



# City of Gainesville Total Rewards Study **DRAFT** Report

May 1, 2019

**Gainesville.**  
Citizen centered  
People empowered





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## Total Rewards Study - Executive Summary

This report reviews the organizational structure and total rewards approach of the City of Gainesville (City) benchmarked relative to the market. The City of Gainesville is the largest city and county seat of Alachua County. It serves as the cultural, educational and commercial center for the north central Florida region. The city provides a full range of municipal services, including police and fire protection; comprehensive land use planning and zoning services; code enforcement and neighborhood improvement; streets and drainage construction and maintenance; traffic engineering services; refuse and recycling services through a franchised operator; recreation and parks; cultural and nature services; and necessary administrative services to support these activities. Additionally, the city owns a regional transit system, a 72-par championship golf course and a utility.

To conduct our study, Korn Ferry (KF) benchmarked the City's compensation and benefits programs relative to select peer organizations; similar industry organizations; the Florida market and in the U.S. national market in both the public and private sectors. KF also interviewed the leadership of the City, conducted multiple meetings across the various functions and evaluated City retention, payroll and benefits data regarding key factors and trends. The analysis was done to determine whether the City's compensation and benefits practice (total rewards) is aligned with the markets from which it needs to recruit talent, and if it is adequate to attract, motivate and retain the right staff (in accordance with the City's mission and compensation and benefits strategy) in the most cost-effective manner.

The study covers approximately 2,075 regular Employees (across both GG and GRU) . Please note that this report excludes Charter Officers and Temporary Employees. Total Reward information on Charter Officers will be provided under a separate report.

At the beginning of this project, Korn Ferry and the project team(s) have worked closely to keep all key stakeholders and employees informed of the key milestones and activities. Throughout this report there are numerous areas where we have solicited input directly from key stakeholders to gain consensus and support for the initiative. By involving representatives from the stakeholder groups from the beginning had potential to expedite decisions when required.

In organizations with key stakeholders and complicated governance process such as the City, decisions often need to include multiple signoffs, consensus or negotiations which will impact the final decision. We understand the limitations and various levels of approval necessary and worked closely with the core project team in the planning phase of this process for implementation.

As summarized in the following tables and detailed throughout this report, several opportunities for refining the City's compensation and benefits programs were identified through this review for consideration. Cost impact has been detailed for compensation adjustments; benefit plan design considerations have been provided, but re-design of benefit programs will need internal review and consideration to move forward.

Given the significant fiscal and operational implications of many of these alternatives, KF notes that some may appropriately be prioritized, phased in, modified and/or rejected as the City reviews these potential approaches going forward.





## **City of Gainesville Compensation and Benefits Analysis & Recommendations**

As part of the overall study, the following are top line findings and recommendations, with more detailed findings and recommendations provided throughout the full report that follows.

### **Summary of Findings and Recommendations**

<b>Finding #1</b> Interview Findings	The study involved collaboration and discussion across the City with key stakeholders, managers and supervisors. Included in these interviews were perceptions around job markets or competitors for talent. Additionally, HR recruitment provided information regarding “hard to fill jobs” based on declined offers and hard to fill jobs. Compression was also cited as an issue and found in Korn Ferry’s analysis and should be reviewed on a job by job basis.
<b>Recommendation</b>	Special attention to the “hard to fill” jobs should be a priority when reviewing the recommendations. Compression analysis by jobs and address any manager and employee concerns.
<b>Implementation</b>	Review compression issues and “hard to fill jobs” with managers in each function to ensure current and future talent is aligned correctly.

<b>Finding #2</b> Internal Equity (Current Pay Practice)	For most jobs across the City, internal pay is reasonable, relationships exist between job size and pay, with the exception of a few outliers, where pay is either higher or lower when comparing job size between peer levels. Essentially, base salaries are relatively consistent among employees.
<b>Recommendation</b>	This pay practice analysis was done to ensure job content was assessed correctly and any outliers were discussed with the project team. Most issues are either due to tenure, performance and market pressure (paying higher due to supply and demand).
<b>Implementation</b>	Reviewed closely with project team and correlate to market pay; review compression issues.

<b>Finding #3</b> City of Gainesville Peer Group	The selected peer group represents the City’s business sector and is comprised of organizations in the Public Sector as well as the Private and Not-for-Profit sector. These organizations are of similar style, complexity and size as well as organizations with whom the City competes for talent.
<b>Recommendation</b>	The peer group does not demonstrate any obvious bias and is an appropriate position for the City in the future.
<b>Implementation</b>	Incorporate data sources utilized in the study to ensure consistency and updates to market data annually.





<b>Finding #4</b> City of Gainesville Pay Philosophy	The City's target market, particularly cash compensation, is currently at the P50 of the appropriate market. Based on the Korn Ferry's experience, this is reasonable and in line with Korn Ferry's performance metrics compared to the metrics of the peer group.
<b>Recommendation</b>	The City's overall compensation mix (which includes base salary and benefits) is also reasonable, and in line with peer group practices as well as modern compensation practice.
<b>Implementation</b>	Pay Philosophy should be reviewed to ensure stated philosophy, peer groups and City practice align.

<b>Finding #5</b> Pay Plans/ Classification of Jobs	Create new pay structures based on consistent job evaluation and classification methodology and relevant market pay data. Pay ranges have differential range spreads-based on job levels and career progression. Separate structures for All (GG and GRU); Fire; Police; EIO (Engineering/IT/GRU-Operations); Transit Operators and PTPP. There was enough difference across jobs and markets to drive separate pay plans.
<b>Recommendation</b>	Given the varying levels of pay across different markets drives the need for distinguishing jobs and creating 6 different pay structures. All City jobs were slotted and placed in the new pay plans in the appropriate grade based on job content.
<b>Implementation</b>	The recommended structures reflect job evaluation and market practice and differentiate as needed; create more opportunities for mobility and career development. However, multiple pay plans create more administration and maintenance across the organization and also must be communicated well.





<p><b>Finding #6</b></p> <p>Pay Practice</p>	<p>In light of the above pay philosophy, the analysis of the competitive market in which the City competes for talent reveals a significant need for improvement of the base salary component, especially at the middle and senior professional ranks. The analysis demonstrates that if the City continues to follow the current classification and pay system, it will not be able to attract, motivate and retain the talent necessary to achieve its mission. The City is closer to the 25th percentile of the peer group for all jobs, except for those jobs that have higher tenure or have been adjusted closer to market over the past few years.</p>																																
<p><b>Recommendation</b></p>	<p>Korn Ferry recommends salary ranges with midpoints pegged to the market median (P50). In other words, the midpoints of the salary structure are based on the median pay (the “going rate”) for jobs at that grade level. Korn Ferry recommends that the City adjust salaries (cost impact below) so that the pay practice is aligned with the stated pay philosophy.</p>																																
<p><b>Implementation</b></p>	<p>Costs will vary depending on short- or long-term implementation. Short term is immediate (year one); long term is over a three-year period. Upon acceptance of the recommended market pay which reflect the pay philosophy cited above, the City has the discretion to pay above or below the market based on individual credentials and performance.</p> <p style="text-align: center;"><b>Short-term Implementation:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Organization</th> <th style="width: 40%;">Total</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">GG</td> <td style="text-align: right;">\$ 4,744,648</td> </tr> <tr> <td style="text-align: center;">GRU</td> <td style="text-align: right;">\$ 3,375,734</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: right;"><b>\$ 8,120,383</b></td> </tr> </tbody> </table> <p style="text-align: center;"><b>Long-term Implementation:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Organization</th> <th style="width: 25%;">Year 1</th> <th style="width: 25%;">Year 2</th> <th style="width: 25%;">Year 3</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">GG</td> <td style="text-align: right;">\$ 1,581,549</td> <td style="text-align: right;">\$ 1,621,088</td> <td style="text-align: right;">\$ 1,661,615</td> </tr> <tr> <td style="text-align: center;">GRU</td> <td style="text-align: right;">\$ 1,125,245</td> <td style="text-align: right;">\$ 1,153,376</td> <td style="text-align: right;">\$ 1,182,210</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: right;"><b>\$ 2,706,794</b></td> <td style="text-align: right;"><b>\$ 2,774,464</b></td> <td style="text-align: right;"><b>\$ 2,843,826</b></td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 50%;">Organization</th> <th style="width: 50%;">3 Year Implementation Total</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">GG</td> <td style="text-align: right;">\$ 4,864,253</td> </tr> <tr> <td style="text-align: center;">GRU</td> <td style="text-align: right;">\$ 3,460,831</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: right;"><b>\$ 8,325,084</b></td> </tr> </tbody> </table> <p>Long term cost impact is calculated as follows, with increase in year 2 and 3 based on market movement:  <b>Year 1 = Immediate Correction/3    Year 2 = Year 1 total + 2.5%    Year 3 = Year 2 total + 2.5%</b></p>	Organization	Total	GG	\$ 4,744,648	GRU	\$ 3,375,734	<b>Total</b>	<b>\$ 8,120,383</b>	Organization	Year 1	Year 2	Year 3	GG	\$ 1,581,549	\$ 1,621,088	\$ 1,661,615	GRU	\$ 1,125,245	\$ 1,153,376	\$ 1,182,210	<b>Total</b>	<b>\$ 2,706,794</b>	<b>\$ 2,774,464</b>	<b>\$ 2,843,826</b>	Organization	3 Year Implementation Total	GG	\$ 4,864,253	GRU	\$ 3,460,831	<b>Total</b>	<b>\$ 8,325,084</b>
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**Finding #7**

**Benefits**

The City employees participate in the benefits program offered to all employees of the City. The current package includes health insurance, life insurance, retirement, disability, paid leave and other benefits. The strongest components and most valued by employees are the health insurance, retirement and paid leave benefits. Benefit programs are an integral part of an employee’s total compensation. The following chart outlines how the City compares to the market.

Benefit Offering	Below Market	At Market	Above Market
Health Care	X		
Retirement Plan GG & GRU		X	
Retirement Plan Fire & Police			X
Life Insurance		X	
Disability	X		
Paid Leave		X	
Other Benefits		X	

Overall, the majority of the City’s benefits are between the 25<sup>th</sup> and 50<sup>th</sup> percentile of the peer group, depending on salary. Public Safety has a higher position against given their current retirement benefits are richer (but comparable when compared to just other public safety peer group). The City has a comprehensive program offering a variety of employee choices. In addition, the City offers compensatory time for all employee levels.

**Recommendation**

As noted, that the City’s health care plan is below the market at all salary levels; but, most significantly at the lower salary levels. Over 90% of employees said that the cost of health care is too high (through a KF sponsored pulse survey). In addition to the internal data, the current plan falls below the 25<sup>th</sup> percentile of the market due to high cost for dependent coverage. The City should consider the following:

1. An additional Medical plan to provide more choices (and lower cost) to its employees, e.g., a High Deductible Health Plan (HDHP), which is the prevalent medical plan type for the peer market group
2. Ensure employees understand the City’s total investment by introducing a total reward statement which shows the overall value of financial rewards and enhance communication of each program to increase employee understanding.

**Implementation Issues**

Health care costs will be the biggest driver and costs will vary for the City to provide more employee coverage, but preliminary estimates show potential costs based on projected premiums over the next two years:

Year	Cost Impact
2020	\$ 2,960,000
2021	\$ 647,000

Total Reward statements can be produced on an annual basis as part of a total reward communication to employees. Additional benefit costs (e.g., student loan repayment plans or relocation costs) will vary annually but should be considered. The most significant cost impact on benefits is the higher health care cost incurred by the City.







<b>Finding #8</b>  Total Reward Analysis	Based on the compensation and benefits package provided to all City employees, Korn Ferry has developed a comparative analysis as it relates to Total Remuneration (Base Cash plus Benefit values) for the 6 pay plans.
<b>Recommendation</b>	<p><b>Observations and Findings include:</b></p> <p><b>All Structure:</b> Total Remuneration (TR) is below the Market 50<sup>th</sup> percentile. The mix of elements which make up the TR package compare to the Market as follows:</p> <ul style="list-style-type: none"><li>• Base Pay is between the 25-50<sup>th</sup> percentile</li><li>• Health Care program is below the 25<sup>th</sup> percentile</li><li>• Majority of other benefits are positioned at or above the 50<sup>th</sup> percentile</li></ul> <p>The current positioning leaves room for improvement in base salary and health care plan since the Compensation Philosophy for the City is set at the 50<sup>th</sup> percentile of the Market and Health Care is significantly below.</p> <p><b>Public Safety:</b> Total Remuneration is below the Market 50<sup>th</sup> percentile. The mix of elements which make up the Professional TR package compare to the Market as follows:</p> <ul style="list-style-type: none"><li>• Base Pay is at the 25<sup>th</sup> percentile</li><li>• Health Care program is below the 25<sup>th</sup> percentile</li><li>• Retirement program is at the 75<sup>th</sup> percentile</li><li>• Majority of other benefits are positioned at or above the 50<sup>th</sup> percentile</li></ul> <p>The current positioning leaves room for improvement in base salary practice but consideration should be made given the retirement program is very competitive, therefore less emphasis on cash compensation.</p> <p><b>Engineering/IT/GRU-Operations (EIO Structure):</b> Total Remuneration (TR) is below the Market 50<sup>th</sup> percentile. The mix of elements which make up the TR package compare to the Market as follows:</p> <ul style="list-style-type: none"><li>• Base Pay is between 25-50<sup>th</sup> percentile</li><li>• Health Care program is below the 25<sup>th</sup> percentile</li><li>• Majority of other benefits are positioned at or above the 50<sup>th</sup> percentile</li></ul> <p><b>Transit:</b> Total Remuneration (TR) is below the Market 50<sup>th</sup> percentile. The mix of elements which make up the TR package compare to the Market as follows:</p> <ul style="list-style-type: none"><li>• Base Pay is below the 25<sup>th</sup> percentile</li><li>• Health Care program is below the 25<sup>th</sup> percentile</li><li>• Majority of other benefits are positioned at or above the 50<sup>th</sup> percentile</li></ul> <p>The current positioning leaves room for improvement in base salary and health care plan since the Compensation Philosophy for the City is set at the 50<sup>th</sup> percentile of the Market and Health Care is significantly below.</p>







