STAFF REPORT

TO: Mayor Keis and Members of the City Council

FROM: Chris Heineman, City Administrator
               Heidi Heller, City Clerk/HR Manager
               Brenda Malinowski, Finance Director

DATE: March 23, 2022

RE: Classification & Compensation Study and Implementation Plan

ACTION TO BE CONSIDERED
Approve the Pay Grades and Grid developed by DDA Human Resources, Inc., and adopt the proposed implementation plan.

BACKGROUND:
At the City Council Workshop on February 23, 2022, Dr. Tessia Melvin from DDA Human Resources, Inc. presented the results of the classification and compensation study. This study provides an updated compensation system that is understandable and will help with the retention of current staff and will enable the City to attract, hire, and retain a high level of talent as positions become available.

This initiative also adheres to the strategic objectives of the 5-year Strategic Plan adopted in 2019. Completing a classification and compensation study falls into the fourth Strategic Direction under the heading of *Creating Operational Efficiency* and aligns with the strategic initiative of optimizing our organizational structure.

The classification and compensation study included an analysis of our current compensation plan for compliance in the Minnesota Pay Equity Program. As a result of the study, DDA Human Resources recommended an update to our current pay plan to include 15 pay grades and 7 steps for each grade. This will enable employees to earn additional step increases, even for employees who have worked for the City for many years and been at the top of the previous pay scale.

Following the City Council workshop on February 23, the City Council referred the classification and compensation study to the City Council Personnel Committee for further consideration. A Personnel Committee meeting was held on March 8, 2022 including Administrator Heineman, City Clerk/HR Manager Heller, Finance Director Malinowski, and City Council members McGraw and Fischer.

Dr. Melvin from DDA Human Resources also joined the meeting to explain how the salary data from other cities was used to compare to positions in Little Canada. She reviewed how no cities have the same populations, budget, job positions or amenities (such as number of parks or miles of streets), which means very few job positions can be compared directly to each other. Dr. Melvin and her staff compare positions based on five-point match to determine how much each position can be compared directly to one in another city, even a position with the same title.

The Personnel Committee reviewed the proposed pay grades and grid, and discussed the details and financial impacts on implementing this new compensation system. After discussion, the Committee recommended City Council approval of the revised pay grid system as proposed by DDA HR, Inc. with employees placed in recommended steps and an implementation date of June 29, 2022.

All employees will be placed in the closest step to where they are currently with the exception of the Customer Service Specialist and Parks and Recreation Director/Communication Director. Both of these positions will be placed in the second step above their current salary to reduce disparities and meet internal equity goals.

Fiscal Impact

The total impact to the current budget for implementing the new pay grid system as proposed is approximately $32,560 ($18,400 General Fund and $14,160 Water and Sewer Fund). The adopted 2022 budget includes a $53,480 Council Contingency line item which can be utilized to implement the classification and compensation study. As a reminder, the Public Works Apprentice position has already been moved into the new pay grid and was approved on February 23, 2022.

If the new pay grid system is adopted as proposed, the fiscal impact for 2023 would be approximately $118,400 ($69,500 General Fund and $48,900 Water and Sewer Fund). With a preliminary estimate of a 3.3% market rate adjustment, there will be an approximate one half percent (.50%) levy impact for 2023. This is a nominal impact due to the fact that $53,480 was levied in 2022 to address the classification and compensation analysis which will be reallocated to the General Fund in 2023.

In future years, the levy impact will be approximately 1.60 % per year as employees move through the steps and a conservative market rate adjustment is applied. As a comparison, the levy impact for salary rate increases in 2022 under the previous pay plan was approximately 1.45%.

City staff is recommending adoption of the proposed pay grid system developed by DDA Human Resources, Inc., at the March 23 City Council meeting to enable the City to attract, hire, and retain a high level of talent as positions become available.

RECOMMENDATION

Approve the Pay Scale and Grid developed by DDA Human Resources, Inc., and adopt the proposed implementation date of June 29, 2022.

