



Classification and Compensation Study Report for the City of Windom Supervisory Employees

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May 26, 2017

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Steve Nasby
City Administrator
City of Windom
snasby@windom-mn.com

VIA EMAIL

Re: Classification and Compensation Study for the City of Windom Supervisory Employees

Dear Mr. Nasby:

As requested by the City of Windom (City), we are pleased to submit this Classification and Compensation Study Report on the classification and compensation study we conducted for the City supervisory employees.

This study identifies findings and makes recommendations related to classification and compensation for City supervisory employees. A proposed job evaluation system and base pay structure are provided in the study based on the analysis conducted throughout the study.

More specifically, Flaherty & Hood, P.A. analyzed results from the following processes conducted as part of the classification and compensation study:

- Job Analysis
- Job Evaluation
- Market Survey
- Creating the Base Pay Structure

Thank you for retaining Flaherty & Hood, P.A. to assist the City in completing this requested classification and compensation study. We have enjoyed the opportunity to work with the City staff on this matter.

Please contact us at (651) 225-8840 or via email at clloncar@flaherty-hood.com if you have any further questions related to this study.

Very truly yours,

FLAHERTY & HOOD, P.A.

Carol L. Loncar

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TABLE OF CONTENTS

Data practices disclaimer	1
Section 1. Executive Summary	2
1.1 Purpose and Scope	2
1.2 Process	2
1.2.1 Position Analysis	2
1.2.2 Job Descriptions.....	3
1.2.3 Job Evaluation.....	4
1.2.4 External Market Analysis.....	4
1.2.5 Base Pay Structure	4
1.2.6 Minnesota Local Government Pay Equity Act Testing	5
1.2.7 Variable Pay.....	5
1.2.8 Implementation	5
Section 2. Job Analysis	6
2.1 Job Analysis Information Collection	6
2.2 Changes to Position Classification	6
Section 3. Job Evaluation.....	7
3.1 Minnesota State Job Match.....	7
3.2 Job Evaluation Points.....	7
Section 4. External Market Analysis	7
4.1 Survey Sources	7
4.2 Integrating Survey Source Data	8
Section 5. Base Pay Structure	8
5.1 Predicted Pay Line.....	8
5.2 Characteristics of the Base Pay Structure	8
5.2.1 Compensation Philosophy	8
5.2.2 Current City Pay Structure.....	9
5.2.3 Recommended Base Pay Structure	9
5.2.4 Proposed for Variable Pay Option	10
Section 6. Conclusion and Implementation	27
Section 7. Attachments	29
Attachment A. Position Classification Change Worksheet.....	30
Attachment B. Job Evaluation System Summary	32
Attachment C. Proposed Job Evaluation Ratings	34
Attachment D. Windom Comparable Entities.....	36
Attachment E. Windom Market Survey Results.....	42
Attachment F. Predicted Pay Line Analysis	47
Attachment G. Proposed 2017 Base Pay Structure (Annual)	49
Attachment H. Proposed Windom Annual Performance Evaluation Form	52
Attachment I. Windom Recommendations for Implementation	61
Attachment J. Bibliography	63

DATA PRACTICES DISCLAIMER

Attachments to this report labeled as “PROTECTED NONPUBLIC DATA” are not public data at this point under various provisions of the Minnesota Government Data Practices Act (Minn. Stat. §§ 13.01 et seq.) (MGDPA). *See, e.g.*, Minn. Stat. §§ 13.37, subd. 2 (trade secret information and labor relations information); 13.393; and 13.435. Therefore, disclosure, distribution or discussion of such attachments or data included in them with or to any individual not receiving or preparing this report as indicated in the cover letter on pages ii and iii herein is prohibited by law.

SECTION 1. EXECUTIVE SUMMARY

1.1 Purpose and Scope

A city's success depends on its employees' performance. To recruit and retain a productive and reliable workforce, cities need to sufficiently compensate employees. In establishing employee compensation, cities must ensure that each job in the city interrelate to each other so that a city can: optimize achievement of the city's mission, goals and objectives; determine the relative worth and appropriate pay rate for jobs; and comply with the Minnesota Pay Equity Act (PEA), Minn. Stat. §§ 471.991-.999, which requires that every Minnesota city establish compensation for female-dominated classes that is not consistently below the compensation for male-dominated classes of comparable value of work measured by the skill, effort, responsibility, and working conditions normally required in the performance of the work. To achieve these objectives, Minnesota cities need to establish job classification and compensation systems, which set job ratings and pay for each position in the city.

Job classification involves the systematic study of jobs to determine which activities and responsibilities they include, the personal qualifications necessary for performance of the jobs, the conditions under which the work is performed, and each job's relative importance and worth to other jobs internally and externally.

Compensation includes the wages and salary paid by employers to employees in exchange for work (a.k.a., base pay); variable pay in the form of short and long-term incentives, such as promotions and pay increases; and other pay, such as premium pay above regular wages and salary for doing additional work or working additional hours. Compensation establishes the standard of living for employees and is the primary indication of the value the city places on a position within the organization. A compensation system involves establishing how the city manages compensating employees.

1.2 Process

Flaherty & Hood, P.A.'s Job Classification and Compensation Study for the City of Windom supervisory employees included the following steps in updating the City's classification and compensation system.

1.2.1 Position Analysis

The first step in the job classification and compensation study was conducting a job analysis.

"Job analysis is a systematic process for obtaining important and relevant information about each distinct role played by one or more employees" (WorldatWork, 2011). A position's duties, responsibilities, and required worker characteristics are particularly important for compensation purposes. This information is used to accurately review each position's worth internally and externally and ultimately build the organizations base pay structure.

For Windom, Flaherty & Hood, P.A. reviewed the City's current job classification and compensation system including job descriptions, Fair Labor Standards Act (FLSA) exempt status for employees in the study, and the City's pay equity report. Any changes or additions are listed in Attachment A. In addition, information on each position's activities and responsibilities, the personal qualifications necessary for performance of the jobs, the conditions under which the work is performed were compiled from current employees and their supervisors through a Job Analysis Questionnaire.

Communication is important when conducting a job analysis to ensure there is an understanding of what information is needed from each individual throughout the organization. A comprehensive memorandum was drafted to inform employees about the scope of the classification and compensation study and their role within the study. Documentation (e.g., project guides and frequently asked questions) was also provided to management to respond to any questions from employees throughout the study.

1.2.2 Job Descriptions

The second phase of the study included reviewing existing job descriptions to ensure they are current, accurate and complete, compliant with Federal and State regulations pertaining to compensation standards, including but not limited to Americans with Disabilities Act (ADA), Fair Labor Standards Act (FLSA), and pay equity legislation. This phase is directly linked, and stems from, the results of the job analysis.

Job documentation has become especially important due to the increasing amount of employment legislation and employee litigation. Job descriptions are the most common type of job documentation. Job descriptions should capture the core and essential features of a job, including “the general nature and level of the work performed, specific duties and responsibilities, and the minimum job specifications required to perform the job” (WorldatWork, 2011). Job descriptions should describe and focus on the job itself and not on any specific individual who might fill the job. There are many ways in which job descriptions can be used administratively when they are properly developed.

In addition, Flaherty and Hood determined that job descriptions should include the following:

- Classification information (e.g. title, department, Fair Labor Standards Act (FLSA) exempt status, union status)
- Position summary
- Core and essential job duties
- Minimum and desired qualifications (e.g. education, experience, trainings, certificates, and licenses)
- Complexity and responsibility statements
- Required physical abilities and working conditions

In reviewing the City of Windom’s supervisory job descriptions, we concluded that their job descriptions include most of the above job factors. We suggest adding, however, complexity and responsibility statements to future job descriptions or when they are next updated. Flaherty & Hood has already or will provide a Job Description Drafting Guide. Please refer to sections 6 and 7 for suggestions on complexity and responsibility statements for use in conjunction and reference with the Job Analysis Questionnaires.

It is also important to keep records of any future position classification changes. During this class compensation study, there were no proposed changes to either position titles or FLSA exempt status as the job titles were felt to appropriately describe their function and position.

1.2.3 Job Evaluation

Job evaluation is a systematic method and process for determining and comparing the relative value of one job to others. Job evaluation enables the creation of a job worth hierarchy within the organization.

The main purpose of job evaluation is to develop internal standards of comparison and measure relative job worth within the organization. Due to the PEA, the internal worth of a position is just as important as the position's external competitiveness. This also ensures that employees feel they are fairly compensated compared to their coworkers within the organization and compared to the market. (WorldatWork, 2011)

After discussion with the City of Windom management, it was decided that the supervisory positions would be evaluated using the Minnesota State Job Match Job Evaluation System (State Job Match) as this is the process currently utilized by the City. The State Job Match is "a tool to help local governments effectively analyze the jobs in their jurisdictions by matching up job descriptions with descriptions for state jobs that have already been rated. Once the descriptions have been matched, a rating or 'job points' can be assigned to the local government job." (MMB, 2009) Using responses from the job analysis process and old and new job documentation, each position was evaluated using the Minnesota State Job Match process. More information on the job evaluation system can be found in Section 3 of this report.

A copy of the job evaluation ratings (points) assigned to each position is included in Attachment C.

1.2.4 External Market Analysis

In addition to evaluating the jobs internally using the State Job Match process, a market study was conducted to collect and evaluate data from market entities to help align compensation decisions with the external market.

The market study included identifying comparable entities and other survey sources and collecting and organizing their data.

Once all of the wage data was gathered and analyzed, a market pay rate was determined for all jobs where enough data was available. These market pay rates were then used in conjunction with the job evaluation points for each position in developing the base pay structure.

More information on each survey source can be found in Section 4 of this report. A copy of the market study results is included in Attachment D.

1.2.5 Base Pay Structure

Once the job evaluation process and market study were completed, the results were used in developing a proposed updated base pay structure for the City supervisory employees. Base pay structures are "administrative tools designed to provide pay levels and pay opportunities that are internally fair, externally competitive and cost-effective" (WorldatWork, 2010).

The job evaluation points and market pay rates were used to create a linear regression (i.e. a statistical approach to show the relationship between these two variables). Each pay grade includes steps for employees to move within the pay range of the grade.

The analysis of developing the predicted pay line is included in Attachment F. A copy of the 2017 Proposed Base Pay Structure is included in Attachment G.

1.2.6 Minnesota Local Government Pay Equity Act Testing

After developing the proposed base pay structure, the structure was tested and it was determined that it meets the requirements of the Pay Equity Act (PEA).

The PEA requires local government entities to evaluate every job in their organization to ensure fair compensation relationships between male and female dominated job classes. Minn. Stat. §§ 471.991-.999. To do this, organizations must evaluate and assign numerical job evaluation points and issue a report to the State every three years to show that they are in compliance. If an organization does not meet this requirement, it can receive substantial monetary penalties (League of Minnesota Cities, 2013).

The report each local government entity is required to submit is analyzed using a program provided by the State of Minnesota, Department of Management and Budget. This program runs a variety of tests on the information submitted in the report to determine whether there is a pattern of inequity in the organization's pay structure (Minnesota Management & Budget, 2015).

The City last reported for pay equity at the beginning of 2016 for calendar year 2015 data and passed. They are required to report at the beginning of 2019 for the calendar year 2018. Pay equity testing was completed for calendar year 2017 using the proposed base pay structure, considerations listed in the recommendations for implementation attachment, and other information provided by the City. Since the proposed base pay structure is proposed to take effect January 1, 2017, the City would be reporting at the beginning of 2019 based on their current structure in place in 2018.

1.2.7 Variable Pay

Variable pay is a growing trend in trying to increase employee productivity in the workplace. ¹Increasing employee's base pay alone is not enough to improve employee performance. Variable pay involves "tying pay to productivity or some measure that can vary with [a city's revenues]".² Using variable pay systems can tie employee's performance to how they are rewarded. Variable pay systems are most suited for organizations and positions within those organizations that put an emphasis on rewarding high performers.

1.2.8 Implementation

Implementation is the last step in the classification and compensation study. When implementing the recommendations described in this report, various policies and governing documentation must be reviewed, complied with, or changed based on the recommendations with which the City chooses to move forward.

Based on the findings of the study and discussions with the City management; we developed recommendations for implementation of the City's job classification and compensation system for calendar year 2017, along with the estimated financial implications for the recommendations for implementation. The City always has the option to not take action on any of the

¹ Henderson, R. I. (2006). *Compensation Management in a Knowledge-Based World*. Upper Saddle River: Pearson Education, Inc.

² Henderson, 2006

recommendations proposed throughout this study. More information on the proposed recommendations for implementation is detailed in section 6 and Attachment I, along with other considerations to take into account. Please refer to Section 5.2.4 for information on a Variable Pay Plan.

Effective implementation and maintenance of the classification and compensation system are important to its continued use over the years. Tools such as the Job Analysis Questionnaire, Job Description Drafting Guide, and Classification and Compensation System Manual have or will be provided to management for use in the implementation and maintenance of the system. A list and descriptions of all of these tools are included in section 6.3 of this report.

SECTION 2. JOB ANALYSIS

2.1 Job Analysis Information Collection

The job analysis for each City supervisory job classification was conducted through the use of a Job Analysis Questionnaire. The Job Analysis Questionnaire required the incumbent employee, supervisor and the department/division head to complete and comment on questions relating to the eight different subsections in the questionnaire for the job classification, which included:

- a) Supervision
- b) Position summary
- c) Employee functions
- d) Minimum qualifications
- e) Desired qualifications
- f) Complexity
- g) Responsibility
- h) Physical abilities

The supervisor and City Manager reviewed employee responses and commented on the responses provided for each position.

The Job Analysis Questionnaires were distributed, and each individual that was required to complete and comment on a questionnaire was given one full week to complete and submit their sections. This time period was increased for individuals that needed additional time to complete their portion of the Job Analysis Questionnaires.

Once the Job Analysis Questionnaires were collected by Flaherty & Hood, the information was organized and analyzed. The information collected was then audited by Flaherty & Hood and the City's management to ensure the most accurate picture of each position in relation to the rest of the management group was captured and utilized. These responses were then used throughout the remainder of the study for job documentation and evaluation purposes.

