



MEMORANDUM

**Ordinance 24-08, An Ordinance of the City Council of Homer, Alaska Amending the FY24/25 Operating Budget to Provide for Necessary Adjustments Connected to the Creation of an Exempt Wage Scale.
City Manager.**

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Date: January 17, 2024
From: Andrea Browning, Personnel Director
Through: Rob Dumouchel, City Manager

At the January 8, 2024 work session the Council discussed the movement of exempt employees to a separate wage scale, to ensure the City's competitiveness when recruiting for leadership positions and to ease a wage compression issue which has built up within the current wage scale. During the work session, the Council requested the Administration return at the next regular meeting with an ordinance for consideration which would implement a separate wage scale for exempt employees and increases current exempt salaries 9% in FY24 and an additional two percent (to total 11% total) with the FY25 budget.

Overview

When the City of Homer's 2022 Salary and Benefits Survey/ Parity Study was completed, it identified two major issues pertaining to exempt¹ employees and pay:

1. Multiple positions were identified as "entry salary for position is low, the ending salary for position is significantly low."
2. There is significant wage compression, which means that exempt employees are not adequately compensated for the significant experience and training that we require for their positions

Background

Wage compression: Wage compression is a compensation issue that develops over time. It occurs when there is little difference in pay between employees regardless of difference in their respective

¹ Exempt employees are salaried employees who are not eligible for overtime, with certain limited exceptions like during emergency declarations (Homer Personnel Regulations 5.9.3)

knowledge, skills, and abilities. The COH has only added two additional ranges to the wage scale in the past 15+ years and organizational wage compression issues have become more acute in the last few years.

During this time, the non-department head supervisory positions have grown to require greater knowledge/education, skills, training, and experience. Those positions have climbed up the ranges on the wage scale, and been compensated appropriately. However, due to the wage scale being limited by max ranges, the base compensation rate difference between what Department Heads and some second-in-command or Division Heads earn is minimal- even though we require significantly more experience and training for our leadership positions.

The base rate of pay for the second-in-command (#2's) at departments is between 5-13% lower than the Department Head. However, the non-exempt employees are eligible for overtime. This means that our second-in-command positions have the potential to earn more per year than their Department Heads by working a minimal amount of overtime.

Parity, Recruitment, and Retention: Future recruitments for exempt positions are expected to be difficult, and retention could also become an issue, if we do not address parity and wage compression soon. Many starting/ ending salaries for exempt positions in the City remain lower than what is being offered by other comparable municipalities. City of Homer exempt employees are making 83% of the average starting wage for comparable positions on the peninsula and 90% of the average wage at the top end of our pay scales.

Affected Positons: There are 13 exempt positions (not including the City Manager) which comprise our leadership team for the City of Homer:

- Chief Technology Officer (IT)
- City Clerk
- City Planner
- Community Recreation Manager
- Economic Development Manager
- Finance Director
- Fire Chief
- HR Director
- Library Director
- Police Chief
- Port Director
- PW Director
- Special Projects Coordinator

Proposed Solution for Exempt Employee Wage Issues

Based on feedback from the City Council, Administration is recommending the creation of a separate wage scale for exempt employees and an increase in wages of 9% in FY24 and an additional 2% in FY25. The estimated fiscal impact for FY24 is \$72,697

Staff Recommendation: Introduce and adopt Ordinance 24-08