



Compensation Plan

Design

Goals and Challenges



- Compensation Plan that attracts and retains talent
- Compensation that recognizes and rewards performance
- Performance Plan that promotes excellence
- Process that is equitable across the entire organization
- Process that eliminates the need for a union
- Process that rewards employee engagement

Where do we start?

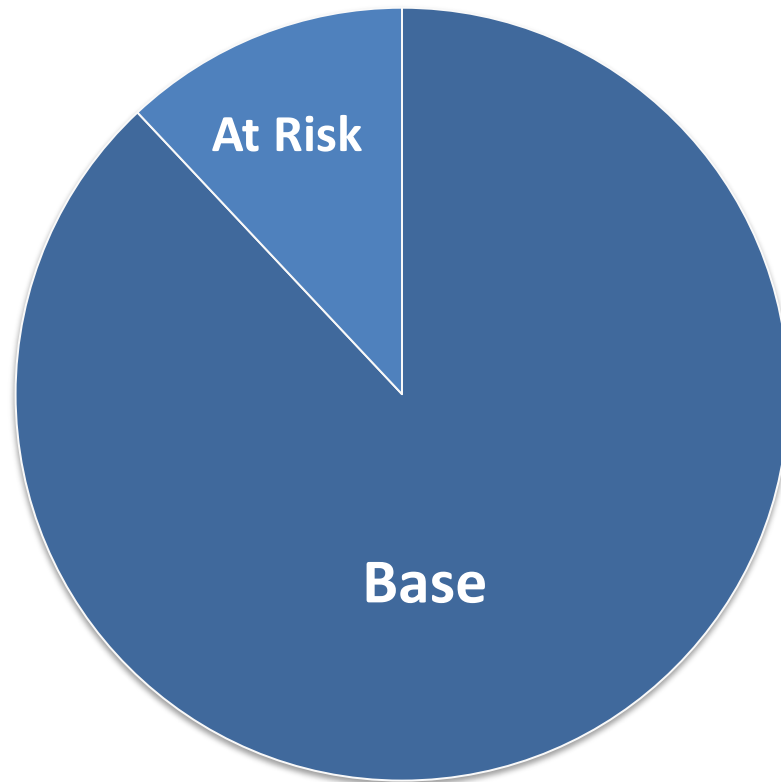


- Strategy: Total Compensation
- Determine the Internal Equity
- Define the Market for Base Pay
- Define the Performance Measurement Tool

Goal:

- Cost effective and balanced pay plan
 - Competitive in the talent market (attract & retain)
 - Promote consistent high performance

Total Cash Compensation



Other Forms of Compensation

- L-T Incentive Pay
- Equity Plans
- Profit Sharing Plans
- Perquisites
- Benefits

