

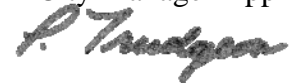

REQUEST FOR COUNCIL ACTION

Date: September 9, 2013

Item No.: 13.d

Department Approval

Interim City Manager Approval



Item Description: Implement Employee Compensation Adjustment

1 **BACKGROUND**

2 As requested by the City Council, the implementation of a compensation adjustment is being
3 brought back for further consideration of a compensation policy and a comparison of the policies
4 of other peer communities, and for further discussion on implementation options for a wage
5 adjustment

6 Attachment A is summary of compensation policies for the peer communities that we have
7 received to date. In sum, very few have a policy as formal as what the Council is considering.
8 Staff feels that Edina has some language that may be useful to look at for Roseville.

9 The City of Roseville’s Employee Handbook, while not an official City Council policy, does
10 discuss the compensation system. A part of the handbook reads as follows:

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12 *“The City maintains a job classification system and pay plans for all regular positions. Human
13 Resources and Finance annually prepare and recommend a job classification system and pay plans
14 to the City Manager. The proposed pay plan lists the minimum and maximum rate of pay for each
15 job classification not covered by a labor contract”.*

16 ...

17 *“Each fiscal year, the City Council reviews and adopts with the budget, the pay plans recommended
18 by the City Manager. The City Council may also establish hourly rates of pay for positions not
19 covered by the classification and pay plan”.*

20 ...

21 *“The City Manager may modify pay classes within the pay plans set by City Council. Any
22 amendments to the job classification system or pay plan will be based on changes in the
23 responsibilities or duties of the classes, living costs, position in the marketplace, the City's
24 financial status, general economic conditions, federal or state law or other pertinent factors
25 warranting such action. The City Manager may recommend amendments and revisions in the
26 plan from time to time to provide for market changes, new positions, or organizational
27 changes”.*

28 As has previously been discussed, the current compensation plan was implemented based on
29 meeting 97% of Roseville’s peer community’s average for wages of benchmark positions. The
30 current compensation plan also has a merit pay component that allows for the top 20% of
31 performers to earn up to 115% of top pay based on achievements and overall performance. At

32 time of implementation, it was expected that the entire compensation plan including the merit
33 pay component would be fully funded over the years to reward top performers based on their
34 achievements. The 97% pay plan component has now slipped to closer to 95% and the merit pay
35 program has never been appropriately funded to reward achievements of those that excel.

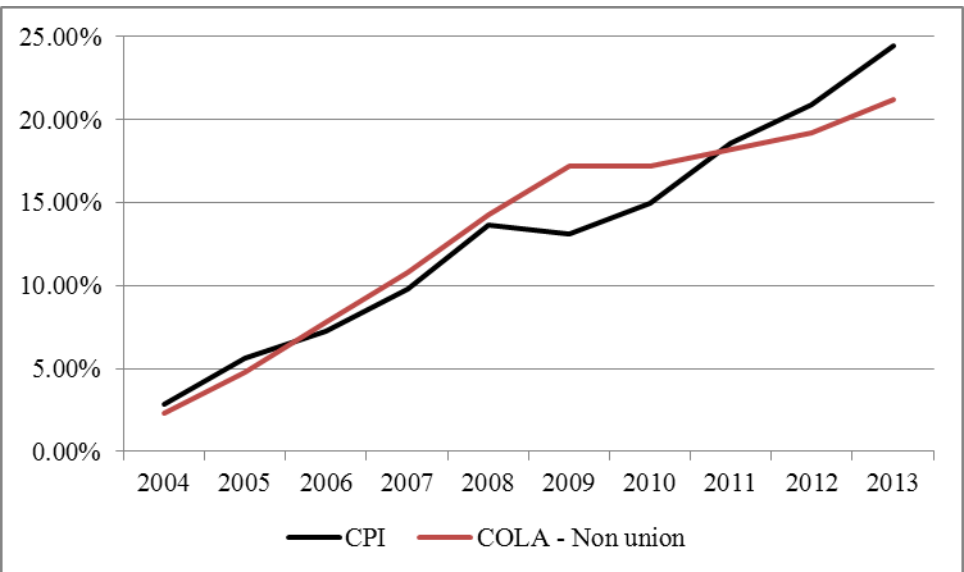
36 Staff has included Mayor Roe’s draft Compensation Policy discussed at the August 19 City
37 Council meeting as Attachment B for your information and consideration.
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39 **Alternative Benchmark for Wage Adjustment**

