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February 20, 2023

To: Senate State and Local Government and Veterans Committee

RE: SF1086 Political subdivision compensation limit repeal

Senators,

My familiarity with this topic is due to my time spent at the capitol, first as an employee of the Senate starting in 1995, then election to city office in 1999, and then as a policy committee vice-chair with the League of MN Cities, and as a citizen and/or paid lobbyist on local government issues the past 20 years. Today my comments are my own.

For the past 20 years, I have testified in opposition to almost every reiteration of this bill imaginable. Throughout this time I have been dumbfounded at all the misinformation that continues to be spread. One would think that perhaps all parties could actually sit down and agree upon some basic facts, but sadly this has not been the case.

Just this month, one legislator in the other body falsely claimed the salary cap was put in place in 2005. Then a city lobbying organization (MLC) yet again falsely claimed that the salary cap is 110% of the governor's salary and was put in place in 1997 (they keep reprinting the same letter over and over and just change the date and bill number).

I wouldn't be surprised if Gary Carlson and I the only two people in the building who know that the legislature directed the LCC to study this issue in 2004 which resulted a 25-page report that was published in 2005. Has anyone actually read it?

Speaking bluntly, how can the legislature consider repealing a statute concerning an issue that it knows relatively nothing about and can't even agree on what year it was originally passed? We can't even find agreement on what the salary cap amount is!

Please allow me to attempt to shed some light on this issue by addressing questions that have come up during the past dozen or so hearings that have been held over the last 20+ years.

Questions:

1. Did local government salaries jump when the salary cap was increased in 2005?
2. What is the current salary cap? What is not included?
3. Does a repeal of the salary cap impact state employee salaries?
4. Six-month severance is routinely written into contracts given to highly compensated employees under Minnesota Statutes 43a.17, subd.11. How does the repeal of the salary cap law impact this?
5. Will smaller sized local governments be able to compete in salary wars with wealthier counties and suburbs?
6. Has the Senate previously considered a minor adjustment to the salary cap and an adjustment to the six-month severance provision?
7. Have local governments provided any evidence that there are open positions that cannot be filled due to the salary cap?
8. Poison pill provisions are routinely written into highly compensated employee contracts, which trigger the six-month severance. How does this work and how does the repeal of the salary cap law impact this?
9. Can local elected officials pay close attention to salaries and employment contracts?
10. Will an increase in local government salaries beyond the rate of inflation lead to an increased need for more Local Government Aid and County Aid?
11. Will an increase in local government salaries beyond the rate of inflation impact PERA?
12. Can the private sector pay more regardless of the salary cap?
13. Who provides more secure employment and guaranteed pension benefits?
14. Will a repeal of the salary cap create a further divide between the salaries of highly compensated government employees and the citizens they work for?
15. When was the salary cap law first implemented?
16. What year did the salary cap start getting indexed with the rate of inflation?
17. Does the salary cap cover consultants?
18. Will a repeal of the salary cap lead to fewer consultants being hired, or that consultants will be hired to get around the salary cap?
19. What happened with the City of Lakeville’s need to hire two key employees, which they raised in 2021?
20. Is it true that law enforcement officers as an employee group would likely be the greatest financial beneficiaries of a repeal of the salary cap?

Questions & Answers:

1. Did local government salaries jump when the salary cap was increased in 2005?

Yes.

"My fears have come true," said state Sen. Barb Goodwin, a Columbia Heights Democrat who as a House member voted against the 2005 change that made it easier to boost local pay. Back then, she was among those who worried it would set off a salary scramble in which local governments had to jack up pay because their neighbors were."

"It's inevitable," she added. "If you could raise your own salary, you're going to, right? Wouldn't you?"

- *"Local pay jumped as Minn. cap eased", Associated Press, November 11, 2013*

In my 20 years of monitoring this issue, the most frequent local government testifying for a full repeal of the salary cap has been the City of Rochester, not Minneapolis, St. Paul, or any county. Therefore it was not surprising to see the Associated Press label the City of Rochester as being one of the biggest embracers of salary increases.

2. What is the current salary cap? What is not included?

$206,939/year. Plus, in addition to salary…

- Employee benefits that are also provided for the majority of all other full-time employees of the political subdivision.
- Vacation and sick leave allowances.
- Health and dental insurance.
- Disability insurance.
- Term life insurance.
- Pension benefits or like benefits, the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986.
- Dues paid to organizations that are of a civic, professional, educational, or governmental nature.

- Reimbursement for actual expenses incurred by the employee, which the governing body determines to be directly related to the performance of job responsibilities, such as actual miles driven.
- Relocation expenses paid during the initial year of employment.
- Overtime, for non-exempt and exempt employees pursuant to an employment contract.
- Accrued leave payouts.
- Contributions to employee post-employment health savings accounts.

  - *Governor's Salary Cap Law, League of Minnesota Cities, 2020*

For example, Edina City Manager Scott Neal's contract from 2018-2020 paid him the maximum salary allowed under the cap and if a waiver was not obtained, he was to be granted 20 hours of additional paid vacation. He was also granted 16 years seniority his first day on the job.

The contract also called for the taxpayers to pay for Mr. Neal's dues, subscriptions, and travel and subsistence expenses for his participation in national, regional, state, and local associations including the International City/County Management Association, Minnesota City/County Management Association, National League of Cities, and the League of Minnesota Cities.

The contract specifically states that the taxpayers will pay for Mr. Neal's membership expenses for the Edina Chamber of Commerce and the Edina Noon Rotary Club.

Furthermore taxpayers in Edina were also paying for Mr. Neal to attend the International City/County Management Association's Senior Executive Leadership Institute at the University of Virginia's Darden School of Business in Charlottesville, VA with full payment for all expenses related to attendance, including tuition, books, materials, travel, and lodging.

Mr. Neal was also free to engage in teaching, consulting, speaking or performing other non-City connected activities for compensation without the consent of the employer.

If any future city council tampered with his salary and/or benefits without his approval, it would trigger the taxpayers giving Mr. Neal a 6 month severance check.

Mr. Neal's contract is not uncommon. I have personally seen taxpayers paying for League of Women Voters dues, and employees being granted 20 years seniority to qualify for the 5-week vacation packages the first day on the job in addition to paid sick and safe leave.

- *City of Edina, City Manager Contract 2018-2020*

3. Does a repeal of the salary cap impact state employee salaries?

Yes.

Contrary to testimony in previous years, a repeal of the local government salary cap will result in a cost to the state. The timing will depend upon when state employee contracts come due.

"DOER contends that the cap is needed and reasonable, especially when the state and local units of government are experiencing significant budget shortfalls. DOER's commissioner also testified that it is unreasonable for the state to negotiate labor contracts with no across-the-board increases for state employees, and then consider salary increases for the highest-paid employees in local government."

- *"The Impact of the Political Subdivision Compensation Limit on Local Units of Government", by Greg Hubinger, published April 2005, Legislative Coordinating Commission*

"State union leaders and some state executives said that made it increasingly hard to compete for top talent with both the private sector and even other levels of government, particularly after a 2005 law change that let Minnesota cities and counties pay considerably higher salaries for some positions."

"Sue Mulvihill, a deputy transportation commissioner, said her agency has struggled to find engineers. Even county transportation departments have been able to offer as much as an additional $50,000 a year for top prospects, Mulvihill said."

- *Saint Paul Pioneer Press, December 24, 2013*

4. **Six-month severance is routinely written into contracts given to highly compensated employees under Minnesota Statutes 43a.17, subd.11. How does the repeal of the salary cap law impact this?**

   The current bill before the Senate simply repeals the salary cap and leaves the severance provision in place untouched. If a local government employee is earning $300,000 in salary plus benefits, they would receive a severance check for $150,000.

5. **Will smaller sized local governments be able to compete in salary wars with wealthier counties and suburbs?**

   No.

   In 2005, Sen. Jim Vickerman (DFL-Tracy) opposed the repeal of the salary cap, and instead voted for a modest increase for this specific reason. He stated that the Twin Cities would have the financial means to strip out any talent they wished in Greater Minnesota, and that his communities simply could not compete.

   Sen. Chuck Wiger (DFL-Maplewood) then offered an amendment to modify the bill to remove the full repeal of the salary cap and replace it with a modest increase. Sen. Wiger's amendment passed on a bipartisan vote.

6. **Has the Senate previously considered a minor adjustment to the salary cap and an adjustment to the six-month severance provision?**

   Yes.

   In 2019, the Senate Local Government Committee recognized that the state's six-month severance law, Minnesota 43A.17, subdivision 11, is directly impacted by any adjustments or repeal of the salary cap law under subdivision 9.

   In exchange for a salary cap increase of $20,000 (not a repeal), the Senate Local Government Committee approved a rolling back of the severance law from a maximum of 6 months to 3 months (Sen. Rarick amendment).

   The City of Rochester testified in 2019 that they automatically provide all of their highly compensated employees a 6-month severance.

At the time, highly compensated local government employees were receiving $90,000 in severance based upon a $180,000 annual salary.

In 2023, an employee would receive over $103,000 in severance if earning a salary at the cap. Severance is owed if an employee is asked to leave, is fired, or if the poison pill provision is triggered in the employee's contract.

7. Have local governments provided any evidence that there are open positions that cannot be filled due to the salary cap?

No.

Every year we hear claims of positions that cannot be filled, that no one qualified applies, that a specific candidate couldn't be hired yet numerous qualified candidates applied, or that the waiver process is too difficult.

The League of Minnesota Cities letter of February 9, 2023 repeats many of these claims, and like most if not all of their previous letters, lacks any examples that can be fact verified.

The closest anyone has come to providing a verifiable example was in 2005, when a representative from the League of Minnesota Cities stated in a Senate committee that the Blaine City Manager left for a better paycheck in Ann Arbor, MI. The claim was that the salary cap drove him away from Minnesota.

In response, Sen. Debbie Johnson (R-Ham Lake) informed the LMC representative in a stern tone that she had no idea what she was talking about. Sen. Johnson was correct. What the Senator and I both knew is that the Blaine City Manager got caught having his personal vehicle serviced in the city garage by city employees at taxpayer expense. I was informed that he was told to either immediately find a new job or be fired.

8. **Poison pill provisions are routinely written into highly compensated employee contracts, which trigger the six-month severance. How does this work and how does the repeal of the salary cap law impact this?**

   The Minnesota City/County Management Association promotes the insertion of poison pill provisions into their member's employment contracts that elected officials may or may not be fully aware of.

   The poison pill prevents current or incoming elected officials from reducing the employee's salary or benefits. This can be found on pages 6 and 7 of Edina City Manager Scott Neal's contract.

   We commonly hear the false tale that the voters can elect new council members and they can correct improper salaries. This cannot be farther from the truth.

   If a city council majority is defeated in an election, the lame duck council members have 7 weeks to give their city administrator/manager a quick raise so when the new council members take office and fire that employee, they have to pay half that new salary as severance. Yes, I saw this happen in a local suburb.

   When new council members take office, if they fire, dismiss, or tamper with an employee's salary or benefits that has this poison pill in their contract, it automatically triggers the six-month severance benefit. In many cases, for a new city council majority to make a simple change in management, it may cost taxpayers over $100,000.

   The Minnesota City/County Management Association is associated with and offices at the League of Minnesota Cities building.

9. **Can local elected officials pay close attention to salaries and employment contracts?**

   No.

   In most major cities in Minnesota, local elected officials are prohibited by law or city charter from having any involvement in the employment of anyone underneath the city administrator/manager.

In fact, as mayor, I was prohibited by law from even looking at the employment file of the assistant city manager. I had no legal authority over salary or employment contracts for 149 out of the 150 employees. This is the legal situation in most of the cities where the highest compensated employees are located.

As a city mayor, I was a big supporter of the local government salary cap as it was a key tool for the elected officials to prevent runaway salaries or our neighboring cities from poaching our employees. There was no “race to the top” competition with highly compensated employee salaries in Minnesota like one will find in other states.

