



*Our Mission is to Provide Quality Public Services  
in a Fiscally Responsible Manner While Preserving  
the City's Open Space Character*

## **Human Resources Committee Meeting**

**Monday, August 13, 2018, 7:30 AM  
City Council Chambers  
3800 Laverne Avenue North**

### **AGENDA**

- A. Call to Order**
- B. Approve July 31, 2018 Minutes**
- C. Performance Pay Compensation Policy**
- D. Date, Time and Agenda for Next Meeting**
- E. Adjourn**

**CITY OF LAKE ELMO  
HUMAN RESOURCES COMMITTEE MINUTES  
JULY 31, 2018 4:00 PM**

PRESENT: John Andrews, Mike Reeves, Michelle Whitman, and Assistant City Administrator Foster

**APPROVE JANUARY 22, 2018 MINUTES**

Member Reeves, seconded by Member Whitman, moved TO APPROVE THE MINUTES OF THE APRIL 11, 2018 MEETING AS PRESENTED. Motion passed 3 – 0.

**PERFORMANCE-BASED COMPENSATION**

Assistant City Administrator Foster briefly introduced the topic stating there was not much additional information with the exception of the notion of using paid-time-off (PTO) as compensation rather than a strictly monetary compensation mechanism. This idea was brought forth as there was some feedback from employees during annual reviews that there was a desire for more PTO.

Member Reeves asked for further clarification as to the intended outcome of the meeting. Mr. Foster clarified that Council was looking for a recommended policy draft. Member Andrews confirmed the desires of Council, and added that he spoke with the Mayor and that the Council supports implementing a performance-based compensation policy. Additional discussion took place to help understand exactly what staff and Council would like to achieve with performance-based compensation.

Through context of the general discussion, Mr. Foster discussed how the New Ulm model could address the goals of the City.

City Administrator Handt then described the current performance evaluation system/annual review process. Committee member discussed how the current system for employee reviews could be leveraged to keep the implementation of a performance-based compensation policy simple. Further discussion took place regarding how the current review system could be used for the performance-based compensation policy, how the New Ulm model could be adapted, and how the potential system could be applied to all non-union employees.

Member Reeves provided a rough estimate as to what costs might be for an incentive/performance-based program using the current evaluation system. Additional discussion took place regarding how bonuses should be delivered, and their general impact on the budget.

Members Andrews and Whitman raised concerns as to how the program could be effectively calibrated. Discussion took place regarding this notion and how the limited staff might impact the ability to do so. The ideas of consistency and non-biased evaluation were stressed during this discussion. Mr. Foster expressed his faith in the City Administrator to assure consistency throughout the review process for bonuses. Calibration would be the responsibility of the City Administrator.

Committee members requested that staff draft a policy using a one-time lump sum payment, and/or PTO based on their current employee evaluation system for their review at the next meeting.

**DATE, TIME AND AGENDA FOR NEXT MEETING**

Monday, August 13, 2018 at 7:30 AM

**ADJOURN**

Meeting adjourned at 4:45 PM.

Respectfully submitted,

Jake Foster  
Assistant City Administrator



## STAFF REPORT

DATE: August 13, 2018

REGULAR C.

**AGENDA ITEM:** Compensation Policy and 2018 Range and Steps

**TO:** Human Resources Committee Members

**SUBMITTED BY:** Jake Foster, Assistant City Administrator

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### **BACKGROUND:**

Upon direction for the City Council, the Human Resources Committee was tasked with recommending a draft of a performance-based compensation policy to be included in the City's overall compensation policy. Staff was then directed by the Human Resources Committee to provide a draft of such policy that incorporates the City's current employee review process with general concepts included in the incentive-based compensation policy from New Ulm, MN, a one-time lump sum payment or additional days of paid-time-off (PTO), and the ability to include all non-union benefit eligible employees.

### **ISSUE BEFORE COMMITTEE:**

Should the committee recommend the proposed performance-based compensation policy to Council?

### **PROPOSAL DETAILS/ANALYSIS:**

Staff has updated the current compensation policy to include a performance-based compensation component for the review and discussion of the Human Resources Committee with the following components:

- Performance bonuses will be based on the employee's annual review
- Employees are rated between 1-5 based on essential job functions, and knowledge, skills, and abilities based on their job description. An overall average of these scores will be taken for each employee.
- Employees must satisfactorily compete each of their three annual predetermined goals to be eligible for bonuses.
- Employees who receive an overall average score of four or five, and satisfactorily complete the aforementioned three goals, will receive bonuses.
- Overall average scores will be rounded to the nearest whole number. Those who receive an overall average score of four, will receive either a one-time lump sum payment of .5% of their annual salary, or two additional days of PTO based on the employee's preference. Those who receive an overall average score of five will receive either a one-time lump sum payment of 1% of their annual salary or three days of PTO. Annual salaries will be based on 2080 hours of work for non-exempt full-time employees, and prorated for benefit eligible part-time employees.
- Bonuses will be subject to Council approval, and will be presented with the annual step increase as recommended by the City Administrator.

