

# League of Minnesota Cities Model Classification and Compensation Plan Framework for Smaller Cities

## INTRODUCTION

Personnel management is increasingly important in local government for many reasons. One of the more important reasons is the State of Minnesota Local Government Pay Equity Act. This law requires that cities with one or more employees maintain a classification and compensation plan that allows a city to achieve and maintain pay equity compliance. To help cities develop or maintain such a plan, the League has developed this model classification and compensation plan for smaller cities.

This model reinforces and uses the concepts presented in the Compensation & Benefits Chapter of the on-line HR Reference Manual. City officials that are interested in implementing a new compensation plan or revising an existing plan are encouraged to read the section of the Compensation & Benefits Chapter titled "Salary and Wages" for a more in-depth discussion of classification and compensation plans. The Compensation & Benefits Chapter also discusses the pay equity law in more detail and includes a link to the state web site that has helpful pay equity compliance information.

## CLASSIFICATION & COMPENSATION BASIC BUILDING BLOCKS

The basic building blocks required to develop an appropriate and defensible classification and compensation plan are: 1) Job descriptions; 2) A classification hierarchy; 3) A list of comparable cities; 4) Market survey data from those cities; 5) A base pay schedule; and 6) A narrative description of the plan. Each of these items is described in further detail below.

1. Current, complete and accurate job descriptions. One of the first steps in establishing a compensation plan is to clearly assign job duties and responsibilities and prepare current, accurate and complete job descriptions. Good job descriptions are the foundation for every part of a city's classification and compensation plan. Good job descriptions are required to classify positions internally with the city's chosen job evaluation method and compare positions externally (with similar jobs in the larger market). Job descriptions should include:
  - a. Appropriate titles that reflect what a position actually does – e.g., "Directors" are generally in charge of an entire department – budgeting, supervision, scheduling, etc; "Coordinators" generally don't supervise staff but do make sure everything happens that needs to happen for their assigned function; "Supervisors" generally are in charge of specific employees and the work assigned to those employees; "Program Managers" are generally in charge of a specific program within a department.
  - b. Reporting relationships of each position (e.g., what position supervises this position and what other position(s), if any, does this position supervise?)
  - c. Current date of the latest revision of each position.
  - d. A concise and precise Position Summary (one or two brief paragraphs) for each position that explains why the position exists and supports its placement in the city's classification hierarchy (e.g., why it's classified at a certain level). For example, a Street Maintenance Supervisor position exists to ensure that the appropriate work is done to maintain the city's streets. Because it is the supervisor's job to ensure that this work is done, he or she is at a

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higher level than a Maintenance Worker whose job it is to carry out the work assigned by the Maintenance Supervisor.

- e. An appropriate number (typically 8-10) of concise statements covering essential job duties and responsibilities. These statements should also describe what it looks like when each essential job duty is performed the way that the city wants it to be done. For example, if the job duty is "Greets visitors and callers to City Hall", then ideally the description of how it is to be performed may state, "Acknowledges visitors or callers immediately, asks the nature of their inquiry, and directs the visitor or caller to the individual most likely able to answer the inquiry.
- f. The minimum requirements that a job candidate would need in order to be considered for the position (e.g., any educational or degree requirements, minimum years of work experience, required licenses or certificates, special skills like typing speed or familiarity with computer software, etc.).
- g. Other desirable, but not required, qualifications that a job candidate might have that would set them apart from other candidates for the job (e.g., additional years or specialized experience, educational requirements above and beyond the minimum such as a graduate degree, etc.).

A sample job description for Director of Finance is contained in the appendix to this model compensation plan.

- 2. A classification hierarchy. A classification hierarchy refers to the ordering of positions from high to low work points based on job evaluation as required by the Local Government Pay Equity Act.

In the model compensation plan below, the job evaluation points are found in parentheses behind each job title. The factors used to establish the points for each job class are: 1) Formal Preparation and Experience; 2) Decision Making (Impact); 3) Thinking Challenges and Problem Solving; 4) Interactions and Communications; and 5) Work Environment. A city can develop its own job evaluation methodology, hire an outside consultant, or use the job evaluation system provided by the State of Minnesota (the State Job Match). NOTE: If the State Job Match job evaluation methodology is chosen, read the instructions very carefully on how to apply this methodology.

Below is a sample twelve-grade classification hierarchy containing fourteen positions often found in smaller cities. The open grades have been supplied to leave room for future positions; any given city may or may not ever use the open grades depending on its size. NOTE: Job evaluation points for any of these positions will vary somewhat based on job content. Pay equity testing should always be done to establish the city's compliance status based on current pay practices.