When it comes to negotiating salary packages for city administrators/managers, local elected officials have few to turn to for professional support. Employment consultants are beholden to city administrators/managers as they are their primary business customers. City administrators/managers also have full legal and staff services from the Minnesota City/County Management Association to help them obtain the maximum salary and the full six-month severance package allowed by state law. The Minnesota City/County Management Association is associated with and offices at the League of Minnesota Cities building.

Legislators seeking to remove the salary cap leave local city elected officials with few to no tools to address salary and employment contracts for 99% of their employees.

Do other states without a salary cap handcuff their local elected officials in this manner?

10. Will an increase in local government salaries beyond the rate of inflation lead to an increased need for more Local Government Aid and County Aid?

Yes, and I believe legislators know this.

11. Will an increase in local government salaries beyond the rate of inflation impact PERA?

Yes, and I believe legislators know this.

12. Can the private sector pay more regardless of the salary cap?

Yes. The private sector is paying employees with private capital so they will always be able to pay larger salaries than government, not some of the time, but all the time.

13. Who provides more secure employment and guaranteed pension benefits?

Everyone knows that the answer to this question is government. It is extremely rare for local governments to file bankruptcy, and if they do, they never go out of business. Unlike the private sector, government provides a rock solid defined benefit pension.

14. Will a repeal of the salary cap create a further divide between the salaries of highly compensated government employees and the citizens they work for?

Yes, without question.

In 2021, the City of Rochester and Olmstead County testified that the salary cap of $180,000 plus benefits was unreasonable. To put this in perspective, the average salary of a citizen living in Rochester was $33,625 and the average salary of a citizen living in Olmsted County was $40,157.

15. When was the salary cap law first implemented?

1977.

- *"The Impact of the Political Subdivision Compensation Limit on Local Units of Government", by Greg Hubinger, published April 2005, Legislative Coordinating Commission*

16. What year did the salary cap start getting indexed with the rate of inflation?

2005.

17. Does the salary cap cover consultants?

No.

18. Will a repeal of the salary cap lead to fewer consultants being hired, or that consultants will be hired to get around the salary cap?

No.

Claims have been made in previous years that a repeal of the salary cap would lead to fewer consultants being hired, or that consultants are hired to get around the salary cap. No evidence has ever been provided to support these claims.

Many local governments hire consultants solely due to it being impractical to hire employees for a job task or project.

The City of Roseville hires a firm as their city attorney. The city receives the support and services of an entire law firm at a price of less than the cost of hiring one city staff attorney.

The City of Oak Grove has hired a finance consultant in the past because their city council determined that an on staff finance director would only have two days' worth of work per week due to their size.

19. What happened with the City of Lakeville's need to hire two key employees, which they raised in 2021?

In 2021, the City of Lakeville testified that the salary cap needed to be repealed because they would not be able to fill two key employee positions that were coming vacant.

In 2023, a legislator representing Lakeville recently stated in committee that they hired two excellent employees for those vacancies, and that they are paying them well below the salary cap.

20. Is it true that law enforcement officers as an employee group would likely be the greatest financial beneficiaries of a repeal of the salary cap?

Yes.

In the City of Rochester, 58% of their budget is spent on public safety with the largest employee group being the police department. In the City of Roseville, the greatest percentage of the tax levy is devoted to the police department, which is the largest employee group.

It is not unreasonable to believe that a repeal of the salary cap would lead to one of the largest increases in law enforcement pay and benefits, without any additional requirements for training or disciplinary standards.

When the city police chief is given a $25,000 salary increase due to the repeal of the salary cap, all other officer's salary packages will rise in unison within a short period of time. (It should go without saying that it will also lead to large property tax increases.)

For Senators who are focused on law enforcement accountability issues, I am dumbfounded how one could support a repeal of the cap fully understanding this.

Conclusion

The Legislature directed the LCC to study the salary cap issue in 2004. The Legislature in 2005 permanently resolved the issue by increasing the cap, then annually adjusting it with the rate of inflation. A repeal of the cap is unnecessary and counterproductive to broader public policy goals in the State of Minnesota.

If the Legislature wishes to responsibility study this issue, assemble another committee through the LCC and address the impact to state employee salaries, severance benefits, pension impact, and the ability of local government officials to provide adequate supervision over these issues.

AP Enterprise: Local pay jumped as Minn. cap eased

Nov 11, 2013

Salaries of the top-paid employees in Minnesota city and county government have risen sharply since the state peeled back a restriction that made it rare for local personnel to earn more than the governor.

An analysis of salary data by The Associated Press found scores of local officials — city managers, police chiefs, parks directors, county health agents among them — now drawing bigger paychecks than the governor. In some cases, pay for the same position shot up more than $40,000 in about eight years.

The trend could factor into upcoming state salary decisions. A study of competitiveness of state executive branch pay is underway and could result in raises as soon as next year.

To some, the local increases are a market correction for positions where artificially compressed wages made it hard to attract and keep good people. To others, it’s an alarming rate of growth that doesn’t square with local governments’ frequent complaints that they are barely scraping by.

“My fears have come true,” said state Sen. Barb Goodwin, a Columbia Heights Democrat who as a House member voted against the 2005 change that made it easier to boost local pay. Back then, she was among those who worried it would set off a salary scramble in which local governments had to jack up pay because their neighbors were.

“It’s inevitable,” she added. “If you could raise your own salary, you’re going to, right? Wouldn’t you?”

The AP gathered salary notices that are required of the 126 cities and counties with more than 15,000 residents. The annual notices list the base salaries of the three highest-paid employees.

The data show 145 city and county employees earn more than the governor’s annual wage of $120,303. But the number is certainly higher because some employees make more than the governor but didn't crack their entity's top three. And base pay doesn't always tell the whole story because car allowances and some other compensation don't have to be included in the notices.

Minnesota had a rigid cap on local government salaries until 2005. Before then, cities and counties usually needed a state waiver to pay anyone more than 95 percent of the governor's annual wage, which has been the same since 1998. Not many requests were made — 58 in the past 15 years, with nearly two-thirds of those granted. School superintendents aren't bound by the cap.

When the law changed, city and county leaders got authority to pay their employees up to 110 percent of the governor's salary without special state consent. The new salary cap was also put on an automatic escalator tied to inflation. It reached $160,639 this year. But entities that previously got a state waiver could go even higher, and some have.

Laura Kushner, human resources director at the League of Minnesota Cities, said her organization's limited surveys of pay for the most visible city positions don't reflect dramatic growth when spread over many years. But no one should be surprised by the pattern, she said.

"Think of it as a spring," she said. "If you're holding something down in normal circumstances that would be pushing up when you take that off there's going to be some increase."

Kushner said the previous cap made it hard for Minnesota cities to compete in a national market for top managers who have to do a "very tough, fishbowl kind of job." Minnesota's cap was the only one of its kind and other places were willing to pay $180,000 or more for key officers, she said.

Other supporters of the law change said the limit amounted to needless micromanaging by the state.

"Our local officials also respond to voters. If they set these salaries too high, they know where they can go to complain," Democratic Rep. Tina Liebling of Rochester told her

House colleagues before the final 2005 vote. “I’m sure they’re not going to pay them any more than they think they have to keep that employee or to get a good employee.”

Liebling’s hometown is a prime example of a city that heartily embraced the new flexibility. In 2002, city officials requested state clearance to exceed the salary cap for its city administrator and public utilities manager, voicing concerns that veterans in both spots could bolt for better pay elsewhere. The city asked that both officials be allowed to make $130,000 per year. They got permission to pay $120,000 and $122,000 respectively.

Once the cap was eased, base pay for both positions grew fast and is now $165,780. That puts them among the highest-paid local officials in Minnesota.

“In my 11 years as mayor I’ve never heard public or elected officials have any heartburn over it,” said Rochester Mayor Ardell Brede. He lavished praise on City Administrator Stevan Kvenvold, who has been in the post since 1979: “He is highly respected throughout the state and has done a marvelous job.”

A similar salary spike happened in St. Louis Park, where the suburban city manager’s job went from $116,600 under the old cap to $160,639 in 2013.

Among county governments, medical positions carry the biggest paychecks, several exceeding $200,000. Medical examiners, pathologists and psychiatrist positions have generally been excluded from the standard salary cap. Populous counties — Dakota, Olmsted, Ramsey, Stearns and others — set pay for top-earning administrators above $160,000.

The pay environment in cities and counties has other implications. State executive branch managers were not freed from the old salary limits until this year, and the Department of Minnesota Management and Budget is studying whether its pay structure is out of line with comparable public and private sector positions. That could result in catch-up raises as soon as next year.

Department Commissioner Jim Schowalter said he doesn’t begrudge local governments paying what they deem necessary to lock in high-performing employees with specialized skills. But it’s added to pressure within his ranks.

“We’re losing talent to local units of government, to businesses and can’t restock or attract adequate replacements,” Schowalter said.

This spring, the Legislature gave the administration authority to raise pay for commissioners and other agency managers. Some will be able to earn up to 133 percent of the governor’s pay. Schowalter said his department is proceeding cautiously.

“It’s not going to be fast and no one should think just because of this flexibility state salaries will lurch upward by large amounts,” he said.

There will soon be more room at the top of the pay ladder: The governor’s salary, the baseline for a host of salaries, goes up 3 percent to $123,912 in January 2015 and another 3 percent to $127,629 the year after.

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Local Government Compensation Limits by Year

Effective Date	Compensation Limit*	CPI-U Increase
01/01/2023	$206,939	7.7%
01/01/2022	$192,144	6.2%
01/01/2021	$180,927	1.2%
01/01/2020	$178,782	1.8%
01/01/2019	$175,621	2.5%
01/01/2018	$171,338	2.0%
01/01/2017	$167,978	1.6%
01/01/2016	$165,333	0.2%
01/01/2015	$165,003	1.7%
01/01/2014	$162,245	1.0%
01/01/2013	$160,639	2.2%
01/01/2012	$157,181	3.5%
01/01/2011	$151,866	1.2%
01/01/2010	$150,065	0.0%
01/01/2009	$150,065	3.7%
01/01/2008	$144,711	3.5%
01/01/2007	$139,817	1.3%
01/01/2006	$138,023	4.3%
08/01/2005	$132,333	--

*Unless increased in accordance with Minnesota Statute 43A.17 Subd. 9(e)

Minnesota State Statute 43A.17 (https://www.revisor.mn.gov/statutes/?id=43a.17) limits the salary and the value of all other forms of compensation of a person employed by a political subdivision of this state, excluding school districts starting in 2005. The statute establishes that the limits are adjusted on January 1 of each year based on the Consumer Price Index increase. The new limit is equal to the limit for the prior year and increased by the percentage increase in the Consumer Price Index for all-urban consumers (CPI-U) from October of the second prior year to October of the immediately prior year. **The Bureau of Labor Statistics releases the monthly readings for the Consumer Price Index in the second half of the following month. The October readings are typically released after November 15th, therefore Minnesota Management and Budget will calculate and post the salary limit for the next calendar year in late November of each year.** Refer to Subdivision 9 of State Statute 43A.17 (https://www.revisor.mn.gov/statutes/?id=43a.17) for complete text.

The employee's salary includes deferred compensation and payroll allocations to purchase an individual annuity contract. The value of other forms of compensation is defined as the annual cost to the political subdivision for the provision of the compensation. Other forms of compensation which **must be** included to determine an employee's total compensation for the limit are all other direct and indirect items of compensation which are not specifically excluded by the subdivision. Other forms of compensation which **must not** be included in a determination of an employee's total compensation limit are: employee benefits that are also provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave allowances, health and dental insurance, disability insurance, term life insurance, and pension benefits or like benefits the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986; dues paid to organizations that are of a civic, professional, educational, or governmental nature; and reimbursement for actual expenses incurred by the employee which the governing body determines to be directly related to the performance of job responsibilities, including any relocation expenses paid during the initial year of employment.

