

TO: MAYOR AND CITY COUNCIL

FROM: Neil Jensen, City Administrator

SUBJECT: Pay Study

MEETING DATE: July 11, 2023

BACKGROUND

The City Council authorized a pay study to be completed by David Drown and Associates. The study compared 19 cities with comparable populations, property taxes and tax capacities. Each full-time position was reviewed and adjusted according to the results of the study.

It was discussed that the main concern was the public safety departments (Police and Ambulance) were stressed due to the lack of available recruits or employees leaving for better opportunities with different cities. The study did show that the Police Officers were considerably below the minimum salary range. The Ambulance employees were all over the pay scale but most were slightly under.

The total annual cost of the pay study will be \$155,650. The EMS (ambulance employees) portion of the total cost is \$40,413.00 and the police officer cost is \$43,627.00 annually.

All employees (except one) will receive a 3% increase or better based on the study.

This study will be implemented on January 1, 2024.

Mark Goldberg will be in attendance to present the study to the City Council.

Retaining employees is as important as recruiting excellent applicants. The cost to bring a police officer from recruitment to field training so the can be on their own is very costly. It is stressful for FTO' s to continuously train new employees.

Will this solve the issues of employees moving around to different jobs? No. It may make Cannon Falls more competitive in today's labor market.

How will the City Council pay for the study? Some will be tax levy increases, some water and sewer rate increases, ambulance rate increases if available.

STAFF RECOMMENDATION

Please consider accepting the pay study with an implementation date of January 1, 2024

REQUESTED COUNCIL ACTION

Please make a motion to accept the pay study with a implementation date of January 1, 2024.



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Classification and Compensation Study



DDA

Human Resources, Inc.
a David Drown Associates Company

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

Mark Goldberg

Over 25 years of compensation and classification experience

Over 10+ years in public sector. Former Compensation Manager

BA in Human Resources Management, Masters in Industrial and Labor Relations from Cornell



Project Goals

What this Study IS

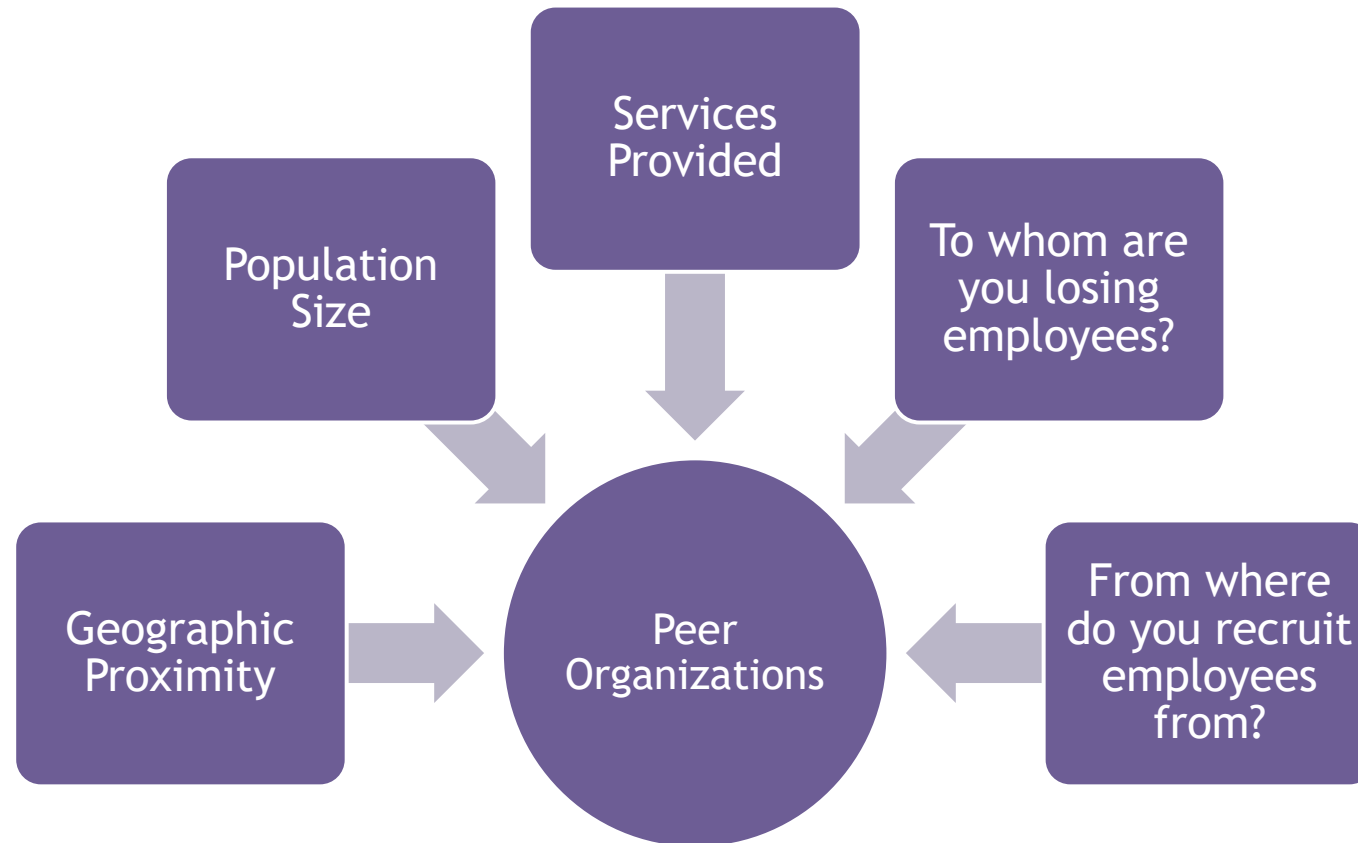
- One that ensures jobs are **classified appropriately** and meet FLSA guidelines.
- One that ensures **pay is competitive and equitably** structured.
- One that provides **policies and procedures** to keep the compensation system up-to-date.
- One that develops a **compensation system** that is easy to understand and administer.