Proposed Pay Grid

Range Steps								
	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%	3.250%
Grade	0	1	2	3	4	5	6	7
1	$21.12	$21.81	$22.52	$23.25	$24.00	$24.78	$25.59	$26.42
2	$22.39	$23.11	$23.87	$24.64	$25.44	$26.27	$27.12	$28.00
3	$25.52	$26.35	$27.21	$28.09	$29.00	$29.95	$30.92	$31.93
4	$26.54	$27.40	$28.30	$29.22	$30.16	$31.14	$32.16	$33.20
5	$28.13	$29.05	$29.99	$30.97	$31.97	$33.01	$34.09	$35.19
6	$29.82	$30.79	$31.79	$32.83	$33.89	$34.99	$36.13	$37.31
7	$31.31	$32.33	$33.38	$34.47	$35.59	$36.74	$37.94	$39.17
8	$34.13	$35.24	$36.39	$37.57	$38.79	$40.05	$41.35	$42.70
9	$37.55	$38.77	$40.03	$41.33	$42.67	$44.06	$45.49	$46.97
10	$40.17	$41.48	$42.83	$44.22	$45.66	$47.14	$48.67	$50.25
11	$44.19	$45.63	$47.11	$48.64	$50.22	$51.85	$53.54	$55.28
12	$48.61	$50.19	$51.82	$53.51	$55.24	$57.04	$58.89	$60.81
13	$52.50	$54.21	$55.97	$57.79	$59.66	$61.60	$63.61	$65.67
14	$55.12	$56.92	$58.77	$60.68	$62.65	$64.68	$66.79	$68.96
15	$57.88	$59.76	$61.70	$63.71	$65.78	$67.92	$70.12	$72.40

Proposed Pay Grades

GRADE	JOB POSITIONS		
1	Public Works Apprentice		
2			
3	Customer Service Specialist	Utility Billing Clerk	
4	Parks / Public Works Maintenance I		
5	Parks / Public Works Maintenance II	Recreation Coordinator	Emergency Management Director
6	Accountant	Fire Inspector	Code Enforcement/Rental Housing Coordinator
7			
8	Parks Supervisor	Public Works Streets & Fleet Supervisor	Public Works Utilities Supervisor
9			
10	Building Official		
11	Parks & Recreation/ Community Services Director	Community Development Director / Planner	City Clerk/ HR Manager
12	Public Works Director		
13	Finance Director		
14			
15	City Administrator		

Agenda

Who We Are

Project Plan/Goals

Findings and Analysis

Answer Questions

David Drown Associates

Nearly 20 years of experience working with cities and counties in Minnesota

With staff having practical experience in the public sector, we understand local government

We have worked with over 450 government clients

We base our business on our clients' needs. We expanded to include HR to assist our clients

Dr. Tessia Melvin

Lead the Classification and Compensation Area

Over 13 years of City and County experience as City Administrator and Employee Relatoions

Doctorate in Public Administration

Kelly Jones

Project Coordination and Talent Management experience

Experienced technical analyst and compensation consultant

Bachelor of Arts degree in Psychology and his Master of Science degree in Industrial and Organizational Psychology
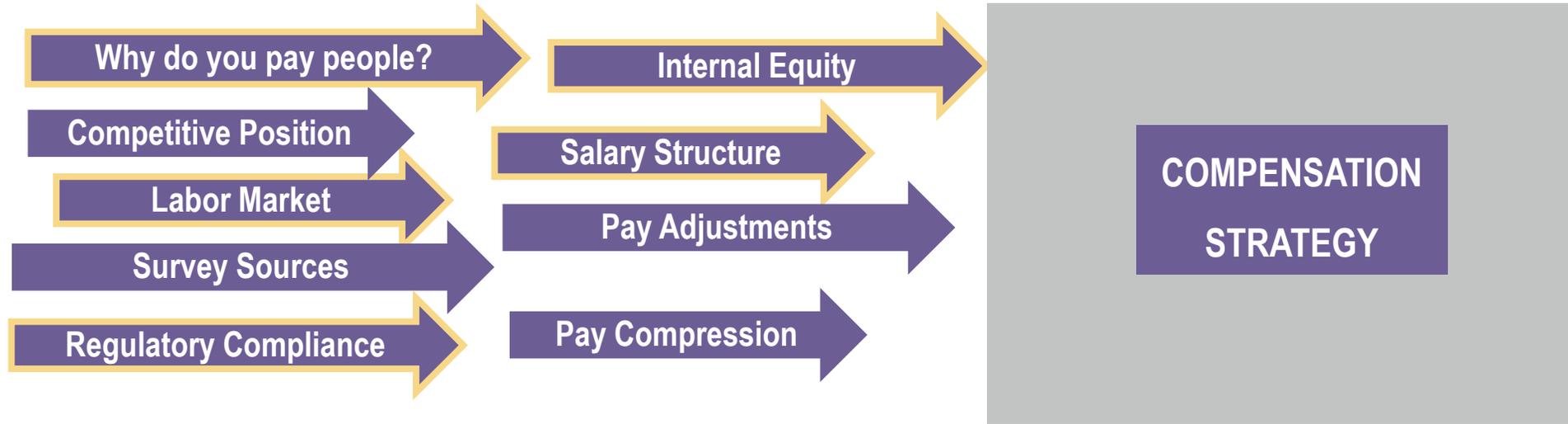
Project Goals

