ensure we are benchmarking against the midpoint of the salary bands, which has enabled us to attract and retain a wide array of talent. Each year department heads and the clerk's office review individual job descriptions and if the work that is done, based on individual proficiencies and skill level, is at a higher level, we're willing to consider re-evaluating that position and moving it to a higher pay band. The result of that effort is "a highly stable, highly engaged workforce."

The market-competitive pay system is an opportunity to set the stage correctly, address pay equity, the merit-based pay system doesn't do any good if the base isn't determined correctly.

- The Compensation Committee has reviewed the market study and make the following recommends for council approval:
    - **The Compensation Committee recommends the discontinuation of the city's current pay plan and policy in moving forward the city will utilize Newport Group to update the market study annually to ensure the City of Hiawatha is paying its employees at competitive rates.**
    - **Overall 3% increase to all non-union employee's current base pay (See "Exhibit A")**
    - **In addition, request an additional increase above the 3% current base pay for following positions represented in "Exhibit A". These positions fall below or just above the market study's mid-point. Some are significantly below. We have budgetarily planned for the increases, added part-time position and volunteer incentives within our FY-20 budget.**
    - **Utilize a Merit Increase Policy and Procedures at a percentage to be determined upon dollars available and level of high performance.**

- **Fire/Ambulance Department-**
  - In review of the Fire/Ambulance Department there are a few observations:
    - Paramedics are not meeting the mid-point salary. Their range with a FY-2020 3% increase falls short $1,900-$3,200.

Study-Mid	Hiawatha	Marion	Cedar Rapids
$48,400 $23.27	$45,217-$46,500 $21.74-$22.36	$54,880-$72,062 $26.38-$34.66	$51,813-$78,684 $24.91-$33.52
Years of Service		Entry- 20+	Entry-20+

When matching the study's mid-point, the total budget increase for paramedics $12,800 and is reflected within the pay plan spreadsheet "Exhibit" A as attached.

- Fire Chief with a 3% increase barely rises above the market study's mid-point. The fire chief manages the highest number of people in our organization, has serves not only has chief but functions as a paramedic as well. Chief Nesslage as held this position of chief over 13-years. Based on relevant experience and performance that either meets or exceeds the job description and assumes additional hours' nights and weekends.
  This individual is highly skilled, continues to navigate their department and its team through changes, ensures and provides the necessary training for all to be successful. Demonstrates leadership and professionalism by developing its volunteers and paid staff while implementing strategic plans both internally and from external resources. In addition, when asked to work on a special project the chief is very much a team player, shares his ideas and assist in the implementation of that project from Earth Day to training facility concepts.

  I ask the compensation committee to recommend support the recommendation of a pay increase above the 3% in the total amount of $94,400 for FY-20. To continue the same increase of $4,200 for the following two years to get this within the appropriate quartiles.
    - FY-2021=$4,200
    - FY-2022=$4,200

- Fire Protection Specialist (Fire Marshall)-The Emergency Service Master Plan provides for a fire protection specialist. This position would assist the Fire Department and Community Development Department in accomplishment of the objectives of the and code enforcement through permitting, inspecting and review process. One of the many responsibilities of the position would be to direct and participate in inspection of industrial, commercial, residential and public buildings in the municipality to educate in fire safety, detect fire hazards and code deficiencies to ensure enforcement of the Fire Code under the authority of the Fire Chief, Housing Code, and other related city codes.
  In addition, conducts preplanning of large structures to give knowledge to firefighters who may participate in firefighter activities. Assist in presentation of community programs and public education on topics concerning fire prevention and other safety related topics.

        - This position is being considered as a part-time position. The range of pay that is currently budgeted for FY-20 is $31,200.
        - I am currently in discussion with both the Fire Chief and Community Development Director to define the job description and how the two departments would coordinate the work that needs to be done. I will bring that to council for approval at a later.
    - Incentive Pay Point System for Fire Volunteers-during budget discussions council set $50,000 as the target for the first year during your budget discussions. Members accumulate points on certain activities, typically calls, training, meetings, and events. The Fire departments membership committee has designed a system based on 1 point per event, with a few escalators based on years of service, training, etc.

