



MEMORANDUM

To: MCWD Board of Managers

From: James Wisker

Date: December 13, 2018

Re: MCWD 2018 Human Resource Classification and Compensation

Purpose:

This memorandum provides pre-read material for the December 13, 2018 Operations and Programs Committee's (OPC) discussion of the Minnehaha Creek Watershed District's (MCWD) 2018 Human Resource (HR) Classification and Compensation Study.

At the December 13, 2018 OPC, staff and the District's HR consultant, Springsted Inc., will brief the Committee on:

- Background and overarching goals of MCWD's HR Project
- Goals and process of the 2018 Classification and Compensation Study
- MCWD's draft Compensation Philosophy
- Results of the 2018 Classification and Compensation Study
 - Classification and Pay Structure
 - Market comparison of MCWD's employee benefits
- Options for cost to implement

Pending OPC discussion on December 13, 2018, the MCWD Board of Managers will consider action on the Classification and Pay Structure at the December 20, 2018 Board Meeting. Following the December 20, 2018 Board Meeting, the Board of Managers will subsequently consider action on MCWD's draft Compensation Philosophy and the cost to implement the pay structure on January 10, 2019.

This memo follows the outline below:

- Background
- Classification and Compensation Study Overview
- MCWD Classification and Pay Structure
- MCWD Benefit Comparison
- Cost to Implement – Options
- Next Steps

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Background:

On October 8, 2015 the Board of Managers approved a strategic planning process to evaluate and align MCWD programs (Resolution 15-005). This planning process:

- Defined and aligned the purpose of programs around the revised mission and goals
- Prioritized initiatives within programs
- Prioritized programmatic initiatives across the organization
- Prioritized and allocated resources within and across programs

At the conclusion of that process, on February 9, 2017, the Board of Managers approved a Strategic Alignment Plan (Resolution 17-007), and provided direction to the Administrator to incorporate and implement the realigned organizational priorities into the District's:

- Watershed Management Plan
- Budget and Financial Plans
- Information Technology Plans
- Human Resource Plans

On November 17, 2016 the Board of Managers authorized a contract with Springsted Inc., to assist MCWD in realigning its human resources around its strategic priorities (Resolution 16-082). Goals of this planning effort included ensuring that the right people, in the right amount, with the right skills, are in the right place, at the right time, to deliver on the organizational priorities established through the 2017 Strategic Alignment Plan.

On August 24, 2017 the Board of Managers approved a Human Resources Plan that included a revised organizational chart to restructure MCWD's personnel to support the 2017 Strategic Alignment Plan.

On January 11, 2018 staff outlined a plan for implementing the proposed organizational restructure, and provided a roadmap for complementary and ongoing HR development including:

- Restructure organization
 - Realign departments and personnel around strategic priorities
- Implement a classification and compensation structure
 - Develop clear plan and supporting policy for what MCWD pays, how and why
- Internal framework for clear expectations, accountability and professional development
 - Ensure consistent and high expectations and accountability
 - Develop clarity of proficiency and professional development requirements for each department and position

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Classification and Compensation Study:

On February 9, 2018, the Board of Managers authorized a second contract with Springsted Inc., to assist the District in implementing the organizational restructure, focused on appropriately classifying MCWD's positions, and determining a market competitive pay structure (Resolution 18-011).

Scope of Work:

Springsted's work was to:

- Understand the goals of the adopted organizational chart and the positions within it
- Review job descriptions drafted by MCWD
- Systematically classify MCWD positions using the SAFE® method
- Complete a compensation survey evaluating MCWD positions against the market
- Recommend a revised classification and compensation structure for MCWD's restructure

MCWD Classification and Compensation Goals:

MCWD's goals for its new classification and compensation structure include:

- Support the recruitment and retention of talent necessary to achieve MCWD's mission
- Being competitive with the regional market
- Reflect MCWD's unique strategic priorities
- Provide internal equity through consistent evaluation of positions and pay
- Reward employees on the basis of mission driven performance
- Maintain a plan that is clear and easy to communicate
- Comply with all laws and regulations