	<p><b>PTTP:</b> Total Remuneration (TR) is close to the Market 50<sup>th</sup> percentile. The mix of elements which make up the TR package compare to the Market as follows:</p> <ul style="list-style-type: none"> <li>• Base Pay is between 50-75<sup>th</sup> percentile</li> <li>• Health Care program is below the 25<sup>th</sup> percentile</li> <li>• Majority of other benefits are positioned at or above the 50<sup>th</sup> percentile</li> </ul> <p>The current positioning leaves room for improvement in the health care plan.</p>																																
<p><b>Implementation</b></p>	<p>Cost Impact should be considered across all employee groups for both compensation and benefits. As stated above, costs will vary based on short- or long-term implementation.</p> <p>Total Reward Impact Costs (both compensation and benefits):</p> <p style="text-align: center;"><b>Short-term Implementation:</b></p> <table border="1" data-bbox="492 751 1490 915"> <thead> <tr> <th>Total Rewards</th> <th>Immediate Correction</th> </tr> </thead> <tbody> <tr> <td>Compensation</td> <td>\$ 8,325,084</td> </tr> <tr> <td>Benefits (Health Care Costs)</td> <td>\$ 2,960,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$ 11,285,084</b></td> </tr> </tbody> </table> <p style="text-align: center;"><b>Long-term Implementation:</b></p> <table border="1" data-bbox="492 978 1490 1167"> <thead> <tr> <th>Total Rewards</th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> </tr> </thead> <tbody> <tr> <td>Compensation</td> <td>\$ 2,706,794</td> <td>\$ 2,774,464</td> <td>\$ 2,843,826</td> </tr> <tr> <td>Benefits (Health Care Costs)</td> <td>\$ 2,960,000</td> <td>\$ 647,000</td> <td>\$ 647,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$ 5,666,794</b></td> <td><b>\$ 3,421,464</b></td> <td><b>\$ 3,490,826</b></td> </tr> </tbody> </table> <table border="1" data-bbox="492 1199 1490 1360"> <thead> <tr> <th>Total Rewards</th> <th>3 Year Implementation Total</th> </tr> </thead> <tbody> <tr> <td>Compensation</td> <td>\$ 8,325,084</td> </tr> <tr> <td>Benefits (Health Care Costs)</td> <td>\$ 4,254,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$ 12,579,084</b></td> </tr> </tbody> </table>	Total Rewards	Immediate Correction	Compensation	\$ 8,325,084	Benefits (Health Care Costs)	\$ 2,960,000	<b>Total</b>	<b>\$ 11,285,084</b>	Total Rewards	Year 1	Year 2	Year 3	Compensation	\$ 2,706,794	\$ 2,774,464	\$ 2,843,826	Benefits (Health Care Costs)	\$ 2,960,000	\$ 647,000	\$ 647,000	<b>Total</b>	<b>\$ 5,666,794</b>	<b>\$ 3,421,464</b>	<b>\$ 3,490,826</b>	Total Rewards	3 Year Implementation Total	Compensation	\$ 8,325,084	Benefits (Health Care Costs)	\$ 4,254,000	<b>Total</b>	<b>\$ 12,579,084</b>
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<b>Finding #9</b> Implementing and Maintaining the Pay Plan	In light of the above pay philosophy, the analysis of the competitive market in which the City competes for talent reveals a significant need for improvement of the base salary component, especially at the middle and senior professional ranks. The analysis demonstrates that if the City continues to follow the current classification and pay system, it will not be able to attract, motivate and retain the talent necessary to achieve its mission. The City is closer to the 25th percentile of the peer group for all jobs, except for those jobs that have higher tenure or have been adjusted closer to market over the past few years.
<b>Recommendation</b>	For pay to remain competitive, the City should ideally aim at paying incumbents within +/- 10% of the market reference point specified by their job grade. An overall compa-ratio between 90 and 110 percent is an indication of sound and reasonable base salary management. If a new job is created, or if an existing job has significant changes, then the job will be reviewed, evaluated and "slotted" in a grade that bears a common salary range for comparable jobs.
<b>Implementation</b>	To provide a framework for pay decisions in the future, salary ranges should be updated annually. For that purpose, Korn Ferry will provide market information every year. This information will help establish the percentage raise for all jobs. The utilization of the proposed pay plan will allow the City to manage the compensation of many different jobs within a compensation system designed to align job responsibilities with market competitive compensation. Benefits costs should continue to be reviewed annually. Keeping total rewards in line with market rates will allow the City to attract, motivate and retain its key personnel. Moreover, aging the salary structure to keep it in line with the market will ensure that pay ranges remain linked with current market practices.





### **Overall Recommendations:**

Once the final results and recommendations are accepted, the City should implement the results of the exercise, as early as possible. The following lists a series of implementation steps to ensure a successful program.

1. The first step will be to broadly communicate the results of the study to the City Commission, and employees, respectively.
2. Conduct of briefing sessions to answer any questions employees may have about the project findings.
3. Optional (but recommended): the consultants suggest that a team of City employees be trained in the Korn Ferry method of job evaluation to re- evaluate new or changed jobs (or adopt a simplified version of the method for continued classification).
4. Develop a plan for communication around benefits and design plans being considered.

### **Communication**

Our experience shows that communication plays a large role in how well a total rewards program is understood and accepted by employees. This may be particularly true at the City given that most employees are aware that the total rewards approach is under review.

We would recommend that they City communicate any new programs providing information on where the City stands compared to market peers.

### **Going Forward**

Employers review the competitiveness of their salary schedule on a regular basis and adjust the range levels to reflect changes in the value of their jobs in the marketplace. Employees in most organizations have become accustomed to regular salary increases. These increases recognize and reward the employee's performance, represent the employer's effort to remain competitive in the marketplace for qualified employees or simply correspond to inflation in the economy.

Once the new pay structure is implemented, Korn Ferry recommends that the overall structure be reviewed on an annual basis. The review need not be as extensive as this analysis; however, continuing with the current practice of tracking, and not exceeding, the benchmark market (in this instance, local jurisdiction). Aging the salary structure to keep it aligned with inflation will ensure that pay ranges remain linked with current market practices.

### **Best Practice**

The compensation and benefits program for City employees is designed to support the mission of the organization. The foundation of the compensation program is to attract and retain quality employees with competitive compensation based on relevant labor markets. The program is based upon principles of fairness and equity and is administered with sound fiscal discipline.

1. All aspects of compensation (base salary, benefits, lump sum payments, allowances and other variable elements of compensation) are considered as a total compensation package for City employees. City's pay programs utilize both fixed and variable compensation as well as non-cash reward and recognition programs.





2. Total rewards, as defined above, will be targeted at a competitive level when compared to the appropriate labor markets to allow the City to attract, retain, and motivate the quality and quantity of employees needed to fulfill service commitments to its citizens.
3. The City is committed to ensuring that its salary structures are up to date through the conduct of market surveys at regular intervals. There will be a planned approach to ensure that the classification structure and classification of employees is kept current.
4. The total rewards program reinforces a work culture and climate where employees are recognized and rewarded for their contribution. Any changes to compensation must be reasonable and take into consideration the needs of the City as an employer, the work culture afforded to the employees as public service providers and the citizens receiving services from the City.

The “benefits” a competitive total reward offering doesn’t just help attract and retain key talent. It also has a direct impact on financial performance, in a number of ways: Workforce costs are optimized – as you don’t pay too much or too little, you maximize the return in your investment in people. Recruitment costs decrease – our research shows it costs about 12 months’ salary to replace a professional-level employee. This increases employee engagement – helping to reduce staff turnover and therefore recruitment costs. The return on your investment is also important as employment costs can account for up to 80 percent of an organization’s total expenditure.

It is often said that the best solution poorly implemented is not as valuable as an adequate solution well implemented. We add to this that good implementation is simply not enough if the team does not build the capability to sustain the investment post-implementation. The key indicators for the success of this initiative will be the ability to recruit and retain the required numbers of suitably capable people for all jobs, and the reduction / elimination of “noise” related to the compensation and benefits associated with all jobs. Compensation is generally regarded as a “hygiene” factor – get it right and you don’t need to worry about it. However, get it wrong and it becomes a source of discontent and a distraction that gets in the way of people delivering their best possible contribution.

It is therefore critical that moving forward, the implementation and maintenance of a Total Reward Philosophy has many players and advocates. The City’s Charter Officers will be accountable for the adoption of the compensation philosophy and framework. The City’s Human Resources will be accountable for the consistent administration of the program. The City’s Directors and Managers will be accountable for proper administration of the program within their Departments.





# Total Rewards Study – Full Report

## Section 1- Introduction

### 1.1 Introduction and Study Objectives

In March of 2018, Korn Ferry was awarded the opportunity to conduct a review of the City of Gainesville's ("COG" or "City's") executive, management, professional and represented employee's compensation and employee benefit plans. The study covers approximately 2,075 regular Employees (across both GG and GRU) . Please note that this report excludes Charter Officers and Temporary Employees. Total Reward information on Charter Officers will be provided under a separate report.

The study objectives were to determine whether COG's compensation and benefits practice (total rewards) is aligned with the markets from which it needs to recruit talent, and if it is adequate to attract, motivate and retain the right staff (in accordance with the City's mission and compensation and benefits strategy) in the most cost-effective manner. This was done by performing a market competitive analysis using 151 benchmark jobs compared against similar jobs:

- At select peer organizations via survey market data;
- In other similar industry organizations;
- In the Florida market, and
- In the U.S. national market in both the public and private sectors.

It should be noted when the custom survey was produced and distributed there were 127 benchmark jobs. As the project progressed, there was a need to add additional benchmarks due to under representation in some departments and the addition of some jobs in IT that were left out initially due to some re-organization. We can confirm that all jobs categorized as "benchmarks" under this report have been compared with competitive and accurate market data.

This report summarizes the findings of Korn Ferry's analysis of the reward (compensation and benefits) system currently in place at COG. The goal of this analysis was to design and recommend a total reward system aligned with COG's strategy and culture.

The objectives of the project were to:

- identify, review, and validate all jobs within COG to form the basis of internal equity and external competitiveness assessments;
- conduct interview sessions to further understand COG total reward programs;
- conduct interview sessions to understand the City's culture and organization structure;
- conduct a custom total rewards study with peer organizations;
- market price jobs to assess COG pay and benefits competitiveness;
- define COG policies concerning compensation and identify opportunities for improvement;
- recommend measures to remedy inequities and establish competitiveness; and
- make recommendations for needed changes in overall design and administration of total reward programs.





## 1.2 Introducing the Project Teams

Korn Ferry uses a structured approach to delivering services to our clients. Each major client is assigned a client relationship manager who works with the client in ensuring their needs are met. When Korn Ferry undertakes a project of any size or scope, a project manager is assigned and works with the project team to ensure the project delivers “on time, on budget and to spec”. The client relationship manager remains involved in monitoring project quality and client satisfaction. For the City of Gainesville, Myriam Michaels, Senior Principal, has been the client relationship manager ensuring all milestones are being met and communicating directly with the client.

Myriam has been supported by a team of consultants who are experts in their field, providing state of the art approaches and communicating and advising the City throughout the project. The list of the core team is provided below:

**Table 1: Korn Ferry Project Team**

Korn Ferry Consultant	Total Rewards Project Role
Kathryn Gombos, Consultant	Project Manager and Reward Consultant
JP Purdy, Principal	Benefits Consultant
Joyce Chrostowski, Associate Principal	Benefits Consultant
Shrina Patel, Analyst	Custom Survey Lead
Tom Kirk, Analyst	Compensation Data Analyst

For the City, three working groups were created to support the Total Rewards Project:

1. First, a HR team comprised of HR professionals supported the day-to-day project activities (**Total Rewards Project Team**). This group also worked closely with the consultants in the benchmark review and slotting of COG jobs and the custom market survey.
2. Then a **Total Rewards Project Committee** was created to support and oversee project activities and milestones. This group acted in the capacity as advisors and ensure the process was fair and equitable across all areas. Committee members included HR Director, Risk Management Director, Chief People Officer, Department of Doing Director, Equal Opportunity Director, Finance Director, Chief Financial Officer-Utilities, and Litigation Attorney.
3. Finally, the **Charter Officers** were involved as major milestones in the project were achieved. This included project interview findings, benefits pulse survey results, pay philosophy discussions and market analysis and recommendations.

At the initial phase of the project, the development and validation of the project charter was the first communication step in establishing work/deliverable specifications, work activities in the form of a work breakdown structure, a work schedule, resource plan and budget. The Total Rewards HR Project team, on behalf of the City, and the Korn Ferry team built the plan cooperatively. It was also shared with the Total Rewards Project Committee at a kick-off meeting to make sure all shared the same understanding of the objectives and methodology.





Regular status reports and meetings were established with both HR and the Committee. These meetings featured a status report and examine change requests, new issues and progress on items identified as part of previous status meetings.

In many project management methodologies, status meeting minutes, decision tracking and issues management are separate documents. Korn Ferry and COG streamlined its meeting minutes to contain a brief summary of meeting activities, to maintain a summary of key decisions reached over the course of the project and to track new issues, activities to address them and their resolution in one document.

A comprehensive project of this nature is complex and takes time and we strived to get it right. With numerous planning sessions and custom surveys, the consultants and project team worked diligently to make progress throughout each phase while informing the City's leaders with information needed to make well informed decisions about total rewards for City employees.

### **1.3 Communication to COG Employees**

Ensuring a strong communication plan to employees throughout this project was critical for success. The Korn Ferry team worked closely with the HR team and Committee members to ensure the proper communication pieces were sent to employees at the project commencement, throughout the project (during major milestones) and upon project final outcomes (upon acceptance of this report). As information was needed from employees (e.g., benefit pulse survey), detailed communication and understanding of the information being requested was critical for success.

Effective communications can make or break the success of an initiative such as this. The key objective was to build trust in data collection, job evaluation process, market study and the development of a new total reward strategy (especially since the last study conducted in 2012 resulted in no changes or actions). It was important to develop core messages that were communicated on a consistent basis to all stakeholders, identified who should deliver each message, the delivery mechanisms, timing and frequency of the delivery. The communication strategy was discussed up front and was shared with the project team and all key players of this change effort.