Compensation Theory



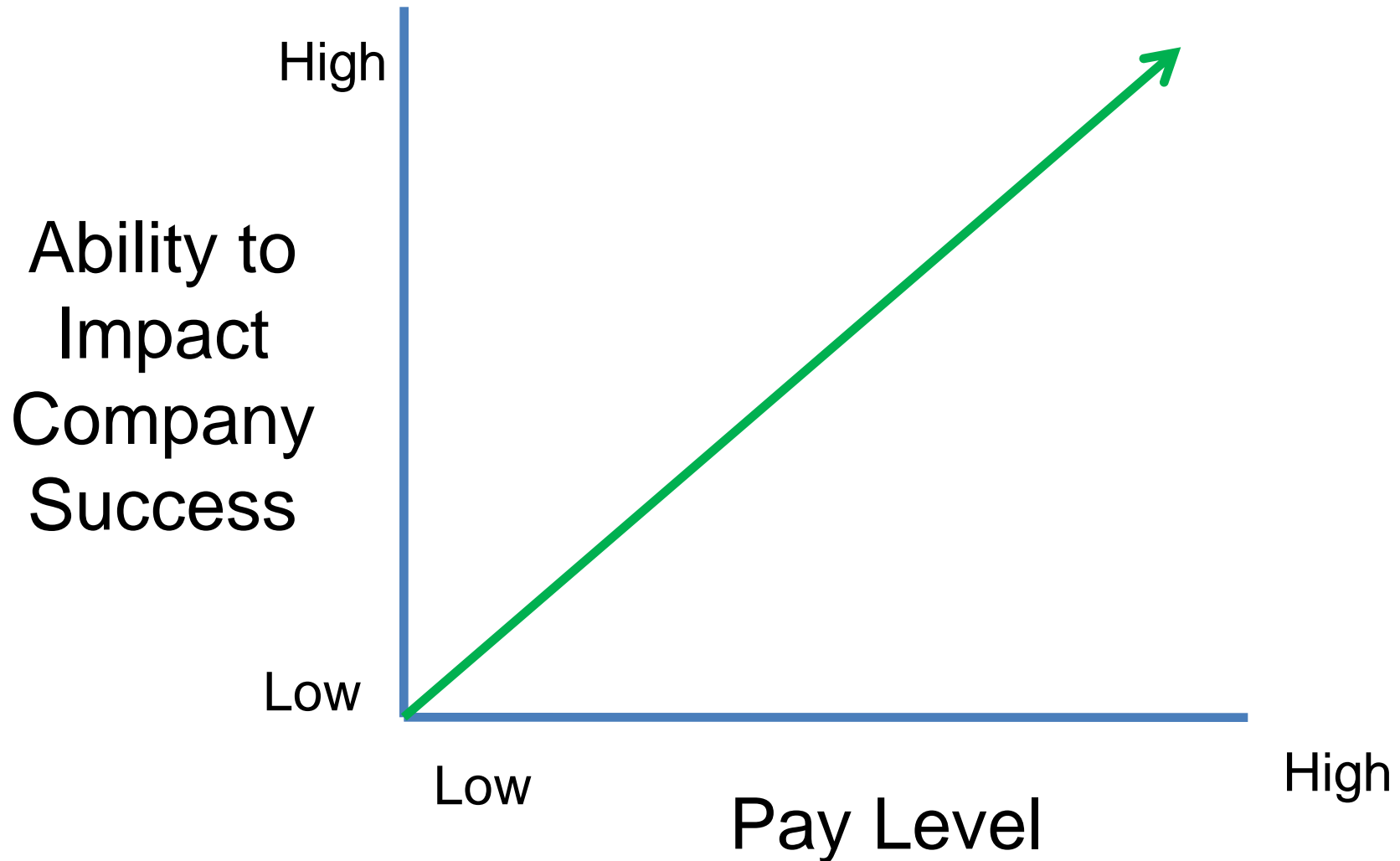
Base Pay: Fixed Rate of Pay

- Internal Equity...Job levels
- Policy...50th Percentile Midpoints
- Best Practice: 80 to 120% Salary Range Spread
- Practice...Merit Increases

Incentive Pay: Directly Links to Performance

- Policy...Based on ability to impact org success
- Practice...Payout correlates to company performance
- Best Practice: 50% probability = median market bonus

Impact vs Pay



Differentiating Job Levels

Key Factors:

- Breadth of Accountability
- Freedom to Act/Decision Making
- Financial Impact
- Knowledge, skills and abilities to perform the role
- [Job Evaluation Tool \(Shakopee With Notes\).docx](#)



Questions?

Market

Comparable Companies

- Geographic
- Industry
- Size
- Not based on ownership or tax status

Comparable Roles

Where does your talent come from?



COO-Market Data

<https://documentcloud.adobe.com/link/review?uri=urn:aaid:scds:US:1cbca634-5f12-4673-8b53-e6c3c9ec83c2>

[Salary.com CompAnalyst](#)



Pay for Performance: Sample Policy

Total Compensation Philosophy

Base Pay (Salary Ranges)

- Grade Levels
- Midpoints : 50th Percentile of Market
- Ranges adjusted bi-annually
- Individual Performance based Increases

Incentive Pay

- Corporate Performance metrics: Scorecard
- 50% Probability = 50th percentile of market
- Eligibility based on Individual performance

Benefits (similar across organization)



Pay Ranges



- Midpoints: 50th percentile of market
- Salary Ranges: 80% to 120% of Midpoint
- Midpoint = 100%

Minimum	Midpoint	Maximum
\$64,000	\$80,000	\$96,000
80%	100%	120%

Merit Increase Grid

Percent of Midpoint	120%	2-4%	1-2% or Flat \$	Flat \$	0%	0%
	112%	3-5%	2-4%	1-2% or Flat \$	0%	0%
	104%	5-6%	3-5%	2-4%	0%	0%
	Market	5-6%	3-5%	2-4%	0%	0%
	96%	6-7%	5-6%	3-5%	0%	0%
	88%	7-8%	6-7%	5-6%	0%	0%
	80%					
		5 High	4	3	2	1 Low
		Level of Performance				

← Target Pay Row

Corporate Scorecard



Multiple Measurement Factors

- Optimum number 5-8 factors + “Gatekeeper”

Weighting assigned to each Factor

- Weighting expressed as a % of the whole
- Sum of all factor weights equals 100%

Levels of Performance

- 3 levels: Threshold, Target, Challenge/Stretch
- Scenario level setting: Average of performance across previous 3 to 5 years.



Compensation Plan Design

Shakopee Public Utilities

Our Process

- SPU Compensation Philosophy defined
- Updated Job Descriptions
- Internal Equity defined
 - Within Functions
 - Across the Organization
- Grade Levels defined
- Market Pay : External Equity
- Salary Ranges defined
- Increase guidelines defined
- Performance Feedback – Next Steps define tool



SPU Policy

Total Compensation Philosophy



Base Pay

- Grade Levels - 14
- Midpoints : Set at Wtd Avg/50th Percentile of Market
- Midpoints adjusted annually (Market check bi-annually)
- Target pay between 96% and 104% of midpoint
- Individual Performance based Increases -No separate COLA

Incentive Pay

- Pool determined by Utility performance - Discretionary
- Eligibility based on Individual performance

Benefits (similar across organization)

