

Fiscal Note for Changes in Management Pay Plan

Costs

Assume:

Total number of managers is 710

Average salary is \$71,763.90

Number of promotions in a year is 55

Of the 710 mgmt positons 365 or 51% are in the management category (5% increase)

Of the 710 mgmt positions 44 or 6% are in the leadership category (7% increase)

Assume 51% of the promotions are into the management cateogry (28 at 5%)

The current rule states a management employee should receive at least a 3% increase.

Sometimes this requires going to another step and may result in an increase of close to 6%.

Assume that of the 28 promotions 25% receive a 3% increase, 25% receive a 4% increase, 25% receive a 5% increase and 25% receive a 6% increase.

5% increase	\$3,588.20	5% increase	\$3,588.20	5% increase	\$3,588.20
instead of 3%	<u>\$2,152.92</u>	instead of 4%	<u>\$2,870.56</u>	instead of 6%	<u>\$4,305.83</u>
	\$1,435.28		\$ 717.64		\$ (717.63)
	<u> x7</u>		<u> x7</u>		<u> x7</u>
	\$10,046.96		\$5,023.48		(\$5,023.41)

Assume no difference for the 7 positions that receive a 5% increase.

The total difference in cost for promotions into the management category is \$10,047.03
(\$10,046.96 + \$5,023.48 - \$5,023.41)

Assume 6% of the promotions are into the leadership category (3 at 7%)

7% increase	\$5,023.47	7% increase	\$5,023.47	7% increase	\$5,023.47
instead of 3%	<u>\$2,152.92</u>	instead of 4%	<u>\$2,870.56</u>	instead of 5%	<u>\$3,588.20</u>
	\$2,870.55		\$2,152.91		\$1,435.27

Assume one is promoted at each level of 3%, 4%, and 5%.

The total difference in cost for promotions into leadership is \$6,458.73
(\$2,870.55 + \$2,152.91 + \$1,435.27)

Total cost for promotions is \$16,505.76 (\$10,047.03 + \$6,458.73)

Total cost for Exceptional Performance Awards is \$94,414 (See attached chart)

Total cost for Professional Development Awards is \$49,700
(10% x 710 = 71, 71 x \$700 = \$49,700)

Savings

For the remaining promotions ($55 - (28 + 3) = 24$) there would be a savings since many promotions are above 3% under the pay step system and the proposed 3% increase would be exactly 3% under the open range pay system. Assume 25% of the promotions are at each level as shown below.

3%	6
4%	6
5%	6
6%	6

There would be no difference for the six 3% promotions and the others would be as follows:

<table style="border: none; width: 100%;"> <tr> <td style="padding-right: 10px;">4% increase</td> <td style="text-align: right;">\$2,870.56</td> </tr> <tr> <td style="padding-right: 10px;">instead of 3%</td> <td style="text-align: right;"><u>\$2,152.92</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 717.64</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> x6</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$4,305.84</td> </tr> </table>	4% increase	\$2,870.56	instead of 3%	<u>\$2,152.92</u>		\$ 717.64		<u> x6</u>		\$4,305.84	<table style="border: none; width: 100%;"> <tr> <td style="padding-right: 10px;">5% increase</td> <td style="text-align: right;">\$3,588.20</td> </tr> <tr> <td style="padding-right: 10px;">instead of 3%</td> <td style="text-align: right;"><u>\$2,152.92</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$1,435.28</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> x6</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$8,611.68</td> </tr> </table>	5% increase	\$3,588.20	instead of 3%	<u>\$2,152.92</u>		\$1,435.28		<u> x6</u>		\$8,611.68	<table style="border: none; width: 100%;"> <tr> <td style="padding-right: 10px;">6% increase</td> <td style="text-align: right;">\$4,305.83</td> </tr> <tr> <td style="padding-right: 10px;">instead of 3%</td> <td style="text-align: right;"><u>\$2,152.92</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$2,152.91</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> x6</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$12,917.46</td> </tr> </table>	6% increase	\$4,305.83	instead of 3%	<u>\$2,152.92</u>		\$2,152.91		<u> x6</u>		\$12,917.46
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Total Savings from Promotions is \$25,834.98 ($\$4,305.84 + \$8,611.68 + \$12,917.46$)

Assume 4% of managers will not receive a fully satisfactory rating nor the 3.1% increase if eligible.

Assume 40% of the managers are already at the maximum ($.4 \times 710 = 284$)
 $710 - 284 = 426$ (# of managers eligible for an increase)

Total Savings from Withholding Some Annual Increases = \$37,819.56
 $(4\% \times 426 = 17.04 \text{ and } \$71,763.90 \text{ (average salary)} \times 3.1\% = \$2,224.68)$
 $17 \times \$2,224.68 = \$37,819.56$

September 17, 2007

Management Pay Plan Cost Analysis: Exceptional Performance Bonus
September 17, 2007

Salary Grade	Employees in Grade	No. of Exceptional Employees (20%)	Midpoint of Range = Step 7	1% Bonus	Total Bonus
1	7	1	\$43,859	\$439	\$439
2	50	10	\$46,737	\$467	\$4,670
3	7	1	\$49,807	\$498	\$498
4	103	21	\$53,094	\$531	\$11,150
5	60	12	\$56,597	\$566	\$6,792
6	107	21	\$60,317	\$603	\$12,667
7	89	18	\$64,297	\$643	\$11,573
8	51	10	\$68,513	\$685	\$6,851
9	50	10	\$73,056	\$731	\$7,306
10	32	6	\$77,856	\$779	\$4,671
11	42	8	\$83,004	\$830	\$6,640
12	38	8	\$88,455	\$885	\$7,076
13	17	3	\$94,271	\$943	\$2,828
14	13	3	\$100,500	\$1,005	\$3,015
15	11	2	\$107,117	\$1,071	\$2,142
16	11	2	\$114,168	\$1,142	\$2,283
17	7	1	\$121,694	\$1,217	\$1,217
18	12	2	\$129,718	\$1,297	\$2,594
19	2	0	\$138,262	\$1,383	\$0
Total	709	139			\$94,414