2.2 Changes to Job Classifications

Part of the job analysis process was reviewing responses from the job analysis process and industry standards and identifying changes that need to be made in the classifications of each position as well as the organization of the City. There were 2 new positions included in the study and are noted in Attachment A. Industry standard sources were those such as League of Minnesota Cities, O*Net Online, and WorldatWork.

The Fair Labor Standards Act (FLSA) exempt status of each employee was reviewed based on the information gathered through the job analysis of each position. Based on our analysis, the job evaluation results are included in Attachment A.

SECTION 3. JOB EVALUATION

3.1 Minnesota State Job Match

Through discussion with the City of Windom City Administrator, it was decided that the City of Windom would continue to use the Minnesota State Job Match for job evaluation. See Attachment B for a summary of the Minnesota State Job Match process.

3.2 Job Evaluation Points

The current job descriptions and the audited responses from the Job Analysis Questionnaires completed by employees, supervisors, and management within the organization were used in the job evaluation process. Flaherty & Hood, P.A. applied the Minnesota State Job Match process to each position's job analysis responses and the current job descriptions and assigned a consistent and unbiased job evaluation rating for each position. All proposed job evaluation points are subject to review, comment and approval by the City Management and the Council.

Since the last job analysis and job evaluation of each position for the City, there are a couple of movements in rankings of current positions within the proposed job evaluation points. In addition, there are new positions.

A spreadsheet with the job evaluation points assigned to each position is included in Attachment C.

SECTION 4. EXTERNAL MARKET ANALYSIS

The external market analysis included conducting a market survey that identified comparable cities and additional selected sources and we collected and organized their data.

Positions with usable market pay rates were utilized in the regression analysis (i.e. a statistical approach to show the relationship between two variables, which, in this case are market pay and job evaluation points) to determine a predicted pay line explained in section 5.1. A list of these positions and the market survey results for these positions is included in Attachment E.

4.1 Survey Sources

Flaherty & Hood, P.A.'s conducted a "Cluster Analysis" to identify cities comparable to the City of Windom for use in the market survey portion of the Job Classification and Compensation Study. In addition, through discussion with City of Windom management, they proposed an additional set of comparable cities, counties and entities. This set of comparable cities, counties and entities is to be used for establishing Windom's compensation structure. Any other comparable cities, counties or entities used by Windom for other purposes or for a specific department, position or employee group (e.g., union) within Windom may still be utilized for such purposes.

Cluster Analysis is a statistical data analysis tool for solving classification problems. This analysis tool can be used to combine cities into various subgroups based on various factors until the subgroups form one of the several clusters. The number of cities being compared determines

the number of clusters formed. Cities that are most comparable are located in the same primary subgroup/cluster. Therefore, its purpose is to sort cases (in this case, cities) into groups or clusters in which the degree of association is strong between members of the same cluster and weak between members of different clusters.

Because it is more statistically objective than side-by-side comparisons, Cluster Analysis is common for statistical models that describe or identify groups. For purposes of this study, Cluster Analysis is valuable because it objectively reveals associations in data that may not be initially evident.

More details on this analysis and the comparable entities identified are included in Attachment D.

4.2 Integrating Survey Source Data

The market data collected from each comparable city, county or other source was organized and an overview of the data is included in the spreadsheet in Attachment E.

SECTION 5. BASE PAY STRUCTURE

5.1 Predicted Pay Line

A predicted pay line identifies the predicted pay for all positions in an organization using internal and external factors. The predicted pay line is calculated by performing a linear regression analysis on the (internal) job evaluation points paired with the (external) market survey data collected for each position.

Using the equation of the predicted pay line, the job evaluation points for all of the organization's positions were used to calculate a predicted pay rate for each position. More information is included in Section 5.2 below.

5.2 Characteristics of the Base Pay Structure

5.2.1 Compensation Philosophy

Base pay structures for an organization should be based on the organization's mission and compensation philosophy. A compensation philosophy is:

A statement of what the organization believes about how people should be paid. It should support the business strategy and be a good fit with the organization's culture. A key component is how the organization intends to pay relative to its competitors for people - i.e., the desired market position.

(WorldatWork, 2011)

As part of the Classification and Compensation Study conducted for the City, the City's current

governing documentation was reviewed for any current mission or compensation philosophies. No formal documented mission or compensation philosophy was in place for the City.

As a best practice, the City should develop and utilize a compensation philosophy when making classification and compensation decisions. Based on discussions and feedback from management and generally accepted ideals included in compensation philosophies, a recommended compensation philosophy was developed for the City. The recommended compensation philosophy states:

The City of Windom is committed to providing a compensation program designed to:

- Attract and retain highly a qualified and dedicated group of individuals
- Provide equitable salaries based on market conditions and job worth
- Motivate employees to perform at the best of their competencies, abilities and skill sets
- Promote teamwork and foster an environment of personal and professional growth for all employees
- Relate to other human resource programs and City objectives
- Consider the City's financial position and provide for the equitable distribution of compensation throughout the City
- Retain key talent
- Maintain compensation that is in line with the City's external market for qualified labor

All City of Windom employees shall be equitably compensated for assigning duties and responsibilities without regard to race, color, religion, gender, age, national origin, marital status, or sensory, physical or mental disability, veteran status or any other basis of discrimination prohibited by local, state and federal law.

5.2.2 Current City Pay Structure

The following paragraph briefly explains the current pay structures in place for the Supervisory group within the City.

The City of Windom Management has an approved list of 2016 Supervisory Wage Rates listed by grades 1 through 23 and Steps 1 through Step 12 within each grade. This list included a 2% increase over the 2015 Supervisory Wage Rates. Employees can reach Step 12 within 12 years by moving a step annually, depending on where the employee is placed when they are hired.

5.2.3 Recommended Base Pay Structure

Based on the City's mission and compensation philosophy and feedback from management on their preference for the City's pay structure, a proposed base pay structure was developed for the City. The proposed base pay structure includes all positions in a uniform base pay structure. The Proposed 2017 Windom Base Pay Structure is included in Attachment G.

The proposed base pay structure is uniform for the City's positions with the exception of the part-time employees. The pay range for each pay grade is set around an established differential between pay grades using predicted pay. Details on how the predicted pay is calculated are explained in Section 5.1 of this report. A maximum pay rate for each pay grade was set at 100

percent of the predicted pay and the minimum of the range was set at 80 percent of the maximum of the range.

Each pay grade includes steps with specified pay at each step. The first step pay is at 80% of the maximum pay of the pay grade with the last step pay at the maximum pay of the pay grade. Then, job evaluation points that correlate to the predicted pay for each grade were established.

5.2.4 Proposed Variable Pay Option

During discussions of the implementation of the Classification and Compensation study, the City of Windom management inquired if there were any additional forms of variable pay that could be incorporated into the City of Windom's compensation plan. As a result, this section was prepared which explores and provides additional variable pay options that could be incorporated into the City of Windom's compensation plan based on the research presented through this section and preferences expressed by management.

This section is organized as follows:

- Overview of Variable Pay Systems
- Examples of Variable Pay Systems
- City of Windom Compensation Options for Consideration

Overview of Variable Pay Systems

Variable pay is a growing trend in trying to increase employee productivity in the workplace. Increasing employee's base pay alone is not enough to improve employee performance³. Variable pay involves "tying pay to productivity or some measure that can vary with [a city's revenues]"⁴. Using variable pay systems can tie employee's performance to how they are rewarded. Variable pay systems are most suited for organizations and positions within those organizations that put an emphasis on rewarding high performers.

Before establishing variable pay, each organization should have a compensation philosophy that drives the development and implementation of the compensation plan for the organization. Refer to Section 5.2.1 for the proposed compensation philosophy for the City of Windom. Similarly, when developing a variable pay system, the organization's compensation philosophy should drive the development and implementation of the variable pay system.

In addition, each organization should have a compensation plan document that includes details regarding the organization's pay strategies, policies, and administration. This document should be separate from the organization's personnel policies. If an organization utilizes a variable pay system, the organization should include details on the variable pay system in their compensation plan document.

The compensation plan document should include at minimum the following sections:

- Compensation philosophy
- Objectives of the plan
- Compensation policies

³ Henderson, 2006

⁴ Henderson, 2006

- Administration of the plan
- Reviewing, updating, and maintaining the plan

Several types of variable pay systems are outlined in this memo including: merit pay plans, performance incentive pay plans, skill or competency-based pay plans, and combination pay plans. These are all variable pay plans that can be utilized by Minnesota public entities to incorporate variable pay into how they reward employees for performance.

Merit Pay Plan

Merit pay plans are developed and utilized to reward employees for their performance in their position. Merit pay is “an adjustment to base pay that relates directly to the employees performance”⁵. One of the main purposes of merit pay plans is to reduce the feeling of entitlement by employees. An effective merit pay plan will ensure that increases given to the highest performers are larger than increases given to satisfactory or less-than-satisfactory performers.⁶

Generally, merit pay plans provide increases that are built into an employee’s pay or pay range. This practice allows for the value of the increases to stay with the employee over the years and is compounded over time as additional increases are given. If the organization utilizes pay ranges, the merit increases would stop once the employee has reached the pay range maximum for their position. Often times, merit pay plans are set up similar to step pay plans, with the exception that the step increases are given only on the basis of an employee’s performance.⁷ This type of step pay plan would be considered a merit step pay plan.

With merit pay plans, a formal performance evaluation method is typically utilized as the measurement tool for performance on which increases will be based.⁸ An example of this would be awarding a higher increase to an employee that earns an “exceeds” performance rating compared to an employee that earns a “satisfactory” performance rating.

Merit pay plans are currently not commonly utilized in Minnesota local government public entities. The primary barrier for merit pay plans gaining momentum in the Minnesota public sector is the way employee performance is measured and managed. Merit pay plans are frequently criticized as not providing objective ratings between employees. Critics see merit pay plans as an opportunity for supervisors to “reward employees they like and punish employees they don’t like through merit pay”⁹. When developing and implementing a merit pay plan, it is important to develop a fair and unbiased method to measure performance that is going to be tied to the merit pay plan.

The conditions that need to be built into a performance evaluation system that is being used to determine merit increases provided to employees are:

- The differences in employee performance must be quantifiable and measured.
- Employees must understand the performance evaluation system and understand how to increase their performance ratings.
- The individuals that provide performance ratings must understand the system and be given the tools to decide the appropriate performance rating for each employee.

⁵ Henderson, 2006

⁶ WorldatWork. (2010). *Base Pay Administration and Pay for Performance*. Scottsdale: WorldatWork.

⁷ League of Minnesota Cities. (2015, March 3). *Human Resource Reference Manual*. Retrieved 2015, from League of Minnesota Cities: <http://lmc.org/media/document/1/compensationchapter.pdf?inline=true>

⁸ League of Minnesota Cities, 2015

⁹ League of Minnesota Cities, 2015

Performance Incentive Pay Plan

Performance incentive pay plans are developed and utilized to reward employees for meeting a specific performance goal. An incentive is “a motivating influence to induce effort above normal”¹⁰. Incentives are most commonly provided as either long-term or short-term incentives. Short-term incentives are “inducements offered in advance to influence short-range (annual) results”¹¹. Long-term incentives last longer than a year. For Minnesota local government public entities, short-term incentives are more easily administered. An example of a short-term incentive is offering an employee incentive pay based on meeting a pre-set and measurable performance goal. The goal could be set for the individual, the individual’s team, the individual’s department, or the organization as a whole.

Performance incentive pay plans usually provide incentive pay in the form of a one-time, lump sum payment made to an employee. A lump-sum payment is a one-time payment given to an employee instead of, or in addition to, a traditional base pay increase. These payments are normally delivered once a year during a performance evaluation when employee goals are reviewed.

If performance incentive pay plans are utilized, Minnesota local government public entities need to ensure that the payment is allowable under Minnesota state law. The lump sum payment needs to be determined by a performance incentive that is tied to job performance. If the lump-sum payment is found to be considered a “bonus” it may also be considered a gift¹² which is considered an unlawful expenditure by a Minnesota local government public entity¹³. The League of Minnesota Cities provides the following three measures for Minnesota local government public entities to utilize when setting up a performance incentive pay plan to ensure it is lawful¹⁴:

- Establish specific criteria or goals in advance that must be met in order to receive the incentive pay—preferably at the beginning of the year or performance evaluation period.
- Have the [governing body, in this case – the City of Windom City Council] approve the pay incentives as a formal part of the employee compensation plan for the year.
- Document that employees know about the incentive pay and know how they can go about earning it.

Skill or Competency-Based Pay Plan

Skill or competency-based pay plans are developed and utilized to reward employees for gaining new skills or competencies. These skills or competencies are typically in the form of additional degrees or certifications but can be in the form of a list of skills or competencies identified for each position by the organization. Examples could include an employee in an engineering position attaining a professional engineer certificate, or an employee in a line worker position learning how to operate a new type of electrical system. Skill or competency-based pay plans allow the organization to reward employees that are attaining specific skills and competencies the organization values in the employee’s specific position.

¹⁰ Henderson, 2006

¹¹ Henderson, 2006

¹² A.G. Op. 107-A-3 (Jan. 22, 1980).

¹³ Minn. Stat. § 471.895.

¹⁴ League of Minnesota Cities, 2015

Appropriate rewards need to be established that correspond to the skills and competencies established for each position. This may be in the form of a pay increase or one-time or routine lump-sum payment. A reward could also be in the form of a promotion which could lead to a pay increase. This type of reward may also help develop career paths for certain positions. A career path is “the progression of jobs in an organization’s specific occupational fields ranked from lowest to highest in the hierarchical structure”.¹⁵ Career paths are used to promote employees within the organization and can provide incentive to employees to stay within the organization.

Combination Plans

Due to the advantages and disadvantages of each type of variable pay system, multiple types can be utilized by organizations in one combination pay plan. A combination pay plan can use functions of different types of plans to cater to what motivates employees in different types of positions. An example of this could be utilizing a merit step pay plan until an employee reaches their position’s pay range maximum to incent for high performance ratings, and at the same time utilizing a short-term performance incentive pay plan for employees to incent completing specific individual or group goals.

Examples of Variable Pay Systems

Although variable pay systems are still rare in Minnesota public sector entities, a few organizations have developed and successfully implemented variable pay structures. Three of these organizations are included below with a description of their variable pay structures.

