

TO: Honorable Mayor and City Council

FROM: City Administrator Ron Johnson

SUBJECT: Approve Classification and Compensation Study

MEETING DATE: September 5, 2017

BACKGROUND

Springsted, Inc., recently provided the results of the completed Classification and Compensation Study earlier approved by Council. The Study included the development of new job descriptions for all City employees, a review of the internal relationships of City positions, a review of the thorough market analysis of equivalent positions in comparable organizations and development of a compensation plan to ensure internal equity and market competitiveness of City positions.

A compensation system provides the framework for determining how employees will be paid, and assists in maintaining a long-term compensation program and in recruiting and retaining qualified, experienced employees.

The Personnel Committee met with the Springsted consultant, Ann Antonsen, at their 8/22 meeting to review the results of the Study. Upon completion of review and subsequent discussion, they are recommending City Council approval of implementation of Option #2 of the Study effective October 1, 2017. The market survey results indicated that the City's current compensation plan is 6.31% below market averages in comparing minimum, midpoint and maximum wage ranges.

REQUESTED COUNCIL ACTION

Approve a motion approving implementation of Option #2 of the Springsted Classification and Compensation Study effective October 1, 2017.

Attachment(s): August 23 Classification and Compensation Study Final Report



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August 23, 2017

Mr. Ron Johnson
City Administrator
City of Cannon Falls
918 River Road
Cannon Falls, Minnesota 55009

Re: **Classification and Compensation Study Final Report**

Mr. Johnson:

Springsted Incorporated is pleased to provide the City of Cannon Falls with the completed Classification and Compensation Study.

The City of Cannon Falls retained Springsted Incorporated to conduct a Classification and Compensation Study in the fall of 2015. The Study included the development of new job descriptions for all City positions, a review of the internal relationships of City positions, a review of the thorough market analysis of equivalent positions in comparable organizations conducted in 2015 and development of a compensation plan to ensure internal equity and market competitiveness of City positions.

A compensation system provides the framework for determining how employees will be paid. As a general rule, most organizations conduct comprehensive classification and compensation studies approximately every five to seven years, ensuring their ability to hire and retain qualified employees, and that internal relationships are equitable. The external market comparison is important because it ensures that the compensation plan is adequate to attract new employees and retain existing employees. Conducting periodic reviews of internal and external comparability of an organizations compensation program will assist in maintaining a long-term compensation program and in recruiting and retaining qualified, experienced employees.

Market Survey. The comprehensive compensation and benefits survey which was completed in 2015 included 32 City positions and included twenty-one public entities, listed below. We were able to collect the information from the communities in bold, providing a total of 17 responses.

- **City of Blue Earth**
- **City of Byron**
- **City of Delano**
- **City of Glencoe**
- **City of Isanti**
- **City of Kasson**
- City of La Crescent
- **City of Lake City**
- **City of Le Sueur**
- City of Lindstrom
- **City of Litchfield**
- City of Pine Island
- City of Plainview
- **City of Princeton**
- **City of St. James**
- **City of St. Joseph**
- **City of Stewartville**
- **City of Wabasha**
- **City of Wadena**
- **City of Waite Park**
- **City of Zimmerman**

The survey participants were selected based on their similarity to the City of Cannon Falls, geographic location and comparability of positions to City of Cannon Falls positions. Survey respondents were asked to provide information only on those City of Cannon Falls positions which they considered to be comparable to positions in their organizations. Therefore, survey respondents did not provide data for every position surveyed.

Survey Results. All City positions were included in the survey. Information was not provided for 5 City positions and in the analysis of the data, 1 other position was excluded from the overall analysis as the data was either incomplete (not enough information received) or inconsistent (responses not consistent with the position in the City of Cannon Falls. Based on the analysis of the data, on average the City's salaries were below the average. Minimum salaries are 6.45% below the average minimum salaries, midpoint wages of the surveyed positions are, on average, 6.38% below the market and the maximum salaries on average are 6.32% below the market. For comparison purposes, wages which are within 5% above or below the market average, dependent on the organizations pay philosophy regarding market relationship, are considered to be competitive. A summary of the salary survey results can be found in Appendix I.

Compensation Philosophy. A pay philosophy guides the design of a compensation system and answers key questions regarding pay strategy. It generally takes a comprehensive, long term focus and explains the compensation program's goals and how the program supports the employer's long-range strategic goals. Without a pay philosophy, compensation decisions tend to be viewed from a short-term tactical standpoint apart from the organization's overall goals.

