

MEETING DATE: January 10, 2019

TITLE: Authorization to implement MCWD's Classification and Compensation Plan

RES. NUMBER: 19-013

PREPARED BY: James Wisker

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REVIEWED BY: Administrator Counsel Program Mgr. Board of Managers
 Engineer Other

WORKSHOP ACTION:

<input type="checkbox"/> Advance to Board mtg. Consent Agenda.	<input type="checkbox"/> Advance to Board meeting for discussion prior to action.
<input type="checkbox"/> Refer to a future workshop	<input type="checkbox"/> Refer to taskforce or committee
<input type="checkbox"/> Return to staff for additional work.	<input type="checkbox"/> No further action requested.
<input checked="" type="checkbox"/> Other (specify): <u>Final Action on January 10, 2019</u>	

ACTION REQUESTED:

The Board of Managers is requested to take the following actions:

- Authorize the District Administrator to implement MCWD's 2018 Classification and Compensation Plan, in an amount not to exceed \$32,000 over the 2019 budget; and
 - Direct the District Administrator to prepare a budget amendment for Board consideration at the January 24, 2019 Meeting.
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BACKGROUND:

Over the last year and a half, the MCWD Board of Managers has invested significant effort in strategically planning the future of its human resources. Following an organizational realignment, the Board initiated a systematic effort with Springsted Inc. to classify its positions, and determine a market competitive salary structure. The MCWD considers its compensation comprehensively, and, as part of the 2018 Classification and Compensation Study, a survey was conducted to evaluate MCWD's employee benefits against the market place.

Pursuant to Board discussion on December 20, 2018, the Board of Managers will evaluate and consider the District's position on employee benefits relative to the market through the first quarter of 2019, in advance of the annual benefit renewal in May 2019.

Following review and discussion by the Operations and Programs Committee (OPC) on December 13, 2018, on December 20, 2018 the Board of Managers adopted the District's Classification and Compensation Plan. The Board also considered a draft Compensation Policy that was advanced for final consideration by the Board at the January 10, 2019 Meeting.

In parallel, at the December 13, 2018 OPC, and again at the December 20, 2018 Board Meeting, the Board of Managers considered options regarding the cost to implement the District's Classification and Compensation Plan in 2019. In advance of consideration by committee and the full Board, the cost to implement options were reviewed by the Board's Liaisons to the human resource planning process.

Options for Cost to Implement:

The two options framed for discussion by the Operations and Programs Committee and Board of Managers included:

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

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

Option Parameters:

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

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

Adjustment to Minimum Range:

A significant fraction of MCWD positions are currently paid below the new minimum salary ranges in the adopted classification and pay plan. This is primarily because: (1) MCWD's restructuring and realignment developed new clear and organizationally aligned position descriptions; (2) MCWD had not benchmarked its salaries or adjusted its pay system against the market for nearly five years.

Both option 1 and 2 recommend that all positions currently paid below the minimum salary range be adjusted to the corresponding range 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 flexibility in the potential placement of these positions slightly above the minimum range, it is recommended that approximately \$10,000 be allocated. Both option 1 and 2 recommend incorporating this flexibility.

Budget for Additional Adjustment:

On December 13, 2018 the Operations and Programs Committee discussed components of a draft MCWD compensation philosophy, and draft criteria to be considered by the Administrator in placing and moving individuals through the proposed salary structure. These concepts and criteria were integrated into a draft Compensation Policy reviewed by the Board on December 20, 2018, and being considered for adoption by the Board at the January 10, 2019 Meeting.

In part, the draft Compensation Policy frames the District's salary range penetration philosophy based on criteria including experience, tenure, proficiency, performance, teamwork, mission driven outputs, etc.

Applying the guidelines of this policy, and the newly adopted Classification and Compensation Plan, to MCWD's current personnel outlines a need for more movement in salary than was budgeted for in 2019. This is largely due to the personnel budget needing to be established in advance of receiving the results of the Study.

Option 2 provides for additional salary range penetration in 2019, thereby requiring a budget amendment which would be paid for out of strategic reserves within operations. Whereas, Option 1 makes adjustments within the proposed budget.

As discussed previously with the Board of Managers, to successfully meet the District's human resource goals and implement the MCWD's compensation plan and policy, both options will require additional investment in subsequent fiscal years.