Scott County¹⁶

Scott County developed and utilizes a variable pay system which they label a Pay-For Performance system. The system was developed and modified over the course of fifteen years (1995-2010). Scott County is located just south of the Twin Cities. At the time of developing the system (2004-2005), they were the fastest growing county in Minnesota, employed 950 employees (711 full time equivalents), had 9 labor unions, and had five conservative commissioners. They approached the project in three phases:

- Phase 1 (1994-2005): Design, develop, and implement a merit-based pay plan.
- Phase 2 (2005-2008): Transition to a market-anchored pay system and update the pay-for-performance matrix.
- Phase 3 (2009-moving forward): Implement performance metrics and enhance participatory appraisal process

Prior to 1996, Scott County utilized a grade system with 89 different grades, and a step system with 9 steps. They utilized an annual performance appraisal utilizing 10 rating factors with an A-F grading system. Employee’s needed higher than a D to move to the next pay step. Scott County felt there were various issues with the system which prompted them to look into redesigning their pay and performance evaluation system. One issue they identified was that their system acted as a pass or fail system which did not recognize or reward superior performance. The pay system was essentially tied to tenure rather than contributions employees had on the county’s success. Also, once employees reached the ninth step there were no financial incentives to motivate employees beyond the across the board increases provided to all employees. These issues led to a push for change in the county’s compensation, classification, and performance appraisal practices.

¹⁵ Society for Human Resource Management. (2015). HR Terms. Alexandria, Virginia, USA.

¹⁶ Scott County. (2010). Scott County’s Compensation and Pay-For-Performance (PFP) System.

In 1995, the county organized two non-union work groups to redevelop the county's performance evaluation system. This included determining how performance expectations should be defined, develop evaluation forms, and developing a rating scale. The rating scale they developed included the following ratings:

- Less than satisfactory
- Fully Satisfactory
- Exceeds Expectations
- Outstanding in all respects

The "exceeds expectations" rating was based on exceeding planned outcomes on two or more difficult objectives or one or more challenging objectives. The "outstanding in all respects" rating was based on exceeding planned outcomes on all challenging objectives.

In 1996, the county redesigned its pay system. The new system utilized a grade system with 21 pay grades, pay ranges were expanded to include an additional portion of the pay range only for performance increases, and it appears steps were eliminated. At this time, non-union employees were transitioned to the pay-for-performance system. The system was tied to the performance evaluation system developed by the two non-union work groups. Two types of rewards were given, which included a base pay adjustment and a lump-sum amount. Both types of rewards were given as a percentage of the employee's pay. The county developed and implemented various percentage amounts for each type of reward at each level from 1996-2005 in their Merit Increase Matrix in addition to across-the-board increases to pay ranges.

The county's Merit Increase Matrix is established by the Scott County Board of Commissioners (County Board) and identifies the available percentage increases for each level of employee performance. Each matrix cell identifies compensation adjustment options based upon the evaluation of employee performance. Each matrix cell contains two types of compensation adjustment options. The first option is an increase as a percentage of the employee's base rate of pay (Base Adjustment); the second reflects the percentage available in lump sum payment (Lump Sum). Guidelines for the matrix are reviewed on an annual basis by the Employee Relations Director. Recommendations for adjustment of the base rate or lump sum adjustment factors can be made based on market conditions or other relevant factors to the County Board for approval.¹⁷ Chart 1 depicts the merit increase matrix developed for 2005.

Chart 1		Scott County 2005 Merit Increase Matrix			
	Less Than Satisfactory	Fully Satisfactory	Exceeds Expectations	Outstanding	
Base Adjustment	0.0%	4.0%	4.5%	5.0%	
Lump Sum	0.0%	0.0%	1.0%-1.0%	1.0%-1.0%	

The labor unions were hesitant to transition onto the merit pay plan. This was due to the proposed change from a guaranteed step increase of approximately 4.3% to no steps with a potential no increase (except for across-the-board increases to pay ranges), lesser, or greater increase based on performance. It was also due to the potential for supervisor subjectivity and favoritism.

¹⁷ Scott County. (2011). Retrieved 2015, from Scott County: <http://www.co.scott.mn.us/CountyGov/countyboard/Documents/Compensation%20Plan%20Policy.pdf>

Eventually, the labor unions transitioned onto the merit pay plan by 2006, with three labor unions making the switch in 2001, two making the switch in 2002, and two more making the switch in 2006.

From 2005 to 2008, Scott County conducted a market survey to assess how their salaries compared to the market. This was spurred by concern that they showed up very low in compensations surveys, needed to reduce minimum qualifications to recruit new talent, needed to hire new employees at the top of pay ranges, and new employees were being paid more than those they replaced. As a result of the survey, the county increased and restructured their pay structure so it was competitive and was tied to the market. Part of this change included anchoring the pay structure to the market which would be re-looked at annually using published survey data. The anchor point was the pay range midpoint that correlated to the market midpoint.

In addition to tying the pay structure to the market, the county redeveloped their performance evaluation system. It moved back to evaluating performance evaluation categories including job tasks and work behavior and redefined their “exceeds” and “outstanding” performance ratings. As a result of the pay structure being tied to the market, Scott County decided to incorporate where employees fell within their pay range as a factor into the increases given in their merit increase matrix. Chart 2 depicts how the county incorporated this factor into their merit increase matrix.

Chart 2		Scott County 2008-2010 Merit Increase Matrix			
Between Minimum and Market Midpoint	Less Than Satisfactory	Fully Satisfactory	Exceeds Expectations	Outstanding	
Base Adjustment	0.0%	2.5%	4.0%	6.0%	
Lump Sum	0.0%	0.0%	0.0%	0.0%	
Between Market Midpoint and Maximum	Less Than Satisfactory	Fully Satisfactory	Exceeds Expectations	Outstanding	
Base Adjustment	0.0%	1.5%	3.0%	5.0%	
Lump Sum	0.0%	1.0%	1.0%	1.0%	
Between Maximum and Performance Maximum	Less Than Satisfactory	Fully Satisfactory	Exceeds Expectations	Outstanding	
Base Adjustment	0.0%	0.0%	0.0%	1.0%	
Lump Sum	0.0%	2.5%	4.0%	5.0%	

In addition to the changed merit increase matrix, the county again added to their job evaluation system by adding specific descriptors of what each level of performance looks like.

Currently, Scott County still utilizes the same type of merit pay plan established in 2008. Although the structure has stayed the same, the rates in the merit increase matrix are updated and approved by the County Board each year.

Scott County documents the details of their entire compensation plan, including their Pay-For-Performance pay plan, in a compensation plan policy separate from their general personnel policy.

*University of Minnesota*¹⁸

Although the University of Minnesota (UofM) is exempt from Minnesota's local government pay equity act and other laws that pertain to Minnesota local government agencies, the UofM incorporates systems that comply with many of these laws. Since the UofM operates using systems that comply with many of these laws it was included as an example for the purposes of this memo.

The UofM developed and utilizes a variable pay system which they label a Merit Pay Program. The UofM defines their merit pay program as "a compensation program where base pay increases are determined by individual performance (as opposed to across the board increases)"¹⁹. The merit pay program is able to be implemented for all employee groups in each university unit, department, or college (unit). Each unit of the UofM is responsible for developing and implementing the merit pay program for their group based on policies and guidelines set by the UofM as a whole.

Currently, the Professional and Administrative staff across all units take part in the merit pay program. By 2015, the UofM had the goal to move all employees to the merit pay program. The primary policies set for developing and implementing a merit pay plan for a unit are the following:

- Employees pay must stay within the position's pay range
- Instead of total base pay increases, employees at the top of their pay ranges can receive some or all of their merit increases in the form of a lump-sum payment.
- All employees that will be subject to the merit pay plan must receive communication and/or training on the merit pay plan

Merit Pay Plan Options

The UofM offers two types of merit pay plan models for units to decide between. These models are described in more detail in the sections that follow. After deciding on a model, the model can then be customized further based on the needs of the unit and budget restrictions. These customizable features include the size and format of increases (i.e. increase amount, dollar amount versus percent increase, and base pay adjustment versus lump sum payment), timing (i.e. performance review cycle, alignment with other increases and promotions, and eligibility), and delivery of increases (i.e. merit pool distributions between units, delaying increases for performance improvement).

Model 1: Performance Only

The first model allows the unit to assign increase amounts for each performance rating. This model bases merit pay increases on one factor, which is the performance rating earned by an employee. This merit pay plan is similar to Scott County's 2005 merit pay plan that provided merit increases based solely on performance ratings. The UofM "Merit Pay Planning and Implementation Guide" states the reason you would utilize this pay plan is because it is "easy to communicate, sends a strong performance message, and does not require you to have identified pay targets for all your positions."²⁰ An example of this model provided by the UofM is depicted in Chart 3 below.

Chart 3	UofM Model 1: Performance Only Merit Increase Chart
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¹⁸ University of Minnesota. (2013, December 3). *Merit Pay Programs*. Retrieved 2015, from University of Minnesota: <http://www1.umn.edu/ohr/toolkit/performance/meritpay/index.html>

¹⁹ University of Minnesota, 2013

²⁰ University of Minnesota, 2013

Performance Score	Increase
5 - Outstanding	5.0%
4 - Exceeds Expectations	3.5%
3 - Proficient	2.25%
2 - Requires Improvement	1.5%
1 - Unsatisfactory	0%

Model 2: Performance and Market/Equity

The second model allows the unit to assign increase amounts performance ratings for employees that are at different levels of their pay ranges (as the ranges relate to the market rates). This model bases merit pay increases on two factors including the performance rating earned by an employee and the employee’s placement in their pay range. This merit pay plan is similar to Scott County’s 2008-2010 merit pay plan that provided merit increases based on both the placement of the employee within their pay range and the employee’s performance ratings. The UofM “Merit Pay Planning and Implementation Guide” states the reason you would utilize this pay plan is if you wanted to “reward employees based on their performance but you also want to consider external market value for similar positions and how employees are paid in comparison to each other in your unit.”²¹ An example of this model provided by the UofM is depicted in Chart 4.

Chart 4		UofM Model 2: Performance and Market/Equity Merit Increase Chart	
Performance Score	Compa-Ratio*	Increase	
5 - Outstanding	105% +	3.0%	
	95-105%	4.0%	
	< 95%	6.0%	
4 - Exceeds Expectations	105% +	2.5%	
	95-105%	3.0%	
	< 95%	4.0%	
3 - Proficient	105% +	2.0%	
	95-105%	2.5%	
	< 95%	3.0%	
2 - Requires Improvement	105% +	0%	
	95-105%	0%	
	< 95%	1.5%	
1 - Unsatisfactory		0%	

*Compa-Ratio: Calculation of where an employee is located in their range compared to the range’s midpoints, expressed as a percentage.

²¹ University of Minnesota, 2013

Dakota County²²

The Dakota County philosophy regarding compensation systems and wage and salary administration flows from a belief that all employees are to be provided competitive rewards for achievement. Embodied in this statement are the concepts of output or results-based merit pay in the context of market driven compensation structures. Contained within this broad statement are the County's compensation goals, including 1) attraction and retention of personnel, 2) rewards for excellence, 3) facilitation of compensation equity, 4) equitable distribution of limited County compensation resources, 5) achievement of pay/performance and contribution relationships, 6) possibility of salary differentiation from the highest to the lowest level of performance and contribution, and 7) clear communication of these objectives to all affected employees. The elements of Dakota County's compensation program have been structured to support and advance these objectives.

Participation

The provisions of this Plan apply to all Dakota County employees unless specifically addressed in a collective bargaining agreement. All Dakota County employees who are not represented by a collective bargaining unit, or are not participants in the Unclassified Employees' Compensation Plan, will participate in the Dakota County Merit Compensation Plan. New employees will participate immediately upon employment.

Plan Update

The Employee Relations Director will annually review all aspects of the Plan, including salary ranges and grade structure, salary increase matrixes, and administrative guidelines. Any recommended changes due to internal organization modifications, external market factors, strategic programmatic and administrative considerations, or other relevant issues will be proposed to the County Board in a timely fashion.

Salary Structure

The County salary structure consists of 17 salary grades with a corresponding salary range for each grade. Salary ranges are formulated around a midpoint, and a salary range spread is calculated. Salary ranges are segmented into four quartiles. The structure is midpoint-driven which means the market rate for County positions is approximately the midpoint of the salary ranges. Market rate is defined as what comparison jurisdictions are actually paying employees. Movement beyond the market rate is dependent upon high performance ratings and tenure in position.

Salary ranges are analyzed and may be adjusted each year based on a number of factors including relative changes in the labor market, inflationary measures, budgetary impact as well as fluctuation in the prevalence of certain job skills in the marketplace.

Performance Reviews

Supervisors shall conduct one informal interim performance review to occur mid-review cycle and one formal performance review to occur at the conclusion of the employee's performance review cycle. The annual formal performance review is used to assess the employee's contribution to organization results, to assess the employee's career growth and development and in years when a compensation increase is available, to determine the employee's eligibility for a merit increase. Performance reviews are assessed based on the

²² Dakota County Merit Compensation and Policy Plan

performance objectives and competencies approved by Employee Relations for the job classification.

The interim review is intended to ensure employees understand how they are performing against established objectives and competencies and provide the opportunity to discuss mutual expectations and make any necessary mid-year corrections. The interim review identifies strengths and areas for improvement. Interim reviews are documented in dated summary memorandum(s) and maintained by the department.

The formal performance review is conducted within 15 days of employees' annual performance review dates. Prior to the conclusion of the evaluation period, employees are expected to complete a self-assessment and to transmit the self-assessment to the appraising supervisor for use in completing their performance review.

Completed performance review documents are signed by the supervisor, the employee and the next higher level of management. The employee's signature indicates that the appraisal has been discussed with the supervisor, but does not necessarily indicate agreement with document content. Employees shall be provided adequate time to review and provide summary comments to the final review document. If an employee refuses to sign the document, it is so noted and the review is processed. Completed performance review documents are retained by Employee Relations consistent with the County retention schedule and related policies.

At the discretion of management, a supervisor's salary increase may be delayed until all scheduled performance reviews are completed. The performance review process combines an assessment of objective success measures and position competencies.

Exceptional Performance -is reserved for rare achievements. Employees who receive this level of performance have performed at a level that is well beyond the performance of their top performing peers in a given year. These employees have developed, implemented, or created processes or work results that surpassed all others and brought great value to the County.

