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## MEMORANDUM

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**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** JOSHUA TETZLAFF, CITY ADMINISTRATOR  
**SUBJECT:** COMPENSATION STUDY PEER LIST DISCUSSION  
**DATE:** JULY 2, 2025

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As the City works with AutoSolve on the Compensation Study, one of the items that has been discussed by the Council in the past is how the “peer list” is put together. AutoSolve is currently working through the formulation of that list, so I wanted to have a larger discussion about it with the Council so that there is a known expectation of what is being used.

The first question to answer when putting together the peer list is what the City Council would like to see from the study. Does the Council want the compensation study to measure the regional market against itself and determine where it stands, or does the Council want the compensation study to measure the City against its known competitors for labor and to position itself accordingly? These are two very different answers that will directly impact who the City measures itself against.

For example, if the City Council wants to measure the regional market and assess where it stands in that geographical market, cities that are be different than itself may be used because they are within 30 miles of New Prague and have similar job positions. Those much smaller, or much larger, cities may not be competitors for labor but are in the region. While this can measure the regional market for a job title, it may not be the best method of measurement if a City has seen a lot of people leaving the organization for other Cities that offer higher pay/benefits.

If the City Council wants to measure itself against known competitors for labor and compete to keep or attract talent away from those competitors, some of those small cities may purposely be chosen to be left off since their pay/benefits are not attracting talent away. While two cities may have an accounting position, cities of vastly different sizes may not be competing within the same labor pool or against the same cities for talent. A larger city may have the means to pay more and thus choose a higher wage knowing that it is also competing with other large cities who are paying that higher wage instead of lowering its wage to match smaller cities that then make it uncompetitive with larger cities in the area. That higher level of pay/benefits generally increases the talent pool for open positions and helps to retain known talent to prevent turnover and the associated costs.

How the City Council wants to use this compensation study is an important discussion to be had that will directly help build out the peer list. Once that question is answered, the City is able to then dig into whether it will look at the three-county area or expand the reach slightly to account for cities that have attracted talent away or cities that are within a commuting distance to attract talent. The City is also able to decide where it wants to position itself. Does it want to position itself in the middle of the market, as some cities choose to, or

does the Council want to position itself in the upper or lower part of the market? How a City positions itself in the labor market can have a direct impact on the quality of labor it is able to attract and retain.

AutoSolve did ask that the peer list be no more than 15-20 organizations. I believe that some organizations should be measured against, regardless of how the Council wants to measure the market are:

- City of Belle Plaine
- City of Jordan
- City of Elko New Market
- City of Prior Lake
- City of Savage
- City of Shakopee
- City of Northfield
- Le Sueur County
- Scott County
- Great River Energy \*
- Minnesota Valley Energy \*

\* Organizations selected to measure Electric Linemen against since most cities do not have the position.

\*\* AutoSolve has indicated they have access to information that allows some positions to be compared against the private sector in the area.

How the City Council wants to approach the study will determine how the remainder of the list is built out. If the City Council wants to measure the regional market, the list may also include:

- City of Montgomery (est. 3,508 pop)
- City of Cedar Lake (3,059)
- City of Lonsdale (4,937)
- City of Le Sueur (4,221)
- City of Le Center (2,517)

If the City Council wants to measure against cities who have become direct competitors in the labor market, as evidenced by employees who have left since the last compensation study was conducted and the distance people have shown a willingness to drive for increased pay/benefits, the list may include:

- City of Lakeville
- City of St. Peter
- City of Farmington
- City of Faribault
- City of Apple Valley
- City of Burnsville
- City of Mankato

I would like to have a discussion with the Council on how it would like to approach this study, and then how they would like the peer list to look.