



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

City & Borough of Sitka Final Report

LORI MESSER | MAY 29, 2014



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Study Background

- **Gallagher Consulting (Fox Lawson/FLA) was engaged to perform a review of compensation and benefits for the City & Borough of Sitka and make recommendations regarding:**
 - Current state of compensation and benefits;
 - Market competitiveness of specific employee benchmarks.
- **The major consideration of the City/Borough is to establish market comparisons to the current range midpoints for existing positions at the City/Borough to ensure competitiveness in pay.**
- **The following items were provided by the City/Borough to facilitate the study:**
 - Organization materials;
 - Current job descriptions; and
 - Current pay structure information for existing classifications.

Study Background

- **Compensation objectives were identified and include:**

- **Compensation levels reflective of public sector labor markets covering City/Borough jobs that were included in the Joint Alaska Salary Survey with pay grade midpoints reflective of the 50th percentile of the relevant labor markets:**
 - All positions compared to organizations of similar size and characteristics throughout Alaska and select cities in the Pacific Northwest;
 - Compensation will be viewed from a total compensation perspective, including base pay, employee benefits and applicable variable compensation.
- **Development of a pay structure where the midpoint is reflective of the defined labor market rates of pay.**

Survey Methodology

- **A custom survey was collaboratively developed, the Joint Alaska Salary Survey, with the City of Unalaska, the Kodiak Island Borough and the Kenai Peninsula Borough.**
- **FLA distributed the custom survey to the comparator organizations.**
- **FLA followed-up with each organization to encourage participation.**
- **FLA reviewed and entered the data collected from participants.**
- **FLA followed-up directly with the participants to clarify and validate missing or questionable information reported.**
- **FLA asked organizations to make a match for only those jobs that reflected at least 70% of the duties as outlined in the benchmark summaries.**
 - **If there were any questions in job matching, we reference job descriptions, organizational charts and other information to verify that the match is valid.**
- **All data was aged to March 2014 and reflect an annual basis.**
- **FLA follows 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.**

Survey Methodology: Benchmark Jobs

Bench ID	Benchmark Title
1	Finance Director
2	Assessor
3	Fire Chief
4	Planning Director
5	Harbor Officer
6	Deputy Finance Director
7	Municipal Clerk
8	Appraiser
9	Deputy Clerk
10	Accountant
11	Senior Engineer
12	Parks & Recreation Manager
13	Building Official
15	EMS/Fire Captain
16	Maintenance Supervisor
17	Budget/Treasury Officer
18	Administrative Assistant
19	Executive Assistant
20	Legal Assistant
21	Information Systems Analyst
22	Municipal Attorney
23	Administrator
24	Harbormaster
25	Human Resources Director
26	Library Director
28	Police Chief
31	Electric Generations Systems Manager
32	Electric Systems Engineer
34	Electric T&D Manager

Benchmark jobs contained in the Joint Alaska Survey that were at least a 70% match with the City/Borough were utilized to assess the City/Borough's market competitiveness with respect to pay.

57% of non-represented jobs are covered with the select benchmarks. A minimum of 50% is the standard when utilizing market pricing.

Survey Methodology

- **The survey results represent data from the following 15 organizations:**

Participating Organizations
City of Edmonds, WA
City of Fairbanks, AK
City of Homer, AK
City of Juneau, AK
City of Kenai, AK
City of Ketchikan, AK
City of Kodiak, AK
Fairbanks North Star Borough, AK
Kenai Peninsula Borough, AK
Ketchikan Gateway Borough, AK
Kodiak Island Borough
Kodiak Island Borough School District, AK

Information Data-Mined Utilizing AML Survey
Matanuska-Susitna Borough, AK
City of Nome, AK
City of Valdez, AK
City of Seward, AK

Survey Methodology

- The following published survey data sources were incorporated into the analysis:

Published Survey Source
Alaska Municipal League Survey
Economic Research Institute (ERI)
Milliman Pacific NW Utilities Survey
Department of Labor, State of Alaska

Survey Methodology

- Applying geographic differentials is a sound compensation practice in an effort to arrive at a more precise figure for use in analyzing and setting pay.
- Geographic adjustment factors are shown below:

Comparison Location	Factor Adjustment
City & Borough of Kenai	95.98%
City & Borough of Ketchikan, AK	100.12%
City & Borough of Kodiak, AK	95.10%
City of Edmonds, WA	94.91%
City of Fairbanks, AK	96.49%
City of Homer, AK	96.17%
City of Juneau, AK	99.65%
City of Nome, AK	95.45%
City of Seward, AK	96.20%
City of Soldotna	96.20%
City of Valdez, AK	95.85%
City/Borough of Sitka, AK	100.00%
Fairbanks North Star Borough, AK	96.49%
Matanuska-Susitna Borough	93.40%
Pacific Northwest	101.63%
State of Alaska	96.42%
United States	106.70%

