TO: MAYOR AND CITY COUNCIL

FROM: Neil Jensen, City Administrator

SUBJECT: Market Study Proposal DDA Human Resources

MEETING DATE: May 16, 2023

BACKGROUND

It was discussed at the last City Council meeting to do a market study for the City of Cannon Falls employees. This study, option 2 will be a market analysis with a pay grid calibration. The cost is $10,100 for all fulltime employees (23) that are part of the Pay Equity System.

When the negotiating committee met with the union it was evident that the requests for compensation were going to be considerable. Without knowing current wages in the City of Cannon Falls market area it would be hard to bargain a fair and equitable contract. The City has 3 contracts expiring at the end of 2023.

Option 2 will give the city a market analysis and put the selected pay in a grid system that the city currently uses. They will run the system in the pay equity software for compliance so there are no issues at the next Pay Equity Report.

STAFF RECOMMENDATION

Please approve the Market Study from DDA Human Resources Option 2 for the cost of $10,100.

REQUESTED COUNCIL ACTION

Please make a motion to approve the Market Study from DDA Human Resources Option 2 for the cost of $10,100.

★ Designed by TownMapsUSA.com

CITY OF CANNON FALLS

Market Study Proposal
Submitted by DDA Human Resources, Inc.

May 8, 2023

Neil L. Jensen
Cannon Falls City Administrator
918 River Road
Cannon Falls, MN 55009

RE: Proposal for Market Study

Dear Mr. Jensen,

We are pleased to be invited to submit a proposal to complete classification and compensation services for the City of Cannon Falls. In the pages that follow, we have briefly provided information about DDA Human Resources, our staff credentials and experience, a detailed description of services to be provided and various levels of project scope. We have included cost for each option for 23 positions as follows:
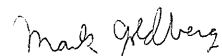
- Option 1: Market Analysis: $6,600
- Option 2: Market Analysis with Pay Grid Calibration: $10,100
- Option 3: Market Analysis with Pay Grid Calibration and Implementation: $13,600
- Option 4: Ongoing Maintenance: $5,800 annually

Three major factors distinguish DDA Human Resources from other providers:

- All our employees come with years of public sector experience. We specialize in government, and we know first-hand the challenges of managing public sector compensation. This helps us deliver practical, workable solutions.
- We believe that classification and compensation can and should be managed as a practical, common-sense process – not as some theoretical or statistical exercise in regression analysis. We will help you design a compensation system that is technically solid and one you understand. We measure our effectiveness as a consulting firm not by studies completed, but by studies that are *actually implemented*.
- We think a compensation should be actively managed as an ongoing program – not neglected and then fixed with a major compensation study like this. With proper on-going maintenance support, major disruptive and expensive compensation studies are unnecessary. We are pioneers in providing ongoing maintenance solutions.

Our firm's goal is to be known as the best human resources consultant in Minnesota. There is only one way to get there – by delivering exceptional service. We will do our best to earn your trust, your respect, and your future business.
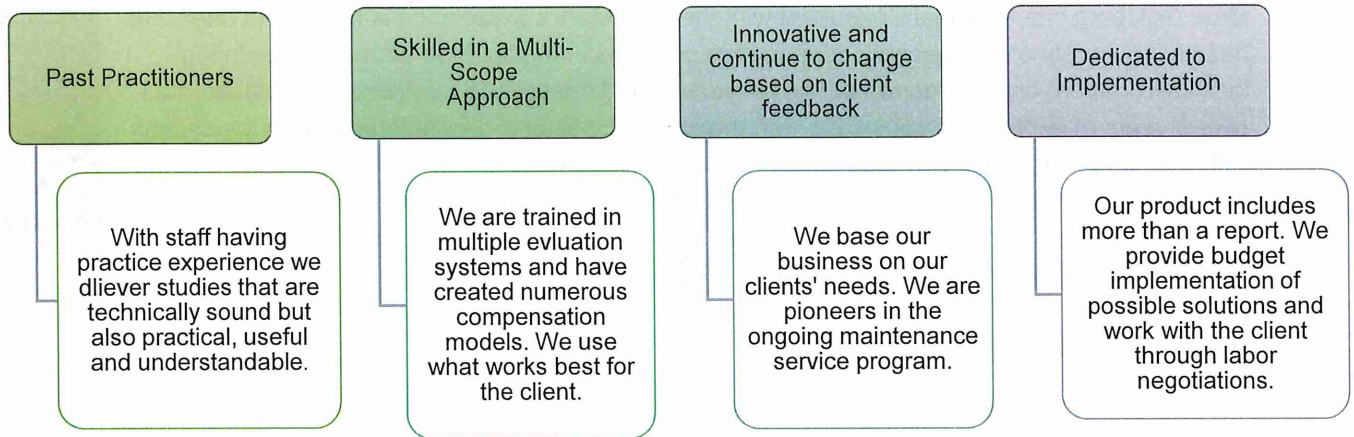
Sincerely,