Greatly Exceeds Performance Standards - is reserved for a limited number of employees who, in a given year, demonstrate extraordinary performance. This rating may result from especially noteworthy accomplishments and/or exceptional performance during the review period that exemplifies organizational excellence.

Exceeds Performance Standards - is to recognize a pro-active performer. Results of assigned responsibilities consistently meet and frequently exceed baseline expectations. Routinely evaluates priorities and maximizes opportunities for improvement and collaboration; is pro-active and effective in performing for group success, integrating change, learning and sharing information, understanding and sustaining organizational values and objectives; serves as an example of professionalism and excellence.

Meets Performance Standards Performance - is to recognize a reliable, responsive performer. Results of assigned responsibilities meet baseline expectations, regularly or with minimal training or coaching. Takes the steps needed to accomplish tasks, can integrate change as proscribed, complies with group needs while performing individual tasks, and can learn and apply specified information when necessary. Demonstrates conduct appropriate for the workplace and acts consistently within organizational values and objectives.

Below Performance Standards - does not achieve baseline performance expectations due to insufficient skill or effort. Results of some or all assigned responsibilities fail to meet baseline expectations. Frequently requires assistance, coaching or regular oversight to complete basic/routine job responsibilities. May be inconsistent in the demonstrated ability to adapt to change and apply new information to assigned tasks or roles and their performance may slow or damage group productivity, functioning or credibility.

Employees who receive a Below Standards rating will receive formal performance reviews at six-month intervals until documented performance warrants a Fully Meets Standards rating. If after the six-month review the employee receives a Meets Standards or above rating, a full merit increase is processed and the review date is adjusted to twelve months after that date. Employees who receive multiple or consecutive Below Standards ratings will be subject to disciplinary proceedings, up to and including discharge.

Individual Development Plans

As part of the County's formal performance review process, supervisors and employees are encouraged to jointly complete an Individual Development Plan (IDP). Formal discussions of job and career objectives, position enrichment and development may also be included. Development or career objectives should be tied to departmental and County-wide goals.

Completion of an IDP is required if the employee is planning to request tuition reimbursement or if a supervisor has determined that the employee is to complete one.

Salary Increase Matrix

The County Merit Matrix is based on the principle that salary range position and performance as reflected in organizational contribution bear a direct relationship and that gravitation toward the market rate (Q2) should occur.

For purposes of the salary increase matrix, salary range position is identified by compa-ratio. This figure represents participants' actual compensation expressed as a percentage of Q2 of the assigned salary range (i.e. compa-ratio of 100.0 = actual compensation at Q2 of the salary range).

The structure of the annual merit matrix reflects percentage increases based on two dimensions: range position (Quartile 1, 2, 3 & 4) and performance rating. When a merit increase is available, a high performer in a low segment of the salary range may receive a greater base salary increase than an equivalent performer in an upper portion of the salary range. Note that employees, whose performance is rated as Below Standards, are in no case eligible for an increase to base salary or a lump sum payment. In no instance will an employee's base salary be increased above the range maximum.

The Merit Matrix guidelines provide maximum recommended percentage increases for each level of performance and for each of the four salary quartiles. Contained within each matrix cell is a recommended base salary adjustment. All below Q2 salary actions are a percentage of the Q2 rate. All above Q2 salary actions are a percentage of the employee's base salary.

PERFORMANCE RATING

Salary Range	<i>Exceptional Performer</i>	Greatly Exceeds Standards	Exceeds Standards	Meets Standards	Below Standards
Q4	+ 1.0% Lump sum	2.5% base + 4.0% lump sum	2.5% base + 3.0% lump sum	2.5% base + 2.0% lump sum	0%
Q3	+ 1.0% Lump sum	3.5% base + 3.0% lump sum	3.5% base + 2.0% lump sum	2.5% base + 2.0% lump sum	0%
Q2	+ 1.0% Lump sum	6.5% base	5.5% base	4.5% base	0%
Q1	+ 1.0% Lump sum	6.5% base	5.5% base	4.5% base	0%

Administering an effective performance-based, market system requires a commitment to truly differentiate performance. There is no expectation that every employee will reach the salary range maximum. Appropriate ratings differentiation is expected. Those employees who perform at higher levels receive greater rewards.

Extra Meritorious Award

The Extra Meritorious Award provides up to a 2% lump sum payment of the employee's salary for recognition of special achievements outside the normal expectations of a non-union employee's position. Employees are eligible for an Extra Meritorious Award once per calendar year. Extra Meritorious Awards are approved or disapproved by the County Manager after review and consultation with Employee Relations.

Promotion

A promotion is defined as the selection of an internal candidate through the competitive recruitment process into a position at a higher salary grade. At the time of a promotion decision, the affected employee receives a performance review of the time worked in the current position since the most recent performance appraisal. Upon promotion, employees are eligible for an increase of up to 10% of their actual base salary, or placement at the new salary range minimum, whichever is greater. If the employee's resulting base salary is below Quartile 1 of the new salary range, internal equity and the employee's appropriate placement within the salary range may be considered when implementing a promotional salary action and an additional increase may be proposed. All promotional salary actions require approval by Employee Relations.

Employees promoted into a supervisory position will typically not earn less than 90% of the highest paid subordinate employee in the work unit unless unique circumstances exist. All promotional salary increases will be approved by Employee Relations and reviewed with the Department Director prior to a promotional job offer being extended.

Reclassification

A reclassification is defined as movement to another salary grade or classification as a result of approved changes in job duties significantly modifying the position responsibilities. When a position is reclassified to a higher salary grade, employees are eligible for an increase of up to 5% of their actual base salary or placement at the new salary range minimum, whichever is greatest.

Through the periodic job description review process, the County ensures job descriptions are reviewed and updated regularly as changes to services, processes and related job duties occur. When a department plans a substantive structural or work process change they are urged to contact Employee Relations to determine if a reorganization review is needed to ensure classification consistency is maintained and the proposed changes are cost neutral.

Positions may be reclassified with no change in salary grade, upward (higher salary grade); or downward (lower classification/salary grade). If the affected employee's current salary is below the new salary range minimum, their salary is increased to the range minimum. Reclassification downward generally results in no immediate change to the employees' salary. If the employee's salary is above the salary range maximum for the new classification, their salary is frozen until such time as the salary is within the new salary range. When the employee's salary is within the new salary range and in years when a merit opportunity is available, the employee will be eligible on their normal performance review date for a merit increase based upon documented performance rating. Reclassification of a job class does not change the employee's review date or seniority date.

Working Out of Grade

Out-of-grade pay may be requested whenever an employee is designated by their supervisor to perform all of the duties and responsibilities of a position in a higher salary grade for a period of 10 consecutive work days or more. Employee Relations reviews the proposed out-of-grade request prior to an appointment and approvals shall be limited to a period not to exceed six-months, however extensions may be requested. Generally, working out-of-grade is the result of a temporarily vacant position. In such a case and for the duration of the out-of-grade assignment, the employee is eligible for a payment of up to 5% of their actual base salary, or placement at the higher salary range minimum, whichever is greater. The out-of-grade payment will be retroactive to the first day the employee worked in the higher classification and may be paid as an adjustment to the hourly rate or paid in a lump-sum at the conclusion of the out-of-grade assignment. Employees being considered for an out-of-grade assignment must meet the minimum qualifications of the position in the higher classification.

Whenever an employee is directed to temporarily perform most, but not all, of the duties and responsibilities of a position in a higher salary grade as defined above for a period of 10 consecutive work days or more, the employee is eligible for a partial out-of-grade payment of up to 3% of their actual base salary to be paid in a lump-sum as indicated in paragraph one of this section.

If an employee's review date occurs during the time they are working in an out-of-grade assignment, a salary adjustment consistent with the Merit Compensation Plan is computed based upon the employee's regular position, as defined in this policy or applicable labor contract. The out-of-grade rate is then added to the employee's new base salary. When the employee returns to their regular position, they are compensated at their regular rate and they no longer receive the temporary payment received for the out-of-grade assignment.

If the employee is promoted to the out-of-grade position, the time since the employee's last performance review is "closed out" by conducting a performance review for the period in question. The employee then serves a six month probation period. The salary of the promoted employee shall be no less than the rate of pay while serving in the out-of grade assignment.

If a classified employee is temporarily appointed to an unclassified position, these guidelines may be adjusted to fit the circumstances, subject to review by Employee Relations.

Approval Process

All performance review and salary increase materials and documentation require two levels of approval signatures. Consistent with County policy, individual Divisions/Departments may require additional approvals. After appropriate Division/Department approval, all review materials are forwarded to Employee Relations in advance of the payroll deadline, for final approval and processing.

Market Adjustment

When a market analysis for a specific job class indicates the assigned salary range mid- point deviates, positively or negatively, from the market by more than 10%, the job class may be placed at an established salary grade that most closely corresponds to the applicable market rate. The job class is administered in the context of the adjusted grade. All market adjustments will be re-evaluated on a regular basis.

City of Windom Compensation Options for Consideration

General Compensation Plan

The following sections describe various aspects of City of Windom's compensation plan that relate to incorporating a variable pay system into the City's overall compensation plan.

City of Windom Philosophy

The proposed compensation philosophy for the City of Windom for all employee groups is the following:

It shall be the policy of the City of Windom to provide a fair compensation plan. The City of Windom holds a firm commitment that fair compensation based on entity comparisons is in the best interest of the community. The retention of our most valuable asset, human resources, is essential for the long-term well-being and continued success of the City of Windom and its employees and community.

If variable pay is included into the compensation plan, the City of Windom should consider including text in their compensation philosophy reflecting their intent to drive performance with a variable system. If the City of Windom feels that compensation should not be utilized to drive performance, the organization should consider not implementing a variable pay system.

Compensation Plan Document

The City of Windom currently does not have a separate compensation plan document from the City of Windom personnel policies. The City of Windom should develop a compensation plan document that includes details regarding the organization's pay strategies, policies, and administration. This

document should be separate from the organization's personnel policies. If the City of Windom implements a variable pay system, the City of Windom should include details on the variable pay system in their compensation plan document. The compensation plan document should include at minimum the following sections:

- Compensation philosophy
- Objectives of the plan
- Compensation policies
- Administration of the plan
- Reviewing, updating, and maintaining the plan

Proposed Variable Pay System and Options for Consideration

The proposed variable pay system and options for additions to the proposed variable pay system are described in the sections that follow. The current proposed variable pay system and the options for consideration are for the Management Employee group which includes only non-union employees. This is due to the complexities and uncertainty of getting labor unions to agree to the adoption of a variable pay system. In the Scott County example provided, the process of implementing a variable pay system can take many years and can take different shapes as the organization changes. It took approximately ten years to get some of their labor unions to start using their variable pay system. The City of Windom should continue to work on implementation of a variable pay system with the Management Employee group, and may wish to consider expanding the participation to the union employee groups eventually.

Proposed Merit Pay Plan

The 2017 Proposed Base Pay Structure in Attachment G includes using a merit pay plan for the City of Windom Supervisory Employee group. The study included designing a variable pay system (performance pay, merit pay and/or skills or competency pay), which is described in the following sections. Ideas on how to tie the variable pay plan to the City of Windom performance evaluation system were not included in the scope of the study but are addressed in the sections below.

Pay Plan Structure Design

During the study, it became apparent that many of the Management Employees felt they were not moving through their pay ranges to attain internal equity among employee groups or external equity with comparable jobs in the market. The proposed merit pay plan is set up in the form of a merit step pay plan. The merit pay plan is built into the step system so employees will move through their pay ranges at a constant rate based on satisfactory performance and have the ability to earn an additional step by achieving a certain level of performance. The increases are given to the employee's pay which allows for the value of the increases to stay with the employee over the years and compounded over time as additional increases are given

The proposed exempt pay structure contains seven steps (including the start step). The start step is set at the minimum of the range (80 percent of the range maximum) and increases (3.33 percent) after the first six months, and (3.33 percent) for each step thereafter. After the first six months in a position, and upon satisfactory performance, the next step may be awarded. After the first year in a position, upon satisfactory performance, an annual step increase may be awarded until the range maximum is reached. After the first six months, an additional step may be awarded each year based upon meeting a specific pre-set performance goal or outstanding performance.

Tying Merit Pay to Performance

As part of the study, the performance based pay structure was developed. However, tying the merit pay system to the performance evaluation system was not included in the study. The merit pay plan should use the following option to tie the Management Employee merit pay plan to employee's performance.

The most common option for tying a merit pay plan to performance is through the use of an annual performance evaluation rating method. One option the City of Windom could use to tie the proposed merit step pay plan to the employee's performance is to award the additional merit step based on reaching an above satisfactory performance rating at the employee's annual performance review. In addition, this would not cause extra work administratively, since the initial step is provided based on a satisfactory performance rating. It is important that the conditions listed in the last paragraph of Section II.A labeled Merit Pay Plan are incorporated in the performance evaluation method.

Sections 3.A and 3.B of the attached Annual Performance Evaluation Template, Attachment H, provide examples that can be used for the annual performance rating method for the merit pay plan.

Proposed Performance Incentive Pay Plan

Based on the research presented through this memo and preferences expressed by management, the following sections outline an option the City of Windom can use as an additional variable pay plan to supplement the proposed merit pay plan.

Pay Plan Structure Design

A performance incentive pay plan would be the best option for an additional variable pay plan. This would allow the City of Windom to reward employees for completing specific projects individually or as groups. A performance incentive pay plan would also give the City of Windom flexibility to reward employees through lump sum payments once employees reach the top of their pay ranges.

If implemented, the performance incentive pay plan should be structured to provide short-term incentives based on meeting a specific and measurable performance goal or goals set at the beginning of the calendar year or at the employee's annual performance review on their anniversary date. The performance goals can be set on an individual basis or based on the team achieving a collective goal. The pay plan should provide incentive pay in the form of a one-time, lump sum payment made to an employee based on completing the performance goal or goals. The lump sum payment should be set as a specific dollar amount or as a percentage of the employee's base pay.