Market competitiveness and internal equity are among the most important areas addressed in a pay philosophy. An organization's desired market position involves defining the market and identifying where the organization wants to be positioned within that market. Market position should balance what it takes to attract new employees and retain skilled employees (in other words, eliminate higher pay as the reason employees leave the organization) with the organization's financial resources. Internal equity expresses an organization's desire to provide comparable pay to positions with comparable duties and responsibilities.

A pay philosophy should be developed that establishes a compensation program based on individual employee performance as a key feature of the pay philosophy. Therefore, we emphasize references to performance in the pay philosophy discussion. As part of the study, it is recommended that the City consider these concepts in the adoption of a formal pay philosophy:

- Providing fair and equitable rates of pay to employees
- Defining the City's market area
- Developing a system that establishes a "market rate" for each position and states the minimum wage and maximum rates that the City will pay individuals within a position
- Establishing rates of pay that allow the City to compete successfully for new employees within its market area
- Establishing a market position that is fiscally responsible with public resources
- Ensuring that pay rates for existing employees are based on individual performance that meets or exceeds expectations and reflects changing economic conditions
- Developing a compensation system that allows employees to progress through the pay range as long as their performance consistently meets expectations
- Developing pay administration policies and procedures that ensure their consistent application between departments

- Ensuring that the compensation program is understandable to employees, supervisors, managers, the City Council and the public

Developing a Salary Schedule. The process of developing a salary schedule draws from the results of the salary survey along with the internal relationships of positions within the City. The salary survey data was updated to reflect 2017 comparisons. A compensation plan was developed and City positions were placed within the compensation plan based on an evaluation of each position utilizing the SAFE job evaluation system based on the current job responsibilities and job requirements. To evaluate City positions, employees completed Position Analysis Questionnaires (PAQs) to provide information regarding job responsibilities, job requirements and other factor applicable to their position. We utilized the information from the PAQs as well as information contained in the City's current job descriptions. The factors considered in determining the relative value of positions are:

- Training and Ability
- Level of Work
- Physical Demands
- Independence of Actions
- Supervision Exercised
- Experience Required
- Human Relations Skills
- Working Conditions/Hazards
- Impact on End Results

The recommended compensation plan was designed by establishing 22 pay grades with a 6 percent spread between pay grades. Each grade has 9 steps with 3% between steps. The recommended compensation plans can be found in Appendix II of this report.

Each position was then assigned to the appropriate salary grade in the salary schedule based on the job evaluation points of the position. The List of Positions and Assignment to Salary Grades is shown in Appendix II.

It is recommended that as part of this compensation plan, individual employee movement between the steps be based on individual employee performance. Employees should only receive step increases if their performance is satisfactory or better.

Compensation Plan Implementation. Implementation of the proposed compensation plans is effective January 1, 2018.

Option 1. This option moves employees who have a current wage below the minimum to the minimum of the range. Of the City's 45 employees, 16 have a current wage which falls below the proposed minimum of the range. The annual cost to move these 16 employees to the minimum is \$33,984.20, which is a 1.55% increase in the City's payroll.

	# of Staff	Current Salary	Proposed Salary	Difference	% Increase
Totals	45	\$ 2,194,115.48	\$ 2,228,099.68	\$ 33,984.20	1.55%
Employee Below Min	16	\$ 538,849.40	\$ 572,833.60	\$ 33,984.20	6.31%
Employee Within Range	28	\$ 1,538,349.28	\$ 1,538,349.28	-	
Employee Above Max	1	\$ 116,916.80	\$ 116,916.80	-	

Option 2. To implement the proposed wage schedule employees will move onto the scale based on the relationship of their current wage to the proposed range for their position. Twenty-eight of the remaining City employees have a current wage which falls within the proposed range for their positions and 1 has a current rate of pay which falls above the proposed maximum for their position. To move the 28 employees onto the proposed wage scale, employees will move on to the step closest to their current wage, without any employees receiving a decrease in pay. The annual cost to move these employees onto the proposed compensation plan is \$24,851.59. The total annual cost to move all employees onto the proposed wage scale is \$58,835.79, which is a 2.68% increase in the City's payroll.