Mark Goldberg, Principal Consultant

CONTENTS OF THIS PROPOSAL

- ■ Experience (including references)
- ■ Project Outline
- ■ Proposed Services
- ■ Fees

OUR FIRM & QUALIFICATIONS

Our parent company, David Drown Associates, Inc. has provided consulting services to over 450 units of government across Minnesota since 1997. Over these years, DDA staff has gotten to know government well and we continually strive to keep our services practical, useful, and up to date. Our history and corporate culture have grown from an honest desire to serve public sector clients in a practical and common-sense manner. We are not your ordinary consultant, we are:

Past Practitioners	Skilled in a Multi-Scope Approach	Innovative and continue to change based on client feedback	Dedicated to Implementation
With staff having practice experience we dliever studies that are technically sound but also practical, useful and understandable.	We are trained in multiple evluation systems and have created numerous compensation models. We use what works best for the client.	We base our business on our clients' needs. We are pioneers in the ongoing maintenance service program.	Our product includes more than a report. We provide budget implementation of possible solutions and work with the client through labor negotiations.

DDA Human Resources, Inc. was formed in 2013 to provide human resource support services exclusively to governmental clients in Minnesota. We currently offer services for executive recruitment, organizational design, and staff an HR Technical Assistance Program for the Association of MN Counties which provides technical advice and assistance to the HR staff of all the State's 87 counties. Since activating our compensation section in 2016, we have worked with clients as small as 4 employees to as large as 1,500 employees. Our completed studies include:

TOTAL STUDIES	COUNTY CLIENTS	CITY CLIENTS	OTHER ENTITIES
150	39	80	31
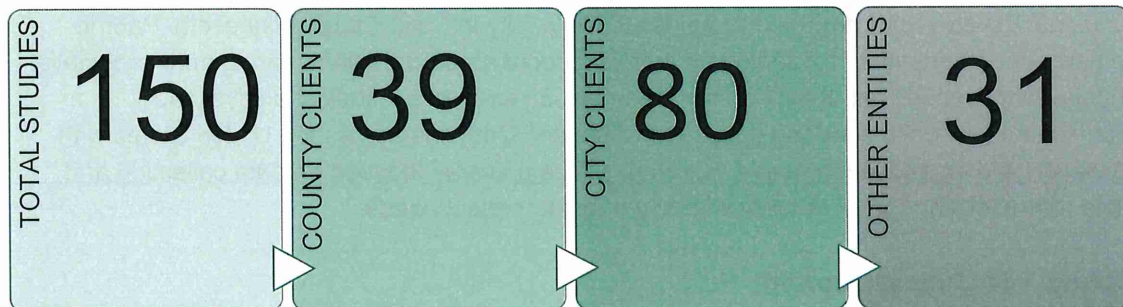
OUR SERVICE TEAM

DDAHR maintains a staff of 10 individuals. We also maintain relationships with several independent consults in key specialty areas. Here is the Team we have assembled for your project:

Dr. Tessia Melvin –Department Head

Tessia heads the compensation and classification (C&C) services area of DDAHR. Over the past six years, Tessia has served as lead analyst on over 65 separate C&C engagements with Minnesota communities. She brings to the position nearly 13 years of diverse service to city and county government. As a City Administrator in Maple Plain, Minnesota, Tessia drafted five-year budgets, capital improvement plans, infrastructure improvement plans, and led strategic planning program. Working in Dakota County, Minnesota, Tessia provided leadership training, managed their performance management system, and worked with compensation and benefits. Dedicated to local governments and continued learning, Tessia earned her doctorate in Public Administration.
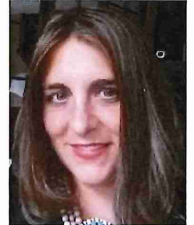
Mark Goldberg, MA-HRR – Principal Consultant

Mark Goldberg is a Principal Consultant with the firm. Mark's experience is broad and deep. He has held a variety of compensation leadership positions in media, high tech, manufacturing, local government organizations and the University of Minnesota. In addition, Mr. Goldberg has over 6 years of experience consulting with major public sector organizations around the country with a focus on project in Minnesota such as Koochiching County, the city of Red Wing and the City of Aitkin. He has a Master's Degree in Industrial and Labor Relations from Cornell University and a Bachelor's Degree in Human Resource Administration from Muhlenberg College. **Mr. Goldberg will be the lead for this project.**

David Drown – Technical Support

David is the founder and owner of DDA. David will lend his technical and statistical expertise to the team to manage the collection and analysis of market data, help calibrate your compensation plan, and calculate budget impacts. David received his undergraduate degree in civil engineering and served in local government as a registered civil engineer early in his career. He also holds an MBA in finance from the Carlson School of Management and has served as a finance and economic development consultant to numerous cities and counties across the State.

Kelly Jones – Technical Support

Kelly received his Bachelor of Arts degree in Psychology and his Master of Science degree in Industrial and Organizational Psychology from Saint Cloud State University in Saint Cloud, Minnesota. Prior to entering the field of compensation, he served as a project coordinator and talent management specialist for Sleep Number and Robert Half. Kelly has spent the last 3 years as a technical analyst and compensation consultant, while assisting dozens of Cities and Counties across the United States with their compensation and classification needs. His work will be primarily focused on data collection and analysis, while also assisting the DDA team with any ongoing project needs.

Tom Blakesley – Technical Support

Tom is the newest member of the DDA team. Prior to joining DDA, Tom worked extensively in

client/customer relations. He also brings experience in working with and analyzing business data in the private sector. He will be primarily working on data collection and analysis and providing a great deal of the initial groundwork and research for classification and compensation studies.

SUPPORTING TEAM MEMBERS (*OUR BENCH*)

Melanie Ault

Melanie Ault brings to DDAHR over 20 years of experience leading Minnesota county human resources and labor relations operations with additional experience at the city, regional, and state levels. Melanie joined DDAHR in 2017, after serving as Washington County's HR Director. You might recognize her by her passion for examining pending legislation and its ramifications for the public sector. Melanie holds BA, MAPA, and JD degrees, with further education in public administration. She is an avid supporter of professional organizations, serving on the state and national levels. She loves making new connections and looks forward to helping you find answers and ideas. Melanie is one of our AMC Human Resources Technical Assistance Program staff.

George Gmach

George has been doing classification and compensation study work in Minnesota for 30 years. He worked with the Stanton Group for 12+ years with management responsibility for salary and benefit surveys and compensation consulting. His experience has crossed multiple industries and included private, non-private and public sectors. George also worked at Employers Association and its successor for 16 years. During his career, he has designed and conducted several hundred compensation and benefit surveys and has implemented multiple compensation programs in large and small organizations across all sectors. He designed and modified job evaluation systems and implemented them in the public sector. He has worked with the Minnesota Pay Equity Statutes since their inception. In addition, he is a military veteran who served as a combat medic in Vietnam.