### **1.4 Understanding the Work and Organization**

As noted above, the study involved collaboration with many key stakeholders as well as managers and supervisors of selected departments. Through a series of meetings and employee interviews, the consultants were able to develop an understanding of the organization's business strategy, and the impact compensation and benefits has on human resource issues such as selection, recruitment, retention, and performance management. The information collected during these interviews and meetings provided answers related to jobs in terms of key activities performed; knowledge, skills, and abilities needed for competent performance; major challenges; human relations requirements; managerial responsibilities; and scope data such as budgets and revenue.







### 1.5 Compensation Philosophy

In addition to discussing the organization’s business strategy, the consultants asked the City, “What is COG’s desired compensation philosophy?” The following points were discussed:

1. It is COG’s desire to have a pay philosophy that emphasizes pay for performance.
2. COG would like to attract and retain the best and the brightest employees to implement the strategic plan in the next few years. In order to do so, it will need to be competitive in the marketplace, specifically across both public and private sectors.
3. Build and retain a high-performance workforce.
4. Motivate and reward employees who excel at the City.

Total Rewards must be aligned with the strategy, structure, and culture of the organization and its employees to create a high-performance employment situation. In order to implement and maintain a compensation system that is internally equitable in its treatment of all jobs, and at the same time competitive with the market, COG should seek to incorporate its vision, core values and desired work culture into a compensation philosophy. This philosophy serves as a guide to maintaining the system. The philosophy should incorporate all the total rewards design decisions made during the project and thereafter.

**Chart 1: Korn Ferry Total Rewards Philosophy**



If our recommendations are accepted, the new total rewards philosophy will be fully competitive with primary competitors for talent and will enable COG to continue to strive for excellence. The chart displayed above illustrates a total rewards philosophy approach utilized in our study. There are varying components under total reward that can be considered and others that are not applicable in a public sector environment (such as annual variable and long-term incentives). When creating a total rewards philosophy and peer group, an understanding of the various markets and total rewards components is essential for balancing the various components within your own strategy.

### 1.6 Parallel Projects and Requests Impacting this Project





In addition to the Total Rewards Study contracted to Korn Ferry, the COG engaged with an external consulting firm (Cody & Associates, a separate consulting firm) to conduct an audit and classification study of over 200 jobs. This study was in response to address long-standing internal requests for re-classification of jobs that have changed based on new or revised job duties. The recommendations from the classification study resulted in grade changes in certain departments. We have noted those changes and they have informed our study.

Given that the Total Rewards Project is focused on effectively determining the pay scales to be applied to all jobs across the City and making recommendations on what current and future role benefits play in the City's total reward philosophy, there is a high level of interest from all stakeholders. The concern about a fragmented approach is particularly important, given the parallel job classification exercise. We note that this parallel work requires an understanding and analysis of work – just using different criteria – but was a need given the back log of requests from various departments across the City. Our recommendations for a more unified job classification approach going forward are part of our recommendations to be considered in this report.

Ongoing changes to compensation and employee listing changed throughout the process given new hires, departure of employees and changes to classification due to promotions, merit increases, etc. All changes were coordinated with the City's Human Resource department and the most recent update was effective February 2019 with all updated employee census and salaries.

### **1.7 Terminology**

The following concepts are defined to facilitate knowledge exchange, familiarize the reader with the terminology and establish a common ground for discussion of total reward issues.





**Table 2: Terminology Used in the Report**

Concept	Definition
Base pay	The portion of salary that is directly attributable to services rendered to the organization
Benchmarking	Selection of representative jobs from the internal job structure that is relatively easy to match to data measures in best practice organizations.
Benefit	A form of indirect compensation. Benefits must be viewed as part of the total compensation/reward.
Bonus	A payment made on a one-time basis, which does not become part of the base pay.
Comparator market	Organizations that are peers to City of Gainesville.
Compa-Ratio	Pay level divided by the midpoint of a pay range.
Compensation survey	A collection of data on existing compensation rates for employees performing similar jobs in other organizations.
Competencies	Are knowledge, skills, and behaviors employees need to perform their jobs/roles.
Equity	The perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes).
Incentive Pay	Rewards that vary period-to-period in response to performance, contributions or value creations (e.g. gain-sharing, bonuses).
Job	A grouping of similar work having common tasks, duties, and responsibilities.
Job analysis	A systematic way to gather and analyze information about the content and the human requirements of jobs, and the context in which jobs are performed.
Job description	Identification of the tasks, duties, and responsibilities of a job.
Job evaluation	The systematic determination of the relative worth of the jobs within the organization.
Labor markets	The external sources from which organizations attract staff members.
Lump-sum payment	A one-time payment for all or part of a yearly pay increase.
Market price	The prevailing wage rate for a job in the job market.
Midpoint	Halfway between the minimum and the maximum of a pay range.
Organizational Salary Increase	Calculated as the average individual adjustment needed to keep actual salaries on average at the midpoint.
Pay line	The line connecting the midpoints of a given salary structure.
Pay grade	Identifies the pay range that applies to a given job in an organization.
Pay policy	Set of rules and regulations to assure an equitable remuneration to all employees.
Pay range	Defines the minimum and the maximum that will be paid a person in a job in a given pay grade.
Policy	Acts as general guideline that regulates organizational actions. Policies are general in nature.
Percentile	The level at or below which a given percent of employees in the comparator market are paid.
Total Reward	The sum of money paid directly (salaries, merit pay), money paid indirectly (such as benefits), and non-monetary rewards (praise, job satisfaction, and recognition).
Weighting	A technique that emphasizes the relative importance of data that is to be combined (i.e. averaged) together.





## Section 2 - The Consultant's Understanding of the City and the Importance of this Study

The Total Rewards Study will make a significant contribution to the City, impacting its strategic vision to be “A new American City”. This strategy focuses on wanting to make Gainesville a better place for everyone to live by tackling longstanding issues plaguing the community and its people — and doing so with innovative thinking. In order to achieve this vision, the total rewards systems must be updated, reflect market practice and a fresh and current total reward philosophy that can be used to attract and retain the right talent.

**The Korn Ferry consulting team kept this in mind as they worked through the project to create:**

1. Rational and defensible evaluation of the value of work will support people-centered development. Identifying the relativities between jobs allows people to identify career paths and create personal development plans that will fuel their individual growth.
2. Best practice job evaluation measures the worth of work based on a variety of considerations, including skill, effort, responsibility, and working conditions. The most important of these for a City aiming to promote a more diversified, knowledge-intensive culture is what Korn Ferry calls “Know-How”. All jobs exist to contribute to the success of the organization and measuring the value of the outputs (responsibility or accountability) is very important. However, encouraging the development of Know-How (because what gets measured gets attention) and the application of that Know-How to solve the problems that the City faces and to support innovation and creativity, are also very important.
3. Ultimately, this initiative is about good governance. We will be replacing a system/process that is no longer viewed as an adequate basis for establishing rational and defensible relativities with something that will withstand any degree of scrutiny by any authority or body.
4. The level of “reward” to be provided for the City is a complex question. Unlike jobs in “for profit” organizations, the market rate of pay is often not the main consideration as often there are substantial intangible rewards associated with working in the public sector. It is important to note and track jobs relative to the market in order to understand their relative competitiveness and the impact this may have on their ability to recruit and retain talent.
5. This initiative must be delivered in a manner that is efficient, and effective. Further, the processes and outcomes must be consistent with the culture of the City and aligned with the strategy. One of the key elements of this will be an “implementation-first” mindset. Implementation is not just something that an organization attends to in the final phase of project. Rather, from the very outset we have thought about how the solution will be implemented, including:
  - how we will communicate with all stakeholders throughout the project;
  - how we will identify risks and respond to these as the project unfolds; and
  - how we will build capability within the local team by transferring knowledge, skills and abilities to public employees throughout the initiative.





## Section 3 - Data Collection

### 3.1 Understanding Work

The study involved collaboration with the City's staff, including the Charter Officers, Human Resources Department, and Managers and Supervisors of all departments. Through a series of meetings and employee interviews, Korn Ferry was able to develop an understanding of the organization's business strategy, and the impact compensation has on human resource issues such as selection, recruitment, retention, and performance management. The information collected during these interviews and meetings provided answers related to jobs in terms of key activities performed; knowledge, skills, and abilities needed for competent performance; major challenges; human relations requirements; managerial responsibilities; and scope data such as budgets and revenue. The information collected was then used for evaluating the content of each job.

### 3.2 Data Collection

**Project Initiation and Information Gathering** - A project initiation meeting was held with COG Human Resource staff. This initial meeting covered two areas.

1. First, regarding project work planning, Korn Ferry agreed upon specific project work plan tasks and activities and determined the accountabilities of the internal staff and COG staff as necessary background to conduct the study (work plan is provided in Appendix A). Examples of the data and information supplied by COG include:
  - Total compensation levels for all jobs covered by the study, including professional designation and job title groupings by pay category;
  - Details of all compensation plans;
  - Documentation of current organizational structure;
  - Documentation on the job content of each classification; and
  - Details of benefit plans provided to all staff.
2. In addition, a meeting with representatives from the City was conducted to brief the consultants on current total compensation and benefits practices and provided an opportunity for Korn Ferry to obtain clarification on pay practices and philosophy. In turn, Korn Ferry presented their approach and methodology to this group which allowed an opportunity for questions, clarification on approach and any desired outcomes and expectations on the City's behalf.

The City's Human Resource department provided information which provided initial context around:

1. Statistical data on retention/turnover over the past three years
2. Information regarding recruitment processes and data on where the City has difficulty in recruiting talent
3. Summary of data on exit interviews for any patterns or issues that relate to compensation/benefit issues
4. Information on engagement surveys that focus on employee perceptions on total rewards





### 3.3 Analysis of the City’s Current Pay Plans and Structures

The consultants spent a considerable amount of time reviewing and analyzing the City’s numerous Pay Plans. This review includes examining the midpoint progression, range spread, and range overlap between adjacent grades (referred to as a salary range). Salary Ranges are typically divided into thirds or quartiles with defined expectations of jobs at each level. The City has five distinct pay plans, with two pay plans further divided (which really equates to 7 total plans). The consultants examined each to understand the nuances of each plan design, jobs under each plan and which plans are collectively bargained. A summary of the City’s pay plans is below, with additional details for each in the tables that follow:

**Table 3: Summary of COG’s Current Pay Plans**

Pay Plan	Details	# of Job Classifications	% of Total Jobs	# of Employees	% of Total Employees
1. Managers, Administrators, and Professionals (MAPS)	Non-Bargaining Grades H1-H4 Grades M5-M16	336	46%	467*	22.50%
2. Police Unions • FOP • PBA	Bargaining Grades P1-P4 Grade P5	6	1%	266	12.82%
3. Fire Unions • IAFF • IAFF-DC	Bargaining Grades FO-F4 Grade F5	17	2%	165	7.95%
4. Transit Union (ATU)	Bargaining Grades R1-R2 Grades RC1-RC8	15	2%	244	11.76%
5. All other represented employees (CWA)	Bargaining Grades C1-C15	360	49%	933**	44.97%

\*MAPS: GG = 227 and GRU = 240

\*\*CWA: GG = 368 and GRU = 565

The tables below provide an analysis of each pay plan, including current pay grade, the current minimum, midpoint and maximum of pay by grade, the percentage difference between the minimum and maximum (range spread) and the percentage difference between midpoints by grade (midpoint progression).







**Table 4: COG's Current Pay Plans - MAPS**

MAPS (Managers, Administrators and Professionals Structure)						
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
H1	\$ 33,594	\$ 41,018	\$ 48,442	44%		1
H2	\$ 36,617	\$ 44,709	\$ 52,800	44%	8%	
H3	\$ 39,911	\$ 48,732	\$ 57,553	44%	8%	14
H4	\$ 43,504	\$ 53,118	\$ 62,732	44%	8%	17
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
M5	\$ 47,476	\$ 58,745	\$ 70,014	47%	10%	57
M6	\$ 51,565	\$ 64,289	\$ 77,013	49%	9%	40
M7	\$ 56,722	\$ 70,719	\$ 84,715	49%	9%	79
M8	\$ 62,393	\$ 77,789	\$ 93,185	49%	9%	76
M9	\$ 67,873	\$ 86,368	\$ 104,862	54%	10%	61
M10	\$ 75,338	\$ 95,868	\$ 116,398	55%	10%	27
M11	\$ 83,626	\$ 106,414	\$ 129,201	54%	10%	43
M12	\$ 92,823	\$ 118,119	\$ 143,414	55%	10%	17
M13	\$ 101,926	\$ 132,325	\$ 162,723	60%	11%	19
M14	\$ 114,154	\$ 148,202	\$ 182,250	60%	11%	12
M15	\$ 127,855	\$ 165,987	\$ 204,119	60%	11%	3
M16	\$ 143,198	\$ 185,907	\$ 228,615	60%	11%	1

\*H1-H4 pay grades are hourly professionals/non-exempt employees.

