



Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: August 26, 2016

TO: Chairman James “Luigi” Schmitt

FROM: Scott B. Manske, Comptroller

SUBJECT: Fiscal Impact of Advancing Employees Additional Steps in the Pay Grades to Address Employees with Pay Below Market Minimums

Request

The Personnel Committee of the County Board has asked that the Office of the Comptroller and the Department of Human Resources (DHR) provide a proposal that moves any employee with pay below a market minimum as decided by DHR to a new pay of at least that market minimum. Because the County Board has not yet adopted a compensation system of pay ranges, this is only accomplished by advancing employees additional steps within the current pay grades.

Background:

Since early 2015, DHR has been requesting approval of a new compensation system that repairs and modernizes the County’s current compensation system. The proposed pay structure is based on “ranges” rather than “steps” for all positions in the County. DHR set the new pay ranges, including the “market minimum” by using various data. Each position was then assigned to one of the new pay ranges. Later in 2015, a Compensation Workgroup made up of representatives from Corporation Counsel, Department of Administrative Services, Department of Human Resources and the Office of the Comptroller was formed and recommended in January 2016 that the County Board move forward with the proposed compensation system. The County Board has not yet voted on that proposal.

While the DHR request for a pay range system was being reviewed, the County Board adopted Amendment 1A007 to the 2016 Budget, which required the Comptroller and DHR to report to the County Board in January of 2016 on the cost of moving employees to market minimums under the proposed pay ranges and also under the current pay grade system. In that report, the proposal to move 483 employees to market minimum would have cost \$1,065,706 using the proposed pay ranges and cost of \$1,385,177 using the current pay step system. There were also 45 employees who would not be “fixed” because no additional steps existed to advance these employees to a higher salary.

At its June 2016 meeting, the newly formed Personnel Committee heard the January report of the Comptroller and DHR on the cost of moving employees to market minimums under the proposed pay ranges and also under the current pay grade system. After reviewing the report, the Personnel

Committee requested both DHR and the Comptroller's office to provide a proposal that addresses employees with pay below the currently proposed market minimums in the current pay grade system.

Based on that request, DHR updated the data used in the January report and determined what step would be necessary in the current pay grade system to advance employees with pay below the recommended market minimum to a pay at or above the recommended market minimum. The Comptroller has reviewed that data and has determined the fiscal impact of those advancements.

Fiscal Impact

The Office of the Comptroller has previously analyzed the proposed compensation system, and has now analyzed the possible step advancements necessary to move employees to or beyond the market minimums set by DHR. DHR has identified 511 employees that have pay below their recommended market minimums. DHR has further identified the step advancements necessary within the current pay grades that move the majority of these employees to a salary either equivalent to or higher than the recommended minimum. The 21 employees, who are at the top step of their pay grades, have not been addressed and would continue to have pay below the recommended minimums.

Providing employees with step advancements to or above the recommended market minimums proposed by DHR results in a total annual cost increase of \$1,428,946. Based on the advancements identified, \$86,778 in offsetting revenue would be available for a total annual tax levy increase of \$1,342,168. The 2016 Adopted Budget includes an appropriation for expenditures and revenues of \$1,538,244 and \$255,835, respectively, for pay range adjustments or a total tax levy amount of \$1,282,409. Assuming that the advancements are implemented effective pay period 21, the total expenditure in 2016 would be \$384,716 with \$23,363 in offsetting revenue for a tax levy amount of \$361,353. Therefore, sufficient funds are available in 2016 for advancements.

This action compares to the other possible alternatives available that also address the issue for employees with salaries below proposed market minimum salaries.

- **Implement the proposed compensation system.** If the proposed compensation system were implemented, all employees below the pay range minimum would automatically be moved to the resulting minimum. This action would result in the least cost. The resulting cost would be \$1,086,097, or an annual expenditure savings of \$343,849 over providing step advancements to or above the recommended market minimums using current pay grades.
- **Reallocate current pay grades with only one position type.** Of the 511 employees, who are below market minimums, 384 of these employees are in eleven (11) pay grades that have only that position within the pay grade. Therefore, it is possible to modify these pay grades and steps without affecting other positions. While it is still the workgroup's

recommendation that the County move to the proposed compensation system, if the 11 affected pay grades were modified to more properly align to market, this would result in an annual cost of \$1,115,442. This would be an annual expenditure savings of \$313,504 over providing step advancements to or above the recommended market minimums using current pay grades.

Summary

Providing step advancements to or above the recommended market minimums in the current “step” system results in a substantial increase in costs over the proposed compensation system. The most inexpensive method of resolving the issue of pay below market minimums is to implement the new compensation system. The next most cost effective method is to update the eleven single position pay grades to minimize costs. Lastly, the County Board can implement step advancements to or above the recommended market minimums for the highest cost solution.