REFERENCES

Reference #1:   **City of Victoria, Minnesota** (project budget of $17,000)

Contact: Gwen Campbell, Communications and HR Manager
952-443-4230
gcampbell@ci.victoria.mn.us

Contract dated: May 15, 2019 – completed October 2019, we continue to provide ongoing maintenance

Scope of Services: *This was a full-service class and comp study for a rapidly growing suburban community. We updated all job descriptions including several new job titles; classified all job titles using DDA's JET system, completed a market analysis of 14 benchmark communities (93% participation) and 5 "spotlight communities", evaluated two alternative salary plans with pay ranges calibrated at 100% of benchmark averages, and provided an implementation plan with employee-by-employee grade/step assignments and a calculation of budget impact. Victoria says they plan to enroll in DDA's ongoing service program.*

Reference #2:   **City of Fridley, MN** (project budget of $13,000)

Contact: Becca Hellegers, Employee Resources Manager, 763-572-3507, Becca.Hellegers@FridleyMN.gov

Contract Dated: February 2020 – December 2020, they have entered an ongoing maintenance contract with us

Scope of Services: *DDA was originally engaged to complete a market study only of wages paid to 97 position descriptions. The work plan was expanded to have us perform a full classification and compensation study for all positions, classifying all jobs and designing a new pay plan for the City.*

Reference #3:   **City of Golden Valley, MN** (ongoing maintenance $7,500)

Contact: Kirsten Santelices, HR Director
763-593-3989
ksantelices@goldenvalleymn.gov

Contract Dated: January 2020 – completed December 2020, we continue to provide ongoing maintenance

Scope of Services: *All job titles were reclassified using the JET evaluation system, and several employee challenges were reviewed and resolved. Market wage study revealed that the current pay plan wages averaged about 5% below the benchmark average. We developed a new pay plan with expanded steps, reviewed several approaches for implementation, and ultimately arrived at a plan that worked within the City's limited budget.*

Reference #4:	Rochester, MN
Contact:	Linda Hillenbrand, HR Director 507-328-2561 lhillenbrand@rochestermn.gov
Contract Dated:	October 2021 for ongoing maintenance
Scope of Services:	*This is an example of a client engagement with a scope of services looking to maintain their current classification system. We learned a new classification system, their job positions and are able to maintain their pay philosophy, job descriptions and maintain competitive pay without having to complete an entire study.*

OUR PHILOSOPHY FOR COMPENSATION STUDIES

Government is in the service delivery business, and quality service requires quality employees. An effective compensation system will help you attract and keep talented employees. Likewise, an out-of-date or ill-conceived compensation system will produce turnover and hamper efforts to recruit quality replacements.

In the real world of limited resources, government is increasingly expected to do more with less. Accordingly, a community's pay philosophy must strike a reasonable balance between a desire to pay your good employees well to retain their good services, while at the same time controlling costs to keep faith with the taxpayers. Designing a pay system is not easy, every community is different, and a "one size fits all" approach seldom produces a good result. As we work with you to build the best compensation system for your community, we keep four very practical objectives in mind:

Compensation and Benefits	Internal Equity	Positive and Transparent	Customized
• Competitive to hire, retain, and motivate qualified employees	• Satisfy MN Pay Equity Requirements	• Be open and fair to employees, managers and unions	• Establish a pay philosophy based on your organization

We approach compensation study work as a practical, common-sense process – not as some theoretical or statistical exercise in regression analysis. We collect information, analyze it, and communicate our findings in simple understandable ways. Our honest goal is to help you design a compensation system that is technically solid, is one you actually understand, and one that works better than what you have now. We measure our effectiveness as a consulting firm not by studies completed, but by studies that are **actually implemented**. We do this through customizing your competitive pay philosophy.

