

To: Finance Committee  
From: Mark Stevens  
Date: June 8, 2022  
RE: 2022 Compression Review

Salary compression exists when there is an unacceptable difference in salary between a supervisor and a direct subordinate.

Current language from Employee Handbook (change is underway to correct first paragraph's "total compensation" to be "wages"):

Once the City has determined there is a compression issue, the City will review the differences in total compensation (i.e., direct pay and benefits) between the supervisor and subordinate positions. If it is determined the benefit package of the supervisor is not sufficient to compensate for the wage compression and the City has determined the best course of action is a pay raise for the supervisor, the City will calculate an acceptable base pay differential between the exempt supervisory position and the average gross earnings of the subordinates the supervisor supervises.

Average gross earnings of subordinate employees at the top of their pay range will be calculated excluding outliers such as an employee with a much greater amount of overtime than others or an employee new to the position and not yet at the maximum of that pay grade. Using this average, a rate will be calculated as one hundred eight percent (108%) of the average gross pay and the employee will be placed at the next step that provides an increase. At the City's discretion, one of two actions will be available:

- Adjust the employee's pay upward in the range if the current pay grade range allows for sufficient earnings growth consistent with the intent of the compensation plan. If this is not possible, the City may consider the second option.
- Adjust the position up one pay grade temporarily and only while compression conditions are still causing a problem. All documents and communications are retained to reflect temporary assignment of the position and the earnings differential situation will be analyzed every year. If conditions change such that the actual pay grade provides an adequate differential and opportunity for sufficient earnings growth, these positions will be moved back to their correct grade.

I have reviewed the 2022 wages for any compression between supervisor and subordinate positions. Using a one-year lookback calculation for computing wages (including overtime), compression issues were determined. A meeting was held with our Carlson Dettman consultant, the mayor, and the finance director to review the calculation process. The consultant recommended extending the lookback calculation to an increased number of years to provide a greater quantity of inputs to the averaging. I recalculated to include three years of overtime; no significant differences exist.

Utilizing the first action listed above, adjustments within current pay grades are an acceptable solution. The following positions are recommended an increase in rates by moving to the next step that provides an increase allowing a 108% rate for supervisor over subordinate:

**Zoning Administrator:** Jacob Maas

Assigned Grade/Step = **M5** [\$36.49/hr]

New Grade/Step = **M6** [\$37.43/hr]

**FD Batt Chief:** Chad Butler

Assigned Grade/Step = **N5 Adj** [\$28.65/hr]

New Grade/Step = **N9 Adj** [\$31.48/hr] (incl \$1.0484 Par Prem)

**FD Batt Chief:** Chad Butzine

Assigned Grade/Step = **N5 Adj** [\$27.60/hr]

New Grade/Step = **N9 Adj** [\$30.43/hr]

**FD Batt Chief:** Bradley Fox

Assigned Grade/Step = **N5 Adj** [\$28.65/hr]

New Grade/Step = **N9 Adj** [\$31.48/hr] (incl \$1.0484 Par Prem)

**FD Deputy Chief:** Anthony Rauterberg

Assigned Grade/Step = **Q2** [\$43.09/hr]

New Grade/Step = **Q6** [\$47.71/hr]

(incl \$1.4677 Par Prem)

**PD Assistant Chief:** Benjamin Olsen

Assigned Grade/Step = **Q3** [\$42.77]

New Grade/Step = **Q4** [\$43.93]

The pay adjustments should include a retroactive calculation for all checks paid in 2022 through the remainder of the year. This adjustment is considered a temporary assignment to the new grade/step. A new-year calculation will be conducted in January, incorporating any approved changes in the pay table, to determine what adjustments might be required for 2023.

The police department union has a raise in pay rates effective July 1, 2022. A review will take place following this change to again evaluate the compression possibilities in that department. I suspect that I will be presenting a recommended modification at that time.

CITY OF WATERTOWN											
PAY TABLE EFFECTIVE: 1/1/2022 - HOURLY FORMAT (2080 HOURS)											
Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11
T	\$46.24	\$47.57	\$48.89	\$50.21	\$51.53	\$52.85	\$54.17	\$55.49	\$56.81	\$58.14	\$59.46
S	\$44.32	\$45.59	\$46.85	\$48.12	\$49.38	\$50.65	\$51.92	\$53.18	\$54.45	\$55.72	\$56.98
R	\$42.39	\$43.61	\$44.82	\$46.03	\$47.24	\$48.45	\$49.66	\$50.87	\$52.08	\$53.30	\$54.51
Q	\$40.46	\$41.62	\$42.77	\$43.93	\$45.08	\$46.24	\$47.40	\$48.55	\$49.71	\$50.86	\$52.02
P	\$38.54	\$39.64	\$40.74	\$41.84	\$42.94	\$44.04	\$45.14	\$46.24	\$47.34	\$48.44	\$49.55
O	\$36.61	\$37.66	\$38.70	\$39.75	\$40.79	\$41.84	\$42.89	\$43.93	\$44.98	\$46.02	\$47.07
N	\$34.68	\$35.67	\$36.66	\$37.65	\$38.64	\$39.63	\$40.62	\$41.61	\$42.60	\$43.59	\$44.58
N (2912 Hrs) Battalion Chief	\$24.77	\$25.48	\$26.19	\$26.89	\$27.60	\$28.31	\$29.02	\$29.73	\$30.43	\$31.14	\$31.85
M	\$32.75	\$33.69	\$34.62	\$35.56	\$36.49	\$37.43	\$38.37	\$39.30	\$40.24	\$41.17	\$42.11
M (2053 Hrs) Sgt	\$33.18	\$34.13	\$35.08	\$36.02	\$36.97	\$37.92	\$38.87	\$39.82	\$40.76	\$41.71	\$42.66