Compensation Limit Increase Process

The total value of compensation may not exceed the limits as shown in the chart above without a compensation limit increase from the Commissioner of MMB. The Commissioner may increase the limit for a position if the commissioner determines the position requires special expertise and needs a higher salary to attract and retain a qualified candidate. The Commissioner shall also consider the salary rates paid to other persons with similar responsibilities in the decision to increase the limit. The Commissioner may not increase the limit until it is presented to the Legislative Coordinating Commission and after receipt of the Commission's recommendation. Local governments wishing to apply for a compensation limit increase for a position may do so by filling out the Compensation Limit Increase Request Form (word version) (/mmb/assets/lgcomplimitwaiverform_tcm1059-128233.docx) (pdf version (/mmb/assets/lg-comp-limit-waiver-form_tcm1059-128232.pdf)). The questionnaire may be sent to the Commissioner of Minnesota Management & Budget. If a local government receives a compensation limit increase for a position, the limit is increased annually by the amount of the CPI-U increase in the chart.

Agency Head Salary Limits - January 1, 2023

Group I
Effective January 1, 2023, the salary for each of the following positions shall not exceed $212,466.

Position	Actual Salary*
Commissioner, Administration	$144,991
Commissioner, Agriculture	$144,991
Commissioner, Commerce	$144,991
Commissioner, Corrections	$150,002
Commissioner, Education	$150,002
Commissioner, Employment and Economic Development	$150,002
Commissioner, Health	$150,002
Commissioner, Housing Finance Agency	$144,991
Commissioner, Human Rights	$144,991
Commissioner, Human Services	$154,992
Commissioner, Labor and Industry	$144,991
Commissioner, Management and Budget	$154,992
Commissioner, Natural Resources	$154,992
Commissioner, Office of Higher Education	$144,991
Commissioner, Pollution Control Agency	$150,002
Commissioner, Public Safety	$154,992
Commissioner, Revenue	$154,992
Commissioner, Transportation	$154,992
Commissioner, Veterans Affairs	$144,991

Group II
Effective January 1, 2023, the salary for each of the following positions shall not exceed $191,696.

Position	Actual Salary*
Commissioner, Bureau of Mediation Services	$139,980
Ombudsperson, Corrections	$115,007
Executive Director, Gambling Control Board	$119,997
Commissioner, Iron Range Resources & Rehabilitation Board	$140,000
Ombudsman for Mental Health & Developmental Disabilities	$119,997
Chair, Metropolitan Council	$145,558
Executive Director, Pari-mutuel Racing	$115,988
Commissioner, Public Utilities Commission	$140,000
Director, School Trust Lands	$125,009

Group III
Effective January 1, 2023, the salary for the following position shall not exceed $31,907.

Position	Actual Salary*
Chair, Metropolitan Airports Commission	$30,000

*Actual Salary as of January 2, 2023

LEAGUE of MINNESOTA CITIES

INFORMATION MEMO

Governor's Salary Cap Law

Local governments cannot pay employees more than 110 percent of the governor's salary without a waiver from the state. State statute and attorney general opinions have discussed the inclusion of overtime, vacation/sick time, deferred compensation, insurance contributions, pensions, and car allowances in the calculation of an employee's salary.

I. Limits on compensation

RELEVANT LINKS:

Minn. Stat. § 43A.17 subd. 9.

A.G. Op., Informal (Jan. 3, 2003).

State law limits the amount of compensation political subdivisions may pay employees. The salary cap law does not expressly include elected officials within its scope, and thus, appears to indicate elected officials are not subject to the salary cap limit.

Minn. Stat. § 43A.17 subd. 9.

MN Mgmt & Budget: Local Government Salary Cap and Salary Waiver Process.

Under the current law, statutory and home rule charter city employees may be paid 110 percent of the governor's salary. Adjustments are made annually based on the Consumer Price Index. Effective Jan. 1, 2021, the State has reported the compensation limit will be $180,927. For reference, the 2020 compensation limit was $178,782, and the 2019 limit was $175,621.

Minn. Stat. § 43A.17, subd. 9.

Minn. Stat. § 43A.17, subd. 1.

Minn. Stat. § 43A.17, subd. 9(c).

The statutory limitation applies to "salary and the value of all other forms of compensation." Salary is defined as "hourly, monthly, or annual rate of pay including any lump-sum payments and cost-of-living adjustment increases." Employer-provided deferred compensation payments and payroll allocations to purchase an individual annuity contract for an employee are also included as salary. All other direct and indirect forms of compensation that are not specifically excluded must be included in determining an employees' total compensation.

Minn. Stat. § 43A.17, subd. 9(c) (1-3).

Payments excluded from compensation include the following:

- Employee benefits that are also provided for the majority of all other full-time employees of the political subdivision.
- Vacation and sick leave allowances.
- Health and dental insurance.
- Disability insurance.
- Term life insurance.
- Pension benefits or like benefits, the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986.

RELEVANT LINKS:

- Dues paid to organizations that are of a civic, professional, educational, or governmental nature.
- Reimbursement for actual expenses incurred by the employee, which the governing body determines to be directly related to the performance of job responsibilities.
- Relocation expenses paid during the initial year of employment.

II. Waiver process

Minn. Stat. § 43A.17, subd. 9(e).

Cities may request a waiver from the commissioner of Minnesota Management & Budget to pay an employee in excess of 110 percent of the governor's salary. The city must show the position requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner reviews each waiver request against the salary rates of other positions with similar responsibilities in the state and nation, and must notify the Legislative Coordinating Commission to receive the commission's advisory recommendation on the waiver. The waiver is tied to a position, versus a specific employee. Thus, once a person leaves a position any previously awarded waiver remains in effect for that position when hiring a new employee. Once a city has received a waiver for a position, additional annual increases can be given based on the Consumer Price Index without the request of a new waiver. As of January 1, 2021, existing waivers will increase by 1.2%.

MN Mgmt. and Budget: Local Government Compensation Limits by Year.

Minnesota Legislature: Subcommittee on Employee Relations.

The Legislative Coordinating Commission's Subcommittee on Employee Relations maintains a listing of salary cap waivers.

III. Common concerns

A. Overtime and the salary limit

Minn. Stat. § 43A.17, subd. 1.

Minn. Stat. § 43A.17 subd. 9.

The statutory subdivision defining salary excludes payments due to overtime worked. However, the subdivision that creates the salary compensation limit does not include overtime in the list of specific exceptions. The common practice is to not consider overtime as compensation in determining the salary limit, but each city should get specific advice from its city attorney.

29 C.F.R. 541.604 (Fair Labor Standards Act).

Most city employees reaching the salary cap are exempt employees who are generally not paid overtime. However, a city can pay overtime to an exempt employee pursuant to an employment contract or personnel policy that permits an exempt employee to receive overtime compensation for hours worked beyond the normal job requirements.

RELEVANT LINKS:

B. Allowances

A.G. Op. 161b-12 (Aug. 4, 1997).

OSA Statement of Position "Car Allowance and Mileage Reimbursement."

Officials sometimes receive a "cash allowance" for the personal use of a car, an "expense allowance," or a "housing allowance" regardless of actual expenses. Generally, these forms of compensation are considered part of the position's salary.

However, reimbursement for "actual expenses incurred" by the employee, such as mileage reimbursements for travel on official business, should not be included as salary. If an employee receiving a cash allowance for use of a car tracks his or her mileage, that cash allowance may arguably be excluded from the salary cap.

C. Calculating benefit cost

Minn. Stat. § 43A.17, subd. 9(c) (3).

For purposes of calculating the cost of a benefit that must be included as salary to the employee, the value of other forms of compensation is the annual cost to the political subdivision.

D. Insurance differentials

A.G. Op. (Nov. 21, 2005).

Some cities may allow their management team a higher insurance contribution for health insurance than other employees receive. There are likely a couple of different ways to look at whether cities must count the difference as salary for calculating the cap. Some cities believe any contribution by the city toward benefits exceeding what other employees receive is included in salary. Other cities interpret the employer's contribution as excluded, regardless of the amount, since there is no language "provided to a majority of other employees" included with the health and dental insurance exclusion language in the statute.

The attorney general has stated that the benefit does not have to be equal to be excluded because it is a common practice for employers to award benefits at different levels based on factors such as longevity or position held. Since this is a matter of interpretation, cities are strongly encouraged to work with their city attorney and city auditor regarding what additional compensation, if any, in the way of benefits is appropriate for employees.

Federal health care reform is likely to make unequal payments to highly compensated employees problematic in the future. Therefore, cities should review this practice with the city attorney.

E. Accrued leave payouts

A.G. Op. 161b-12 (Aug. 4, 1997).

Upon termination of the employment relationship, unused vacation and sick time may be paid to the employee without being included in the salary limit. An employment contract that allows the employee to cash in accrued vacation or sick time during the employment relationship is compensation that must be included in the salary determination as a "lump sum payment."

F. Life insurance exclusions from the salary cap

A.G. Op. 161b-12 (Aug. 4, 1997).

The value of term life insurance is specifically excluded from the employee's salary by statute. Split-dollar life insurance policies and other types of life insurance would be considered compensation and must be included in the employee's salary. In a split-dollar life insurance policy, the city and the employee share the cost and the benefit of the policy.

G. Contributions to employee post-employment health savings accounts

Minn. Stat. § 43A.17, subd. 9(c) (1-3).

City contributions to the employee's post-employment health savings account are not likely counted toward the salary cap limit. Such contributions would probably be covered by the exemption for "pension benefits or like benefits, the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986."

H. Which pension benefits should be included in the employee's salary?

Minn. Stat. § 43A.17, subd. 9(c).

Employer contributions to any deferred compensation plans should be included as salary. Common types of deferred compensation plans for city employees include 403(b), 457(b), or 457(f) plans. Employee contributions are not considered salary because they have already been counted as salary received from the employer and therefore should not be counted twice.

I. PERA and city managers

Minn. Stat. § 353.028, subd. 3.

A city may contribute to a deferred compensation plan or the PERA-administered defined contribution plan for a city manager who elects to be excluded from membership in the PERA general employees retirement plan. The city may contribute up to the amount the city manager would receive as an employer contribution if the city manager were a member of the general employees retirement plan.

Minn. Stat. § 356.24.

The city's contribution would not be included for salary cap calculation purposes, but any agreement must be in writing. If contributing to a deferred compensation plan, the program must be administered by the Minnesota State Retirement System or meet the requirements of section 457 of the Internal Revenue Code of 1986, as amended. While the law allows a city to contribute up to one-half the amount allowed by the

RELEVANT LINKS:

Internal Revenue Code on a dollar-for-dollar matching basis, only the amount that is in lieu of a PERA contribution can be excluded from the salary cap.

IV. Conclusion

The salary cap law continues to change. For many years, the state Legislature has enacted and amended the law that limits the maximum amount of money a public employee may earn. Numerous amendments and revisions make for a complicated statute. Best practice suggests careful consultation with the city attorney for current law and guidance on specific salary limits.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into effective this 3rd day of April, 2018, by and between the **CITY OF EDINA,** a Minnesota municipal corporation ("Employer") and **SCOTT H. NEAL** ("Employee").

The parties agree as follows:

1. **POSITION.** Employer agrees to employ Employee as its City Manager and as the Executive Director of its Housing and Redevelopment Authority. Employee agrees to serve in the positions in accordance with state statutes and City ordinances and to perform such other legally permissible and proper duties and functions as the City Council shall from time to time assign.

2. **TERM AND TERMINATION.** The term of this Agreement shall be three (3) years commencing on the effective date of this Agreement, which shall be January 1, 2018.

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   Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Employee to resign at any time during the term of this Agreement by giving notice and otherwise complying with the conditions set forth in this Agreement. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Employer to terminate the services of the Employee at any time, at the sole discretion of the Employer, in accordance with the terms of this Agreement.

3. **PENSION PLAN.** Employer shall contribute to PERA as required by State law for Employee

or an alternate pension plan, if selected by Employee, as authorized by State law.

