



Memorandum

To: Mayor Nelson and Members of the City Council

From: Daniel R. Buchholtz, ICMA-CM, Administrator, Clerk/Treasurer

Date: October 20, 2025

Subject: Proposal from DDA Human Resources to Update the City's Pay Plan

In 2021, the City contracted with Baker Tilly to conduct a comprehensive *Classification and Compensation Study*. That study evaluated 19 positions across the City organization, reviewing internal equity and market competitiveness within the Twin Cities region. Baker Tilly's final report (October 2021) concluded that the City's salary structure was, on average, 6% below market at minimums, 5.9% below at midpoints, and 5.7% below at maximums. The resulting pay plan included 25 pay grades with 3.5% between steps and 6% between grades, and recommended periodic review and adjustment to maintain competitiveness.

The City implemented the updated plan in 2022. However, in the years since, wage pressures across the Twin Cities metro area have accelerated due to inflation, labor shortages, and statewide wage growth. To maintain competitiveness and ensure compliance with Minnesota's pay equity requirements, staff recommends updating the City's pay plan using 2025 market data.

DDA Human Resources, a division of David Drown Associates, has submitted a proposal dated October 1, 2025, to perform a Compensation Study and Market Analysis for the City. DDA specializes in local government human resources and currently serves over 100 Minnesota cities and 50 counties. Their team, led by Dr. Tessia Melvin, has extensive experience updating public sector pay systems throughout the state.

The firm's approach emphasizes a practical, common-sense process rather than a theoretical statistical model. Their work includes collecting market data from comparable communities, analyzing internal equity, and providing clear, implementable recommendations. DDA offers several options, ranging from a limited market update to a full classification and compensation study. For up to 20 positions, the proposed pricing is as follows:

Opt.	Scope of Work	Cost (Not to Exceed)
1	Compensation Study / Market Analysis	\$5,500
2	Compensation Study / Market Analysis + Amend or Establish Compensation System	\$8,000
3	Compensation Study / Market Analysis + Implementation Strategy	\$10,000
4	Full Classification & Compensation Study (includes re-writing job descriptions and pay equity)	\$14,125
5	Ongoing Maintenance (annual)	\$4,500 per year

Staff recommends choosing Option 3, as it offers the most balanced approach for the City's current needs. It includes:

- A comprehensive market analysis using comparable Minnesota cities;
- Review and adjustment of the City's existing compensation structure; and
- An implementation analysis and strategy, including detailed cost projections for various approaches.

Unlike a full reclassification, Option 3 builds on the City's existing pay plan and job descriptions, which remain accurate and functional, while providing the review needed to make sure the system stays fair and competitive.

The Non-Bargained Personnel Committee reviewed the proposal and also recommends Option 3. The Committee also recommends authorizing a contingency of up to \$1,000 to cover the cost of reviewing three job descriptions – the Public Works Mechanic, the new Housing/Code Enforcement Inspector, and the Administrative Captain position. Finally, the Committee recommends that the City Council also consider enrolling in the annual maintenance program to ensure the plan remains current and to minimize the need for future comprehensive compensation studies. This determination can be made after the project is completed, based on the City's satisfaction with the process and final outcome.

Completing this update in 2025 would allow the City to proactively address potential salary compression issues, maintain compliance with pay equity reporting, and ensure that the 2026 budget and long-term pay plan are based on current data.

If you have any questions, please do not hesitate to contact me at 763-784-6491.