



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

Date: March 1, 2006

To: Mayor R. T. Rybak and the Executive Committee

Referral to: Ways and Means Committee

Subject: Business Information Services Department Positions

- 1. Reclassified Position: From Director, Information Technology Services to Director, BIS Business Development/Deputy Chief Information Officer**
- 2. Request for exception from the Appointed Pay Plan for Director BIS Business Development/Deputy Chief Information Officer**
- 3. Title Change to align with Department name change Director, Information Technology Services to Director, Business Information Services**

Recommendations:

1. Find that the proposed position meets the criteria in Section 20.1010, Council to Establish Positions, as follows:
 - (1) The person occupying the position will report to the head of the designated city department or the designated city department head's deputy.
 - (2) The person occupying the position will be part of the designated department head's management team.
 - (3) The duties of the position involve significant discretion and substantial involvement in the development, interpretation, or implementation of city or department policy.
 - (4) The duties of the position do not primarily require technical expertise where continuity in the position would be significant.
 - (5) The person occupying the position needs to be accountable to, loyal to, and compatible with the mayor, the city council, and the department head.

2. Approve the reclassification of one of the four budgeted Director, Information Technology Services positions to the proposed position: Director, BIS Business Development/Deputy Chief Information Officer (Appointed), allocated to grade 15 with 698 points.
3. Approve that the remaining three positions titled Director Information Technology Services be changed to Director, Business Information Services, with no change in points or salary, to reflect the name change of the department previously approved by City Council.
4. Approve an annual salary schedule for the position in exception to the adopted appointed employee's compensation plan, effective January 1, 2006, as shown below.

Dir. BIS BisDevel/Dep CIO	Step A	Step B	Step C	Step D
Appointed Pay Plan-Predicted Salary	\$97,150	\$102,263	\$105,331	\$107,376
2006 Market Exception Request	\$11,658	\$12,272	\$12,640	\$12,886
Total Pay with 2006 Market Exception	\$108,808	\$114,535	\$117,971	\$120,262

5. Approve that the exceptional compensation required to attract and retain leadership talent in positions requiring a market exception be identified, and that it be clarified that this additional compensation is related to the market and not the internal equity value for the position, and therefore may be subject to change should factors affecting the market change. In this regard, it is further recommended that Human Resources, at its discretion, conduct periodic reviews of the market to ensure that the City remains competitive but does not systematically over-compensate for this talent. Any future salary changes would continue to require council approval.

Previous Directives: None.

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

Approved by: _____
Pam French
Director of Human Resources

Steven Bosacker
City Coordinator

Permanent Review Committee (PRC) - Not Applicable
Policy Review Group (PRG) - Not Applicable

Presenters in Committee: Pam French, Director of Human Resources 673-2139

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):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Dear Mayor Rybak:

Background/Supporting Information

Items #1 & 2:

The Chief Information Officer is requesting an operating executive with CIO authority to oversee the day-to-day tactical operations of BIS, and requests the reclassification of the Director Information Technology Services for this purpose. The proposed Deputy CIO role will be combined with the Director of the new Business Development Division, which will manage the implementation of new information technology across the City. The primary role of the position will be the assessment, planning and delivery of business-centric IT solutions through effective project management. The secondary role will be to assist the CIO in the direction of the day-to-day operations of BIS department to align the information technology investments and department services with the departmental business plans. The position was recently evaluated to ensure proper classification. Following is a summary of the evaluation study, which is attached.

Factor	Points	Proposed
Pre-requisite Knowledge	80	Increase of five (5) points, as a broader base of knowledge, skills and abilities are required for the expanded function.
Decisions and Actions	80	Increase of ten (10) points, due to the responsibility for the daily operations of the department as a whole, the position takes a large step in moving ahead of the BIS Directors in the area of decision making. The position will frequently make independent decisions that may have significant positive or negative impact on city operations.
Supervisory Responsibility	25	Decrease of five (5) points. The proposed position will have supervisory responsibility over the five BIS Managers and their twenty-one subordinates. The rating of 25 is assigned.
Relationships Responsibility	75	Increase of ten (10) points. The contacts are broader and deeper than those of BIS Directors.
Working Conditions	20	No change
Effort	70	Increase of five (5) points, due to the additional responsibilities of managing the day to day operations of the department.

