

MEETING DATE: January 10, 2019

TITLE: Adoption of MCWD Compensation Policy

RES. NUMBER: 19-012

PREPARED BY: James Wisker

E-MAIL: Jwisker@minnehahacreek.org

TELEPHONE: 952-641-4509

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>Advanced from December 20, 2018 Meeting for Final Action on January 10, 2018</u>	

ACTION REQUESTED:

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

- Adopt Attachment A as MCWD's Compensation Policy

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

On December 20, 2018, the Board of Managers accepted the 2018 Classification and Compensation Study results and adopted the associated MCWD Pay Structure (Resolution 18-126). At this meeting the Board also reviewed and discussed a draft MCWD Compensation Policy (Attachment A) and directed it be brought to the January 10, 2019 meeting for final consideration.

RESOLUTION

RESOLUTION NUMBER: 19-012

TITLE: **Adoption of MCWD Compensation Policy**

- WHEREAS, on October 8, 2015 the MCWD Board of Managers approved a strategic planning process to evaluate and align MCWD programs (Resolution 15-005); and
- WHEREAS, at the conclusion of that planning process, on February 9, 2017 the MCWD Board of Managers approved a Strategic Alignment Plan (Resolution 17-007), and directed the Administrator to incorporate and implement the realigned organizational priorities into the District's operational structures through the development of a human resources (HR) plan; and
- WHEREAS, to advance this directive, on November 17, 2016 the MCWD Board of Managers authorized a contract with Springsted Inc., to restructure and align the District's human resources around its strategic priorities (Resolution 16-082); and
- WHEREAS, as a result of that human resource planning effort, on August 24, 2017 the MCWD Board of Managers approved a Human Resources Plan which included a revised organizational chart; and
- WHEREAS, on January 11, 2018 District staff outlined a plan for implementing the adopted organizational restructure, and provided a roadmap for complementary and ongoing human resource development, including developing a classification and compensation structure; 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. has 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
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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 and discussed a draft compensation policy (Attachment A), that outlines 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, the MCWD Board of Managers hereby finds that the attached compensation policy clearly articulates the District's compensation philosophy, and outlines how the organization will administer and maintain its compensation plan.

NOW, THEREFORE, BE IT RESOLVED that the MCWD Board of Managers hereby adopts Attachment A as the District's Compensation Policy, and directs the Administrator to implement and maintain the District's compensation plan accordingly.

Resolution Number 19-012 was moved by Manager _____, seconded by Manager _____.

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

Secretary Date: January 10, 2019

MCWD DRAFT Compensation Policy

1. Compensation Philosophy

The Minnehaha Creek Watershed District (MCWD) strives to be an elite organization, and envisions a landscape of vibrant communities where natural and built environments exist in balance to create value and enjoyment.

The District has set high standards of excellence, and is committed to achieving outstanding results that honor its partners in protecting and improving land and water for future generations. MCWD is guided in this pursuit of a balanced urban ecology for the watershed, by sound science, service, partnership, and a spirit of innovation where flexibility and creativity combine to create a culture of continuous improvement.

To achieve its audacious goals, the District recognizes that its most important assets are its people.

In order to attract and retain the talented people needed to accomplish its mission, the Minnehaha Creek Watershed District is committed to establishing and maintaining a compensation package that is both competitive with the public and private market within the region, and reflects the organization's standards of excellence and unique strategic priorities.

MCWD's compensation policy is designed to:

- Attract and retain the talent the District needs to achieve its mission
- Remain competitive with public and private market
- 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

MCWD also believes that compensation is more than just a salary, and is committed to maintaining a total compensation package that considers how salary and employee benefits combine to competitively position the organization in the market for talent.

2. Administration of the Compensation Plan

The District's Compensation Plan (Plan) consists of systematically classified positions, and corresponding salary ranges for each position that are derived from a market analysis of comparable positions from benchmark organizations (Attachment A).

The Board of Managers maintains overarching authority over the Plan, as outlined in the District's Governance Policies, by providing approval of the Plan, any periodic re-baselining of the Plan, and any significant adjustments to the Plan to meet the strategic needs of the organization.

The District Administrator oversees the implementation and administration of the plan as approved and directed by the Board of Managers, and in a manner consistent with this policy.

3. Maintaining the Compensation Plan

Salary ranges within the Plan are developed based on an analysis of market data of comparable positions from benchmark organizations. The mid-point of the salary ranges will be competitively set based on the mid-point of the market data.

Salary ranges will be reviewed and updated annually as part of the District's budget process, to ensure that the ranges remain competitive with market variation over time. The District will utilize the Bureau of Labor Statistics, Employment Cost Index (ECI), wages and salaries for state and local government workers (not seasonally adjusted), all workers group to maintain the salary ranges.

Adjustments will be based on the percent change for the 12 month period ending in June of each year. The percent adjustment will be made to the minimum, mid, and maximum amount for each range. An example follows for a minimum range adjustment:

$$\text{Percent Change} \times \text{Minimum Range} = \text{Adjustment Amount}$$

$$\text{Minimum Range} + \text{Adjustment Amount} = \text{New Minimum Salary}$$

These annual adjustments to salary ranges, to maintain market competitiveness, shall be approved by the Board of Managers as part of the annual budget process. Downward adjustments will not be made to the pay scale. If a negative percent change is realized, the salary scale will remain the same as the previous year.

