



Request for City Council Committee Action from the Department of Human Resources

Date: April 22, 2015

To: Mayor Betsy Hodges and the Executive Committee

Referral to: Ways and Means Committee

Subject: **Revision of Appointed Compensation Plan**

Recommendation:

1. Effective January 1, 2015 approve a general wage adjustment of 2.2%.
2. Adopt an eight-step salary structure for all positions within the Appointed Officials compensation plan effective January 1, 2015.
3. Approve a January 1, 2015 transition of current employees to the corresponding step on the new schedule
4. Authorize annual step movement from the date of job entry and promotions, provided satisfactory or better performance in the job.
5. Direct staff to prepare a document for the administration and maintenance of the new compensation plan, including administrative mechanisms to maintain market competitiveness and internal equity.
6. Direct staff to implement the necessary corrections to restore external market competitiveness as established and approved by the previously-adopted Appointed Officials' Compensation Plan maintenance policy, as follows:
 - a) 3% increase effective July 1, 2015.
 - b) 3% increase effective December 31, 2015
7. Exclude one position, Internal Auditor, from the adjustment in item #6 above, as the position received the market correction when it was open in 2014.
8. Refer to Ways and Means

Prepared or Submitted by: Timothy Giles, Director Employee Services; 673-3341

Approved by: _____
Patience Ferguson
Chief Human Resource Officer

Spencer Cronk
City Coordinator

Presenters in Committee: Timothy Giles, Director Employee Services and Sandra Christensen, Deputy Finance Officer

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain): *The general wage increase was provided for in the 2015 budget, so the 2015 budgetary impact arises from the July 1 increase and the changes to the step progression process. We estimate the 2015 cost of those initiatives as approximately \$200,000 and believe departments have sufficient budgetary resources to cover those costs.*
- Request provided to department's finance contact when provided to the Committee Coordinator.

Background/Supporting Information

The Minneapolis Appointed Official's Compensation Plan

The goals of the Minneapolis Appointed Official's compensation plan are to achieve and ensure internal equity in pay among our appointed officials and to allow the City of Minneapolis to be competitive in the market as we seek to attract and retain leadership talent.

Established in 1995, the current appointed official's compensation plan creates a system where the points established via job evaluations of the positions are mapped to an average pay line that is tied to the external market. To ensure the long-term effectiveness of the plan, the City Council approved a maintenance strategy that required review and adjustments to the pay line as indicated by market surveys conducted every three years. From 2003 through today, necessary adjustments to the plan were not made due, in large part, to budgetary constraints. As a result, the City has become less competitive as an employer.

Currently, the compensation plan has four steps, with the market pay line attaching at the City's step "B", which is assumed to be achievable after one year in the position. Step "A", the first year rate, is at 95 percent of market. Steps "C" and "D", at 103 percent and 105 percent of the market rate, respectively, improve our ability to attract and retain employees.

The City's appointed compensation plan is now more than six percent less than the external market. The result of this compensation deficiency results in job turnover that is higher than desired, compression within the hierarchy that discourages promotions, job searches taking much longer, and new employees more often starting above the predicted entry point in the pay plan. In addition, recent exceptions to the compensation plan have been necessary in order to fill vacant positions. This has created internal inequities, the very thing that the adoption of the plan sought to correct and prevent.

To further research this issue, the City of Minneapolis contracted with Employer's Association and George Gmach of *George Gmach Compensation Consulting, LLC*, to evaluate the City's competitiveness compared to the applicable market for jobs within the City's appointed official's compensation plan. The consultants were asked to survey the market and recommend an adjustment and to suggest a new plan structure that will assist in keeping the City competitive for appointed positions into the future.

Following the analysis and recommendations by Mr. Gmach, staff recommends a new structure as follows:

Step 1	95% of the market rate
Step 2	market rate
Step 3	Step 2 plus 2%
Step 4	Step 3 plus 2%
Step 5	Step 4 plus 2%
Step 6	Step 5 plus 2%
Step 7	Step 6 plus 2%
Step 8	Step 7 plus 2%

As in the current compensation plan, the market rate in the recommended schedule is established at Step 2 and the first-year rate at 95 percent of the market rate. The new compensation plan provides for two percent increases annually over the next six steps (years). This additional compensation growth structure is intended to create a more competitive situation for the City in recruiting appointed officials, and it will serve as a retention incentive for existing staff by rewarding longevity and increasing top pay potential. In addition, an adjustment of six percent to the plan market rate is recommended to account for the lack of on-going maintenance to the overall range structure that has caused internal compression of salaries in the City (which has occurred because as appointed position pay has fallen behind over the past 12 years, the difference in pay compared to lower levels of employees has narrowed, discouraging some staff from seeking promotions and growth at the City.) These market-based changes should enable the City to attract and retain quality candidates in the appointed service in an increasingly competitive market, improve internal equity, and relieve internal pay compression.