

RELEVANT LINKS:[Personnel Policy Template](#)[U.S. Department of Labor](#)[Minnesota Department of Labor and Industry](#)[FLSA Overview - Information Memo](#)[Minnesota Department of Employee Relations](#)[Minnesota Statutes 471.992](#)[Pay Equity Information Memo](#)

VIII. COMPENSATION

Overview: Many cities develop a compensation and job classification plan that is separate from the general personnel policies of the city. The information in such a policy is often quite in-depth and may be used for purposes of pay equity reporting. In addition, compensation and classification plans are sometimes created and/or updated by a consultant rather than by the city. Having a separate document for this information is a practical way of dealing with a policy that must be reviewed on an ongoing basis. Detailed information on developing a compensation plan is available in the Compensation and Benefits Chapter of this manual.

The following information addresses the practices and requirements related to compensation that are not subject to revision on such a frequent basis and thus can be handled most effectively in a city's personnel policies:

A. Compensation and classification plans

An easy way to acknowledge the practice of having a compensation plan in a separate document is to develop simple policy language that states: "Employees of the city will be compensated according to schedules periodically adopted by the City Council." The League has developed a model compensation plan for small cities. See the Compensation and Benefits Chapter of this manual.

B. Minimum wage

Cities are covered by both the federal Fair Labor Standards Act (federal FLSA) and the Minnesota Fair Labor Standards Act and are generally required to comply with the law that is least restrictive (e.g., more generous to employees). Because of this cities should carefully review the provisions of both laws before determining the minimum wage for any given classification of employee. Detailed information on both state and federal minimum wage requirements can be found in the Compensation and Benefits Chapter of this manual.

There is no real need to include minimum wage language in a city's personnel policies. The city may choose to include a simple statement that: "The City complies with the minimum wage laws set forth in the state and federal Fair Labor Standards Acts."

C. Pay equity

The comparable worth plan that cities are required to create for purposes of pay equity implementation reporting is generally developed in conjunction with a city's compensation plan, rather than being included in the city's personnel policies. Some cities do choose to include a statement in the personnel policy on compensation that says: "The City complies with the requirements of the Minnesota Pay Equity Act."

D. Paychecks

1. Distribution of paychecks

This policy explains when paychecks are issued and how they are distributed. If the paycheck distribution day changes when a payday falls on a city-observed holiday,

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this should be noted. In addition, the policy should indicate who will be eligible to receive a check on behalf of an employee in the event the employee is not available to receive it.

2. Direct deposit

[Minnesota Statutes 471.426](#)

Minnesota law enacted in 2004 permits cities to require all employees on the payroll system to participate in direct deposit. It is a good idea for any city implementing this requirement to clarify the practice in a written policy.

3. Changes in employee information

Policy language should make clear that it is each employee's responsibility to notify the city with any change of status including address, phone number, names of beneficiaries, marital status, etc.

E. Time reporting

An accurate record of hours worked and any leave time used by nonexempt employees is necessary to comply with the provisions of the federal and state Fair Labor Standards Act. Timesheets are also a way of establishing a legitimate expenditure of public funds for auditing and other purposes. Time worked and accrued leave used is recorded daily and typically submitted to payroll on a biweekly basis or twice per month (or as otherwise established). Timesheets should include the signature of the employee and the supervisor. **Many cities include a policy statement that false information reported on a timesheet may be cause for immediate termination of the employee.**

F. Electronic time reporting

[Minnesota Statutes 412.271, Subdivision 2\(c\)](#)

More and more cities are moving away from signed paper timesheets and toward electronic time keeping. While state law permits cities to use electronic time recording systems, such cities are required to establish a policy to ensure that the timekeeping and payroll methods used are accurate and reliable. Said policy must be adopted by the governing body of the city (i.e., City Council).

G. Overtime

[U.S. Department of Labor
LMC Model Overtime Policy
FLSA Exemptions Information Memo](#)

The federal Fair Labor Standards Act requires that covered employees be paid time and one-half overtime (or time and one-half compensatory time) for all hours worked over 40 in one work week. Certain employees are exempt from these requirements but may still be subject to the state's overtime law which requires time and one-half payment after 48 hours worked in one work week. For detailed information on FLSA exemptions from overtime, click on the link to the left and also see the Compensation and Benefits Chapter in this manual.

Key items to be addressed in a city's overtime policy include:

- Who is eligible for overtime?
- When does the workweek begin and end (for purposes of calculating overtime)?
- Will all overtime be paid to the employee or is compensatory time an option?

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- Must overtime be approved before it is worked?
- Who has the authority to approve overtime?
- Are there any circumstances under which it would be acceptable to work overtime without prior approval?
- Will time taken as paid leave and/or paid holidays count as “time worked”?
- How do employees track overtime worked?

H. Compensatory time

Cities are not required by the state or federal wage and overtime laws to provide the option of compensatory time off in lieu of paid overtime. (Be aware that a city policy or union contract may require the city to provide this option.) As noted above, under certain circumstances, a city may give compensatory time off in lieu of paid overtime. If a city chooses to offer compensatory time to employees, policy considerations are as follows:

- Who is eligible for compensatory time (exempt and non-exempt)?
- How is the election of compensatory time accrual versus paid overtime determined?
- When do employees earn compensatory time?
- What is the maximum accrual for compensatory time?
- What is the procedure for requesting the use of accrued compensatory time?
- Is compensatory time paid out or bought down at any point during the year?
- Are there any defined work situations where overtime will always be paid out and others where compensatory time will always be earned?
- How do employees track compensatory time used?

