

Watertown City Council

April 13, 2021

Agenda Item: Staffing and Compensation Study**Request for Action: Adopt Resolution #2021-48, Approving Staffing and Compensation Proposal
Adopt Resolution #2021-49, Approving Wage Scale Adjustment for Grade 17****Department: Shane Fineran, City Administrator****Background:**

The City Council has been very deliberate in planning for the future of the community's infrastructure needs. Since 2014 the City Council has developed and implemented long range plans that address the maintenance and capital investment needs of the community and organization through the Financial Management Plan, the Capital Investment Plan, Utility Financial Management Plan, debt studies, Pavement Management Plan, and Road Construction Plan. These tools have helped the organization be thoughtful and make incremental investments in management of the city's finances, impacts to tax payers, and ensuring we can deliver a high level of service to the community.

Staff and the Council began discussions about turning the attention for planning to one of our largest and most important assets, our employee staffing, pay philosophy, and organizational performance and effectiveness. The organization has been able to effectively run and meet the obligations of the organization in a very lean configuration. As the community grows, the needs of the community will grow and our ability to be able to meet the needs of residents will be challenged. Having an analysis of our structure, industry benchmarks, and job duties will help us identify if we are best positioned to meet these needs currently and going forward. In addition, an analysis will help us identify milestones in the future where staffing additions should be evaluated in order to meet service demands.

Another critical component to ensuring we retain and attract talented professionals is ensuring we have a competitive compensation structure in the marketplace. The city has not had a comprehensive compensation study completed in at least ten years nor has formally discussed our philosophy for how we position ourselves in the marketplace. Having a firm grasp of our compensation plan in relation to the market with help prepare the organization for the 2022 budget formation process. As part of the 2021 budget formation the Council had approved \$30,000 for such efforts as the study and compensation study, organizational analysis, development, and training efforts.

Dr. Tessia Melvin, David Drown Associates met with the City Council in 2020 to review the scope of the proposal to conduct a staffing and compensation study. This study consists of two parts, a staffing analysis and wage scale study. The proposal costs \$9,000 and is based on community population. This study will provide the city benchmark analysis of its compensation plan and staffing structure and well as recommendation for implementation. The study will help ensure that job duties are reflected in job descriptions, evaluate our position in the market, evaluate career laddering possibilities, and test for pay equity compliance.

Soon staff will be bringing some additional resources for consideration that will focus on facilitated organizational analysis and staff development efforts.

Following the special meeting held by the City Council on April 8 to review the performance of City Administrator Shane Fineran, Council members Schutte and Walters, per the Council bylaw procedures, requested that the Council consider the adjustment of the City Administrator pay scale.

In August of 2020 staff presented salary comparison data from the League of Minnesota Cities of communities with a population of 4,000 to 10,000. In this study, the current scale was compared across these benchmarks at a 90% of market, 95% of market, and 100% of market comparison. 2021 salary data from LMC will not be available until June but taking the City's adopted 2021 salary range for the City Administrator Grade 17 and

applying similar comparison and cost of living adjustment metrics, a proposed range maximum for 2021 of \$126,571.80 could be considered as well as any of the percent to market comparisons at the 90%, 95%, or 100%.

2020 Market Analysis @
 LMC Analysis Metro/Central Cities 4,000 - 10,000

City's Position Title	WATERTOWN SCALE		2020 LMC WAGE SCALE			2020 LMC WAGE SCALE			2020 LMC WAGE SCALE			Proposed 2021 Salary Max	%
	2021 Min	2021 Max	90% MIN	90% MAX	% Chg	95% MIN	95% MAX	% Chg	100% MIN	100% MAX	% Chg		
City Administrator	\$89,192.00	\$111,389.00	\$88,749.90	\$111,681.00	0.7%	\$99,680.45	\$117,885.90	5.8%	\$98,611.00	\$114,090.00	11.4%	\$126,571.80	13.6%

Funding Source:

General Fund>Contingency

General Fund, Enterprise Funds, EDA Fund>City Administrator Salary

Attachments:

Resolution #2021-48

David Drown Associates Proposal (provided under separate cover)