Survey Methodology

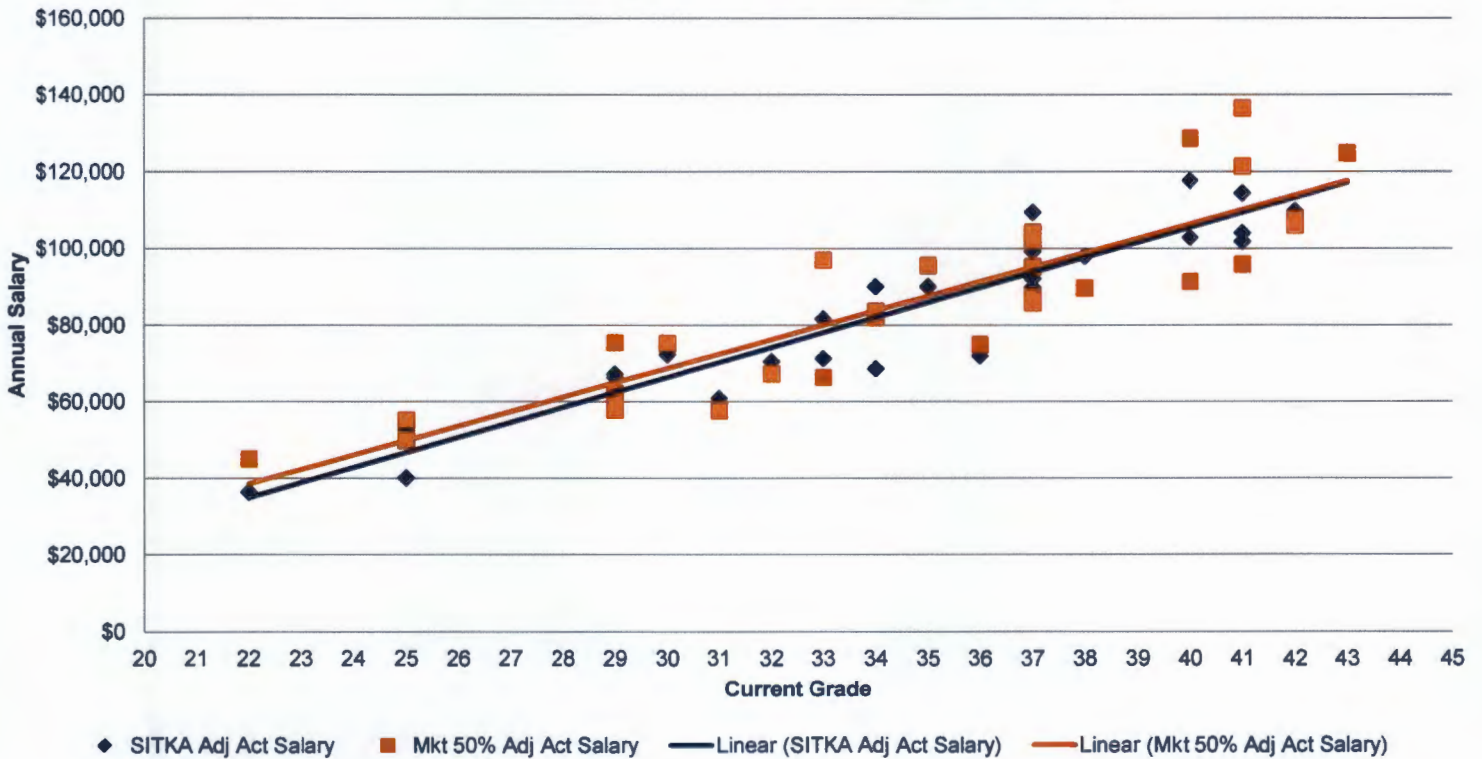
- **FLA performed several reviews of the data to identify any extreme data and to ensure validity and reliability of the data.**
- **Through a statistical analysis, any salary figures that were considered extreme in relation to all other salary figures were excluded.**
- **Various statistics were calculated (25th, 50th, 75th, low and high) in analyzing the data.**
- **Per strategy, we used the 50th percentile of actual pay as the basis for developing the model pay structure.**
- **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/Borough.**

Survey Methodology

- **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

City & Borough of Sitka Actual Salaries vs Market Salaries (50th %)



Summary of Salary Data Comparisons

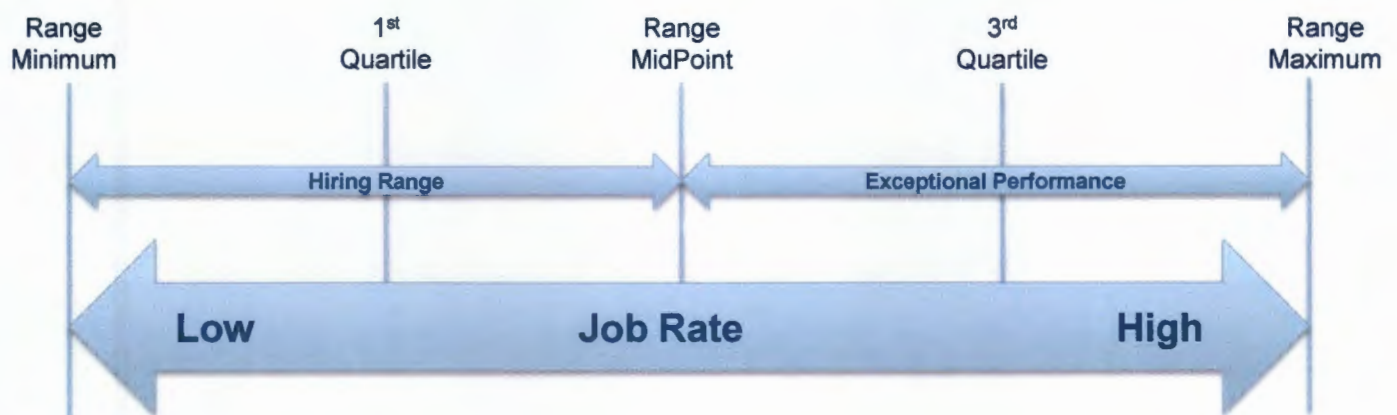
- **Range Midpoints:**

- **Commonly referred to as the 'job rate';**
- **Intended to be reflective of what is actually being paid in the market for similar type and level of work;**
- **All employees should reach the range midpoint (job rate) upon reaching full proficiency in their job;**
- **Pay rates above the midpoint are premium rates and should be reflective of on-going/sustained exceptional performance (since the organization is paying a premium);**
- **Time to reach the job rate varies based on the level of the position:**
 - **Entry level jobs have a shorter learning curve and the work is very defined so it is reasonable to 'master' the job within three to five years**
 - **Management level jobs are more complex involving a longer learning curve as work is not typically defined; it is reasonable to expect job mastery to take five to seven years**

