



CITY OF SHAKOPEE, MINNESOTA

2022 COMPENSATION PROGRAM OVERVIEW AND UPDATE

Prepared by Keystone Compensation Group LLC

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E-Mail: Sabboud@keystonecomp.net



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Keystone Compensation Group LLC | www.keystonecomp.net | 612.810.3522

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BACKGROUND AND OBJECTIVES

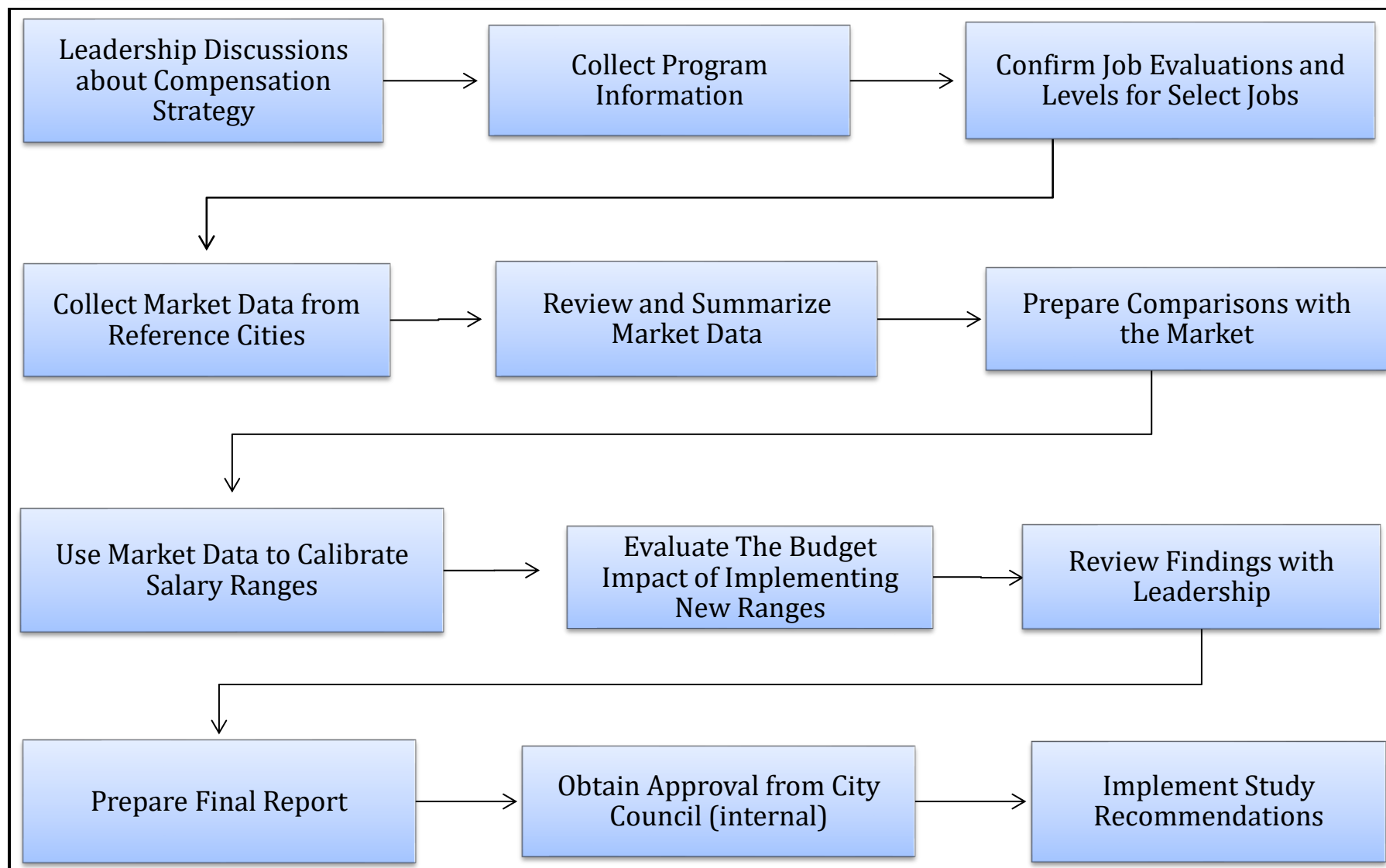
Keystone Compensation Group LLC conducted a compressive compensation program review for the City of Shakopee in 2017. Key outcomes of that study were developing a compensation strategy for the City and creating a new compensation program that is internally equitable and externally competitive.

