Grand Rapids Public Utilities Commission

2023 Compensation Study

Gallagher Human Resources & Compensation Consulting Practice

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Study Background

Grand Rapids Public Utilities Commission partnered with Gallagher Benefit Services, Inc. (Gallagher) to conduct a comprehensive classification and compensation study to evaluate GRPUC's present salary structure.

- The primary objectives of the study were to:
  - Conduct a comprehensive evaluation of GRPUC classifications to ensure fair and equitable compensation relationships within the organization.
  - Establish pay ranges and benchmarking standards utilizing appropriate salary surveys to ensure market competitiveness
  - Implement a comprehensive compensation model to assist with recruitment and retention
  - Maintain pay equity compliance with the Minnesota Local Government Pay Equity Act
  - Enable easy, ongoing program maintenance by GRPUC staff.

Classification Study

Classification Study

- Job descriptions were utilized as the basis for the analysis of classification structure.

- GRPUC conducted an internal review of job content utilizing Position Description Questionnaires (PDQs)

  - PDQs were distributed to all employees.

  - Employees completed individual or group PDQs to provide current job related information.

  - PDQs were reviewed by supervisors and administration with opportunity to comment.

- No job descriptions were updated by GRPUC as a result of their internal review.

Job Analysis

- Gallagher presented several options of job analysis to align positions into an internal hierarchy that also adhere to Minnesota's Local Government Pay Equity Act of 1984.

- The law requires public sector organization to use a point system to establish the comparable value of a job class.

- Once established, job points generally do not change unless a new evaluation system is adopted or the duties of a position change significantly and those changes are sustained over time.

State Job Match Process

- Jobs that Match or Nearly Match:

  - If the job in your jurisdiction matches closely with the state job use that point rating for the local title.

- Slotted Jobs:

  - Although there is no direct match for some jobs, it is often possible to determine where the job fits in the overall hierarchy.

- Multi-Function Jobs:

  - A job matches with more than one of the jobs on the job match list.

  - If duties outside of the description comprise only about 5% or less of the job, do not consider the job a multi-function job. Instead, match it with the primary function of the job.

Example: Equipment Operator:

Possible matches on the list:

Highway Maint. Supervisor   –   213 pts.

Transportation Associate   –   156 pts.

State Job Match Process continued

- Two methods to assign jobs that are multi-functional.

- **Method 1: Match with the Highest Rated Job**

  - In this case the highest rated job is the Highway Maintenance Supervisor with 213 points. The rationale for this is that your job requires the employee to have the skill, effort, responsibility and working conditions of the higher rated job, even though this job is only part of the employee's duties. This option is most appropriate when the employee(s) performs the higher-rated job more than half of the time.

- **Method 2: Pro-rate the Points According to Time Spent**

  - In this case you would evaluate the amount of time spent on each of the job functions and then multiply that percentage of time spent by the number of points assigned to each function.

Jobs Matched	% of Time		Job Points	Total
Highway Maintenance Supervisor	50%	X	213	107
Transportation Associate	50%	X	156	78
			Total Points	**185**

GRPUC Job Points & Classification Alignment

Department	GRPUC Job Title	Job Points
Water/Wastewater Department	Maintenance III	137
Business Services Department	Customer Service Representative	143
Business Services Department	Purchasing Clerk	154
Information Systems	GIS Technician/Locator	160
Water/Wastewater Department	Water Treatment Plant Operator	171
Water/Wastewater Department	Maintenance II - Systems	176
Water/Wastewater Department	Wastewater Treatment Plant Operator	180
Business Services Department	Accounting Technician - Payroll Benefits	181
Business Services Department	Accounting Technician	181
Water/Wastewater Department	Maintenance II - Facilities	183
Business Services Department	Lead Customer Service Representative	183
Water/Wastewater Department	Maintenance I - Systems	219
Water/Wastewater Department	Maintenance I - Facilities	224
Information Systems	Information Systems Analyst	238
Administration	Executive Assistant	238
Electric Department	Journey Line Worker	225
Electric Department	Maintenance Electrician	247
Electric Department	Line Crew Lead	266
Electric Department	Project Coordinator - Electric	268
Electric Department	Electric Meter Technician	268
Water/Wastewater Department	Water Operations Director	285
Water/Wastewater Department	Wastewater Operations Director	291
Water/Wastewater Department	Maintenance Foreman	291
Electric Department	Line Crew Foreman	291
Information Systems	Information Systems Manager	330
Electric Department	Electric Department Manager	353
Water/Wastewater Department	Water/Wastewater Department Manager	353
Business Services Department	Business Services Manager	356
Administration	General Manager	483

Compensation Study

Data Collection Process

Benchmark Jobs

- Gallagher and GRPUC identified 29 benchmark job titles.

Labor Market

- Gallagher worked with GRPUC project team to identify published survey sources utilized to collect salary data.

