

## **Memorandum 14-025 Employee Benefits and Compensation**

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**TO:** MAYOR WYTHE AND COUNCIL  
**THROUGH:** WALT WREDE  
**FROM:** ANDREA PETERSEN  
**DATE:** JANUARY 22, 2014  
**SUBJECT:** COMPENSATION

### Base Pay

“What does base pay for the City of Homer mean?” Base pay is an employee's initial rate of compensation, excluding increases in the rate of pay. An employee's base pay can be expressed as a base hourly rate of pay or as an annual salary. Extra forms of compensation that are excluded from base pay typically include: shift differential pay, on-call pay, incentive-based pay or merit-based pay. As a general rule, an employee's base pay is the pay they will receive at a minimum, while extra forms of pay may increase the total pay above this level.

### Range Classifications

“How does the City determine the range of a classification?” Job descriptions are written and reviewed on a regular basis and revised when needed. The job description will include but not limited to the following:

Knowledge, skills, abilities, experience, education, training or specialization.

Developing policy and procedures or carrying out policy and procedures.

Nonsupervisory position or Supervisory position and type of supervisor (i.e. City Manager, Department Director, Division Head, Unit Supervisor).

Budget/expenditure authority.

Exposure to adverse weather or hazardous working conditions.

Overall liability to the City.

Public Visibility (Visibility of the incumbent to individuals and agencies with which City personnel are likely to come into contact such as key City personnel, general public, government officials, and key service personnel).

These “core functions” of the position are then evaluated by using a rating system. Typically, three supervisors review the job description and use the City’s Factoring Form to help them determine the range of the classification. Once the factoring is complete the supervisors will discuss their evaluation of the position to determine the range the position should be placed in. This has been a successful procedure for the City in the past; however, there are times that the market needs to be reviewed and considered as well.

### Total Compensation

“What does total compensation mean?” When most of us hear the term “compensation” we typically only think of the money we receive in our paycheck each payday. However, “Total Compensation” goes beyond salary, it is the complete pay package for employees. Total compensation can be defined as all of the resources available to employees, which are used by the employer to attract, motivate and retain employees.

City of Homer regular full-time employees enjoy a total compensation package that exceeds the value of their base

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salary alone. The image below represents some of the key elements which makeup Total Compensation:

### Compensation Surveys

“What is a compensation survey?” A compensation survey is survey of compensation practices and trends among participating companies, typically compiled by an independent research organization. Compensation surveys enable their participants to learn market compensation practices for jobs offered in their organizations. There are five compensation surveys enclosed for you to review. Public entities are challenged with comparing positions of like kind. Many positions are not the same in other public entities. Some positions have unique or other duties that are not typically included in the position in the private sector. This makes it very challenging when reviewing compensation surveys that are not tailored to fit the organization’s interests and needs. Enclosed is an analysis of some positions within the City of Homer. Please remember this analysis is comparing titles and not necessarily actual duties. The AML Salary and Benefit Survey is very informative; however, the City’s close competitors (Soldotna, Kenai, and Seward) information is not included.

### Closing

Total compensation can be challenging for many organizations. The biggest challenge is to have a good balance of offered benefits to the actual base compensation. Although offering excellent benefits is a smart recruitment strategy, benefits do not always allow employees to financially keep up with inflation. Please let me know if you have any questions or concerns regarding this information.

Enc:

Alaska Municipal Salary & Benefit Survey FY 2014

Joint Alaska Survey Participant Survey

Kenai Peninsula Borough 2013 Compensation Study Overview

Kodiak Island Borough Compensation Study

City of Kodiak Classification and Compensation Study

City of Homer Position Analysis



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