**Table 5: COG's Current Pay Plans - Police**

Police						
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
P1	\$ 36,067	\$ 45,084	\$ 54,101	50%		13
P2	\$ 41,939	\$ 52,424	\$ 62,908	50%	14%	175
P3	\$ 46,133	\$ 57,666	\$ 69,199	50%	9%	27
P4	\$ 51,042	\$ 63,803	\$ 76,564	50%	10%	36
P5	\$ 67,317	\$ 81,067	\$ 94,818	41%	21%	15

**Table 6: COG's Current Pay Plans - Fire**

Fire						
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
F0	\$ 31,895	\$ 32,719	\$ 33,543	5%		
F1	\$ 41,000	\$ 49,615	\$ 58,230	42%	34%	80
F2	\$ 45,891	\$ 55,551	\$ 65,211	42%	11%	39
F3	\$ 52,774	\$ 63,883	\$ 74,993	42%	13%	38
F4	\$ 55,413	\$ 67,078	\$ 78,742	42%	5%	2
F5	\$ 71,383	\$ 86,586	\$ 101,789	43%	23%	6







**Table 7: COG's Current Pay Plans - Transit (ATU)**

ATU Transit						
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
R1	\$ 27,560	\$ 27,560	\$ 27,560	0%		6
R2	\$ 28,080	\$ 35,034	\$ 41,989	50%	21%	194
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
RC1	\$ 27,560	\$ 27,560	\$ 27,560	0%		4
RC2	\$ 27,560	\$ 30,663	\$ 33,767	23%	10%	3
RC3	\$ 27,560	\$ 32,014	\$ 36,468	32%	4%	9
RC4	\$ 27,560	\$ 33,729	\$ 39,898	45%	5%	
RC5	\$ 28,272	\$ 35,800	\$ 43,327	53%	6%	9
RC6	\$ 30,816	\$ 39,022	\$ 47,227	53%	8%	2
RC7	\$ 33,590	\$ 42,534	\$ 51,478	53%	8%	7
RC8	\$ 36,613	\$ 46,362	\$ 56,111	53%	8%	10

**Table 8: COG's Current Pay Plans - CWA**

Communications Workers of America (CWA)						
Pay Grade	MINIMUM	MIDPOINT	MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
C1	\$ 21,467	\$ 25,415	\$ 29,364	37%		37
C2	\$ 23,184	\$ 27,449	\$ 31,713	37%	7%	3
C3	\$ 25,039	\$ 29,644	\$ 34,250	37%	7%	56
C4	\$ 26,723	\$ 32,028	\$ 37,332	40%	7%	37
C5	\$ 29,129	\$ 34,911	\$ 40,692	40%	8%	69
C6	\$ 31,750	\$ 38,052	\$ 44,354	40%	8%	60
C7	\$ 34,608	\$ 41,477	\$ 48,346	40%	8%	87
C8	\$ 37,722	\$ 45,210	\$ 52,697	40%	8%	173
C9	\$ 41,117	\$ 49,279	\$ 57,440	40%	8%	107
C10	\$ 44,818	\$ 53,714	\$ 62,610	40%	8%	99
C11	\$ 48,852	\$ 58,548	\$ 68,245	40%	8%	96
C12	\$ 52,456	\$ 63,623	\$ 74,790	43%	8%	47
C13	\$ 56,856	\$ 68,969	\$ 81,082	43%	8%	20
C14	\$ 61,405	\$ 74,099	\$ 86,793	41%	7%	21
C15	\$ 66,317	\$ 80,027	\$ 93,737	41%	7%	21

### 3.4 The City's Current Pay Plan Characteristics

COG's current pay plans have inconsistent midpoint progressions and various range widths that have been adjusted over the years based on bargaining decisions, budget allocations or market pressures. Obviously, the more grades there are, the smaller the midpoint spreads will be and the greater the overlap will be. The effect of having grades too close together is pay compression may become a problem, administrative burden will increase, and promotions may not be as meaningful because of the relatively small pay increase. The effect of having too much overlap is that as persons rise to the top of their current grade, they are already within a few percent of the top of the next grade if promoted. It's also important to note that salary ranges overlap from one grade level to the next. So, a high performer paid above the midpoint for the salary range, could be earning





as much as someone in the next higher grade. However, the next grade level would provide more room at the top of the salary range. Having numerous grade structures is also challenging and can become an administrative burden for Human Resources, Finance and Managers (although this practice may need to continue based on the number of jobs within the City as well as differences across the various functions). If a practice of multiple grade structures were to continue, we would encourage the City to be consistent with classification standards across all structures.

From a “job classification” and slotting of jobs, it is not clear how the current pay structures were developed and/or how jobs have been clustered.

### **Compression and Other Issues**

#### **Compression**

Pay compression is an issue that most organizations encounter – mostly between tenured employees and new hires and between managers and their direct reports. Additionally, there are individuals that remain in their jobs for many years which also causes compression in pay issues. Addressing and correcting these issues can keep experienced employees motivated and productive—and less likely to leave.

Causes for salary compression include:

- Longer-term employees started at lower salaries and annual increases have not kept up with market movement and demands.
- Some jobs may require certain specialized skills that led the organization to increase starting salaries
- Jobs have changed/shifted over time due to technology or other needs
- Ongoing market analysis and updating pay ranges has been deferred for many years.

As recommended later in this report, the City should consider correcting some of the pay compression issues to make current employees' pay at least equivalent with recently hired employees. This is an ideal time to adjust these issues (as warranted based on performance and tenure) because the salary ranges and structures will be current with market conditions.

The City should focus on top performers or high potentials, with consideration of grooming longer-tenured employees for promotion to the next level. It is also important to review job descriptions, especially if there is a trend for new hires earning as much or more than an experienced employee, it may be an issue of different roles that have not been documented.

As many states and localities are raising the required minimum wage, this can have an additional impact on compression. The increase on the hourly wage rate, and nonexempt workers are logging overtime, hourly workers may be making more than salaried contributors, which would deter an hourly worker from moving into a salaried role.

The City should consider some options when dealing with compression issues, such as:

- Increase hiring hourly workers to cut down on required overtime;
- Conduct a work-force audit to understand the excessive overtime and correct issues are efficiencies; and
- Review hourly jobs and ensure they are still non-exempt under FLSA (ensuring jobs are properly documented).





Most critical here is equipping manager with the right tools, train line managers to discuss salary compression and tenure with employees and making them understand that there is a certain dollar value for the role and a “maximum” amount that an organization can pay. Career development planning should begin when an employee begins their career. Compression can be avoided with proper planning and hiring-manager education, and its effects mitigated with pay adjustments and other benefits. If the issue is not confronted, however, over the long term, the City will continue to pay the price for ignoring compression.

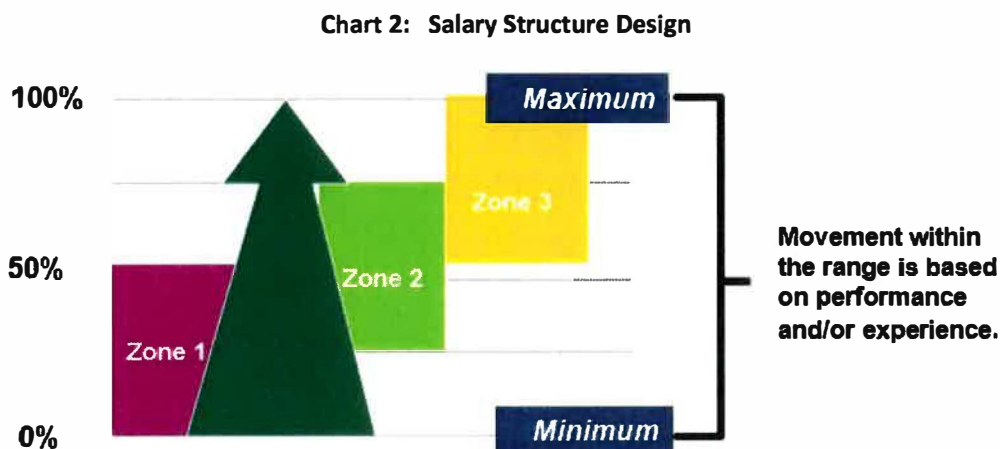
### Salary Structure Design and Maintenance

Maintaining pay plans with inconsistent structures creates both internal equity and external market competitiveness concerns. From an internal equity perspective, the various range spreads and midpoint progression do not reflect the differences in the levels of responsibility of senior level jobs, therefore incumbents in these grades do not enjoy the same opportunity for pay progression relative to midpoint as other employees. Typical market practice is for wider ranges at senior levels to reflect the fact that incumbents typically spend more time in these levels. (These are “career level” jobs as opposed to pass through grades). Importantly, the wider ranges also reflect the fact that given the broader definition of jobs at more senior levels, incumbents have more latitude for growth, independent action, and impact on outcomes important to the City. Most organizations, therefore, adopt wider ranges at more senior levels.

Compensation structures can and should take on a wide array of models to fulfill the specific needs of the organization while remaining true to a common HR/compensation philosophy. The City should consider expanding the current salary ranges at some grades to provide sufficient breadth for in grade movement of salaries. In general, the greater the level, the wider the salary ranges should be.

The recommendation to widen ranges reflect internal organizational factors and career paths. Since promotions are more frequent at lower grades and become scarcer as employees advance, the extra room provided toward the top is to recognize that employees might be there for a while as well as to provide room for a variety of depth and scope among individual contributors and managers.

The following graphic illustration demonstrates how midpoint progression, range spread, and range overlap, are calculated. In our experience, typical values for each measure are 10-15% for midpoint progression, about 50% for range spreads (but these can go as low as 25% for entry-level clerical and trades jobs and as high as 125% in broad bands), and about 75% for overlaps.





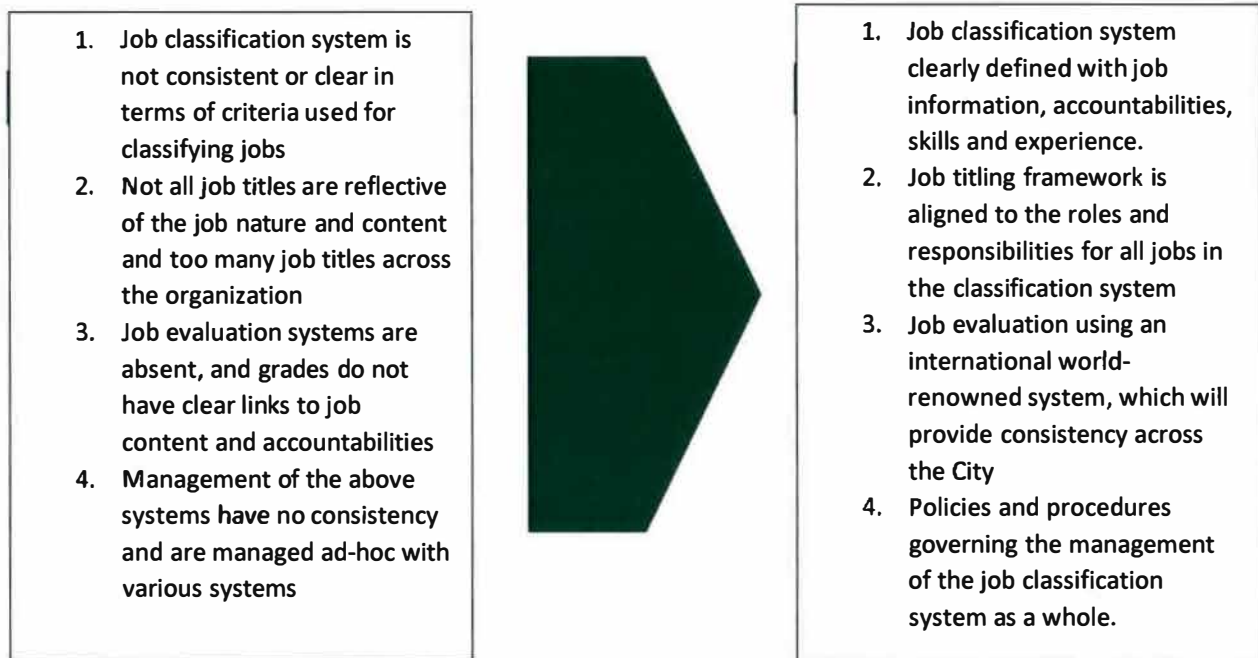
**Position of individual pay within range is a function of sustained performance over time:**

- Target pay in the lower half of the range (zone 1) for employees learning and developing in their job.
- Target pay in the middle half of the range (zone 2) for meeting position expectations over sustained periods of time.
- Target pay in the upper half of the range (zone 3) for exceptional performance over sustained periods of time.

**3.4 Classification of Jobs**

The work covered under the scope of this study and our experience of understanding work enables us to support the transformation of the job classification system into a fair and consistent process. The current vs. future situation is outlined below and needs improvement moving forward.

**Chart 3: Classification of Jobs**



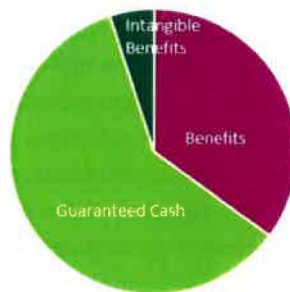
**3.5 City of Gainesville’s Current Total Rewards Philosophy**





The City of Gainesville's Compensation Philosophy is to have a total compensation and benefit system that attracts and retains a diverse group of highly qualified individuals and motivates employees to achieve short-term and long-term organizational objectives. This is accomplished by providing, in consideration of budgetary constraints, total compensation (including benefits) that is competitive with the **market median** for the appropriate labor markets for each type of job classification and is linked to performance. The City's total reward philosophy includes guaranteed base pay, benefits for employees and their families and intangible rewards (work-life balance, challenging and rewarding work, career development, safety and security, etc.). An illustrative sample of a total reward offering for an employee is provided below (variances will exist by job, therefore the below is only a sample). This type of information can be provided in total reward statements to employees annually.

**Chart 4: City of Gainesville's Total Reward Offering (Illustrative Only)**



### **Compensation Policy**

It is the policy of the City to have a compensation system that is based upon the market median for the appropriate labor markets and is linked to performance. The City of Gainesville's Compensation Policies have been established in support of the Compensation Philosophy to provide guidance for the establishment, implementation, and maintenance of all aspects of compensation. These Policies will provide the City's Charter Officers the ability to appropriately balance external market competitiveness with internal equity, strategically manage pay to reinforce desired behavior and to reward outstanding performance.

Collective bargaining agreements also define aspects of compensation for bargaining-unit employees and may take precedence over these Policies. Appropriate aspects of these Policies will be offered to bargaining-unit employees through the collective bargaining process.

### **Administrative Responsibilities**

The City Commission must approve, through the annual budget process and based upon availability, any pay increase dollars to be used to provide merit awards and adjustments to the pay plan (i.e., range movement) to non-represented employees. Unless the City Commission expressly provides otherwise, these pay increase dollars will be identified and distributed to each Charter Officer in an equitable manner to ensure that each has the same opportunity to reward employees.