### Sample Classification Hierarchy

<u>Grade Levels</u>	<u>Classifications and Representative Points</u>
12	➤ City Administrator (1287)
11	Open Grade
10	➤ Police Chief (994) ➤ PW Director* (981) ➤ Finance Director (971) ➤ Community / Economic Dev. Dir. (958)
9	Open Grade
8	➤ Building Official (762) ➤ Police Sergeant (738)
7	➤ City Clerk (655) ➤ PW Maintenance Supervisor (641) ➤ Police Officer (625)
6	Open Grade
5	Open Grade
4	➤ Maintenance Worker** (433) ➤ Accounting Clerk (Intermediate) (407) ➤ Department Secretary (407)
3	Open Grade
2	➤ Receptionist / Telephone Op. (315)
1	Open Grade *Not a Licensed City Engineer **Heavy Equipment Operator Level

3. A list of comparable cities. These are generally selected by the City Council, with input from the top administrative employee (e.g., City Clerk, City Administrator, Clerk/Administrator, etc.). The list of comparable cities should be used on a consistent basis when comparing compensation practices of your city with those of other cities. Generally, the criteria to choose comparable cities should be: a) location and b) similarity in the type of services being provided. Choosing other cities based solely on population may not capture all of the important factors. Ideally, each city should pick at least 4 to 6 comparable cities.
  
4. Market survey data from the selected cities. Ideally, cities should collect information from its group of comparable cities which covers compensation practices on base pay, premium pay, special / specific allowances, paid time off (holidays / vacations / leaves) and insurance benefits. The most important data to collect are actual pay averages and either the maximum steps (step pay plans) or midpoints (merit pay plans) for each established pay range.
  
5. An appropriate nonunion base pay schedule. The pay schedule should take into account both the base pay practices of the selected comparable cities and the job evaluation points assigned to each of the city's job classifications, as shown in the sample classification hierarchy. Below is a sample step progression base pay schedule designed to link with the sample classification hierarchy.

For the model base pay schedule below, the Start rate is 80% of the Step 5. Step 1 is 84% of Step 5. Step 2 is 88% of Step 5. Step 3 is 92% of Step 5. Step 4 is 96% of Step 5. Step 5 is 100% and is the maximum pay step for each Grade. In this model, Step 5 represents the approximate market reference rate based on the market survey results for one or more positions in the same classification level. While the city can establish any percentage, most cities set their steps at somewhere between 2% and 5% between steps. When a city is establishing these steps, particularly the top, market

reference rate, it should consider its compensation philosophy (see section below). Some cities prefer a more conservative approach and will develop a pay schedule that is somewhat less than the market pattern for similar cities and some cities may choose an approach that is very similar to or even somewhat higher than the market pattern for similar cities. Whichever approach is chosen, the most important outcome is to administer the approach consistently for all positions.

(The city can convert the hourly pay grades below to a monthly rate by multiplying each hourly rate by 173.3. To convert to an annual rate, multiply each hourly rate by 2,080. This assumes that the city uses a 40-hour work week as the standard for full-time employment.)

Sample Step Progression Base Pay Schedule

Grades	Start Rate	Step 1	Step 2	Step 3	Step 4	Step 5
12	\$32.00	\$33.60	\$35.20	\$36.80	\$38.40	\$40.00
11	\$28.80	\$30.20	\$31.68	\$33.12	\$34.56	\$36.00
10	\$26.40	\$27.72	\$29.04	\$30.36	\$31.68	\$33.00
9	\$24.00	\$25.20	\$26.40	\$27.60	\$28.80	\$30.00
8	\$22.40	\$23.52	\$24.64	\$25.76	\$26.88	\$28.00
7	\$20.80	\$21.84	\$22.88	\$23.92	\$24.96	\$26.00
6	\$19.20	\$20.16	\$21.12	\$22.08	\$23.04	\$24.00
5	\$17.60	\$18.48	\$19.36	\$20.24	\$21.12	\$22.00
4	\$16.00	\$16.80	\$17.60	\$18.40	\$19.20	\$20.00
3	\$14.40	\$15.12	\$15.84	\$16.56	\$17.28	\$18.00
2	\$12.80	\$13.44	\$14.08	\$14.72	\$15.36	\$16.00
1	\$11.20	\$11.76	\$12.32	\$12.88	\$13.44	\$14.00

Typically cities would change the pay grades each year to keep pace with the market and/or with inflation. This can be accomplished by applying the appropriate percentage pay schedule adjustment to each Step 5 rate and then adjusting each hourly rate in the pay range below that accordingly (e.g., Step 1 should still be 80% of the new Step 5, etc.). Employees would then receive a base pay adjustment to take them to the new rate for their step.

