



Fox Lawson & Associates
a Division of Gallagher Benefit Services, Inc.
Compensation and Human Resources Specialists

City of Kodiak, AK

Classification & Compensation Study

Final Report

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Gallagher Benefit Services, Inc.
t h i n k i n g a h e a d

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Study Background

- Fox Lawson & Associates was engaged to perform a review of job classification, compensation and benefits for the City of Kodiak and make recommendations regarding:
 - Job structure and individual position allocations;
 - Current state of compensation and benefits;
 - Market competitiveness of specific employee benchmarks;
 - Benefits and costs associated with recommendations;
 - Implementation and transition options; and,
 - Pay practices, policies and overall compensation program.
- The major consideration of the City is to establish market comparisons to the current level of compensation paid to the existing 60 positions at the City.
- The following items were provided by the City to facilitate the study:
 - Organization materials;
 - Current job descriptions; and
 - Current compensation and pay structure information for employees.

Study Background

- Meetings were conducted with City management to document:
 - Compensation and classification strategies and philosophies;
 - Current jobs and organizational structure; and
 - Job concerns and issues.
- Compensation and classification goals were identified and include:
 - Classification system with broadly defined classes defined by the general scope and complexity of work and reflective of meaningful and measurable differences in level of work.
 - Job analysis to result in new job descriptions reflective of the type and level of work performed as documented through position description questionnaires and resulting from the occupational panels.
 - Compensation levels reflective of multiple labor markets, including both public and private sectors, with pay grade midpoints reflective of the 50th percentile of the relevant labor markets:
 - Management and professional (exempt) level positions compared to like-sized public sector organizations with which the City competes for labor throughout the Pacific Northwest region.
 - Non-exempt positions compared to local public and private sector organizations with operations near City offices.
 - Development of a salary structure that is reflective of internal equity and external parity.
 - Placement of individual job classifications within the overall salary grade structure based on relative internal value utilizing the Decision Band™ Method .

Summary of Job Analysis

- Existing job descriptions were collected and reviewed.
- Employees completed Position Description Questionnaires (PDQs) to describe the work they are currently performing.
- Occupational panels were facilitated by FLA to obtain employee input.
- Jobs within the proposed structure were evaluated utilizing the Decision Band™ Method (DBM).
- FLSA designations were applied to positions based on Federal guidelines. Positions currently designated as non-exempt but deemed exempt based on FLA's review may continue to be non-exempt if the City so chooses; however, positions classified as non-exempt should remain non-exempt to ensure regulatory compliance and avoid financial exposure for the City.

Summary of Job Analysis

- DBM ratings address internal equity and support development of pay structures.
- Decision bands within DBM include:
 - Band F – Top Level Policy Decisions
 - Band E – Programming Decisions
 - Band D – Interpretive Decisions
 - Band C – Process Decisions
 - Band B – Operational Decisions
 - Band A – Defined Decisions
- Bands are further subdivided into “grades” based on leadership responsibilities and “subgrades” based on areas such as complexity and difficulty of the work.

Survey Methodology – Benchmark Jobs

Benchmark

No.	Benchmark Title
1	Administrative Clerk
2	Administrative Assistant
3	Administrative Specialist
4	Administrative Supervisor
5	Corrections Officer
6	Deputy Building Official
7	Director
7a	<i>Clerk</i>
7b	<i>Finance</i>
7c	<i>Fire</i>
7d	<i>Parks and Recreation</i>
7e	<i>Police</i>
7f	<i>Public Works</i>
8	Fire Captain
9	Firefighter/EMT III
10	Fiscal Analyst
11	Fiscal Assistant
12	Fiscal Specialist
13	Fleet Maintenance Supervisor

Benchmark

No.	Benchmark Title
14	Fleet Mechanic
15	Heavy Fleet Mechanic
16	Human Resources Admin
17	IT Administrator
18	IT Technician
19	Library Assistant
20	Library Specialist
21	Maintenance Manager
22	Maintenance Specialist
23	Maintenance Technician
24	Police Officer
25	Public Safety Dispatch Supervisor
26	Public Safety Dispatcher
27	Deputy City Clerk/Records Manager
28	Police Sergeant
29	Water Treatment Manager
30	Water/Wastewater Treatment Operator - 1
31	Water/Wastewater Treatment Operator - 3