## Pay Plan

A pay plan is a pay structure of hierarchal pay grades with each pay grade having a unique pay range defined by minimum, midpoint, and maximum levels of compensation. Such a pay plan will be developed and maintained by Human Resources for all employees. Human Resources will assign each budgeted job classification to a pay grade within the appropriate pay plan based upon market analysis and internal equity.

The individual employee's compensation growth within the pay range will be determined by the applicable performance management policy or collective bargaining agreement.

- A. Pay Structures for Bargaining-Unit Employees:** Pay plans for bargaining-unit employees are designed such that the market rate is near the top of the pay range. Therefore, employees in classifications covered by a collective bargaining agreement may advance to the top of the range (maximum rate) assigned to their classification.
- B. Pay Structures for Non-Represented Employees:** Non-represented employees will be in a separate "Market-Midpoint Pay Plan" in which the mid-point of the pay range shall represent the market. Fully-functioning and appropriately experienced employees who perform satisfactorily the essential functions of their classification should be close to the market-midpoint, based upon performance. A normal distribution around the mid-point is expected for all pay ranges in this pay structure. This requires that any annual merit awards be based upon two components: an employee's performance evaluation score and where an employee is relative to the pay range mid-point (market). Employees may advance beyond the mid-point in recognition of sustained, high quality performance.

## Definitions and Methodology

Total Compensation is defined as a combination of base pay, benefits, and other forms of compensation, as outlined below. The City's philosophy is that total compensation should be at or above market, within budgetary constraints.

- A. Base Pay** is defined as "the pay for a job excluding additional payments or allowances". Pay ranges are established as follows and reflect both market and internal equity.
  - (a) Target the 50th percentile of the market median using base pay of actual incumbents.
  - (b) External equity is evaluated using market data developed with commonly accepted compensation practices to compare City base pay and pay ranges to the appropriate external labor markets, taking into account geographic indexing or cost of labor differentials, industry type and organization size, and statutory criteria, as applicable. The labor market is defined as the reasonable recruitment area for each classification and is defined as local, regional, or national, as appropriate, except as otherwise required. Different classifications may have different labor markets.
  - (c) An internal equity review is conducted to do a horizontal and vertical scan of the classifications to confirm appropriate relationships between jobs.
  - (d) Pay ranges will be analyzed and adjusted as necessary in accordance with Section IV of this Policy.







- B. **Benefits** are defined as programs that an employer uses to supplement the cash compensation an employee receives. These programs are designed to protect the employee and his or her family from financial risks and to enhance their work-life experience. In addition to state and federally mandated benefits such as Workers’ Compensation and Medicare, the City of Gainesville’s benefits package includes, but is not limited to, employee health insurance, a defined pension program, paid time off and life insurance.
  - 1. Benefits will be targeted to be at or above market.
  - 2. An appropriate benefit market analysis will be conducted every three years, except under extenuating circumstances, to evaluate total compensation for all classifications within the City of Gainesville, including the Charter Officer classifications.
- C. **Other Forms of Compensation** are defined as monetary incentives that do not affect an employee’s base pay, pension or other fringe benefits, are generally one-time, non-recurring, discretionary payments, and are encouraged over adjustments to base pay. Examples include, but are not limited to, recruitment, retention, or performance incentives and gainsharing.

The City’s formal C-1 Compensation Philosophy and Policy is provided in Appendix B.

### 3.6 Living Wage Practice, Peer Jurisdictions

Reviewing the living wage practice across nearby jurisdictions is beneficial when conducting a total rewards study. HR Departments for the City’s peer jurisdictions provided their living wage practice.

**Table 9: Living Wage by Jurisdiction**

Jurisdiction	Living Wage*
City of Gainesville	\$13.25
Alachua County	\$13.50
Duval County	\$8.46
Flagler County (City of Palm Coast)	\$8.46**
Hillsborough County	\$8.46
Hillsborough County (City of Tampa)	\$8.46
Lee County	\$10.03
Lee County (City of Cape Coral)	\$8.46
Leon County (City of Tallahassee)	\$12.00
Marion County (City of Ocala)	\$8.46
Orange County (City of Orlando)	\$8.46
Palm Beach County (City of West Palm Beach)	\$15.00
Pinellas County (City of Clearwater)	\$8.46
Polk County (City of Lakeland)	\$8.46
Sarasota County	\$8.46

\*Florida Minimum Wage is \$8.46 effective 1 January 2019.

\*\* \$15 for regular jobs; select Park and Recreation and seasoned jobs follow the Florida minimum wage rate.







## Section 4 – City of Gainesville Interviews and Pay Philosophy

### 4.1 City of Gainesville Interviews

In addition to the data and information described above, interviews with the City Manager, General Manager for Utilities, City Attorney, Clerk of the Commission, City Auditor and Interim Equal Opportunity Director were an important reconnaissance step in understanding COG’s mission and organization strategy and relating those to total remuneration plan design. In addition, Korn Ferry conducted on-site interviews with Managers across each department, to clearly understand the level of work and accountabilities in each and represent the views of employees in each respective department.

The following table lists all Officers and Managers interviewed over the course of the study (this information informed Korn Ferry’s job evaluation exercise across benchmark jobs described later in this report).

**Table 10: COG Executive Interview List**

Charter Officers	GG Managers	GRU Managers
1. Interim Equal Opportunity Director	1. Fire Chief	1. Chief Change Officer
2. City Manager	2. Deputy Fire Chief	2. Community & Government Relations Officer
3. City Attorney	3. Finance Director	3. Compliance Officer
4. General Manager for Utilities	4. Assistant Finance Director	4. Communications Director
5. Clerk of the Commission	5. Public Works Director	5. Chief People Officer
6. City Auditor	6. Traffic Operations Manager	6. Chief Financial Officer
	7. Planning Manager	7. Chief Information Officer
	8. Operations Division Manager	8. Chief Customer Officer
	9. Police Chief	9. Chief Business Services Officer
	10. Assistant Police Chief	10. Chief Operating Officer
	11. Code Enforcement Supervisor	11. Energy Delivery Officer
	12. Housing & Community Development Supervisor	12. WWWW Officer
	13. Fleet Management Director	13. Energy Supply Officer
	14. Risk Management Director	14. Rates and Investment Director
	15. Communications & Marketing Manager	15. Business Services Manager
	16. Community Redevelopment Agency Director	16. IT Manager, Business Operations and Support
	17. Director of Parks, Recreation and Cultural Affairs	
	18. Human Resources Director	
	19. Assistant Human Resources Director	
	20. Assistant City Managers	
	21. Planning & Development Director	
	22. Facilities Manager	
	23. Assistant Facilities Manager	
	24. Transit Director	
	25. Strategic Initiatives Director	

Using a specifically-targeted and structured interview discussion guide, these interviews provided Korn Ferry with the management perspective on COG’s own strategic objectives, and current remuneration issues as they relate to recruitment, motivation and retention of talented employees. Additionally, the interviews provided an understanding of the breadth and depth of the work for which each job and his/her team is responsible.

The discussion during the interviews covered the following areas of inquiry (expanded details on topics can be found in the Interview Protocol, Appendix C):





- **Organizational Structure, Principal Accountabilities and Staffing**
- **Job Qualifications and Experience**
- **Short and Long-Term Goals, Targets and Performance Measures**
- **Strategic Planning and Business Planning**
- **Staff Management and Management style**
- **Attraction, Motivation and Retention of Talent & Succession Planning**
- **Competitiveness of COG Total Remuneration for Hiring and Retention**
- **Impact of Governance Structure and Mission on Organization Success**

Korn Ferry conducted a content analysis of the interviewees' responses to determine common themes and apparent contradictions among the strategic goals of the organization, the performance/pay relationships, and the competitive operating environment. The findings from these interviews are summarized in the table below.





**Table 11: Executive Interview Themes**

Themes	Findings
<b>General</b>	<ol style="list-style-type: none"> <li>1) Managers are generally positive and enjoy working with their colleagues.</li> <li>2) Ability to be the “voice of the people” is the value proposition for working for the City.</li> <li>3) Frustration regarding “one size fits all” mentality (considering the differences in the GRU and GG operating models, the expertise required in different functions, the levels of employees, etc.</li> <li>4) Concern that the City focuses too much on new staff instead of the tenured staff with institutional knowledge.</li> <li>5) “Old School” vs. “New School” mentality (Tenured employees believe the learning curve is long while New School employees believe the learning curve is about understanding the politics and culture).</li> <li>6) Desire for a talent management strategy that encompasses the entire employee life cycle.</li> <li>7) Importance of cross-training and succession planning.</li> <li>8) Managers need better leadership training (Currently acting as working managers rather than leaders).</li> <li>9) Lack of trust that this Total Reward initiative will result in any positive change, due to the City’s inaction after the 2012 compensation study.</li> </ol>
<b>Compensation</b>	<ol style="list-style-type: none"> <li>1) Postings display the minimum and maximum pay for the classification range; however, the City’s policy requires approval to hire above the 25<sup>th</sup> percentile.</li> <li>2) Many candidates are deterred once they find out that the posted maximum of the range is not realistically achievable.</li> <li>3) The top end of the pay scales is more competitive but aren’t used (and are still behind market).</li> <li>4) Internal equity issues limit the ability to make competitive offers.               <ul style="list-style-type: none"> <li>– Candidates are lost because offers are made valuing internal equity over market competitiveness.</li> </ul> </li> <li>5) There is a strong desire for a pay for performance, recognition or merit system programs to reward individuals.</li> <li>6) We consistently heard concerns about compression, frustration amongst managers and employees regarding internal equity</li> <li>7) Comments on hot spot pay were that the market comparisons are inappropriate.</li> <li>8) Managers expressed a desire for signing bonuses.</li> <li>9) Managers feel the City’s hiring practice is restrictive.               <ul style="list-style-type: none"> <li>– Pre-determined salary increases limit promotion &amp; cross-functional opportunities for internal candidates.</li> <li>– Approval is required for offers above the 25<sup>th</sup> percentile. The approval process takes too long.</li> </ul> </li> </ol>
<b>Benefits</b>	<ol style="list-style-type: none"> <li>1) We consistently heard that the cost of health insurance is too high.</li> <li>2) Benefits need to be more progressive and flexible to attract the younger generation – one size does not fit all anymore</li> <li>3) Many feel the 30-year pension is not an attractive benefit.</li> <li>4) We heard that the FRS plan has created challenges and barriers to hiring talent.</li> <li>5) Relocation benefits needs to improve (impacting recruitment).</li> <li>6) There is a desire for benefits that support parental leave as well as time to care for aging parents.</li> <li>7) Tuition reimbursement is valued and appreciated.</li> <li>8) Many feel the Paid Time Off and Holiday schedule is generous.               <ul style="list-style-type: none"> <li>– Desire for tiered PTO so that a tenured manager is not receiving the same amount of PTO as the entry level new hire.</li> </ul> </li> </ol>





**Table 11: Executive Interview Themes**

Themes	Findings
<b>Recruitment</b>	<ol style="list-style-type: none"><li>1) Hiring entry level talent is a challenge.</li><li>2) Need to improve recruitment strategy (including relocations benefits offered).</li><li>3) Lack of innovation in considering different channels for recruitment.</li><li>4) HR not clear on the actual role and function when screening candidates.</li><li>5) Outsourcing is required, due to an inability to source the right level of technical talent, specifically in IT and Engineering.</li><li>6) Desire for better assessment tools for recruiting and leadership development.</li><li>7) Want to make sure the right people are in the right spots.</li></ol>
<b>Classification and Role Clarity</b>	<ol style="list-style-type: none"><li>1) Generally, the classifications are reflective of the job duties performed.</li><li>2) The re-classification process is an issue.</li><li>3) Process is cumbersome and takes too long (gets held up within HR); therefore, employees are not motivated to give their best discretionary effort.</li><li>4) Engineers at GRU and the City require very different talent, but the job classification is the same.</li></ol>
<b>Reward and Recognition</b>	<ol style="list-style-type: none"><li>1) We consistently heard that managers felt there were no tools to reward employees.</li><li>2) No performance management system or measures.</li><li>3) Progression through training is inconsistent across the organization.</li><li>4) Career pathing is desired, both managerial and technical tracks.</li><li>5) The 4/10-hour days schedule was nice to have, and the change left employees disgruntled.</li><li>6) Telecommuting benefit would be helpful for the right employee groups.</li></ol>

Overall, in discussions with the working teams and general perceptions of staff, the following themes are also noted. Interviewees perceived:





**Table 12: Employee Perception Themes**

Overall Employee Themes	Findings
<b>What Employees Like</b>	<ol style="list-style-type: none"> <li>1) Positive and collegial work environment.</li> <li>2) Strong work/life balance, family friendly environment.</li> <li>3) Training and continued education with opportunities beyond work related courses.</li> <li>4) Some feel the Benefits package is competitive; others find benefits too costly and would like more options.</li> <li>5) Great location and work environment.</li> </ol>
<b>What Employees Would Like to See Change</b>	<ol style="list-style-type: none"> <li>1) Increase communications at all levels.</li> <li>2) Improve partnerships between and among departments, unify organization and feeling of working towards the strategy together.</li> <li>3) Empower staff to make decisions and take accountability.</li> <li>4) Develop an effective performance management system by:               <ul style="list-style-type: none"> <li>– Clarifying performance expectations</li> <li>– Identifying objective performance measures and assessing employee performance against those measures</li> <li>– Tying performance to reward and career development</li> </ul> </li> <li>5) Clarify the promotions process and criteria for career progression and opportunities (too many levels of the same work being done).</li> <li>6) Improve competitiveness of compensation.</li> <li>7) Provide more flexibility around benefit plans to lower cost.</li> </ol>

The last bullet above prompted further discussion amongst the Total Reward Project Team and Committee around the “value” of benefits for City employees. To gain a deeper understanding of what is important for City employees in terms of benefits, a pulse survey was created with targeted questions around current and potential benefits for the City.

**Define Comparator Group and Competitive Marketplace Determination (Peer Group)**

Korn Ferry’s approach to market determination and market pricing analysis for jobs is based on several factors, including:

- Interviews with key stakeholders and Managers;
- Korn Ferry’s knowledge and experience with employees in similar organizations;
- Korn Ferry’s compensation databases and those of other firms and public information; and
- Information received directly from peer groups via custom survey.