Classification and Compensation Study Process:

The process for completing the Classification and Compensation Study included:

- MCWD Administrator drafting and review of position descriptions with staff
 - Aligned with organizational chart, based on new strategic priorities
- Preliminary evaluation of position classification by MCWD using SAFE®
- Independent evaluation of position classification by Springsted using SAFE®
- Obtaining market data for comparable positions from benchmark organizations
- Aggregating and using market data to validate and correct SAFE analysis
- Review by MCWD Administrator, Leadership Team, Operations Manager, Springsted
- Review by MCWD Administrator, Board Liaisons, Springsted
- Final draft classification and pay structure development by Springsted
- Review on December 13, 2018 by Operations and Programs Committee

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Components of the SAFE® Job Evaluation System:

The Systematic Analysis and Factor Evaluation (SAFE®) System ensures a consistent and equitable method of evaluating jobs. The basis for the system is an arrangement of job groupings predicated on characteristics of work. A series of job factors are then applied to the work characteristics in order to determine a numerical value for each position. The system ensures that each element of job responsibility and each work characteristic is given proper consideration. The total of the points assigned represents the rank of the position in relation to all other positions within the organization.

Characteristics of Work:

Characteristics of work can be defined as the general character of the scope of the work performed by a position or a class of positions that distinguishes it from other positions. There are sixteen work characteristics – manual, semiskilled, skilled trades, technical, skilled technical, advanced technical, human support, skilled human support, advanced human support, protective services, advanced protective services, administrative support, skilled administrative support, administrative, professional, executive. The work characteristics are grouped into six skill levels. The skill levels are then used in conjunction with job factors to determine the value of a position as it relates to other positions within the organization.

Job Factors:

There are nine job factors which detail components of work that are present in most job classes. These factors are:

- Training and Ability: includes education and specialized training, licenses, certifications, and registrations which are required of the position.
- Experience: the time usually required for a person with the required training and ability to develop the necessary skills and abilities to perform the job.
- Level of Work: distinguishes between entry level, intermediate level, advanced/supervisory, or a mastery/managerial level of the type of work performed.
- Human Relations: the responsibility of working with or through other people, and the extent, frequency, and purpose of the contacts.
- Physical Demands: the job requirements which induce physical fatigue through exertion or strain.
- Working Conditions: the extent of disagreeable or hazardous environmental or physical conditions or mental effort and/or stress and the frequency of the undesirable conditions.
- Independence: how much freedom or independence is allowed or required of the position.
- End Impact: the extent to which the job directly influences and affects actions impacting the end results, i.e. how much do the decisions or actions of the employee impact the organization.
- Supervision: the responsibility for oversight or supervision over other employees.

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Benchmark Organizations:

The following benchmark organizations were used by Springsted to match MCWD positions, based on content (essential functions and minimum qualifications), with market comparable positions:

- Bloomington
- Carver County
- Edina
- Hennepin County
- Mississippi WMO
- State of Minnesota
- Scott County
- St. Louis Park
- Three Rivers Park District
- Private Sector

Compensation Philosophy and Movement through Ranges:

MCWD has historically lacked a written compensation policy to outline the District’s overarching philosophy, and the specific governance policies outlining the Administrative and Board responsibilities for maintaining the system and administering the organization’s pay plan.

Below is a preliminary draft compensation philosophy and outline of criteria, to be considered comprehensively when moving individuals through MCWD’s pay structure. This will be drafted into policy form for preliminary consideration by the Board of Managers on December 20, 2018 and for final consideration at the January 10, 2019 Board Meeting.

MCWD Compensation Philosophy:

In order to attract and retain highly qualified employees, it is Minnehaha Creek Watershed District’s policy to establish and maintain competitive salary ranges based on market driven data and the strategic goals of the organization.

MCWD is committed to maintaining a compensation policy that ensures equitable job and position evaluation, competitive pay and performance-based pay increases. MCWD also believes that compensation is more than just a salary and maintains a competitive total compensation package as part of its compensation policy.