- **NOT** a staffing needs study.
- **NOT** an organizational structure study.
- **NOT** a strategy designed to cut costs.
- **NOT** a strategy to eliminate positions.
- **NOT** a strategy to reduce or increase pay.

What this Study is NOT

Market Analysis

- ▶ DDA has partnered with the City to select a group of 19 cities with whom the City competes for talent. Here are some factors that were considered when selecting this group:



Market Data

- ▶ DDA attempted to gather data from the following Organizations:

Belle Plaine
Byron
Corcoran
Dayton
Deephaven
Delano
Elko New market
Greenfield
Isanti
Kasson

Lake City
Lonsdale
Mahtomedi
Minnetrista
Montgomery
New Prague
Newport
Rockford
Saint James

Market Analysis

- ▶ When DDA reviews the positions in other organizations, we only use the match if at least 80% of the duties are close to the position at the City
- ▶ In reviewing the salary information, if one of the organizations pays significantly more or less than the others, we will remove that data point from the analysis (but will still show the data) so the City can decide if they want to include the information
- ▶ The data and related analyses were reviewed by a Consultant who has been involved in the project and other staff members to ensure applicability, validity, accuracy, and consistency of the data

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)

Market Data - Base Salary

Why is +/- 10% Considered the Market?

- ▶ While there is nothing definitive around the 10% value, using that as a baseline will allow the organization to encompass employees who are all fully skilled at their job but may be paid at different rates for various reasons.
- ▶ Differences could be due to some of the following factors:
 - ▶ Past Performance
 - ▶ Time in the job
 - ▶ Differences in skills
 - ▶ Amount of responsibility
 - ▶ Previous experience
 - ▶ Higher certification level

Findings and Analysis

- ▶ Market Comparison

- ▶ When DDA compares the market data collected, we find that the City using the **NEW** structure, on the aggregate is:

	New Min of Structure compared w Benchmark Min	New Max of Structure compared w Benchmark Max
All Positions	0.4% lower	4.62% higher

- ▶ Based on these comparisons the City would be considered
 - ▶ “highly aligned with the market”

Details for the market rates for all benchmark positions are on the next slide; cells in red are over 10% below market, cells in green are over 10% above market

