



## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Meeting Date:</b>	Tuesday, February 23, 2021
<b>Category:</b>	NEW BUSINESS
<b>Type:</b>	ACTION
<b>Subject:</b>	Consider approval of a Consulting firm to conduct a Classification and Compensation Study
<b>Background Information:</b>	<p>In November 2020, Staff received Council approval to initiate a Request for Proposals (RFP) to conduct a Classification and Compensation Study. The RFP was issued on November 12, 2020 and the deadline for submissions was December 4, 2020. A total of seven (7) proposals were received and reviewed by City staff. A copy of each proposal has been provided to the City Council for review and consideration. The proposals are valid for 90 days (expire on 03/04/2021).</p> <p>At this time, only the names of the responders are considered public data; <u>all other data</u> in the proposals received by the City are classified as <i>private or non-public data</i> until the City has completed negotiations with the selected vendor. (Reference MN Statute 13.591 subd. 3(b). (<a href="https://www.revisor.mn.gov/statutes/cite/13.591">https://www.revisor.mn.gov/statutes/cite/13.591</a>)).</p> <p>Proposals were received from:</p> <ol style="list-style-type: none"> <li>1. Abdo Eick &amp; Meyers, LLP</li> <li>2. Baker Tilly</li> <li>3. DDA Human Resources, Inc. (a David Drown Associates Company)</li> <li>4. Evergreen Solutions, LLC</li> <li>5. Flaherty &amp; Hood, P.A.</li> <li>6. Gallagher Benefits Services, Inc.</li> <li>7. Universal Personnel Services</li> </ol> <p>Personnel Committee Recommendation: On 02/17/2021, the Personnel Committee reviewed the purpose of and the reasons for proceeding with a Classification and Compensation Study and reviewed each of the proposals received. The Personnel Committee unanimously recommended proceeding with Gallagher Benefit Services, Inc. to perform the study.</p> <p>The Council approved \$20,000 in the 2020 budget and \$30,000 in the 2021 budget (planned use of reserves) for this study.</p> <p>Purpose and Goals of the Study: Our objective for this Total Compensation Study is to develop a comprehensive classification and compensation system to attract, retain, and motivate qualified employees who will enable the City to maintain a competitive position with peer cities and competitive markets with whom we compete for labor.</p> <p>The Study will enable:</p> <ul style="list-style-type: none"> <li>• a compensation architecture and supporting processes and policies that are adequately positioned to meet the city's hiring and retention needs;</li> </ul>

- a compensation structure and supporting implementation plan that complies with Minnesota’s Pay Equity Law and state and federal laws, including overtime payment/exemptions and internal pay equity;
- pay for employees that is competitive in the markets where the City competes for talent
- job descriptions that are reviewed, complete, and up-to-date.

Approval of a study will also review and resolve areas of concern that the Council has requested be addressed, such as the expansion in the number of steps, review of selected positions for current market competitiveness, and review of selected positions for internal equity. Additionally, Staff are concerned about our ability to obtain on-going consultation to perform job evaluations under our current Hay Point Factor job evaluation system. Staff recommend transitioning to an evaluation system that can be supported on an on-going basis by a reputable firm.

Based on our most recent Pay Equity analysis completed in January 2021, our compensation structure requires attention. Under MN law, (Pay Equity Law), the City is required to maintain a job evaluation and classification system that is fair and equitable. Though the City’s report indicated compliance with state law, the results of the statistical testing show that we are close to non-compliance. There have been significant organizational changes since completion of the last study in 2012. A professional consultant trained in analyzing our jobs through statistical methods and market data is needed to ensure the City maintains compliance with the Pay Equity Act.

The Council has suggested that City Staff utilize the League of MN Cities (LMC) Salary Survey data to collect market data on our positions. There are several reasons staff advise against utilizing this data as a primary source of data. Using the LMC Salary Survey data alone or as a primary source are not sufficient to determine the City of Marshall’s position in the market. These data are typically entered into the system only once per year and may not include the most current salary information; for example, union settlement data occurring after the survey data have already been uploaded. It is also not possible to ensure an accurate job match using LMC salary data—it is important for a consultant review job descriptions or position description questionnaires to ensure a job match, not just a title match. The LMC Salary Survey data do not include every position within an organization; therefore, several positions may not have data available. Additionally, LMC Salary Survey data would need to be augmented by additional public sector surveys for many positions. Historically, the LMC Salary Survey hasn’t encompassed each of our comparator cities; therefore, additional custom surveys would be needed. Lastly, the City has partnered with the MLCL and Public Housing on prior studies—these entities do not have the financial means to conduct these studies on their own, but they too are required to meet the same requirements---many of their respective positions would not be included in the LMC Salary Survey data available.