Summary of Salary Data Comparisons

- **The Salary Range:**

- How a salary range is utilized is highly dependent upon the organization's overall compensation philosophy; however, an example of a typical use of a salary range follows:



Summary of Salary Data Comparisons

- **The City/Borough 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 may not be aware of all the internal factors affecting placement.**
 - 29 jobs from the City/Borough were utilized as benchmarks against the market data; of those 29 jobs, 45% (13 jobs) fall within the 'significantly misaligned' category when compared to the market. Given the large percentage of jobs within this category, further analysis is recommended.

Salary Data Comparisons: Observations

- **Within the Alaska market, rates of pay for many individuals are at, near or above the established range maximums;**
- **Internal alignment of some positions within the City/Borough does not align with the external market;**
- **Lack of a formal job evaluation system hinders the City/Borough's ability to effectively link internal equity with the external market;**
- **With the proposed pay structure, 72% of employees would fall below the midpoint. This would help facilitate implementation of a pay for performance system in which movement beyond the job rate would be based on performance (not longevity).**

Salary Data Recommendations

- **Current range spreads for all positions at the City are 41%. A 41% range spread for all levels within the organization is consistent with the market and is maintained in the proposed pay structure.**
- **The proposed pay structure takes into consideration internal alignment and external market data.**

Salary Data Recommendations: Proposed Pay Structure

Grade	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
17	11.91	12.21	12.52	12.83	13.15	13.48	13.82	14.17	14.52	14.88	15.25	15.63	16.02	16.42	16.83
18	12.52	12.83	13.15	13.48	13.82	14.17	14.52	14.88	15.25	15.63	16.02	16.42	16.83	17.25	17.68
19	13.14	13.47	13.81	14.16	14.51	14.87	15.24	15.62	16.01	16.41	16.82	17.24	17.67	18.11	18.56
20	13.80	14.15	14.50	14.86	15.23	15.61	16.00	16.40	16.81	17.23	17.66	18.10	18.55	19.01	19.49
21	14.49	14.85	15.22	15.60	15.99	16.39	16.80	17.22	17.65	18.09	18.54	19.00	19.48	19.97	20.47
22	15.21	15.59	15.98	16.38	16.79	17.21	17.64	18.09	18.54	19.00	19.48	19.97	20.47	20.98	21.50
23	16.63	17.05	17.48	17.92	18.37	18.83	19.30	19.78	20.27	20.78	21.30	21.83	22.38	22.94	23.51
24	18.07	18.52	18.98	19.45	19.94	20.44	20.95	21.47	22.01	22.56	23.12	23.70	24.29	24.90	25.52
25	19.50	19.99	20.49	21.00	21.52	22.06	22.61	23.17	23.75	24.34	24.95	25.57	26.21	26.87	27.54
26	20.92	21.44	21.98	22.53	23.09	23.67	24.26	24.87	25.49	26.13	26.78	27.45	28.14	28.84	29.56
27	22.34	22.90	23.47	24.06	24.66	25.28	25.91	26.56	27.23	27.91	28.61	29.33	30.06	30.81	31.58
28	24.13	24.73	25.35	25.98	26.63	27.30	27.98	28.68	29.40	30.14	30.89	31.66	32.45	33.26	34.09
29	26.27	26.93	27.60	28.29	29.00	29.73	30.47	31.23	32.01	32.81	33.63	34.47	35.33	36.21	37.12
30	28.06	28.76	29.48	30.22	30.98	31.75	32.54	33.35	34.18	35.03	35.91	36.81	37.73	38.67	39.64
31	29.49	30.23	30.99	31.76	32.55	33.36	34.19	35.04	35.92	36.82	37.74	38.68	39.65	40.64	41.66
32	30.92	31.69	32.48	33.29	34.12	34.97	35.84	36.74	37.66	38.60	39.57	40.56	41.57	42.61	43.68
33	32.69	33.51	34.35	35.21	36.09	36.99	37.91	38.86	39.83	40.83	41.85	42.90	43.97	45.07	46.20
34	34.83	35.70	36.59	37.50	38.44	39.40	40.39	41.40	42.44	43.50	44.59	45.70	46.84	48.01	49.21
35	36.60	37.52	38.46	39.42	40.41	41.42	42.46	43.52	44.61	45.73	46.87	48.04	49.24	50.47	51.73
36	38.44	39.40	40.39	41.40	42.44	43.50	44.59	45.70	46.84	48.01	49.21	50.44	51.70	52.99	54.31
37	40.37	41.38	42.41	43.47	44.56	45.67	46.81	47.99	49.18	50.41	51.67	52.96	54.28	55.64	57.03
38	42.39	43.45	44.54	45.65	46.79	47.96	49.16	50.38	51.64	52.93	54.25	55.61	57.00	58.43	59.89
39	44.50	45.61	46.75	47.92	49.12	50.35	51.61	52.90	54.23	55.59	56.98	58.40	59.86	61.36	62.89
40	46.72	47.89	49.09	50.32	51.58	52.87	54.19	55.55	56.94	58.36	59.82	61.32	62.85	64.42	66.03
41	49.06	50.29	51.55	52.84	54.16	55.51	56.90	58.33	59.78	61.27	62.80	64.37	65.98	67.63	69.32
42	51.52	52.81	54.13	55.48	56.87	58.29	59.75	61.24	62.77	64.34	65.95	67.60	69.29	71.02	72.80
43	54.10	55.45	56.84	58.26	59.72	61.21	62.74	64.30	65.91	67.56	69.25	70.98	72.75	74.57	76.43
44	56.79	58.21	59.67	61.16	62.69	64.26	65.87	67.52	69.21	70.94	72.71	74.53	76.39	78.30	80.26
45	59.63	61.12	62.65	64.22	65.83	67.48	69.17	70.90	72.67	74.49	76.35	78.26	80.22	82.23	84.29
46	62.63	64.20	65.80	67.44	69.13	70.86	72.63	74.44	76.30	78.21	80.17	82.17	84.22	86.33	88.49