	# of Staff	Current Salary	Proposed Salary	Difference	% Increase
Totals	45	\$ 2,194,115.48	\$ 2,252,951.27	\$ 58,835.79	2.68%
Employee Below Min	16	\$ 538,849.40	\$ 572,833.60	\$ 33,984.20	6.31%
Employee Within Range	28	\$ 1,538,349.28	\$ 1,563,200.87	\$ 24,851.59	1.62%
Employee Above Max	1	\$ 116,916.80	\$ 116,916.80	\$ -	

Summary. The City's current compensation plan is below market averages in comparing minimum, midpoint and maximum wage ranges. A review of the internal relationships of positions within the City indicated that there were some inequities amongst comparable positions (which occurs over time in every organization as positions scope of work and job requirements change). The proposed compensation plan is designed to be competitive with the external market and internally consistent and equitable.

APPENDIX I

Market Survey Information

Position Surveyed	Number of Respondents	Average Midpoint	Minimum Salary			Midpoint Salary		Maximum Salary		
			Lowest	Highest	Average	Lowest	Highest	Lowest	Highest	Average
EMS Shift Supervisor										
Police Administrative Assistant	6	41,241.73	33,330.00	38,459.00	36,538.68	36,994.50	44,116.50	40,659.00	49,774.00	45,919.23
Public Works Office Assistant	5	37,738.07	27,472.00	35,858.00	33,366.43	30,904.00	41,131.00	34,336.00	46,404.00	42,109.71
Assistant City Administrator	3	76,461.06	69,076.80	72,738.00	70,423.84	74,994.40	77,605.28	80,829.00	85,753.83	82,498.28
Executive Admin. Asst.-Utility Clerk	6	45,766.28	37,024.00	47,508.00	41,737.32	41,652.00	54,433.00	46,280.00	61,401.00	49,795.24
Ambulance Director	3	60,428.75	53,352.00	55,536.00	54,444.00	59,207.00	61,650.50	65,062.00	67,765.00	66,413.50
Custodian	2	32,703.09	28,184.00	29,286.00	28,645.80	31,709.50	34,080.50	35,235.00	38,875.00	36,760.38
Police Chief	13	78,039.91	64,859.97	72,217.00	69,199.70	72,469.25	82,835.50	80,078.52	93,454.00	86,754.27
Library Assistant - Children's Services	3	37,096.70	33,841.60	36,774.40	35,308.00	36,774.20	37,419.20	36,774.00	40,996.80	38,885.40
City Administrator	18	91,404.52	69,554.00	93,329.60	81,681.01	78,247.00	103,199.20	86,940.00	113,068.80	100,860.17
HR-Accounts Payable Clerk	8	54,001.81	44,053.00	54,687.00	49,624.05	50,654.38	60,247.20	51,043.00	66,185.60	57,993.44
DNU - License Center Manager	1	45,444.50	27,262.00	27,262.00	27,262.00	45,444.50	45,444.50	63,627.00	63,627.00	63,627.00
Community Development Director	9	70,153.50	48,195.00	75,719.00	61,379.95	64,585.00	84,058.00	71,786.35	92,397.00	78,927.06
Public Works Director	13	74,954.60	56,118.00	75,719.00	66,046.15	64,927.00	84,058.50	73,736.00	92,398.00	83,863.05
Public Education Government Access Coordinator										
EMT/Office Assistant	1	43,152.50	38,870.00	38,870.00	38,870.00	43,152.50	43,152.50	47,435.00	47,435.00	47,435.00
Receptionist	3	38,781.50	31,242.00	39,000.00	35,121.00	36,400.00	41,163.00	41,558.00	43,326.00	42,442.00
Assistant Library Director										
Cataloger	1	29,019.50	26,141.00	26,141.00	26,141.00	29,019.50	29,019.50	31,898.00	31,898.00	31,898.00
Shelver										
Library Assistant - Technical Services										
Library Director	6	59,171.78	48,459.00	55,536.00	52,924.35	55,728.50	61,650.00	62,998.00	67,764.00	65,419.20
Library Assistant	3	35,246.29	14,778.40	31,720.00	30,463.31	17,638.40	35,204.00	20,498.40	38,688.00	40,029.27
Maintenance Operator II	8	43,652.93	35,755.00	41,433.60	38,643.55	39,941.50	46,893.60	43,904.00	52,353.60	48,662.30
Police Office Assistant	5	39,449.13	30,909.00	39,000.00	35,590.47	36,483.00	41,579.00	41,288.00	45,947.00	43,423.58
Maintenance Operator I	6	38,640.31	31,556.00	38,730.00	34,904.50	36,228.00	42,827.50	38,397.00	46,925.00	42,376.12
Utilities Supervisor	8	64,335.22	44,658.00	67,017.00	58,142.67	50,242.50	71,462.50	55,827.00	78,021.00	70,248.83
Paramedic	1	50,326.50	45,338.00	45,338.00	45,338.00	50,326.50	50,326.50	55,315.00	55,315.00	55,315.00
Police Officer	13	49,979.02	29,224.00	52,395.00	44,136.90	39,113.00	55,307.00	47,348.00	61,401.00	55,744.89
Streets/Parks Supervisor	6	60,785.98	49,358.00	67,017.00	56,653.83	51,646.00	70,740.50	53,934.00	74,464.00	64,918.13
Water/Wastewater Operator - Class B	6	41,167.50	31,988.00	41,475.20	37,147.18	37,097.00	45,864.00	40,664.00	50,252.80	45,383.03
Averages	6.04									
DNU - did not use survey information										