Survey Methodology

- FLA collected salary and benefits data from local government organizations and published survey sources.
- The survey results represent data from the following municipalities:

Local/Regional Municipalities

Homer
Juneau
Kenai
Kenai Peninsula Borough
Ketchikan
Ketchikan Gateway Borough

Local/Regional Municipalities

Kodiak Island Borough
Sitka
Soldotna
Unalaska
Valdez
Kodiak Island Borough

- The following published surveys were utilized:

Published Salary Surveys

Mercer - Finance, Accounting and Legal
Mercer - Information Technology
RIM Salary Survey
Stanton Group - 2011 Nonexempt
Stanton Group - IT
Stanton PSI - Nonexempt
Towers Watson - Accounting and Finance

Published Salary Surveys

Towers Watson - Human Resources
Towers Watson - IT & e-Commerce
Towers Watson - Office Personnel
Towers Watson - Supervisory
Towers Watson - Supervisory Management
Towers Watson - Technician & Skilled Trades

Survey Methodology

- All data are effective January 2012 and reflect an annual basis.
- We follow the U.S. Department of Justice and Federal Trade Commission guidelines that state 5 job matches should exist per job in order to conduct statistical analyses or for drawing conclusions.
- All benchmark jobs met the 5 job match guideline.

Survey Methodology

- Custom survey results were combined with published survey data, where applicable, to calculate current average market rates.
- FLA performed several reviews of the data to identify any extreme data and to ensure validity and reliability of the data.
- Through a statistical analysis, any salary figures that were considered extreme in relation to all other salary figures were excluded.
- Data was calculated for the 25th, 50th and 75th percentiles, as well as average salary range minimum, midpoint and maximums.
- Once the survey analysis and report was completed, it was submitted internally through our firm's quality control process for review before it was submitted to the City.

Summary of Salary Data Comparisons

- On an overall basis of all jobs combined, the amount that the City is above or below the market 50th percentile is shown in the table below.
 - The 50th percentile of market data was used as the comparison point as this is where the City identified its targeted pay.

Aggregate Comparison	Base Salary
Actual Salaries	-9.0%

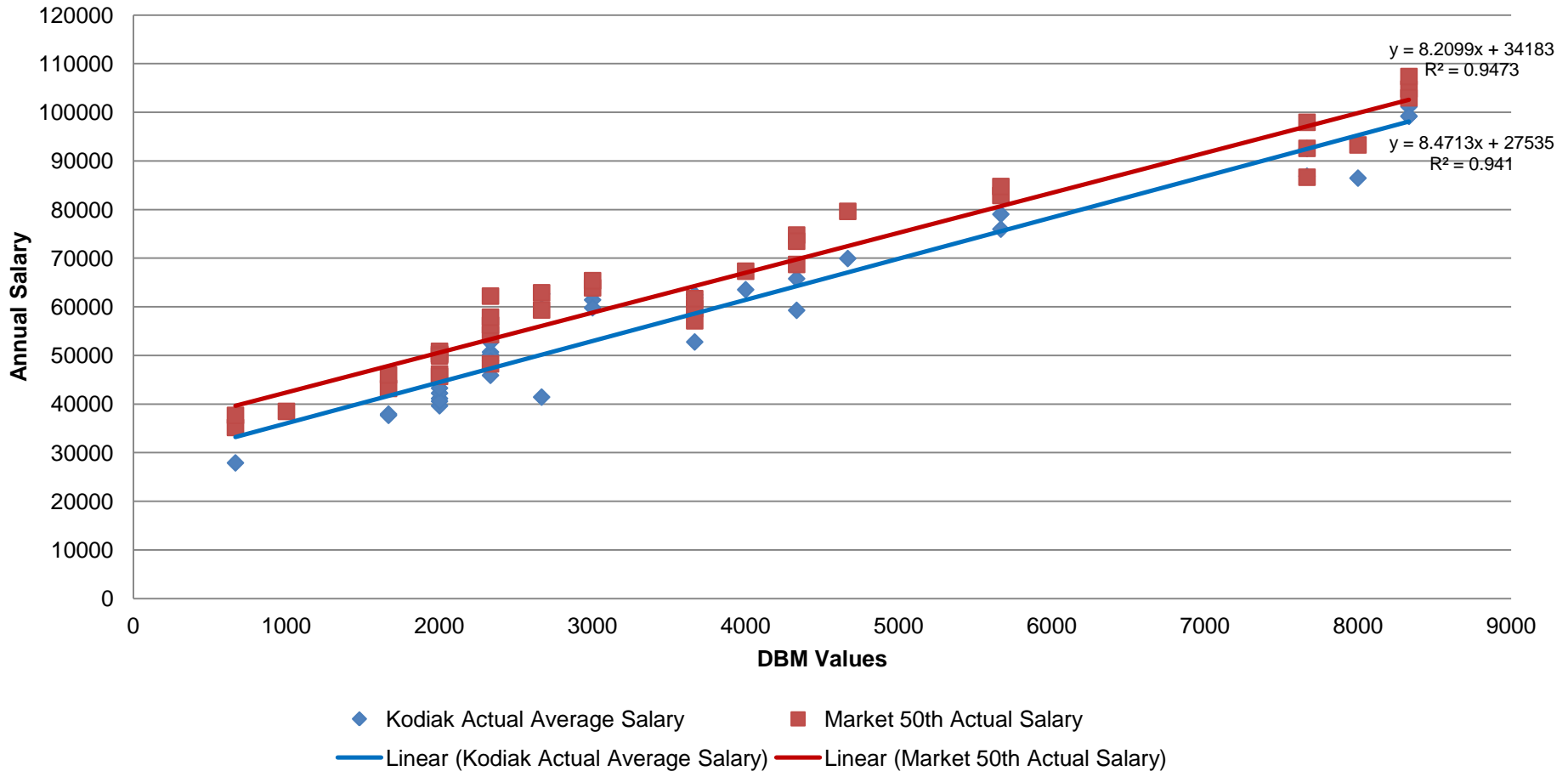
- Some jobs are further above and some further below.

