



STAFF REPORT

DATE: August 21, 2018
REGULAR #21

AGENDA ITEM: Compensation Policy and 2018 Range and Steps

TO: Mayor and Council

SUBMITTED BY: Jake Foster, Assistant City Administrator

BACKGROUND:

Upon direction from the City Council, the Human Resources Committee was tasked with recommending a draft of a performance-based compensation policy to be included in the City's overall compensation policy.

At their August 13, 2018 meeting, the Human Resources Committee discussed and recommended a performance-based compensation policy to Council for approval. This proposed policy incorporates the current employee evaluation system, and is able to be adapted to all non-union and benefit-eligible employees.

Additionally, the committee also recommends that Council update language to allow for employees at the maximum step of their position grade still receive the annual cost-of-living adjustments approved by Council. This is consistent with the wage approvals from Council earlier this year.

ISSUE BEFORE COUNCIL:

Should the Council approve the proposed performance-based compensation policy as recommended by the Human Resources Committee?

PROPOSAL DETAILS/ANALYSIS:

The Human Resources Committee recommended an update to the current compensation policy to include a performance-based compensation component with the following attributes:

- Performance bonuses will be based on the employee's annual review
- Employees are rated between 1-5 based on essential job functions, and knowledge, skills, and abilities based on their job description. An overall average of these scores will be taken for each employee.
- Employees must satisfactorily compete each of their three annual predetermined goals to be eligible for bonuses.
- Employees who receive an overall average score of four or five, and satisfactorily complete the aforementioned three goals, will receive bonuses.
- Overall average scores will be rounded to the nearest whole number. Those who receive an overall average score of four, will receive either a one-time lump sum payment of .5% of their annual salary, or two additional days of PTO based on the employee's preference. Those who receive an overall average score of five will receive either a one-time lump sum payment of 1.5% of their annual salary or four days of PTO. Annual salaries will be based on 2080 hours of work for non-exempt full-time employees, and prorated for benefit-eligible part-time employees.
- Probationary employees are not eligible for bonuses.

- Bonuses will be subject to Council approval, and will be presented with the annual step increase as recommended by the City Administrator.

FISCAL IMPACT:

If this proposed policy was in place for the most recent annual review period, the cost of the policy would have been approximately \$1000.

OPTIONS:

- 1) Approve the performance-based compensation policy, as proposed.
- 2) Approve the performance-based compensation policy with changes.
- 3) Do not approve a performance-based compensation policy

RECOMMENDATION:

“Move to approve to recommended changes to the Compensation Policy”

ATTACHMENTS:

- Redlined Compensation Policy



City of Lake Elmo Compensation Policy

Purpose:

The City of Lake Elmo intends to establish, administer, maintain and regularly update an internal job evaluation hierarchy that is consistent with the Local Government Pay Equity Act. The city also intends to establish, administer, maintain and regularly update a pay structure that is appropriate to the breadth and depth of services being offered to and provided for the City and is also affordable within available resources. Finally, the city intends to maintain supplemental benefits (insurance, holiday/paid time off schedules, etc) that are competitive and also affordable within available resources.

This policy establishes the guidelines for all non-represented city positions with the exception of elected officials, temporary or seasonal positions and paid on call firefighters. Compensation for seasonal or temporary employees and paid on call firefighters will be set by the City Council at the time of hire, or on an annual basis.

This policy is directed at three primary goals:

- To attract and retain qualified and responsible personnel for the positions covered under this policy;
- To create and maintain internal equity between positions compliant with the Minnesota Local Government Pay Equity Act and all other applicable local, State and Federal laws and regulations; and
- To do so efficiently and effectively thereby being fiscally responsible to the interests of the taxpayer.

Compensation Structure:

Compensation is largely based on wage/salary grades and steps within the salary grade, with an additional performance-based compensation element. For any position subject to this policy, compensation must be assigned using a ten-step grid within each salary grade, with an increase of 30% from the minimum to the maximum step. In determining or evaluating compensation levels, the City Administrator must maintain a schedule of comparative compensation amounts for all positions covered under the policy. The City Council will determine the appropriate market to be used in developing this schedule and in supplemental compensation reviews.

A new employee must be hired at the pay grade minimum whenever possible. The City Administrator or appropriate department head may recommend the new employee be hired at a rate above the minimum of the pay grade for his/her classification based upon qualifications and experience, subject to approval by the City Council.

A probationary employee may advance to the next pay step after satisfactorily completing six months of employment which meets performance expectations, subject to approval of the City Council. Subject to Council approval, every year thereafter, on or about July 1st, an employee may advance to the next pay step after satisfactorily completing another year of employment which meets the performance expectations until he or she reaches the grade maximum. Determination of satisfactory performance must be recommended by the immediate supervisor on forms prescribed by the City Administrator. ~~Employees above the grade maximum will not receive an increase until the step plan catches up to their wage. Exceptions may be made on a case-by-case basis.~~ Employees who are at or above the grade maximum will receive the predetermined cost-of-living-adjustment (COLA) based on a satisfactory performance review.

Actions Taken to Review, Update and Maintain the Plan:

Elements of the plan will be reviewed annually to determine the degree to which it remains consistent with the city's total compensation philosophy. Actions to be taken may include:

1. Review, verification, and any required updating of job descriptions for all positions covered by this policy.
2. Review, verification and any required updating of job evaluations on all positions covered by this policy, following established reclassification policies and procedures.
3. Review, verification and consideration of current market survey data collected from the cities selected for comparison, ensuring that there are no questionable data that may give an incorrect pattern of pay for one or more positions.
4. Review and consideration of appropriate changes to the established base pay structure based on patterns of current market survey data, ensuring that there will be continuing integrity in administration of the current or revised pay structure.
5. Review and consideration of changes to the city's supplemental benefits covering paid time off.
6. Review and consideration of required and/or appropriate changes to the written description of the plan.

The pay grades and rates established by this policy must be annually confirmed by the City Council through adoption of the budget and resolution establishing the grades and steps for each job classification.

General Provisions:

Nothing within this policy is a guarantee of employment and compensation, and nothing is to be construed as a commitment to continue the City of Lake Elmo Compensation Policy for more than one calendar year at a time. All components of this policy are set forth as guidelines to assist in establishing appropriate compensation. The provisions of this policy supersede all other compensation considerations. Compensation schedules will be maintained and updated as appendices to this policy in accordance with policy provisions.

Performance-based Compensation:

In addition to the step-and-grade system, all non-union benefit-eligible employees who are not within their probationary period are eligible for additional performance-based compensation.

Performance bonuses will be based on the employee's annual review. Employees are evaluated annually based on essential job functions, and knowledge, skills, and abilities based on his or her job description. He or she receives a score between one and five for each of these areas. Scores will be averaged and rounded to the nearest whole number. Average scores of a four or five will be eligible for a bonus. Employees must also satisfactorily complete each of their three annual goals as determined by their supervisor during the prior year's review. If the employee receives an average overall score of four, they will receive a one-time lump sum payment of .5% of their annual salary (based on 2080 hours for non-exempt full-time employees, and prorated for benefit-eligible part-time employees) or two additional days of PTO based on the his or her preference. If the employee receives an average overall score of five, he or she will receive a one-time lump sum payment of 1.5% of their annual salary (based on 2080 hours for non-exempt employees, prorated for benefit-eligible part-time employees) or four additional days of PTO. Bonuses will be subject to Council approval, and will be presented with the annual step increases as recommended by the City Administrator.

Appendix I:

Position Grades

Appendix II:

Range and Step Plan