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Executive Summary

We have completed our comprehensive review of job classifications and compensation for approximately 119 City of Manitowoc staff in accordance with the Scope of Work agreed upon by the City and Carlson Dettmann Consulting, LLC (CDC). Our report on our processes, findings, and recommendations follows. In terms of inclusion and exclusion, we need to note that transit, police and firefighter staff covered by traditional collective bargaining statutes were not included in the project; however, administrative, supervisory, and management staff in those departments are covered. Library staff were covered under a separate study commissioned by the Library Board.

The policy direction from the Personnel Committee was to develop a single pay plan that is fair and competitive and provides a pathway to linking employee performance and compensation. In conjunction with this project, the Human Resources Department has been working on a comprehensive revision to the revised performance management system and is expected to complete its work in the near future.

The features of this pay plan and our policy recommendations are summarized as follows:

1. A single pay plan that reduces the number of pay ranges and job classifications. The final number of pay ranges is 19, and the final number of classifications will be clearer as we finalize our work with the City.
2. The pay plan is anchored at the range Control Points to market estimates for 32 benchmark positions representing over 63% of the employee population and approximately 44% of the job classifications.
3. Market estimates are based on a thorough analysis of both private and public sector wage comparisons. Overall, the City is estimated to be paying at 97.8% of the average market estimate.
4. The pay plan is designed to maintain stability by providing a step-based system as an interim solution; each range has a spread of 32%.
5. There are twelve pay steps from pay range minimum rates to maximum rates. Each step is 2.5% of the Control Point and progression would occur in annual increments to the Control Point, provided employee performance at least meets expectations. Movement to steps beyond the Control Point would occur biennially based on satisfactory performance during the two-year span.
6. All positions have been allocated to pay grades based upon current job documentation and the objective application of our point factor job evaluation system.
7. Employees currently paid less than the minimum of a pay range would be placed at the range minimum upon implementation (n=11).¹
8. Employees with current pay rates between the new range minimum and the range maximum would move to the step of the new plan that provides an increase on July 1, 2014 (n=83).
9. There are some items added to employees' wages that have already been addressed by the City (e.g. longevity, uniform allowance, etc.). Notably, the City has already taken action to freeze the longevity payments at pre-Act 10 levels, and does not desire to eliminate the benefit at this time.
10. Employees currently paid at or above pay grade maximums would have their pay frozen, or "red-circled". For purposes of implementation, it is our understanding that the City desires to provide a non-base "bonus" equal to two-and-a-half percent (2.5%) for those employees that were "red-circled" (pro-rated for the partial year). In future years, the City

¹ The demographic data portrayed in this report is reflective of the information provided to us on or about October 1, 2013. For matters directly relating to the fiscal aspects of adoption, we have worked with the City to utilize more recent data.

will need to decide if the “red-circled” employees are eligible for compensation adjustments and/or bonuses or if their pay will be frozen until the pay plan catches up.

11. We continue our work with the City on the classification of positions according to the standards of the Fair Labor Standards Act (FLSA) as “exempt” or “non-exempt” from FLSA requirements.
12. There would be an appeal process following adoption by the Common Council to handle any corrections to classification allocations with final decisions on appeals to be made by the City.

Based on the City’s costing estimates, the distribution of employees by step placement in the new pay plan would be as follows:

	Number of Employees	
Step 1	11	9%
Step 2	4	3%
Step 3	6	5%
Step 4	8	7%
Step 5	11	9%
Step 6	15	13%
Step 7	2	2%
Step 8	13	11%
Step 9	6	5%
Step 10	5	4%
Step 11	6	5%
Step 12	7	6%
Above	25	21%
Total	119	

The outcome is has a significant distribution into the upper ranges of the pay plan because the City’s workforce has substantial experience with the City. Specifically, over two-thirds of the staff have been with the City more than ten years.

The Mayor’s office is recommending implementation of the schedule on the first pay period in July 2014, according to the decision-rules stated above. The Finance Department estimates the total cost of implementing this plan would be less than \$50,000 in 2014, which is less than 1% of the base payroll for those positions included in the study. Of course, as with any mid-year implementation, the full cost of implementation will be realized in the following year.

Introduction

The City of Manitowoc retained Carlson Dettmann Consulting, LLC (CDC) to conduct a comprehensive review of its compensation system. The City and CDC agreed upon the following set of tasks to be completed in this project:

- a) Review and analyze relevant organizational values and concerns. Determine current organizational needs in regards to a classification and compensation system.
- b) Conduct project orientation sessions for all City staff to explain the scope of the project, our methods, and each employee's role.
- c) Assist the Client in developing a total compensation measurement method that will support the strategic management of its pay plans.
- d) Document position responsibilities for all represented positions using the same job documentation/analysis tools implemented for the management and supervisory staff.
- e) Apply the Carlson Dettmann Point Factor Job Evaluation system to all positions to balance internal relationships with market factors.
- f) Determine desired total compensation policy; i.e., the appropriate relationship between pay and benefits, the appropriate market(s), and the Client's intended target for pay practices in relation to the market.
- g) Conduct marketplace research to determine appropriate competitive compensation (base pay) relationships so the Client can successfully recruit/retain highly qualified employees.
- h) Comment on the quality and cost of the benefit program and recommend modifications that seem warranted by the Client's total compensation philosophy.
- i) Design pay range options that are consistent with the Client's pay policy and reflect appropriate pay practices for public sector employees at these levels.
- j) Recommend allocations of each position to an appropriate pay grade based on appropriate internal equity and marketplace considerations. (To the extent that wages are bargained collectively, these are intended to guide future negotiations.)
- k) Discuss with Client leadership the issue of pay progression with appropriate consideration for both length of service and performance. Make recommendations based on the identified pay philosophy, feasibility and affordability.
- l) Review supporting pay administration policies in the human resource handbook.
- m) Review the current process for internal maintenance of the classification and compensation system, making recommendations as appropriate.
- n) Conduct classification appeals following adoption of a new plan by Client. Appeals must be submitted within 30 days of plan adoption.
- o) Meet with City policy-makers up to five times to discuss policy issues related to development and adoption of recommendations.

I. Organizational Values and Policy Objectives

We believe employers should focus on four major objectives in their employee relations program. They are:

1. Competitive pay distributed equitably and effectively
2. A sound benefits program

3. Excellent working conditions
4. A reasonable level of job security

In general, it is fair to say that City of Manitowoc employees, and Wisconsin public employees generally, can feel comfortable in knowing that their employers have addressed all four areas effectively. The recent severe recession created economic uncertainty, and the City responded with substantial restructuring. However, we think it is fair to conclude that employment with the City continues to be stable relative to changes in the local economy. In addition, this study indicates City employee salaries and benefit programs are competitive with private sector base pay.