One or multiple levels of payment amounts should be developed depending on if the City of Windom wants to use multiple factors to determine how much incentive pay employees are eligible for. The City of Windom can differentiate the payment amount based on the level at which the performance goal or goals were completed by the employee, or based on the employee's placement in their pay range. If multiple factors are utilized in determining how much incentive pay employees are eligible for, an incentive pay chart should be established. If the City of Windom prefers to reward employees strictly on the completion of the performance goal or goals, one level of pay should be available to employees. If the City of Windom prefers to reward employees based on the level at which the performance goal or goals were completed, multiple levels of pay should be established based on set parameters that describe the various levels of completion. If the City of Windom prefers to differ the amount of incentive pay eligible to employees based on the employee's current placement in their pay range, multiple levels of pay should be established based

on the employees step placement in the merit step pay plan. The lump-sum payment should be provided in addition to, the merit step pay plan and any across the board increases given to the pay structure.

When making decisions on the final design of the performance incentive pay plan, the City of Windom mission and compensation philosophy should be utilized to align the pay plan to the needs of the City. If implemented, the City of Windom should annually reevaluate the effectiveness of their performance incentive pay plan and make adjustments as need that best fit the needs of the organization.

Tying Additional Variable Pay Structure to Performance

If a performance incentive pay plan is utilized, the City of Windom needs to ensure that they legally provide incentive pay so it is not considered a “Bonus”. To do this, the City of Windom should use the measures provided by the League of Minnesota Cities when tying the performance incentive pay plan to the City of Windom’s performance evaluation system. These measures include:

- Developing the performance goal or goals at the beginning of the calendar year or at their annual performance evaluation.
- Have the City of Windom City Council approve the performance incentive pay rate or incentive pay chart as a formal part of the employee compensation plan for the year.
- Keep documentation on when each employee was informed of the performance incentive pay plan including how they can become eligible for the incentive pay.

Section 3.C of the Annual Performance Evaluation Template (Attachment H) provides an example that can be used for goal evaluation method for a performance incentive pay plan. This example uses multiple ratings to determine the level at which the performance goal or goals were completed by the employee. Section 5 of the attached Annual Performance Evaluation Template provides an example that can be used for setting goals.

Budgeting for Variable Pay

In order to motivate employees, the variable increases or payment amounts need to be significant enough to differentiate the variable pay from the employee’s base pay (e.g., the increase must not be so trivial as to be deemed inconsequential).²² To do this, it is important the City of Windom accurately and effectively budgets for variable pay each year. Due to financial constraints of every public entity, funding a variable pay system will and should be a significant consideration. Public entities typically have a budgeted amount, or are required to budget a certain amount of money to be utilized for variable pay within their compensation budgets. This is generally separate from the amount budgeted for base pay. Due to the uncertainty as to the number of the employees that will earn variable pay, there are various ways that organizations can set this budget amount.

One option is projecting which employees will meet performance goals, and setting the variable pay budget accordingly. Projections are typically set by identify past trends of the number of employees that will be awarded each type of variable pay and at which levels. If the variable pay system is fairly new, individual employee performance trends could be used to project the number of employees that will reach each of the variable pay levels. This may not be the most reliable source if the performance evaluation system has changed due to the implementation of the variable pay system, or since the purpose of utilizing a variable pay system is to promote higher performance.

Another option is setting the variable pay budget at a certain percentage of the city’s compensation budget (e.g., 2 percent of the city’s compensation budget). This variable pay budget would then be

allocated among employees based on performance and meeting incentive goals. With this option, City Management and Supervisor would then be required to make judgments to limit the number of exceptional performance ratings if not enough money was budgeted. If this happens, the system becomes more subjective and some employees that deserve variable pay may not receive it. This may result in decreased employee morale and mistrust in the variable pay system.

When budgeting for the variable pay system, the City of Windom has the option to set variable pay rates at zero. This would result in no variable pay increases, but allow the City of Windom to maintain their variable pay systems in their compensation plan documents. Rates can then be increased when the organization has the means to award variable pay again.

After considering the information and options in this memorandum, we recommend that the City of Windom contact us to discuss the options and the mechanics of implementing the desired option(s), if any.

SECTION 6. CONCLUSION AND IMPLEMENTATION

Recommendations for implementation were drafted based on the findings of the study, as well as discussions with and preferences expressed by the City's management. These recommendations for implementation are included in Attachment I. The financial implications and recommendations for implementation are also included in this attachment. The City always has the option to not take action on any of the recommendations proposed throughout this study.

To assist management with implementing the recommendations included in this report, various tools have been, or will be, prepared and provided to management. The paragraphs below outline the tools and resources provided and how they should be used during the implementation and maintenance of the classification and compensation system.

Job Analysis Questionnaire

A copy of the Job Analysis Questionnaire (JAQ) has been provided to management to conduct a job analysis on any new or existing positions as needed. The JAQ should be used in conjunction with other materials provided to management to update the classification and compensation for positions.

Job Descriptions

We have provided a recommendation for the City of Windom to include complexity and responsibility statements in future revised job descriptions and future new job descriptions.

Job Description Drafting Guide

Management has been provided with this guide that can be used, in conjunction with the Job Analysis Questionnaire, to draft a new or updated job description for a City job.

Compensation Plan

This document establishes a plan to clearly, effectively, consistently and efficiently manage the classification of and compensation for City employees.

Classification and Compensation Manual

A manual has been, or will be, provided to management on the overall classification and compensation system prepared by Flaherty & Hood for the City. The handbook contains details on understanding and maintaining job descriptions, job evaluation ratings (points), base pay structure, and records maintenance, along with electronic user-friendly documents to maintain such items.

Further Consultation

Flaherty & Hood is always available to answer questions and provide further classification and compensation or labor relations services that may be needed. To ensure an unbiased process, Flaherty & Hood is able to conduct job analysis and re-evaluate positions on an as needed basis for a flat per position fee. Flaherty & Hood is also able to conduct salary surveys on a repetitive basis to ensure the most up to date market data is collected and used in an unbiased manner.

SECTION 7. ATTACHMENTS

- Attachment A. Position Classification Change Worksheet**
- Attachment B. Job Evaluation System Summary**
- Attachment C. Windom Proposed Job Evaluation Ratings**
- Attachment D. Windom Comparable Entities**
- Attachment E. Windom Market Survey Results**
- Attachment F. Predicted Pay Line Analysis**
- Attachment G. Proposed 2017 Base Pay Structure
(Annual)**
- Attachment H. Proposed Windom Annual
Performance Evaluation Form**
- Attachment I. Windom Recommendations for
Implementation**
- Attachment J. Bibliography**

Attachment A

Position Classification Change Worksheet

Position Classification Change Worksheet

The spreadsheet below contains any proposed changes to City of Windom position titles, current and proposed FLSA exempt status (in ascending alphabetical order by position title). Any changes or additions to a position are indicated by the proposed change or addition highlighted in yellow. All positions within this Position Classification study have been determined to be exempt positions.

Department	Current Position Title	Proposed Position Title	Current FLSA Exempt Status	Proposed FLSA Exempt Status
Administration	Assistant City Administrator	Assistant City Administrator	New	Exempt
Police	Assistant Police Chief	Assistant Police Chief	Exempt	Exempt
Building/Zoning	Building Official	Building Official	Exempt	Exempt
Administration	City Administrator	City Administrator	Exempt	Exempt
Community Center	Community Center Director	Community Center Director	Exempt	Exempt
Economic Development	Economic Development Director	Economic Development Director	Exempt	Exempt
Electric	Electric Superintendent	Electric Superintendent	Exempt	Exempt
Electric	Electric Utility Manager	Electric Utility Manager	Exempt	Exempt
Administration	Finance Director/Controller	Finance Director/Controller	Exempt	Exempt
Library	Library Director	Library Director	Exempt	Exempt
Liquor	Liquor Store Manager	Liquor Store Manager	Exempt	Exempt
Police	Police Chief	Police Chief	Exempt	Exempt
Public Works	Public Works Director	Public Works Director	New	Exempt
Arena, Pool, and Recreation	Recreation Director	Recreation Director	Exempt	Exempt
Streets & Parks	Streets & Park Superintendent	Streets & Park Superintendent	Exempt	Exempt
Telecom	Telecom General Manager	Telecom General Manager	Exempt	Exempt
Water & Wastewater	Water/Wastewater Superintendent	Water/Wastewater Superintendent	Exempt	Exempt

Key:

FLSA Exempt Status

Exempt employees (e.g., executive, administrative, and professional employees; etc.) are not subject to the provisions of the Fair Labor Standards Act (i.e., minimum wage and overtime pay). Nonexempt employees are covered by the provisions of the Fair Labor Standards Act (e.g., employees engaged in, or producing goods and services for, interstate commerce; employees of certain hotels, restaurants, or motels; government employees, etc.). Glossary of Compensation Terms, U.S. Department of Labor (1998).

Attachment B

Job Evaluation System Summary

Minnesota – State Job Match Job Evaluation System Summary

The following is excerpted from *State Job Match Job Evaluation System* (MMB, 2009), available at: <https://mn.gov/mmb-stat/pay-equity/2009-state-job-match-final.pdf>.

The purpose of the Local Government Pay Equity Act passed in 1984 is to correct historic gender-based wage discrimination in public employment in Minnesota. This is an ongoing process and requires ongoing compliance. The law requires that female classes not be paid consistently below male classes of “comparable value.” Comparable value is the job evaluation rating or points assigned to a job class and the focus of this booklet.

Establishing job evaluation ratings is the first step in the pay equity process. It is important to remember that comparable value or a job evaluation rating does not include seniority or performance; rather it is an evaluation of job content. Job content is measured by the skill, effort responsibility and working conditions required of the job class. In addition, job evaluation should not be interpreted strictly as a rigid “pay for points” system where each point is worth “x” dollars. Pay equity can be achieved and requirements of the law met even though some jobs with the same points do not receive exactly the same pay. The second part of the pay equity process is pay analysis and more information is available on this and compliance requirements at www.mmb.state.mn.us.

The State Job Match System of job evaluation is intended as a straightforward, simple tool to help local governments effectively analyze the jobs in their jurisdictions by matching up job descriptions with descriptions for state jobs that have already been rated. Once the descriptions have been matched, a rating or “job points” can be assigned to the local government job. Job evaluation is not an exact science and if done well, will involve thorough discussion and unbiased decisions. Job analysis must be completed before pay analysis is done.

Description of the Job Match System & Website

Job match is a simple, inexpensive way to assign points to jobs in your jurisdiction by matching them to descriptions of state jobs found in this booklet. To make it easier, this booklet is divided into 17 job categories. In each category there are groupings of jobs. Within each group the state titles are listed from lowest to highest ranking. There are five columns on each page as follows:

- Column 1: Titles of jobs typically found in local government. Note: PES Benchmark refers to a “Public Employment Survey” done by the state’s job evaluation consultant, Hay and Associates.
- Column 2: Titles of jobs found in state government.
- Column 3: Job evaluation points assigned to state jobs using the Hay and Associates method of rating jobs.
- Column 4: The range of points for the job that is listed.
- Column 5: Overview and brief job description. 2 If you cannot find a match in this booklet, check our web site. There are approximately 1800 job descriptions and point ratings for state jobs on the Minnesota Management & Budget’s (MMB’s) web site at www.mmb.state.mn.us. You can view job descriptions and classification at <http://www.mmb.state.mn.us/staff-hr/class-specs>. You can find corresponding Hay point ratings at <http://www.mmb.state.mn.us/hay-ratings>.

Attachment C

Windom Proposed Job Evaluation Points

Proposed Job Evaluation Ratings

Department	Proposed Position Title	State Job Matched Position Title	Current Job Evaluation Rating	Proposed Job Evaluation Ratings
Administration	City Administrator	City Administrator	483	483
Administration	Assistant City Administrator	City Clerk/Treasurer and City Manager	New	396
Public Works	Public Works Director / City Engineer	Electric Distribution Supervisor	New	New
Electric	Electric Utility Manager	Electric Distribution Supervisor	353	363
Telecom	Telecom General Manager	Information Technology Specialist 3 & Information Technology Specialist 4	342	360
Administration	Finance Director/Controller	Accounting Supervisor Senior	N/A	353
Police	Police Chief	Police Chief	353	353
Economic Development	Economic Development Authority Director	Economic Development Coordinator	New	342
Police	Assistant Police Chief	Police Detective	New	297
Water and Waste Water	Water/Wastewater Superintendent	Water Plant Supervisor	291	291
Streets and Parks	Street/Park Superintendent	Highway Maintenance Supervisor	301	301
Liquor	Liquor Store Manager	Liquor Store Manager	291	291
Arena, Pool and Recreation	Parks/Recreation Director	Building Services Manager and Institution Community Relations Coordinator	300	289
Building and Zoning	Building Official	Building Official	282	282
Library	Library Director	Librarian	166	224
Electric	Electric Utility Superintendent	Power Plant Supervisor	New	New
Community Center	Community Center Director	Building Services Manager	300	271

Key:

Positions are listed in descending order based on the "Proposed Job Evaluation Ratings" from highest to lowest Job Evaluation Rating. Positions highlighted in yellow have a change and/or either an increase or a decrease in points from the current Job Evaluation Points. Positions highlighted in orange are new positions.

Notes:

MN State Job Match Evaluation System: All positions were evaluated using the MN State Job Match Job Evaluation System (SJM). <http://www.beta.mmb.state.mn.us/doc/comp/hay/StateJobMatch.pdf>

Attachment D

Windom Comparable Entities

Protected Nonpublic Data

Windom External Sources

The following describes Flaherty & Hood, P.A.'s proposed external market sources to collect and evaluate data from for use in the Wage/Labor Benchmarks/Market Pricing portion of the Job Classification and Compensation Study it is doing for the City of Windom. Any other market sources use by Windom for other purposes or for a specific department, position or employee group (e.g., union) within Windom may still be utilized for such purposes. Each source may be assigned a weight for the importance of the source in determining the market compensation that will be utilized to determine appropriate compensation for this study.

Cluster Analysis

Background

Cluster Analysis is a statistical data analysis tool for solving classification problems. This analysis tool can be used to combine cities into various subgroups based on various factors until the subgroups form one of the several clusters. The number of cities being compared determines the number of clusters formed. Cities that are most comparable are located in the same primary subgroup/cluster. Therefore, its purpose is to sort cases (in this case, cities) into groups or clusters in which the degree of association is strong between members of the same cluster and weak between members of different clusters.