The Human Resources department finds that the position meets the criteria of Section 20.1010, Council to Establish Positions, as follows:

- (1) The person occupying the position will report to the head of the designated city department or the designated city department head's deputy.

- (2) The person occupying the position will be part of the designated department head's management team.
- (3) The duties of the position involve significant discretion and substantial involvement in the development, interpretation, or implementation of city or department policy.
- (4) The duties of the position do not primarily require technical expertise where continuity in the position would be significant.
- (5) The person occupying the position needs to be accountable to, loyal to, and compatible with the mayor, the city council, and the department head.

(Facts supporting the five criteria of Minneapolis Code of Ordinances, Section 20.1010 are listed at the end of the attached classification report.)

Items #3 & 4

In 1999, Human Resources contracted with the Employers Association, Inc. to assist the City of Minneapolis with a compensation-market analysis of the top two levels of Information Technology Services, (now Business Information Services, BIS) management. As a result of that analysis, exceptions were granted for the two levels, Chief Information Officer and Director, Information Technology Services, based upon an exceptions provision that provides the discretion to deviate from the appointed pay plan determined pay range in cases where the market is at least 10% above the standard pay range. That provision states that "exceptions [from the plan] will be allowed for extreme cases as when market for a position is so high that sufficiently qualified candidates can not be attracted or retained by the Minneapolis rate."

As market rates are tied to the supply of versus the demand for specific competencies at a point in time, the prevailing rate in the market may increase or decrease in time. Accordingly, Human Resources conducted a market analysis for the position, again contracting with the Employer's Association, Inc. for the project. A summary of the analysis and the data is provided below and in the attached report.

Market Analysis

Recently, the City contracted with the Employers Association to provide current market information on comparable positions to determine whether an exception is justified for Director, BIS Business Development/Deputy Chief Information Officer. Based on this data, an exception is warranted.

Data sources used by the Employers Association, Inc. include four published surveys and 2 comparable direct responses from local government. Both private sector and public sector data are included in the attached report summary. An element of the market that is not included is consulting firms, which often pay higher salaries. Market matches were selected based on comparisons with organization size, industry, systems complexity, budget and location. It is the opinion of the Employers Association, Inc. that a reasonable overall estimate of market including the private sector is approximately \$120,000. However, the average paid to Hennepin County and State of Minnesota incumbents is \$113,147.

IT Compensation Trends

Recently observed market trends indicate that IT positions in general are expected to remain in demand as the economy slowly expands.

A. Private Sector Comparisons

In a recent study of salary administration practices relating to IT employees in 69 leading private employers in the region, conducted by the Stanton Group the following findings were made:

- 48% of employers have separate salary structures for exempt level IT employees
- 61% have bonus and incentive programs for IT employees

The following table shows the trend in base salaries for IT Executives since 2002. In general salaries are trending at a relatively strong pace compared to the cost of living and salaries in the broader market. This reflects a continued demand for technology management despite relatively difficult economic conditions for the earlier segment of the comparison period.

