

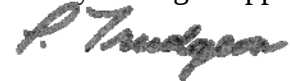
REQUEST FOR COUNCIL ACTION

Date: June 17, 2013

Item No.: 13.c

Department Approval

Interim City Manager Approval



Item Description: Classification & Compensation Study Policy Recommendations and Implementation

BACKGROUND

During the June 3rd meeting, Council reviewed detailed results from the classification and compensation study for the non-union, exempt and non-exempt groups. Staff and Springsted consultant and Vice President, Ann Antonsen reviewed the methodology used to analyze the data and to identify the 10 Cities most similar to Roseville with the greatest amount of similar positions. The benchmark positions within varying grades of Roseville's pay systems were then established by discarding any anomalies and the extremes while trying to still include a position from each grade, where possible. The recommendations within this request do not include the paid on call fire staff. Due to ongoing market considerations and other related variables, paid on-call fire staff will not be presented until a later meeting.

As directed, staff has returned with the current compensation policy and the recommended changes to that policy, and pay plans as shown in the attachments.

The current compensation plan is based on meeting 97% of Roseville's peer community's average for wages of benchmark positions. This policy was designed and implemented as a result of the last compensation study conducted in 2002. The current compensation plan also has a merit pay component that allows for the top 20% of performers to earn up to 115% of top pay based on achievements and overall performance. At time of implementation, it was expected that the entire compensation plan including the merit pay component would be fully funded over the years to reward staff based on achievements and performance.

Since that time, the current compensation plan has not worked according to its design. The 97% pay plan component has slipped to closer to 95% over time. In addition, the merit pay program has never been appropriately funded to reward achievement, nor has it been applied equally across the city. If the City were fully funding the current compensation program as policy indicates we would need to allocate an additional \$121,755 (of which \$67,846 would be levy funds) just to get back in conformance with the 97% of the average compensation level and if you factor in budgeting for merit to comply with the policy then another \$200,000 will need to be allocated annually just to maintain and continue the current compensation plans and policy. This is a total cost of \$321,755.

29 **POLICY OBJECTIVE**

30 Staff and Springsted consultants believe that the current job evaluation system and pay structure
31 is fair and equitable, but in need of recalibration and adequate funding. This belief that the job
32 evaluation system and pay structure is fair is evidenced by the City's high score received by the
33 state during pay equity reporting and the consistency of grade discrepancies to the market in the
34 study no matter what grade or position is being reviewed (with few exceptions).

35
36 **BUDGET IMPLICATIONS**

37 To a service organization especially, staff is an asset much the same as the equipment used to
38 provide services. Without a focus to maintain the organizations assets they decline in value and
39 production output. Thus, a balance of funding for all asset classes needs to be achieved.

40
41 At the August 27, 2012 meeting to approve conducting the study it was pointed out that beyond
42 the study costs, there will be implementation costs dependent on the outcomes of the study that
43 will need contingency funding. Funds were originally proposed to be included in the 2013
44 budget (approximately \$100,000) but were eventually removed from the final budget.

45
46 The 2012 classification and compensation study results indicate that Roseville is 4.6% under the
47 market on average. During the June 3rd meeting Council was provided an estimate of the tax
48 supported cost. Based on the most up to date analysis provided by Finance Director, Chris
49 Miller; here is the impact of implementing **each 1% adjustment** and the proposed overall
50 Compensation Plan Implementation:

51 For each 1%, \$42,404 would come from the property tax-supported functions. A more detailed
52 breakdown of the funding sources is as follows:

53

Source	Each 1% adjustment	Implementation of 4.6%
Tax Levy	\$ 42,404	\$ 195,058
Cable Franchise Fees	\$ 1,348	\$ 6,201
IT Revenues	\$ 9,434	\$ 43,396
License Center Fees	\$ 8,760	\$ 40,296
Building Permit and Plan Review Fees	\$ 7,749	\$ 35,645
Water and Sewer Fees	\$ 4,043	\$ 18,598
Recycling Fees	\$ 337	\$ 1,550
Golf Course fees	\$ 2,022	\$ 9,301
Total	\$ 76,097	\$ 350,046

54
55 As shown in the above table, to recalibrate the current pay plans for the non-union, exempt and
56 non-exempt groups and achieve 100% of market average will cost \$350,046.20, of which
57 \$195,058.40 would be funded by property taxes. Additionally, the cost to reclassify those
58 identified in the study as more than 6% under the market average after pay plan updates have
59 occurred is no more than \$20,000. (Once again, please note that this does not include the paid
60 on-call fire staff).

61 It should also be noted that for the tax-supported functions, it is assumed that there would NOT
62 be any offsetting revenues such as recreational program fees, interest earnings, etc. Many of

these revenue sources are stagnant or are not expected to increase beyond inflationary-type amounts and therefore cannot be relied upon to fund the Compensation Study implementation. These costs are based on the roster of employees as of May 31, 2013.

Adjustments could be phased in over the next year such as implementing the reclassifications(\$20,000) and 2% (to achieve at least the 97% of marketplace) on 7/1/13, and 1.5% + COLA on 1/1/14, and the final 1.1% on 7/1/14. It is important to note here that delays in implementation create compounding results. Under this implementation schedule the costs would be as follows:

Source	\$20,000 + 2% - Jul-14	1.5% Jan-14*	1.1% Jul-14
Tax Levy	\$ 84,808	\$ 63,606	\$ 46,644
Cable Franchise Fees	\$ 2,696	\$ 2,022	\$ 1,483
IT Revenues	\$ 18,868	\$ 14,151	\$ 10,377
License Center Fees	\$ 17,520	\$ 13,140	\$ 9,636
Building Permit and Plan Review Fees	\$ 15,498	\$ 11,624	\$ 8,524
Water and Sewer Fees	\$ 8,086	\$ 6,065	\$ 4,447
Recycling Fees	\$ 674	\$ 506	\$ 371
Golf Course fees	\$ 4,044	\$ 3,033	\$ 2,224
Reclassifications	\$ 20,000		
Total	\$ 172,194	\$ 114,146	\$ 83,707

***excludes any potential COLA increase as that has not been determined yet.**

To stay current, the Council will need to provide ongoing funding for future years to maintain the pay plans at 100% of the market average by providing a cost of living adjustment that meets the market's average.

Whether the existing 97% + merit pay compensation plan stays in effect or the proposed new compensation plan is instituted, there will be a need to allocate over \$320,000 additional funds.

STAFF RECOMMENDATION

1. Abandon the policy that sets non union, exempt and non-exempt pay plans at 97% of the average with merit pay component that was never fully funded or implemented. This practice is very unusual in the public sector and has proven to be ineffective.
2. Reestablish the pay plans for non-union, exempt and non-exempt, at 100% of the 10 City average as shown by the study, resulting in a 4.6% increase to the pay plans as implemented above (without the merit pay component).
3. Positions found to be more than 6% under the market average after plan adjustments are completed would be reviewed and potential reclassified to the next higher grade at the step just above their current rate of pay. It is expected there will not be more than 8 positions with a total cost not to exceed \$20,000.

REQUESTED COUNCIL ACTION

Motion to implement staff recommendations as indicated above.

Prepared by: Eldona Bacon, Human Resources Manager

Attachments: A: None.