WE CUSTOMIZE YOUR COMPETIVE PAY BY:

- Approved benchmarks
  - We will help create a list that matches your demographics, service level, tax capacity, employee numbers and other factors that fit your organization
- Market results that illustrate where you are to the market
- Determine a pay philosophy of where you want to be in relation to the market
- Adjusting your pay structure
- Ongoing maintenance

PROPOSED SERVICES

Introduction and Project Orientation *(included in all options)*

- Project Initiation Meeting: Facilitated by DDA HR with applicable stakeholders as appropriate (1) to address current issues related to compensation, pay structure, policies, philosophies, and strategies, (2) to discuss the strengths and weaknesses of the current compensation system and (3) to identify possible barriers to implementing and maintaining change.

- Information Collection: Organization & salary material collected, including an employee roster, detailing key information (salary, job title, pay grade, etc.).

- Project Administration: Meeting with Project Team to develop and confirm detailed project schedule and review system history/materials.

- Define Communication Strategy: Partner with the City to design a communication strategy that combines best practices in the industry with practical applications and tools.

- Employee Orientation Sessions (optional): Conducted virtually, with one session recorded so any employee who is unable to attend can see the information presented.

- Job Description Review: We will undertake a general review of your existing job descriptions and recommend changes to assure compliance with ADA FLSA and other State and Federal Requirements

Rewrite Job Descriptions *(included with option 4 or additional charge per position)*

- Review of Current System: DDA HR will review current job descriptions and provide any comments on any recommended changes.

- Position Analysis Questionnaire (PAQ)- DDA will work with you to design a PAQ that reflects your needs. This document is critical to the process as DDA will use it to create the job descriptions and to evaluate all positions.

- We will distribute a position analysis questionnaire (PAQ) to all employees and their supervisors, asking them to outline all the important requirements for and duties of the job.

- Based upon the information on the PAQs, the job description for each position will be updated or rewritten in standardized format developed with and approved by the Project Team.

- Employees and supervisors will be asked to review the new job descriptions, and we will guide a controlled process for employees to appeal the content of descriptions before they are finalized.

- Addition job descriptions may be added to provide for internal promotional opportunities, or jobs may be consolidated to make administration easier.

- Final job descriptions will be submitted for final approval by department heads, the Project Team and governing board.

- Job Description Appeal Process: Once jobs descriptions are completed, employees and supervisors will review. If changes are needed, they will complete a Job Description Appeal form.

- DDA will review appeals and work with Project Team and employees to create consistent results.

Job Evaluation *(included with Option 4 or additional charge per position)*

Job classification is a series of decisions about how a position is valued within an organization. Each factor requires a decision as to how the job under consideration will be rated using levels that are increasingly complex and of great impact, frequency, or quantity. We look at the job rather than the employee. Jobs are evaluated as they exist, or as the management plan says that they should exist, to meet the needs of the organization.

DDAHR is unique in our willingness and ability to utilize a variety of job evaluation systems used by the various compensation consultants in Minnesota to classify and score your jobs. If you are committed and satisfied with the system you have, we will work with you using your system. If not, we have several options that are described below for the City to consider,

- We will assign each position a numeric score, which reflects the relative importance of the job to the organization.

- We will work with the Project Team to organize jobs with similar point totals into a series of Grades.

- We will provide staff with materials to communicate results to employees.

- Our Job Evaluation Tool (JET) identifies and examines the following aspects of all job positions

  - Experience and Education needed for the position. This includes licenses and certifications.
  - Decision Making and its impact on the job, division, department, and organization.
  - Problem Solving and its impact on the organization and budget. We also include 14 aspects of supervision.
  - Mental and Physical Effort of the Job
  - Relationships and Communications
  - Conditions and Hazards of the job

- Our Decision Authority Ranking (DAR) is a decision-based model that looks at a job from a different perspective:

  - This system states that every job, from a mayor to a custodian, needs to make decisions in his/her role and those decisions can be quantified
  - DAR then examines the complexity of the duties performed compared to other substantially similar positions.
  - Aspects of the job such as working conditions or certifications can increase the complexity of the evaluation.

- Review of Current System: DDA HR will review current job descriptions and provide any comments on any recommended changes.

- Job Evaluation: DDA HR will use the existing system to evaluate all jobs using the information gathered from the PDQs.