What this Study IS

- One that ensures jobs are **classified appropriately** and meet FLSA guidelines.

- One that ensures **pay is competitive and equitably** structured.

- One that provides **policies and procedures** to keep the compensation system up-to-date.

- One that develops a **compensation system** that is easy to understand and administer.

What this Study is NOT

- **NOT** a staffing needs study.

- **NOT** an organizational structure study.

- **NOT** a strategy designed to cut costs.

- **NOT** a strategy to eliminate positions.

Pay Philosophy

► To achieve their goals Little Canada will consider the following factors when designing a Pay Philosophy:

|		
Why do you pay people?	**Internal Equity**	**COMPENSATION STRATEGY**
Competitive Position	**Salary Structure**	
Labor Market	**Pay Adjustments**	
Survey Sources		
Regulatory Compliance	**Pay Compression**	

► Where does the City want to pay compared to the market? Some places want their pay to be right at market (usually the median or 50th percentile of the market, while others want to be a bit above or a bit below.

Pay Philosophy

- Little Canada's goal is to reduce disparities, to be externally competitive and internally equitable, and to incorporate a flexible, fiscally-sound structure that adapts to changing business conditions and needs

Market Analysis

▶ DDA has partnered with the City to select a group of 11 cities with whom the City competes for talent. Here are some factors that were considered when selecting this group:
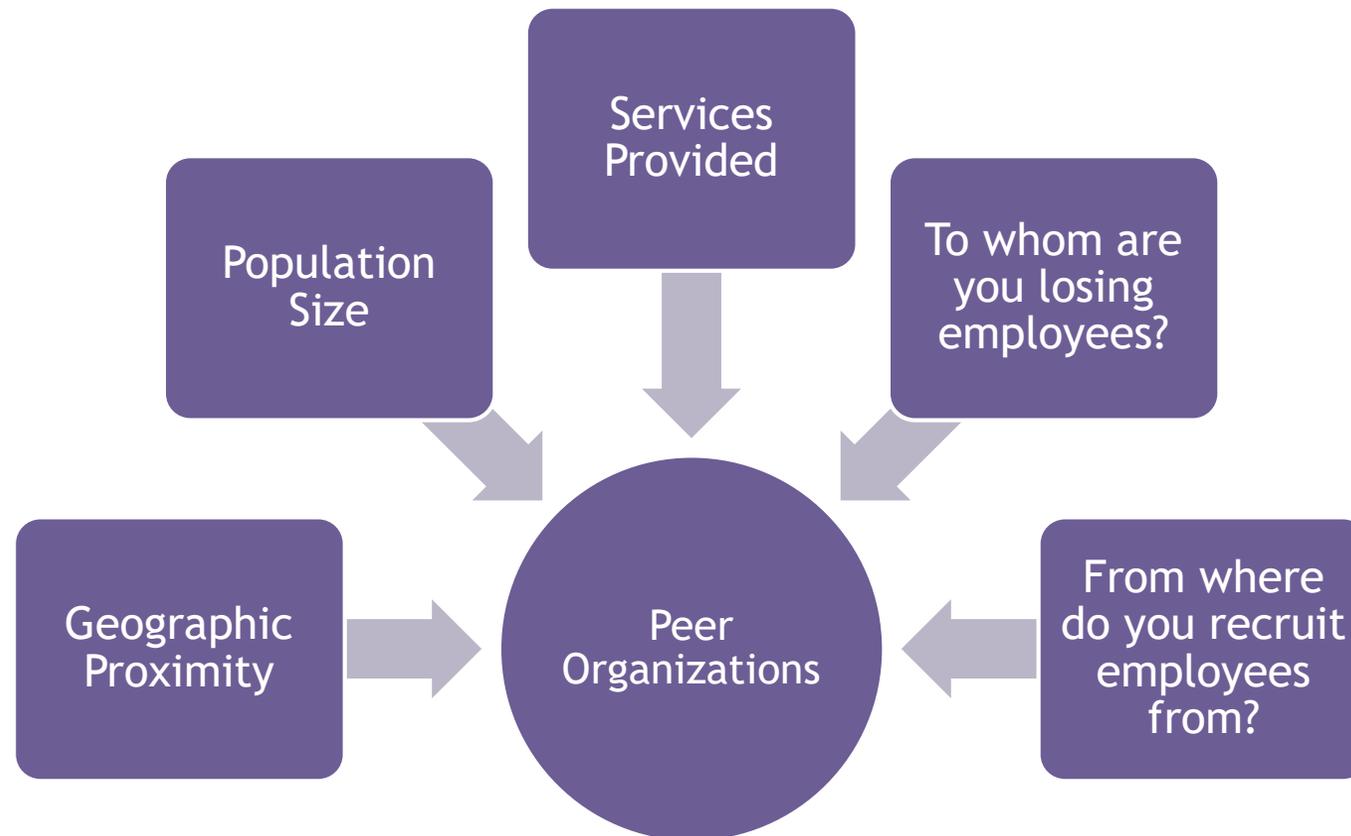
Benchmark Communities

- Arden Hills
- Lake Elmo
- Mahtomedi
- Maplewood
- Mendota Heights
- Mound
- North St. Paul
- Roseville
- St. Anthony
- Shoreview
- Vadnais Heights

Market Analysis

Market Comparison

▶ For each position the percentage difference has been calculated between the City's figure and the market.

▶ If the figure is:
   – Positive (+) : Figure indicates that the City pays above the market
