

Work session of the Ketchikan City Council was called to order by Vice Mayor West at 7:00 p.m., March 31, 2014, with the following members present: Dick Coose, Kj Harris, DeAnn Karlson, Matthew Olsen, Robert Sivertsen, Marty West and Judy Zenge. Mayor Williams was absent.

The Pledge of Allegiance was given by all persons in the Chambers.

Staff present were Manager Amylon, Finance Director Newell, Human Resources Manager Miller and City Clerk Suiter.

COMMUNICATIONS – None

PERSONS TO BE HEARD

Jay Rhodes, Assistant Business Manager for International Brotherhood of Electrical Workers, said this is an issue that needs to be addressed and the study reflects that. He pointed out when they go into negotiations, wages are constantly the major issue to be discussed. He expressed there are many employees that the City hires that get trained and find a better paying job and leave; then the cycle starts over again. He didn't feel that cutting positions was the answer because over the years the work load has increased on employees substantially, saying there is more work for the number of employees there are. He went on to say it will be very difficult to handle, given the gravity of the study, suggesting it could possibly be phased in.

NEW BUSINESS

Classification and Compensation Plan Update, Ralph Andersen & Associates

Manager Amylon reminded last year the Council directed an update of the City's Classification and Compensation Plan, and Ralph Andersen & Associates was contracted to do that. He said the results of the plan are summarized in a memorandum from the City's Human Resources manager and himself covering the bullet points.

Human Resources Manager Miller introduced Doug Johnson, Vice President of Ralph Andersen & Associates (formerly Johnson and Associates).

Doug Johnson reminded the study before the Council was an update to the 2006 project, which was a bit more extensive and broader effort. He said in this study they focused on 56 surveyed job titles, which represented benchmarks within the organization. He noted the same group of comparison employers that was used in 2006 was used again.

Mr. Johnson provided some background on the surveys, saying wages in the United States are market based. He went on to say the whole idea of a survey is to get data to measure what the market is doing and then allow the City to be very deliberate as to

when, how and how much the pay plan is adjusted in response to that. He continued it is a reality that the market moves when we go through a recession, things slow down, we see organizations that don't do any pay increases for many years and organizations that sometimes have to go through workforce reductions and maybe reduce pay. He said then as the economy comes back you see the opposite occur and it is all in response to the availability and supply of labor and the types of skills and abilities the organization needs to recruit in order to attract and retain employees. He explained this is the bottom line of any business when you are looking at your pay plan is you want the ability to recruit those positions when there is an opening, and minimize employees leaving the organization when they are trained.

Mr. Johnson went on to say Ketchikan has a more unique market in the aspect of location. He said normally people can travel outside their own city for work and not change where they live, but this is not the case for Ketchikan because it is an island community. He explained there is a little more flexibility within the City relative to the market. He said the City could be off the market maybe as much as eight to ten percent at times and not have it really hurt the ability to recruit and retain, whereas in a densely populated/multiple city marketplace being off even three to four percent will have an impact in terms of the ability to recruit.

He highlighted several areas in the survey, saying they try to plot the median, or fiftieth percentile. He said this is a very common position that organizations will adopt. He noted when they started taking a snapshot of the jobs that were surveyed, they found that the majority of them are below median. He explained where they ideally like to see jobs are within plus or minus five percent of median. He went on to say if you arguably had all the jobs within plus or minus five percent of median, they would say the pay plan is probably pretty much at market and there are no adjustments that need to be made other than taking care of jobs that are beyond that window for market. He explained when looking at the City's data, there are as many as 30 or 40 jobs that are more than five percent below market median, which is an indication that there are differences between the City and what the competition is. He emphasized it is data to look at, but if the City wants a pay plan that is closer to market trends then the Council would need to do some adjustments to bring that up to what the median in the market place is.