- Appeal of Assigned Grade: DDA HR will partner with the City to design a structure that aligns internally. However, we strongly recommend an appeal process should an employee feel that their position was assigned an incorrect grade. We will provide forms and a process for the City to use for these appeals with all appeal decisions reviewed by Council.

- Recommend Changes to Current System: DDA HR will conduct analysis of existing classifications and provide recommendations on any changes to current classification plan, to include recommendation of standard classification and titling conventions.

- Review Fair Labor Standards Act (FLSA) Designations: DDA HR will review exempt and non-exempt designations to ensure they are appropriate for classifications and make recommended changes, where appropriate.

Market Analysis *(included in all options)*

- MN Data: DDA HR, in collaboration with the Project Team, will (1) confirm the labor market, (2) identify comparable organizations and gather data from various sources including the League of MN Cities, the Association of MN Counties and our roster of data from previous clients. We will work with the Project Team to select a group of benchmarks who you compete for talent, organizations that are similar to your services, and organizations that have similar factors including population, tax capacity, budget, number of employees and others as directed by the Project Team.

- We will collect detailed wage information on *all jobs* that you have in common with these communities – not just a selected list. We plan to utilize the wage survey data that is annually collected in the LMC/AMC wage data base, supplemented by other sources as needed to provide a meaningful set of comparison data. We will organize the results of this analysis using a series of graphs and charts that are designed to clearly show how your current pay ranges and wages compare to those of benchmark entities. This is the information needed to develop of a pay structure that balances both internal and external equity and assures compliance with State Pay Equity Compensation Standards.

- For the benefits information, we will either contact the organizations directly or go through publicly available data to gather information on such areas as holidays, annual vacation leave, sick leave, retirement, medical insurance, life insurance, and deferred compensation,

- We will work with you to design and administer a targeted benefit review to address specific benefit areas of interest/concern to you and your employees. Often a survey of employee attitudes and interests can be helpful in designing a benefit package – benefits need not necessarily be expensive to be effective and valuable to your employees

Pay Grid Calibration *(Included in options 2, 3 and 4)*

- Data Analysis: DDA HR will perform the following activities on all data: (1) perform a competitive analysis, (2) conduct a diagnostic review of the current salary structures to identify opportunities for simplification and reduction in pay compression and (3) recommend updates to the existing pay structures or develop pay structures.

- We will provide recommendations and options for either an adjustment of your existing

compensation plan, or a replacement plan that produces a better match with your compensation philosophy.

- We will fine tune the plan to establish fair and equitable compensation relationships within and outside the organization that are workable within a union and non-union environment.

- We will provide system testing to assure that any option proposed will comply with the State's pay equity standards and Federal requirements.

Predict Payroll Cost Implementation *(Included in options 3 and 4)*

- We will outline transition options and next steps/costs.

- We will evaluate the cost/budget implications of up to two (2) alternative implementation strategies that consider your current budget constraints. The objective of this work is to provide you with meaningful, employee-by-employee level information that is useful for your detailed budgeting use.

- We will prepare final documents for the plan, including presentation, policy, guidelines, and procedures for administration. Any written and computerized data and supporting information will be submitted as appropriate or requested.

Final Report *(Included in all options)*

- Draft Report and Communications Plan: DDA HR develops draft report and communications plan and discusses report elements with the Project Team
- Quality Assurance: DDA HR conducts quality assurance reviews and provides the draft report to the City for review and feedback.
- Final Report: DDA HR discusses consolidated feedback from the City and finalizes the report and communications plan.
- Guidelines and Policies: DDA HR provides the Project Team with compensation administrative guidelines and policies aligned with the updated/new system for review.
- Final Presentation: DDA HR presents study findings and recommendations to officials.

PROPOSED FEE FOR SERVICES

Our fees below are based on a compensation plan with 23 job descriptions.