Summary of Salary Data Comparisons

- Graphical representations of current salaries compared to market are shown on the following page and reflect how the City's salaries compare to the market utilizing a statistical procedure called regression analysis.
- Regression analysis utilized to blend market data with internal equity.
 - Regression trend line is used as an anchor for salary ranges and represents the “best fit” taking into account market parity and internal equity.

Summary of Salary Data Comparisons

City of Kodiak, AK Market 50th vs Actual Salaries



Summary of Salary Data Comparisons

Bench No	Benchmark Title	Series Level	DBM Rating	DBM Value	Kodiak Actual Average Salary	Market 50th Actual Salary	% Diff
1	Administrative Clerk	1 of 4	A11	667		\$35,183	n/a
2	Administrative Assistant	2 of 4	B21	1667	\$37,932	\$43,212	-12.2%
3	Administrative Specialist	3 of 4	B22	2000	\$41,135	\$50,288	-18.2%
4	Administrative Supervisor	4 of 4	B24/B31	2667	\$41,434	\$59,348	-30.2%
5	Corrections Officer	1 of 3	B22	2000	\$39,642	\$50,847	-22.0%
6	Deputy Building Official	1 of 2	B25/B32	3000	\$61,422	\$63,903	-3.9%
7	Director	2 of 2	E81	7667	\$92,537	\$97,944	-5.5%
7a	<i>Clerk</i>	2 of 2	E81	7667	\$86,861	\$86,652	0.2%
7b	<i>Finance</i>	2 of 2	E83	8000	\$99,195	\$104,792	-5.3%
7c	<i>Fire</i>	2 of 2	E82	7667	\$86,466	\$93,290	-7.3%
7d	<i>Parks and Recreation</i>	2 of 2	E81	7667		\$92,590	n/a
7e	<i>Police</i>	2 of 2	E83	8000	\$101,171	\$102,980	-1.8%
7f	<i>Public Works</i>	2 of 2	E83	8000	\$99,195	\$107,359	-7.6%
8	Fire Captain	3 of 3	C41	3667	\$62,485	\$59,616	4.8%
9	Firefighter/EMT III	1 of 3	B23	2333	\$50,692	\$48,269	5.0%
10	Fiscal Analyst	3 of 3	C43	4333	\$59,280	\$68,708	-13.7%
11	Fiscal Assistant	1 of 3	A12	1000		\$38,492	n/a
12	Fiscal Specialist	2 of 3	B22	2000	\$42,238	\$50,209	-15.9%