In 2011, the Wisconsin legislature adopted sweeping changes in Acts 10/32, substantially revising the labor laws covering municipal employees. With the exception of protective services and transit, the legislature limited the scope of collective bargaining to a base wage increase, provided it does not exceed the change in the Consumer Price Index, and employee safety concerns. This represented a serious challenge for cities across the state because the legislature changed the employment laws for some, but not all employees, and reduced state funding for municipal services at the same time.

Accordingly, the City implemented the legislative mandate that many employees pay half of the payroll charges for the state's excellent retirement system. This mandated contribution equals 7.0% of wage compensation for general category employees in 2014, so employee take-home pay for the majority of City staff decreased by this substantial amount.

What the legislature did not do, however, was extend this pension contribution requirement to all City staff, so the impact has not been equitable. Specifically, specific groups of employees were exempted from all or part of the law (i.e. police, fire, and transit). Since implementation of Acts 10/32, the City and its transit workers union have agreed that employees contribute 2.0% of their 7.0% pension costs. The Firefighters union has agreed to pay the full-cost of the employee's share of the pension in return for tradeoffs at the bargaining table that offset the amount of the contribution. By extension, the Fire Department command employees are now paying their share of the pension, as well. The City continues to pay the full pension costs for sworn police staff; excepting those hired after July 1, 2011, who are contributing the full employee share toward the pension.

We note these pension issues because employees are not being treated equitably and the continued disparate impact on pension question is going to continue to be a significant irritant until it is resolved. We have not made any adjustments in our base pay recommendations that reflect this disparate treatment because we expect the City will resolve them in the near term.

Our responsibility in this project has been to consider the quality of the current City benefits programs in designing a new pay plan. The City has engaged the services of another consultant to assist with a strategic review of its benefits programs to create internal consistency and bring costs under tighter control. In fact, the City of Manitowoc has an excellent benefits plan that it has already been brought under tighter fiscal control. The City revamped its overtime policies to more closely align with the federal standards. The City also modified employee paid leave banks by implementing a new PTO program. Finally, the City redesigned its health insurance program to include higher premium contributions, deductibles, and co-pays, along with several wellness components to encourage "consumeristic" behavior.

A good way to benchmark the City's health insurance costs is to compare City plan costs and contribution rates with data compiled by the Kaiser Family Foundation (KFF). Their annual report provides a useful guide on absolute levels and trends (www.kff.org). The table below shows premium amounts paid by the City are very much in line with norms. This is very positive for the City, and, we should add, not a common occurrence in the much of the Wisconsin public sector. The City's efforts to significantly revamp its health insurance program have paid off.

PPO Plan	Family Premium	Employer %	Employer Cost	Employee Cost
Kaiser Avg. (200+ Employees)	\$16,860	73%	\$12,312	\$4,548
Kaiser Avg. (Midwest)	\$16,656	71%	\$11,820	\$4,836
Kaiser Avg. (State/Local Gov't)	\$15,792	73%	\$11,532	\$4,260
City of Manitowoc	\$16,308	87.5%	\$14,269	\$2,038

PPO Plan	Single Premium	Employer %	Employer Cost	Employee Cost
Kaiser Avg. (200+ Employees)	\$6,108	81%	\$4,944	\$1,164
Kaiser Avg. (Midwest)	\$5,928	79%	\$4,680	\$1,248
Kaiser Avg. (State/Local Gov't)	\$6,204	88%	\$5,460	\$744
City of Manitowoc	\$6,648	87.5%	\$5,817	\$831

We do note, however, that the City’s 87.5% contribution to premiums is higher than the market norm of 80%. We also note that the KFF numbers don’t specifically compare out-of-pocket elements although, arguably, most plans are designed with elements of out-of-pocket contributions.² If the City concurs that its contribution rate is too high, then our recommendation would be to move to an 80%/20% contribution ratio as a planned effort over several years (e.g. sharing premium increases until that ratio is achieved).

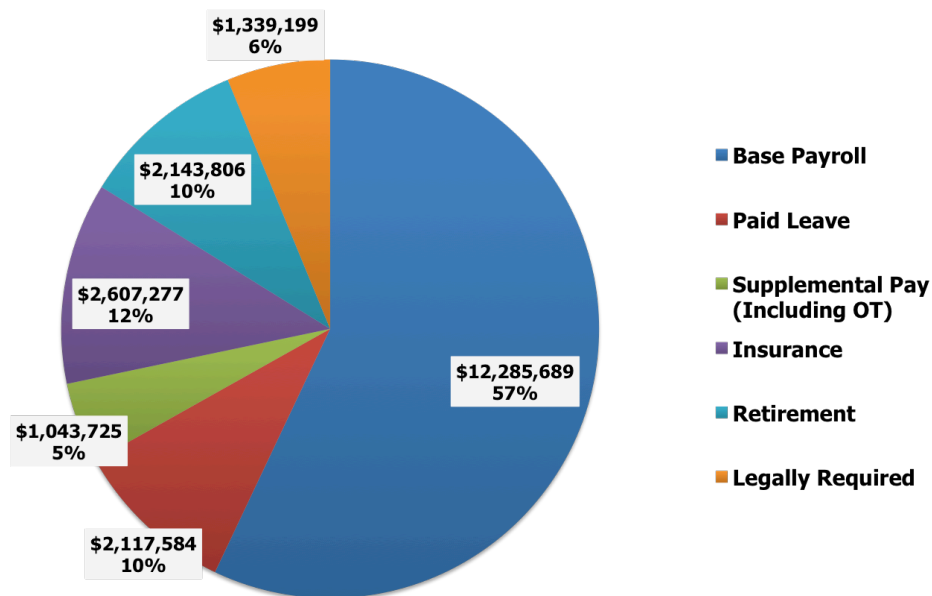
That is not to say, however, that the City hasn’t made significant changes to its health insurance program—it has. The changes as indicated in the table that follows are indicative of the work that the City has done since 2011. While the table does not include each and every change made by the City, they are some of the more common areas that employers use to impact the cost of health insurance. These changes have had a measurable impact on the employees’ compensation and should be weighed heavily as the City continues its strategic discussions regarding employee benefits.