4. **PERFORMANCE EVALUATION.** Employer agrees to conduct an annual performance review of the Employee during January of each year. The review shall be in accordance with specific criteria developed jointly by the Employer and the Employee. Such criteria may be added to or deleted as the Employer may from time to time determine in consultation with the Employee. The Employer shall provide the Employee with a written performance review and provide adequate opportunity for the Employee to discuss the review with the Employer in closed session, as allowed by Minnesota State Statutes. The failure of the Employer to conduct the annual review shall not affect the parties' respective rights to terminate this Agreement or any other rights in the Agreement.

5. **SALARY.** The annual salary of the Employee shall be determined by mutual agreement of the Employer and the Employee, and subject only to the terms of this Agreement, and the Minnesota local government employee salary cap (Minn. Stat. 43A.l 7). Subject to receiving satisfactory performance reviews by the Employer, the Employer and Employee mutually agree to following:

~~Effective January 1, 2015 the council approves an increase in annual salary of 2.5% for a total of $166,630 annually. Recognizing that Minn. Stat. 43A.17 currently limits compensation to $165,003, Employee's actual salary effective January 1, 2015 will be $165,003. The City Council intends to apply for a waiver with the state to increase the salary limit. If that waiver is granted, employee's salary will be increased to the waiver amount or to $166,630, whichever is less. If the waiver is not~~

~~granted, Employer agrees to grant Employee a lump sum of 20 hours of additional paid vacation~~

~~leave.~~

Effective January 1, 2018, and on each subsequent January 1st of this agreement, Employee's annual salary shall be adjusted to the Minnesota local government employee salary cap in effect on that date, as modified by the City's salary cap waiver, and subject to satisfactory performance review by the Employer.

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Effective January 1, 2018, Employee's annual salary shall be $176,470.

6. **PAID LEAVE.** Employee shall earn paid sick leave at the rate of 3.69 hours per payroll period and paid vacation leave at the rate of 6.15 hours per payroll period. The Employee shall accrue no more than 600 hours of paid sick leave and no more than 400 hours of paid vacation leave during the term of employment. 100% of Employee's accrued paid vacation time and 50% of Employee's accrued paid sick leaves are compensable at severance, subject to the terms of section 15 of this agreement. Employee shall have the option to reduce hours of paid leave by converting it to cash compensation no more than twice each year at the Employee's then hourly rate of pay in increments of no less than hour 40 hours and no more than 120 hours.

Employer shall provide Employee a lump sum of 21 hours of Supplemental Non-Accruing Paid (SNAP) Leave on January 1 each year of the contract period. Supplemental Non-Accruing Paid Leave is compensable, but all accrued balance of SNAP Leave remaining after December 31 shall be reduced to zero and shall not carry forward to future years.

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Employee shall be entitled to paid holiday leave, bereavement leave, floating holiday leave, leave without pay on the same basis as the City's Department Director employees are receiving on January 1, 2015. Any future changes to the City's paid leave policies shall not

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change the level of benefit for the Employee, unless the parties so agree.

~~Employee shall be credited with having completed sixteen (16) years of employment with the City upon his first day of employment, November 8, 2010.~~

7. **BENEFITS.** In lieu of the City contribution to the employee cafeteria plan, Employer shall pay 100% of the cost to provide hospital, medical and dental insurance to Employee and his dependents under a plan offered to other employees. Employee will receive employer-paid life insurance and long-term disability as is provided to all other full-time employees. If Employee wishes to receive other benefits Employee must pay 100% of the cost

~~In the event the Federal 2012 Patient Protection and Affordable Care Act (PPACA) requires the Employer to change, modify or amend its current employee hospital, medical and dental insurance program, Employer shall not to reduce the cash value of this benefit to the Employee.~~

Employer and Employee agree to renegotiate the terms of this section of the agreement if changes to state or federal law diminish the benefit of this section to the Employee.

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8. **DUES AND SUBSCRIPTIONS.** Employer shall budget and pay the professional dues, subscriptions, and travel and subsistence expenses for Employee which are deemed reasonable and necessary for Employee's continued participation in national, regional, state and local associations ·necessary and desirable including: International City/County Management Association, Minnesota City/County Management Association, National League of Cities and the League of Minnesota Cities. Employee shall use good judgment in his outside activities so he will not neglect his primary duties to the Employer.

9. **PROFESSIONAL DEVELOPMENT.** ~~After the completion of three years of~~

~~employment,~~ Employer agrees to provide the Employee the opportunity, at Employee's discretion, to attend the International City/County Management Association's Senior Executive Leadership Institute (ICMA-SEI) at the University of Virginia's Darden School of Business in Charlottesville, Virginia. Employer agrees to budget and pay for all expenses related to Employee's attendance at the ICMA-SEI, including tuition, books, materials, travel and lodging.

10. **CIVIC CLUB MEMBERSHIP.** Employer recognizes the desirability of representation in and. before local civic and other organizations. Employee is authorized, at the

Employer's expense, to become a member of such civic clubs or organizations as deemed appropriate by Employee and Employer, including, but not limited to, the Edina Chamber of Commerce and the Edina Noon Rotary Club.

11. **AUTOMOBILE.** Employee shall be reimbursed for the personal use of his automobile on City business on a per mile basis in accordance with IRS regulations.

12. **WORK TOOLS.** Employer agrees to provide Employee with contemporary technology devices such as a mobile telephone, computer and other devices which are, in the judgment of the parties, necessary to accomplish the work of the Employee. Employer acknowledges the Employee may make regular personal use of the devices. Employee recognizes that devices and tools provided to the Employee by the Employer under this section of the agreement are and remain property of the Employer. Employee agrees to return said property to the Employer no later than the Employee's final date of employment.

13. **GENERAL EXPENSES.** Employer shall reimburse Employee reasonable miscellaneous job related expenses which it is anticipated Employee will incur from time to time when provided

appropriate documentation.

14. **HOURS OF WORK.** It is mutually understood the Employee is a FLSA-exempt employee without set hours of work, but is expected to be available at all times and to engage in those hours of work, subject only to illness, injury and scheduled annual vacations, that are necessary to fulfill the obligations of the City Manager's position. It is understood that the position of City Manager requires attendance at evening meetings and· occasionally at weekend meetings. It is understood by Employee that additional compensation and compensatory time shall not be allowed for such additional expenditures of time. It is further understood that Employee may absent himself from the office to a reasonable extent in consideration of extraordinary time expenditures for evening and weekend meetings at other than normal working hours.

Employee may engage in teaching, consulting, speaking or perform other non-City connected activities for which he is compensated without consent of the Employer provided the · activities do not diminish the Employee's ability to perform the essential duties of the City Manager position, as described in sections 1 and 14 herein, and provided the activities do not conflict with the interests of the Employer. Employee agrees to provide written notice to Employer of activities conducted under this paragraph.

15. **TERMINATION BENEFITS.** In the event that Employee is terminated by the Employer during such time that Employee is willing and able to perform the duties of City Manager, then in that event, Employer agrees to pay Employee at the time of receipt of his last pay check a lump sum cash payment equal to six (6)- months aggregate salary, plus all accrued hours of all forms of paid leave, including vacation, sick and holiday leave times, and to continue to provide and pay for the benefits set forth in paragraph 9 for a period of six (6) months following

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termination. However, in the event Employee is terminated because of his malfeasance in office, gross misconduct, conviction for a felony, or conviction for an illegal act involving personal gain to Employee, then Employer shall have no obligation to pay the termination benefits.

If Employer at any time during the employment term reduces the salary or other financial benefits of Employee in a greater percentage than across-the-board reduction for all non-union employees, or if Employer refuses, following written notice, to comply with any other provisions of this Agreement benefiting Employee or Employee resigns following a formal suggestion by Employer that he resign, then Employee may, at his option, be deemed to terminated on the effective date of Employee's resignation and the Employee shall also be entitled to receive the termination benefits set forth above.

If Employee voluntarily resigns his position with Employer, Employee agrees to give the Employer thirty (30) days advance notice. If Employee voluntarily resigns his position with Employer, there shall be no termination benefits, as provided in this paragraph, due to Employee.

16. **INDEMNIFICATION.** The Employer shall defend and indemnify the Employee against and for all losses sustained by the Employee in direct consequences of the discharge of the Employee's duties on the behalf of the Employer. In the event the Employee serves on boards of directors of City-related legal entities, the Employer shall extend the same indemnification benefits and protections to Employee for the City-related entity as is provided for the Employee for actions taken on behalf of the Employer. Employer may compromise and settle, without the consent of Employee, any such claim or suit and pay the amount of the settlement or judgment rendered thereon. This covenant shall survive the termination of this agreement, but shall not

obligate the Employer to pay punitive or exemplary damages which may be awarded but Employer may, in its sole discretion, elect to do so to the extent authorized by law.

17. **OTHER CONDITIONS OF EMPLOYMENT.** Subject to any amendments, the City's ordinances, City Employee policies, and State Statutes, are all incorporated herein except to the extent that they conflict with this Employment Agreement, wherein this Employment Agreement shall be controlling.

IN WITNESS WHEREOF, Employer has caused this Agreement to be signed and executed on its behalf by its Mayor and City Clerk, and Employee has signed this Agreement, in duplicate, the day and year first written above.

EMPLOYER: EMPLOYEE:

CITY OF EDINA SCOTT H. NEAL

BY: ______________________ BY: ______________________

Mayor City Manager

AND

BY: ___________________________

City Clerk

The Impact of the Political Subdivision Compensation Limit on Local Units of Government

Greg Hubinger
Subcommittee on Employee Relations
Legislative Coordinating Commission

April, 2005

The Impact of the Political Subdivision Compensation Limit on Local Units of Government

Executive Summary

Since 1977, state law has limited the compensation that can be paid to employees of local governments. Currently, the law effectively limits compensation for city and county employees to $114, 288, which is equal to 95% of the salary of the governor.

Although Minnesota has very capable and qualified top level employees, cities and counties contend that continuing to attract and retain top level employees will be extremely difficult if the cap remains as it is. Local government employers point out that a state-imposed cap is unique in the country. While the limit primarily affects top managers, the cap also has a compressing effect on the compensation of lower-level managers and certain professionals. The situation is exacerbated because the limit has not increased in almost seven years.

While the compensation limit initially applied to all local units of government, it has been amended several times in the last six years. During that time, employees of school districts and of government-owned hospitals have been excluded from the cap.

The limit includes a process to waive the limit for a particular position if there is a demonstrated need to attract or retain a qualified person. Those determinations are made by the commissioner of the Department of Employee Relations (DOER). Since 1997, 54 requests for waivers have been submitted to the Department. Thirty-five of those requests have resulted in waivers, although the waivers approved by the commissioner are often less than what was proposed by the local unit of government.

DOER contends that the cap is needed and reasonable, especially when the state and local units of government are experiencing significant budget shortfalls. DOER's commissioner also testified that it is unreasonable for the state to negotiate labor contracts with no across-the-board increases for state employees, and then consider salary increases for the highest-paid employees in local government.

This report reviews the history of the compensation limit, describes the compensation of local government employees affected by the limit, reviews issues created by the limit on local governments, and presents a number of options for consideration by the Legislature. The appendices include tables listing positions and salaries in local governments that may be affected by the limit.

Background

Since 1977, the Legislature has set limits on the amount of compensation that local government employees can earn. Originally, local government employees could earn no more than the commissioner of the Department of Finance. Since 1983, compensation has been limited to 95% of the salary of the governor.

Local governments have increasingly urged the Legislature to repeal the cap. They have argued that as local elected officials, they are accountable to their taxpayers and therefore should be responsible for determining the compensation necessary to attract and retain qualified employees. This is especially important in a tight labor market, they argue, when they need more flexibility to fill vacancies for their higher level positions. Local governments also point out that it is inappropriate to compare salaries of career public servants to salaries of elected officials.