Each grade is 5% below, starting at Grade 22 (e.g., Grade 21 is 5% less than Grade 22, Grade 20 is 5% below Grade 21, etc.)

Midpoint for each grade is based on a regression analysis of the 50th percentile of actual salaries in the market

Internal Realignment Recommendations

- **Based on the results of the market data, internal alignment adjustments were developed and recommended to the City.**
- **The results of the proposed internal alignment, by grade and position, are on the following slide.**

Internal Realignment Recommendations

Grade	Job Classification
24	Administrative Assistant - Electric Regulatory Administrative Assistant
25	Asst Contract Coordinator/Office Mgr Exec. Asst./Office Mgr. - SPD
26	Payroll Specialist
27	Assistant Clerk Deputy Harbormaster Legal Assistant
28	Accountant Contract Coordinator - Electric Contract Coordinator - Public Works Deputy Clerk Grant Accountant Parks & Rec Manager Planner I
29	Building Official Facilities Manager
30	Centennial Building Manager Library Director Senior Accountant
32	EMS/Fire Captain Information Systems Analyst Maintenance Supervisor
33	Assistant Fire Chief Budget/Treasury Officer

Grade	Job Classification
34	Government Relations Director Harbormaster Police Lieutenant Project Manager
35	Maint. and Ops. Superintendent Senior Engineer
36	Assessor Deputy Finance Director Fire Chief Information Systems Director Municipal Clerk Planning Director
37	Human Resources Director
38	Finance Director Police Chief
39	Electric Generation Engineer Environmental Superintendent Municipal Engineer
40	Electric Generations System Manager Electric T&D Manager
41	Public Works Director Chief Financial & Administrative Officer
44	Electric Utility Director

Salary Data Recommendations

- **There is no cost to bring employees to the minimum of the proposed pay structure (all employees are within the proposed pay ranges based on existing pay grade);**
- **Place employees into the step that is closest to their current rate of pay, but not below their current rate of pay, plus 1 additional step.**
 - **Monetary limitations (or percentage increase limitations) are common practice in the market when implementing the results of a compensation study in order to ensure fiscal responsibility for the organization.**
 - **When significant misalignment with the market is identified, multi-year plans are not uncommon when market discrepancies are widespread so an organization can manage implementation costs while remaining fiscally responsibility.**

Implementation Options

- **There are multiple implementation options available to the City/Borough.**
- **Based on the desire to move employee rates of pay closer to the market, the recommended implementation option is:**
 - Place employees in the step that gets their rate of pay within 10% of the market rate and move them one additional step.
- **Other implementation options are available and are dependent upon budgetary constraints.**

Section II: Pay Practices & Benefits

Summary of Benefit Data Comparisons

- **A customized data collection form was created to collect benefits information in conjunction with the salary survey.**
- **FLA distributed the survey to comparator organizations identified in the Joint Alaska Survey.**
- **FLA reviewed and entered the data collected from participants.**
- **FLA followed-up directly with the participants to clarify and validate questionable information reported.**

Summary of Benefit Data Comparisons

- **From an aggregate perspective, the City's benefit program offerings are competitive with the comparator market.**

Pay Practices: Employee Salary Increases

- In 2012/13, the City/Borough slightly lagged the comparator market with respect to employee salary increases as shown in the table below:

	Average Increase	Median Increase	Low Increase	High Increase	City of Sitka
Executive/Mgmt	2.7%	2.5%	0.0%	5.0%	2.5%
Exempt	2.8%	2.7%	0.0%	5.0%	2.5%
NonExempt	2.7%	2.5%	0.0%	5.0%	2.5%
Aggregate	2.7%	2.6%	0.0%	5.0%	2.5%

Notes:
87% of the comparator organizations provided data.

Pay Practices: Formal Salary Ranges

- **Similar to the comparator market, the City/Borough has formal salary ranges for all levels of employees as shown in the table below:**

	Established Salary Ranges	
	Yes*	No
Executive/Mgmt	93%	7%
Exempt	93%	7%
NonExempt	93%	7%

Notes:
87% of the comparator organizations provided data.