Benefit	2011 Plan Year	2014 Plan Year
Annual Deductible	\$600 / \$1,200	\$1,500 / \$3,000
Employee Premium Contribution	10.0%	12.5%
ER Co-Pay	\$100	\$200
Office Visit, Chiropractic, & Urgent Care Co-Pays	\$25	\$50
Pharmacy Co-Pay (Generic)	\$12 / \$30 / \$45	\$24 / \$60 / \$90

² “In addition to any required premium contributions, most covered workers face cost sharing for the medical services they use. Cost sharing for medical services can take a variety of forms, including deductibles (an amount that must be paid before some or all services are covered by the plan), copayments (fixed dollar amounts), and/or coinsurance (a percentage of the charge for services). The type and level of cost sharing often vary by the type of plan in which the worker is enrolled. Cost sharing may also vary by the type of service, such as office visits, hospitalizations, or prescription drugs. The cost-sharing amounts reported here are for covered workers using services provided in-network by participating providers. Plan enrollees receiving services from providers that do not participate in plan networks often face higher cost sharing and may be responsible for charges that exceed plan allowable amounts. The framework of this survey does not allow us to capture all of the complex cost-sharing requirements in modern plans, particularly for ancillary services (such as durable medical equipment or physical therapy) or cost-sharing arrangements that vary across different settings (such as tiered networks). Therefore, we do not collect information on all plan provisions and limits that affect enrollee out-of-pocket liability.” KFF Employer Health Benefits: 2013 Annual Survey

There has been dialogue at the Council level that the City should pay for the implementation of a new pay plan by moving immediately to the 80%/20% contribution mix. We don't think an immediate move is advisable, but rather a longer view is in the City's best interests. The City has worked hard to encourage certain healthy behaviors through its wellness programs, and there are concerns that immediate, major increases in the employee share of premium would undermine these efforts. We strongly urge the City to actively continue its dialogue with the City's benefits consultant (i.e. broker) so that a more detailed assessment can be made and make changes in premium sharing in a thoughtful, fair manner over a longer period of time until the right balance is found.

The following graph and table are based on City payroll data from 2013 and indicate that there does not appear to be a significant misalignment with market on strategic objectives. The City continues to intend to be a career employer of choice, and the benefits programs are consistent with a career-focused model.



The disparity between the represented positions and the remainder of city staff, the majority of whom are covered by this study, is best represented in the table below.

Components of Total Compensation	City of Manitowoc (Total)	City of Manitowoc (General)	City of Manitowoc (Union)	City of Manitowoc (Library)	City of Manitowoc (Police / Fire Supervisor)
Wages & Salaries	57.0%	60.9%	54.0%	64.3%	51.6%
Benefits	43.0%	39.1%	46.0%	35.7%	48.4%
Paid Leave	9.8%	9.8%	9.9%	9.5%	10.0%
Supplemental Pay	4.8%	4.4%	5.2%	2.4%	6.9%
Insurance	12.1%	13.1%	11.6%	12.7%	10.5%
Retirement	10.0%	5.6%	13.3%	4.5%	14.1%
Legally Required	6.2%	6.3%	6.0%	6.6%	6.8%

For the most part, public sector occupations continue to be career-level occupations. In other words, employees tend to view their positions as destinations rather than transitional jobs found in many private sector occupations. Even with the turmoil associated with the recession and implementation of Acts 10/32, City employment appears to be relatively stable. With this culture in mind, CDC developed a pay plan that is internally fair and focuses the City on managed pay ranges based on median market estimates. This was the policy directive given to us by the Personnel Committee, and this pay plan is consistent with their instructions.

The City's overall objectives in this project have been to (1) reduce its multiple, inconsistently structured pay plans into a single pay structure for all regular full-time and part-time employees that is both market competitive and internally logical; and (2) provide an opportunity for the City to link some portion of compensation to levels of performance at some point in the foreseeable future.

City staff are currently engaged in a process to provide enhancements to the existing performance management tool. The City's stated goal is to transition to a performance-based pay model at the beginning of 2017. This transition plan will enable the City to tie its performance management system to strategic objectives and create specific performance objectives for each job classification. The interval also provides the time necessary to adequately train managers and staff in the performance review process so the new system can be tested and adjusted.

II. Project Orientation and Job Documentation

The foundation of all excellent human resource systems is excellent job documentation. At the beginning of the project, we conducted several orientation sessions to explain the steps we would follow in the project and review the absolute necessity of accurate Job Description Questionnaires (JDQ's). Based on years of experience and hundreds of projects, we know that employees are the best source of accurate job documentation because they know their jobs better than anyone and are willing to spend the time required to document accurately.

Accurate job documentation is necessary for an effective understanding of job responsibilities, support for valid performance measurement management, staff development, and job classification. Furthermore, the process of establishing accurate job documentation opens up communication between employees and managers and causes management to assess how work should be organized and performance measured.

City of Manitowoc employees took their documentation responsibilities seriously so we received excellent JDQ's. In addition, supervisors and managers took time to review and comment on the material. We instructed managers and supervisors to never tell an employee what to write or to change what they have written. Instead, supervisors were to make separate comments on the form. Finally, when necessary, we followed up with various parties throughout our review to receive clarification and/or supplemental information to assist with our evaluation of the positions.

III. Job Evaluation and Internal Equity

Our approach to compensation plan design is to balance the objective measurement of internal relationships and with reliable statistics on external markets. Accordingly, we measure internal relationships using CDC's Point Factor Job Evaluation System. Next, we assess external markets through data collection and review of reliable pay surveys. In this section of our report, we describe the job evaluation portion of the project.

It has been our experience that employee perceptions of internal fairness in public organizations may be as important to morale as external competitiveness. Public pay is public, so there is no privacy in this regard. Because public organizations tend to underuse performance management and individual

rewards as a basis for pay, pay grade assignments take on added significance, and job classification becomes a scorecard.

Job evaluation is a systematic process used to establish internal equity among positions as a foundation for the development of an overall classification hierarchy. It measures “the job,” rather than the performance of an individual doing the job. Thus, it is not performance evaluation.

The process has evolved from basic job slotting to a systematic application of defined compensable factors to position documentation.

Once employees and managers completed the job documentation process, we applied our point-factor job evaluation methodology. The five overall factors in CDC’s system are: *Formal Preparation and Experience, Decision Making, Thinking Challenges and Problem Solving, Interactions and Communications, and Work Environment.*

Each factor includes definitions of various levels that we can apply to job content to determine the appropriate “score” on that factor. The evaluation factors and the defined levels for each factor correspond to sections of the JDQ, so the evaluation is verifiable in the sense that we actually could observe work being performed that corresponds to the written description. In other words, the abstraction has meaning in the real world of work.

When finished, we total the scores on each factor to obtain the overall point value for the job. Having a point score allows us to compare and contrast jobs that are frequently quite dissimilar in order to establish a job hierarchy and classification system.

To achieve and maintain effective and bias-free job evaluation, as evaluators, we:

- Applied the system consistently, based on our experience and understanding of the concepts of internal equity and position classification.
- Committed ourselves to addressing and removing any process bias that would result in over-evaluating or under-evaluating a position.
- Made every effort to ensure that no evaluations were completed without current and complete job documentation and relevant background information.
- Submitted results to review by department heads for comment.