	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Projected
<u>Mercer IT</u>					
Executive	4.1%	3.9%	3.7%	3.9%	3.8%
Management	3.9%	3.6%	3.4%	3.6%	3.6%
<u>Stanton IT</u>					
Executive	n/a	n/a	3.7%	3.8%	n/a
Exempt	n/a	n/a	3.4%	3.8%	n/a
<u>Employers Association IT*</u>					
Managers	4.3%	4.3%	4.8%	4.4%	n/a
Managers - North Central Region	4.1%	4.3%	4.6%	4.2%	n/a
Executive	4.5%	4.1%	5.3%	n/a	n/a

B. Local Public Comparisons

Hennepin County

Hennepin County has two IT divisions. One unit supports general government functions and the other supports the Hennepin County Medical Center (HCMC). The former is a larger organization than the Minneapolis IT department, but the HCMC organization is similar in size. Despite the differences in size and focus, the comparable positions in each Hennepin County IT unit are paid in the same salary range. The range for the deputy level or second in charge in the divisions is minimum \$85,188, midpoint \$102,042 and a maximum of \$116,298.

State of Minnesota

The State of Minnesota has six levels of Information Technology Management. The top classification is that of State Chief Information Officer that has a minimum of \$90,932, a midpoint of \$110,497 and a maximum of \$130,041. This is the top job within the

Information Technology Division, which is a relatively recent job classification for the State of Minnesota. Previously the IT role was segmented among the agencies. While agency roles still exist, the new role provides an internal consulting resource and overall technology coordination function for the State. The range for the second-in-charge position in the new IT structure is minimum \$85,232, midpoint \$103,607 and maximum \$122,002. This is the closest comparison job to the Deputy portion of the Minneapolis position. The incumbent, who was recently appointed, is paid \$109,996.

The State's match to the portion of the Division Director level role at Minneapolis is the Information Systems Director at the agency level. This is the top IT classification in an agency of the State. The range for this classification is minimum \$79,595, midpoint \$96,758 minimum, and maximum \$113,900.

Recruiting and Retention

In addition to attracting new applicants, retaining existing staff is important. If an experienced manager is performing as expected, it is less costly to pay that individual a higher salary than to replace him or her, particularly if critical knowledge is lost with the incumbent. Work environment, support for initiatives, personal growth opportunities and recognition are also important factors that will help the City attract and retain key IT staff.

Internal Equity in BIS and Other Factors

The current market situation fits the contemplated salary administration exception. We therefore recommend using the labor market instead of job evaluation points as the primary decision driver. In this case we recommend that the top rate be set at \$120,262, a 12% exception from the top rate of the Appointed Pay Plan predicted schedule. Our recommendation is based on market information as well as current pay for the Chief Information Officer and the relative equity of pay for these job classes; our Chief Information Officer is currently paid at 10% above the Appointed Pay Plan predicted pay.

For purposes of comparison the following table shows the formula driven pay range, the recommended pay range, the Director Business Information Services range and the range for CIO for reference.

Job Title	Pts	Grade	Step A	Step B After 1 "A" year	Step C After 2 "B" Years	Step D After 3 "C" Years
Director, BIS Business Development/Deputy Chief Information Officer <i>(Appointed Pay Plan formula amount)</i>	698	15	\$97,150	\$102,263	\$105,331	\$107,376
Director, BIS Business Development/Deputy Chief Information Officer <i>(Recommended amount)</i>	698	15	\$108,808	\$114,535	\$117,971	\$120,262

Director, ITS	638	14	\$103,270	\$108,705	\$111,966	\$114,140
Chief Information Officer	775	17	\$118,524	\$124,763	\$128,505	\$131,001

Last, it is recommended that the additional compensation required to attract and retain leadership talent in positions requiring a market exception be identified, and that it be clarified that this additional compensation is related to the market and not the internal equity value for the position, and therefore may be subject to change should factors affecting the market change. In this regard, it is further recommended that Human Resources, at its discretion, conduct periodic reviews of the market to ensure that the City remains competitive but does not systematically over-compensate for this talent. Any future salary changes would continue to require council approval.

The salary schedule format is shown under recommendation number three at the beginning of the report.

Attached: Classification Report
Market Study Comparison

Cc: Karl Kaiser, BIS
Archie Carlos, HR
Mike Anderson, Central Payroll
Betty Stanifer, Classifications
Barbara Payton, HRIS
Pam Nelms, Compensation
File