Resolution #2021-49

**CITY OF WATERTOWN
RESOLUTION NO. 2021-47**

**RESOLUTION APPROVING STAFFING AND COMPENSATION STUDY PROPOSAL FROM
DAVID DROWN ASSOCIATES**

WHEREAS, the City of Watertown (the “City”) seeks to understand and evaluate its staffing and compensation structure; and

WHEREAS, the City has utilized planning documents and studies to aid in the implementation of long-term strategy and investments related to all aspects of municipal governance for infrastructure, fees and charges, and equipment and facilities; and

WHEREAS, staffing and compensation make up one of the largest and most important expenses of the organization, as adequate staff are paramount to carrying out the directives of the community; and

WHEREAS, ensuring that the staffing model utilized by the city adequately meets the demands of the community and that compensation is consistent with market demands will help to attract and retain qualified employees; and

WHEREAS, a study evaluating the organizations position as it relates to staffing and compensation has not been completed for at least ten years; and

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Watertown, Minnesota, hereby approves the attached Staffing and Compensation proposal from David Drown Associates.

Adopted by the City Council of the City of Watertown this 13th day of April 2021.

Steve Washburn, Mayor

ATTEST: _____
Lynn Tschudi, Administrative Services Director

City of Watertown, Minnesota



Strategic Initiative of Staffing and Compensation Proposal April 12, 2021



Minneapolis Office:
5029 Upton Avenue South
Minneapolis, MN 55410
(612) 920-3320 xtn 101 | fax (612) 605-2375
www.ddahumanresources.com

April 12, 2021

Shane Fineran, City Administrator
City of Watertown
309 Lewis Avenue South
Watertown, MN 55388

RE: Strategic Initiative of Staffing and Compensation

Dear Mr. Fineran:

We are pleased to be invited to submit a proposal to complete a strategic initiative that analyzes staffing levels and compensation for the City of Watertown. You are seeking to retain a human resources consultant to undertake a comprehensive review of staffing levels, identify organizational efficiencies, and review current compensation with the market. Enhanced efficiency could come in many forms including workflows, staff utilization, and organizational structure. This evaluation is being done to better position the City to meet today's needs and help position the City for the future. In addition to reviewing organizational efficiencies, the City is dedicated to paying its employees fairly.

DDA Human Resources is interested in providing the required services to you, we are capable and experienced in completing this type of work, and we will bring to the engagement a willingness to listen and customize our services to your specific needs you will not find with other consultants. We measure our success not in the number of compensation studies completed; but by the number of our studies that are actually *implemented*.

DDA Human Resources is pioneering an alternative approach to compensation plan management which we call our Ongoing Maintenance Program. Instead of conducting a major study every few years we substitute an annual program of services designed to keep your compensation system continuously up to date. Your system with job descriptions, job classifications, and market alignment never gets out of date, and you will never have to undertake an expensive and disruptive plan overhaul again. Over half of our larger clients have opted to participate in this program. It may make sense for Watertown too.

Our firm's goal is to be known as the best human resources consultant in Minnesota. There is only one way to get there – by delivering exceptional service. We will do our very best to earn your trust, your respect, and your future business. Our proposal is valid for 90 days after April 12, 2021.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Drown", is positioned above the typed name and title.

David P. Drown, President
David Drown Associates, Inc.
5029 Upton Avenue South
Minneapolis, MN 55410

5.3 STATEMENT OF QUALIFICATIONS

Our parent company, David Drown Associates, Inc. has provided consulting services to over 450 units of government across Minnesota since 1997. Over these years, DDA staff has gotten to know government well and we continually strive to keep our services practical, useful and up-to-date. Our history and corporate culture have grown from an honest desire to serve public sector clients in a practical and common-sense manner.

DDA Human Resources, Inc. was formed in 2013 to provide human resource support services exclusively to governmental clients in Minnesota. We currently offer services for executive recruitment, organizational studies and classification and compensation studies. We also staff an HR Technical Assistance Program for the Association of MN Counties which provides technical advice and assistance to the HR staff of all the State's 87 counties. Since activating our compensation section in 2015, we have completed over 40 separate classification & compensation studies for clients ranging from cities with 4 employees to counties with 150 job titles and 500 employees.