In greater detail, the five major factors in our job evaluation system are:

Factor 1: Formal Preparation and Experience

In applying this factor, the evaluator determines the most representative combination of formal preparation and experience typically required to qualify for the position being evaluated. It is important to verify the minimum acceptable qualifications of the position by reviewing the current job description questionnaire and any additional job documentation available to evaluators.

Sub Factor 1—Formal Education

The knowledge accumulated through formal preparation/training/education that is distinguished by a curriculum and testing of that accumulated knowledge.

Sub Factor 2—Experience

The most representative profile of relevant prior experience required to qualify for the position being evaluated.

Factor 2: Decision Making

In applying this factor, the evaluator determines the freedom to act that is delegated to the position, the extent of the organization affected by those actions, and the best characterization of decision making typical of the position being evaluated.

Sub Factor 1—Freedom to Act

The most representative level of autonomy delegated to the position for initiating actions or making decisions.

Sub Factor 2—Extent of Actions Taken

The breadth of the organization effected by actions taken that would be typical for the position—from jobs where actions affect only their job to jobs where effects are seen organization wide.

Sub Factor 3—Impact of Judgments

The degree of decision making that is most representative, from jobs where information is provided to others for their decision making to jobs where the responsibility for decisions is shared by the employee and others.

Factor 3: Thinking Challenges and Problem Solving

In applying this factor, the evaluator first determines the *representative* thinking challenges and problem solving required on an ongoing basis, and then determines the depth of intellectual response to those challenges and the creativity involved in solving problems. The focus is on representative thinking challenges and problem solving as opposed to possible, but highly unlikely, situations.

Sub Factor 1—Context and Complexity

The context and complexity of challenges/problems in relation to established procedures, protocols, and policies—from jobs with minimally complex procedures to jobs with considerable complexity and only very broad guidance.

Sub Factor 2—Required Response

The depth of response required by the position—from jobs with generally clear-cut responses to jobs where responses require the development of original, creative solutions at the level of scientist, composer, or similar profession.

Factor 4: Interactions and Communications

Sub Factor 1—Context and Complexity

In applying this factor, the evaluator first determines the context of business interactions and communications that are an ongoing part of performing the position being evaluated—from answering requests for basic information to the most critical operational and governance issues in the organization.

Sub Factor 2—Outcomes

Second, the evaluator determines the outcomes, effects, and impacts of these interactions and communications in the organization—from jobs where the impact is generally limited to effective working relationships to jobs where interaction and communications primarily and regularly deal with the most major operational and/or governance issues in the organization. The evaluator recognizes the impact of such communications both inside and outside of the organization.

Factor 5: Work Environment

Sub Factor 1—Exposure to Hazards

In applying this factor, the evaluator first determines the potential for injury in performing the job, including the identification of what recognized health hazards regularly exist in the typical work environment.

Sub Factor 2—Required Physical Effort

The second sub-factor measures the *physical requirements* to perform the job being evaluated as expected and within established organizational policies related to good safety practices—from jobs with a low degree of physical effort to jobs that require physical activity which is a continuous, major effort that could comprise most, if not all, of the position's work time.

Evaluation Results

Having completed the evaluation of each job objectively based on our understanding of position responsibilities obtained from the JDQ's and department head interviews, we grouped jobs with similar total point scores into pay grades with a set number of points per grade interval. The result is called a Grade Order List.

The Grade Order List embodies the concept that jobs of similar overall responsibility should have the same pay opportunities. Jobs with discernibly different levels of responsibility should be in higher or lower grades. Because there are five factors of job worth, jobs can end up in the same grade even with differences in point scores among some of the factors.

In an internally equitable pay plan, the more difficult or complex the job, we find higher levels of responsibility and skill requirements, and therefore expect pay levels to increase accordingly. In general, salaries should rise with job evaluation scores. In the section below on pay plan design, we have recommended how job evaluation results and market data come together to create a pay structure for the City of Manitowoc.

Replacing multiple pay plans, many of which were established through the political process of collective bargaining, with a single compensation structure means substantial change for many employees. Accordingly, internal relationships between positions frequently are altered, and change is not embraced without preparation and follow-through.

Therefore, the City had an opportunity to review an original grade order list, without pay attached, and request additional reviews by us. In addition, we invited members of the Common Council to provide any questions regarding pay grade placement to the Mayor so we could review these inquiries, as well. We took this obligation very seriously and considered the information presented in an objective consistent manner.

We want to make it absolutely clear that the recommendations contained in our report to the Committee, all job evaluation ratings and pay range placements, as well as the pay plan structure, are our firm's independent recommendations. While department heads, Human Resources, the Mayor's office, and Council members had input, this final report is our work product.

In addition, we are recommending an employee classification appeal process following adoption of a new pay plan by the Common Council (see attachment). We think this step supports accuracy and integrity. Our role in the appeal process would be to review and comment on the appeal with a recommendation. The final decision on any classification would be the City's responsibility.

And, finally, we recommend the City continue to have a process of annual review for those jobs that change. We provide this service to our clients at a very reasonable cost, and it helps ensure the plan stays current. The Human Resource policies that accompany the new plan will include pay plan maintenance provisions.

IV. Market Targets and Analysis

We asked the Personnel Committee to answer three primary policy questions related to this study:

1. What labor markets does the City want to use for its pay plan review?
2. What position does the City want to take in those markets?
3. How should the pay plan be structured and administered?

The Committee directed CDC to develop survey data for a defined public sector market, and we supplemented the data as necessary to have a valid sample size. Our primary data source is the custom survey database that we collect and maintain for this purpose.

We also analyzed private sector data from three excellent published survey sources, including:

- Bureau of Labor Statistics Occupational Employment Statistics Metropolitan Area Occupational Employment and Wage Estimates, Eastern Wisconsin area.
- Towers Watson Compensation Survey library, Wisconsin/Great Lakes.
- Northeast Wisconsin Chambers of Commerce Wage Survey.

The results of our survey of benchmark positions are provided in Attachment B

Key policy questions for our data analysis were: How should the market data be weighted? What position does the City want to take in its markets?

Manitowoc, like most public employers, does not have a great deal of voluntary turnover, other than retirements. For the most part, losing employees has not been a significant concern, and we think this is a key strength. The public sector model emphasizes career-based employment, and the Wisconsin Retirement System supports that objective. Furthermore, the slack economy presents a substantial barrier to employee mobility unless one can move within a local market without changing residence.