Some members of the Legislature and the governor argue that some form of limit continues to be needed. Some contend that, as the Chief Executive Officer of state government, the governor's salary should be higher than an employee of a political subdivision. Others argue that because the Legislature provides substantial funding in support of local units of government, there is legislative interest in making sure those dollars are well spent.

The statute that establishes the cap includes a waiver process to permit a local government to pay more than the cap. The local government may seek a waiver from the commissioner of the Department of Employee Relations (DOER). Before granting a waiver, the commissioner must consult with the Legislative Coordinating Commission Subcommittee on Employee Relations (SER). Since 1997, 54 requests for waivers have been submitted to the Department. Thirty-five of those requests have resulted in waivers, although the waivers approved by the commissioner are often less than what was proposed by the local unit of government. Representatives of local units of government have indicated that they have stopped submitting requests for waivers to the Department because they believe that the commissioner has essentially adopted a "no more waivers" stance.

During the 2004 legislative session, legislation was introduced to eliminate the limit. That bill passed through committees and was on the Senate floor when it was defeated in a House committee. As a compromise, language was passed that directed the Subcommittee to further study the issue. A copy of that bill is included as Attachment 1.

To conduct the study, the chair of the SER, Senator Linda Scheid, established a Working Group, consisting of the Subcommittee and representatives of various groups identified in the legislation. The membership is identified in Attachment 2. The Working Group met three times, receiving testimony and presentations of data from staff.

History

Laws limiting local government employees' compensation have been in place since 1977. A separate but related law limiting compensation for purposes of pension contributions and benefits has been in place since 1994. Below is a chronology of these laws as well as a relevant Attorney General's opinion:

Laws 1977, chapter 35, section 3 added a new subdivision 4 to Minnesota Statutes, section 43.067, prohibiting salaries of local government employees to exceed the salary of the commissioner of finance.

Laws 1977, chapter 452, section 3 added a provision to the salary cap passed earlier in the session to clarify that the salary of the commissioner of finance included the maximum permissible achievement award available under section 43.069.

Laws 1979, chapter 192, section 2 amended Minnesota Statutes, section 43.067, subdivision 4 by increasing the limitation to 105 percent of the salary of the commissioner of finance.

Laws 1980, chapter 614, section 191 repealed Minnesota Statutes, 1979 Supplement, section 43.067, subdivision 4. This action repealed the cap.

Laws 1983, chapter 299, section 14 added a new subdivision 9 to Minnesota Statutes, section 43A.17, limiting salaries of local government employees to 95 percent of the salary of the governor. Medical doctors were exempted from the cap, and the commissioner of Employee Relations was authorized to approve other exemptions in special circumstances.

Laws 1988, chapter 667, section 8 defined the salary of local government employees to include deferred compensation and allocations to individual retirement annuities, but limited the salary of the governor to the annual rate of pay set by the Legislature after considering recommendations of the Compensation Council. The move was designed to prevent efforts by local units to avoid the salary cap by the use of deferred compensation and additional retirement benefits.

Laws 1990, chapter 571, section 20 provided uniformity by extending to subdivision 9 the definition of "salary" used for the rest of section 43A.17.

Laws 1992, chapter 549, section 2 extended to doctors of osteopathy the exemption from the salary cap previously applying only to medical doctors.

Laws 1993, chapter 315, section 5, provided that not only the salary, but also the "value of all other forms of compensation" provided to a local government employee may not exceed 95 percent of the governor's salary. Excluded were the value of benefits provided to the majority of other full-time employees of the local unit, such as health and retirement benefits; dues paid on an employee's behalf to civic, professional, educational, or governmental organizations; and actual expense reimbursements. Other new language also permitted the commissioner, in considering requests for exemptions, to consider salary rates paid to similarly qualified persons in the nation, as well as the state.

Section 6 set a limit of six months' salary for severance pay for "highly compensated employees," defined as those making more than 60 percent of the governor's salary.

Laws 1994. chapter 528, article 4, section 11 added Minnesota Statutes, section 356.611 that generally limited compensation used for determining public employee pension contributions and benefits to 95% of the governor's salary. Local government employees excepted from the salary cap under the appeal procedures under section 43.17 and state government employees excepted from a similar cap by the commissioner of Employee Relations were exempted from this limitation.

Laws 1995, chapter 262, article 1, section 15 added the limitation in the federal tax code on allowable contribution to tax sheltered retirement plans as a second limitation on compensation used for determining public employee pension contributions and benefits.

Laws 1998, chapter 398, article 5, sections 1 and 2 exempted school districts from the local government salary cap.

Laws 2003. 1st special session, chapter 1, article 2, section 60 exempted hospitals, clinics or health maintenance organizations owned by local units of government from the limit.

Attorney General Opinion #766659 dated January 3, 2003 opined that elected county officers were not subject to the salary cap.

Laws 2004, chapter 267, article 2, section 7 exempted judges, all state employees, Gillette Hospital employees who are members of MSRS, and employees of the Minnesota Crop Improvement Council and the Minnesota Historical Society from the limitation on compensation used to determine public employee pension contributions and benefits. All local government employees other than those excepted from the salary cap under the administrative appeal provision remain subject to the limitation. (This includes elected officials exempted from the salary cap by the above Attorney General's opinion.)

A copy of the current statute is shown as Attachment 3.

Local Government Employees' Salaries

City and County Salaries

The Association of Metropolitan Municipalities, the League of Minnesota Cities, and the Association of Minnesota Counties each conduct salary surveys for their members, which are published annually. The three associations provided that data to the SER for its review. Participation in the survey is voluntary.

While the limit in the law applies to compensation, we limited our review of the city and county survey data to salary alone. The law generally refers to compensation as salary and other benefits that are not provided to other employees. As a result, most other benefits such as health, dental and life insurance, and deferred compensation contributions are excluded from the calculation.

City and counties have also indicated that one impact of the compensation limit over time has been a shift so that most, if not all, compensation that counts against the limit is in the form of salary.

The survey data show 19 positions being paid above the limit: these positions have been granted waivers by the commissioner of Employee Relations.

For some time, cities and counties have reported there are increasing numbers of positions that are at or close to the cap. According to salary survey data, 47 city and county employees are in positions that are at the cap ($114,288). These employees are unable to receive salary increases unless either their positions receive a waiver from the commissioner, or the governor's salary is increased. There are 67 employees in positions that are paid more than 95% of the limit ($108,574), but are currently under the maximum. These employees will likely soon be paid at the compensation limit.

Salary in relation to the limit: $114,288	**Number of positions**
Above the limit	19
At the limit	47
At 95% of the limit ($108,574) or higher, but below the actual limit	67

The survey data indicate that a wide range of positions have incumbents that are at or near the compensation limit. Positions include many department directors (county corrections and human services offices, city and county attorneys, human resources and information technology office directors, and directors of libraries, parks, and property records offices). Cities and counties that have positions being paid at or near the limit are located in the central cities, suburban areas, and regional centers in Greater Minnesota.

A table listing city and county positions and current salaries is included as Attachment 4.

Compression

Cities and counties have begun pointing out that because the limit has not changed since 1998, multiple positions within single jurisdictions are being paid at or about the same level. A city manager or county administrator may have reached the cap several years ago, so their pay has been frozen. Meanwhile, the pay of their subordinates continues to increase at least at some marginal rate, so that over time the gap one would expect between positions with different levels of responsibility diminishes. As a result, the pay for numerous employees, with different levels of responsibility, is often about the same.

For example, the Ramsey County Manager, who is responsible for overall management of county government, has eleven positions with salaries that are identical to his. The City of Eagan has four positions paid at the rate of $111,000; $3,000 less than the City Manager. Dakota County has nine positions being paid at $114,288, although there is a gap between these positions and the County Administrator's salary, for which a waiver was approved.

City and county representatives point out that because of compression, there is little incentive for lower-tier managerial employees to apply for higher level positions when they become vacant. Even though higher level positions carry significantly greater levels of responsibility, there is little or no additional pay. Because the limit has remained unchanged since 1998, managers in smaller cities and counties are also gradually receiving salaries approaching the cap. As a result, there is little incentive for these managers to apply for positions in larger jurisdictions.

Conflict with Pay Equity

Cities and counties testified that the salary cap may result in local governments falling out of compliance with pay equity. The statistical test for compliance with pay equity can be failed if the male-dominated positions below predicted pay are less that 80% of the female-dominated positions below predicted pay (using a comparable value rating system to rank positions) or an alternative analysis test is failed. As more positions become subject to the cap, the chances become greater that a local government will not meet pay equity requirements because the cap prevents upper level female-dominated positions from being paid what the comparable value rating system would dictate. Failure to meet pay equity requirements exposes the noncompliant local government to financial penalties of the higher of $100 or five percent of state aid per day of noncompliance. Usually, a noncompliant local government would adjust the compensation for noncompliant positions and avoid the penalty but, if noncompliance is due to the salary cap, such adjustments cannot be made.

Inequities Within Local Governments and Between Local Governments with Similar Positions

In addition to the inequities with school districts discussed below, recent changes in the salary cap statute and the recently issued Attorney General's opinion have created several instances where identical positions within a local government or adjacent local governments may or may not be subject to the cap. The 2003 law change exempted nurses who worked for local government-owned hospitals, clinics or HMO's from the cap but nurses who work for a city or county public health department (outside of any local government-owned hospital, clinic or HMO) remain subject to the cap. With the 2003 Attorney General's opinion, elected county auditors, treasurers and recorders are no longer subject to the cap while identical positions in counties where these positions are appointed remain subject to the cap. The Attorney General's opinion also exempted elected sheriffs and county attorneys from the salary cap while police chiefs and city attorneys remain subject to the cap. Finally, while the Attorney General's opinion exempted elected county officials from the salary cap, the separate limit on compensation used for determining their pension contributions and benefits remains intact.

Salaries in School Districts

In 1998, the Legislature exempted school districts from the compensation limit. While some believed that the exemption applied only to superintendents, all employees of school districts are exempt.

The Minnesota School Boards Association (MSBA) requests that school districts annually report compensation data for administrators. This reporting is done on a voluntary basis.

Because participation in the MSBA survey is voluntary, districts are not always consistent in reporting compensation data. For our evaluation, we included data from the last three fiscal years (03, 04 and 05). We used the most recent salary reported.

According to that data, 39 school districts pay their superintendent a salary that is greater than the $114,288 level set by the compensation cap for local governments. The average salary for those superintendents was $119,865. Three school districts report paying their assistant superintendents more than the cap. A list of those districts is included as Attachment 5.

Seventeen districts report paying their business managers more than $100,000. The average salary for those managers was $109, 627. Of these, three are paid more than the compensation limit. City and county representatives point out that while school districts may compete in a distinct labor market for superintendents and assistant superintendents, business managers are similar in function to finance managers for cities and counties. They contend that cities and counties should also be free to compete in the market for these professionals just as school districts are permitted to do.

Salaries in Jurisdictions in Other States

In response to the Working Group's request, local government representatives attempted to collect the salaries for the chief appointed officials in non-school local government jurisdictions in other states. Consistent with the legislative member's request, the jurisdictions did not include those on the east coast or California. While this restriction was honored, the local government representatives believe this arbitrarily excluded the salaries for jurisdictions where, in some instances, past Minnesota officials are now employed.