	City of Cannon Falls Information								
Position Surveyed	Min	Diff	%	Mid	Diff	%	Max	Diff	%
EMS Shift Supervisor									
Police Administrative Assistant	34,236.80	(2,301.88)	-6.72%	38,001.60	(3,240.13)	-8.53%	41,766.40	(4,152.83)	-9.94%
Public Works Office Assistant	31,720.00	(1,646.43)	-5.19%	35,204.00	(2,534.07)	-7.20%	38,688.00	(3,421.71)	-8.84%
Assistant City Administrator	74,817.60	4,393.76	5.87%	83,033.60	6,572.54	7.92%	91,249.60	8,751.32	9.59%
Executive Admin. Asst.-Utility Clerk	46,592.00	4,854.68	10.42%	51,708.80	5,942.52	11.49%	56,825.60	7,030.36	12.37%
Ambulance Director	53,352.00	(1,092.00)	-2.05%	59,207.20	(1,221.55)	-2.06%	65,062.40	(1,351.10)	-2.08%
Custodian	22,672.00	(5,973.80)	-26.35%	25,168.00	(7,535.09)	-29.94%	27,664.00	(9,096.38)	-32.88%
Police Chief	69,929.60	729.90	1.04%	77,604.80	(435.11)	-0.56%	85,280.00	(1,474.27)	-1.73%
Library Assistant - Children's Services	31,720.00	(3,588.00)	-11.31%	35,204.00	(1,892.70)	-5.38%	38,688.00	(197.40)	-0.51%
City Administrator	80,059.20	(1,621.81)	-2.03%	88,857.60	(2,546.92)	-2.87%	97,656.00	(3,204.17)	-3.28%
HR-Accounts Payable Clerk	46,592.00	(3,032.05)	-6.51%	51,708.80	(2,293.01)	-4.43%	56,825.60	(1,167.84)	-2.06%
DNU - License Center Manager	39,936.00			44,324.80			48,713.60		
Community Development Director	65,353.60	3,973.65	6.08%	72,529.60	2,376.10	3.28%	79,705.60	778.54	0.98%
Public Works Director	69,929.60	3,883.45	5.55%	77,604.80	2,650.20	3.41%	85,280.00	1,416.95	1.66%
Public Education Government Access Coordinator	31,720.00			35,204.00			38,688.00		
EMT/Office Assistant	39,936.00	1,066.00	2.67%	44,324.80	1,172.30	2.64%	48,713.60	1,278.60	2.62%
Receptionist	31,720.00	(3,401.00)	-10.72%	35,204.00	(3,577.50)	-10.16%	38,688.00	(3,754.00)	-9.70%
Assistant Library Director									
Cataloger	20,800.00	(5,341.00)	-25.68%	23,088.00	(5,931.50)	-25.69%	25,376.00	(6,522.00)	-25.70%
Shelver	20,800.00			23,088.00			25,376.00		
Library Assistant - Technical Services	31,720.00						38,688.00		
Library Director	53,352.00	427.65	0.80%	59,207.20	35.43	0.06%	65,062.40	(356.80)	-0.55%
Library Assistant	31,720.00	1,256.69	3.96%	35,204.00	(42.29)	-0.12%	38,688.00	(1,341.27)	-3.47%
Maintenance Operator II	36,982.40	(1,661.15)	-4.49%	41,048.80	(2,604.13)	-6.34%	45,115.20	(3,547.10)	-7.86%
Police Office Assistant	31,720.00	(3,870.47)	-12.20%	35,204.00	(4,245.13)	-12.06%	38,688.00	(4,735.58)	-12.24%
Maintenance Operator I	34,236.80	(667.70)	-1.95%	38,001.60	(638.71)	-1.68%	41,766.40	(609.72)	-1.46%
Utilities Supervisor	43,139.20	(15,003.47)	-34.78%	50,981.60	(13,353.62)	-26.19%	58,824.00	(11,424.83)	-19.42%
Paramedic	39,936.00	(5,402.00)	-13.53%	44,324.80	(6,001.70)	-13.54%	48,713.60	(6,601.40)	-13.55%
Police Officer	43,139.20	(997.70)	-2.31%	47,881.60	(2,097.42)	-4.38%	52,624.00	(3,120.89)	-5.93%
Streets/Parks Supervisor	43,139.20	(13,514.63)	-31.33%	47,881.60	(12,904.38)	-26.95%	52,624.00	(12,294.13)	-23.36%
Water/Wastewater Operator - Class B	36,982.40	(164.78)	-0.45%	41,048.80	(118.70)	-0.29%	45,115.20	(267.83)	-0.59%
Averages		(1,947.76)	-6.45%		(2,178.58)	-6.38%		(2,375.42)	-6.32%
DNU - did not use survey information									