I. Hours of work

It is important to clearly establish employees’ hours of work in a policy. Without written work hour requirements it may be difficult for the city to act on performance issues related to absenteeism or tardiness. In addition, both the federal Fair Labor Standards Act and the state Fair Labor Standards Act (FLSA) impose certain record keeping and compensation requirements related to work hours. The following are some of the key areas cities should consider when developing a policy defining work hours.

1. Business hours

This policy should establish the business hours for city hall and any other city facilities at which city employees may work.

2. Core hours

There is no requirement that a city establish core hours for employees. Core hours are those hours during which all city employees, both exempt and nonexempt, are required to be at their place of work, unless out of the office conducting business

[U.S. Department of Labor](#)

[Minnesota Department of Labor and Industry](#)

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[Minnesota Department of Labor and industry](#)

[Minnesota Statutes 177.253](#)

[Minnesota Statutes 177.254](#)

activities or on an approved leave. Because all city employees are accountable to the public in some manner, it is reasonable to expect employees to be at work for the majority of the business hours established for the city. For example, if city business hours are 8:00 a.m. to 5:00 p.m. each day, core hours might be 9:00 a.m. to 3:00 p.m. each day.

3. Meal breaks & rest periods

The state law requires employers to provide restroom time and sufficient time to eat a meal. If a break is less than 20 minutes in duration, it must be counted as hours worked. Time to use the nearest restroom must be provided within each four consecutive hours of work. Meal time applies to employees who work eight or more consecutive hours.

Policy language regarding meal breaks and rest periods should address basic issues like:

- What are the time limits on rest periods and meal breaks?
- Which breaks will be considered work time?
- Are there any groups of employees required to take breaks at specific times or at specific locations?
- Can breaks be “saved” to enable an employee to alter his or her work schedule?
- Are nonexempt employees required to take lunch breaks away from their work stations so as to avoid potential overtime claims?

4. Non-exempt work hours

Nonexempt employees are covered by overtime provisions of the federal Fair Labor Standards Act (FLSA). This means that a nonexempt employee is eligible for overtime compensation at the rate of one and one-half times his or her hourly rate for each hour worked over 40 in any workweek. Because of this requirement many cities use a policy to define the work hour expectations and limitations for nonexempt employees so as to limit overtime compensation.

Some cities have policy language stating that any paid or unpaid leave hours used during a work week will not be included in the calculation of hours worked for purposes of determining FLSA overtime eligibility. In addition, many cities require employees to obtain prior authorization before working overtime hours except in an emergency situation.

5. Exempt work hours

Exempt employees are not subject to the overtime provisions of the federal Fair Labor Standards Act. The general understanding is that exempt employees work as many or as few hours as needed to “get the job done” to the performance expectations established by the city. That said, some cities establish general work hour parameters even for exempt employees for purposes of public accountability.

6. Flexible scheduling

When a city permits employees or departments to establish work schedules that vary from the schedule required of other employees or from the city hall hours of operation, it is a good idea to establish these parameters in writing. Coverage needs

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and city service level should be considered when approving flexible schedules. In addition, policy language should note that the city will evaluate flexible schedules on an ongoing basis and may discontinue a flexible schedule at any time. Some items to consider in establishing a flexible schedule policy:

- Who has the authority to approve a flexible schedule?
- How is “flexible or varied schedule” defined at your city (e.g., employees can arrive anytime between 8:00 a.m. and 9:00 a.m. and leave 8.5 hours later; during the months of June, July and August employees can work 9 hour days Monday – Thursday and then leave early each Friday; a certain department has an ongoing schedule that is different from other departments, etc.)?
- Can each employee have a different schedule or is a variable schedule established by department?
- Will job performance or seniority be considered when an employee requests a flexible schedule?
- Are there any employees or departments to which a flexible or varied schedule would never apply?
- Are there any seasonal schedule variances like summer hours?

7. Telecommuting

Telecommuting is generally defined as a work arrangement where the employee works from home or another remote work site away from his primary traditional work place (primary work place is usually city hall). Cities are not required to offer any sort of telecommuting option to employees. However, in some cases such an arrangement can be beneficial to both the city and the employee. Because telecommuting is a departure from typical employment circumstances it is important to clearly define in writing the city’s expectations regarding such an arrangement. It is also important that the city put in writing that it will evaluate all telecommuting arrangements on an ongoing basis and reserves the right to discontinue a telecommuting arrangement at any time.

General policy considerations:

- How does the city select telecommuters?
- How can an employee apply to be considered for a telecommuter arrangement?
- Will all employees be considered or only certain employees (i.e., only exempt employees so the city has no overtime concerns with the telecommuter arrangement)?
- What safety issues might exist (e.g., workers compensation)?
- Are there any potential issues related to confidentiality or security of city information?
- What are the expectations regarding work equipment?
- Has the city developed a written contract that defines hours of availability, equipment to be provided, safety issues, performance expectations, etc.?

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Developing clear ground rules will help the city monitor and measure the success of any telecommuting arrangement:

- How often must the employee "check in"?
- Are there core hours during which the telecommuter must be available?
- When does the work day start and end?
- Can telecommuters work outside of normal business hours?
- How often should telecommuters check voice mail and email?
- How quickly should telecommuters return messages?
- How often should telecommuters communicate with co-workers or customers?
- Are there times when the telecommuter is required to report to city hall (e.g., staff meetings, project meetings, etc.)?