Because it is more statistically objective than side-by-side comparisons, Cluster Analysis is common for statistical models that describe or identify groups. For purposes of this study, Cluster Analysis is valuable because it objectively reveals associations in data that may not be initially evident.

Cities Comparable to Windom

Based upon a Cluster Analysis of Greater Minnesota cities with populations within 50% of Windom's population and within 150 miles of Windom, the following eleven cities have been identified as within Windom' cluster in descending order of population:

City Name	Population ¹	Distance to Cluster City ²	TTC Per Capita ³	LGA Need Factor ⁴	Median Household Income ⁵	Crime Rate ⁶
Windom	4,636	0	418	\$626.23	\$38,438	9,186
City Name	Population ¹	Distance to Cluster City ²	TTC Per Capita ³	LGA Need Factor ⁴	Median Household Income ⁵	Crime Rate ⁶
LeSueur	4,073	73	648	\$673.89	\$48,407	6,317
Cannon Falls	4,108	119	892	\$643.00	\$42,279	7,377
Sauk Center	4,406	129	673	\$630.42	\$50,506	6,890
St. James	4,604	26	297	\$713.36	\$43,533	7,402
Luverne	4,704	57	535	\$691.62	\$38,351	4,953
Princeton	4,732	139	626	\$588.77	\$35,743	6,147
Redwood Falls	5,207	47	475	\$757.48	\$44,784	9,433
Montevideo	5,327	80	443	\$823.98	\$44,503	7,825
Morris	5,436	125	422	\$690.89	\$41,975	6,691
Glenco	5,552	78	441	\$629.10	\$54,618	4,628
Litchfield	6,741	91	523	\$639.99	\$50,668	5,456

The input data for the comparable cities are summarized in the above-table. The factors utilized (as listed in the table) were the following: (1) Population (Minnesota State Demographic Center, 2014 Population Estimates), (2) Distance to Cluster City (Minnesota Geospatial Information Office), (3) Taxable Tax Capacity Per Capita (League

of Minnesota Cities, 2015 Property Tax Report , 2015), (4) Minnesota State 2015 Local Government Aid Need per Person (Minnesota Department of Revenue, 2016 Local Government Aid Factor Values, 2015), (5) Median Household Income (U.S. Census American Community Survey, 2009-2013 estimates), and (6) Total Crime Rate per 100,000 people (Minnesota Department of Public Safety, "Uniform Crime Report" 2014).

Other Sources

Based on the recommendations from City supervisors and managers, external market data will also be collected and evaluated from the following sources:

Position(s)	Additional Entity	Additional Survey Sources
<ul style="list-style-type: none"> City Manager 	<ul style="list-style-type: none"> Cities of Zimmerman and Cambridge 	
<ul style="list-style-type: none"> Electric Utility Manager 	<ul style="list-style-type: none"> Cities of Blue Earth and Delano and the South Central Electric Association 	<ul style="list-style-type: none"> Minnesota Municipal Utilities Association
<ul style="list-style-type: none"> Finance Director / Controller 	<ul style="list-style-type: none"> City of Isanti 	
<ul style="list-style-type: none"> Library Director 	<ul style="list-style-type: none"> Cities of Slayton and Sleepy Eye 	
<ul style="list-style-type: none"> Liquor Store Manager 	<ul style="list-style-type: none"> City of Litchfield 	
<ul style="list-style-type: none"> Parks and Recreation Director 	<ul style="list-style-type: none"> City of Winona 	
<ul style="list-style-type: none"> Police Chief and Assistant Police Chief 	<ul style="list-style-type: none"> County of Cottonwood 	
<ul style="list-style-type: none"> Telecom General Manager 	<ul style="list-style-type: none"> Cities of Crosslake and Monticello, MN, Spencer and Algona, IA, and Reedsburg, WI; Lake Connections (Broadband Provider) in Two Harbors, MN and The Southwest Minnesota Broadband Services (SMBS) in Lakefield, MN 	<ul style="list-style-type: none"> Minnesota Telephone Association Salary Survey
<ul style="list-style-type: none"> Water and Waste Water Superintendent 	<ul style="list-style-type: none"> City of Blue Earth 	<ul style="list-style-type: none"> Minnesota Municipal Utilities Association

Sources Excluded

The City of St. Louis Park was proposed as a market source for the Finance Director / Controller. Because of the collective substantially larger size of St. Louis Park (i.e., over 48,171), substantial distance (i.e., over 140 miles) and location in the Twin Cities Metropolitan Area, Flaherty & Hood, P.A. did not include St. Louis Park as a market source.

The counties of Jackson, Nobles, Redwood, Renville, and Watonwan were proposed as potential market sources for the Police Department. As there were a sufficient number of comparable cities for this employee group, and due to the fact that counties have different funding mechanisms, responsibilities, and structures, Flaherty & Hood, P.A. did not include the counties of Jackson, Nobles, Redwood, Renville and Watonwan as market sources.

City of Windom Market Survey Responses by Position/Entity

This worksheet contains an alphabetical list of the Windom Supervisory Positions from the 2016 Classification study. Under each position is a list of the cities that responded to the Market Survey.

Assistant City Administrator

City of Litchfield

Assistant Police Chief

Cottonwood County	City of Redwood Falls
City of Glencoe	City of Sauk Centre
City of Litchfield	City of St. James

Building Official/Planning & Zoning Officer/Fire Marshall

City of Litchfield
City of Luverne
City of Redwood Falls

City Administrator

City of Cambridge	City of Morris
City of Cannon Falls	City of Princeton
City of Glencoe	City of Redwood Falls
City of LeSueur	City of Sauk Centre
City of Litchfield	City of St. James
City of Luverne	City of Zimmerman

Community Center Director

City of St. James

Economic Development Authority Director

City of Luverne	City of Sauk Centre
City of Princeton	City of St. James

Electric Utility Manager

City of Blue Earth L&W	City of Glencoe L&P
City of Delano Utilities	City of Sauk Centre

City of Windom Market Survey Responses by Position/Entity

Electric Utility Superintendent	
City of Blue Earth L&W	City of Litchfield
City of Delano Utilities	City of Redwood Falls
City of Glencoe L&P	City of Sauk Centre
City of LeSueur	City of St. James

Finance Director/Controller	
City of Cannon Falls	City of Luverne
City of Delano Utilities	City of Morris
City of Glencoe	City of Princeton
City of Isanti	City of St. James
City of Litchfield	Trico Tech ECTC Crosslake

Library Director	
City of Cannon Falls	City of Redwood Falls
City of Morris	City of Sleepy Eye

Liquor Store Manager
City of Glencoe
City of Litchfield
City of Luverne
City of Morris
City of Princeton
City of Redwood Falls
City of St. James

Parks/Recreation Director	
City of LeSueur	City of Redwood Falls
City of Litchfield	City of Winona

Police Chief	
City of Cannon Falls	City of Morris
City of Cottonwood County	City of Princeton
City of Glencoe	City of Redwood Falls
City of LeSueur	City of Sauk Centre
City of Litchfield	City of St. James

City of Windom Market Survey Responses by Position/Entity

Public Works Director / City Engineer	
City of Cannon Falls	City of Princeton
City of LeSueur	City of Redwood Falls
City of Litchfield	City of Sauk Centre
City of Morris	South Central Electric City of St James

Street/Park Superintendent
City of Glencoe
City of LeSueur
City of Luverne
City of Redwood Falls
City of St James

Telecom General Manager	
Reedsburg, WI Utility	Spencer IA Municipal Utilities
SW MN Broadband Services	Trico Tech ECTC Crosslake

Water/Wastewater Superintendent	
City of Blue Earth L&W	City of Luverne
City of Glencoe	City of Princeton
City of LeSueur	City of Redwood Falls
City of Litchfield	City of St. James

Attachment E

Windom Market Survey Results

**PROTECTED NONPUBLIC DATA
Market Survey Results**

The spreadsheet below contains the mean hourly and annual values from the 2016 market survey responses for the seventeen positions included in the market survey portion of the City of Windom Classification and Compensation Study. The market maximum wage used for each position is the Annual Market Mean Maximum Wages of the Cluster Cities Market and the additional sources wages. Where the words "Insufficient Data" is used for two positions, there was not a minimum of three responses. The remaining fifteen positions had usable market pay rates assigned to them through the market survey. This is due to the uniqueness of specific positions and the response rates from the survey.

Proposed Position Title	Job Evaluation Ratings	Hourly All Sources Market Mean Maximum Wage	Annual All Sources Market Mean Maximum Wage	Windom Current Annual Salary Range Maximum Wages	Windom Annual Salary Range Maximum Current \$ Above / Below All Sources Market Mean	Windom Annual Salary Range Maximum Current % Above / Below All Sources Market Mean	Response Rate
City Administrator	483	\$51.30	\$106,711.92	\$108,180.80	\$1,469	1.36%	12
*Assistant City Administrator	396	Insufficient Data	Insufficient Data	\$93,267.20			1
Electric Utility Manager	363	\$50.98	\$106,028.00	\$93,267.20	-\$12,761	-13.68%	4
Telecom General Manager	360	\$44.23	\$91,989.15	\$79,705.60	-\$12,284	-15.41%	4
Police Chief	353	\$40.53	\$84,309.60	\$79,705.60	-\$4,604	-5.78%	10
Finance Director/Controller	353	\$41.70	\$86,728.44	\$79,705.60	-\$7,023	-8.81%	10
Economic Development Authority Director	342	\$38.71	\$80,507.57	\$79,705.60	-\$802	-1.00%	4
Streets & Park Superintendent	301	\$32.96	\$68,560.35	\$79,705.60	\$11,145	13.98%	5
Assistant Police Chief	297	\$34.47	\$71,697.60	\$67,828.80	-\$3,869	-5.40%	5
Water/Wastewater Superintendent	291	\$35.21	\$73,236.80	\$79,705.60	\$6,469	8.12%	8
Liquor Store Manager	291	\$28.86	\$60,026.30	\$62,275.20	\$2,249	3.61%	7
Parks & Recreation Director	289	\$35.09	\$72,985.85	\$60,382.40	-\$12,603	-20.87%	4
Building Official	282	\$36.59	\$76,097.20	\$79,705.60	\$3,608	4.53%	3
Community Center Director	271	Insufficient Data	Insufficient Data	\$60,382.40			1
Library Director	224	\$29.40	\$61,144.50	\$47,361.60	-\$13,783	-29.10%	4
**Public Works Director / City Engineer	New	\$39.90	\$82,982.23	\$93,267.20	\$10,285	11.03%	8
***Electric Utility Superintendent	New	\$40.43	\$84,100.67	\$79,705.60	-\$4,395	-5.51%	8

Key:
Positions are listed in descending order based on job evaluation ratings.

- *Assistant City Administrator-Vacant Position
- **Public Works Director-Vacant Position
- ***Electric Superintendent-Vacant Position

PROTECTED NONPUBLIC DATA
Market Survey Results-Health Insurance (1)

Comparable Entities	City Annual Contribution to Lowest Premiums				Employee Annual Contribution to Lowest Premiums			
	Single Coverage		Family Coverage		Single Coverage		Family Coverage	
	%	\$	%	\$	%	\$	%	\$
Algona, IA								
Blue Earth L&P		\$563.00		\$855.00		\$64.00		\$355.00
Blue Earth	100%	\$817.50	53%	\$795.98	0%	\$0.00	47%	\$719.52
*Cambridge	90%	\$14,677.20	90%	\$14,677.20	10%	\$1,630.80	10%	\$1,630.80
**Cannon Falls	100%		50%		0%		50%	
***Cottonwood County	95%	\$720.00	64%	\$1,295.18		\$37.50		\$718.82
Crosslake	80%	\$7,243.20	80%	\$13,963.20	20%	\$1,810.80	20%	\$3,490.80
Crosslake Comm Broadband								
Delano	100%	\$935.00			0%	\$0.00		
Delano Utilities	100%	\$5,370.00	100%	\$21,744.00				
Glencoe	100%	\$6,558.24	80%	\$14,426.64	0%	\$0.00	20%	\$1,967.16
****Glencoe L&P	100%		80%		0%		20%	
Isanti	100%	\$7,284.00	85%	\$18,228.00	0%	\$0.00	15%	\$2,226.48
Lake Connections Telecom								
LeSueur	100%	\$449.00	80%	\$951.60	0%	\$0.00	20%	\$237.90
Litchfield	100%	\$5,849.28	80%	\$13,956.96	0%	\$0.00	20%	\$3,600.00
Luverne	75%		25%		25%		75%	
Montevideo								
Monticello	100%	\$15,000.00	87%	\$13,020.00	0%	\$0.00	13%	\$1,980.00
Morris	100%	\$5,880.00	75%	\$11,070.00	0%	\$0.00	25%	\$3,690.00
Princeton	84%	\$6,936.00	84%	\$15,732.00	16%	\$1,308.00	16%	\$2,982.00
Redwood Falls	90%	\$6,479.16	80%	\$14,707.44	10%	\$719.88	20%	\$3,676.92
Reedsburg, WI	88%	\$7,177.44	88%	\$17,850.60	5%	\$322.56	4%	\$793.80
Sauk Centre	100%	\$709.53	85%	\$1,146.53	0%	\$0.00	15%	\$202.33
Sauk Centre Utilities	90%	\$304.31	90%	\$1,127.52	10%	\$33.81	10%	\$125.28
Slayton	70%	\$4,179.00	70%	\$11,121.60	30%	\$1,791.00	30%	\$4,766.40
*****Sleepy Eye						\$0.00		\$275.00
S Central Elec St James								
SW Mn Broadband Svcs	75%	\$5,373.72	25%	\$11,240.16	64%	\$1,791.24	36%	\$6,322.68
*****Spencer IA Municipal Util								
Spencer IA	100%	\$6,438.84	78%	\$12,484.80	0%	\$0.00	22%	\$3,468.48
St James								
Trico Tech ECTC Crosslake	80%		80%		20%		20%	
Winona	89%	\$6,120.00	83%	\$16,080.00	11%	\$780.00	17%	\$3,288.00
Zimmerman	100%		85%		0%		15%	
Totals		\$115,064.42		\$ 226,474.41		\$10,289.59		\$46,517.37
AVERAGES	93%	\$5,230.20	75%	\$10,784.50	20%	\$935.42	23%	\$2,215.11
WINDOM	Windom offers one health insurance VEBA plan to all employees with "single" or "family" coverage only.							