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41 Staff has explored an alternative method to make wage adjustments that will put employees more
42 in line with the external market and to help the City Council compare and contrast different
43 methods to provide external competitiveness. One approach would be to use the Consumer
44 Price Index (CPI) which is a measure of the average change over time in the prices paid by urban
45 consumers for a market basket of consumer goods and services. This could be used to implement
46 wage adjustments since it measures a person’s ability to continue to purchase goods and
47 services used in their daily lives. The basic assumption with the CPI however, is that
48 marketplace pay is occurring and you only need review inflationary competitiveness. This is not
49 the case with the City of Roseville as determined by the compensation study of the true
50 marketplace. It should also be noted that the City has not previously used the CPI as a measure
51 of external market competitiveness.
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53 The chart below reflects the City of Roseville’s cumulative COLA granted as compared to the
54 CPI over the last 10 years. This not only gives some comparison between the two, it also
55 provides some historical review since Roseville’s last compensation review in 2001-2002. The
56 CPI is based on the Bureau of Labor Statistics for the Twin Cities region.
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58 **10-Year Cumulative CPI vs. COLA (non-union)**



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Cumulative	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CPI	2.85%	5.61%	7.22%	9.79%	13.62%	13.11%	14.96%	18.55%	20.89%	24.46%
COLA - Non union	2.30%	4.80%	7.80%	10.80%	14.30%	17.20%	17.20%	18.20%	19.20%	21.20%

The 2013 figure is based on the first 6 months extrapolated over the full year. As this chart indicates, over the past 10 years, the cumulative COLA is 3.26% behind the CPI. Over the past 4 years (2010-2013), the cumulative gap is at 7.35%. Over the past 5 years, the gap is 3.94%.

Implementation Options: Staff has prepared some options (Moderately Competitive, Competitive, and Strongly Competitive) for the City Council to consider as they look to implement a wage adjustment. It should be noted that a 2% COLA for the 2014 budget will be recommended regardless of what option is chosen. It is important that COLA's are put in place not only to remain competitive with the external markets (other cities are reporting that they are budgeting 2% COLA increases in 2014) but also to keep pace with the CPI in 2014. Failing to include a 2% COLA, even with implementation of one of the options listed below, will quickly return the City back to situation we are currently facing.

It should be noted that these options include an adjustment to the part-time firefighter wages. As you will recall, the part-time firefighters were not included in the original compensation study. The thought at the time would be to do a separate study on their positions. If the City Council chooses the "Moderately Competitive" option, staff feels strongly that the part-time firefighters should be included since using the CPI is not a measure of external competitiveness and should be applied to all employees. The part-time firefighters have been included in the last two options as staff surmises that there is not any interest by the City Council to conduct another compensation study. Therefore, the dollar amounts shown in the Budget Implication section includes the part-time firefighters getting the compensation adjustment.

Moderately Competitive: Immediately reclassify the no more than 8 position found to be in need of reclassification through the compensation study, immediately implement a 3.26% wage adjustment in the first applicable pay period to catch up with the CPI lag for all non-union exempt and non-exempt staff including part-time firefighters, and continue funding for merit pay.

Competitive: Immediately reclassify the no more than 8 position found to be in need of reclassification through the compensation study, implement the full 4.6% wage adjustment as resulted by the compensation study to be at 100% of the average/median for the comparable marketplace in stages on January 1, 2014 and July 1, 2014 for all non-union exempt and non-exempt employees including part-time firefighters, and eliminate the merit pay plan.