The table below demonstrates just how stable the City’s employment has been:

Profile: Employee Years of Service			
Grouping	Number	Percent of Whole	Cumulative Percent
Greater than 30 Years of Service	7	5.9%	5.9%
25 Years to 30 Years	18	15.1%	21.0%
20 Years to 25 Years	17	14.3%	35.3%
15 Years to 20 Years	21	17.6%	52.9%
10 Years to 15 Years	16	13.4%	66.4%
5 Years to 10 Years	18	15.1%	81.5%
Less than 5 Years of Service	22	18.5%	100.0%
Total	119	100%	

Profile: Employee Age			
Grouping	Number	Percent of Whole	Cumulative Percent
Age 60 or Older	11	9.2%	9.2%
Age 55 to Age 60	21	17.6%	26.9%
Age 50 to Age 55	23	19.3%	46.2%
Age 45 to Age 50	21	17.6%	63.9%
Age 40 to Age 45	21	17.6%	81.5%
Age 40 or Less	22	18.5%	100.0%
Total	119	100%	

Future demographics, however, are likely to present a significant challenge. As skilled staff retire, there is likely to be intense competition for good replacements across the public sector. The challenge in the future will be to manage a compensation system that enables the City to recruit skilled employees.

Our objective in this project is to present a pay plan that reflects current conditions, yet gives the City the flexibility to adjust with changes in market conditions. To operationalize this in terms of recruitment, we developed our analysis around the three primary occupational levels: (1) department heads and managers, (2) professional staff and first line supervisors, and (3) hourly-based staff.

Department heads and managers are most likely to be found in the public sector, given the specialized types of functions they are leading. For example, protective service leaders are going to be found in police and fire departments. More often than not, given the unique management challenges in a public agency, a finance or human resource director will be recruited from another public organization. In contrast, a city engineer or information technology director could be found in an engineering firm. Accordingly, we have based our analysis on market weights for this group at 75% in favor of public sector data and 25% in favor of the private sector.

Recruits to middle level occupations could come from either the public or private sector. Jobs at this level would include nurses, accountants, information technology professionals, analysts, etc. Therefore, we have developed our pay plan recommendations based on weighting of 50/50 – public sector/private sector.

The City tends to recruit its hourly-based workforce in the local economy, either with job-related experience or as new graduates from technical colleges or high school. These employees tend to start with the City in the most basic positions, receive training and experience on the job, and are promoted as their skills and the opportunities warrant. The survey weighting we are using for these jobs is 25% for public sector data and 75% for primarily private sector area-based wages.

We benchmarked 32 job classifications representing the array of job classifications employed by the City in positions covered by this study. The benchmarks are representative over 44 percent of the job classifications and 63 percent of the employee population. This is a strong sample.

In our analysis, we compared average actual salaries of City employees in benchmark positions to the median (average) market estimates developed from our survey analysis. Overall, for the 32 benchmark positions, City pay averages 97.8% of the measured marketplace. Thus, for all practical purposes, this City's current pay plan is competitive. Of course, there are adjustments needed in individual positions, and we summarize those below.

Finally, the third policy question: How should the pay plan be structured and administered?

The Committee's policy direction was to develop a step-based pay plan as an interim solution with the intention of moving to modified pay-for-performance plan. The pay structure that we present here supports this policy direction.

V. A New Uniform Pay Plan

CDC consistently recommends pay plans balanced for (1) internal equity, as measured by objective job evaluation, and (2) competitiveness, as measured by our market data. We also tailor our recommendations to the organizational culture and affordability.

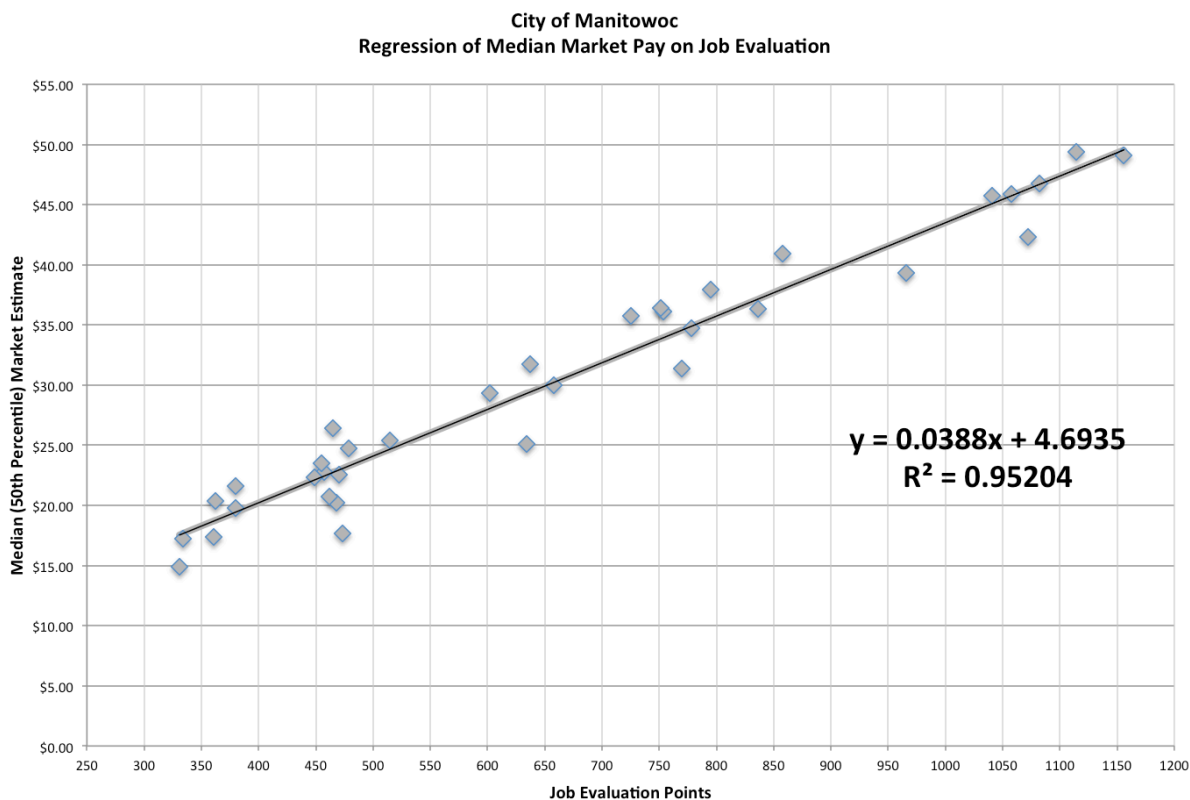
How do we achieve this balance? A scatter graph of job evaluation scores and market rates for the City's benchmarks are on the following page. The graph shows that as the internal value of jobs increase, measured by job evaluation scores, market pay increases, as well. As the graph indicates, the trend is very clear.

