

## MEMORANDUM

TO: Katie Koester, City Manager

FROM: Andrea Browning, HR Director

DATE: October 24, 2017

RE: Salary and Benefits Survey

Section 4.2.2 of the Personnel Regulations requires the HR Director to: “review the Position Classification System no less than every five years and report the findings to the City Manager for review.”

### Overview

In June and July, 12 surveys were sent out to municipalities in Alaska, as well as South Peninsula Hospital. HR Directors and Payroll staff of various employers coordinated with HR Director Browning to review job descriptions in order to match our positions to one in their organization as closely as possible. In Homer as well as other cities, most job descriptions have widely varying duties, which makes it difficult to match some job descriptions. The goal was to make an “apples to apples” comparison. If an employer had no comparable position, they were omitted from that job title. If they had a similar position but it was determined that there were more or less duties, that information is listed in the comments box.

Some municipalities additionally have longevity pay/steps. In those cases, there are a certain number of steps after the regular pay scale steps, in which pay increases can be granted every two years. When applicable, that ending pay rate is listed in the comments section per job title. A benefits section which compared major medical, dental, and vision insurance was also included. Additionally, other benefits such as Annual Leave, Holidays, and Life Insurance were also compared.

By the end of August, only six responses had been received. Surveys were sent numerous times, and by mid-October a total of 11 responses were received. The City of Wasilla did not return the survey. However, they do have thorough listings of job titles and salary grades available on their website. Due to the availability of the information, Wasilla is included in the salary data, but not in the benefits comparison.

## Salaries

Overall based on the average between entry and ending salaries the City of Homer is comparable with other employers in the survey. There are some COH salaries that initially appear lower than comparable positions. However, after review, these positions either have less responsibility/ duties, do not supervise staff (as the other positions listed do), or other easily identifiable factors.

There are six (6) COH positions that have low entry salaries and either low or significantly low ending salaries:

1. City Manager; the average salary of the CM/ Chief of Staff positions included in the survey is \$130,726. City Manager Koester's salary is \$113,568, which is \$17,158 less than the average.

The City Manager is a contract position, pay rate is determined by Council.

2. IT Analyst; the entry salary for position is low, the ending salary for position is low.

The IT Analyst position will be reviewed in 2018.

3. Finance Director; the entry salary for position is low, the ending salary for position is significantly low.

4. Chief of Police; the entry salary for position is low, the ending salary for position is significantly low.

5. Fire Chief; the entry salary for position is low, the ending salary for position is low.

6. Public Works Director; the entry salary for position is low, the ending salary for position is significantly low.

- The Finance Director, Chief of Police, Fire Chief, and Public Works Director are Range 25 on the COH pay scale/ salary schedule. Unless additional ranges are added, or additional steps inserted at the end of the pay scale, these positions will continue to be significantly underpaid.

## **Benefits**

### **Health Insurance; Self-funded vs. Fully-insured**

Two employers that participated in the survey are self-funded, the rest are fully-insured. In a self-funded plan the employer takes on the financial risk of funding their health plan from its assets and becomes responsible for managing and administering the benefits plan. Employers that are fully-insured buy their own insurance in the open market. In effect, fully-insured employers are paying an insurance company to assume the risk that they will pay out more in benefits than they collect in premiums. Up until 2015 the COH was self-funded. Since that time we have been fully-insured, with Premera Blue Cross Blue Shield as our major medical carrier. The benefits paid out by Premera have exceeded the employer premiums collected each year since 2015, so the switch to a fully-insured plan has proven effective for the COH.

### **Deductibles**

Homer's annual deductible and out of pocket expense (the amount required by employees to pay before the insurance begins paying at 100% for claims) comes in a little higher than most. The Core Plan offered by the COH has a \$1500 individual deductible, and a \$3000 family deductible. Only the City of Cordova matches our individual deductible at \$1500, and exceeds our family deductible, with theirs being \$4500. The Borough has a high deductible health plan (\$2000), but also offers their traditional plan in 2018 with a \$500 deductible.

### **Employee Premiums**

Out of 12 employers:

- Nine have employee shares, while three (Kodiak, Palmer, Unalaska) charge \$0 for employee only premiums, opting to cover 100% of employee healthcare.
- Ten have dependent shares, while only two (Kodiak & Unalaska) charge \$0 for dependent coverage, opting to cover 100% of employees & their dependent's healthcare. While this is an amazing benefit, obviously most employers cannot sustain this, instead opting to have the employees cover a percentage of the costs.
- Homer's employee premiums fall near the mid-range in all categories: Employee Only, Employee + Spouse, Employee + Child(ren), and Family

### **Employer Share of Premiums**

The employer share, what the City of Homer is paying per health plan, is about \$400 less per tier than the average of all employers included in the survey. Employees are working hard to keep healthcare costs down! Additionally, Administration and the Employee Committee continue to work together annually to select health plan options that will contain costs.

### **The average cost of health plans among employers (employer share only) is:**

|                       |        |                            |
|-----------------------|--------|----------------------------|
| Employee Only         | \$1146 | *COH Employer Share \$749  |
| Employee + Spouse     | \$1946 | *COH Employer Share \$1546 |
| Employee + Child(ren) | \$1763 | *COH Employer Share \$1388 |
| Family                | \$2589 | *COH Employer Share \$2191 |

### **Prescription Coverage**

Prescription coverage is relatively the same.

### **Dental Coverage**

Dental coverage is relatively the same, except several employers did not cover orthodontic (braces).

### **Vision Coverage**

Vision coverage is relatively the same.

### **Life Insurance**

Only two other employers offer life insurance at the employee's annual salary rate. Most employers offered a flat rate, or have a maximum amount attached which may not be equal to the employee's annual salary. This is a great benefit for the COH employees at a minimal cost to the City. The average cost of life insurance provided for all City of Homer employees is around \$12,000 annually.

### **Leave Time and Personnel Policies**

The leave days were fairly consistent for all employers when taking into consideration whether it was a combined leave bank or separate annual leave and sick leave banks. Personnel Policies were fairly consistent. Salary steps & wage scales can vary greatly per municipality based on unions.

### **COLA's**

Several employers have not given COLA's (Cost of Living Adjustments) on a regular basis. It was noted in conversations that some employers have union contracts, and COLA's are negotiated in the Collective Bargaining Agreements (salary contracts) and not separately. The City of Homer implemented a 1.5% COLA in 2017, the smallest COLA ever given to employees. Prior to that, the last COLA was in 2014, at 2%. The City's compensation value decreases every year we do not provide a COLA. Adding a COLA helps employees keep up with inflation and allows the City's wage scale to remain competitive. This in turn helps with recruitment and employee retention, which is critical. Our employees are our most valuable asset!