   – Negative (-) : Figure indicates that the City pays below the market

▶ The following guidelines are used when determining the competitive nature of current actual compensation:

   ▶ +/- 5% (Highly Aligned with the market)

   ▶ +/- 10% (Aligned with the market)

   ▶ +/- 11-15% (Possible misalignment with the market)

   ▶ > 15% (Significant misalignment with the market)

Additional Pay

► The following positions are eligible for an additional .25 for a water license and .25/hour for a sewer license (not everyone has any or both licenses):
   a. PW/Parks/ Supervisors
   b. PW/Parks Maintenance

► The PW Apprentice is eligible for .25 after receiving their CDL and .50 for becoming eligible for on-call rotation

Classification System

State Match System	This system was created in 1988 and has been slightly modified.	It looks at a job summary and scores it based on the following criteria:

		• Know How
		  • Education and Experience needed for the position
		  • Non-Supervisory Performance
		  • Line Supervisory activity
		  • Manager/ Supervisory activity
		• Problem Solving
		• Accountability
		  • Non-Quantifiable
		  • Size of budget
		  • Direct or in-direct job impact on end results
		• Working Conditions

Salary Structure Design

▶ Once the data is collected, we use it to create a salary structure for the entire organization.

▶ The structure has a series of salary ranges and those ranges are based on how the City evaluates the job internally and the market information that was collected.

▶ There are usually several jobs in a salary range and that means that those jobs, while performing vastly different duties, are viewed by the City as being roughly at the same level.

▶ Currently the City has a range width of 27%, whereas the market is 23%

Newly Designed Pay Grid

▶ Based on external market data

▶ Based on re-evaluated internal comp worth (pay equity points)

▶ City would still have discretion to start employees where deemed essential