In 2022, City leadership commissioned a new study to review and update the current compensation program. Central to this review are the following objectives:

1. Confirm the compensation program strategy and program design.
2. Review and confirm reference market cities to ensure representation of the talent pool where the City attracts employees.
3. Review the evaluations for select jobs and confirm their job grades (~20 jobs).
4. Conduct a competitive market analysis for the City's compensation program with a special focus on nonunion jobs.
5. Calibrate current salary ranges with the market and maintain internal equity.
6. Evaluate the budget impact for implementing the proposed revised salary ranges.
7. Indirect objectives:
 - a. Enable the City to retain and attract qualified employees.
 - b. Ensure compensation program is in compliance with the Local Government Pay Equity Act.

This report includes a summary of the steps we followed to conduct this study, key results from our analysis, recommended revised salary ranges, and an estimate of the impact on payroll budget.

2022 COMPENSATION PROGRAM REVIEW FRAMEWORK, CITY OF SHAKOPEE



COMPENSATION STRATEGY FOR THE CITY OF SHAKOPEE

Compensation strategy refers to how the City competes for talent in the market place. This strategy has four key pillars:

1) WHO DOES THE CITY COMPETE WITH IN THE TALENT MARKETPLACE?

Talent market for the City of Shakopee is defined as the ten metro cities chosen based on internally approved criteria. See page #5 for a list of the cities used in this study.

2) HOW IS THE CITY'S COMPENSATION PROGRAM POSITIONED RELATIVE TO THE MARKET?

City's salary ranges maximum is aligned with the average range maximum of reference cities while taking into consideration internal equity. A policy trendline is used to confirm this market position.

3) WHAT DOES THE CITY INTEND TO PAY FOR (WHAT IS RECOGNIZED)?

The City uses a step pay program to reward employees for their years of experience on the job contingent upon their meeting of expected performance standards.

4) HOW DOES THE CITY DELIVER PAY INCREASES (SALARY ADMINISTRATION)?

Employees may receive the combination of step pay increases within their job grade and the general market movement (COLA) for the pay grid. This depends on budget availability, overall economic environment, and the approval of leadership and city council.

CITY OF SHAKOPEE REFERENCE MARKET CITIES PROFILE

2022 City of Shakopee Approved Reference Market Cities				
Order #	Organization	Population	Relative Size	Notes
1	Lakeville	70,400	148%	LMC
2	Blaine	66,650	140%	LMC
3	Coon Rapids	64,000	135%	LMC
4	Burnsville	61,700	130%	LMC
5	St. Louis Park	48,030	101%	LMC
	Shakopee	42,300	89%	
6	Maplewood	40,850	86%	LMC
7	Roseville	36,700	77%	LMC
8	Inver Grove Heights	36,100	76%	LMC
9	Savage	33,800	71%	LMC
10	Golden Valley	22,350	47%	Collect

Average Population Size	47,535
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SUMMARY OF MARKET ANALYSIS RESULTS

Market data were collected from the reference market cities shown on page #5. Information on base pay hourly rates, range minimums, and range maximums were collected for each benchmark job. Market benchmark data were collected for 62 jobs and 83 (87% coverage) City employees. Key findings from this analysis:

1. The average ratio of actual pay for all employees relative to their current range maximum is 96.5%. This indicates excellent employee retention as many employees are paid close to their job's range maximum.
2. The comparison of City's actual pay with market median showed that overall pay at the City is in line with the market. The average ratio of City's actual pay to market median is 98.6%. This is within the competitive zone of 95%-105%. However, there are variations among jobs as shown on the detailed analysis.
3. Average salary range maximums for the City are slightly below market and are at 95.0% of the average market maximum. However, the maximums for some jobs are below market and for some others are ahead of market. The proposed new ranges address this issue. See detailed analysis.
4. The overall salary range matrix was calibrated using the regression trendline of the average maximum for the reference market and City job grades.
5. Ranges for all grades were adjusted to align them externally with the market and internally with the equity trendline. These adjustments varied from 1.8% to 9.3% based on distance from the market.
6. The overall conclusion from this study is that Shakopee's salary ranges are slightly below market while actual pay is in line with the market. The recommended calibrations are to ensure internal equity alignment among grades.
7. Revised salary ranges for 2022 and proposed 2023 ranges are provided on pages #7 and #8. The proposed 2023 ranges are only an initial recommendation and may be adjusted based on City budget.