Summary of Salary Data Comparisons

Bench No	Benchmark Title	Series Level	DBM Rating	DBM Value	Kodiak Actual		% Diff
					Average Salary	Market 50th Actual Salary	
13	Fleet Maintenance Supervisor	3 of 3	C42	4000	\$63,523	\$67,325	-5.6%
14	Fleet Mechanic	1 of 3	B22	2000	\$40,581	\$46,207	-12.2%
15	Heavy Fleet Mechanic	2 of 3	B23	2333	\$50,149	\$54,304	-7.7%
16	Human Resources Admin	2 of 2	C43	4333		\$74,756	n/a
17	IT Administrator	2 of 2	C43	4333	\$65,780	\$73,481	-10.5%
18	IT Technician	1 of 2	B22	2000		\$45,701	n/a
19	Library Assistant	1 of 3	A11	667	\$27,900	\$37,668	-25.9%
20	Library Specialist	3 of 3	B23	2333	\$52,700	\$56,221	-6.3%
21	Maintenance Manager	4 of 4	D61	5667	\$75,962	\$82,901	-8.4%
22	Maintenance Specialist	3 of 4	B23	2333	\$48,873	\$62,200	-21.4%
23	Maintenance Technician	2 of 4	B21	1667	\$37,679	\$45,981	-18.1%
24	Police Officer	1 of 4	B24/B31	2667	\$62,650	\$62,887	-0.4%
25	Public Safety Dispatch Supervisor	3 of 3	C41	3667	\$61,838	\$61,678	0.3%
26	Public Safety Dispatcher	1 of 3	B22	2000	\$43,281	\$49,908	-13.3%
27	Deputy City Clerk/Records Manager	1 of 1	D61	5667	\$52,770	\$57,118	-7.6%
28	Police Sergeant	3 of 4	C44/C51	4667	\$69,930	\$79,634	-12.2%
29	Water Treatment Manager	3 of 3	D61	5667	\$79,040	\$84,744	-6.7%
30	Water/Wastewater Treatment Operator - 1	1 of 3	B23	2333	\$45,906	\$57,877	-20.7%
31	Water/Wastewater Treatment Operator - 3	1 of 3	B25/B32	3000	\$59,800	\$65,377	-8.5%

Summary of Salary Data Comparisons

- **KEY MEASURE:** Overall, current actual salaries are competitive with the 50th percentile of actual salaries within the defined labor market (-9.0% below the market 50th) for all classifications combined.
- Individual comparisons vary.
- Longevity, performance and hiring conditions may explain some differences in actual salary.
- The following guidelines are used when determining the competitive nature of current compensation:
 - +/-5% = Highly Competitive
 - +/-10% = Competitive
 - +/-10-15% = Possible misalignment with market
 - >15% = Significant misalignment with market

Summary of Salary Data Comparisons

- Based on this definition of competitiveness, on an overall basis of all jobs combined, the City is competitive with the market.
- Many individual jobs' actual salaries fall outside of the competitive category, as detailed on the following page.

Summary of Salary Data Comparisons

- Positions lagging the market (indicating a possible or significant misalignment with the market):

Bench No	Benchmark Title	Kodiak Actual Average Salary	Market 50th Actual Salary	% Diff
4	Administrative Supervisor	\$41,434	\$59,348	-30.2%
19	Library Assistant	\$27,900	\$37,668	-25.9%
5	Corrections Officer	\$39,642	\$50,847	-22.0%
22	Maintenance Specialist	\$48,873	\$62,200	-21.4%
30	Water/Wastewater Treatment Operator - 1	\$45,906	\$57,877	-20.7%
3	Administrative Specialist	\$41,135	\$50,288	-18.2%
23	Maintenance Technician	\$37,679	\$45,981	-18.1%
12	Fiscal Specialist	\$42,238	\$50,209	-15.9%
10	Fiscal Analyst	\$59,280	\$68,708	-13.7%
26	Public Safety Dispatcher	\$43,281	\$49,908	-13.3%
2	Administrative Assistant	\$37,932	\$43,212	-12.2%
28	Police Sergeant	\$69,930	\$79,634	-12.2%
14	Fleet Mechanic	\$40,581	\$46,207	-12.2%