MCWD’s compensation policy is designed to achieve the following goals:

- Attract and retain qualified employees.
- Be market competitive and reflect the organization’s strategic priorities.
- Provide for internal equity by consistently evaluating jobs and pay programs.
- Reward employees on the basis of mission driven performance.
- Maintain a plan that is clear and easy to communicate.
- Comply with all state and federal laws and regulations.

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Salary Ranges:

Salary ranges are developed based on an analysis of market data of comparable positions in benchmark organizations. The mid-point of the salary ranges is competitively set based on the mid-point of the market data.

MCWD will maintain and adjust its overall pay structure on an annual basis using an index (e.g. the Bureau of Labor Statistics' Consumer Price Index (CIP) or the League of Minnesota Cities annual compensation survey). Any salary range adjustments must be approved by the Board of Managers as part of the annual budget process. Salary ranges will be reviewed at least every two years by evaluating the adjustment in the local labor market rates, supply and demand of labor and other economic factors. A formal compensation and classification study will be conducted as needed to revalidate and baseline the salary ranges and grade assignments.

Placement and Range Penetration:

MCWD has established the mid-point of its salary ranges to be market competitive with the mid-point of comparable positions. As such, the mid-point of salary ranges is a benchmark for employees with the requisite experience, demonstrated proficiency, and a track record of consistent performance.

To remain competitively positioned for the recruitment and retention of talent, the District intends to move employees from the minimum salary towards mid-point in an efficient and timely manner, tied to proficiency and performance. Salary adjustment beyond mid-point of the salary range will be more gradual, and will be correlated with specific and increased expectations, responsibility for strategic outputs, leading examples of culture, and consistently operating at the highest levels of performance.

Placement and movement through MCWD's salary ranges will be guided by consideration of the following criteria:

- MCWD's Compensation Philosophy and Policy
- Tenure within the organization
- Experience outside the organization
- Incumbency within a position
 - New in a position, with limited experience
 - New in a position, with outside experience, and no MCWD performance record
 - New in a position, with tenure within MCWD, and a MCWD performance record
- Proficiency
 - Progression on the spectrum of knowledge, skills, abilities, experience
- Performance record
 - Poor performance needing correction
 - Steady performance needing focused growth
 - Good performance meeting expectations, needing challenge
 - Excellent performance exceeding expectations
- Contribution to leadership
 - Leadership Team contributions are non-hierarchical and are outside essential job duties
 - Consideration will be given to the volume and significance of effort within a year

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MCWD Classification and Pay Structure:

Below is the framework developed by Springsted’s work, using SAFE® and market data from benchmark organizations, to develop a classification and compensation structure that reflects MCWD’s organizational restructure.

12-13-18 DRAFT MCWD PAY STRUCTURE				
Title	Grade	Min	Mid	Max
District Administrator	21	96,106.84	115,328.21	134,549.57
Project Planning Manager	19	83,943.43	100,732.12	117,520.81
Policy Planning Manager *	18	78,451.81	94,142.17	109,832.53
Research and Monitoring Program Manager	17	73,319.45	87,983.34	102,647.23
Communications and Education Manager	17	73,319.45	87,983.34	102,647.23
Operations Manager *	17	73,319.45	87,983.34	102,647.23
Permitting Program Manager	17	73,319.45	87,983.34	102,647.23
Project and Land Manager	17	73,319.45	87,983.34	102,647.23
Planner-Project Manager	16	68,522.85	82,227.42	95,931.99
Aquatic Ecologist	15	64,040.04	76,848.05	89,656.06
Policy and Grants Coordinator	14	59,850.51	71,820.61	83,790.71
Project and Land Management Technician	13	55,935.05	67,122.07	78,309.08
Permitting Technician	12	52,275.75	62,730.90	73,186.05
Research and Monitoring Coordinator	12	52,275.75	62,730.90	73,186.05
Education and Engagement Coordinator	12	52,275.75	62,730.90	73,186.05
Operations Coordinator	11	48,855.84	58,627.01	68,398.18
Research and Monitoring Technician	11	48,855.84	58,627.01	68,398.18
Communications Coordinator	11	48,855.84	58,627.01	68,398.18
GIS Technician	11	48,855.84	58,627.01	68,398.18
Accounting Clerk	9	42,672.59	51,207.10	59,741.62
Permitting Assistant	9	42,672.59	51,207.10	59,741.62
Research and Monitoring Field Assistant	8	39,880.92	47,857.11	55,833.29
Administrative Assistant	8	39,880.92	47,857.11	55,833.29
* Grade placement determined by District policy decision/administrative direction				