Grade Level Assignments

<u>Position</u>	<u>Grade Level</u>
Meter Reader	2
Water Meter Tech	2
Locator, Meter Specialist	2
Dispatcher	2
Accounting Specialist	3
Storekeeper	3
Purchasing Specialist	3
Customer Svc	3
Water Operator - Journey Level	4
Network Administrator	4
Engineering Technician	4
Billing Specialist (Lead)	4
Administrative Assistant	4
AP/HR Specialist	5
Substation, Scada, Meter Tech	5
Journey Lineworker	6
Water Supervisor - Combined	6
CS & Billing Supervisor	6
Lead Line-worker	7
Service Dept Lead	7
Accounting Supervisor	7
Electric Supervisor	8
Water Superintendent	8
IT Supervisor	9
Engineering Supv/Project Engineering	9
Dir, Key Accts/Marketing/Special Projects	10
Electric Superintendent	10
Dir, Finance & Administration	12
Planning & Engineering Director	12
Dir, Field Operations	12
General Manager	15



Apprentice = one grade below Journey level

Market Data 2021



Benchmark Positions	Grade Level	Utilities MN Wtd Avg
Meter Reader	2	26.97
Water Meter Tech	2	25.26
Locator, Meter Specialist	2	23.65
Dispatcher	3	24.13
Accounting Specialist	3	24.96
Storekeeper	3	25.38
Purchasing Specialist	3	27.40
Customer Svc & Billing	3	28.08
Water Operator - Journey level	4	34.67
Network Administrator	4	31.73
Billing Specialist (Lead)	4	37.60
Administrative Assistant	4	35.63
AP/HR Specialist	5	35.54
Journey Lineworker	6	42.74
CS & Billing Supervisor	6	41.58
Accounting Supervisor	7	43.51
Electric Supervisor	8	50.43
Water Superintendent	8	52.20
IT Supervisor	9	52.84
Dir, Key Accts/Mkting/Special Projs	10	66.64
Electric Superintendent	10	67.79
Dir, Finance & Administration	12	69.06
Planning & Engineering Director	12	78.70
Dir, Field Operations	12	82.79
General Manager	15	103.41



2021 Midpoints

	80%	100%	120%
	Minimum	Midpoint	Maximum
Grade			
1	17.00	21.25	25.50
2	21.16	26.44	31.73
3	25.31	31.64	37.97
4	29.47	36.84	44.20
5	33.62	42.03	50.44
6	37.78	47.23	56.67
7	41.94	52.42	62.91
8	46.09	57.62	69.14
9	50.25	62.81	75.37
10	54.41	68.01	81.61
11	58.56	73.20	87.84
12	62.72	78.40	94.08
13	66.87	83.59	100.31
14	71.03	88.79	106.55
15	75.23	94.04	112.84

Merit Increase Grid

Percent of Midpoint	120%	2-4%	1-2% or Flat \$	Flat \$	0%	0%
	112%	3-5%	2-4%	1-2% or Flat \$	0%	0%
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Target Pay Row ←



Questions?

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September 7, 2021

Joe Adams
Shakopee Public Utilities
255 Sarazin Street
Shakopee, MN 55379

RE: Plastic Water Service Pipe

Dear Mr. Adams,

We request that the Shakopee Public Utilities review their requirements to allow the use of a material other than copper pipe between the curb stop and the meter. As we discussed when we last met Horton has had a history of copper services ends being stolen after installation in Shakopee. This year we have had 11 cases of where the end of the copper services has been stolen from inside a home.

To repair what is caused by the theft leads to a joint under the floor area to extend the water service to the original location in the home. A joint under the floor can lead to a difficult repair if this joint fails. We learned this lesson the hard way last month when we were notified by a home buyer that they had a water leak in their service line. After a difficult time locating the leak it was determined that it was in the location of the service repair. The repair of the leak required the homeowners to move their furniture from the room over the leak, break open their floor, excavate down to the water service pipe and repair the joint. This repair occurred over multiple days and required the homeowner to find a temporary place to live.

All this hassle and headaches to the homeowner could have been avoided if the Shakopee Public Utility would allow the use of a plastic type service pipe. Plastic water service is allowed in all the Cities that we currently build in except for Shakopee. Horton has been installing plastic services since the early 2000's without any instances. Plastic water material is a recognized material by

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the City Engineer Association of Minnesota (CEAM), the American Water Works Association (AWWA) and the current Plumbing Code.

When comparing plastic and copper pipe we do not see any added benefit with sticking with the copper pipe. Both materials are placed in similarly bedding material when installed. Both materials can be thawed using steam. The plumbing contractors that we work with no longer thaw copper pipe with a welder due to fire concerns with this type of thawing. If for some reason a leak was detected in a plastic service line there is a method that allows a new service line to be attached to the existing line and pulled through the ground which leads to a less disrupted repair for the homeowner and eliminating a repair joint.

Thank you for your consideration and if you have any questions, please contact me at 952-985-7823 or via e-mail at msuel@drhorton.com

Sincerely,



Mike Suel
Land Development Manager