Our approach to providing services and accomplishing tasks required of us is to listen to the client and create effective results. All our professional employees come to DDAHR from successful careers in city and county government. We think this practical experience sets us aside from other compensation consultants, and we know it helps us deliver a study that is not only technically sound but also practical, useful and understandable. We strive to deliver services the way you want to see them.

OUR SERVICE TEAM

DDAHR maintains a staff of 10 individuals. We also maintain relationships with several independent consultants in key specialty areas. Here is the Team we have assembled for your project:

Dr. Tessia Melvin – Project Team Leader

Tessia will be the lead on this project and be your primary contact. Tessia heads the compensation and classification (C&C) services area of DDAHR. Over the past two years, Tessia has served as lead analyst on the majority of our C&C engagements with Minnesota communities. She brings to the position nearly 13 years of diverse service to city and county government in Minnesota. As a City Administrator in Maple Plain, Tessia drafted five-year budgets, capital improvement plans, infrastructure improvement plans, and led strategic planning program. She was directly responsible for human resources and internal and external communications. Working in Dakota City, Tessia provided leadership training, managed their performance management system and worked with compensation and benefits. Dedicated to local governments and continued learning, Tessia earned her doctorate in Public Administration at Hamline University with an emphasis on city development and planning.

David Drown – Technical Support

David is the founder and owner of DDA. David will lend his technical and statistical expertise to the team to manage the collection and analysis of market data, help calibrate your new compensation plan, and calculate budget impacts. David received his undergraduate degree in civil engineering and served in local government as a registered civil engineer early in his career. He also holds an MBA in finance from the Carlson School of Management and has served as a finance and economic development consultant to numerous cities and counties across the State.

Elizabeth Blakesley – Clerical Support

Elizabeth has worked at DDA for over 20 years. She will provide technical and clerical assistance to coordinate the market surveying process and prepare documents. She will utilize her organizational and technological skills to help provide concise, professional work results. After attending the University of MN – Duluth, Elizabeth began working with local units of government in Minnesota with the MN Small Cities Association. Her work in municipal finance and economic development has given her a good insight into the operations of counties and cities throughout the State.

SUPPORTING TEAM MEMBERS (*Our Bench*)

Gary Weiers

Gary manages the overall operations of DDAHR, and he also heads our executive recruitment section. Gary joined DDA in 2013 after 11-years as the Administrator of Rice County. Earlier in his career, he held social service manager positions in Rice, Mower and Sherburne Counties. Gary received a bachelor's degree from the University of St. Thomas and has honed his skills by working his way up from an entry level social worker position to be the head of a \$50 million organization with over 350 employees.

Melanie Ault

Melanie Ault brings to DDAHR over 20 years of experience leading Minnesota county human resources and labor relations operations with additional experience at the city, regional, and state levels. Melanie joined DDAHR in 2017, after serving as Washington County's HR Director. You might recognize her by her passion for examining pending legislation and its ramifications for the public sector. Melanie holds BA, MAPA, and JD degrees, with further education in public administration. She is an avid supporter of professional organizations, serving on the state and national levels. She loves making new connections and looks forward to helping you find answers and ideas. Melanie is one of our AMC Human Resources Technical Assistance Program staff.

Roxanne Chmielewski

Roxanne has over 32 years of experience as Human Resources Director for three Minnesota Counties with the last twenty years managing the Human Resources and Labor Relations functions for Sherburne County, a metro ring county with over 600 employees and ten bargaining units. She retired in 2015 and continues to work as a consultant to several counties and cities in Minnesota. Roxanne remains committed to providing local government with professional and effective HR expertise. This commitment was recognized by her peers as she received the Outstanding HR Professional of the Year award from the MN Counties Human Resource Management Association in 1998 and again in 2011. She also received the Make a Difference award from the National Public Employer Labor Relations Association in 2012.

George Gmach

George has been doing classification and compensation study work in Minnesota for 30 years. He worked with the Stanton Group for 12+ years with management responsibility for salary and benefit surveys and compensation consulting. His experience has crossed multiple industries and included private, non-private and public sectors. George also worked at Employers Association and its successor for 16 years. During his career, he has designed and conducted several hundred compensation and benefit surveys and has implemented multiple compensation programs in large and small organizations across all sectors. He

designed and modified job evaluation systems and implemented them in the public sector. He has worked with the Minnesota Pay Equity Statutes since their inception. In addition, he is a military veteran who served as a combat medic in Vietnam.