### **FISCAL IMPACT:**

If this proposed policy was in place for the most recent annual review period, the cost of the policy would have been approximately \$1000.

**OPTIONS:**

- 1) Recommend the performance-based compensation policy, as proposed.
- 2) Recommend the performance-based compensation policy with changes.
- 3) Do not recommend a performance-based compensation policy

**RECOMMENDATION:**

*“Motion to recommend to Council the Performance-Based Policy for approval”*

**ATTACHMENT:**

- Redlined Compensation Policy
- 2018 Pay Ranges
- Position Grades
- City of Lake Elmo Organizational Chart 2018



## City of Lake Elmo Compensation Policy

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### **Purpose:**

The City of Lake Elmo intends to establish, administer, maintain and regularly update an internal job evaluation hierarchy that is consistent with the Local Government Pay Equity Act. The city also intends to establish, administer, maintain and regularly update a pay structure that is appropriate to the breadth and depth of services being offered to and provided for the City and is also affordable within available resources. Finally, the city intends to maintain supplemental benefits (insurance, holiday/paid time off schedules, etc) that are competitive and also affordable within available resources.

This policy establishes the guidelines for all non-represented city positions with the exception of elected officials, temporary or seasonal positions and paid on call firefighters. Compensation for seasonal or temporary employees and paid on call firefighters will be set by the City Council at the time of hire, or on an annual basis.

This policy is directed at three primary goals:

- To attract and retain qualified and responsible personnel for the positions covered under this policy;
- To create and maintain internal equity between positions compliant with the Minnesota Local Government Pay Equity Act and all other applicable local, State and Federal laws and regulations; and
- To do so efficiently and effectively thereby being fiscally responsible to the interests of the taxpayer.

### **Compensation Structure:**

Compensation is largely based on wage/salary grades and steps within the salary grade, with an additional performance-based compensation element. For any position subject to this policy, compensation must be assigned using a ten-step grid within each salary grade, with an increase of 30% from the minimum to the maximum step. In determining or evaluating compensation levels, the City Administrator must maintain a schedule of comparative compensation amounts for all positions covered under the policy. The City Council will determine the appropriate market to be used in developing this schedule and in supplemental compensation reviews.

A new employee must be hired at the pay grade minimum whenever possible. The City Administrator or appropriate department head may recommend the new employee be hired at a rate above the minimum of the pay grade for his/her classification based upon qualifications and experience, subject to approval by the City Council.

A probationary employee may advance to the next pay step after satisfactorily completing six months of employment which meets performance expectations, subject to approval of the City Council. Subject to Council approval, every year thereafter, on or about July 1st, an employee may advance to the next pay step after satisfactorily completing another year of employment which meets the performance expectations until he or she reaches the grade maximum. Determination of satisfactory performance must be recommended by the immediate supervisor on forms prescribed by the City Administrator. ~~Employees above the grade maximum will not receive an increase until the step plan catches up to their wage. Exceptions may be made on a case-by-case basis. Employees who are at or above the grade maximum will receive the predetermined cost-of-living-adjustment (COLA) based on a satisfactory performance review.~~

**Actions Taken to Review, Update and Maintain the Plan:**

Elements of the plan will be reviewed annually to determine the degree to which it remains consistent with the city's total compensation philosophy. Actions to be taken may include:

1. Review, verification, and any required updating of job descriptions for all positions covered by this policy.
2. Review, verification and any required updating of job evaluations on all positions covered by this policy, following established reclassification policies and procedures.
3. Review, verification and consideration of current market survey data collected from the cities selected for comparison, ensuring that there are no questionable data that may give an incorrect pattern of pay for one or more positions.
4. Review and consideration of appropriate changes to the established base pay structure based on patterns of current market survey data, ensuring that there will be continuing integrity in administration of the current or revised pay structure.
5. Review and consideration of changes to the city's supplemental benefits covering paid time off.
6. Review and consideration of required and/or appropriate changes to the written description of the plan.

The pay grades and rates established by this policy must be annually confirmed by the City Council through adoption of the budget and resolution establishing the grades and steps for each job classification.