Comments:

* Cambridge: Premiums are the same for family, employee/spouse or single coverage. Also, premium not only includes health insurance but dental insurance, vision coverage, and short-term disability.

**Cannon Falls: Premiums based on age, they vary for each employee.

***Cottonwood County: Employer also contributes \$135/mo single; \$265.76/mo family towards HSA or VEBA.

****Glencoe L&P: Only one plan offered thru BCBS; rates vary per ea individual or family.

*****Spencer IA Municipal Util:SMU Contributes Annually: Single -1,120; SMU Contributes Annually: Family - 3,198.60

*****Sleepy Eye - Premiums are based on age

Key:

Comparable Cities: Cities comparable to the city used for comparison purposes.

Premium: The amount paid for a health insurance plan. WorldatWork Glossary (2015).

City Monthly Contribution to premiums: Amount a City pays toward monthly premium.

Employee Monthly Contribution to premiums: Amount employee contributes to monthly premium.

Single Coverage: Coverage for employee only.

Family Coverage: Coverage for families.

Health Reimbursement Arrangement (HRA): Tax-free health care reimbursement arrangement established and exclusively funded by employers. Employees use funds in the account for general health care expenses prior to utilizing traditional health care coverage.

Health Savings Account (HSA): A tax-advantage trust or custodial account created for the benefit of an employee covered under a high-deductible health plan. Contributions may be made by the employer or the employee. Amounts not distributed are carried forward. Like an IRA, the HSA is owned by the individual who is the account beneficiary. WorldatWork Glossary (2015).

Voluntary Employees' Beneficiary Association (VEBA): As defined in Section 501(c)(9) of the Internal Revenue Code (IRC), a tax-exempt trust or nonprofit corporation providing benefits to members of an association, their dependents or beneficiaries. No part of net earnings accrues to the benefit of any private shareholder or individual other than the payment of benefits. WorldatWork Glossary (2015).

\$ Above/Below: Refers to the \$ amount above or below the average for single or family coverage.

% Above/Below: Refers to the % above or below the average for single or family coverage.

PROTECTED NONPUBLIC DATA
Windom Market Survey Results-Health Insurance (2)

Comparable Entities	City Annual Contribution to Highest Premiums				Employee Annual Contribution to Highest Premiums				City Annual Contribution to HRA/HSA/VEBA		Total Employer Annual Contribution (Family)
	Single Coverage		Family Coverage		Single Coverage		Family Coverage		Single Coverage	Family Coverage	
	%	\$	%	\$	%	\$	%	\$	\$	\$	
Algona, IA											
Blue Earth L&P									\$2,500.00	\$5,000.00	
Blue Earth	100%	\$1,076.50	80%	\$1,595.20	0%	\$0.00	20%	\$398.80	\$1,850.00	\$3,700.00	\$5,295.20
*Cambridge											
**Cannon Falls											
***Cottonwood County									\$598.50	\$998.18	
Crosslake											
Crosslake Comm Broadband											
Delano											
Delano Utilities									\$2,500.00	\$5,000.00	
Glencoe									\$1,610.00	\$3,220.00	
****Glencoe L&P									\$1,500.00	\$3,000.00	
Isanti	100%	\$7,284.00	0%	\$0.00	0%	\$0.00	15%	\$2,226.48			
Lake Connections Telecom											
LeSueur	85%	\$431.80	75%	\$1,015.50		\$76.20	25%	\$338.50	\$75.00	\$150.00	\$1,165.50
Litchfield	100%	\$7,126.44	83%	\$17,790.48	0%	\$0.00	17%	\$16.83	\$1,277.16	\$3,833.52	\$21,624.00
Luverne	75%		25%		25%		75%		\$1,000.00	\$2,000.00	
Montevideo											
Monticello											
Morris									\$1,500.00	\$3,000.00	
Princeton									\$6,606.00	\$14,988.00	
Redwood Falls											
Reedsburg, WI	88%	\$7,177.44	88%	\$17,850.60	12%	\$978.72	12%	\$2,434.20			\$17,850.60
Sauk Centre									\$1,200.00	\$1,200.00	
Sauk Centre Utilities											
Slayton	70%	\$4,179.00	70%	\$11,121.60	30%	\$1,791.00	30%	\$4,766.40	\$1,257.00	\$2,157.00	\$13,278.60
*****Sleepy Eye						\$0.00		\$275.00	\$3,000.00	\$7,500.00	
S Central Elec St James											
SW Mn Broadband Svcs									\$660.00	\$1,260.00	
****Spencer IA Municipal Util	100%	\$6,853.40	70%	\$16,833.88	0%	\$0.00	30%	\$4,890.18	\$5,447.88	\$11,111.28	\$27,744.96
Spencer IA	100%	\$8,040.36	76%	\$14,994.48	0%	\$0.00	24%	\$4,713.00			\$14,994.48
St James											
Trioo Tech ECTC Crosslake											
Winona	69%	\$6,120.00	65%	\$16,080.00	31%	\$2,688.00	35%	\$8,604.00			\$16,080.00
Zimmerman					.98*						
Totals		\$48,088.94		\$ 97,081.54		\$5,533.92		\$28,763.39	\$32,581.54	\$68,117.98	\$118,033.34
AVERAGES	89%	\$5,343.22	70%	\$12,135.19	25%	\$1,383.48	28%	\$2,876.34	\$2,036.35	\$4,257.37	\$14,754.17
WINDOM		\$5,143.56		\$13,251.84		\$1,588.20		\$3,533.52	\$1,775.76	\$3,555.36	\$16,807.20
\$ above/below		-\$199.66		\$1,116.65		\$204.72		\$657.18	-\$260.59	-\$702.01	\$2,053.03
% above/below		-4%		9%		15%		23%	-\$0.13	-\$0.16	\$0.14
Rank		7		6		3		5	\$7.00	\$8.00	\$4.00

Comments:

* Cambridge: Premiums are the same for family, employee/spouse or single coverage. Also, premium not only includes health insurance but dental insurance, vision coverage, and short-term disability.

** Cannon Falls: Premiums based on age, they vary for each employee.

*** Cottonwood County: Employer also contributes \$135/mo single; \$265.76/mo family towards HSA or VEBA.

**** Glencoe L&P: Only one plan offered thru BCBS; rates vary per ea individual or family.

***** Spencer IA Municipal Util: SMU Contributes Annually: Single - 1,120; SMU Contributes Annually: Family - 3,198.60

***** Sleepy Eye - Premiums are based on age

Key:

Comparable Cities: Cities comparable to the city used for comparison purposes.

Premium: The amount paid for a health insurance plan. WorldatWork Glossary (2015).

City Monthly Contribution to premiums: Amount a City pays toward monthly premium.

Employee Monthly Contribution to premiums: Amount employee contributes to monthly premium.

Single Coverage: Coverage for employee only.

Family Coverage: Coverage for families.

Health Reimbursement Arrangement (HRA): Tax-free health care reimbursement arrangement established and exclusively funded by employers. Employees use funds in the account for general health care expenses prior to utilizing traditional health care coverage.

Health Savings Account (HSA): A tax-advantage trust or custodial account created for the benefit of an employee covered under a high-deductible health plan. Contributions may be made by the employer or the employee. Amounts not distributed are carried forward. Like an IRA, the HSA is owned by the individual who is the account beneficiary. WorldatWork Glossary (2015).

Voluntary Employees' Beneficiary Association (VEBA): As defined in Section 501(c)(9) of the Internal Revenue Code (IRC), a tax-exempt trust or nonprofit corporation providing benefits to members of an association, their dependents or beneficiaries. No part of net earnings accrues to the benefit of any private shareholder or individual other than the payment of benefits. WorldatWork Glossary (2015).

\$ Above/Below: Refers to the \$ amount above or below the average for single or family coverage.

% Above/Below: Refers to the % above or below the average for single or family coverage.

PROTECTED NONPUBLIC DATA
Windom Market Survey Results
Steps, Longevity, Performance and Vacation Pay

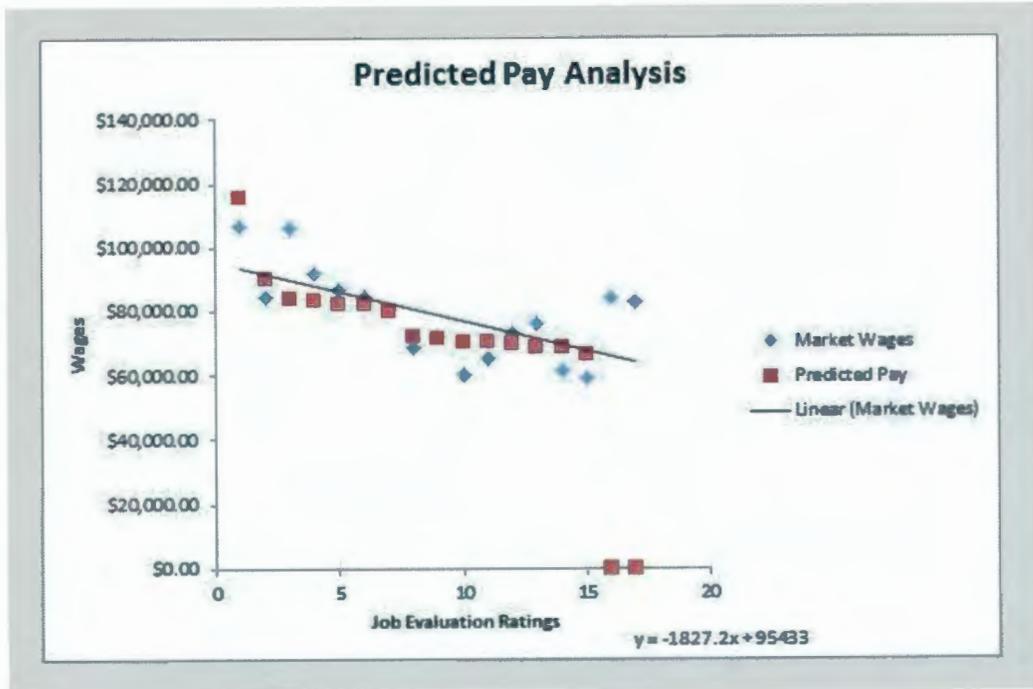
STEPS, LONGEVITY, PERFORMANCE AND VACATION PAY							Comments:
Comparable Cities	# of Steps	Steps		Longevity Pay	Performance Pay	Maximum Vacation Accumulation	
		Time to Top Step					
		Months	Years				
Blue Earth	7	6	6	No	No		*The Public Works Director is over the Waste Water Treatment Plant & the Public Works Department. Vacation carryover is at 1.5X the employees annual earnings of: 1 - 4 yrs. 80 hours/5 - 9 yrs. 96 hours/10 - 14 yrs. 120 hours/15-20 yrs. 144 hours and over 20 yrs. 168 hours.
Cambridge	10	12	9		No	240	
Cannon Falls	7	12	6	No	No	320	
Cottonwood County	8	12	8	No	No	272	
Crosslake				Yes	No	240	No step pay
Delano	9	12	9	No	No	320	
Delano Utilities	9	12	9	No	No		Delano Utilities - unlimited maximum vacation accumulation
Glencoe	6	6	3	No	No	240	
Glencoe L&P	6	6	3	No	No	240	
Isanti	7	12	7	No	No		a. After One (1) Year: 6 Days/48hrs/yr earned vacation (Max Accumulation: 96 hours) b. After Two (2) Years: 12 days/96 hrs/yr earned vacation (Max Accumulation: 144 hours) c. After Six (6) Ye ars: 18 days/144hrs/yr earned vacation (Max Accumulation: 192 hours) d. After Ten (10) Years: 24 days/192hrs/yr earned vacation (Max Accumulation: 240 hours) e. After Fifteen (15) years 27 days/216hrs/yr earned vacation (Max Accumulation: 264 hours) Employees may request special permission from the Personnel Committee to extend their vacation hours.
LeSueur	9	12	9	No	No		Special permission is needed to rollover vacation
Litchfield				No	No		Litchfield reported no steps. Special permission is needed to rollover vacation.
Luverne	19	12	18	Yes	No		Vacation is accrued based on years of service. Exempt employees can carry over 80 hours over what they can accumulate in a year. Once an employee hits the maximum accrual, the hours are "use it or lose it". Time to top step varies, employees can receive "two steps" if they receive an exemplary performance evaluation.
Monticello	8		6.5	No	Yes		All vacation is PTO - use it or lose it at end of year
Morris				No	No		26 vacation days per year - can bank 35 vacation days per year
Princeton	8		7	No	No	480	
Redwood Falls	8		7.5	No	No	240	
Reedsburg Utilities				Yes	Yes	160	
Sauk Centre	7		6	No	No	240	
Slayton	18		25	No	No	96	
Sleepy Eye	6	12	5			160	No longevity or performance pay.
Southwest MN Broadband						240	Because of the newness of the General Manager position at SMBS; we currently do not have a grade step scale in place. That is something that we will hopefully be implementing in the near future.
Spencer Iowa Utilities						440	We are a municipality. After an employees achieves 440 hours - they no longer accrue PTO and forfeit those hours
City of Spencer Iowa	5		11		No	200	Longevity pay is received after 10 years.
YES - Totals				3	2		
AVERAGES	9	11	9	15%	9%	258	
WINDOM	12	138	11.5	NO	Yes	200	Employees are evaluated for performance annually.
\$ above/below	3	128	3			-58	
% above/below	37.58%	1214.29%	33.55%			-22.48%	
Rank	3	1	3			13	

KEY:	
Steps	Fixed levels between the minimum and maximum rates for an occupation in a wage progression system. Glossary of Compensation Terms, U.S. Department of Labor (1998).
Longevity Pay	Specified increase in hourly pay rate, a lump sum payment or a form of bonus paid to employees based upon their length of service. Glossary of Compensation Terms, U.S. Department of Labor (1998).
Performance Pay	Financial reward system for employees where some or all of their monetary compensation is related to how their performance is assessed relative to stated criteria. http://www.businessdictionary.com/definition/performance-related-pay.html .
Vacation	Time-off from work normally taken in days or weeks that provide employees with a rest or break from work. The amount of time-off may vary based on an employee's length-of-service with the employer or it may be a fixed number of days or amount of days or hours given to an employee on an annual basis to use usually in order to relax or travel. http://www.bls.gov/ncs/oas/sp/ncbl0062.pdf .