PROJECT APPROACH

Our approach to conducting this initiative is to help the City of Watertown enhance efficiency and organizational effectiveness. We will comprehensively assess the current staffing structure and service levels, analyze other similar situation City structures, compare employee turnover statistics and wages with similarly situation cities, interview employees selected by the City, review financial information and develop recommendations and implementation strategies to assist Watertown today in the future.

Communication with the City is a high priority, so, in addition to being on site a significant amount of time, regular updates will be provided to the City at every stage of the process.

REFERENCES – CLASSIFICATION AND COMPENSATION STUDIES

Scott Duddeck, City Manager
North St. Paul
2400 Margaret Street
North St. Paul, MN 55109
651-747-2400

Kristina Handt, City Administrator
Lake Elmo
3800 Laverne Avenue
Lake Elmo, MN 55042
651-747-3905

Kelcey Klemm, City Administrator
Detroit Lakes
1025 Roosevelt Avenue
Detroit Lakes, MN 56501
218-847-5658

Jessica Beyer, Administrator
Waseca County
307 North State Street
Waseca, MN 56093
507-835-0630

Crystal Johnson, City Manager
Granite Falls
641 Prentice Street
Granite Falls, MN 56241
320-564-3011

Margaret McCallum, Administrator
Mayer
413 Bluejay Avenue
Mayer, MN 55360
952-657-1502

David Murphy, City Administrator
East Grand Forks
600 DeMers Avenue
East Grand Forks, MN 56721
218-773-2483

Theresa Coleman, City Administrator
Kasson
401 5th Street NE
Kasson, MN 55944
507-634-7071

In addition to our compensation work, we have worked with several organizations on strategic initiatives work

related to staffing and organizational efficiencies. Some of our clients include: City of Edina, Aitkin County, McCloud County, Murray County, Pope County and Stearns County.

OUTLINE OF THE PROCESS

Item	Task
Decision by City to proceed	
Step 1: Review work plan	<ul style="list-style-type: none"> • Meet with City designated project team to: <ul style="list-style-type: none"> ○ Review the scope of the analysis ○ Review timeline and work plan
Step 2: Information gathering	<ul style="list-style-type: none"> • Study City budget • Review any previous studies or Lean projects already completed • Review organizational structure • Review all job descriptions of management staff, lead workers and others as needed • Study other applicable information
Step 3: Information gathering meetings	<ul style="list-style-type: none"> • Meet individually with key staff <ul style="list-style-type: none"> ○ City Administrator ○ Department Heads ○ City Council ○ Staff
Step 4: Comparisons	<ul style="list-style-type: none"> • Review service delivery options from similar cities • Review turnover statistics from similar cities
Step 5: Information analysis	<ul style="list-style-type: none"> • Review and analyze all collected data
Step 6: Review initial findings	<ul style="list-style-type: none"> • Meet with the Administrator and Project Team to review preliminary findings
Step 7: Report	<ul style="list-style-type: none"> • Complete report • Submit to Council for final review
Step 8: Presentation of report	<ul style="list-style-type: none"> • Meet with Administrator and Project Team to present report • Meeting with the City Council is also an option

DETAILS OF THE ASSESSMENT PROCESS

Step 1: Review Scope

- Meet with the City Administrator or Project Team for the following purposes:
- Review project scope

- Review project timeline
- Refine work plan to assure it meets the expectations of the City

Step 2: Information Gathering

During this phase of the project, a substantial amount of pertinent data will be collected and assembled for additional review. Data that will be gathered includes:

- Budgets
- Previous relevant studies or lean projects that have been done
- Job descriptions of all relevant positions
- Table of organization
- Industry standards
- Other information determined by the City

Step 3: Information gathering meetings

Individual meetings with key personnel will take place. These discussions will focus on:

- Effectiveness of current service delivery system
- Issues with current system
- Opportunities for process improvement-LEAN
- Obstacles to implementing change
- Other topics

Step 4: Comparative Data Gathering

Assemble and analyze extensive data from other Cities that are similarly sized, organized and situated. We will analyze:

- Employee turnover statistics.
- Expected growth areas of the City.
- Current pay structure.
- Benchmark cities wage analysis.
- Benchmark city staffing levels.