Pay Practices: 2013 Salary Range Adjustments

- **71% of the organizations surveyed implemented range adjustments during 2012/2013.**
- **The City/Borough slightly led the comparator market with its salary range adjustments in 2012/13.**
- **The average adjustment for salary ranges is shown in the table below:**

	Average Adjustment	Median Adjustment	Low Adjustment	High Adjustment	City/Borough of Sitka
Executive	2.8%	2.5%	0.0%	6.3%	2.5%
Exempt	2.5%	2.5%	0.0%	3.6%	2.5%
NonExempt	2.0%	2.3%	0.0%	4.6%	2.5%
Aggregate	2.4%	2.4%	0.0%	4.8%	2.5%

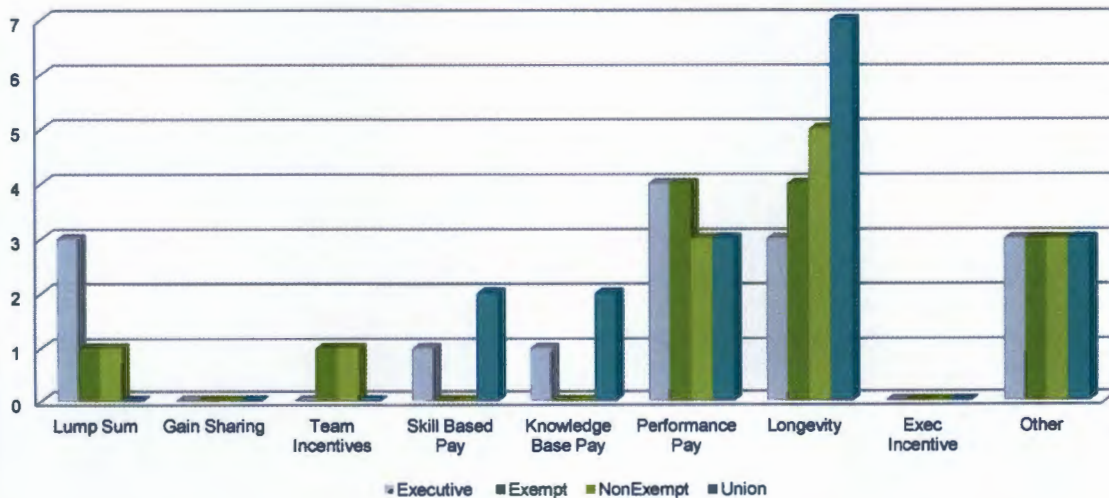
Notes:

71% of the comparator organizations provided data.

Pay Practices: Variable Pay Plans

- The City/Borough provides for Longevity Pay only;
- The most typical forms of variable pay offered are Performance Pay and Longevity Pay;
- Although the City lags the market with variable pay, offerings are uncommon and limited within the comparator market.

Variable Pay



Pay Practices: Variable Pay Plans

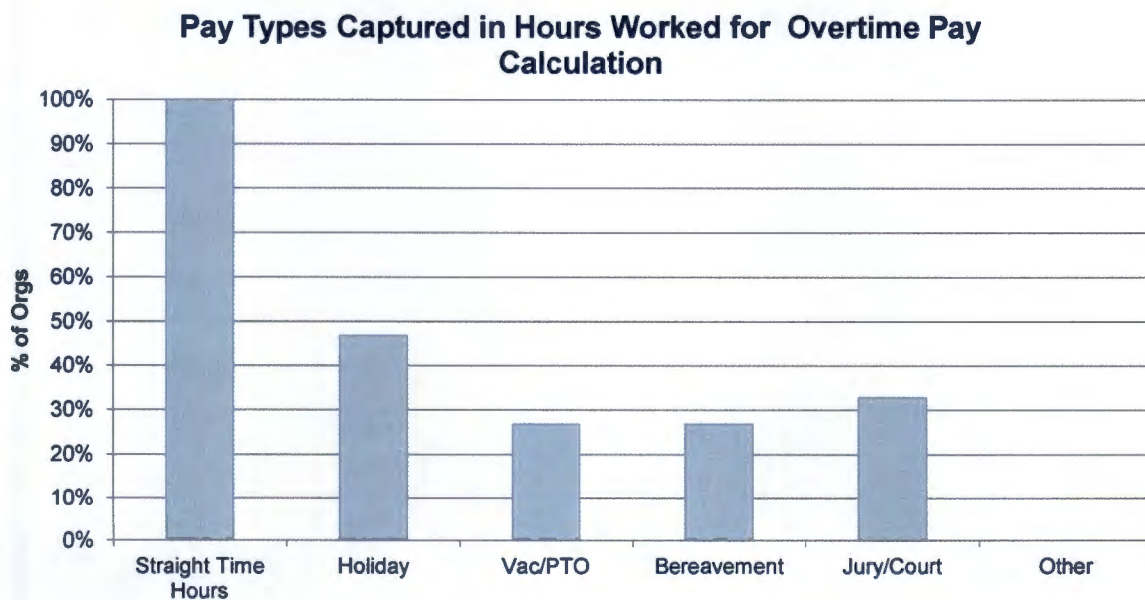
- **Other forms of variable pay that were identified in the survey varied, but included:**
 - Cost of Living increases (1 organization)
 - Physical Fitness Pay (1 organization)
 - Special Merit (1 step increase upon request of supervisor)
 - Merit (1 organization).