Most of the salary data was derived from the 2004 salary survey conducted by the International City/County Managers Association (ICMA). Limited additional salary data was derived from a phone survey of selected jurisdictions. A number of problems were encountered in assembling this data. These include:

1. Less than 1 in 5 jurisdictions responded and are within the ICMA survey data. The absence of larger jurisdictions and jurisdictions in the Chicago area was particularly pronounced;

2. How a local government jurisdiction was organized, e.g. whether a city was a strong-mayor city or whether the county administrator/manager was elected and thus, in either instance, where it was likely the chief *elected* official was the highest compensated official, was not captured by the data; and

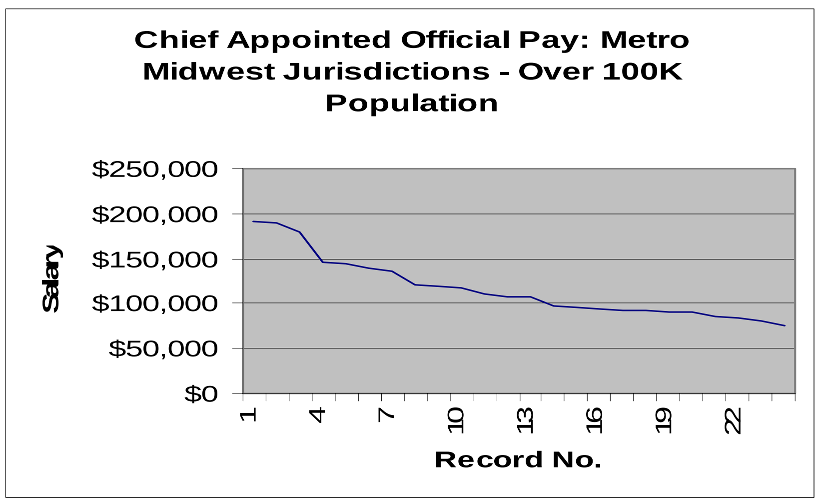
3. The ICMA data was extremely difficult to work with. The data had to be manually matched with the jurisdictions in the metropolitan areas selected as either comparable in size to the Twin Cities metropolitan area or being in the Midwest.

Given these problems, the local government representatives do not believe it is feasible to use a recurring survey to set the Minnesota salary cap.

An analysis of the limited amount of salary data that was collected for Midwest local government jurisdictions is presented below. The salary data is presented in two ways – 1) in raw, unadjusted dollars and 2) after making an ad hoc adjustment for cost of living differences using the Consumer Expenditure Survey that underlies the Consumer Price Index, inflation measure the federal government produces for the nation's individual metropolitan areas.

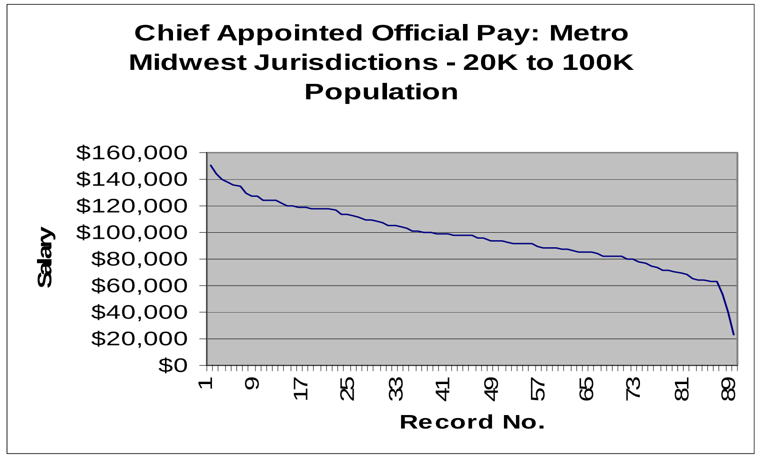
Results for Midwest Jurisdictions of 100,000 & Greater Population

	Salary	Salary with Ad Hoc Adjustment for Cost of Living
Mean	$116,081	$132,730
Median	$107,316	$122,258
75th Percentile	$136,696	$146,238
Highest Salary	$190,653	$263,242
No. Greater than $114,288 salary cap	10	13
No. of Records	24	24



Results for Midwest Jurisdictions of 20,000 to 100,000 Population

	Salary	Salary with Ad Hoc Adjustment for Cost of Living
Mean	$97,207	$122,987
Median	$97,552	$122,040
75th Percentile	$114,192	$147,382
Highest Salary	$151,018	$198,420
No. Greater than $114,288 salary cap	22	57
No. of Records	89	89



Waivers from the Limit

Minnesota Statutes 43A.17, subdivision 9, permits the commissioner of Employee Relations to grant waivers from the limit. A local unit of government may request a waiver, and provide information indicating why a waiver is needed to attract or retain a qualified employee.

The commissioner must determine if the position requires special expertise necessitating a higher salary to attract or retain a qualified person. Before granting such an exemption, the commissioner is required to seek the recommendation of the Legislative Coordinating Commission Subcommittee on Employee Relations.

Since 1997, 54 requests for waivers have been submitted to the Department of Employee Relations. Waivers have been approved in 35 cases, although the limit approved by the commissioner is often less than what was requested. A list of waiver requests is included as Attachment 6.

Cities and counties express concern that the standards used by the commissioner to determine whether to grant a waiver are inconsistently applied. For example, they point out that Ramsey and Washington Counties recently requested waivers for their county manager and administrator, respectively. Counties with similar demographic characteristics (Anoka, Dakota, St. Louis) were granted waivers in the past. However, the commissioner rejected the second Ramsey and the Washington County request, concluding they had not demonstrated that they had a specific challenge in retaining their incumbents. The original Ramsey County request made during the national recruitment effort for the manager position was also denied.

Former Local Government Administrators

Representatives of cities and counties have consistently reported that many experienced and able managers have left work in local governments in Minnesota for comparable employment in other states. Many of these top level managers have left in order to receive higher compensation, since no other state imposes such limits on local governments.

Staff distributed questionnaires to former county administrators and city managers identified by the League of Minnesota Cities, the Association of Minnesota Counties, the Association of Metropolitan Municipalities and, the Metropolitan Inter-County Association. While several respondents indicated that the move to a city or county management position in another state also afforded them greater professional growth opportunities, several said the move was at least partly driven by limitations in salary potential because of the compensation limit.

Observations by some of these former managers include:

- “If I had remained as (Assistant City Manager) in Burnsville, I would have had almost no room for growth in compensation due to compression with the City Manager under the state imposed cap. Also, any interest in career development to work for a larger Minnesota local government …would have presented very limited compensation growth, while taking on the uncertainty of a new organization in an at-will position.” LaCrosse, Wisconsin County Administrator Steve O”Malley.

- “I had been at the salary cap in Minnesota for three years at what would have been the peak earning years of my career. While my situation in St. Louis Park as City Manager was highly rewarding and successful, I found myself being open to recruiters as a means to break out of the freeze on my earning potential. I did accomplish taking a new position with professional growth and opportunity. My frustration with the cap is what opened my interest in looking for new opportunities.” Virginia Beach, Virginia Chief Operating Officer, Charlie Meyer.

- “This is not a “popular” issue...but it’s probably a quiet crisis that will begin to grow rapidly in the next couple of years. With the baby boomers retiring and literally hundreds of thousands of people leaving local government, state government and federal service, the competition for talent will become very intense in the next few years. With that competition, salaries will become an issue. Being able to live in California, Washington, Texas, Arizona, Nevada, and Colorado (to name a few of the key states in my territory) and being able to make 50 to 100% more than a similar job in Minnesota WILL matter in the recruitment process.

  “This is an issue that doesn’t have a lot of traction among voters and legislators, but Minnesota’s salary cap law is a case study of terrible public policy in a state that has long been at the forefront of thoughtful public policy decisions. People think nothing of paying a college football coach several multiples of what the Governor makes, but at the same time somehow believe that compensation for public employees should be tied to the Governor’s pay. The Office of the Governor is a partisan and political position, just as the positions of legislators are partisan, political and not intended to be career positions. To make matters worse, exempting school superintendents and others from the cap makes a further mockery of the whole concept.” David Childs, former Minnetonka City Manager, now works for International City/County Management Association.

- “While social and family commitments keep many talented managers in Minnesota, it is also true that Minnesota is becoming a training ground for competent, mobile managers who can grow financially in other states. It is sad for Minnesota and probably costing the State many times more than any salary dollars saved.” Roger Frazer, former Blaine City Manager, currently City Administrator, Ann Arbor, Michigan.

Some 95% Salary Cap Options

Discussions by the Subcommittee’s Working Group resulted in identifying a number of alternatives for dealing with the salary limitation. Some of those options, including arguments for and against, include:

1. <u>Repeal the cap.</u>

Background: Representatives of local government favor repealing the cap and leaving compensation decisions to local control.

Arguments for:
1) Local government officials are elected and therefore are accountable to the public.
2) These officials make numerous decisions regarding compensation and should be permitted to decide compensation for their top managers as well.
3) The employment market is very competitive and local officials cannot effectively compete if they need state approval for some salaries. Because Minnesota is the only state with a cap on the salaries of local government employees, our cities and counties are at a competitive disadvantage when they attempt to attract and retain qualified employees in a national market.
4) The salary of the governor has nothing to do with the compensation of local government employees. The governor is an elected official, who operates in a political arena. Local government employees, especially top managers, are career public servants. While these employees may want to spend their careers to serving local government in Minnesota, the compensation cap makes them highly attractive to cities and counties in states where there is no such limit.

Arguments against:
1) Local governments are subdivisions of the state. As Chief Executive Officer of state government, the governor should have a salary greater than those of any subordinate positions.
2) Local governments receive substantial financial resources from the state. As a result, the state has an interest in assuring that its funds are well spent.
3) In times of severe budget constraints, and especially when public employees are being asked to accept little or no wage increases, it is inappropriate and inconsistent to permit highly paid local government employees to receive large salary increases.

2. <u>Retain the cap.</u>

Background: Some contend that the cap is an appropriate limit on local governments and that the waiver process provides a reasonable mechanism to deal with needed exceptions.

Arguments for:
1) The commissioner of DOER has testified that the administration of the salary cap law has not created a significant degree of recruitment and retention problems for local units of government.
2) The current economy speaks to this kind of compensation discipline of limiting salary increases, which also supports DOER's efforts in negotiating with state employees in relatively tough budget and economic times.

Arguments against:
1) Representatives of cities and counties contend that the cap has impacted their ability to attract and retain qualified employees.
2) Because the cap has not increased since 1998, salary compression has led to subordinates receiving compensation at the same or nearly the same level as that of their city managers and county administrators.

3) As more cities and counties have top administrators approaching the cap, it becomes more difficult to attract qualified candidates within Minnesota, since there is little room for growth in compensation, even if there are significant differences in job duties.

3. <u>Adjust the cap to account for benefits.</u>

Background: Local governments point out that the current limit consists of an apples and oranges comparison: The *salary* of the governor sets the limit on the *compensation* of the local government employee. Even though most benefits are not counted in the local government employee's compensation (i.e., benefits that are paid to most other employees such as health insurance), several common elements such as deferred compensation and automobile allowances do count in the calculation of the cap.

It is difficult to establish a precise value on several of the compensation elements provided to the governor (e.g., the value of the mansion, or the value of a car and accompanying state trooper who provides security). Instead, some suggest that an estimated value be assigned. In the 2001 legislative session, the Senate passed S.F.1437, which established the limit at 125% of the salary of the governor. That bill was defeated in the House.

Arguments for:

1) Increasing the cap addresses the concern raised by city and county representatives that the cap is not equitable because it compares the salary of the governor to the larger compensation package of local government employees. Although not precise, increasing the cap by 30% provides a rough approximation of the value of the other benefits received by the governor.

2) Increasing the cap to 125% of the salary of the governor would provide at least temporary relief to cities and counties, and would continue to permit cities and counties to request waivers for specific situations where a larger salary was needed.

Arguments against:

1) Raising the cap to 125% of the governor's salary raises the limit for all local governments, whether or not there is a specific need to establish a higher salary to attract or retain a qualified employee. The waiver process currently in law is sufficient to meet those unique needs.

4. <u>Index the cap for inflation.</u>

Background: One proposal is to index the limit for inflation, so that even if the Legislature does not act to increase the governor's salary, the limit would be adjusted to reflect normal cost of living increases.

