

To: **Mayor and City Council**
Through: **Ryan Schroeder, City Manager**
From: **Sherrie Le, Assistant City Manager**
Date: **January 28, 2019**

Approve 2019 Pay Equity Report for Submission to the State

BACKGROUND INFORMATION:

The State of Minnesota requires that we submit a report to the Employee Relations Division of the Department of Management and Budget every three years using the State's Pay Equity software. This is required under the Minnesota Local Government Pay Equity Act and related rules.

There are four tests we must pass to be determined to be in compliance. Our analysis shows we are in compliance with three of the four tests. We are not in compliance with the exceptional service pay test due to the disproportionate number of males compared to females who received merit pay. We will have to ask for reconsideration, which is a formal process that occurs after we are found not to be in compliance. The tests are:

- Completeness and Accuracy – We should pass this test.
- Report submitted by January 31 or the year it is required – We will pass this test upon Council approval. The report will be submitted tomorrow.
- Underpayment Ratio calculated by the State's software using our data effective 12-31-18 must be greater than 80% - Test result is 83.5%. We have passed this test.
- Salary Range test is 80% or above or results in zero –Our result is zero so we passed this test.
- **Exceptional Service Pay Test is 80% or results in zero – Our results are 21.05%. We did not pass this test.**

Reason for Failure of Exceptional Service Pay Test

We did not pass this test for the following reason. In about 2014-2015, the number of job classes eligible for merit pay was expanded by the City Manager to include all salaried employees. All of the positions added had and have male incumbents. With many more males than females in salaried positions, it is very difficult to pass this test. Only two salaried employees are female.

We failed this test in 2016 as well. We requested reconsideration and worked with the State Pay Equity Coordinator at that time. We were instructed to mark exceptional service for a job class only if the receipt of merit pay put the incumbent above the maximum pay for their job class. Once we followed those instructions, the result for that test was passing.

Unfortunately, that did not help this year. Half of the eligible male-dominated job classes received merit pay and half of the eligible females received merit pay (that exceeded the max pay). Merit pay based on merit or performance, not gender.

Cities typically have a lot of male-dominated professions due to having occupations like: public works, building inspection, engineering and police. Over the past several years, the applicants for these positions have primarily and many times exclusively been males. It is difficult to hire a female if none applies. The merit-pay eligible positions where we had no female applicants in the last several years include: Parks and PW Director, Building Official, Assistant Parks and PW Superintendent, Parks and PW Superintendent and Project Engineer.

Failure of this test will require requesting reconsideration from the State Pay Equity Coordinator. We will explain that this result is not gender based. All eligible females received merit pay and not all eligible males did. We just happen to have quite a few more males than females in the eligible job classes. The State will work with us and allow us time to comply.

FISCAL IMPACT:

If, ultimately, after we go through all steps of the process, we are not found in compliance the penalty is the greater of \$100 per day or 5% loss in local government aid until compliance is achieved. That is a very steep penalty and we will do whatever we can to make sure we do not receive the penalty.

STAFF RECOMMENDATION:

Request approval of attached report to meet required deadline.