Findings and Analysis

Job Title	Client Min	Client Max	Bench MIN	Bench Max	Current Min % of Bench Min	Current Max % of Bench Max	Current Actual % of Bench Actual	New Grade	New Min	New Max	Proposed Min % of Bench Min	Proposed Max % of Bench Max
EMT	\$15.83	\$20.05						1	\$ 17.00	\$ 23.13		
Library Assistant	\$21.18	\$26.83	\$18.91	\$24.56	112%	109%	124%	2	\$ 20.06	\$ 27.30	106%	111%
Util Billing/Office Assist	\$21.18	\$26.83	\$22.95	\$29.85	92%	90%	93%	3	\$ 22.07	\$ 30.03	96%	101%
Maintenance Opr I	\$22.45	\$28.44	\$23.69	\$29.60	95%	96%	103%	3	\$ 22.07	\$ 30.03	93%	101%
Paramedic	\$25.22	\$31.96						5	\$ 25.97	\$ 35.34		
Records Assistant	\$21.18	\$26.83	\$24.93	\$32.94	85%	81%	93%	4	\$ 23.61	\$ 32.13	95%	98%
Maintenance Opr II	\$23.79	\$30.14	\$26.20	\$34.74	91%	87%	101%	4	\$ 23.61	\$ 32.13	90%	92%
Zoning Administrator	\$25.22	\$31.96	\$26.31	\$34.84	96%	92%		5	\$ 25.97	\$ 35.34	99%	101%
HR Tech/AP Clerk	\$28.35	\$35.90	\$27.17	\$37.15	104%	97%	114%	6	\$ 28.57	\$ 38.88	105%	105%
Assistant Library Director	\$26.74	\$33.87						7	\$ 30.85	\$ 41.99		
Police Officer	\$26.74	\$33.87	\$31.74	\$41.11	84%	82%	83%	8	\$ 32.71	\$ 44.51	103%	108%
City Clerk	\$30.05	\$38.06	\$32.79	\$41.04	92%	93%	104%	8	\$ 32.71	\$ 44.51	100%	108%
Streets/Parks Supervisor	\$30.05	\$38.06	\$32.42	\$40.57	93%	94%	97%	8	\$ 32.71	\$ 44.51	101%	110%
Emergency Mgmt Svcs Lieutenant	\$30.05	\$38.06						8	\$ 32.71	\$ 44.51		
Utilities Supervisor	\$31.85	\$40.35	\$35.33	\$46.96	90%	86%	88%	8	\$ 32.71	\$ 44.51	93%	95%
Library Director	\$33.76	\$42.77	\$29.62	\$37.75	114%	113%	128%	10	\$ 37.44	\$ 50.95	126%	135%
Emergency Medical Svcs Chief	\$37.93	\$48.05						11	\$ 40.06	\$ 54.52		
Police Lieutenant	\$37.93	\$48.05	\$41.82	\$53.83	91%	89%	95%	11	\$ 40.06	\$ 54.52	96%	101%
Public Works Director	\$40.21	\$50.93	\$45.90	\$57.91	88%	88%		12	\$ 44.07	\$ 59.97	96%	104%
Chief of Police Emergency Mgmt	\$42.62	\$53.99	\$48.17	\$62.26	88%	87%	96%	13	\$ 46.71	\$ 63.57	97%	102%
City Administrator	\$47.88	\$60.66	\$51.42	\$67.60	93%	90%	94%	14	\$ 50.45	\$ 68.65	98%	102%
Averages					94%	92%	101%				99.60%	104.62%

Job Evaluation Tool(JET)

- ▶ What is job evaluation? A defined methodology to determine the relative value of jobs within an organization.
 - ▶ Provides an objective and documented method for job analysis and evaluation.
 - ▶ Provides the basis for determining pay.

Cannon Falls selected the JET system

- ▶ This system has 7 different factors, with several subfactors, that measures the impact of a job from multiple perspectives.
- ▶ JET includes points for supervision, hazards and adverse working conditions.
- ▶ As with any job evaluation system, JET focuses on the job, not the person

JET System

1. Qualifications

2. Decision Making

3. Problem Solving

4. Relationships

5. Effort Mental and Physical

6. Hazards

7. Environment

JET Description

1

Only work content is considered.

2

Factors, such as performance or how long the employee has been in the job, are not included in evaluation of job.