Strongly Competitive: Immediately reclassify the no more than 8 position found to be in need of reclassification through the compensation study, implement the full 4.6% wage adjustment as resulted by the compensation study to be at 100% of the average/median for the comparable marketplace in stages on January 1, 2014 and July 1, 2014 for all non-union exempt and non-exempt employees including part-time firefighters, and continue the merit pay plan to reward those that excel

104 **POLICY OBJECTIVE**

105 To deliver a wage system and structure that is fair and equitable while allowing Roseville to
106 attract and retain quality staff in the marketplace.

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109 **BUDGET IMPLICATIONS**

110 The costs for implementation will vary with each option and depend on the timing of the
111 implementation. Staff has estimated the annual levy cost for each option.

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113 **Moderately Competitive Plan - \$157,190 annual cost or \$0.64/month for the med. home value**

114 \$157,190 for 3.26% adjustment
115 \$20,000 for supplemental pay for up to 8
116 No reduction for Merit Pay
117 (\$20,000) transfer of wellness funds

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119 **Competitive Plan - \$202,000 annual cost or \$0.83/month for the median value home**

120 \$232,000 for 4.6% adjustment
121 \$20,000 for supplemental pay for up to 8
122 (\$30,000) reduction for Merit Pay
123 (\$20,000) transfer of wellness funds

124
125 **Strongly Competitive Plan - \$232,000 annual cost or \$0.95/month for the med. value home.**

126 \$232,000 for 4.6% adjustment
127 \$20,000 for supplemental pay for up to 8
128 No reduction for Merit Pay
129 (\$20,000) transfer of wellness funds

130 **STAFF RECOMMENDATION**

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132 Staff would strongly recommend that the City Council formally move ahead with a decision at
133 this time. A decision on September 9 will allow for a resolution on the matter for both the City
134 Council and staff. Therefore staff recommends the following:

- 135
136 1. Update the City’s compensation policy to be utilized moving forward.
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138 2. Implement one of the options as laid out above with staff recommending the “Competitive”
139 option at minimum.

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141 *(It should be noted that the recommended actions should be considered together and not*
142 *separately as all will need to occur in order to result in competitive wages and retain staff).*

143 **REQUESTED COUNCIL ACTION**

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145 Motion to set a policy and implement one of the alternatives as provided above.

Attachments: A: Peer Community Compensation Policy Summary
B: Mayor Roe Draft Compensation Policy
Prepared by: Patrick Trudgeon, Interim City Manager (651) 792-7021
Eldona Bacon, Human Resources Manager (651) 792-7025

Review of Peer Community Compensation Policies and Statements

Golden Valley: “Target is to be at the 66th percentile of the Stanton 5 and 6 groups combined wages. This is completed by taking the average for both groups and setting the target at 16% above that average”.

Woodbury: “The top wage rate in the Full Performer Stage is considered the maximum wage rate for the position classification. This rate is based upon a pay philosophy of 100% of the average maximum wage rate of Stanton V cities with a population of 35,000 and above. When a market analysis for a specific job class indicates the assigned salary range deviates, positively or negatively, from the market by more than 10%, the job class may be placed at an established salary band that most closely corresponds to the applicable market rate”.

Fridley: Market Review and Adjustments

1. “It shall be the responsibility of the Human Resources Director to conduct a comprehensive review of benchmark positions within comparable cities identified as peers in the market.
2. The review and comparisons of market data is required to be completed no less than every three years for key benchmark positions.
3. Peer cities are municipalities which are similar in terms of how services are delivered, the City’s population, location, and structure, and are determined by the Department Managers, the City Manager, and affirmed by the City Council.
4. Market data will be obtained from the League of Minnesota Cities, direct requests, and/or legitimate and commonly recognized pay studies where practicable.
5. Any recommendations for adjustments based on market analysis must be made to the City Manager for final approval.
6. From time to time, all salary ranges in the Pay Plan may be adjusted proportionally and collectively through the annual budget process”.