As noted above, Korn Ferry conducted on-site interviews with COG. Included in these interviews were questions about the perceptions of the job markets or competitors from which they recruit and select potential talented applicants and to which former employees of their Department go to work.

The groups were also asked about their views of the job markets to use for collecting comparable compensation data to attract, motivate, and retain talented staff. It was communicated that essentially similar jobs could be found among:





- Other public sector organizations (state and local jurisdictions across Florida),
- Public Safety,
- Private sector (high tech/IT, engineering, construction, architecture, accounting firms),
- Not-for-profits organizations
- Academia
- Transit Systems

Using the established comparator group and specific databases, Korn Ferry accessed cash compensation and benefits data on the benchmark jobs. Comparable salary data was extracted from the database on the basis of similar activities and evaluated job size (as determined through job evaluation, explained in detail in this report). A summary of peer groups and themes across the Charter Officers, GG and GRU is detailed in the table below. The findings indicate close agreement on some and varying opinions on others:

- Selection of peer groups vary, but this is not unusual given the nature of work across the organization;
- Compensation philosophy is close from median to aggressive (in some roles as needed);
- Benefits overall appear a nice package but with a desire to explore more progressive options to attract talent;
- Communication on strategy and linkage of each departments impact on the overall strategy could be stronger; and
- communication, recruitment and reward and recognition need to be stronger and better defined across GG and GRU.

**Table 13: Comparison Table of Themes**

	Charter Officers	GG Managers	GRU Managers
Peer groups	Public Sector	Public & Private Sector	Private Sector
Future compensation philosophy	Median to Aggressive (for some roles)	Median	Aggressive
Benefits	Competitive, some desire to shift to more progressive practices	Strong and Competitive – works well	Good programs, some desire to shift to more progressive practices
Linkage to strategy	Seems well defined and communicated/implemented	Not clear to all functions	Well defined and clearly communicated and implemented
Communication (reward)	Need stronger communication	Need stronger communication	Internally within GRU strong, not clear across GG
Recruitment	Need better tools and systems	Need better tools and systems	Need better tools and systems
Reward and recognition	Need better tools and systems	Need better tools and systems	Need better tools and systems





Additionally, we note that Management wants better and more effective information about the market value of jobs. The last compensation study conducted in 2012 was not implemented. Better information leads to:

- Better decisions,
- Clear messages,
- Defined expectations.

Better information helps to manage pay.

- When pay is high,
  - ✓ Look for the return on investment, and manage replacement pay.
- When pay is low,
  - ✓ Look for under-skilled or jeopardy situations.
- When Pay is Just Right,
  - ✓ People are focused on their roles and are willing to take on more.

#### **4.2 Hard to Fill Jobs**

COG's HR talent acquisition team captures data from declined offers. Korn Ferry analyzed over five years of information to gain an understanding of the recruiting challenges faced in your market. Below is the current list of hard to fill jobs.

1. Engineers – especially Power Supply engineers
2. GIS Coordinators and GIS Technicians
3. IT jobs and technology jobs within each department
4. Line Workers – hard to fill and retain
5. Meter Readers – hard to retain
6. Mosquito Control Technician and Lead Technician (hot spot pay requested from Public Works over a year ago)
7. Police Officers
8. Power Plant Control Specialist – hard to fill – hot spot pay requested by GRU – Energy Supply
9. Relay Technicians (currently receiving \$3,974.33 in hot spot pay which will go away after market study is adopted)
10. Substation Electricians
11. Traffic Signal Technicians – hard to fill jobs; very specialized
12. Transit Operators – hard to fill jobs and least paid
13. Tree Surgeon I – III job family (hot spot pay requested from Public Works over a year ago)
14. Water Plant Operators – hard to fill jobs

The consultants have noted these challenges from a hiring and retention perspective and reviewed in detail with the HR project team. Upon agreement and acceptance of the pay philosophy for the City, special attention to these jobs should be reviewed by individual employee for internal equity and external market position (i.e., paying closer to midpoint if warranted). It is recommended that a more in-depth review should be studied to assess where the biggest impact has been for GG, GRU as well as industry challenges (e.g., Engineers).







### **4.3 Benefits Pulse Survey**

As noted above, the consultants felt it was necessary to understand the value and importance of current and future benefits offered to employees. An effective way of understanding this perspective is to take the “pulse” of employees through an online and paper (for those who don’t have access to computers) survey.

In conjunction with the HR and Total Rewards Project Committee team, a comprehensive benefits survey was created. The survey was sent out to 2,321 individuals employed by the City of Gainesville. Out of the 2,321 individuals, 820 (or 35.3%) responded to the custom Employee Benefits Survey.

As with any survey, total participation is not possible, but we strive for representation across the employee population using demographics. For this survey, we feel that the organization is represented well with the slight exception of those under (<)30 years and those 0-4 years tenure. Most of the employee groups are represented well and the consultants felt that the information gathered in the pulse survey was sufficient for our analysis under the scope of this study.

If the City considers changing or revising benefit plans as a result of the total reward study, Korn Ferry recommends that additional information and understanding of employee needs for plan design considerations should be conducted as the City explores benefit alternatives. The additional information from an employee perspective would be focused on specific issues regarding benefit plan design (number of plans, costing options, etc.) and may vary across different employee populations.

The total findings of the pulse survey can be found in Appendix D. A summary of the survey findings is provided below:

1. Most employees have a good understanding of the benefits offered to them, although overall communication and reminders on what benefits are offered through the City would be beneficial.
2. Medical coverage was ranked as the most important and desired benefit.
3. High cost of medical coverage was considered the biggest concern among those surveyed.
4. Most surveyed employees were “neutral” or “satisfied” with current benefits; although 22% are unsatisfied and would like to see more options.
5. Rounding out the top benefits includes paid time off, wellness initiatives, tuition reimbursement and flexible spending options.

As the City explores what benefits work best for city employees, conversations should continue to further validate the value of benefits to each employee. This will help ensure programs in the future are fair and support the city’s human resources strategy to attract, retain and develop the best people to meet the city’s goals.





## Section 5 – Selection of Benchmarks, Job Evaluation & Internal Equity

### 5.1 Selection of Benchmark Jobs

A benchmark occurs when a job or group of jobs are selected for internal equity analysis and matching to external market compensation surveys. In a study of this size and nature, we use the following criteria to ensure accurate representation of all levels across the organization.

To ensure adequate coverage across all critical job functions and roles, we utilized the following criteria for the selection of benchmark jobs:

- Adequate representation of critical functions such as Police, Fire, Utilities, Transit, etc. and across all pay plans
- All current levels in the City, i.e. ensure at least a couple of jobs per current leveling structure are included
- Jobs where the City has historically experienced challenges recruiting, retaining or motivating talent
- Unique roles that are harder to benchmark simply using job titles
- Jobs where the market supply is scarce, and the City has historically offered a premium
- Roles where there might be concerns regarding succession planning

Once all benchmarks have been identified (an iterative process with the HR project team and Korn Ferry consultants), the consultants used this information in the interview process and proceeded with the job evaluation exercise described below.

### 5.2 Korn Ferry Hay Guide Chart®-Profile Method of Job Evaluation

Central to the KF Hay approach to compensation analysis is the evaluation of jobs using the Korn Ferry Hay Guide Chart/Profile Method of Job Evaluation. By evaluating COG jobs - and assigning Hay points to each job - the consultants are able to conduct analyses that are not possible by simply matching jobs by title or summary content.

To measure and compare job content of COG's discrete classifications, the consultants used its proprietary Korn Ferry Hay Guide Chart®-Profile Method of Job Evaluation, adapted to the specific nature of COG's environment. This method measures relative contributions of jobs in context, expressed in numbers called "points." This job evaluation process provides a consistent and equally scaled method of work evaluation that is, unlike "title matching," capable of considering the uniqueness of jobs in an organization like COG. Since compensation data in Korn Ferry's databases also are expressed in "points", accurate comparisons can be made between COG pay levels for measured job content and pay levels for jobs with similar job content in other organizations.

The Korn Ferry Hay Method for evaluating job requirements and comparing pay levels with other employers through regular surveys has become the underlying foundation for the compensation programs of virtually all major employers in the United States and the industrialized world. Fortune Magazine described the Hay system as "...the most celebrated method of job evaluation in the world." This expertise and experience in the





study of jobs is a core competency of Korn Ferry and is responsible for the selection of Korn Ferry to conduct landmark studies in the governmental, private, and international sectors. Korn Ferry provides compensation and other HR assistance to some 7,000 clients around the world ranging from Fortune 500 giants to small entrepreneurial start-ups, to not-for-profits, to federal, state, and local government agencies, and to international governmental organizations.

The Korn Ferry Hay Method focuses on job requirements, rather than on the personal characteristics, qualifications, credentials, performance, or current grades or pay of employees. These characteristics are addressed in the individual salary administration process. This systematic approach permits comparison of job content within an organization as well as across a range of organizations or even industries. The jobs themselves, whether in the same organization or in other organizations, can be very different from one another and the organizations and their industrial sectors can also be quite different from one another. Emphasis on job content rather than incumbent characteristics or performance supports objectivity of work comparisons.

Basic to the process is a thorough understanding of the jobs, in this case acquired through the job documentation review. Using the Korn Ferry Hay method, the content of each job was studied within a framework of three major factors and eight elements. Point values were then assigned to each aspect of work content.

The factors and their elements are:

- **Know-How:** The jobs were studied and reviewed for their breadth (comprehensiveness) and depth (thoroughness) of technical and specialized knowledge and/or skill requirements, for the leadership and/or managerial demands of the job, and for the nature of human relations skills needed in the job.
- **Problem Solving:** The jobs were analyzed with respect to their problem-solving environment (problem context) as well as to their challenges and the procedural constraints involved in solving problems as part of the ongoing flow of work (problem complexity).
- **Accountability:** The jobs were studied to determine overall responsibilities and answerabilities for each action and its consequences, including levels of freedom to act to fulfil job objectives, the magnitude of the processes affected, and the impact of these actions upon the organization as a whole.

These factors are organized and described in Guide Charts, which are tools to evaluate and measure job content logically and systematically. The Hay evaluators made judgments about the eight elements of job content, and these judgments resulted in a point value for each major factor. Jobs were evaluated as if staffed by qualified individuals whose performance is at a competent level.

In summary, the Korn Ferry Hay Guide Chart®-Profile Method of Job Evaluation:

- Evaluates jobs based on content and value added;
- Uses common factors;
- Ensures internal equity; and
- Enables comparisons for external competitiveness.





Greater detail on the Korn Ferry Hay Guide Chart®-Profile Method of Job Evaluation and the Guide Charts is provided in Appendix E, Guide Chart Method of Job Evaluation.

Upon completion of the job evaluation process, the consultants create a “matrix”, or hierarchy of jobs mapped out on a matrix by department. This allow for a review of each evaluation across the organization both vertically and horizontally. The matrix was discussed with the HR project team, along with training on the job evaluation system, and was an iterative process review.

### 5.3 Non-Benchmark Slotting of Jobs

A non-benchmark slotting of jobs is an evaluation process that utilizes an existing ranking of jobs. Existing jobs that were not part of the selection of benchmarks are evaluated by assessing them in relationship to other jobs within the existing job hierarchy. Similar to the benchmark process, Korn Ferry and the HR project team spent many working sessions ensuring all positions were correctly slotted. The matrix was then shared with the Total Rewards Project Committee for review and the consultants conducted one-on-one sessions to validate and vet the information.

### 5.4 Final Matrix

Once the final matrix was agreed upon amongst all working groups, final evaluations allowed the consultants to move forward with analysis (both internal and external analysis). The table below illustrates the number of jobs by departments that appear in the final matrix and represent jobs in each department across the City.

**Table 14: COG Departments and Total Number of Unique Jobs**

Departments	# of Unique Jobs
CLASSIFICATIONS ACROSS MULTIPLE DEPARTMENTS*	33
BUDGET & FINANCE	48
CITY ATTORNEY	11
CITY AUDITOR	5
CLERK OF THE COMMISSION	5
COG - CITY MANAGER	6
COG - DOING	26
COG - FACILITIES	9
COG - FLEET	12
COG - GFR	25
COG - GPD	45
COG - HR	16
COG - MOBILITY	18
COG - NI	10
COG - PRCA	40
COG - PUBLIC WORKS	54
COG - RISK MGMT	14
COG - RTS	32
COG - STRATEGIC INITIATIVES	9
COMMUNICATIONS	12
CRA	7





Departments	# of Unique Jobs
EQUAL OPPORTUNITY	7
GRU - CUSTOMER SUPPORT	36
GRU - ENERGY DELIVERY	86
GRU - ENERGY SUPPLY	50
GRU - GENERAL MANAGER	8
GRU - GRUCOM	17
GRU - OPERATIONS	18
GRU - WATER/WW	39
IT	42
<b>Grand Total</b>	<b>740</b>

\*CLASSIFICATIONS ACROSS MULTIPLE DEPARTMENTS includes jobs such as an Analyst, which can be found in various departments across the City (and job functions are similar).

The full job matrix with job titles is included in Appendix F.

The job matrix is a different approach and methodology for the City. With any new methodology or system in place, there will be changes that impact current state. For example, jobs that are clustered in one pay grade in the current system, may not necessarily be clustered together in a new structure. The table below is an example where two jobs are currently at the C2 grade but once evaluated using the job evaluation methodology, have resulted in different levels.

**Table 15: Sample Current COG Grade Compared to Korn Ferry Job Evaluation**

Pay Grade	Benchmark Jobs	KF Job Evaluation
C2	Clerk I	8
	Survey Technician I	7

### 5.5 Adopting Job Evaluation Methodology

Job evaluation requires a “cascading” understanding of work. In other words, the evaluations at the top have to dove-tail with the evaluations below. Furthermore, the understanding of the organizations and culture developed in evaluating the top jobs will facilitate the evaluation of their direct reports (and so on, in a cascade). This notion of a cascading understanding of work suggests there is value in combining the work of these separate initiatives – the evaluation outcomes are likely to be more consistent and aligned.