Pay Practices: Tool Provisions

- **85% of the comparator market provides tools to employees whose job requires tools;**
- **31% of the market requires employees to provide their own tools.**

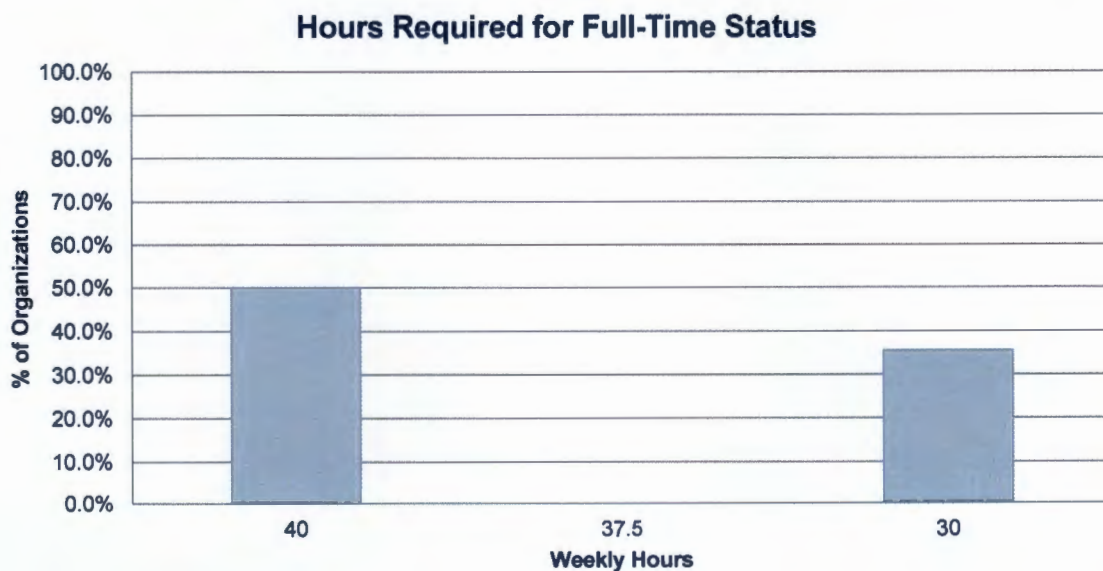
Pay Practices: Overtime

- The City/Borough determines overtime based on actual hours worked and vacation;
- Only 27% of the comparator market includes vacation hours as eligible for calculation of overtime.



Pay Practices: Full-Time Status

- Like 36% of the comparator organizations, the City/Borough considers 30 hours per week as full-time;
- The comparator market considers either 40 hours or 30 hours as full-time; 1 organization indicated 37.5 hours is considered full-time.



Benefits: Retirement

- The City/Borough contributes between 5 and 22% to PERS, dependent upon Tier eligibility and comparable to the comparator market; City employees contribute between 6.75 and 8%, which is slightly lower than the market average of 8.7 (NE employees) and 8.8% (Executive & Exempt employees).

Retirement Benefit		Avg Employer Contribution	% of Organizations	Avg Employee Contribution	% of Organizations
PERS ^{1,2}	Executive	19.4%	100%	8.8%	100%
	Exempt	19.4%	100%	8.8%	100%
	NonExempt	19.4%	100%	8.7%	100%
Non-PERS ³	Executive	12.6%	N/A	12.6%	8%
	Exempt	12.6%	N/A	12.6%	8%
	NonExempt	12.6%	11%	12.6%	8%
Tax Deferred ⁴	Executive	6.2%	7%	IRS Limit	64%
	Exempt	0.0%	64%	IRS Limit	64%
	NonExempt	0.0%	64%	IRS Limit	64%
SERP	Non-Exempt	N/A	100%	N/A	100%
	Exempt	N/A	100%	N/A	100%
	Executive	N/A	100%	N/A	100%

Notes:

¹PERS is a generic term used to describe a Public Employer Retirement System;

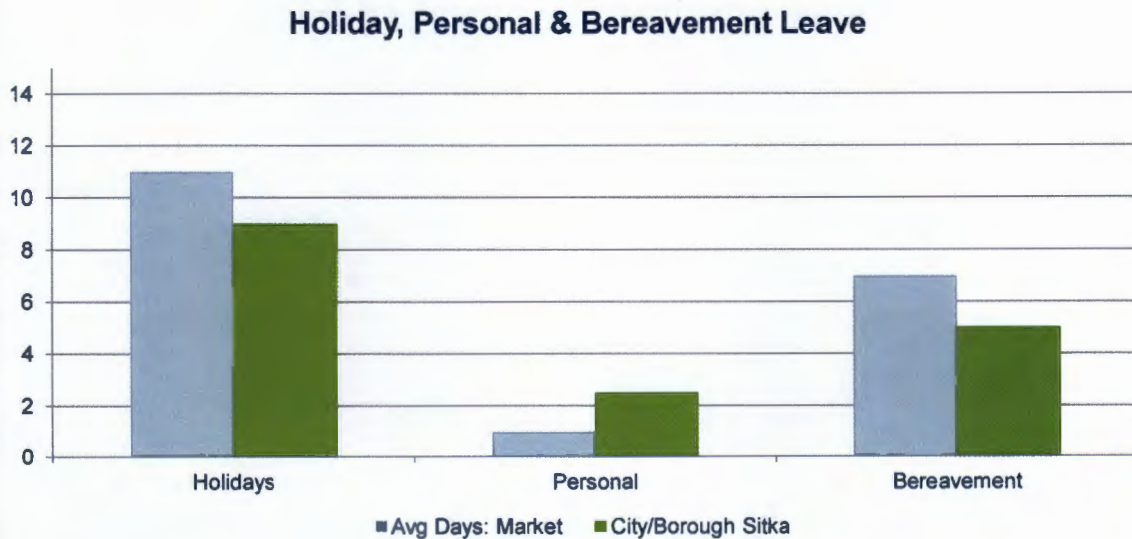
²Only AK participants included in summary;

³Tax Deferred program – one organization reported employer and employee contributions;

⁴Tax Deferred program – one organization reported employer contributions for the City Manager position only.

Benefits: Paid Leave

- The City/Borough is on par with the market with respect to combined Holiday and Personal leave.
- The City/Borough slightly lags the market with respect to Bereavement Leave.