- ***Police-***
    - Police Chief is very similar to the fire chief, started his police chief career here in Hiawatha. He is now going on 12-years. When we take the same thought process as we did with the fire chief our recommendation would be $102,234 for FY-20 moving from the mid to the third quartile and then an additional $2,734 for the following two fiscal years.
    - FY-21 $2,734
    - FY-22 $2,734

- **Engineering-**
    - City Engineer John Bender will be retiring for the city on January 31, 2020. As we know an in-house city engineer has been a cost saving measure for the city both in dollars and efficiencies. We brought the city engineer in-house in FY09-10 and now this position is one that no department would want to go without. Our savings has been up to $177,000 annually.
      I believe I can say on behalf of the department heads, council and mayor that we value this position internally and would retain the position as such. To ensure a well-managed transition from one engineer to another it is important we put in place a succession plan. Succession planning provides not only a well-managed transition but provides security and continuity, retains and documents organizational knowledge, integrates a critical team member, allows for mentoring to transfer industry and organizational knowledge, shadowing and an opportunity to explore issues and new ideas. We would like to bring this person on the end of September.
        - City Engineer current salary-$74,200 with a 3% increase-$76,426. The salary presented represents a 32-hour week. In review of the position and our continued projects the need for in-house engineering services are greater and should be a 40-hour position. In looking at the market study rates and in talking with John we would need to consider a pay range of $97,000-$116,400. 4-months of salary $39,000.
        - This amount is reflected in our FY-20 budget.

    - Construction Observer- In review of this position I recognize this individual rate of pay is considerable low in comparison to the study's recommendation. This individual inspects several millions of dollars of construction projects from roadway to subdivisions. We have added to his responsibility's stormwater compliance. This is a tedious task with mandated by both higher levels of government. To hit mid-point the rate of pay would need to be $63,400. We are asking for a total of $63,500 in FY-20 and then another $3,000 in FY-21 and FY-22.

This particular individual came to Hiawatha with over 20-years of experience working with in the field at the IDOT and engineering firm levels. It might be prudent of us to consider getting this individual 3rd quartile over a two-year period starting FY-20. This position is a vital position to our city providing both a quality inspection and cost saving ideas out in the field.

- FY-21 $3,000
- FY-22 $3,000

- **Library-**

With the direction of the Library Board we were asked to review the Library Director's annual salary and to consider the following. The director position based on roles, responsibility, and relevant years of experience should fall in the 3rd and 4th quartile at a rate no lower than $83,600. Currently, the director's salary is $77,400. Mid-range $76,000.

The Compensation Committee recommends: the director's salary increase to be effective beginning FY-20 at $82,400.

- FY-21 $2,700
- FY-22 $2,700

- **Public Works-**
  - *The Public Works Director* falls below the midpoint of the market study. Mr. Jasa has been with the city since 1991. The skills set Superintendent Jasa and his team possess are nothing short of good. Over the years of being the city administrator I have watched Superintendent Jasa take on new projects when ask and/or volunteered. In my professional opinion Rod has grown in skills set more than any other department head. I would credit this to having an in-house city engineer who pushed Mr. Jasa in many areas. It is my opinion the public works position should fall within or closely to the max. We recommend the following increases over the next three fiscal year periods with a $4,250 increase each year; FY-20 total $79,533.
    - FY-21 $4,250
    - FY-22 $4,250

- **Administration-**
  - *Finance Director*-In review of the study and studying the comparisons provided by Newport Group in consideration of the range. Comparisons identified managing additional departments and staff. The target quartile would be within the third quartile range $95.900. We recommend the following increases over the next three fiscal years with a $5,900 increase each year; FY-20 total $89,000
    - FY-21 $5,900
    - FY-22 $5,900

- **Future positions in the next 5-years that will require succession planning**
  - **Library Director-**succession planning already in place with library operations manager
  - **Community Development Director**
  - **Public Works Director-**discussions started

Ideally if we have an internal candidate, we would want to start a mentoring program 2-years prior to retirement if an outside candidate no less than 6-months to a year.

MERIT INCREASES POLICY AND PROCEDURE

Purpose

Each year, the Compensation Committee and the City Clerk, City Administrator and Finance Director will determine the pool of merit increase funds available. Both the objectives of the compensation program and financial resources available will be considered in the decision-making process.

Merit pay is used to reward successful performance. Larger merit increases will be awarded to employees who consistently exceed performance standards. Increases will not be granted to employees whose performance has been rated satisfactory or as unsatisfactory.

Procedures

Eligibility
To be eligible for a merit increase, an employee must be employed with at least six months of continuous service before the merit award date.

An employee whose pay is at the maximum of the salary range may not be granted an increase that would cause the base salary to exceed the maximum of the range for that position.

Determination of merit increase
In accordance with the City of Hiawatha guidelines, supervisors will recommend: a) whether an employee should receive any merit increase based on his or her annual performance review and b) the amount of increase appropriate for the performance results.