We believe there will also be efficiencies from adopting an integrated solution. The COG HR team will only have to learn one methodology and will not need to spend time coordinating between different service providers or resolving differences between the advice provided. Moreover, there would be a single, common approach and plan to deal with change management, stakeholder engagement, communications and knowledge transfer. There are, of course, numerous trade-offs involved in the decision to maintain a salary grade system essentially similar to the current program, versus developing a totally new system, perhaps one tied to career tracks, skills progressions and competencies. A salary grade system may offer continuity with the current program, which might reduce the amount of development time, communications and training required with a new system.





However, a new system could support increased flexibility in the way the City pays its people and manages their careers, while linking more seamlessly to other processes such as performance management, career development and succession planning systems.

No one approach is “right.” We will help you determine which approach best meets your needs and supports your business objectives, your cultural objectives, and the way you wish to manage your people and develop/maintain your administrative systems.

Beyond the question of job evaluation initiatives is the integration of the competency-based human resource (HR) management initiative being run through the organization. There are multiple HR processes that are built upon an analysis and understanding of the work that needs to be done in an organization. Our experience suggests it is wasteful, or even dysfunctional, to have separate job analysis/job description components for different HR processes. It is wasteful because different HR staff have to repeat the same effort, and it is particularly wasteful if the same line manager has to meet HR one day to explain what his/her people do in the Training Department, only to meet other HR people on another day to go through the same explanation for (say) recruitment, another day for performance management and yet another day for job evaluation and compensation. This type of approach makes HR look disorganized - as if the left hand does not know what the right hand is doing. It is in everyone’s interest to conduct the job analysis once and then generate multiple outputs that can be applied in different domains of HR management. It is not only about efficiency; it is also about effectiveness.

Therefore, for implementation support and transfer of knowledge, we suggest the COG’s HR team participate in job evaluation training for effective ongoing management of the classification and compensation system.

## **5.6 Internal Equity Findings & Chart**

### **Internal Equity Analysis**

Once all jobs have been evaluated in terms of Hay “job content” points and slotted appropriately, reliable internal pay comparisons could be made by comparing the actual pay of individuals in the jobs. The internal equity analysis provides a measurable quantity and insight to the internal relationship of pay to measured job content at COG. This analysis helped the consultants identify any anomalies or dispersions (vertical or horizontal) prior to the market analysis. It tells the story around the City’s current pay practice.

A tool used to perform the internal equity analysis is a (graphic) regression of actual pay to measured job content (the Hay point value). The graphic regression (below) clearly identifies the dispersion within COG. The regression analysis identifies the degree of both horizontal and vertical dispersion. Horizontal dispersion describes jobs at the same pay level but of quite different job content, and vertical dispersion describes jobs at the same level of job content (points) but widely different salary levels.

This analysis is an important step in validating the job evaluation exercise (which led to the matrix of jobs) and is geared toward detecting internal equity anomalies at the individual job level. It portrays a pattern of the City’s actual pay practice. It allowed the project team to identify differences in pay patterns among the City’s jobs. This serves as a valuable tool for management to ensure that internal pay distribution is and remains





equitable. The question is: "Are jobs of similar size (job content and responsibilities) being paid similarly?" the consultants have prepared an internal equity chart to illustrate the relationship between the evaluated level of the position and incumbent's actual pay (following section).

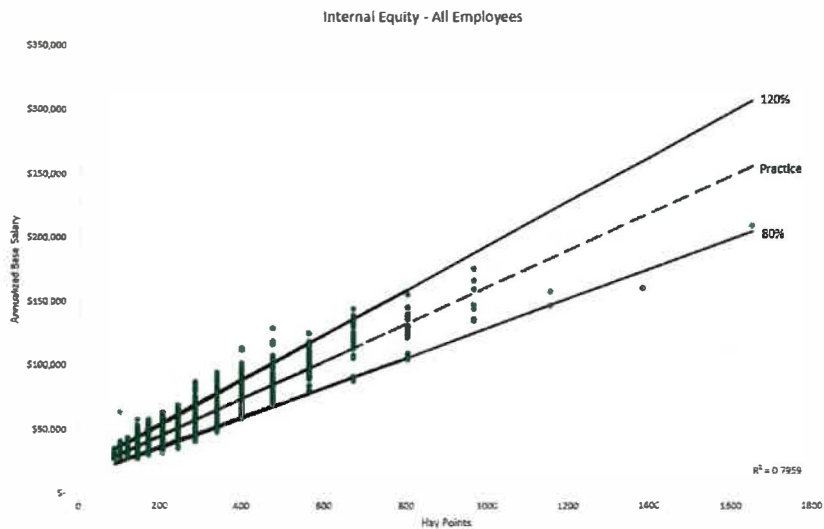
### Internal Equity Chart

The degree by which salaries increase in line with measured job content is represented by the "slope" of the line of central tendency. If the slope is very steep, job content differences are rewarded at a relatively high rate; if the line is flat; the organization is not rewarding job content differences at all and is paying the same salary for significant differences in job content. The slope of the line is also extremely important when comparing COG "pay practice" with the pay practices of the external competitors.

The following chart depicts COG's level of internal base pay equity for all employees. The 80% and 120% lines represent a range of reasonableness around the current practice line (line of central tendency). The dots represent each individual employee and current actual pay. Any incumbents falling outside these lines should be reviewed for appropriateness (most are either new hires (lower end of the pay grade) or longer tenured employees (top of their pay grade)).

Using statistical regression, there is a strong overall relationship between job content and actual pay, suggesting that base salaries are relatively consistent among employees. An R2 of .70 typically represents the threshold level of healthy internal equity. Another way to look at this is 80% of the difference in pay between jobs is a function of job content. The remaining 20% may be due to factors such as tenure, performance and market pressures.

**Chart 5: Actual Pay for All Employees = R2 of .7959**







## Section 6 - Market Analysis

### 6.1 Compensation Market Analysis

This phase of the project focuses on the reward portion of the assignment. At this point of the project we have all agreed on the markets of comparison for the jobs within the scope of the initiative and then obtain the required data. As indicated earlier, much of the data are already accessible to Korn Ferry through studies, surveys and analysis that have already been undertaken. We did however determine that existing survey data for local jurisdictions was not sufficient to meet the current needs. Given this gap, we coordinated with the agreed target organizations to obtain the missing data through a custom designed survey.

A key element in this phase is determining the reward philosophy to be adopted. Should the COG aim to pay “to market” and, if so, what does that mean? For example, do we mean the middle of what the Gainesville public sector employers pay for jobs of a similar size? If so, do we include private sector organization in the “market”? Should we use the overall “market” or sub-markets based on professional content – for example, do we only look at the legal sector when determining the pay of lawyers? If not “market” then what other comparisons should inform decision making around reward? There are many such questions to be discussed and many options to be considered. This phase of work involved and will continue iterative discussions about the possibilities until consensus can be reached as to the best philosophy(ies) that align with the culture of the City and the needs of all stakeholders.

### 6.2 Compensation Analysis Data Reporting

**Base Salary (Base):** The straight annual amount paid for work performed.

**Total Cash (Base + Cash Bonus/Incentive):** The sum of the annual base salary plus annual bonus or incentive, if any.

**Percentile: A value identified by its position in an array of data.**

- \* **25th Percentile:** The value in an array that falls at the 25th percentile, or first quarter, of a sample. Seventy-five percent or three-fourths of the values in the sample are greater in magnitude than the 25th percentile value.
- \* **50th Percentile (also referred to as Median):** The value that is at the 50th percentile in an array of data with values that are rank ordered by magnitude. Half of the values in the sample fall above this number and half fall below it. When the array contains an even number of values, the 50th percentile is midway between the central values.
- \* **75th Percentile:** The value in an array that falls at the 75th percentile, or third quarter, of a sample. Twenty-five percent or one-fourth of the values in the sample is greater in magnitude than the 75th percentile value.

**Salary Ranges:**

- \* **Salary Range Minimum:** The minimum base salary level for a given job as established by an organization’s compensation policy.





- \* **Salary Range Midpoint:** The halfway point between the minimum and maximum base salary level for a given job as established by an organization’s compensation policy.
- \* **Salary Range Maximum:** The maximum base salary level for a given job as established by an organization’s compensation policy.

### 6.3 Geographic Differentials

As a normal/regular part of any market analysis we conduct relative to pay, we assess to what degree geographic differentials might impact the competitiveness of pay. Not only from a market premium perspective (more metropolitan areas), but from a market discount perspective (more rural areas) – the purpose is to both ensure that an organization can recruit/retain talent in the markets where they’re needed, and to ensure that the organization is being a good steward of its payroll dollars by not overpaying in lower paying markets.

We typically focus on Cost of Labor rather than Cost of Living. Cost of Labor differentials are based strictly on differences in pay for a specific market vs. the national average; Cost of Living is the standard “basket of goods” in any market – housing, food, gas, etc. The geographic pay differentials for these two measures are sometimes very similar and sometimes very different, but since we’re focused on pay, the Cost of Labor measure tends to be more appropriate.

The below table shows the Cost of Labor geographic differentials provided by ERI Economic Research Institute, Inc. This is a comparison of Gainesville, Florida to the United States national average by salary level.

**Table 16: Geographic Differentials**

Geographic Premium	
0-75k	90.50%
75k-100k	94.20%
100-200k	97.80%
200k	100%

The geographic differentials were used on all national survey sources included in the market analysis.

National survey sources with geographic differentials applied include:

- 2018 Korn Ferry Energy Industry Survey
- 2018 Korn Ferry Utilities Survey
- 2018 Korn Ferry Public Sector Survey
- 2018 Korn Ferry General Market Survey
- 2018 Mercer IT Survey
- 2018 Western Management Group Utilities Compensation Survey





#### 6.4 Differential/Premium Pay – Engineers

The City has a current practice of offering differential pay for its Engineer functions (Mechanical, Electrical and Civil Engineers). The City’s approach is to differentiate between three engineering disciplines as follows:

1. Civil discipline as base pay rate only.
2. Mechanical discipline as base pay rate plus an additional 4% differential (as a lump sum, not added to base pay).
3. Electrical discipline as base pay rate plus an additional 8% differential (as a lump sum, not added to base pay).

The consultants have two observations around the practice of differential pay for the Engineering function:

1. Upon our review of best practice across similar organizations, including public and private sectors, there is not a common practice of providing a pay differential between the varying disciplines.
2. Providing a pay differential (in this instance a lump sum amount) for a sustained period is not common practice. Typically, organizations do this for a short time period and either move away from the differential pay practice and/or fold it into base pay.

Upon review of the current job duties through our data collection process, the differentials are not based skills or duties. Additionally, this approach or variances in the disciplines is not supported by market data or trends we see in the utility sector.

The underlying factor is retention and attraction of talent. Hiring and retaining Engineers has stemmed from a culture of legacy systems where individuals are not motivated to stay or willing to work. Limitations also exist for other opportunities as the skill set obtained at GRU is not transferrable to more modern plants (i.e. wind, solar, nuclear).

In Korn Ferry’s job evaluation methodology, levels of engineer (I-IV, Principal, Supervising, etc.) are evaluated based on the size, scope and complexity of the job, and the results indicated same reference level across multiple disciplines. The relative ranking of the City’s engineer jobs is provided in the table below:

**Table 17: Engineers**

Job Title	KF RL
City Engineer	19
Energy Delivery Engineering Manager	19
Production Assurance Support Director	19
Water/Wastewater Engineering Director	19
GRU Com Engineering & Construction Director	18
Principal Engineer (GG)	18
Principal Engineer/Principal Utility Designer	18
Supervising Engineer/Project Team Leader	18
Supervising Engineer/Supervisor Utility Designer	18
Engineering and Operational Support Systems Manager	17
Project Engineer	17





Job Title	KF RL
Engineer IV/Utility Designer IV	16
Engineer III/ Utility Designer III	15
Engineer II/ Utility Designer II	14
Engineer I/Utility Designer I	13

Korn Ferry reviewed this approach by analyzing engineering data in the KF Energy Industry Survey, KF Utilities Survey, KF Engineering jobs data and ERI Engineering data. It should be noted that there is a difference in the detail reported between Korn Ferry and ERI data. Korn Ferry data allows for analysis of pay between levels of engineers (Engineer I-IV, Principal Engineer and Supervising Engineer) and between disciplines (Civil, Mechanical and Electrical). Market data for the different levels of Engineers indicates there is no consistent difference for any disciplines across any level of Engineer. ERI does not differentiate by level of Engineer and only reports the aggregate pay per Engineer discipline. ERI does not provide the level of detail required for this analysis, as a result, their reported data cannot support the City's current practice.

Upon market review and consultation with Korn Ferry's industry experts<sup>1</sup>, best practice is not to actively differentiate between Engineering disciplines (Civil, Mechanical and Electrical) and instead review other factors like hiring constraints, retention challenges, and special skills or certifications. Our recommendation is to include all pay for Engineers in their base salary as warranted by the market (see recommendations on pay structure and the impact for Engineers). Please note, folding this differential back to base pay will have an impact on Benefits cost.

## 6.5 Data Sources

The objective of this step was to collect current labor market data from a set of comparator organizations (i.e., public sector, private sector industry specific, and other relevant organizations noted above and deemed appropriate by the consultants) and analyze and interpret the results of the findings. With this, Korn Ferry was able to develop recommended changes to COG's pay structures and practices, as needed.

The first part of our effort in this step was to cross reference the benchmark jobs against the various databases to ensure data density. Korn Ferry data sources and other third-party sources were used to compare COG jobs. The Hay methodology allows for direct pay comparisons of an organization's jobs to ones similar in size (in job evaluation point terms) in selected labor markets.

Korn Ferry owns and maintains a cash compensation and benefits survey database which is updated annually. This databank includes base salary, incentive bonus, and additional cash data from over 2500 employers on about two million incumbents in the United States. Pay practice information is also obtained from and reported to survey participants.

The compensation data is coded according to several different variables, such as work characteristics, occupational specialty, and job size. The data can be extracted by one or several of these descriptive variables. To assure the accuracy of information provided to clients, survey data is carefully screened for quality and accuracy using a variety of manual and automatic procedures. Special care is taken to preserve the confidentiality of all information provided to and extracted from the survey database. We now have one of

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<sup>1</sup> Korn Ferry industry experts have experience across all sectors specific to Engineering jobs. The KF project team collaborated with these experts to better understand job leveling and pay practices across the Engineering functions.





the most extensive research-based leadership databases in the world, with information from thousands of individuals and hundreds of organizations worldwide.