Benefits: Paid Leave

- **The City slightly lags the comparator market in vacation leave for all employee groups*.**



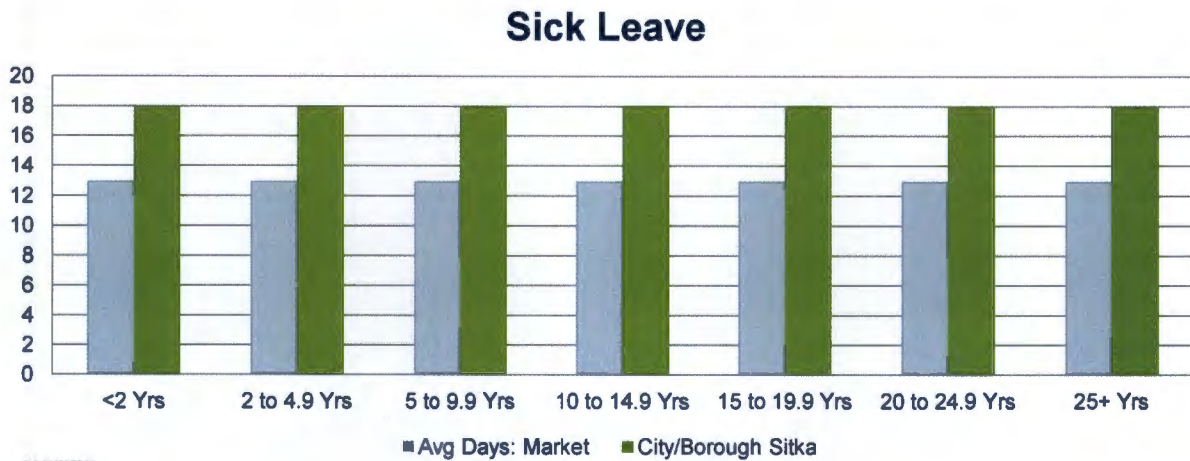
NOTES:

*Data reflective of 50% of the comparator organizations;

**50% of organizations provide Paid Time Off (PTO) leave benefits.

Benefits: Paid Leave

- The City significantly leads the market average in allocating 18 sick days per year, compared to the market average of 13 days.

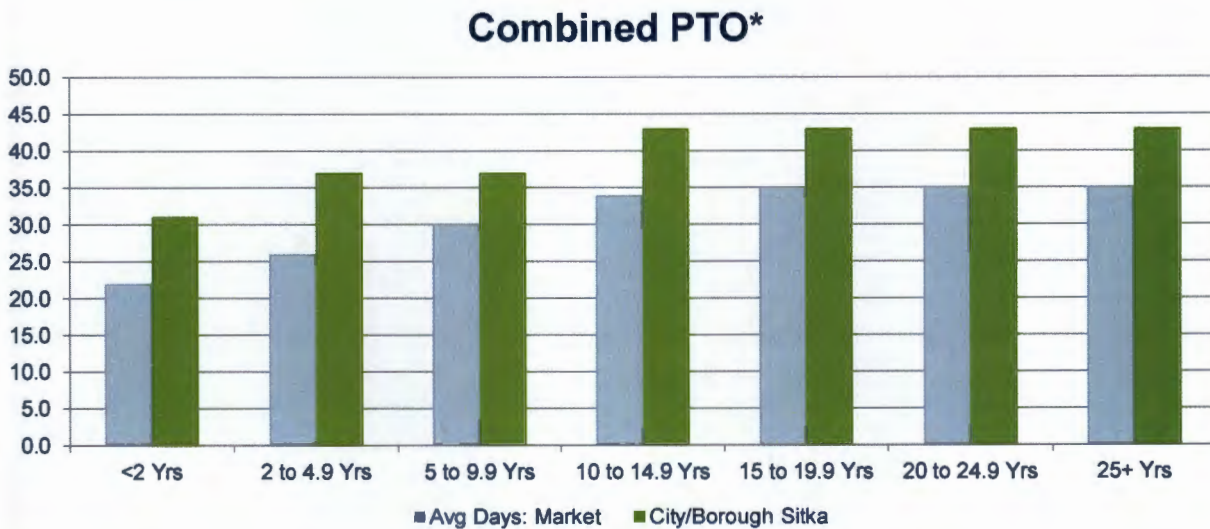


NOTES:

*Data reflective of 50% of the comparator organizations;
**50% of organizations provide Paid Time Off (PTO) leave benefits.

Benefits: Paid Leave

- The City's combined annual sick + vacation accrual leads the market average when looking and those organizations providing PTO banks.



NOTES:

*PTO market data reflective of 50% of the comparator organizations;

**City/Borough of Sitka data is the sum of vacation and sick leave accruals on an annual basis for each year category.

Benefits: Flexible Benefits

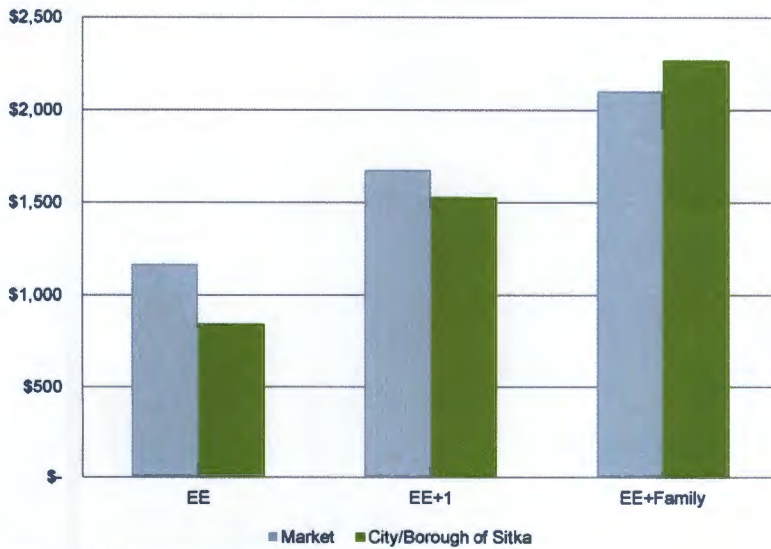
- **The City/Borough lags the comparator market not offering pre-tax insurance premiums and flexible spending accounts;**
- **Few to no organizations offer Simple Choice, Full Flex or CDHP;**
- **The chart below summarizes flexible benefit offerings:**