Recommendations

- In aggregate, current salaries are competitive with the market.
- The proposed pay structure, shown on the following page, takes into consideration internal alignment and external market data, as well as expands the overall width of the pay ranges to 50%.
- The City should review the individual jobs, specifically those where a greater than 15% difference from the market exists, to determine if any further changes in grade and/or salary level are warranted for a particular job given that we are not aware of all the internal factors affecting placement.

Recommendations

Proposed Salary Structure Anchored to Market 50th

DBM	Minimum	Midpoint	Maximum	Range Spread
A11	\$31,411	\$39,264	\$47,116	50%
A12	\$33,658	\$42,072	\$50,486	50%
A13	\$35,904	\$44,880	\$53,856	50%
B21	\$38,157	\$47,697	\$57,236	50%
B22	\$40,404	\$50,505	\$60,606	50%
B23	\$42,650	\$53,313	\$63,976	50%
B24/B31	\$44,904	\$56,130	\$67,355	50%
B25/B32	\$47,150	\$58,938	\$70,725	50%
C41	\$51,650	\$64,562	\$77,475	50%
C42	\$53,896	\$67,371	\$80,845	50%
C43	\$56,143	\$70,179	\$84,215	50%
C44/C51	\$58,396	\$72,995	\$87,594	50%
C45/C52	\$60,643	\$75,804	\$90,964	50%
D61	\$65,143	\$81,428	\$97,714	50%
D62	\$67,389	\$84,236	\$101,084	50%
D63	\$69,636	\$87,045	\$104,453	50%
E81	\$78,635	\$98,294	\$117,953	50%
E82	\$80,882	\$101,102	\$121,323	50%
E83	\$83,128	\$103,910	\$124,692	50%

Recommendations

- The cost of bringing each employee to at least the minimum of their new salary range has been calculated at approximately \$77,000.
- This does not mean that all employees would receive increases. It only means that the salary ranges are adjusted in order to be competitive with market.

Summary of Super Benchmark Comparisons

- Compensation and benefits data was collected for 11 'super benchmark' positions.
 - Benefits data collected included: Health (medical, dental and vision) and Paid Time Off (sick, vacation and holiday)
- On average, the City is highly competitive when looking at total compensation, lagging the market by 1.0%.
- Results of the super benchmarking are summarized on the following page.

Summary of Super Benchmark Comparisons

Position	Kodiak Average Salary	Market Average	Difference
Administrative Assistant	\$65,055	\$64,275	1%
Director	\$127,195	\$127,025	0%
Firefighter/EMT III	\$85,780	\$76,872	12%
Heavy Fleet Mechanic	\$78,958	\$76,992	3%
IT Administrator	\$96,746	\$98,978	-2%
Library Assistant	\$53,638	\$57,918	-7%
Maintenance Manager	\$108,333	\$109,778	-1%
Maintenance Specialist	\$77,505	\$86,044	-10%
Police Officer	\$93,184	\$86,832	7%
Police Sergeant	\$101,468	\$106,032	-4%
Wastewater Treatment Operator I	\$74,129	\$81,088	-9%

Recommendations: Super Benchmark Comparisons

- It is important to communicate the total benefits package to employees so they understand the total value of their total compensation package.
- When analyzing total compensation, benefits and compensation should be looked at independently for the following reasons:
 - Compensation rates are key in attracting talent to the organization, as well as retaining employees for the long term.
 - A competitive benefit program can serve as a key retention factor.
 - Employee perceived importance of the comprehensive benefits program is unique to each individual based on their individual needs and values, so the organizational spend in this area is not uniformly valued across all employee groups.

Salary Administration Recommendations

- Adding new jobs to the pay structure:
 - Evaluation of new positions utilizing DBM and placement into the appropriate pay range should be done at the time the class is added to the structure.
 - Available market data should be examined to determine appropriate pay grade placement.
 - If market data is not available, placement into the salary range should be based on the following factors:
 - Comparison of job in same job family;
 - Supervisory responsibilities and relationships;
 - Comparison of jobs across job families requiring similar; knowledge skills, abilities and minimum qualifications.

