ROSEVILLE

REQUEST FOR COUNCIL ACTION

Date: July 8, 2013
Item No.: 13.b

Department Approval | Interim City Manager Approval

P. Trudgeon

Item Description: Classification & Compensation Study Policy Recommendations and Implementation

BACKGROUND

At the June 17th meeting, the City Council instructed staff to bring back a compensation policy for consideration. Staff recommends updating the policy to state that the compensation policy of the City would be to provide wages equal to 100% of the average of peer communities.

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. Additionally, 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.

POLICY OBJECTIVE

To deliver a wage system and structure that is fair and equitable while allowing Roseville to attract and retain quality staff in the marketplace.

BUDGET IMPLICATIONS

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

The 2012 classification and compensation study results indicate that Roseville is 4.6% under the market on average. During the June 17th meeting Council was provided the tax supported cost of implementation shown below provided by Finance Director, Chris Miller. **For each 1% adjustment $42,404 would come from the property tax-supported functions.** A more detailed breakdown of the funding sources is as follows:

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**

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

There are several options that can be considered to provide for the appropriate level of compensation. As discussed in prior meetings, adjustments could be phased in over a certain period of time. However, the longer the compensation plan takes to implement the longer the disparity with our peer communities will continue and elevated costs will occur due to compouding.

Another option to consider is to utilize existing funds to fully implement the compensation plan immediately and spread the levy increase over several years. This approach would allow for the levy to gradually absorb the cost of implementing the 100% of the peer cities average compensation plans. Existing reserves and fund balances could be utilized to implement the adjustment this year. Given the existing level of compensation disparity with the peer cities and the funding mechanisms available staff is recommending this option be used.

In any case, 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.

STAFF RECOMMENDATION

1. Establish the policy for the pay plans for non-union, exempt and non-exempt, at 100% of the

10 peer City average as was shown by the study, resulting in a 4.6% increase to the pay plans (eliminating the merit pay component).

2. Positions found to be more than 6% under the market average after plan adjustments are completed would be reviewed and potentially 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 levy and non-levy cost not to exceed $20,000.

3. Implement the 100% of peer city average pay plans beginning August 1st for non-union, exempt and non-exempt, by utilizing existing merit pay budgets and drawing down reserves and fund balances. Future levy increases will need to occur to properly fund the levy supported positions.

(It should be noted that all of these actions should be considered together and not separately as all will need to occur in order to implement the 100% of the peer City average pay plans).

REQUESTED COUNCIL ACTION

Motion to set policy and implement as staff has recommended above.

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