Two positions within this structure are labeled with an asterisk, the Policy Planning Manager and the Operations Manager. These positions are recommended to be placed to reflect MCWD’s strategic priorities, rather than only reflect market data. Market driven placement would have these positions flipped. Discussion through the vetting process, including discussion with the District’s HR Liaisons, included that MCWD’s top two strategic priorities are capital project implementation and policy development. All other program functions at MCWD serve in support of those priorities. The Policy Planning Manager will work closely with the Administrator to evaluate and maintain internal strategic

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alignment, develop directional budget priorities, manage the District’s “responsive program” to evaluate threats and opportunities and recommend resource distribution to communities, and oversee MCWD’s policy influence programs. Matches used for the Operations Manager position include Operations Managers/Directors for larger, more complex public sector organizations that place significantly more span of control under this position than MCWD does. Based on these unique differences between the market and MCWD’s strategic priorities, it is recommended that the Board of Managers place these positions as outlined in the proposed pay structure.

Benefit Comparison:

As part of the MCWD’s 2018 Classification and Compensation Study, a survey was distributed to benchmark organizations regarding employee benefits. That information is provided in an executive summary form below. This information will be used by the Board of Managers to determine the District’s position regarding employee benefits. Health benefits are renewed annually in May.

Leave Summary:

Number of Holidays per year

MCWD: 11
Average: 11
Low: 10
High: 12

Leave Days - Max Accumulation

MCWD: 30 days
Average: 52.79 days
Low: 30 days
High: Unlimited

Leave Day - Compensated for leave lost after max accrual

MCWD: Yes (convert to 457b or HSA)
Average: No
Low: 8 No responses
High: 1 Yes response

Sick Leave – Accrual per year

MCWD: 9 days
Average: 12 days
Low: 12 days
High: 13 days

Sick Leave – Max Accrual

MCWD: 90 days
Average: 125
Low: 125
High: Unlimited

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Sick Leave – Paid at Termination

MCWD: Yes (percentage based)
Average: Yes
Low: 1 No response
High: 5 Yes responses

Life/Disability Insurance:

Life Insurance – % Employer Paid

MCWD: 100%
Average: 100%
Low: 100%
High: 100%

AD&D -% Employer Paid

MCWD: 100%
Average: 57%
Low: 0%
High: 100%

Short Term Disability - % Employer Paid

MCWD: 100%
Average: 33%
Low: 0%
High: 100%

Long Term Disability - % Employer Paid

MCWD: 100%
Average: 89%
Low: 0%
High: 100%

Health Insurance Summary:

MCWD Health Insurance Plan Overview

- Employees have one option for Health Insurance
- The plan is a high deductible plan
 - Single Deductible: \$2,000
 - Family Deductible: \$4000
- Premiums are age bracketed and are paid per person on the plan (up to 3 children)
- Employee funded HSA offered
- Employer funded HRA offered (\$650 Single / \$1300 Family)

Health Insurance -% Employer Paid –Employee Only (LDP / HDP)

MCWD: 100%
Average: 93% / 96%
Low: 80% / 89%
High: 100% / 100%

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Health Insurance - % Employer Paid Employee/Spouse (LDP / HDP)

MCWD: 100%

Average: 80% / 85%

Low: 62% / 74%

High: 100% / 100%

Health Insurance - % Employer Paid Employee/Family (LDP / HDP)