Step 5: Information Analysis

Review of the information gathered in Steps 2-4 will take place. This will include a detailed analysis of the current system and other possible organizational strategies for improving efficiency.

Step 6: Review of Initial Findings

An outline of the information will be shared with City Administrator and then DDA will meet with the Project Team to review the data, options and financial ramifications. After review, the project team will provide feedback prior to the development of a final report.

Step 7: Report

After receiving feedback from designated staff, DDA will prepare a comprehensive report including the following components:

- Executive summary

- Background information
- Current operational summary
- Identification of strategies to improve efficiency
- Organizational options to improve service delivery efficiency
- Market Analysis and Pay Philosophy of City
- Estimated financial impact on staffing levels to implement recommendations
- Estimated financial impact on pay structure
- Implementation strategies

Step 8: Presentation of Report

DDA will meet with designated staff and/or the City Council to present final report and recommendations.

STUDY TIMETABLE AND FEES

Component	Time Required	Cost
Staffing Study	6 weeks	\$4,500
Wage and Benefit Benchmarks and Market Pricing Analysis	4 weeks	2,500
Design New Pay Plan	3 weeks	1,000
Final Report, Implementation and Training	3 weeks	<u>1,000</u>
	4 months	\$ 9,000
<ul style="list-style-type: none"> • <i>If job descriptions need substantial revisions, we will provide the additional work for \$200 per job description.</i> 		

ONGOING SUPPORT

Standard Fee for Services

- Write and classify a new or revised job description \$300 per position
- Classify a job description provided by client \$200 per position
- Pay Equity Reporting \$1,250 for 21-30 employees

- Hourly rates:
 - Professional \$200 per hour
 - Technical Support \$150
 - Clerical \$100

Ongoing Maintenance Program

This exclusive DDA Human Resources, Inc. program is designed to eliminate the need for large classification and compensation study every 4 to 6 years. Services include everything needed to keep a freshly updated compensation plan perpetually current.

- We review, update and reclassify as necessary one-third of job descriptions annually. (starting year 2)
- We undertake a market analysis of wages with benchmark communities and suggest changes to pay plan system as necessary to remain in tune with the market. (starting year 2)
- We will periodically provide the City with market data on benefits offered by comparable communities and suggest changes as warranted
- For any new jobs, we will write and classify the job for placement in the compensation system
- We will complete and submit a pay equity report to the State every three years or when otherwise required.
- If desired, we will handle data input of City wage data into the LMC salary system.
- We will provide budget support by:
 - Suggesting an adjustment to your Pay Plan for the coming year, based upon COLA and market factors.
 - Preparing up to two analysis of budget impacts of alternatives for wage adjustments.
- We will make an annual presentation to the City Council on the status of your compensation system.

**CITY OF WATERTOWN
RESOLUTION NO. 2021-48**

**RESOLUTION APPROVING
WAGE SCALE ADJUSTMENT**

WHEREAS, the City of Watertown (the “City”) has provided for step movements of employees on the approved pay scale; and

WHEREAS, the City Council has reviewed market conditions of comparable sized cities for the City Administrator position and have determined that an adjustment to the scale is warranted; AND

WHEREAS, in evaluating comparable wage data, application of the approved cost of living adjustment for 2021, the City Council as determined that a wage scale max at Step 10 of Grade 17 should be \$126,571.80; and

WHEREAS, Shane Fineran has met the satisfactory performance of his position for the past year and as evaluated at a Special Meeting on April 8, 2021; and

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Watertown, Minnesota, hereby approves placement of Shane Fineran at Step 10 of Grade 17 of the approved pay scale effective the pay period ending April 23, 2021; and

BE IT FURTHER RESOLVED that the City Council of the City of Watertown reserves the ability to further adjust the approved wage scale for all employees, including that of the City Administrator pending the results of the approved compensation study as approved via Resolution #2021-48 or as they see fit, regardless of compensation impact to all employees.

Adopted by the City Council of the City of Watertown this 13th day of April 2021.

Steve Washburn, Mayor

ATTEST: _____
Lynn Tschudi, Administrative Services Director