If the governor's salary had been indexed to inflation since the last time it was increased, the annual limits would have been:

	95% of the Governor's salary	Inflation rate	CPI-U
1998	$114,288		484.2
1999	$116,200	101.7%	492.3
2000	$119,386	102.7%	505.8
2001	$123,800	103.7%	524.5
2002	$125,240	101.2%	530.6
2003	$128,450	102.6%	544.2
2004	$130,975	102.0%	554.9

Arguments for:

1) Proponents argue that the salary of the governor has no relationship to what should determine the compensation for local government employees. Because the process of setting the governor's salary is so political (as evidenced by the fact that the salary has not changed since 1998), there is no consideration that that amount also affects other employees.

Arguments against:

1) There is reluctance by policymakers to build inflation into any law that results in increased government spending. Opponents contend that policymakers should affirmatively act before increased spending results.

Attachment 1

2004 session laws, Chapter 207, SF 2703

Sec. 30. [LEGISLATIVE STUDY.]
The Legislative Coordinating Commission shall study and report to the governmental operations and local government committees of both houses of the Legislature by January 15, 2005, on the impacts of the political subdivision compensation limit on local units of government. The study must, at a minimum:
(1) examine local government compensation limits and comparative salary data in other states;
(2) assess the impacts of the local government compensation limit on salary structures, recruitment, and retention; and
(3) evaluate alternatives to the compensation limit, including elimination of the limit.

In developing this report, the commission must consult with the Commissioner of Employee Relations and local government associations, including the Association of Metropolitan Municipalities, Association of Minnesota Counties, League of Minnesota Cities, Metropolitan Inter-County Association, Municipal Legislative Commission, and the Minnesota City/County Management Association.

Attachment 2

Subcommittee on Employee Relations
Working Group Studying the 95% Compensation Limit

Organization	Representative	Title
Association of Metropolitan Municipalities	Tom Goodwin	Member, Apple Valley City Council
Association of Minnesota Counties	Curt Yoakum	Policy Analyst, AMC
League of Minnesota Cities	Ardell Brede	Mayor, City of Rochester
Metropolitan Inter-County Association	Keith Carlson	Executive Director
Municipal Legislative Commission	Bill Hargis	Mayor, City of Woodbury
Minnesota City/County Management Association	Tom Hedges	City Administrator, City of Eagan
Department of Employee Relations	Jill Pettis	Compensation Manager, DOER

Subcommittee on Employee Relations	Senator Linda Scheid	Chair
Subcommittee on Employee Relations	Senator David Gaither	Secretary
Subcommittee on Employee Relations	Senator Betsy Wergin	Member
Subcommittee on Employee Relations	Senator Sandy Pappas	Member
Subcommittee on Employee Relations	Senator Steve Kelley	Member
Subcommittee on Employee Relations	Rep. Bill Haas	Vice-Chair
Subcommittee on Employee Relations	Rep. Jim Knoblach	Member
Subcommittee on Employee Relations	Rep. Chris DeLaForest	Member
Subcommittee on Employee Relations	Rep. Mike Paymar	Member
Subcommittee on Employee Relations	Rep. Kent Eken	Member

Other participants

League of Minnesota Cities	Laura Offerdahl	Intergovernmental Relations Representative
League of Minnesota Cities	Laura Kushner	Director of Human Resources
Association of Metropolitan Municipalities	Gene Ranieri	Executive Director
House Research	Mark Shepard	
Senate Counsel and Research	Tom Bottern	

Attachment 3

M.S. 43A.17 Salary limits, rates, ranges and exceptions.

Subd. 9. **Political subdivision compensation limit.**

(a) The salary and the value of all other forms of compensation of a person employed by a political subdivision of this state, excluding a school district, or employed under section 422A.03 may not exceed 95 percent of the salary of the governor as set under section 15A.082, except as provided in this subdivision. For purposes of this subdivision, "political subdivision of this state" includes a statutory or home rule charter city, county, town, metropolitan or regional agency, or other political subdivision, but does not include a hospital, clinic, or health maintenance organization owned by such a governmental unit.

(b) Deferred compensation and payroll allocations to purchase an individual annuity contract for an employee are included in determining the employee's salary. Other forms of compensation which shall be included to determine an employee's total compensation are all other direct and indirect items of compensation which are not specifically excluded by this subdivision. Other forms of compensation which shall not be included in a determination of an employee's total compensation for the purposes of this subdivision are:

(1) employee benefits that are also provided for the majority of all other full-time employees of the political subdivision, vacation and sick leave allowances, health and dental insurance, disability insurance, term life insurance, and pension benefits or like benefits the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986;

(2) dues paid to organizations that are of a civic, professional, educational, or governmental nature; and

(3) reimbursement for actual expenses incurred by the employee which the governing body determines to be directly related to the performance of job responsibilities, including any relocation expenses paid during the initial year of employment.

The value of other forms of compensation shall be the annual cost to the political subdivision for the provision of the compensation.

(c) The salary of a medical doctor or doctor of osteopathy occupying a position that the governing body of the political subdivision has determined requires an M.D. or D.O. degree is excluded from the limitation in this subdivision.

(d) The commissioner may increase the limitation in this subdivision for a position that the commissioner has determined requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner shall review each proposed increase giving due consideration to salary rates paid to other persons with similar responsibilities in the state and nation. The commissioner may not increase the limitation until the commissioner has presented the proposed increase to the Legislative Coordinating Commission and received the commission's recommendation on it. The recommendation is advisory only. If the commission does not give its recommendation on a proposed increase within 30 days from its receipt of the proposal, the commission is deemed to have made no recommendation.

Attachment 4

City and county positions exceeding cap or greater than $100,000

2004 Stanton 5 compensation survey

Exceed cap (waivered)		Greater than $100,000, but less than cap	
City manager/county administrator			
Bloomington	119,995	Blaine	108,285
Rochester	120,000	Brooklyn Park	108,014
		Burnsville	106,995
Hennepin County	147,000	Coon Rapids	113,090
Dakota County	130,000	Duluth	108,285
Anoka County	130,000	Eagan	114,296
St. Louis County	119,060	Eden Prairie	109,824
Olmsted County	117,493	Edina	112,403
		Hutchinson	101,275
		Lakeville	114,275
		Mankato	112,154
		Maple Grove	115,586
		Minnetonka	114,462
		Plymouth	114,296
		Richfield	112,570
		Roseville	109,990
		St. Cloud	103,022
		St. Louis Park	114,005
		St. Paul (Exec Asst to Mayor)	114,288
		Woodbury	114,296
		Ramsey County	114,288
		Washington County	114,288
		Blue Earth County	113,214
		Stearns County	109,994
Assistant city manager/Deputy county administrator			
Minneapolis (Asst City Coord)	118,518	Rochester	104,654
Hennepin County	125,000	Olmsted County	102,806
Hennepin County (Asst Admin)	120,000		
Police Chief/County Sheriff			
Minneapolis	128,565	Bloomington	113,298
		Brooklyn Park	106,808
Dakota County	117,000	Burnsville	100,339
		Eagan	111,051
		Eden Prairie	102,752
		Edina	107,682
		Minnetonka	100,443
		Plymouth	107,952
		Rochester	109,440
		St. Louis Park	107,432
		St. Paul	104,351
		Washington County	112,029
		Ramsey County	109,650
		Hennepin County	114,288
		Sherburne County	105,624
		Anoka County	105,000
		Olmsted County	100,795
Deputy police chief/deputy county sheriff			
		St. Paul (2)	102,277
		Hennepin County	105,708
		Washington County	100,826
		Ramsey County	111,726
		Dakota County (Chief deputy)	104,073

	Fire Chief		
		Burnsville	100,339
		Minneapolis	114,296
		Plymouth	103,043
		St. Paul	104,351
		Rochester	106,811
	City/County Attorneys		
Minneapolis	116,002	Bloomington	111,779
		Minnetonka	103,542
Dakota County	130,000	Rochester	114,288
Anoka County	126,213	St. Paul	110,360
St. Louis County	121,366		
Ramsey County	118,780	Hennepin County	114,288
		Washington County	108,766
		Carver County	104,057
		Stearns County	103,000
	Deputy City/County Attorney		
		St. Paul (3)	113,741
		Washington County	111,371
		Ramsey County (Div director)	114,288
		Hennepin-Chief dep/Exec Sec	113,988
		Anoka (Chief Deputy)	114,282
		Dakota County (Chief deputy)	114,288
	Senior Attorney		
		St. Paul	113,676
		St. Paul (4)	106,683
		St. Paul	101,058
		Ramsey County-First Asst	114,098
		Ramsey County-Asst Div Dir (5)	114,148
		Ramsey County-Asst Cty 4 (7)	111,002
		Hennepin County-Senior (8)	108,144
		Hennepin County- Principal (6)	108,144
		Hennepin County-Senior (49)	102,996
		Anoka County:Div Attny	107,083
		Anoka County:Asst Attny I (4)	100,949
		St. Louis County (Asst-Div Head)	104,457
		Dakota County (1st asst county attny)	114,288
		Dakota County (division head)	107,436
		Dakota County (division head)	110,767
		Dakota County (division head) (2)	114,288
		Dakota County (attorney IV)	101,688
		Dakota County (attorney IV)	102,131
		Dakota County (attorney IV)	105,291
		Dakota County (attorney IV)	106,203
		Dakota County (attorney IV)	106,872
	Director of Public Works		
		Bloomington	114,275
		Coon Rapids	108,472
		Duluth	102,856
		Eagan	111,051
		Eden Prairie	112,029
		Edina	105,123
		Maple Grove	105,498
		Maplewood	101,317
		Minneapolis	111,883
		Minnetonka	100,298
		Plymouth	107,952
		Rochester	114,288
		St. Louis Park	110,552
		St. Paul	104,351
	City/County Engineer		
		St. Paul	111,282
		Hennepin County	114,288
		Ramsey County	114,288
		Anoka County	104,920
		Dakota County	104,300

	Carver County	107,869
	Kandiyohi County	101,262
	Scott County	100,474
	Blue Earth County	102,877
	St. Louis County	100,861
Asst City/County Engineer		
	St. Paul (6)	101,438
Finance Director		
	Bloomington	110,219
	Brooklyn Park	111,280
	Eagan	111,051
	Minneapolis	114,296
	Plymouth	107,952
	Rochester	109,300
	St.Paul	106,127
	Anoka County (Div Mgr:Fin&Cntrl Ser	110,587
	Hennepin County-Budget&Fin	114,288
	Olmsted County	114,288
	Blue Earth County	102,877
	Ramsey County (Dir of Budget..)	114,288
	Hennepin County-Fin & Collect	100,572
	Anoka County (Div Mgr:Public Srvces	110,587
	Anoka County (Div Mgr: Govtl Srvces	103,987
	Dakota County (OMB)	114,288
	Dakota County (Dep Dir Rev & Pub Srvcs	110,800
	Dakota County (Financial Services)	108,000
Asst Div Dir Analysis & Budget		
	Dakota County	114,288
County Auditors		
	Hennepin County	114,288
County Assessor		
	Hennepin County	101,004
	Dakota County (Dir., Assessing Srvces)	102,700
County Property Records director		
	Ramsey County	114,288
County Director of Taxpayer Services		
	Hennepin County	114,288
	Anoka County (Div Mgr Prop Rec & Tax	107,391
	Dakota County (Rev & Public Srvces)	114,288
	Dakota County (Operations Mgmt Dir)	101,580
Information Technology Director		
	Minneapolis	114,296
	Anoka County	114,038
	Hennepin County-Div Mgr	114,288
	Hennepin County-Div Mgr	113,525
	Hennepin County-Tech Srvce Div Mgr	106,020
	Olmsted County	100,214
	Ramsey County	101,326
	Dakota County	113,972
County Library Director		
	Hennepin County (Library Admin)	108,168
	Hennepin County (Law Library)	103,020
	Dakota County	109,100
Parks and Recreation Director		
	Eagan	111,051
	Eden Prairie	111,176
	Plymouth	107,952
	Rochester	104,654
	St. Paul	105,142
	Ramsey County	114,288