2022 City of Shakopee Proposed Salary Ranges Based on Current Structure Design								
Job Grade	Min/ Step #1	Step #2	Step #3	Step #4	Step #5	Step #6	Step #7	Maximum
250							\$92.94	\$92.94
240	\$68.16	\$70.74	\$73.41	\$76.19	\$79.06	\$82.05	\$85.16	\$85.20
230	\$62.48	\$64.84	\$67.29	\$69.84	\$72.48	\$75.22	\$78.06	\$78.10
220	\$57.27	\$59.44	\$61.68	\$64.02	\$66.44	\$68.95	\$71.55	\$71.59
210	\$52.50	\$54.49	\$56.55	\$58.69	\$60.90	\$63.21	\$65.60	\$65.63
200	\$48.13	\$49.95	\$51.84	\$53.79	\$55.83	\$57.94	\$60.13	\$60.16
190		\$44.12	\$46.13	\$48.24	\$50.44	\$52.73	\$55.14	\$55.15
180		\$40.44	\$42.28	\$44.21	\$46.23	\$48.34	\$50.54	\$50.55
170		\$37.07	\$38.76	\$40.53	\$42.38	\$44.31	\$46.33	\$46.34
160		\$33.98	\$35.53	\$37.15	\$38.85	\$40.62	\$42.47	\$42.48
150		\$31.15	\$32.57	\$34.06	\$35.61	\$37.23	\$38.93	\$38.94
140			\$30.34	\$31.60	\$32.91	\$34.27	\$35.69	\$35.69
130			\$27.89	\$29.05	\$30.25	\$31.51	\$32.81	\$32.81
120			\$25.49	\$26.55	\$27.65	\$28.80	\$29.99	\$29.99
110			\$23.37	\$24.34	\$25.35	\$26.40	\$27.49	\$27.49

2022 Shakopee Current Salary Ranges and Proposed Range Maximum Adjustments									2022 Proposed Maximums	% Change
Job Grade	Min/ Step #1	Step #2	Step #3	Step #4	Step #5	Step #6	Step #7	Shakopee Maximum		
250							\$87.29	\$87.29	\$92.94	6.5%
240	\$63.22	\$65.75	\$68.28	\$70.81	\$73.34	\$75.87	\$78.40	\$78.40		
230	\$59.16	\$61.63	\$64.09	\$66.55	\$69.02	\$71.49	\$73.95	\$73.95	\$78.10	5.6%
220	\$54.33	\$56.59	\$58.85	\$61.12	\$63.37	\$65.63	\$67.90	\$67.90	\$71.59	5.4%
210	\$50.05	\$51.92	\$54.43	\$56.30	\$58.18	\$60.68	\$62.56	\$62.56	\$65.63	4.9%
200	\$46.59	\$48.45	\$50.31	\$52.18	\$54.04	\$55.90	\$57.76	\$57.76	\$60.16	4.2%
190		\$43.32	\$45.49	\$47.66	\$49.82	\$52.00	\$54.16	\$54.16	\$55.15	1.8%
180		\$37.63	\$39.44	\$41.34	\$43.22	\$45.11	\$47.01	\$47.01	\$50.55	7.5%
170		\$34.83	\$36.57	\$38.31	\$40.05	\$41.79	\$43.54	\$43.54	\$46.34	6.4%
160		\$32.28	\$33.90	\$35.50	\$37.13	\$38.74	\$40.35	\$40.35	\$42.48	5.3%
150		\$28.74	\$30.17	\$31.61	\$33.05	\$34.50	\$35.91	\$35.91	\$38.94	8.4%
140			\$26.13	\$27.76	\$29.39	\$31.02	\$32.65	\$32.65	\$35.69	9.3%
130			\$25.23	\$26.72	\$28.21	\$29.69	\$30.65	\$30.65	\$32.72	6.8%
120			\$22.94	\$24.31	\$25.64	\$26.99	\$27.85	\$27.85	\$29.99	7.7%
110			\$20.85	\$22.08	\$23.32	\$24.54	\$25.32	\$25.32	\$27.49	8.6%
										6.3%