MCWD: 100%

Average: 75% / 82%

Low: 65% / 75%

High: 85% / 100%

Health Insurance – Supplemental Program for HDP

MCWD: Yes (HSA/HRA) HRA 100% employer funded

Responses: 4 HRA/VEBA/HSA

5 None

Dental Insurance Summary:

Dental Insurance - % Employer Paid Employee Only

MCWD: 100%

Average: 81%

Low: 40%

High: 100%

Dental Insurance - % Employer Paid Employee/Family

MCWD: 100%

Average: 0%

Low: 0%

High: 0%

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Cost to Implement – Options:

MCWD’s HR Board Liaisons have discussed two options regarding the cost to implement the classification and pay structure. Those options are:

- Option 1 – Implement in 2019 within budget
- Option 2 – Implement in 2019 with a budget amendment (*requires no change in levy)

At the December 13, 2018 Operations and Programs Committee, Managers will be asked to provide feedback to guide the refinement of these options. Final Board consideration on a total cost to implement will take place at the January 10, 2019 Board Meeting.

As part of the 2019 budget development, the Board of Managers established a total personnel budget including salary, benefits, payroll tax, PERA, and an estimated adjustment for implementing the Classification and Compensation Study. This estimate was made prior to having market data from the Classification and Compensation Study. Due to the restructuring of the organization, the 2019 personnel budget represented a net decrease from the 2018 personnel budget of \$2,357.

Option Parameters:

The following parameters are factored into the options for cost to implement:

- Adjustment to minimum range
- Flexibility in placing new hires
- Budget for additional adjustment

Adjust to Minimum Range:

A significant fraction of MCWD positions are currently paid below the minimum salary range proposed in the classification and pay structure. This is due primarily to two reasons (1) MCWD’s restructuring resulted in the development of a number of new position descriptions; and (2) MCWD has not benchmarked its salaries or adjusted its pay system against the market for nearly five years. Both options recommend that all positions currently paid below the minimum salary range be adjusted to the minimum.

Flexibility in Placing New Hires:

Three positions currently remain unfilled, (1) Research and Monitoring Seasonal Field Assistant, (2) Planner-Project Manager, (3) Geographic Information Systems (GIS) Technician. To allow for the potential placement of these positions slightly above the minimum range, it is recommended that approximately \$10,000 be allocated for flexibility. Both options recommend this flexibility.

Budget for Additional Adjustment:

In accordance with the District’s draft Compensation Philosophy, and the criteria considered in placing and moving individuals through salary ranges, additional adjustments are recommended in 2019 and further adjustments will be required in 2020 and 2021 as individuals gain proficiency and progress through the salary range. Option 1 makes these adjustments within the budget. Option 2 requires a budget amendment to support further movement in 2019.

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- Option 1 – Implement within Budget
 - Adjust positions to minimum range
 - Reserve \$10,000 for flexibility in placing new hires
 - Provides approximately \$13,000 within budget for remaining adjustments
 - Includes 1-2% adjustment for Administrator

- Option 2 – Implement with Budget Amendment (~ \$32,000 amendment)
 - Adjust positions to minimum range
 - Reserve \$10,000 for new flexibility in placing new hires
 - Provides approximately \$41,000 in total for remaining adjustments
 - Approximately \$28,000 in adjustments beyond Option 1
 - ~ \$32,000 over budget with associated payroll tax and PERA increases
 - Provides additional movement in 2019 based on philosophy and criteria
 - Provides Board discretion of Administrator adjustment above 2%
 - Would be funded in 2019 through use of operational reserves

Next Steps:

At the December 13, 2018 OPC, Managers will receive a briefing and discuss:

- MCWD’s 2018 Classification and Compensation Study process and results
 - Classification and Pay Structure
- MCWD’s draft Compensation Philosophy
- Options for 2019 cost to implement

Pending the December 13, 2018 OPC, the Classification and Compensation Study will be presented to the Board of Managers for consideration on December 20, 2018.

