

To: Mayor McFarland & Members of the Finance Committee  
From: Peter Hartz – Water Systems Manager

02/05/2025

Re: Water System agenda items for Finance committee meeting 02/10/2025

Dear Mayor McFarland & Committee Members:

### **Water Systems agenda item:**

1. Review and take possible action – Approve 2025 pay step placements for the water distribution team members

**Background:** Following the approval of the payroll resolution #9697 by joint Finance Committee and City Council meeting on Tuesday December 17, 2024, the new grade placement for the water distribution team was moved up to grade J which resulted in the need for additional policy review for proper placement on the step scale for the beginning of 2025. T. Lenius and S. Naatz were placed on grade J step 3, Ryan Miller was placed on Grade J Step 1, those placements are not indicative of the policy as outlined below. *(Previously without the grade change they would have been on Grade H, with R. Miller on Step 4, T. Lenius & S. Naatz on Step 10).*

The distribution job had at least one vacancy since July of 2023, and was posted 4 separate times over the last 2 years with 94 applicants and no hires. On December 18, 2024, we listed the job with the new pay range and noted “starting compensation will depend on applicants work experience and qualifications” base pay starts at \$28.20; we closed the posting on January 15, 2025. With the new post we had 34 applicants and were able to interview several qualified applicants and just hired a new employee with some work experience, but no certifications within 1 month, a success. Our new employee started at Grade J, step 1 and has the opportunity in the probationary period to move up a step or two if passing the required DNR certifications, something that was pointed out and discussed in the interview and offer counteroffer by HR and our team.

### **Policy References and Applicability**

#### **1. Internal Equity and the 5%/8% Rule (Page 18):**

The policy referenced (Page 18) applies to promotions where an incumbent's pay may be increased to maintain internal equity when a newly promoted employee earns a higher base wage. However, this situation is not a promotion. It involves determining the appropriate step placement for experienced incumbents (Tony and Steve) as their roles transition to Grade J.

The *Step Plan* on Page 18 emphasizes rewarding experience and performance within the same grade. Tony and Steve's 25+ years of tenure, combined with their extensive certifications and positive performance review step increases, far exceed the qualifications of less experienced employees and new hires. A Grade J Step 7 placement aligns with their qualifications and ensures internal equity by recognizing their experience while differentiating them from less experienced peers or new hires at Step 4.

## **2. Market Adjustments (Page 21):**

While this scenario does involve market adjustments as defined in the policy, the Pay Structure/Ranges policy (Page 18) underscores that each pay range is designed to reward differing levels of performance and experience. Tony and Steve's qualifications would place a new hire with equivalent credentials at Step 6, as noted in the Determining Pay for New Hires policy. Therefore, Step 7 is appropriate to recognize their significant contributions, tenure, performance review history, and certifications.

Additionally, the handbook notes that "new employees should be hired between the minimum and midpoint (step 6) of the pay range for the position, with actual pay range step placement to be based on individual qualifications." (Page 22). Placing Tony and Steve at Step 4 or below would contradict this principle and fail to reflect the city's compensation objectives. (Page 17)

## **Response to Key Points**

### **1. Placement Above Employees with Less Experience (Grade J Step 4):**

The referenced policy (Page 18) indeed supports the principle that incumbents with more experience and qualifications should be placed above those with less experience. While Step 4 may differentiate them from less experienced individuals, it does not adequately reflect the depth of their tenure, certifications, and contributions. Step 7 more accurately represents their qualifications, aligns with the city's compensation principles, and ensures that employees with significant experience are not compensated similarly to new hires or less experienced employees.

### **2. Policy Interpretation and Additional References:**

Beyond the policies noted, the following handbook sections support our recommendation:

- **Step Plan (Page 18):** Specifies that step placement within a grade should reflect performance and experience.
- **Determining Pay for New Hires (Page 22):** Suggests new hires with Tony and Steve's qualifications would start at Step 6, underscoring the need to place them at Step 7 to maintain equity.
- **Compensation Plan Flexibility (Page 17):** States that compensation decisions outside standard guidelines require Finance Committee approval, providing a path for resolution.
- **Pay Structure / Ranges (page 17):** Specifies range is intended to recognize and reward different levels of performance and experience in each grade.

**Budget Goal:** Supports employee retention and growth and works to address critical staffing areas.

**Financial impact:** The water utility budget can support the proposed step placement.

**Recommendation:** To address this matter fairly and equitably, we propose the following:

- **T. Lenius and S. Naatz:** Placement at Grade J Step 7, reflecting their extensive experience, certifications, and contributions.
- **R. Miller:** Placement at Grade J Step 3, consistent with his experience & qualifications.
- **New Hires:** Placement between Steps 1 and 4, depending on qualifications and experience.

These steps would be retroactive to January 1, 2025.

Sincerely,

*Peter Hartz*

Watertown Water Systems Manager