Each data point on the graph is one of the benchmark positions, representing the job evaluation score for that benchmark and the corresponding measured market estimate. The trend line through

these data points for the benchmark jobs is called a line of best fit, or regression line. The regression line for the City’s benchmark positions is represented by the equation: Y (predicted pay) = {\$.0388 times job evaluation points} + \$4.6935

In this regression equation, \$.0388 is the slope of the trend line and means that each single job evaluation point is worth \$.0388. Therefore, if the score goes up one point, pay rises \$.0388. The \$4.6935 amount is the line’s y-axis intercept, so if the line were extended downward to y-axis of the graph (measuring market pay rates), it would intersect that axis at \$4.6935.

The $r^2 = 0.95$ shown below the equation on the graph is the correlation coefficient. This correlation coefficient of 0.95 is very high and means that the job evaluation scores are predicting market pay. One way to interpret the result is that 95% of the variance in pay is explained by differences in job evaluation values. The significance is that we can use these relationships to develop a pay plan solution for the City that is strong internally and externally.



Arguably, we could use this regression equation to develop a unique pay grade for every job classification. We could take every position point score, insert it into the equation, and develop a unique pay range. However, this would be very unmanageable because it would result in reclassifications whenever job duties increased or decreased to a small degree. Instead, we utilize point intervals for each pay grade. In this plan, we recommend the following point groupings:

- Grades B-E 25 points/grade
- Grades F-R 50 points/grade
- Grades S-T 100 points/grade

The higher-level management positions in Grades S and T have broader point ranges that reflect broader responsibility and pay ranges. The middle level grades cover managers, supervisors, professionals and technical staff. Grades B through E are mostly non-exempt workers as defined by the

Fair Labor Standards Act, meaning they must receive overtime pay for hours worked in excess of forty per week.

Next, we created a pay range concept that fulfills the City's direction to have a managed pay structure that is tied to average market estimates and supports a City policy of a strong relationship between individual performance and pay. Accordingly, we are recommending pay ranges for each grade that have the following features:

1. Pay grade midpoints would be "Control Points" created from the market equations so range Control Points, or midpoints, are linked to the market.
2. Uniform pay range spreads of 32% with the range minimum set at 85% of the range control point and the range maximum at 112.5%
3. Six pay steps to the range Control Point equal to 2.5% of each range control point that can be earned at annual intervals provided evaluated performance at least meets established expectations.
4. Five pay steps beyond the range Control Point equal to 2.5% of each range control point that can be earned in two-year intervals (i.e. biennial), again, provided evaluated performance at least meets established expectations.
5. All City job classifications covered by this study would be allocated to this structure.

The following example illustrates how we use the regression analysis to create a pay plan that balances internal equity:

Grade I has a job evaluation point interval of 500 to 549 points. The middle value of that interval is 524.5 points, and substituting that value into the regression equation yields the following outcome:

y (Range Control Point, or C/P) = {524.5 points times \$.0388/per point} + \$4.6935 = \$25.04 (allowing for rounding). Further, it is necessary to age our market data forward to keep the plan current for 2014, and we used an aging factor of 1% for this structure. As a result, the control point Grade I becomes \$25.30. {\$25.04 times 101%, allowing for rounding.}

The pay range of Range I, therefore would be: \$21.51 (85% of C/P) to \$28.46 (112.5% of C/P).

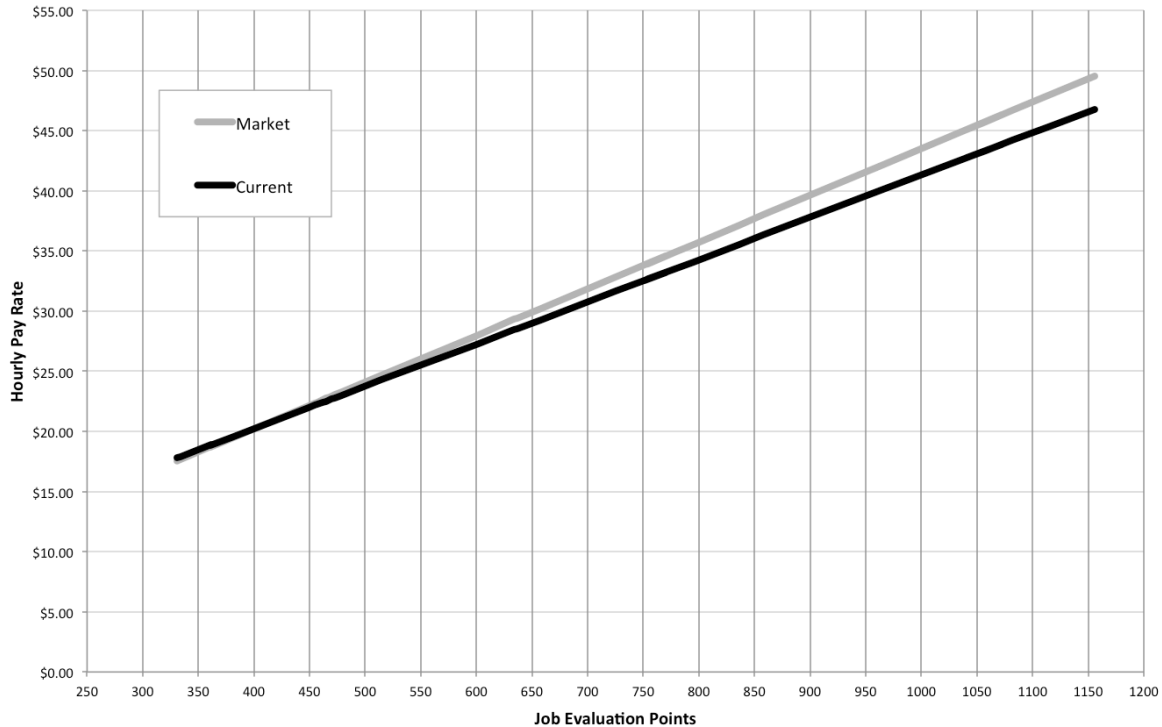
To create a pay plan, we repeat the formula process for each set of point intervals. The resulting pay matrix is presented on the following page.

We allocated each job classification covered by this pay plan to the appropriate pay grade based on the job evaluation score. This document is called a Grade Order List, and it is included as Attachment C to this report.

VI. Implementation Recommendations

How do these pay ranges correspond to current City pay practices? On the following page we have included a graph of the market pay line, and the City's current pay practice line. Overall, the City is underpaying its higher-level classifications and is competitive at the lower levels. This is a typical finding in a municipal study, and the new pay plan will correct the relationships as explained below.