**General Provisions:**

Nothing within this policy is a guarantee of employment and compensation, and nothing is to be construed as a commitment to continue the City of Lake Elmo Compensation Policy for more than one calendar year at a time. All components of this policy are set forth as guidelines to assist in establishing appropriate compensation. The provisions of this policy supersede all other compensation considerations. Compensation schedules will be maintained and updated as appendices to this policy in accordance with policy provisions.

**Performance-based Compensation:**

In addition to the step-and-grade system, all non-union benefit-eligible employees are eligible for additional performance-based compensation. Performance bonuses will be based on the

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employee's annual review. Employees are evaluated annually based on essential job functions, and knowledge, skills, and abilities based on his or her job description. He or she receives a score between one and five for each of these areas. Scores will be averaged and rounded to the nearest whole number. Average scores of a four or five will be eligible for a bonus. Employees must also satisfactorily complete each of their three annual goals as determined by their supervisor during the prior year's review. If the employee receives an average overall score of four, they will receive a one-time lump sum payment of .5% of their annual salary (based on 2080 hours for non-exempt full-time employees, and prorated for part-time employees) or two additional days of PTO based on the his or her preference. If the employee receives an average overall score of five, he or she will receive a one-time lump sum payment of 1% of their annual salary (based on 2080 hours for non-exempt employees) or three additional days of PTO. Bonuses will be subject to Council approval, and will be presented with the annual step increases as recommended by the City Administrator.