Richfield: Indicated that the City Manager has his own philosophy of being average or a little higher than average, but it is not policy driven.

Edina: “We need highly talented staff to be able to excel at our mission and achieve our strategic goals. Our compensation system is designed to attract, retain and reward individuals that can build a successful service-based organization. This compensation policy is a guiding document only; the City retains the right to make decisions outside of the policy if the decision supports the objective stated above”.

“External Market Competitiveness

It is important that the City’s compensation plan is well positioned against the external market. The City needs to compete with other organizations to attract individuals with established track records. One of the primary purposes of the compensation plan is to retain high performing employees and remove pay as a leading reason to leave our organization. For the purpose of evaluating external competitiveness, the City relies primarily on metro-area suburban cities that are similar to Edina in terms of size, location, and development. The current benchmark communities are: Apple Valley, Blaine, Bloomington, Brooklyn Park, Burnsville, Coon Rapids Eagan, Eden Prairie, Hopkins, Lakeville, Maple Grove, Maplewood, Minnetonka, Plymouth,

Richfield, Roseville, St. Louis Park and Woodbury. The City also monitors wage data from private sector surveys and other local communities”.

“Fiscal Responsibility

The City will also strive to use its financial resources as efficiently as possible through the design and implementation of its compensation program. Through the effective allocation of compensation dollars, the City will advance its compensation purpose and principles without placing an unreasonable burden on Edina citizens”.

Draft Compensation Policy:**Purpose:**

To provide for market-competitive wage and salaries for non-union, exempt and non-exempt personnel, as measured against peer employers, in order to maintain an experienced, competent, and motivated work force in the City.

Policy:

The policy of the City of Roseville will be to maintain the average of the top wages or salaries of the City's comparable non-union, exempt and non-exempt positions between 98% and 102% of the average of the top wages or salaries of the same positions as measured among the City's peer employers.

Implementation:

1. The City will increase all top non-union, exempt and non-exempt wages and salaries by 4.6% as of January 1, 2014, in order to bring the average of the top wages or salaries of the City's comparable positions to 100% of the average of the top wages or salaries of the same positions among the peer employers as identified in the April 8, 2013, Compensation & Classification Study.

Further, the City will re-classify certain positions as of January 1, 2014, which remain greater than 6% below the average of their comparable positions among the peer employers as identified in the April 8, 2013, Compensation & Classification Study, even after the implementation step described above.

2. Subsequent to 2013, the City will undertake a Compensation & Classification Study during the first half of every 6th (or 4th?) odd-numbered year, which will define that study's comparable positions and peer employers, and analyze the average of the City's top wages or salaries for those positions against the averages of the top wages or salaries for the comparable positions at the peer employers.
3. Implementation of Compensation & Classification Studies will occur in the budget for the year subsequent to the conduct of the study. Adjustments will be made to all non-union, exempt and non-exempt wages and salaries based on the difference between the average of the City's top wages or salaries for the comparable positions and the average of the peer employers' top wages or salaries for the comparable positions, using the following standards.

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- a. If the City average is at or below 98% of the peer average, the City will adjust all applicable wages and salaries for the subsequent year by an amount that would bring the City average to 100% of the peer average. No cost of living adjustment to the applicable wages and salaries need be considered for the budget year in which such an adjustment is made.
 - b. If the City average is between 98% and 102% of the peer average, no adjustment to applicable wages and salaries will be required beyond whatever cost of living adjustment the City may deem appropriate.
 - c. If the City average is at or above 102% of the peer average, the City may impose a 0% cost of living adjustment for all applicable wages and salaries for up to 2 subsequent budget years, other considerations notwithstanding.
4. Funds required for implementation will be provided for in a sustainable manner as determined by the City Council at the time of implementation.

DRAFT