APPENDIX II

Compensation Plan and Position Assignment

Pay Plan and Position Listing

[illegible]

Points	Department	Division	Title	Proposed			
				Grade	1	5	9
70	Library	N/A	Shelver	2	30,608.38	34,450.00	38,773.78
95	Public Works	N/A	Custodian	3	32,444.88	36,517.00	41,100.21
98	Administration	N/A	Motor Vehicle Clerk	4	34,391.57	38,708.02	43,566.22
128	Administration	N/A	Receptionist/Office Assistant	5	36,455.07	41,030.50	46,180.19
135	Public Works	N/A	Receptionist Office Assistant Utility Billing Clerk	5	36,455.07	41,030.50	46,180.19
145	Library	N/A	Library Assistant	6	38,642.37	43,492.33	48,951.00
165.5	Library	N/A	Library Assistant - Children's Services	6	38,642.37	43,492.33	48,951.00
167.5	Library	N/A	Library Assistant - Technical Services	6	38,642.37	43,492.33	48,951.00
170	Police	N/A	Records Assistant	6	38,642.37	43,492.33	48,951.00
195	Public Works	N/A	Maintenance Operator I	7	40,960.92	46,101.87	51,888.06
212.5	Police	N/A	Administrative Assistant	8	43,418.57	48,867.98	55,001.35
220	Public Works	N/A	Maintenance Operator II	8	43,418.57	48,867.98	55,001.35
255.5	Administration	N/A	License Center Manager Agent	9	46,023.68	51,800.06	58,301.43
238	Ambulance	N/A	Paramedic	9	46,023.68	51,800.06	58,301.43
268	Administration	N/A	HR Technician Accounts Payable Clerk	10	48,785.11	54,908.07	61,799.51
261	Administration	N/A	Executive Administrative Assistant	10	48,785.11	54,908.07	61,799.51
290.5	Library	N/A	Assistant Library Director	10	48,785.11	54,908.07	61,799.51
265	Police	N/A	Police Officer	10	48,785.11	54,908.07	61,799.51
345	Ambulance	N/A	Emergency Management Services Lieutenant	12	54,814.94	61,694.70	69,437.93
352.5	Public Works	N/A	Street and Park Supervisor	12	54,814.94	61,694.70	69,437.93
372.5	Public Works	N/A	Utilities Supervisor	13	58,103.84	65,396.39	73,604.21
430	Library	N/A	Library Director	14	61,590.07	69,320.17	78,020.46
532.5	Community Development	N/A	Director of Economic Development	16	69,202.60	77,888.14	87,663.79
515	Ambulance	N/A	Emergency Medical Services Chief	16	69,202.60	77,888.14	87,663.79
525	Police	N/A	Lieutenant	16	69,202.60	77,888.14	87,663.79
560	Public Works	N/A	Public Works Director	17	73,354.76	82,561.43	92,923.62
610	Administration	N/A	Finance Director Assistant City Administrator	18	77,756.05	87,515.12	98,499.03
665	Police	N/A	Chief of Police Emergency Management Director	18	77,756.05	87,515.12	98,499.03
770	Administration	N/A	City Administrator	20	87,366.69	98,331.98	110,673.51