2023 City of Shakopee Initial Salary Ranges (2.5% adjustment over 2022)								
New Grade	Min/ Step #1	Step #2	Step #3	Step #4	Step #5	Step #6	Step #7	Maximum
250							\$87.29	\$95.26
240	\$69.86	\$72.50	\$75.25	\$78.09	\$81.04	\$84.10	\$87.28	\$87.33
230	\$64.04	\$66.46	\$68.98	\$71.58	\$74.29	\$77.10	\$80.01	\$80.05
220	\$58.70	\$60.92	\$63.23	\$65.62	\$68.10	\$70.67	\$73.34	\$73.38
210	\$53.82	\$55.85	\$57.96	\$60.15	\$62.43	\$64.79	\$67.24	\$67.27
200	\$49.33	\$51.20	\$53.13	\$55.14	\$57.22	\$59.39	\$61.63	\$61.66
190		\$45.22	\$47.29	\$49.44	\$51.70	\$54.05	\$56.52	\$56.53
180		\$41.45	\$43.34	\$45.32	\$47.38	\$49.54	\$51.80	\$51.81
170		\$38.00	\$39.73	\$41.54	\$43.44	\$45.42	\$47.49	\$47.50
160		\$34.83	\$36.42	\$38.08	\$39.82	\$41.64	\$43.53	\$43.54
150		\$31.93	\$33.39	\$34.91	\$36.50	\$38.17	\$39.91	\$39.91
140			\$31.09	\$32.39	\$33.73	\$35.13	\$36.59	\$36.58
130			\$28.51	\$29.69	\$30.92	\$32.21	\$33.54	\$33.54
120			\$26.13	\$27.21	\$28.34	\$29.52	\$30.74	\$30.74
110			\$23.95	\$24.94	\$25.98	\$27.06	\$28.18	\$28.18