Our current compensation structure requires modification in the classification of positions and in developing pay bands. It has become increasingly difficult to incorporate organizational changes into the current classification structure. City Staff are not trained or positioned to complete the data collection or data analysis that this study would provide. City HR staff are not trained in statistical analyses and do not have access to the software necessary to develop a compensation structure. Staff require the assistance of a Consultant in determining who our comparator cities are, as well as our benchmark positions, those jobs that will be utilized to gather market data on. After evaluating (pointing), classifying positions, and collecting market data, a professional consultant is needed to perform statistical testing and analyses to “marry” the position points with the market data in a manner that maintains both internal equity and market competitiveness. In every City, this analysis and development of a proper compensation structure requires the expertise and the “art” if you will of someone trained in

job evaluation and compensation systems, of designing a system that matches the City's compensation philosophy, has long-term implementation capability, and is readily understood by the Council, employees, and the citizens of the community.

The most recent study conducted by the City entailed a classification study in 2011 and a compensation study in 2012; the results of the study were presented to and accepted by the City Council for implementation in 2013. The study included City, Library, and Public Housing positions. The cost of this study was \$31,500. For the past two studies (2006/07 and 2011/12), the Library and Public Housing Commission did not pay towards the cost of the study; but they were responsible for the cost of implementation of the study's accepted recommendations within their organizations. At this time, Staff are not able to project an implementation cost estimate if the Council would proceed with a study in 2021.

At the conclusion of the 2011-2012 study, the Council gave direction to staff to complete these studies approximately every five (5) years to ensure the City maintains market comparable wages and compliance with the Minnesota Pay Equity Act. Staff have included the study as a proposed budget item since 2017; however, due to budget constraints, the studies haven't been approved.

The timing of a study to be completed by 4<sup>th</sup> quarter 2021 would be beneficial for union negotiations. Each of our three union contracts expire on 12/31/21; the Council will be asked to consider new contracts for each bargaining unit. Having knowledge of market salary data would be highly beneficial in negotiating the contracts.

Performing a Classification and Compensation study will provide the City with several outcomes:

- Under the guidance and facilitation of a consultant, a study provides the City with an opportunity to establish an updated or revised philosophy and policy on employee compensation. The City can work with a consultant to make any desired changes to the existing compensation philosophy and policy that will align with the City's strategic goals.
- Under the professional guidance of a consultant, a study provides the City with an opportunity to review and/or modify the existing pay structure, including the expansion of steps, if appropriate, while ensuring compliance with state and federal laws.
- Identifies our labor market comparators, which also supports identifying our market position during labor negotiations. Through this study, the comparator cities we have traditionally utilized may need to be changed due to changes in population, socio-economic changes, etc.
- Ensures market/internal structure alignment---ensures employees are paid fairly and equitably
- Identifies paths for career progression for employees
- Assures compliance with the Minnesota Pay Equity Act
- Aids in resolution of recruitment and/or retention issues for selected positions where the market currently bears a higher rate of compensation
- Aids in our ability to recruit the right talent pool by reviewing minimum qualifications and essential functions of positions
- Increases the City's ability to compete for talent (employees) due to the significant shortage of available workers in southwest MN
- Provides the City with necessary comparator wage information such as salary data, salary range width, etc.; the City needs this information to make informed decisions related to pay structure changes and union contract negotiations.

<b>Fiscal Impact:</b>	\$32,000
<b>Alternative/ Variations:</b>	<ul style="list-style-type: none"><li>• Direct staff to defer the study for reconsideration by the Council in 2022.</li></ul>
<b>Recommendations:</b>	To authorize Staff to enter into an agreement with Gallagher Benefit Services, Inc. to conduct a Classification and Compensation Study