Cafeteria Options	Organizations Offering	Offered by the City
Pre-Tax Insurance Premiums	29%	No
Flexible Spending Account (FSA)	77%	No
Simple Choice	7%	No
Full Flex	0%	No
Consumer Driven Health Plan (CDHP)	0%	No

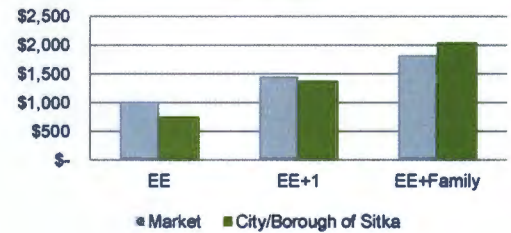
Benefits: Medical, Dental & Vision Insurance

- The City/Borough contributes 90% of insurance premiums, compared to the markets average contribution of 88%.
- From an aggregate perspective, the City/Borough's premiums are slightly less than the market; although the EE+Family premiums are higher than the market;
- Employee monthly contributions are lower than the comparator market;
- Monthly premiums and contributions are shown in the charts below:

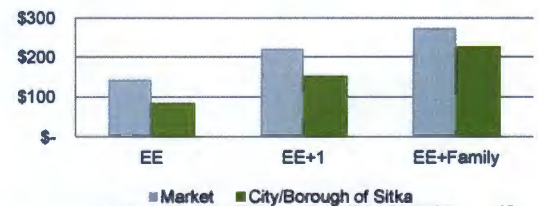
**Total Monthly Premium:
Health, Dental & Vision Insurance**



**Employer Contributions:
Health, Dental & Vision Monthly Premiums**



**Employee Contributions:
Health, Dental & Vision Monthly Premiums**



Benefits: Group Life Insurance

- **The City/Borough lags the comparator market significantly with basic life insurance coverage of \$2,000;**
- **The market average group life insurance benefit is \$42,400;**
- **The market median group life insurance benefit is \$50,000.**

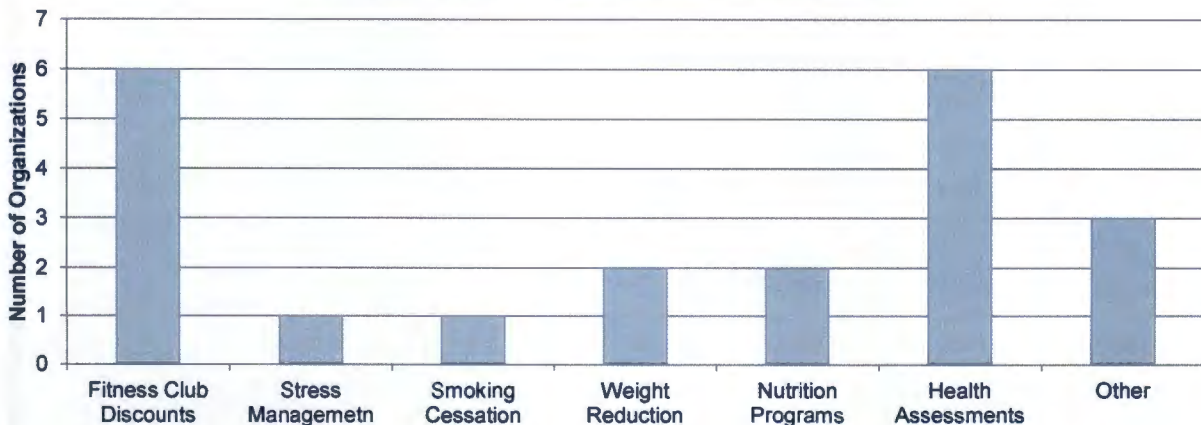
Benefits: Opt-Out Credits/Cash Back

- **Comparable to 100% of the comparator market, the City/Borough does not provide for opt-out credits/cash back.**

Benefits: Wellness Programs

- The City/Borough leads the market in providing wellness programs for its employees; only 46% of the comparator organizations surveyed offer a Wellness Program;
- 46% of the market provides for Health Assessments, which are not a component of the City/Borough's wellness program;
- Of those offering a Wellness Program, only 1 organization had a monetary limitation for employees; the City/Borough has a monetary limitation of \$75 per employee.

Wellness Program Provisions



Recommendations: Benefit Data Comparisons

- **Due to the competitive nature of the benefits programs, no modifications are recommended at this time.**

Administrative Recommendations

- **Salary Structure Review/Updates**

- 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/Borough with the average percentage increase for employee salaries and salary structures on an annual basis, or the City/Borough 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/Borough's hiring experience. The use of a dollar amount increase would compress the structure over time.

- Long-Term Updates

- The City/Borough 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/Borough's pay scales and employee salaries remain competitive.



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Thank You

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