	Human Resources Director		
		Minneapolis	103,501
		Rochester	101,000
		Dakota County (Employee Relations dir)	108,000
		Ramsey County	107,479
		Hennepin County (LR dir)	108,636
	Community Development Director		
		Bloomington	114,296
		Burnsville	100,339
		Minneapolis	114,296
		Plymouth	114,296
		St. Paul	104,351
	County Public Health Directors		
		Ramsey County	114,288
		Washington County	111,482
		Hennepin County	114,288
		Dakota County	104,410
	County Employment Directors		
		Ramsey County (Workforce Solutions)	103,324
		Dakota County (Employmt/Econ Asst)	102,204
	County Director Trans/Physical Dev.		
		Washington County	112,784
		Hennepin County-Trans Dept Dir	114,288
		Hennepin County-Trans Dept Dir	111,300
		Dakota County (Transportation)	104,300
		Dakota County (Physical Development	114,288
	County Court Administrator		
		Anoka County	103,434
	Community Corrections		
		Hennepin County (director)	108,288
		Ramsey County	114,288
		Washington County	101,131
		Hennepin County-administrator (3)	105,540
		Anoka County: Head of Criminal Oper	103,868
		Dakota County (Dir, Community Corr)	102,910
	County Human Services directors		
Anoka County	116,600	Dakota County (Social services)	106,810
		Ramsey County	114,288
		Stearns County	114,287
		St. Louis County	112,354
		Washington County	110,902
		Carver County	107,869
		Hennepin County (2)	114,288
	County Human Services Assistant Directors		
		Hennepin County	120,000
	County Community Services Directors		
		Dakota County	114,288
	County Environmental Officer		
		Hennepin County	103,020
	Public Utilities		
Rochester-General Mgr	117,800	Rochester-Division Head	114,288
		Rochester-Engineering Mgr	101,935
		Rochester-Power Plant Mgr	104,071
	Regional Water Srvcs Manager		
		St. Paul (2)	101,438
	County Director of Property Mgmt		
		Ramsey County	110,278
		Hennepin County-Ex of Titles	114,288

Attachment 5

	0203 salary	0304 salary	0405 salary
Business managers			
Anoka Hennepin	$106,500	$110,495	
Buffalo			$107,657
Detroit Lakes		$102,078	
Edina	$110,300		
Hopkins	$107,457		
Lakeville	$114,538		
Mahtomedi	$103,000		
Minneapolis			$100,341
Minnetonka	$114,286	$116,850	$119,850
N St. Paul, Maplewood Oakdale	$102,346		$107,548
Robbinsdale	$106,589		$110,523
Rochester	$114,750	$106,000	$106,000
Roseville	$109,950		
St. Paul	$111,623		$113,297
Wayzata	$115,597	$118,487	
West St. Paul-Mendota Hts		$108,825	$110,325
White Bear Lake	$111,819		
Superintendents			
Albany			$106,000
Albert Lea			$116,052
Alexandria			$120,444
Anoka Hennepin		$142,000	
Austin		$103,000	
Becker		$115,983	
Belle Plaine			$105,000
Bemidji		$106,211	
Big Lake		$104,811	
Brooklyn Center		$122,835	
Byron			$102,600
Buffalo			$135,000
Cambridge-Isanti		$115,500	$115,500
Chisago Lakes			$107,726
Dassel-Cokato		$103,752	
Delano		$104,499	
Detroit Lakes		$104,882	
East Grand Forks			$103,040
Edina		$151,000	$161,911
Elk River			$138,105
Faribault			$116,200
Fergus Falls			$118,900
Fridley		$116,930	$125,993
Glencoe-Silver Lake			$109,331
Grand Rapids		$101,284	
Greenbush-Middle River			$103,000
Hastings			$139,000
Hibbing		$100,000	$106,000
Hinckley-Finlayson			$103,000

Hopkins	$155,000	
Intermediate School Dist 917		$119,600
Jordan		$113,200
Lakeville	$135,000	
Litchfield	$104,911	$114,380
Littlefork-Big Falls	$108,974	
Mahtomedi	$130,609	
Mankato		$115,000
Melrose		$108,800
Milaca		$101,357
Minneapolis		$163,500
Minnetonka	$149,350	$156,907
Montevideo		$108,000
Montgomery-Lonsdale		$102,880
North Branch	$119,435	
N St. Paul, Maplewood Oakdale	$128,125	$143,200
Northfield	$113,027	
Osseo		$165,620
Owatonna	$127,300	$120,000
Pine City		$105,264
Princeton	$107,500	$111,000
Prior Lake-Savage	$125,000	
Redwood Area		$103,976
Richfield	$116,000	$123,980
Robbinsdale	$153,750	$156,285
Rochester	$124,000	$124,000
Rocori	$100,000	
Roseville	$126,425	
Sartell-St. Stephen	$112,432	$119,100
Shakopee		$115,900
South Washington County	$132,000	
St. Anthony-New Brighton	$114,500	
St. Michael-Alberville		$112,320
St. Paul	$165,500	$165,500
St. Peter	$106,865	$103,022
Waseca	$105,550	
Wayzata	$146,222	
West St. Paul-Mendota Hts	$123,600	$131,127
Westonka	$107,738	
White Bear Lake	$130,000	
Willmar	$107,381	
Winona	$118,450	
Worthington	$104,676	$109,000
Assistant Superintendents		
Anoka Hennepin	$111,025	
Alexandria		$105,025
Minnetonka	$115,100	$118,500
Osseo		$135,629
St. Paul		$118,753

Attachment 6

Requests/approvals for waiver from 95% salary cap

05/06/04

Date considered	Notes	Appointing Authority	Position	Current comp	Requestor's estimate of market rate	Request	Compensation recommended by Subc	Comp rec as % of gov salary	DOER action
9/26/1997	(1)	HCMC	CEO	107,112	> 200,000	176,200	176,200	146%	176,200
9/26/1997	(1)	HCMC	COO	98,982	> 150,000	136,200	136,200	113%	136,200
9/26/1997		HCMC	CFO	93,276	> 130,000	121,200	No waiver	NA	No waiver
12/13/1999	(2)	MetroTransit	General Manager	114,288	156,862	156,200	156,200	130%	156,200
12/13/1999	(2)	MAC	Executive Director	114,239	165,000	167,000	156,200	130%	156,200
2/22/2000	(3)	Douglas Cty Hospital	CEO	112,670	186,100	175,000	20% of governor	NA	$155,000
11/15/2000		Metro Transit	Asst General Manager	114,288	135,000	150,750	150,750	125%	150,750
11/15/2000		Monticello-Big Lake Hosp.	Executive Director	114,231	189,400	189,400	145,000	121%	145,000
11/15/2000		Hennepin County	County Administrator	114,288	163,266	165,000	165,000	137%	165,000
11/15/2000		Hennepin County	Dep Administrator	114,288	130,626	145,000	131,000	109%	131,000
11/15/2000		Hennepin County	Asst Admin-Hum Srvces	114,288	135,477	135,000	125,000	104%	125,000
11/15/2000		Hennepin County	Asst Admin-Pub Works	114,288	134,606	135,000	125,000	104%	125,000
12/18/2000		City of Minneapolis	Assist City Coordinator	109,632	126,454	121,763	126,000	105%	126,000
12/18/2000		City of Minneapolis	City Attorney	114,288	116,424	130,381	116,000	96%	116,000
12/18/2000		City of Minneapolis	ED, Convention Center	100,464	101,288	134,590	119,000	99%	119,000
12/18/2000		City of Minneapolis	City Coordinator	114,288	150,079	138,215	138,000	115%	138,000
12/18/2000		City of Minneapolis	Chief of Police	114,288	116,449	130,851	116,000	96%	116,000
12/18/2000		City of Minneapolis	Chief, Fire Dept	101,460	110,124	118,316	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Comm of Health	101,724	114,874	118,629	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir Human Resources	103,812	103,106	117,532	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir of Planning	101,460	104,555	118,316	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dep Dir, Pub Works	89,880	98,960	122,233	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Finance Officer	114,979	109,431	123,800	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Chief Info Officer	114,288	101,934	130,966	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	City Engineer	114,288	111,384	138,118	No waiver	NA	No waiver
12/18/2000		City of Minneapolis	Dir Employee Svcs	109,188	81,396	121,273	No waiver	NA	No waiver
		Rice Memorial Hospital	CEO	113,908	210,600	210,600	160,000	133%	160,000
2/1/2002		Dakota County	County Administrator	114,288		142,000	118,900	99%	118,288
2/1/2002		St. Louis County	County Administrator	116,722		125,000	118,900	99%	118,288
3/18/2002		Rochester Public Utility	General Manager	114,288	165,000	130,000	130,000	108%	122,000
4/25/2002		District One Hospital-Faribault	CEO	114,661	191,000	160,000	160,000	133%	155,000
6/28/2002		Hutchinson Area Health Care	Cert. Reg. Nurse Anesth.	125,549	150,000	155,000	135,000	112%	135,000
6/28/2002		Mercy Hospital, Moose Lake	Cert. Reg. Nurse Anesth.	120,288	150,000	135,000	135,000	112%	135,000
8/26/2002		City of Rochester	City Administrator	114,288	141,400	125,000	130,000	108%	120,000
8/26/2002		City of St. Louis Park	City Manager	114,288	131,389	131,389	130,000	108%	116,600
8/26/2002		City of Minnetonka	City Manager	114,288	145,111	145,111	130,000	108%	116,600
8/26/2002		Minneapolis Public Library	Executive Director	103,796	135,000	135,000	130,000	108%	130,000
8/26/2002		Local Gov't Information Systems	Executive Director	114,288	161,775	150,000	130,000	108%	120,000
	(2)	City of Bloomington	City Manager	117,288	132,046	144,000			120,000
	(2)	City of Hutchinson	Utilities Commission Mgr	114,300		135,000			No waiver
	(2)	Olmsted County	County Administrator	114,971		121,064			122,000
	(2)	Olmsted County	Public Works Director	113,600		120,569			No waiver
	(4)	Olmsted County	Compensation plan						No waiver
	(2)	Anoka County	County Administrator	114,282	144,737	144,737			130,000
	(2)	Anoka County	Human Srvces Div Mgr	114,282	130,324	132,277			116,600
	(2)	Anoka County	Fin & Cntlr Srvces Div Mgr	107,063	133,060	119,245			No waiver
	(2)	Dakota County	County Administrator	118,288	158,000	146,600			130,000
	(2)	Regions Hospital	VP, Regulated Hosp Partne	184,100		240,000			220,000
	(2)	Regions Hospital	VP, Patient Care Srvces	140,490		200,000			143,000
	(5)	Ramsey County	County Manager	114,288		140,000			No waiver
	(6)	City of Minneapolis	Chief of Police	116,000	142,000	142,000			135,000
3/5/2004		Ramsey County	County Manager	114,288	144,000	140,000	140,000	116%	No waiver
3/5/2004		Washington County	County Administrator	114,282	135,800	135,000	130,000	108%	No waiver
	(7)	Hennepin County	Library Director	114,288	134,178	130,000			No waiver

(1) The dollar amount recommended by the Subcommittee and adopted by DOER includes up to $1,200 in stability pay.

(2) No action taken by Subcommittee within 30 days. Considered positive recommendation under 43A.17.

(3) The Subcommittee's recommendation was expressed as a percent of the governor's salary, which equaled $144,364. DOER's decision was expressed as $ amount.

(4) The County requested a waiver for its compensation plan. The statute provides for waivers for individual positions only.

(5) Request submitted 6/18/03, and declined by DOER 8/19/03. DOER did not consult the Subcommittee, since not required if commissioner intends to decline request.

(6) No action taken by Subcommittee within 30 days. Considered under 43A.17 as no recommendation. DOER approve increase 12/22/03

(7) Request submitted 2/19/04, and declined by DOER 4/12/04. DOER did not consult the Subcommittee, since not required if commissioner intends to decline request.