City of Manitowoc
 Comparison of Current and Market Regression Lines of Best Fit



Our implementation recommendations are as follows:

1. Any employee paid below the range Minimum for the allocated grade would be brought to the grade minimum as soon as practical.
2. Any employee whose current pay rate falls between the Minimum and the Maximum of the new range would be moved to the step that provides an increase on the first payroll in July 2014.
3. Any employee paid above the Maximum of the new range would have their base pay rate frozen until the range is increased to include the rate; however, the City would have the option of granting non-base performance awards to such employees.
4. All pay step increases to the Control Point should be based upon annual performance evaluations that at least meet defined performance expectations.
5. All pay step increases beyond the Control Point should be based upon two consecutive annual performance evaluations that at least meet defined performance expectations.
6. The City should annually review the pay structure for adjustment based upon market conditions, changes in the cost-of-living, and the City’s ability to pay for any resulting changes in base salary costs. Employees on steps would be eligible for the structure adjustment, provided individual performance at least meets expectations.
7. Any employee whose duties change substantially over the course of year could ask for an classification review in the month of June to align it with the budget process, and, if a new grade allocation is appropriate, it would take effect the following January with the new operating budget.

8. The Fair Labor Standards Act (FLSA) establishes criteria for paying overtime to employees based on their duties. Accordingly, we continue our work to recommend Exempt and Non-exempt FLSA classifications for all employees covered by this study.

In recent years, the City has not been increasing pay levels for employees, other than unionized protective service and transit staff. This disparity cannot continue.

The City faces substantial future turnover and, in general, we know that there is going to be a statewide shortage of skilled employees and managers.

Specifically, we recommend the City establish a formal pay system review process directing the Mayor to make specific pay structure (and ultimately pay-for-performance) budget recommendations to the Personnel Committee and the Common Council as part of the budget process for the following year. These recommendations would include a report on the outcomes of the performance review process, specific recommendations on structure adjustments, if any, and a pay budget for the coming year.

In addition, the City should retest the pay plan for the market changes in 2016 as part of this process for the 2017 fiscal year. Testing the market will enable the City to keep its new pay plan current and functioning as intended.

With a stated goal of adopting a more variable pay-for-performance, or “combo-plan” for 2017, performance management has to be a very immediate policy objective. A meaningful pay-for-performance system will be a significant cultural change and challenge, and the City has begun to lay the groundwork. Although many employees will have higher pay range maximums under the combo plan, having their pay advancement within grade determined by performance management will be a new experience.

There are several additional recommendations:

1. Department heads occasionally will want to hire an employee above a range Minimum; however, this should happen if and only if the incoming employee has unique skills that are valuable enough to compensate for the higher pay. Any hiring above the range Minimum should be upon approval by the Human Resource Director and the Mayor. We will work with the City to craft policy language.
2. Employees reclassified or promoted within the system should go to the higher range minimum of the new pay grade, or whichever pay step in the new grade provides at least a five percent (5%) increase.
3. Employees assigned to higher level positions for a period expected to last longer than 30 calendar days should be paid at the range minimum of the replacement grade or whichever pay step of the replacement grade provides at least a five percent (5%) increase. This requirement should not be confused with the occasional taking on of responsibilities for increased workloads, vacations, etc. Instead, this is intended for extended periods typically associated with vacancies or FMLA leaves. Further, it is not intended to be a 30-day waiting period, but rather the assignment is expected to last for at least 30 days.
4. Employees should expect to reach the range Maximum only if their performance consistently exceeds measured expectations.

We think this last point is critically important to grasp as the City moves forward with its combo plan; i.e., only the top performing employees reach the maximum of a salary range. This is not a system where employees matriculate over time to the maximum of a range.

As the City prepares itself for the combo plan, there are substantial commitments required:

1. Continued accurate measurement of duties and performance using the appropriate tools and processes.
2. Substantial on-going training for supervisors and managers.

3. Consistent political support from the Common Council.
4. Adequate funding for the system.

These are significant challenges. We have designed a pay structure according to the policy direction of the Personnel Committee that is geared to the step-system model with direction to a pay-for-performance management system.

We are prepared to answer questions regarding our findings and recommendations. The application of CDC's Point Factor Job Evaluation System and the survey analysis of market conditions for this study are CDC's intellectual product protected by trade secrets regulations. CDC understands the City may wish to learn more about the underlying analysis, and we are prepared to make background details available to City officials upon request in a format that protects CDC's intellectual property and trade secrets.