The following factors are the basis for awarding merit pay to employees:

- The employee's performance as reported in the annual performance review.
- The appropriate pay level within the range for the employee considering the employee's performance and performance of others in the range.
- Pay increase funds available.
- Recommendations of supervisors, as approved by executive officers.

Review of merit increase
Merit increases require the recommendation of the employee's immediate supervisor and the approval of the City Administrator. Employees are to be notified of their merit increase as soon as possible after all employee merit increases for the year have been approved by the HR director.

Performance reviews
Employee performance is to be formally reviewed at least once each year. The focus of the review is to discuss the employee's performance for the rating period, review standards for the position, communicate the amount of the employee's merit increase and set goals for the next rating period.

RESOLUTION NO. 19-
City Council

RESOLUTION APPROVING THE CITY OF HIAWATHA EMPLOYEE WAGE AND SALARY SCHEDULE FOR FY 2019-2020

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIAWATHA, IOWA, to approve the City of Hiawatha Employee Wage and Salary Schedule for FY 2019-2020, with a 3.0% adjustment effective July 1, 2019 and to allow for use of an annual market study to determine wages and percentage increases including the created merit increase policy.

See attached "Exhibit A"

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED on this 19th day of June, 2019.

_____
Bill Bennett, Mayor

ATTEST:

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Amy Scheer, Deputy City Clerk

"Exhibit A"

FY19 Wages/Plan ($ per hr) July 1, 2018	Title	FY20 Wages/Plan ($ per hr) July 1, 2019
	HOURLY EMPLOYEES/NON-EXEMPT	
VACANT	City Hall Administrative Assistant	VACANT
18.25	Library Programming Assistant (40 hrs/week)	19.28
VACANT	Comm Relations Coord./Library Asst. (20 hrs/week)	VACANT
VACANT	Library Assistant (40 hrs/week)	VACANT
21.14	Library Assistant (30 hrs/week)	22.18
18.25	Librarian Assistant (29 hrs/week)	19.10
21.67	Adult Program/Collect Dev Coord (40 hrs/week)	26.49
25.86	Library Tech/Cataloger	VACANT
VACANT	Library Page	VACANT
VACANT	Library Page	VACANT
21.14	Administrative Coordinator (40 hrs/week)	21.78
23.78	Parks Maintenance Lead	24.52
16.06	Parks Maintenance/Community Center	16.54
21.35	Building Maintenance	21.97
VACANT	City Hall Administrative Assistant/IT	VACANT
18.25	Community Development Clerk	18.25
VACANT	Police Administrative Assistant	VACANT
22.20	GIS Coordinator-Tech	23.27
26.68	Building Inspector I	27.50
21.14	Fire Medic (2) PT	23.27
21.67	Fire Medic (2) PT	23.27
22.97	Fire Medic (1) PT	23.27
18.29	Fire Medic (2) FT	23.27
VACANT	Fire Marshall (PT-20 hrs/week)	30.00
21.88	Deputy City Clerk/Administrative Coordinator	21.88
34.08	Assistant Bldg Official	35.10
28.24	Construction Observer/Storm Water Specialist	30.53
	SALARIED/EXEMPT POSITION	
27.61	Youth Services Librarian	28.41
VACANT	Adult Services Librarian (40 hrs/week)	VACANT
VACANT	Library Operations Manager	VACANT
29.58	Deputy Chief of EMS	30.43
34.28	Deputy Chief of Training	35.29
531.76	Medical Director (monthly)	547.71
230.24	Fire Captain (4) (monthly)	237.15
172.76	Fire Lieutenant (2) (monthly)	177.94
40.19	Police Captain	41.39
37.52	Police Sergeant	38.61
37.52	Police Sergeant	38.61
	MANAGERS - SALARIES/EXEMPT	
31.31	Parks & Rec Director	32.26
32.75	City Clerk	33.70
37.19	Library Director	39.62
35.13	Public Works Superintendent	38.24
38.83	Finance Director	42.79
45.30	City Engineer (32 hrs/week)	46.69
45.30	Community Development Director	46.63
42.14	Fire Chief	45.38
46.45	Police Chief	49.15
131,325	City Administrator (annually)	135,200
	SEASONAL EMPLOYEES	
11.00-11.80	Seasonal Parks Maintenance	11.00-11.80
10.00-10.80	Adventure Camp Director	10.00-10.80
9.50-10.30	Adventure Camp Assistant Director	9.50-10.30
9.00-9.80	Adventure Camp Leader	9.00-9.80