

**Appointed Official's
Salary Administration Plan**

Appointed Position Salary Administration Plan

The goals of the Minneapolis Appointed Official's compensation plan are to:

- Maintain an external market competitiveness that enables Minneapolis to attract and retain leadership talent,
- Assure internal equity among our appointed officials, and
- Provide flexibility and ease of administration.

Background

The pay plan for appointed officials in the City of Minneapolis has evolved since 1995. The City has learned from its experiences. Before the 1995 plan Minneapolis had a pay policy for appointed positions based on market and position evaluation points to identify a midpoint for each appointed position. A range of pay with parameters at 80 percent and 120 percent of the midpoint was then constructed. This is a merit pay administration program commonly found within the private sector, but less often within the public sector in Minnesota.

Problems experienced with this previous system included:

1. It was different from typical step pay systems used elsewhere in the City and was not always understood by officials or managers. While there was an expressed desire to pay based on performance, the implementation of merit pay in the City labor environment created controversy over fairness;
2. Unlike private sector pay, public sector pay is public information. People tended to compare their own pay with that of others and then question management pay decisions, resulting in dissatisfaction and the expenditure of non-productive energy;
3. Because of the broad discretion available to managers in recommending pay, there was greater opportunity for real or perceived inconsistency in the treatment of officials;
4. There is a perception that gender based inequality existed because women, with personal pay histories which may have been affected by gender bias, were hired at lower rates of pay within their salary ranges than men.

In 1995 Minneapolis adopted a system of four steps to improved pay administration by combining a longevity driven step system and a merit based system. While this four step system was a vast improvement, it failed to address the changing dynamics of accessing, developing and retaining the top talent needed to lead a thriving metropolis.

In 2007 the City of Minneapolis developed and the City Council approved a Compensation Philosophy to help guide the city in attracting, retaining and motivating employees (Attachment 1). Minneapolis committed itself to providing fair and competitive total compensation including wages, salary and benefits, opportunities for growth and advancement, recognition, and a productive and satisfying work environment that makes career employment a rewarding choice.

The City of Minneapolis recognizes that the personal satisfaction that comes from providing quality public services is a significant reason people choose to work for the City and a prime motivator of performance. We value highly productive, customer-oriented employees who share our vision for quality services.

In 2015 to further the accomplishment of these goals, the City of Minneapolis adopted a pay structure designed to address the concerns of the four step system (Attachment 2). Features of the 2015 Minneapolis pay structure for appointed positions are:

- A. A relatively narrow range of pay that minimizes the potential for unfair treatment, yet retains some aspects of pay for performance;
- B. A starting rate that assumes basic competency, but that recognizes that full performance requires some orientation to the job and, in some cases, the organization;
- C. A one-year rate that assumes full performance, subject to satisfactory performance reviews;
- D. Step rates that recognize greater contribution associated with experience and that also require satisfactory performance reviews;
- E. An eight-year rate (or career rate) that assumes greater contribution associated with experience and also recognizes that using market average understates the pay opportunity of long-term incumbents in the market, since market statistics for actual pay are typically drawn down by the presence of new hires. This rate also assumes satisfactory performance reviews all along the way;
- F. A realistic pay program, with room for growth, that can be communicated to job candidates, thus assisting with recruitment;
- G. A program that can more easily be administered, thus reducing work distractions.

How Schedules Are Constructed

The appointed schedule is derived from two factors. The first factor is position evaluation or the classification study. The purpose of the position evaluation is to identify the **internal** value of positions (not incumbents) as they relate to each other. The result is a ranked order on the basis of points. All appointed positions are evaluated using the same Cresap system that is used for all Minneapolis positions, as required by the Minnesota Pay Equity statute.

The second factor is the **external** value of positions. Periodically the City conducts studies of other public sector jurisdictions and, where appropriate, the private sector. These studies find reasonable matches in other jurisdictions and gather actual pay rates and pay ranges where ranges are used.

The salary administration plan is based on a regression model that uses Cresap evaluation points as the base (x axis) and market rates (y axis) as the dependent variables. Using the regression model, a predicted rate of pay can be calculated for any appointed position that has assigned Cresap evaluation points. This predicted rate becomes the second step, or job rate. Step one is 95 percent of the job rate. Steps three through eight add 2% to the second step and 2% for each satisfactory year of service up to the eight-year rate.

Each year the model can be updated to keep pace with the pay of other Minneapolis positions. Periodically (about every three years) a new market study needs to be conducted to re-calibrate the model to our relevant competitive market. Likewise, individual position evaluations or market reviews may need to be updated from time-to-time. Evaluations should occur whenever there are significant changes in job content and individual job market studies should occur when there is reason to believe that recruiting and retention require one.

Salary Administration Constraints

The City cannot match higher management salaries found in the private sector for a variety of reasons, including the state legislated cap, which sets upper limits of pay in local government.

Sound management also requires that pay increases can be withheld for cause. Any of the annual increases can be withheld by an official's supervisor for performance reasons. Adequate documentation supporting any action must be provided to the Human Resources Department.

Flexibility

Exceptions will be allowed for extreme cases, for example when the market for a position is so high that sufficiently qualified candidates cannot be attracted or retained by the Minneapolis rate. Decisions for hiring above the start rate need to be well documented by the hiring authority and must be approved per plan administrative procedures.

Appointed Position Salary Plan Administrative Procedures

The following procedures will provide the guidelines for the establishment, maintenance and administration of new positions and salary rates within the compensation plan.

1. The City Council shall approve all new appointed positions and salary schedules.
2. When minor changes in the duties and responsibilities of existing appointed positions occur, the Human Resources Department will include those changes into the description and value of the job, as required by the Pay Equity Law. This administrative adjustment will be provided when the purpose of the job continues as approved, and the value change is less than the span of one grade level (45 points). Additionally, only one administrative adjustment will be permitted to affect a position without returning to City Council for approval.
3. Title changes may be made to jobs by the Human Resources Department. Title changes will be posted to the Human Resources web page as soon as practical.
4. Starting salary for new officials above Step 3 must be documented by the hiring authority and approved by the Assistant City Coordinator - Human Resources (Chief Human Resources Officer (CHRO)) in consultation with the Director of Employee Services. The Human Resources Departments will monitor the gender, race, and previous salary issues to assure non-discrimination in salary.
5. Step progression will require supervisor approval and documentation of satisfactory or better performance in the preceding twelve months. For Charter Department Heads, an appointment or reappointment activity conducted in accordance with City Charter confirms approval for step progression. Step progression for charter department heads will be implemented on the anniversary date without additional approvals.
6. Salary exceptions to the adopted compensation plan, or adjustments for a "highly valuable employee", must be approved by the City Coordinator in consultation with the CHRO and require City Council Approval.
7. Permission to submit requests for waivers from the state salary cap must be approved by the City Coordinator.
8. General market adjustments greater than 2.5% per year must be approved by the City Coordinator in consultation with the CHRO and the Chief Finance Officer (CFO) and require City Council Approval.

9. General annual adjustments up to 2.5% per year must be approved by the City Coordinator in consultation with the CHRO and the CFO.
10. Every three (3) years a market salary study will be conducted to determine appropriate structure adjustments, in order to maintain plan attachment to the market.
11. All administrative adjustments will be reported to the Executive Committee and Ways and Means Committee quarterly by the City Coordinator.