Following the December 20, 2018 Board Meeting, the draft Compensation Philosophy will be developed into a policy and brought forward with a final recommended cost to implement on January 10, 2019 for Board consideration.

Attachments:

- Springsted 12-13-18 PowerPoint Slide Deck

If there are questions in advance of the meeting, please contact James Wisker at Jwisker@minnehahacreek.org or 952.641.4509.

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Public Sector Advisors





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QUALITY OF WATER, QUALITY OF LIFE

Classification and Compensation Study Final Report

TL Cox, Executive Vice President

December 13, 2018

Agenda

- ✓ Our Understanding of MCWD's Needs
- ✓ Scope of Work
- ✓ SAFE®
- ✓ Benchmark Organizations
- ✓ Analyzing Salary Survey Data
- ✓ General Findings
- ✓ Corrective Actions
- ✓ Contact Information

Our Understanding of MCWD's Needs

- ✓ Determine the appropriate classification of positions using a *consistent, objective* process (using job descriptions modified by District staff)
- ✓ Confirm *market competitiveness* within identified benchmark organizations (public and private)
- ✓ Recommend pay structures that reflect the new job classification structure (i.e. internal equity) and incorporate the District's *desired competitive position* relative to market
 - ✓ Ensure pay structure reflects MCWD strategic priorities
- ✓ Reinforce administrative guidelines to ensure the new classification and compensation system is maintained *according to leading market practices*

Scope of Work

- ✓ Project Initiation and Data Collection
- ✓ Development of Classification System
- ✓ Salary and Benefits Survey and Development of Pay Plan
- ✓ Implementation Strategy and Staff Training
- ✓ Final Report

Systematic Analysis and Factor Evaluation (SAFE®)

Training and Ability

Experience Required

Level of Work

Human Relations Skills

Physical Demands

Working Conditions/Hazards

Independence of Actions

Impact on End Results

Supervision Exercised

Benchmark Organizations

Bloomington

Scott County

Carver County

St. Louis Park

Edina

Three Rivers Park District

Hennepin County

Private Sector

Mississippi WMO

State of Minnesota

Analyzing Salary Survey Data

- ✓ Match jobs based on content (essential functions and minimum qualifications)
- ✓ Establish tests for statistical validity and calculate weighted averages
 - ✓ 19 of 23 District jobs benchmarked (83%), well beyond the quantity needed for defensible comparisons (25-30%)
 - ✓ Average of approximately 5 comparable matches per job
- ✓ Determine average market range spreads (i.e. distance from pay range minimum to pay range maximum)
- ✓ Compare external market data with internal placement

General Findings

- ✓ Internal relationships (i.e. the alignment of District positions) did not necessarily reflect the revised job descriptions (job duties and minimum qualifications resulting from the District's restructuring)
- ✓ Market competitiveness varies by position, though the District's current salary ranges are, on average, below market
- ✓ Average market range spreads are different than those found in MCWD's current structures (50% vs. 40%)

Corrective Actions

- ✓ Developed an updated alignment of positions using Springsted's SAFE® job evaluation process, an objective, consistent methodology for placing positions into pay grades
 - ✓ Grade placement for two District positions determined by District policy decision/administrative direction (and not SAFE® scoring)
- ✓ Established market-competitive (i.e. at market averages) pay structures that reflect the new classification structure and appropriate market data
- ✓ Modified range spreads to reflect the market average

Recommendations

- ✓ Adopt new structures for implementation, which will:
 - Provide more competitive compensation for the newly-defined roles;
 - Improve MCWD's ability to recruit candidates and retain existing employees; and
 - Balance the District's goals of internal equity and external market competitiveness.
- ✓ Develop and maintain administrative guidelines that will continue to:
 - Place positions into pay grades based on the objectivity of the SAFE[®] evaluation, with consideration given to market value;
 - Allow for updates to individual positions when warranted (i.e. to accommodate changes in job responsibilities and an ever-changing labor market).
 - Conduct periodic reviews of select positions and provide a mechanism to conduct comprehensive studies according to new HR policies.

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