**Appendix I:**  
Position Grades

**Appendix II:**  
Range and Step Plan



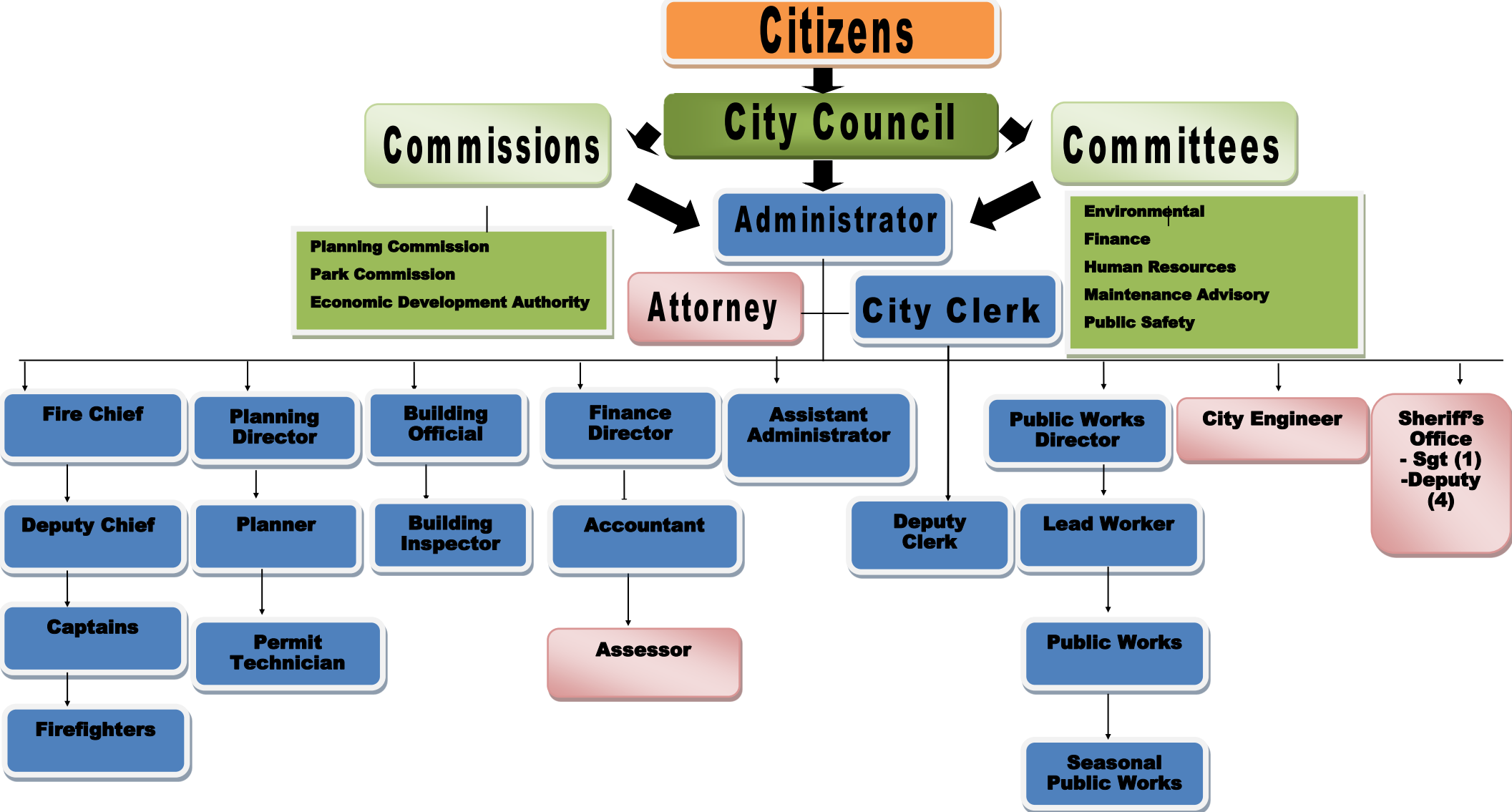
**2018 Non Represented Pay Plan**

Grade	Evaluation Points		Range Steps									
	Point Min	Point Max	Min	2	3	4	5	6	7	8	9	Max
1	130	139	\$14.04	\$14.51	\$14.98	\$15.45	\$15.92	\$16.39	\$16.85	\$17.32	\$17.79	\$18.26
2	140	151	\$14.99	\$15.49	\$15.99	\$16.49	\$16.99	\$17.49	\$17.99	\$18.49	\$18.99	\$19.49
3	152	163	\$16.00	\$16.54	\$17.07	\$17.61	\$18.14	\$18.67	\$19.21	\$19.74	\$20.27	\$20.81
4	164	176	\$17.08	\$17.65	\$18.22	\$18.79	\$19.36	\$19.93	\$20.50	\$21.07	\$21.64	\$22.21
5	177	190	\$18.24	\$18.85	\$19.45	\$20.06	\$20.67	\$21.28	\$21.89	\$22.49	\$23.10	\$23.71
6	191	205	\$19.47	\$20.12	\$20.77	\$21.42	\$22.07	\$22.71	\$23.36	\$24.01	\$24.66	\$25.31
7	206	222	\$20.78	\$21.48	\$22.17	\$22.86	\$23.55	\$24.25	\$24.94	\$25.63	\$26.33	\$27.02
8	223	240	\$22.19	\$22.93	\$23.67	\$24.40	\$25.14	\$25.88	\$26.62	\$27.36	\$28.10	\$28.84
9	241	259	\$23.68	\$24.47	\$25.26	\$26.05	\$26.84	\$27.63	\$28.42	\$29.21	\$30.00	\$30.79
10	260	280	\$25.28	\$26.13	\$26.97	\$27.81	\$28.65	\$29.50	\$30.34	\$31.18	\$32.02	\$32.87
11	281	302	\$26.99	\$27.89	\$28.79	\$29.69	\$30.59	\$31.49	\$32.39	\$33.29	\$34.19	\$35.09
12	303	326	\$28.81	\$29.77	\$30.73	\$31.69	\$32.65	\$33.61	\$34.57	\$35.53	\$36.49	\$37.45
13	327	353	\$30.76	\$31.78	\$32.81	\$33.83	\$34.86	\$35.88	\$36.91	\$37.93	\$38.96	\$39.98
14	354	381	\$32.83	\$33.93	\$35.02	\$36.11	\$37.21	\$38.30	\$39.40	\$40.49	\$41.59	\$42.68
15	382	411	\$35.05	\$36.22	\$37.38	\$38.55	\$39.72	\$40.89	\$42.06	\$43.23	\$44.39	\$45.56
16	412	444	\$37.41	\$38.66	\$39.91	\$41.15	\$42.40	\$43.65	\$44.90	\$46.14	\$47.39	\$48.64
17	445	480	\$39.66	\$40.98	\$42.30	\$43.62	\$44.95	\$46.27	\$47.59	\$48.91	\$50.23	\$51.56
18	481	518	\$42.04	\$43.44	\$44.84	\$46.24	\$47.64	\$49.04	\$50.45	\$51.85	\$53.25	\$54.65
19	519	560	\$44.56	\$46.05	\$47.53	\$49.02	\$50.50	\$51.99	\$53.47	\$54.96	\$56.44	\$57.93
20	561	605	\$47.23	\$48.81	\$50.38	\$51.96	\$53.53	\$55.11	\$56.68	\$58.25	\$59.83	\$61.40

**POSTION GRADE ASSIGNMENT**

<b>TITLE</b>	<b>GRADE</b>
Accountant	9
Assistant City Admin	11
Building Inspector	11
Building Official	13
City Administrator	20
City Clerk	11
City Planner	11
Deputy Clerk	7
Fire Chief	16
Fire Dept. Admin Asst	8
Finance Director	16
Permit Technician	7
Planning Director	16
Public Works Director	17

# CITY OF LAKE ELMO ORGANIZATIONAL CHART 2018



 = Citizen Appointees  
 = Contractor Relationship