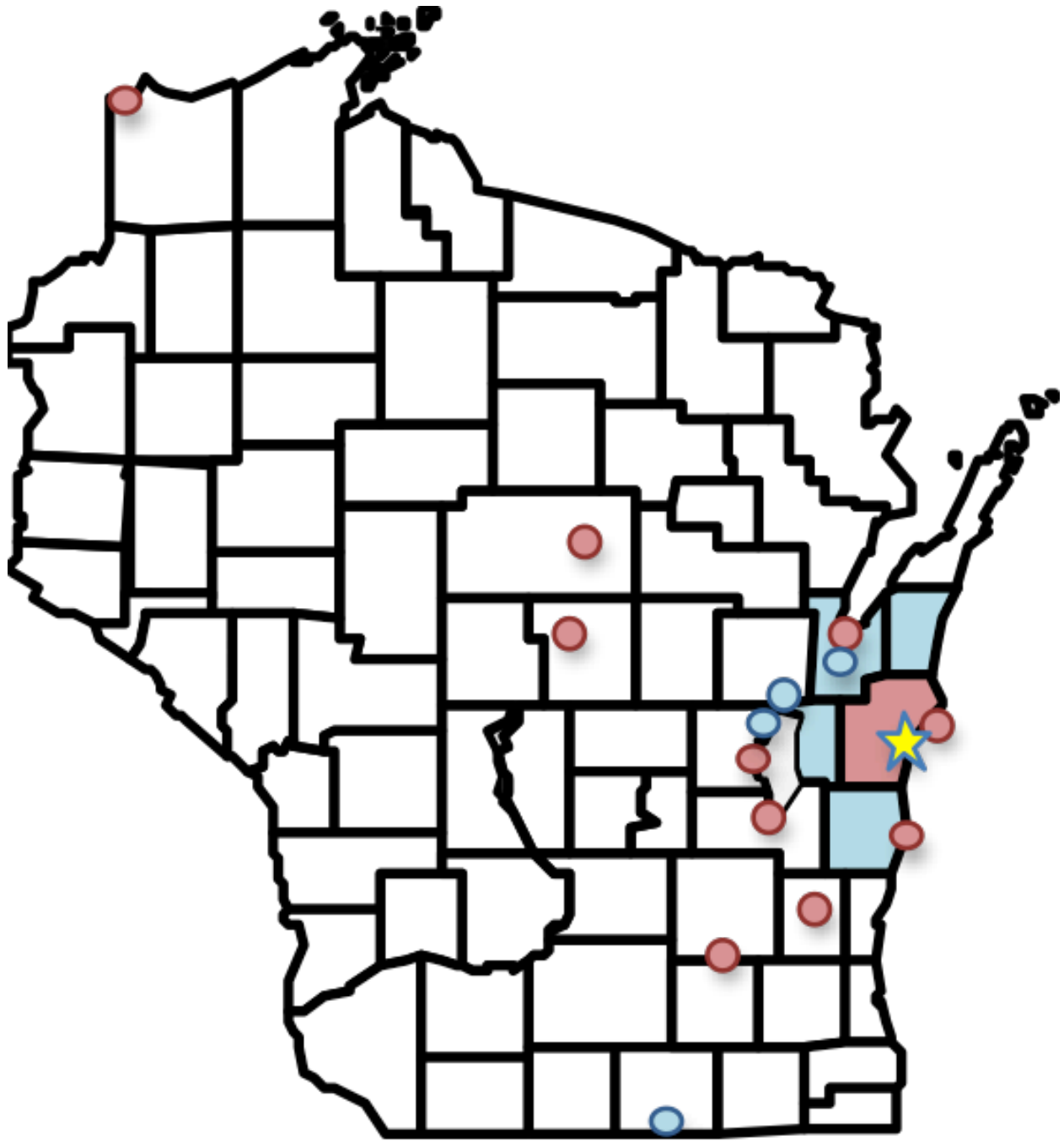
VII. Conclusion

We want to thank the City of Manitowoc for the opportunity to conduct this project. It will be very satisfying to see the City adopt a uniform plan, and we eagerly anticipate the City's movement to a pay-for-performance model in the near future.

We always explain to our clients that our methods of analysis don't vary. We know what works and how to apply professional technique. However, the requirements of each client do vary, and every engagement provides unique opportunities to create policies that will solve that client's problems and open new avenues to better management. We approached this engagement with this intent.

We hope the Common Council will approve the new plan and the supporting policy changes. We will be present for that consideration and welcome the chance to answer any questions that arise.

Attachment A. Comparable Map



Attachment B. Benchmark Positions

City of Manitowoc Job Title	Current Hourly Rate	Median Market Pay	Median Market Index
City Attorney	\$46.90	\$49.11	95%
Dir Of Public Infrastruc	\$43.27	\$49.37	88%
Finance Director/Treasur	\$39.43	\$46.77	84%
Police Chief	\$44.02	\$45.92	96%
Fire Chief	\$44.02	\$45.72	96%
City Planner	\$46.60	\$42.29	110%
Library Director	\$37.38	\$39.33	95%
Deputy Police Chief	\$36.98	\$40.94	90%
Superintendent	\$34.95	\$36.31	96%
Captain	\$38.72	\$37.95	102%
Assistant City Attorney	\$29.84	\$34.73	86%
Assistant Finance Direct	\$33.72	\$36.08	93%
Battalion Chief	\$32.90	\$36.44	90%
Deputy City Planner	\$33.72	\$31.41	107%
Lieutenant	\$35.75	\$35.77	100%
City Clerk	\$34.65	\$30.01	115%
Elec & Elec Insp	\$28.08	\$31.76	88%
Youth Services Dept.	\$23.18	\$25.07	92%
Plumbing Insp	\$31.12	\$29.32	106%
Electromechanical Tech	\$26.50	\$25.39	104%
Deputy City Clerk	\$21.71	\$24.74	88%
Associate	\$19.30	\$17.66	109%
Mechanic	\$21.27	\$22.55	94%
Maintenance Engineer II	\$20.01	\$20.20	99%
Payroll Administrator	\$22.62	\$26.44	86%
Confidential	\$22.64	\$20.70	109%
Engineering Aide II	\$23.81	\$22.79	104%
Operator	\$22.97	\$23.51	98%
Administrative Asst	\$19.34	\$22.35	87%
Park Worker II	\$22.46	\$21.57	104%
Streets	\$21.40	\$19.81	108%
Clerk Typist II	\$17.24	\$17.38	99%
Clerk Typist III	\$18.87	\$20.37	93%
Account Clerk	\$18.83	\$17.21	109%
Building Custodian	\$14.51	\$14.91	97%

Attachment C. Grade Order List: Step Plan

[Attached as a separate document.](#)

Attachment D. Sample Appeals Process

CLASSIFICATION AND COMPENSATION STUDY APPEAL PROCESS

The following information outlines the process for employee appeals of position allocations resulting from the City of Manitowoc Classification and Compensation Study:

Basis For Appeal

If an employee feels dissatisfied with their pay grade classification, the first step is to submit a notice of Intent to Appeal to the Human Resources Department by April 25, 2014. The employee will be required to sign a trade secrets non-disclosure form prior to reviewing the evaluation levels, agreeing not to disclose or discuss their rating levels with anyone other than the Human Resources Department. The Department will arrange an appointment for the employee to review the rating levels for their position and the Job Description Questionnaire prepared by the employee for this study.

Having considered the rating levels and the JDQ, if the employee then concludes that rating is incorrect and the Consultant: 1) committed an error in evaluating his/her position, or 2) the employee's job changed significantly since the original Job Description Questionnaire (JDQ) response making the original evaluation incorrect, then the employee may supply additional information and request a re-evaluation by submitting a formal appeal.

Grade Review Guidelines

Grade reviews must be focused on the JDQ and the evaluation levels. If an employee believes their job has been incorrectly evaluated, the employee must read through their JDQ and determine which areas they feel were evaluated incorrectly and indicate why they feel a different level is appropriate. In presenting this analysis, please remember that the question is not whether an employee ever performs duty at a higher level on any factor; the question is whether the duties are typically at the higher level.

Note: Governing body policy decisions on pay structure, market comparisons, and pay plan implementation are not subject to appeal.

How To Appeal

The appeal form must include a statement for the appeal limited to the two criteria previously explained above, which are; 1) The consultant committed an error in classifying his/her position, or 2) The employee's job has changed significantly since the original JDQ response.

If the appeal involves a claim of additional responsibilities or significant changes to the position since the completion of the JDQ, the employee must attach a hard copy of their original JDQ, with any changes indicated on the JDQ itself. Changes can either be shown in handwriting, or if the employee uses the electronic form of the JDQ, changes should be made very clear using underlining or some other demarcation.

The Department Head will sign a non-disclosure form and then review the information provided by the employee, certify whether it is factual and correct, sign the Department Head appeal review portion of the form and provide comments. Department Heads will then submit the appeals to Human Resources. Human Resources will forward the appeal to the Consultant for review and a recommendation.

The Consultant will meet with the Human Resources Department and the employee's Department Head to consider the substance and merits of each appeal. The Consultant will make a recommendation on each appeal indicating if he/she feels the appeal should be upheld, or if not, the reason for recommending denial of the appeal.

The final decision on all appeals will be the responsibility of the Personnel Committee.

All appeals must be filed in Human Resources by May 9, 2014.