Adjustments to the salary ranges does not guarantee an annual salary adjustment for individual employees. Salary adjustments for individuals will be based on performance, as detailed in Section 5.

A formal compensation and classification study will be conducted as needed, ~~but no less frequent than~~ and is recommended to be completed every five years, to revalidate and baseline the salary ranges and grade assignments. Authorization to initiate this work shall be provided by the Board of Managers.

4. New Hire Salary Placement

Starting salaries for new employees will be set within the salary range for that position, based on the individual's skills, knowledge and experience in relation to the proficiency requirements of the position. The starting salary will be recommended by the Department Manager, and approved by the District Administrator, before any offer of employment is made.

A new hire will not be eligible for a salary adjustment until after 180 days of employment. Department managers will complete 90 and 180 day performance reviews of newly hired employees. If a new hire demonstrates consistent and steady growth, cultural alignment, and is performing at a level equal to, or exceeding expectations of, the position at the 180 day review, the Manager may recommend a salary adjustment to the District Administrator.

5. Movement through Salary Ranges

To achieve its strategic priorities the District is committed to investing in and retaining high quality people that meet the District's standards of excellence. In addition to aligning individuals with meaningful mission driven work, and providing a culture of collaboration, camaraderie and accountability, a component of the District's retention strategy is compensation.

To effectively incentivize the retention of employees that meet or exceed the District's performance standards, adjustments to compensation will be made annually to move individuals through the salary range for their respective position.

The District recognizes that it is important that its employees not only understand what they are being paid, but also understand the reasons why. As stated in the goals of this compensation policy, the District provides compensation to retain the talent it needs to accomplish its mission, reward mission driven performance that meets the organization's standards of excellence, remain competitive with the market, and ensure internal pay equity.

Performance Considerations:

Employee performance will play a key role in guiding the implementation of the District's philosophy regarding range penetration, and the pace at which employees move through a position's salary range.

The District recognizes that performance is multi-faceted, and is committed to providing employees with operational frameworks that clearly articulate and evaluate key performance indicators and priority initiatives. In assessing whether performance is met or exceeded, and its influence on range penetration and pace of movement, the District will consider*:

- Mastery of the required knowledge, skills, abilities to meet proficiency
- Achievement of key performance indicators for the year, and record of continuous improvement
- Independence and autonomy
- Initiative and proactivity
- Strategic critical thinking, problem and solution identification, creativity and innovation
- Engagement and dedication
- Collaboration and teamwork
- Contribution to departmental or organizational strategic priorities, organizational impact
- Cultural alignment – growth mindset, transparent, idea meritocratic, receptive to critique, positivity, mentorship and leadership at all levels

*This list serves as policy guidance and is not intended to be an exhaustive or metric based list on which performance will be assessed at an operational level.

Salary Range Penetration:

Regarding salary range penetration, the District has established the mid-point of its salary ranges as market competitive for comparable positions, from benchmark organizations, for individuals that have demonstrated market competitive proficiency, and a consistent track record of performance.

Therefore, it is the District's intent to move employees towards the mid-point of the salary range for their grade in an efficient and timely manner consistent with work performance and demonstrated proficiency (knowledge, certifications, skills, abilities, etc.). Salary adjustments beyond mid-point of the salary range will be taken at a more gradual and deliberate pace, for individuals consistently performing at a level higher than what the position requires.

Compensation Ratios:

To synchronize the District's philosophy regarding range penetration and the use of performance criteria, the District will consider an employee's compensation ratio. Compensation ratio is defined as the percentage obtained by dividing the actual salary paid to an employee by the midpoint of the salary range for that position.

$$\text{Compensation Ratio} = \frac{[\text{Employee Salary}]}{[\text{Midpoint of Pay Range}]} \times 100$$

An individual with a compensation ratio of 100% is paid at midpoint and is viewed as being competitive with an individual in the market who is proficient and has a track record of consistently meeting expectations.

MCWD's philosophy regarding range penetration, combined with performance and the following compensation ratios* will be used to holistically guide an individual's movement through the established pay ranges:

- 83 – 89% - new, limited experience, not proficient, or unsatisfactory performing incumbent
- 90 – 96% - gaining experience, consistent performance, not fully proficient
- 97 – 103% - consistent performance and fully proficient
- 104 – 110% - consistently performing at a higher level than required
- 111 – 116% - universally recognized as outstanding performers, inside and outside MCWD

*Compensation ratios are not intended to provide a prescriptive or formulaic approach to the implementation of the District's compensation plan, but as overarching guidance.

6. Position Classification and Reclassification

The MCWD uses the Systematic Analysis and Factor Evaluation (SAFE®) system to consistently evaluate the classification of positions, and the placement of positions within the District's Compensation Plan.

The District seeks to maintain the alignment of its organizational structure and human resources in a manner that directly supports its strategic priorities. In accordance with the District's Governance Policies, the Administrator will routinely assess the District's human resource needs against the organizations strategic objectives, and make recommendations to the Board of Managers. These recommendations will be informed by Department Managers, and evaluated and prioritized by the District Administrator and Board of Managers through an organizational lens.

Recommendations may range from individual position reclassification, the creation of new positions, or departmental/organizational realignment. Positions affected through these recommendations will be evaluated using SAFE®, and placed within the District's compensation structure. The District Administrator will advise, and the Board of Managers must approve, of the fiscal and organizational impact of the recommended changes.

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