Mr. Johnson went on to say they provided a couple ways in their report to do that, and he said the most effective way of doing it is by benchmarking. He explained this means that out of the 100+ job titles in the organization, you would choose jobs that have good solid data points in the marketplace and use that as an anchoring point. He said you would build relationships around that point, and he reminded this is what was done in the 2006 study. For purposes of being able to calculate cost and look at the impact of doing that, he noted they have done a rough update and it was pointed out a couple of days ago that when plugging in data there are relationships that are tied internally and market relationships, and there can be changes in the marketplace that alter things in a way where they need to revisit whether an internal relationship is more effective. He felt there may be some of that tweaking that needs to be done before this is ultimately

implemented, but in order to complete costs, they ran the numbers on that in their report debut.

Mr. Johnson continued by saying the report gave the Council the total implementation costs with the benefit roll out costs and those impacts, and then a three year spread. He noted they provided up to a three-year costing of what it would take in terms of budget impacts in order to implement the increases over a three-year period. He said usually when they provide those, at a minimum it is giving a starting point if the organization needs to tweak those cost estimates and do something a little bit different, such as focus on prioritizing dollars for those jobs that are further out.

In response to Councilmember Harris, Mr. Johnson said the Council would have to treat this information as an equity adjustment to get to the 2013-2014 data, and then they would have to continue to make sure the City is doing adjustments for 2014-2017 to be able to stay in the market. He said there are some simple measures with the data sets they have and if there are further adjustments of one, two or three percent it can be considered as to whether that needs to be built on top. He went on to say in 2006 he didn't know how much of that was done, and when there is a gap like this the priority is to bridge the gap as quickly as you can and then you do your best to stay on top of the market changes. He said sometimes you have to decide what is more important: getting the equity adjustments in place or doing those on top of other types of market adjustments. He continued what this is doing is making sure the City is spending the dollars where the market says the deviations are, which he felt was the fairest, most efficient way of being able to give an increase.

Vice Mayor West felt it would be difficult for the City to give those adjustments this quickly over a three-year period, and she asked what it would look like if the Council were to just tackle the jobs that are really out of whack. Mr. Johnson replied they have not quantified the costs, but it would be very easy to do. He went on to describe how to do that, and suggested a method for accomplishing that.

Councilmember Sivertsen felt there should be equity in the plan first, and then the Council could think about moving the whole plan forward. He said there was a big bite to try to do everything at once. He expressed concern that when comparisons are done in the market, they should be compared to the City's ability to pay. He compared Ketchikan to other communities that may have more opportunities for revenues. He went on to say there is a need to adjust our package, but he is not sure how it will be paid for.

Councilmember Coose asked for clarification of different aspects of the report, during which Mr. Johnson noted they don't always get responses for comparison because not all communities have the same positions as the City of Ketchikan. Councilmember Coose said we are not just competing against other communities, we are competing against private industry. Mr. Johnson responded the project was an update from what was done in 2006, and there was not a desire at that time to look at private sector data, nor was there a detailed look at benefits in that survey. He said that would be something that requires

more data, and they are very familiar with getting that data. He reminded there are some jobs that have private matches and some that do not. He said they could get that information, but in the end it doesn't end up providing a whole lot of additional information because you have some jobs that are a whole lot higher and some that are a whole lot lower, and it doesn't necessarily track with what you're finding in public sector agencies.

Councilmember Harris said the hypothetical is that the Council will adjust some wages, but questioned what happens to those who don't get a raise. He pointed out there is nobody in this town who are going to be quiet about that, even if their scale is lower.

Councilmember Sivertsen said he compared the numbers with Sitka and Petersburg, and really the City is on par with those two communities. He felt within our own geographical location we are equitable, but the problem is, that is not where we are recruiting people from. He went on to say we are competing with Seattle, Portland and other areas, and he didn't know if we could. He said we needed to have a fair wage if we have a chance of moving forward, and a lot of our ability is to hire good people and train them in the duties that we need to have. He provided suggestions, and felt we needed to get creative. He agreed with the fact that the City needs to look at those who are maybe below ten percent and get them up so we get equity in the plan first, and then addressing the plan as a whole. He stated he has a problem with the spot raises that are done because they get everything out of balance and then we're back to a situation where there are inequities due to hiring someone in at a Step R when other people are working their way through the steps.