6. A narrative description. The final step in establishing a compensation plan is to develop a written document that covers policies and procedures necessary to communicate, administer, update and maintain a city's classification and compensation plan. Below are the important headings and sample language that would typically be included.

The City's Total Compensation Philosophy

- [ City Name ] 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 community being served and is also affordable within available resources. Finally, the city intends to maintain supplemental benefits (insurances, holiday / vacation schedules, etc.) that are competitive and also affordable within available resources.

Key Objectives of the Classification and Compensation Plan

- To attract and retain personnel who consistently apply the knowledge, competencies and capabilities required to perform their positions as expected.

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- To maintain a plan that is consistent with the city's total compensation philosophy.
- To maintain a plan that is easy to communicate and understand.
- To achieve and maintain compliance with the Minnesota Local Government Pay Equity Act.
- To maintain compliance with all applicable local, State and Federal laws and regulations that affect the plan.
- To maintain a plan that is flexible enough to accommodate changes in economic conditions that affect the plan.

#### Accountability for Administration of the Plan

- Our city Council, as the governance authority, is accountable for final approval and sign off on the plan.
- The (top administrative position title here) is accountable for administration of the plan as accepted, approved and authorized by the Council.

#### Actions Taken to Review, Update and Maintain the Plan

- All 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 include:
  1. Review, verification, and any required updating of job descriptions for all positions.
  2. Review, verification and any required updating of job evaluations (tool used to establish pay equity points) on all positions, following established reclassification policies and procedures. *(This refers to the city's practice of evaluating jobs on a regular basis to assign or reassign pay equity points and to make pay adjustments if needed.)*
  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. *(This refers to making changes to the overall pay grades in accordance with a cost-of-living increase or other market adjustments that seem necessary once the comparable cities have been examined.)*
  5. Review and consideration of changes to the city's supplemental benefits covering paid time off (holidays, vacations, etc.)
  6. Review and consideration of required and/or appropriate changes to the written description of the plan.

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**Position Title:** *Director of Finance*  
**Department / Location:** *Finance / City Hall*  
**Immediate Supervisor:** *City Administrator*  
**Position & FLSA Status:** *Full-Time Exempt*  
**Date of Latest Revision:** *(Most current date of formal approval)*

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**Position Summary:**

To develop, direct, and provide ongoing evaluation of the finance function in a manner that ensures City business affairs are compliant with internal operating policies and also compliant with all applicable local, State and Federal regulations.

To actively participate as an interested, engaged, and contributing member of the management team and serve as team resource in areas of developed expertise.

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**Essential Accountabilities and Expected Outcomes**

- 1) Exercises a leadership style that promotes collaboration, appropriate initiatives and creates growth opportunities for understanding the basics of the municipal finance functions for which accountable.
  - Planning, implementation and ongoing operational evaluation processes are inclusive, directed and produce workable, thoughtful, well documented and timely outcomes.
  - There are sufficient resource capabilities to deliver finance department outcomes as expected.
  - There is a clear understanding of the interventions that will be made when service standards are not acceptable.
- 2) Prepares, submits and manages a department work plan as approved, including goals and objectives to be achieved and the metrics of success and compliance to be measured.
  - Work plans are thorough, submitted on time and consistently achieved as presented.
- 3) Establishes those fiscal and accounting policies, practices, procedures and controls required to manage the City's financial matters.
  - The Council, City Administrator, members of the management team and other interested parties are kept current with reliable, documented information.
  - The City receives a clean Auditor's Report with minimal recommendation attachments indicating that all operations are properly and adequately financed.
  - All reporting is timely and complete so that the City remains in compliance with all applicable laws and regulations.
- 5) Prepares, submits and administers an approved annual budget including the controls necessary to ensure budgetary compliance.
  1. Current year projects and activities are successfully accomplished within approved budget parameters.

**Minimum Requirements**

Bachelor's degree in accounting or related area and 5 years of responsible experience in municipal finance.

**Desirable Qualifications**

CPA, graduate degree in related area, additional years of responsible experience in municipal finance.