Published Surveys Utilized
2022 APPA Public Power Salary Survey
2022 CompData Survey
2022 CompData Utilities Survey
2022 Willis Towers Watson Survey
2022 Mercer Survey
Economic Research Institute

Published Data Cuts

	CompData	Mercer	Willis Towers Watson	ERI
Industry	Utilities and Not-for-Profit	Energy	Not-for-Profit	City Support Services
Location	Minnesota, Midwest and National	Minneapolis, Minnesota, North Central	Minnesota, North Central	Minnesota
Organization Size	Up to 200 FTEs	Less than 1000 FTEs (this is the smallest size available)	Up to 200 FTEs	
Revenue			less than $100 million	

Custom Survey

- Twenty-one (21) organizations were identified by GRPUC as comparable peer organizations for the custom survey data.

- Gallagher sent a custom survey to identified peer organizations.

- Gallagher followed up with respective contacts regularly to encourage participation.

- Twelve (12) comparable organizations finished the requested survey.

Custom Survey Participants

Comparable Peer Organizations	
*Alexandria Lakes Sanitary Sewer District	*New Ulm Public Utilities
Alexandria Light & Power	*Shakopee Public Utilities
*Austin Public Utilities	St Peter Public Utilities
Brainerd Public Utilities	Thief River Falls
City of Baxter	*Virginia Public Utilities
City of Fairmont	*Willmar Municipal Utilities
*Detroit Lakes Public Utilities	*Worthington
*Elk River Municipal Utilities	*Lake Country Power, Electric Cooperative
Hibbing Public Utilities	*Minnesota Power, Investor-Owned Electric Utility
*Hutchinson Public Utilities	Northern Itasca Electric Cooperative
Marshall Public Utilities	

Indicates organization participated in the custom survey.

Data Analysis

Data Aggregation and Analysis

- Gallagher followed the U.S Department of Justice and Federal Trade Commission guidelines, which states five job matches should exist per job in order to conduct statistical analyses or for drawing conclusions.

Data Matching Process

- Gallagher followed standard *WorldatWork** compensation guidelines for job matching (match only those jobs that match at least 80% of the duties, responsibilities, and functions as outlined in the benchmark job summary).

* WorldatWork is a professional compensation association covering total rewards topics for public and private industries.

Data Analysis

Aging Survey Data

- Survey data was aged to a common effective date, September 1, 2023 using the *WorldatWork* prevailing Utilities Industry market trend of 3.45% per year for actual salaries and 2.5% for salary structure adjustments.

Geographic Adjustments

- Survey data was adjusted geographically to reflect the "cost of labor" for Grand Rapids, MN area as calculated by the Economic Research Institute (ERI).
  – "Cost of labor" refers to the difference in pay or labor market for a job from one location to another. The cost of labor is what a particular geographic market offers as the "going rate" or compensation for its jobs and reflects the local demand for and supply of labor.

Benchmark Comparison

- For each benchmark comparison, the percentage difference between GRPUC's average base salary and the market was calculated to determine whether GRPUC was above, below, or competitive with the prevailing market.

- The variances to the market were captured as:

  - Positive (+) figure indicates that GRPUC paid above the market;

  - Negative (-) figure indicates that GRPUC paid below the market.

- The following guidelines were used when determining the competitive nature of GRPUC's current compensation:

Highly Competitive	Competitive	Slightly Misaligned	Significantly Misaligned
0 to +/-4.9%	+/-5 to 9.9%	+/-10 to 14.9%	> +/-15%

- Benchmark jobs that had a greater than 15% difference with the market are not necessarily misaligned. Factors such as turnover, longevity, and job change would impact actual salaries and might explain some of the differences between GRPUC and the market salaries for individual jobs.

Market Data Result

Overall Market Comparison (28 Benchmark Jobs)			
Comparison Groups	Market 25th	Market 50th	Market 75th
Custom Market (12 Utilities)	-7%	-15%	-21%
Published Market	18%	8%	-3%
Full Market (Custom + Published Data)	2%	**-6%**	-14%

- Overall, GRPUC's base salaries are competitive when compared to the 50th percentile of the full market. This is representative of all benchmarked jobs, and some jobs do align more/less competitively to market than this overall average.