Scope of Work	Market Analysis with Pay Grid Calibration and Implementation	Market Study	Market calibration	Ongoing Maintenance
General Project Setup and Administration	All			
Market Analysis	Included	Included	Included	Included
Review and Rewrite Job Descriptions	Individual job descriptions as needed with additional cost	Individual job descriptions as needed with additional cost	Individual job descriptions as needed with additional cost	Included (typically 1/3 each year)
Classify Job Descriptions	Individual job positions as needed with additional cost	Individual job positions as needed with additional cost	Individual job positions as needed with additional cost	Included (typically 1/3 each year)
Calibrate Pay Structure	Included	Structure recommendations only	Included	Included
Final Report	All			
Budget Implementation	Included	Will assist with costing	Will assist with costing	Included
Total Cost	$13,600	$6,600	$10,100	$5,800

For clients who prefer to receive maintenance support in a less rigorous manner, we offer a full range of support services with standard pricing:

- Write or revised job description $225 per position
- Classify a job description provided by client $175 per position
- Market Wage Analysis $125 base fee plus $175 per position

Hourly rates:

- Professional $250 per hour
- Technical Support $150 per hour
- Clerical $100 per hour

OUR CLIENTS

80 City Classification and Compensation Study Clients

Aitkin	Henning	North Mankato
Audubon	Howard Lake	Norwood Young America
Brainerd	Kasson	Olivia
Breezy Point	Lake City	Paynesville
Brownton	Lake Crystal	Pequot Lakes
Caledonia	Lake Elmo	Pierz
Cannon Falls	Lake Park	Pillager
Canton	Lakefield	Plymouth
Clarks Grove	Lanesboro	Preston
Cold Spring	Lafayette	Rochester
Crosby	Lester Prairie	Rockville
Deephaven	Little Canada	Royalton
Detroit Lakes	Mahnomen	Sartell
Dundas	Mankato	Spring Valley
East Grand Forks	Mantorville	St. Augusta
Eden Prairie	Maple Grove	St. Paul Park
Edina	Mayer	Staples
Eyota	Medford	Thief River Falls
Fairfax	Medina	Thomsen
Fridley	Minneota	Victoria
Gaylord	Minnetonka	Wabasha
Glyndon	Minnetrista	Warroad
Golden Valley	Mora	Watertown
Granite Falls	New Richland	Waverly
Hanover	New Ulm	Willmar
Harmony	Nisswa	Zumbrota
Hawley	North St. Paul	

39 County Classification and Compensation Study Clients

Benton County	Goodhue County	Mower County
Big Stone County	Houston County	Murray County
Blue Earth County	Hubbard County	Olmsted County
Brown County	Itasca County	Polk County
Cass County	Jackson County	Rice County
Clay County	Kandiyohi County	Rock County
Cook County	Koochiching County	St. Louis County
Chippewa County	Lac Qui Parle County	Swift County
Dodge County	Le Sueur County	Wabasha County
Douglas County	Mahnomen County	Wadena County
Faribault County	Martin County	Waseca County
Fillmore County	Meeker County	Wilkin County
Freeborn County	Morrison County	Yellow Medicine County

31 Other Government Classification and Compensation Study Clients

Brainerd Utilities
Brown County Soil and Water Conservation District
Carnelian Marine St. Croix Watershed District
CJN Dakota County
Cook County Soil and Water Conservation District
Counties Providing Technology
Crow Wing County Soil and Water Conservation District
Detroit Lakes Utilities
East Central Regional Development Commission
Headwaters Regional Development Commission
Metro I-Net
Metro Cities Group
MN County Attorney's Association
MN Prairie County Alliance
MN Multi Housing Authority
Mower County Soil/Water Conservation District
Murray County Hospital
New Ulm Utilities
NW MN HRA
Pipestone HRA
Pope Douglas Solid Waste Management
Prairie Lakes Municipal Solid Waste Authority
Region 4 Mental Health
Rice and Steele 911 Center
Sourcewell
Southlake Minnetonka Police Department
Three Rivers Park District
Tri-Cap
Tri-County Community Corrections
Upper Valley Regional Development Center
Washington County Conservation District