Summary of Options:

The two options are summarized below:

- Option 1 – Implement within Budget
 - Adjusts positions to minimum range
 - Reserves \$10,000 for flexibility in placing new hires
 - Provides approximately \$13,000 within budget for remaining adjustments for range penetration
 - Includes 1-2% adjustment for Administrator
- Option 2 – Implement with a Budget Amendment (\$32,000 amendment)
 - Adjusts positions to minimum range
 - Reserves \$10,000 for new flexibility in placing new hires
 - Provides approximately \$41,000 in total for remaining salary adjustments for range penetration
 - Approximately \$28,000 in direct salary range penetration adjustments beyond Option 1
 - \$32,000 over budget when factoring in payroll tax and PERA increases
 - Provides Board discretion of Administrator adjustment above 2%
 - Guided by 2019 implementation of compensation policy and plan
 - Would be funded in 2019 through use of operational reserves

Recommendation:

Options 1 and 2 were reviewed by the Board Liaisons to the District's HR planning process, reviewed and discussed at the December 13, 2018 OPC, and presented again in the December 20, 2018 Board packet materials for consideration.

Based on the discussion to date, following the guidance outlined in the draft Compensation Policy, and to provide appropriate range penetration for employees in 2019 balanced against the District's fiscal limitations, it is recommended that the Board consider:

- Option 2, thereby authorizing the District Administrator to implement MCWD's Classification and Compensation Plan in an amount not to exceed \$32,000 over the 2019 budget; and
 - Direct the District Administrator to prepare a budget amendment for Board consideration at the January 24, 2019 Meeting, to be combined with any other recommended 2019 budget amendments.
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RESOLUTION

RESOLUTION NUMBER: 19-013

TITLE: **Authorization to implement MCWD's Classification and Compensation Plan**

WHEREAS, the MCWD Board of Managers has undertaken a significant multi-year effort to strategically realign and refocus the organization; and

WHEREAS, to support those efforts, on November 17, 2016 the MCWD Board of Managers authorized a contract with Springsted Inc., to comprehensively analyze, restructure and align MCWD's human resources around the established organizational priorities and in support of the District's mission (Resolution 16-082); and

WHEREAS, as a result of this human resource planning, on August 24, 2017 the MCWD Board of Managers approved a Human Resources Plan which included a revised organizational chart; and

WHEREAS, on February 9, 2018 the MCWD Board of Managers authorized a 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 that accomplishes the following goals (Resolution 18-011); and

- Support the recruitment and retention of talent necessary to achieve MCWD's mission
- Provide compensation that is 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 pay plan that is clear and easy to communicate
- Comply with all laws and regulations

WHEREAS, Springsted Inc. worked with District staff and the MCWD's HR Liaisons to:

- Understand the goals of the organizational restructure, 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 classification and compensation framework to support MCWD's restructure

WHEREAS, the results of this Study were presented on December 13, 2018 to the MCWD Operations and Programs Committee; and

WHEREAS, the MCWD Board of Managers found that the classification and compensation results were the product of a robust, objective, market based process, and that the results support the District's human resource objectives; and

WHEREAS, on December 20, 2018, the MCWD Board of Managers accepted the classification and compensation study findings, and adopted the MCWD pay structure (Resolution 18-126); and

WHEREAS, on December 20, 2018, the MCWD Board of Managers reviewed a draft compensation policy outlining MCWD's compensation philosophy, and how the District's compensation plan will be administered and maintained; and

WHEREAS, at that time the MCWD Board of Managers directed the compensation policy be brought to the January 10, 2019 Board Meeting for final consideration;

WHEREAS, in coordination with MCWD Board Liaisons to the HR planning process, the District Administrator developed two options relating to the cost to implement MCWD's Classification and Compensation Plan; and

WHEREAS, these options were reviewed and discussed at the December 13, 2018, Operations and Programs Committee, and provided again to the Board of Managers at the December 20, 2018 Board Meeting;

WHEREAS, guided by MCWD's Compensation Policy and the Classification and Compensation Plan, the Board of Managers finds that Option 2 appropriately achieves the District's overarching human resource goals in 2019 while judiciously balancing the organization's fiscal constraints;

NOW, THEREFORE, BE IT RESOLVED that the MCWD Board of Managers hereby selects Option 2, and authorizes the District Administrator to implement MCWD's Classification and Compensation Plan in an amount not to exceed \$32,000 over the 2019 budget; and

NOW, THEREFORE, BE IT FURTHER RESOLVED that the MCWD Board of Managers directs the District Administrator to prepare a corresponding budget amendment for Board consideration at the January 24, 2019 Meeting, to be combined with any other recommended 2019 budget amendments.

Resolution Number 19-013 was moved by Manager _____, seconded by Manager _____.

Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: January 10, 2019

Secretary Date: January 10, 2019