Highly Competitive	Competitive	Slightly Misaligned	Significantly Misaligned
0 to +/-4.9%	+/-5 to 9.9%	+/-10 to 14.9%	> +/-15%

Salary Structure Development
& Implementation

Proposed Salary Structure Considerations

Goals of the new salary structure

- Comply with the GRPUC's strategy to be competitive to market.
  - Minimum rate of pay starts at $23.62/hour (living wage for 2 adults/2 children for Itasca County, MN per the Massachusetts Institute of Technology)
- Maintain appropriate midpoint differentials to avoid cross grade compression.
  - 8 midpoint-based pay ranges
    - The midpoint-based structure groups jobs of similar point factor, market value, skill, effort, and responsibility into proposed pay grades with minimum, midpoint, and maximum values.
  - Anchored grade 1 to minimum market pay rate and adjusted for living wage
  - Midpoint differentials of 5% to 34% across all pay grades, aligning pay range midpoints to 2.5% above the average market median for jobs assigned to each pay grade
    - Aligning at 2.5% above market median allows for the anticipated market movement identified for the Utilities Industry by *WorldatWork* in the next year

Proposed Pay Grade Alignment

Department	GRPUC Job Title	Job Points	Pay Grade
Water/Wastewater Department	Maintenance III	137	1
Business Services Department	Customer Service Representative	143	1
Business Services Department	Purchasing Clerk	154	1
Information Systems	GIS Technician/Locator	160	1
Water/Wastewater Department	Water Treatment Plant Operator	171	2
Water/Wastewater Department	Maintenance II - Systems	176	2
Water/Wastewater Department	Wastewater Treatment Plant Operator	180	2
Business Services Department	Accounting Technician - Payroll Benefits	181	2
Business Services Department	Accounting Techncian	181	2
Water/Wastewater Department	Maintenance II - Facilities	183	2
Business Services Department	Lead Customer Service Representative	183	2
Water/Wastewater Department	Maintenance I - Systems	219	3
Water/Wastewater Department	Maintenance I - Facilities	224	3
Information Systems	Information Systems Analyst	238	3
Administration	Executive Assistant	238	3
Electric Department	Journey Line Worker	225	4
Electric Department	Maintenance Electrician	247	5
Electric Department	Line Crew Lead	266	5
Electric Department	Project Coordinator - Electric	268	5
Electric Department	Electric Meter Technician	268	5
Water/Wastewater Department	Water Operations Director	285	6
Water/Wastewater Department	Wastewater Operations Director	291	6
Water/Wastewater Department	Maintenance Foreman	291	6
Electric Department	Line Crew Foreman	291	6
Information Systems	Information Systems Manager	330	7
Electric Department	Electric Department Manager	353	7
Water/Wastewater Department	Water/Wastewater Department Manager	353	7
Business Services Department	Business Services Manager	356	7
Administration	General Manager	483	8

Salary Structure Development

Pay Grade	Range Minimum (Hourly)	Range Midpoint (Hourly)	Range Maximum (Hourly)
1	$23.62	$28.98	$34.34
2	$28.35	$34.78	$41.21
3	$30.33	$37.21	$44.09
4	$37.76	$46.33	$54.90
5	$39.65	$48.65	$57.65
6	$41.63	$51.08	$60.53
7	$45.58	$55.93	$66.28
8	$61.08	$74.95	$88.82

Implementation Plan Recommendations

- Implement the proposed salary structure adjustments through a consistent pay implementation process, reduces potential salary compression issues and impacts of inflation.

  – Cost implementation analysis (provided there is a change) includes employee pay adjustments based on employee current pay rate and years of service in position.

- Potential cost implementation options to bring employees into the proposed structures include the following:

  – <u>Bring to Minimum</u> – All employees will be brought to at least the minimum of their proposed pay grade.

  – <u>Increase Using Time-in-Position Rate</u> – For each year of service in position, the employee gets a 1.5% increment up to the new range maximum. Previous experience limited to 10 years.

Cost Implementation

- **The implementation strategy/plan is based on the following aspects:**

  – No pay cuts will occur.

  – Employees will be paid at a rate based on time in role, meaning no employees will be paid below the minimum of the new salary structure.

  – Salaries do not fall above the new pay range maximum.

  – Cost projections are an estimate based on current employment at the time of data collection.

Employees	Count of Employees	Cost Projection	% of Current Payroll
To New Minimum	6	$28,954	1.04%
To Time in Position (1.5% per year)	24	$157,308	5.62%
Total Increase to Implement	32	$186,262	6.66%

Recommendations and Ongoing Maintenance

Ongoing Administration Recommendations

In addition the salary structure recommendations, Gallagher recommends the following compensation administration guidelines:

- Implement compensation administration guidelines and policies for placing and moving employees through the salary structure.

- Review annually the internal alignment and classifications of jobs to ensure proper leveling between jobs.

- Utilize performance evaluations for any base pay increases or individual salary advancements to compensate for competent performance in the job class/level.

- Adjust the salary structure by a structure movement trend factor using the *WorldatWork* prevailing market trends on a yearly basis to remain competitive. The salary structure adjustments should move at a slower rate than employee pay. General best practice is to move the salary structure by half of the employee base pay movement.

- Conduct a comprehensive compensation study at least every five (5) years in addition to adjusting the salary structure to keep aligned with the market trends.

Thank you!