Salary Administration Recommendations

- Hiring Rates
 - In general, starting salaries should be at the minimum of the assigned range.
 - Starting salaries higher than the minimum of the assigned range may be acceptable for a combination of reasons as qualifications which exceed stated minimum requirements, previous years of directly related experience, a competitive market situation, and/or a special and specific talent.
 - Salaries and years of service of current incumbents in the same salary grade and similar positions throughout the organization should be considered when determining hiring rates of new employees to maintain internal equity.
 - Typically, hiring rates should be in the 1st quartile of the range.
 - Hiring rates over the midpoint of the pay range should go through an agreed upon approval process and may be warranted in certain circumstances based on extreme market or recruitment conditions.

Salary Administration Recommendations

- Temporary/Part-Time Employee Rates
 - Utilization of the proposed pay structure for temporary or part-time employees hired into existing position classifications.
 - Appropriate rate of pay should be determined based upon qualifications, experience, tenure with the City, and rates of pay of existing regular, full-time employees.

Salary Administration Recommendations

- Promotional Increases
 - A person promoted to a position in a higher range should receive an immediate increase that is separate and distinct from any annual salary adjustment.
 - A policy of providing an adjustment that places the salary at a point that provides a minimum of a 5% is recommended, given that a comparison is made with the salaries of similar positions in the organization.
 - In determining the promotional increase, two other guidelines should be used:
 - An employee's salary should be increased at least to the minimum rate of the new salary range; and
 - In no case should a promotional increase place an employee's salary above the maximum of the assigned range.

Salary Administration Recommendations

- Annual Increases
 - A formalized performance appraisal tool should be used to evaluate employee performance on an annual basis and provide a basis for salary adjustments.
 - Establish an annual merit budget each year that is consistent with market projections as identified by *WorldatWork*'s merit budget projections, which is an index of merit budget increases and is a good indication of labor cost movement. Alternatively, some organizations budget increases at the job rate for all positions with the expectation that performance-based funds not allocated to those with less than exceptional performance would then be available for increased awards to exceptional performers.
 - Apply individual pay adjustments annually based on performance and/or career development attainment.
 - Across-the-board increases are not recommended as they are contradictory in a pay for performance environment.

Salary Administration Recommendations

- Transfers
 - Involuntary Transfer to a Lower Pay Grade
 - No immediate salary reduction should occur.
 - If the employee's salary is above the maximum of the lower grade, the following guidelines should apply:
 - Grant no salary increments or general structure increases until the maximum for the new grade equals or exceeds the employee's salary (most common approach), or
 - Reduce the incumbent's salary to the new range maximum (ceiling) within a defined time period (but no less than one year) after the involuntary transfer, if the incumbent's salary continues to exceed the new grade.
 - Lateral Transfer
 - No pay adjustment should occur.

Salary Administration Recommendations

- **Salary Structure Review/Updates**
 - Designate a position within the City to be responsible for structure reviews/updates, new position evaluations and evaluations of existing positions with modified responsibilities and requirements.
 - Annual Updates
 - In order to reflect necessary increases in the minimum and maximum rates appropriate for each job, the salary structure should be reviewed annually. FLA can provide the City with the average percentage increase for employee salaries and salary structures on an annual basis, or the City may use a labor market index.
 - It is recommended that the respective starting rates and maximums be increased by a percentage that reflects the market trends and the City's hiring experience. The use of a dollar amount increase would compress the structure over time.
 - Long-Term Updates
 - The City should reevaluate its overall structure at regular intervals (e.g., 2 to 3 years depending upon market movements) to ensure that its salary levels are consistent with the marketplace.
 - This would involve conducting a market salary study, such as was conducted here, every 2 to 3 years (depending on the economy) to make sure that the City's pay scales and employee salaries remain competitive.

Study Appeals

- Appeals Process
 - The City should develop a standardized process for addressing employee concerns/appeals related to the results of the study that will meet the needs of the organization.
 - A limited period of time should be allowed for the initiation of appeals from employees. A 30 day timeframe is recommended.
 - The City may engage FLA to review and respond to employee appeals for a separate fee.