Salary Structure Design

▶ Salary Ranges

- ▶ A salary range is the range of pay established by employers to pay employees performing a particular job or function
- ▶ Salary ranges have a minimum pay rate, a maximum pay rate, and a midpoint
- ▶ The salary range is determined by conducting a market analysis

Salary Structure Design

▶ Salary Range Width

- ▶ This is the distance between salary range minimum and maximum.
- ▶ Range width varies widely by organization due to different compensation philosophies
- ▶ Some organizations have a philosophy of not allowing any employees to fall outside the salary range and will increase the structure to accommodate them, others want a very narrow range to minimize pay differences

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.

Salary Structure Design

- ▶ There are 14 grades
- ▶ Grades vary from between 6%-18% apart from each other
- ▶ There are 12 steps within each grade, steps vary from 2.0% to 3.25% apart from each other
- ▶ The range width is 36.08%, which is competitive in the market
- ▶ The details on what the new salary range looks like is on the next slide

Salary Structure Design

Cannon Falls, MN Proposed Structure												
								92%				
								104.62%				
Steps												
		3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	2.75%	2.75%	2.75%	2.50%	2.00%
Grade	1	2	3	4	5	6	7	8	9	10	11	12
1	\$17.00	\$17.55	\$18.12	\$18.67	\$19.23	\$19.80	\$20.40	\$20.96	\$21.53	\$22.13	\$22.68	\$23.13
2	\$20.06	\$20.71	\$21.39	\$22.03	\$22.69	\$23.37	\$24.07	\$24.73	\$25.41	\$26.11	\$26.76	\$27.30
3	\$22.07	\$22.78	\$23.52	\$24.23	\$24.96	\$25.70	\$26.48	\$27.20	\$27.95	\$28.72	\$29.44	\$30.03
4	\$23.61	\$24.38	\$25.17	\$25.93	\$26.70	\$27.50	\$28.33	\$29.11	\$29.91	\$30.73	\$31.50	\$32.13
5	\$25.97	\$26.82	\$27.69	\$28.52	\$29.37	\$30.25	\$31.16	\$32.02	\$32.90	\$33.80	\$34.65	\$35.34
6	\$28.57	\$29.50	\$30.46	\$31.37	\$32.31	\$33.28	\$34.28	\$35.22	\$36.19	\$37.18	\$38.11	\$38.88
7	\$30.85	\$31.86	\$32.89	\$33.88	\$34.90	\$35.94	\$37.02	\$38.04	\$39.08	\$40.16	\$41.16	\$41.99
8	\$32.71	\$33.77	\$34.87	\$35.91	\$36.99	\$38.10	\$39.24	\$40.32	\$41.43	\$42.57	\$43.63	\$44.51
9	\$34.67	\$35.79	\$36.96	\$38.07	\$39.21	\$40.38	\$41.60	\$42.74	\$43.92	\$45.12	\$46.25	\$47.18
10	\$37.44	\$38.66	\$39.91	\$41.11	\$42.35	\$43.62	\$44.92	\$46.16	\$47.43	\$48.73	\$49.95	\$50.95
11	\$40.06	\$41.36	\$42.71	\$43.99	\$45.31	\$46.67	\$48.07	\$49.39	\$50.75	\$52.14	\$53.45	\$54.52
12	\$44.07	\$45.50	\$46.98	\$48.39	\$49.84	\$51.34	\$52.88	\$54.33	\$55.82	\$57.36	\$58.79	\$59.97
13	\$46.71	\$48.23	\$49.80	\$51.29	\$52.83	\$54.42	\$56.05	\$57.59	\$59.17	\$60.80	\$62.32	\$63.57
14	\$50.45	\$52.09	\$53.78	\$55.40	\$57.06	\$58.77	\$60.53	\$62.20	\$63.91	\$65.66	\$67.31	\$68.65

Findings and Analysis

- ▶ There are no employees paid above the salary range maximum
- ▶ 10 employees are paid below the salary range minimum, with a cost to bring them into the salary range of \$34,013
- ▶ We provided several implementation options for the City, the one that was selected brought all employees into the closest next step to their current salary on January 1 and then ensured that every employee would receive at least a 3% increase, even if that meant bringing them up an additional step
- ▶ Budget impact will be a 5.77% increase or \$155,650, in order to bring employees into the proposed structure (this includes the cost to bring employees to the salary range minimum)

Action Items

- ▶ Confirm salary structure
- ▶ Finalize placement of employees within proposed salary structure
- ▶ Decide on how quickly these salary changes could be phased in (immediately or 1-2 years)

Any Questions?





DDA

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Thank You