Attachment F

Predicted Pay Line Analysis

Predicted Pay Line Analysis



Attachment G

Proposed 2017 Base Pay Structure (Annual)

Proposed 2017 Base Pay Structure (Annual)

Position	Pay Range										
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11
	Start	6 mo.	12 mo.	24 mo.	36 mo.	48 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.
	80.00%	82.00%	84.00%	86.00%	88.00%	90.00%	92.00%	94.00%	96.00%	98.00%	100.00%
City Administrator	\$ 90,560.01	\$92,824.00	\$95,088.00	\$97,352.00	\$99,616.00	\$101,880.01	\$104,144.01	\$106,408.00	\$108,672.00	\$110,936.00	\$113,199.10
Electric Utility Manager	\$ 86,518.85	\$88,681.82	\$90,844.79	\$93,007.76	\$95,170.73	\$97,333.70	\$99,496.68	\$101,659.65	\$103,822.62	\$105,985.59	\$108,147.69
Telecom General Manager	\$ 75,063.15	\$76,939.72	\$78,816.31	\$80,692.88	\$82,569.46	\$84,446.04	\$86,322.62	\$88,199.20	\$90,075.77	\$91,952.36	\$93,828.19
Finance Director/Controller	\$ 73,601.22	\$75,441.25	\$77,281.28	\$79,121.32	\$80,961.35	\$82,801.38	\$84,641.40	\$86,481.43	\$88,321.47	\$90,161.50	\$92,000.79
Assistant City Administrator	\$ 68,943.51	\$70,667.10	\$72,390.69	\$74,114.28	\$75,837.87	\$77,561.45	\$79,285.04	\$81,008.62	\$82,732.22	\$84,455.81	\$86,178.70
Police Chief	\$ 68,796.63	\$70,516.55	\$72,236.46	\$73,956.39	\$75,676.30	\$77,396.21	\$79,116.13	\$80,836.04	\$82,555.96	\$84,275.88	\$85,995.11
Electric Utility Superintendent	\$ 68,626.15	\$70,341.80	\$72,057.45	\$73,773.11	\$75,488.76	\$77,204.41	\$78,920.07	\$80,635.72	\$82,351.37	\$84,067.03	\$85,782.00
Public Works Director / City Engineer	\$ 67,713.50	\$69,406.34	\$71,099.17	\$72,792.01	\$74,484.85	\$76,177.69	\$77,870.52	\$79,563.37	\$81,256.20	\$82,949.03	\$84,641.19
Economic Development Authority Director	\$ 65,694.17	\$67,336.52	\$68,978.88	\$70,621.24	\$72,263.59	\$73,905.95	\$75,548.30	\$77,190.65	\$78,833.01	\$80,475.36	\$82,117.06
Building Official	\$ 62,095.32	\$63,647.69	\$65,200.08	\$66,752.46	\$68,304.85	\$69,857.23	\$71,409.61	\$72,962.00	\$74,514.38	\$76,066.77	\$77,618.53
Parks/Recreation Director	\$ 59,556.45	\$61,045.37	\$62,534.27	\$64,023.19	\$65,512.10	\$67,001.02	\$68,489.92	\$69,978.83	\$71,467.75	\$72,956.65	\$74,444.97
Assistant Police Chief	\$ 58,871.83	\$60,343.63	\$61,815.43	\$63,287.23	\$64,759.01	\$66,230.81	\$67,702.61	\$69,174.40	\$70,646.20	\$72,118.00	\$73,589.21
Street/Park Superintendent	\$ 55,945.25	\$57,343.88	\$58,742.51	\$60,141.14	\$61,539.77	\$62,938.41	\$64,337.04	\$65,735.66	\$67,134.30	\$68,532.93	\$69,931.00
Water/Wastewater Superintendent	\$ 59,761.23	\$61,255.26	\$62,749.29	\$64,243.32	\$65,737.35	\$67,231.38	\$68,725.42	\$70,219.44	\$71,713.48	\$73,207.50	\$74,700.93
Library Director	\$ 49,893.91	\$51,141.26	\$52,388.61	\$53,635.96	\$54,883.30	\$56,130.65	\$57,378.00	\$58,625.35	\$59,872.69	\$61,120.04	\$62,366.89
Liquor Store Manager	\$ 48,981.46	\$50,205.99	\$51,430.53	\$52,655.07	\$53,879.60	\$55,104.14	\$56,328.67	\$57,553.21	\$58,777.76	\$60,002.29	\$61,226.33
Community Center Director	\$ 48,046.96	\$49,248.14	\$50,449.31	\$51,650.48	\$52,851.66	\$54,052.83	\$55,254.00	\$56,455.18	\$57,656.36	\$58,857.53	\$60,058.22

Note:

- All step increases will be awarded conditional upon satisfactory performance.
- Employees starting in a position may be placed on any step at the discretion of the employer.
- This Base Pay Structure utilizes the Market Survey Maximum Salary for each position as the top of the range for Step 11.
- To get the spread for the 11 steps, with 80% as the minimum, we divided the 20% differential between 80% and 100% by 10 – which gave an approximate 2% increase per year.
- Per Windom Management, a 2% across the board increase was added to this spreadsheet.
- Per the direction of the City of Windom Personnel Committee, an additional 4% increase was added to all steps for the City Administrator and Finance Director/Controller positions.

Note:

- All step increases will be awarded conditional upon satisfactory performance.
- Employees starting in a position may be placed on any step at the discretion of the employer.
- This Base Pay Structure utilizes the Market Survey Maximum Salary for each position as the top of the range for Step 11.
- To get the spread for the 11 steps, with 80% as the minimum, we divided the 20% differential between 80% and 100% by 10 – which gave an approximate 2% increase per year.
- Per Windom Management, a 2% across the board increase was added to this spreadsheet.
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Attachment H

Proposed Windom Annual Performance Evaluation Form



Annual Performance Evaluation

Employee Name:	Employee Title:	Employee Department:
Evaluator Name:	Evaluator Title:	Evaluator Department:
Date of hire:	Date of last evaluation:	Time period covered in evaluation:
Step/Merit/Performance increase (check one)	YES ____ NO ____ NA ____ Specify: _____	Date of evaluation meeting:

Section 1. Background

The City of Windom conducts annual performance evaluations of its employees to:

- a. Identify an employee’s strengths and areas for improvement in meeting performance expectations for job duties and responsibilities, workplace standards and goals and objectives;
- b. Establish performance goals and objectives for the upcoming year; and
- c. Fosters an employee’s job development.

Section 2. Definitions of Ratings and Essential Duties and Responsibilities Factors and Ratings

The following factors related to the essential duties and responsibilities used in Section 3 of this evaluation are defined as follows:

- Quantity - quantity of work turned out and the promptness with which it is completed
- Quality - thoroughness, accuracy, and clarity of work
- Knowledge - technical knowledge and skills, analytical ability, problem-solving skills

The following ratings used in Section 3 of this evaluation for the job duties and responsibilities, workplace standards and goals and objectives are defined as follows:

- 4 - Exceeds expectations - consistently exceeds most or all expectations
- 3 - Meets expectations – consistently meets most or all expectations
- 2 - Meets some expectations – consistently meets some, but not most or all expectations
- 1 - Does not meet expectations – does not consistently meet or exceed some, most or all expectations

The following terms related to the ratings are defined as follows:

- Average – the mean score of all ratings in the respective subsection
- Weight – the relative importance of the subsection in determining the Overall Rating
- Weighted Average Rating – the weighted average rating of the subsection
- Overall Rating – the weighted average rating of all subsections

Section 3. Ratings and Comments on Expectations

Instructions for Evaluator

Please insert an "X" next to the respective rating in the respective subsection for the employee's expected performance of each of the essential duties and responsibilities of the employee's position per their job description, workplace standards and goals and objectives for the year. You may also insert any comments in the respective box. For the respective Average Total, insert the rating number (to one decimal place) next to the closest rating, which is based on adding all ratings in the subsection divided by the total number of ratings. For the respective Weight, insert the number reflecting the importance of the subsection Average Total based on a total weight of 100 for all subsections combined. For the respective Weighted Average Rating, insert the product of the Average Total multiplied by the Weight.

Subsection A. Essential Duties and Responsibilities

[Insert most important essential job duties and responsibilities from job description with ratings and comments line for each and then number accordingly. See 1. example below]

1. **Act as the [entity]'s representative and as the public contact person in dealing with the public, legislators, other government agencies and consultants.**

a. **Quantity**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

b. **Quality**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

c. **Knowledge**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

**TOTAL
Average**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

Weight

___ %

Weighted Average Rating

Subsection B. Workplace Standards

1. Decision-making – use of logical and sound judgment

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

2. Dependability - reliability in completing assignments and meeting deadlines, attendance and punctuality

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

3. Interactions – demeanor and attitude in working with subordinates, peers, supervisors, and the public; team player; sharing of information with others; resolving conflicts; reception to and receiving constructive feedback on own performance; and cooperation

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

4. Adherence to Policy – complying with policies and procedures

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

5. Initiative - working independently, solving problems, assuming additional responsibility, and looking for more efficient and cost-effective ways

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

6. **Orderliness – caring for equipment, supplies and work areas**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

7. **Areas for improvement – improving in areas identified in the previous annual evaluation or during the time since such evaluation**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

TOTAL

Average

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

Weight

___ %

Weighted Average Rating

Subsection C. Goals and Objectives

[Insert goals and objectives from previous year with ratings and comments line for each and then number accordingly. See 1. example below]

1. **Prepare and submit five press releases on [entity] projects to local media.**

a. **Quantity**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

b. **Quality**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

c. **Knowledge**

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

TOTAL

Average

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

Weight

___ %

Weighted Average Rating

Subsection D. Overall Rating

Instructions for Evaluator

Insert the rating number (to one decimal place) next to the closest rating (based on rounding up or down), which is based on adding all Weighted Average Ratings and dividing that sum by 100.

___4 - Exceeds expectations ___3 - Meets expectations ___2 - Meets some expectations ___1 - Does not meet expectations

COMMENTS:

Section 4. Required Improvement

Instructions for Evaluator

Please identify specific essential duties and responsibilities of the employee's position per their job description and/or workplace standards the employee needs to improve, along with the improvement required. Attach additional pages, if necessary.

Area to Improve

Improvement Required

Section 5. Goals and Objectives

Instructions for Evaluator

Please identify specific goals and objectives for the employee's performance for the upcoming year.

Section 6. Employee Comments

Instructions for Employee

You may include any comments related to this evaluation by completing the Employee Comments to Annual Performance Evaluation at the end of this evaluation and submitting it to your Evaluator for his/her receipt no later than seven calendar days after the date you acknowledge this evaluation below.

Section 7. Acknowledgments

Instructions for Evaluator, Employee, Department Head and City Administrator

Sign and date the evaluation below in the appropriate acknowledgment after completion of the meeting in which this evaluation is reviewed.

Evaluator

I acknowledge completing the appropriate parts of this evaluation.

Evaluator Signature

Date

Employee

I acknowledge that I received a copy of this evaluation and the above evaluator reviewed it with me.

Employee Signature

Date

Department Head/Supervisor/Manager/Director

I acknowledge reviewing this evaluation, along with any comments submitted by the employee.

Department Head Signature

Date

City Administrator

I acknowledge reviewing this evaluation, along with any comments submitted by the employee.

City Administrator Signature

Date

Employee Comments to Annual Performance Evaluation

Name:	Title:	Department:
Evaluator Name:	Evaluator Title:	Evaluator Department:
		Date of evaluation meeting:

I hereby submit the following comments to my above-referenced annual performance evaluation:

Acknowledgments

Instructions for Employee and Evaluator

Sign and date below in the appropriate acknowledgment.

Employee

I acknowledge completing these comments on the date of my signature below.

Employee Signature

Date

Evaluator

I acknowledge that I received these comments on the date of my signature below.

Evaluator Signature

Date

Attachment I

Windom Recommendations for Implementations

PROTECTED NONPUBLIC DATA
City of Windom
Recommendations for Implementation

Recommendations for implementation for calendar year 2017 for City of Windom supervisory employees only are included in this Attachment. These recommendations are based on the findings of the study as well as discussions with and preferences expressed by City of Windom management. The estimated financial implications for the recommendation for implementation are also included in this attachment for calendar year 2017. The City of Windom always has the option to not take action on any of the recommendations proposed throughout this study.

Recommended Actions

- Approve proposed Classification Changes in Attachment A.
- Confirm the continuation of using the Minnesota Job Match Process for job evaluation as contained in Attachment B.
- Approve Proposed Job Evaluation Ratings for all positions as contained in Attachment C. Note: The job points were not used to determine the selected and approved base pay structure for the City of Windom.
- Approve the 2017 Proposed Base Pay Structure (Annual) as contained in Attachment G on pages 51-52, effective January 1, 2017, which includes a 2% general wage increase to the 2016 data that had been collected.
- Effective January 1, 2017, place employees on the step in their position’s pay grade in the 2017 Proposed Base Pay Structure (Annual) as contained in Attachment G that is the step that closest to, but not lower than, the employee’s base wage they are paid as of December 31, 2016.
- For employees with wages as of December 31, 2016 above maximum pay for their position’s respective pay grade, wages for these employees should be frozen until their wage is within the pay range of the 2017 Proposed Base Pay Structure (Annual) as contained in Attachment G. Any future salary adjustments would be determined by the City Council.
- Move employees one step in their position’s pay grade in the 2017 Proposed Base Pay Structure (Annual) as contained in Attachment G on pages 51-52, effective on their anniversary date.
- Consider the variable pay options presented in the City of Windom Final Report in Section 5.2.4.

Financial Implications

Chart 1 below illustrates the dollar and percent increases between the cost for wages using current wages for the 2016 Supervisory Employees in the Classification and Compensation Study (2016 Current) for all of 2016 compared to the cost for wages based on the recommendations above for all of 2017 (2017 Proposed).

City of Windom Supervisory Employees Annualized Wages			
2016	2017 Proposed		
Annualized Wages	Annualized Wages	\$ Above 2016	% Above 2016
\$1,007,908	\$1,035,581	\$27,673	2.7%

Attachment J

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