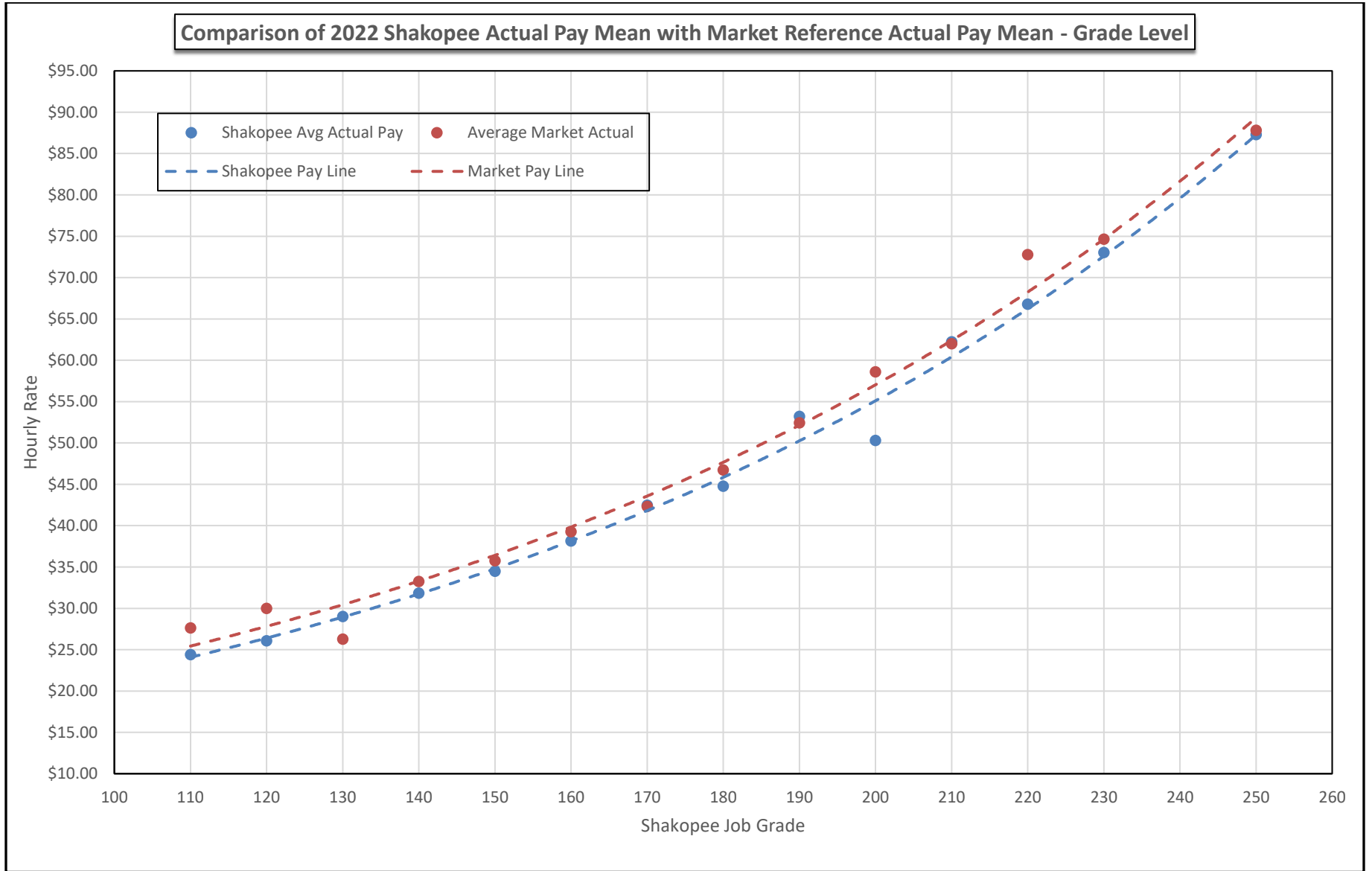
BUDGET IMPACT ESTIMATE FOR IMPLEMENTING REVISED 2022 RANGES

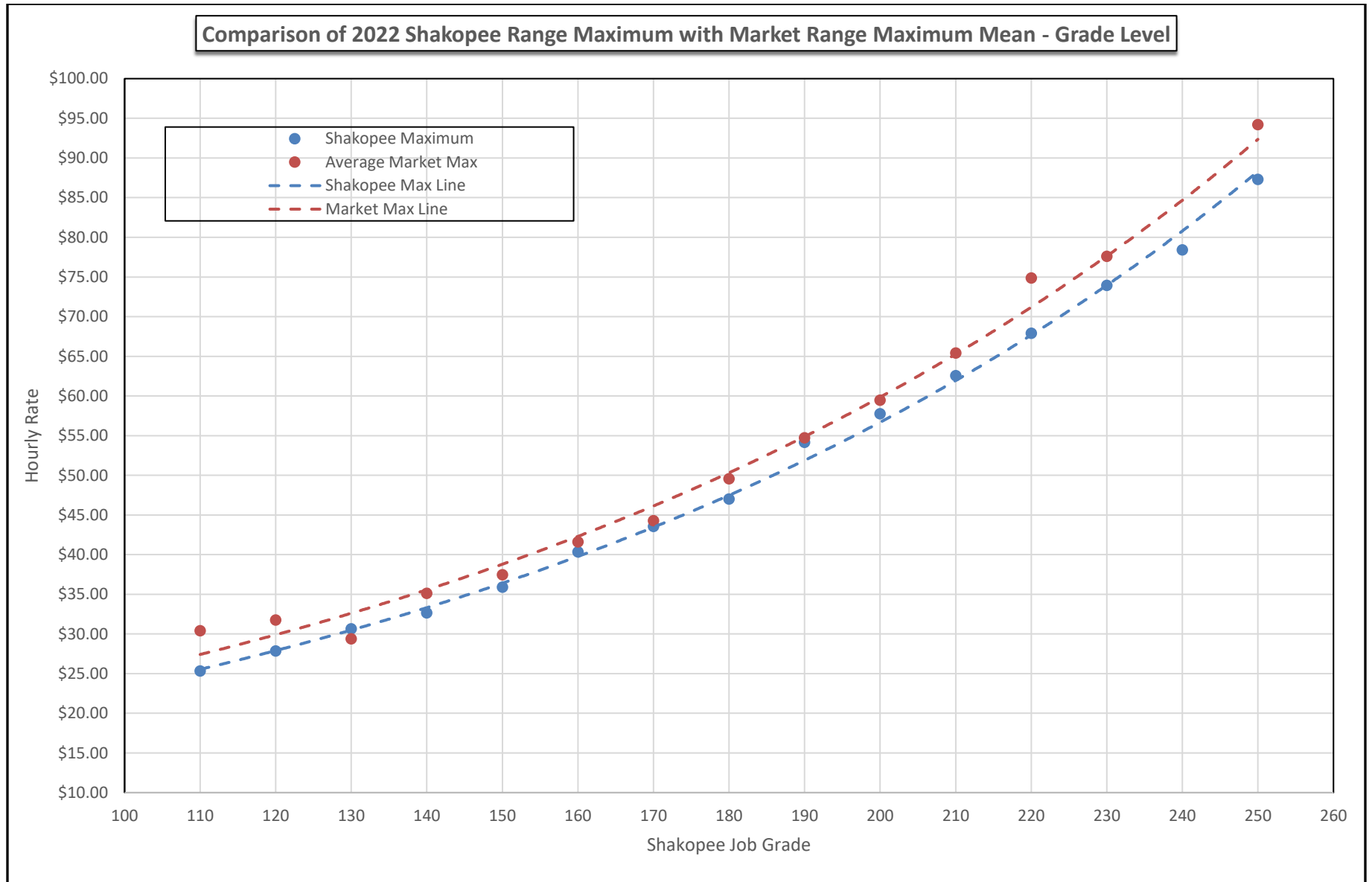
A preliminary budget analysis was conducted for all City employees based on their current actual pay. This budget impact estimate is for transitioning employees from their current pay rate to a comparable step rate in the revised ranges.

This analysis is preliminary in nature and the final budget impact depends on actual pay rates when the new ranges are implemented. City leadership should work internally with the Finance staff to compute the exact budget impact using the provided framework. All details are provided on the Excel workbook provided to HR.

We used the following steps to estimate the budget impact for the transition to the revised 2022 ranges:

1. Assigned each employee to the closest step within their pay grade based on their current actual pay (not step). The new step rate is equal or higher than the current pay rate with no decrease in pay.
2. Computed the difference between current pay rate and the new step rate for each employee.
3. Actual budget impact is annualized to account for the number of hours worked (full time equivalency).
4. The approximate cost of program implementation for employees included in this study is \$160,501 or approximately 1.9% of payroll budget. This is in addition to any range adjustments for 2023.
5. We expect the 2023 salary ranges to increase approximately 2.5-2.75% over 2022. We used 2.5% factor to prepare the propose the 2023 salary. The final adjustment factor should be based on budget availability.
6. Final salary ranges for union jobs and the budget impact are contingent on the outcomes of negotiations.
7. City Administration staff will use study results to prepare recommendations for program changes to the City Council.





FINAL CONCLUSIONS FROM THIS MARKET STUDY

1. The average actual pay for the City of Shakopee is at 98.5% of market mean. This is within the competitive market zone of 95%-105%.
2. Salary ranges lag the market by about 5.5%.
3. The current design of the 2022 salary ranges was generally maintained (number of steps and step progression). The minimums for Grades 140 and lower was standardized at 85% of maximum to reflect the fact that we have fewer steps in these grades. This also helps with attracting talent at the lower-level jobs.
4. The revised 2022 ranges are aligned with the average range maximum for reference market cities.
5. The preliminary budget impact for transitioning employees to the revised 2022 ranges is close to \$160,501 or 1.9% of total payroll.
6. The proposed range matrix for 2023 reflects 2.5% adjustment for the revised 2022 salary ranges.
7. City leadership will prepare and present program changes to the City Council to obtain necessary approval for the compensation program changes.