Councilmember Olsen declared his wife's position is mentioned in the study. Vice Mayor West said she felt it was appropriate for Councilmember Olsen to make comments even though his wife's position is mentioned in the study. He commented when the survey was done in 2006, he remembered negotiated agreements were done sometime after that. He questioned whether the needed adjustments are due more to negotiated agreements or market fluctuations. Mr. Johnson said it is a combination of the two. Councilmember Olsen expressed his concern that there was a big adjustment in 2006, and here we are eight years and three negotiations later, and we're right back in a situation where we are behind market. He wondered if the Council was fine with that, or is the Council making sure employees are allowed to advance and keep up with a living wage. He felt this was a distinction that should be addressed at this point, otherwise the Council would find itself in this position again.

In response to Councilmember Coose, Mr. Johnson said all the organizations have pay ranges with a minimum and maximum progression, so we're looking at comparable steps. He reiterated range structure is what the focus is, not an employee's actual salary.

Vice Mayor West said this needed to be tackled sooner rather than later. Councilmember Coose requested a summary document, without identifying anyone, of the reasons people leave employment with the City. He felt this would help the Council understand why the

City loses employees. Human Resources Manager Miller said there was a draft of such a document on her desk right now, and she could get it to the manager for the second meeting in April.

Councilmember Sivertsen said we've had employees leave and go over to the Borough, noting the cost of health insurance is one of the issues. He didn't feel the City had kept up with cost of living increases so we continue to fall further and further behind. He said it comes down to how we are going to pay for it and where the money comes from. He reminded there are very few places to get that except from increased revenue streams, which means taxes or rates. He said he didn't want to move ahead on a compensation plan without first knowing where the funding would come from.

Manager Amylon said it is a two-edged sword. He said clearly we have lost employees due to salary and benefits, and on the other hand the community is challenged relative to the amount of revenue it can raise. He reminded we just raised our sales tax a half percent. He commented he talked to our lobbyist today, who said there are a number of legislators who are certain that the PERS contribution rates will increase, which will be a huge impact on us. He said he understood the need to do something, but he remembered what the Council went through last November and December trying to balance the current budget. He said it will be a balancing act.

Councilmember Olsen asked if the Council could get a report of what it would cost to bring those who are below ten percent to ten percent, and those that are below five percent up to five percent. He felt it would be nice to have the numbers, and felt it would be beneficial for the Council. He asked if there was any information for the annual inflation rate since 2006.

Councilmember Coose asked about the PERS issue, and Manager Amylon said it is being worked on in the current language of the bill but there is no definitive on how it will turn out. He said whether it will apply to the number of municipalities that have incurred termination, it is unclear. He pointed out they are trying their best to get that in there. There was further discussion relative to the PERS unfunded liability.

Councilmember Olsen asked to get a copy of the 2006 compensation and classification report.

Vice Mayor West asked if the reports referred to by Councilmember Olsen could be provided at the meeting of April 17, 2014. Councilmember Sivertsen also asked for what union employees are paying on their insurance, which will show how far their wages are going as part of the compensation package.

Councilmember Coose asked about the building official and the building inspector, noting the wage was down by forty percent but that employee took the job at that wage.

MAYOR AND COUNCIL COMMENTS

Councilmember Sivertsen said he was glad it looked like spring out there.

Councilmember Harris said he has a real problem raising anybody's wage without raising everybody's wage.

Councilmember Zenge felt this was a good idea to look at this now instead of closer to the budget.

Councilmember Karlson said she was overwhelmed by the fact that the Council just raised taxes and raised some rates, and then before even catching its collective breath in those endeavors, the Council is faced with another hurdle right out of the shoot. She said it is one that is pretty significant, and she spoke to hardship in finding money for this.

Councilmember Olsen said he was able to walk through the first floor of City Hall, and it looks really nice, like a professional office building. He thought it was a pleasure to walk through there.

Vice Mayor West agreed with everything that Councilmember Karlson said because that summed it up.

ADJOURNMENT

As there was no further business, the Council adjourned at 7:43 p.m.

Mary West White, Vice Mayor

ATTEST:

Katherine M. Suiter
City Clerk