In addition to Korn Ferry data, several salary survey publications were consulted as secondary data from reputable sources to support the comparison of the external market. Market compensation surveys are selected based on their usefulness, credibility, size, participants, and cost. Depending on the purpose, national, regional, local and industry specific surveys are considered. In some cases, organizations may purchase a survey with or without participating.

Specifically, market data at the 25th, 50th (median) and 75th percentiles were collected, when available, from the following published survey sources. Note that data is extracted within parameters of size of organization, geographic areas, and most importantly, size of job (using our job evaluation methodology).

#### **Korn Ferry Pay Database**

- Korn Ferry's global pay database has data on over 20 million employees, in more than 25,000 companies and over 110 countries. This extensive global reach gives Korn Ferry the ability to tap into an unmatched understanding of what makes people tick at work. Over 70% of the Fortune 500 use our pay data and contribute to our database. Korn Ferry is #1 or #2 in data density for 71% of the 60 largest countries across the globe.
- When collecting data, Korn Ferry uses the "Five-Value" methodology, which eliminates the dominant impact of organizations with exceptionally large numbers of staff in specific jobs. This methodology is based on the remuneration of individual employees and uses five values from every company per job code.

#### **Korn Ferry General Market Data**

- Provides reward information specific to the United States. In the US General Market, Korn Ferry has data from over 2,140 organizations and over 5.7 million incumbents detailing over 1,440 unique jobs. Our General Market database includes all industries, company sizes, revenue buckets and US geographies.

#### **Korn Ferry US 2018 Energy Report**

- Provides reward information for executives, managers, professionals and support staff. Data is provided for base salary through total direct compensation. In 2017, Korn Ferry received US energy data for over 125 jobs and 49 business unit participants.

#### **Korn Ferry US 2018 Utilities Report**

- Provides reward information for executives, managers, professionals and support staff. Data is provided for base salary through total direct compensation. In 2017, Korn Ferry received US utilities data for over 100 jobs and 38 business unit participants.

#### **Korn Ferry Engineering Data**

- Provides reward information for executives, managers, professionals and support staff. Data is provided for base salary through total direct compensation. In 2017, Korn Ferry received US pay data for 27 unique engineering jobs from over 400 business units and 71,000 incumbents.





#### **Korn Ferry Public Sector Data**

- Provides reward information for executives, managers, professionals and support staff in the Public Sector Industry. KF references the data-providing organization's NAICS code issued by the US government when corresponding their data with a specific sector. In the US Public Sector, Korn Ferry has data from 81 organizations and over 20,850 incumbents detailing 90 unique jobs. This data was cut by the Public Sector industry and includes all company sizes, revenue buckets, and US geographies.

#### **Mercer/Gartner Information Technology Survey**

- The Mercer/Gartner Information Technology Survey has been conducted for over 20 years and contains data from 2,190 organizations from over 20 IT job families across all industries. The data covers four main career levels – executive, management, paraprofessional, and professional. The survey collects analytical information for IT jobs across 31 job sub-families, including but not limited to, Data Analytics & Business Intelligence, Information Systems Architecture, and IT Applications Development. Data is collected from HR professionals at participating organizations and then analyzed for validity, thoroughness, and market representation based on the organization's size, structure, geographic region, or a combination of these factors.

#### **Western Management Group Utilities Compensation Survey**

- The WMG 14th annual Utilities Compensation Survey had 95 participants who provided data on 10,990 incumbents. The survey covers 84 jobs in key job families within the electrical utilities industry and the compensation data in this survey reflects pay rates in effect as of the 1st of January 2018. The survey had 11 sponsors including American Municipal Power, Michigan Public Power Agency, and WPPI Energy.

Although the list cited above is comprehensive, upon thorough review of existing data sources, it was clear that local jurisdiction data was spotty (in terms of data across jobs). Therefore, a custom survey was needed, and Korn Ferry proceeded to create a custom survey process on behalf of the City.

Note: All competitive market data were updated using an annual update factor of 3% (based on average market movement for 2019). Data effective date is October 1, 2019.

#### **6.6 Custom Survey Approach**

Korn Ferry and the HR project team, committee and Charter Officers agreed upon a list of comparator organizations in the Florida region to solicit compensation and benefits data. The final list of comparators took into consideration public and private sector, peer organizations requested during executive interviews, population sizes, as well as local jurisdictions with public safety, transit and utilities operations. The below table provides a summary of the targeted peer organizations for the custom survey:





**Table 18: Summary of Targeted Peer Organizations**

# of Target Organizations	Recap by primary function
15	Municipalities
12	Fire Rescue
10	Police
11	Electric Utilities (includes three cities with Electric Utility)
13	Water Utilities (plus Toho Water Authority)
9	Transit (includes one city and two counties with transit)

The detailed list of targeted peer organizations can be found in Appendix G.

The Korn Ferry team designed a data collection instrument and jointly arranged for its administration to the comparator group. The data requested from comparator organizations for each of the initial 127 benchmark classifications would include, but not be limited to:

- Compensation practices such as grade structure, pay ranges (minimums, midpoints and maximums and steps if appropriate), average salaries, any variable pay plans and/or reward and recognition plans.
- Compensation administration policies and practices.
- Benefit prevalence information to include:
  - Health Insurance Plans;
  - Contributory Retirement Plans;
  - Group Life Insurance;
  - Paid Leave (Vacation, Sick Leave, Holidays and Compensatory Time); and
  - Other Perquisites

The Custom Survey participant list can be found in Appendix H.

### **6.7 Market Bucket Weightings**

After the survey data from the comparator organizations were quality checked, reviewed and updated, the next step was to develop the most appropriate level at which COG should be paying in relation to the market. Korn Ferry consultants analyzed and prepared several different options and provided appropriate recommendations.

To perform the salary comparison, data from the comparator organizations was compiled to yield the distribution by job. Descriptive statistics were calculated, along with regression analyses, and year-to-year trends. This data was then plotted against COG data to complete the comparison between COG and the marketplace.

Since the survey data collected was analyzed based on the Hay proprietary method for valuing jobs, Korn Ferry was able to compare COG pay practices with the competitive external marketplaces, confident that accurate "job content" based comparisons could be made.







The advantage of this approach to analyzing the external marketplace is that a common yardstick is used to measure pay for job content. This is a far superior technique than simple job matching and reveals what competitor organizations have established as "pay policies", what they are actually paying incumbents, and how COG ranks in terms of both "pay policy and the actual pay of incumbents for equivalent job content".

An additional consideration must be made for how the various data sources are weighted against the various functions. An important decision was whether to pursue a common strategy for all jobs within this population or whether we might have different strategies for different segments of this population. For example, market pay that is sufficient to attract successful lawyers may need to be different from the pay that is required to attract an IT professional at the same level. We therefore created a "differential weighting" approach for the varying data sources to ensure that they are represented appropriately across the various job functions in the City. The differential weighting approach is a best practice when an organization has varied functions and jobs. The application and weighting approach were created by the consultants based on data density and jobs found in each data source and discussed with the HR project team for validation. The table that follows displays the various data sources and the weightings applied by department.

**Table 19: Market Weighting**

COG Department	Grouping Key									
	2018 KF Custom Survey	2018 KF Energy Survey	2018 KF Utilities Survey	2018 KF Public Sector	KF General Market	Mercer IT Survey	2018 WMG	KF Custom_Police	KF Custom_Fire	
CLASSIFICATIONS ACROSS MULTIPLE DEPARTMENTS	40%	0%	20%	20%	20%	0%	0%	0%	0%	
BUDGET & FINANCE	40%	0%	20%	20%	20%	0%	0%	0%	0%	
CITY ATTORNEY	50%	0%	0%	0%	50%	0%	0%	0%	0%	
CITY AUDITOR	50%	0%	0%	25%	25%	0%	0%	0%	0%	
CLERK OF THE COMMISSION	50%	0%	0%	50%	0%	0%	0%	0%	0%	
COMMUNICATIONS	50%	0%	0%	0%	50%	0%	0%	0%	0%	
CRA	50%	0%	2%	0%	50%	0%	0%	0%	0%	
EQUAL OPPORTUNITY	40%	0%	20%	20%	20%	0%	0%	0%	0%	
IT	50%	0%	0%	0%	0%	50%	0%	0%	0%	
COG - CITY MANAGER	50%	0%	0%	25%	25%	0%	0%	0%	0%	
COG - DOING	50%	0%	0%	0%	50%	0%	0%	0%	0%	
COG - FACILITIES	50%	0%	0%	0%	50%	0%	0%	0%	0%	
COG - FLEET	50%	0%	25%	25%	0%	0%	0%	0%	0%	
COG - GFR	0%	0%	0%	50%	0%	0%	0%	0%	50%	
COG - GPD	0%	0%	0%	50%	0%	0%	0%	50%	0%	
COG - HR	50%	0%	0%	0%	50%	0%	0%	0%	0%	
COG - RISK MGMT	50%	0%	0%	0%	50%	0%	0%	0%	0%	
COG - MOBILITY	50%	0%	0%	50%	0%	0%	0%	0%	0%	
COG - NI	50%	0%	0%	50%	0%	0%	0%	0%	0%	
COG - PRCA	50%	0%	0%	50%	0%	0%	0%	0%	0%	
COG - PUBLIC WORKS	50%	0%	0%	0%	50%	0%	0%	0%	0%	
COG - RTS	50%	0%	0%	50%	0%	0%	0%	0%	0%	
COG - STRATEGIC INITIATIVES	50%	0%	2%	25%	25%	0%	0%	0%	0%	
GRU - GENERAL MANAGER	40%	20%	20%	0%	20%	0%	0%	0%	0%	
GRU - CUSTOMER SUPPORT	50%	0%	25%	0%	25%	0%	0%	0%	0%	
GRU - GRUCOM	50%	0%	0%	0%	50%	0%	0%	0%	0%	
GRU - OPERATIONS	40%	20%	20%	0%	0%	0%	20%	0%	0%	
GRU - ENERGY DELIVERY	40%	20%	20%	0%	0%	0%	20%	0%	0%	
GRU - ENERGY SUPPLY	40%	20%	20%	0%	0%	0%	20%	0%	0%	
GRU - WATER/WW	50%	0%	25%	25%	0%	0%	0%	0%	0%	

Descriptions of the surveys and participant lists are contained in Appendix H.



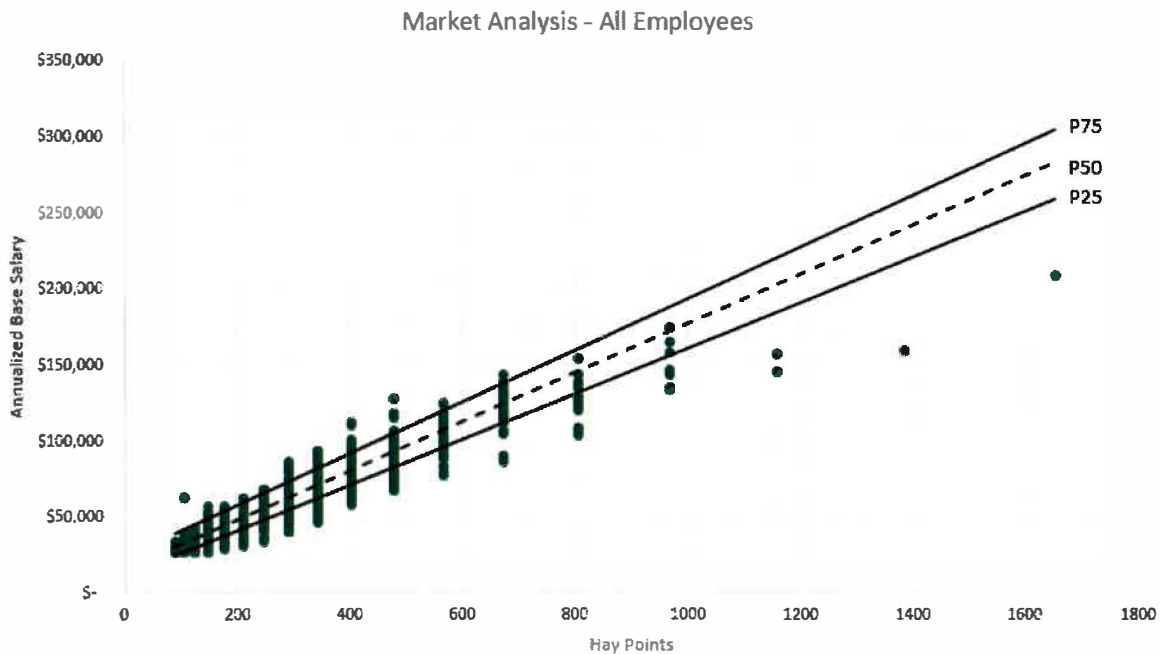


## 6.8 Competitive Market Analysis

The competitive market analysis provided the basis for the recommended salary structure(s). The table below show the comparison of COG’s pay practice to the market data and the variance at each market position. The P25 represents the lower end of the market. The P50, or median, is at or close to average of the market. The P75 is the higher end of the market, or the top quartile.

The following chart compares City employees to the market data.

**Chart 6: Market Chart All Employees**



Overall, the City is trending above the 25<sup>th</sup> percentile of the market (5% more competitive). As the market job size increases, the City becomes less competitive and is 8% below the 50<sup>th</sup> percentile (median) and 21% below the 75<sup>th</sup> percentile. The variance of the market varies depending on the function, with some functions above the higher end of the market. See Appendix I for more details.

**Table 20: Market Variance**

COG	Variance to P25	Variance to P50	Variance to P75
<b>Total</b>	5%	-8%	-21%

After researching the data at different levels and comparing market data to the City’s actual overall pay practice, we noted that City has maintained a fairly good practice of paying near the target market (50<sup>th</sup> percentile) for some jobs (doing ad-hoc market analysis and responding to recruitment or retention challenges). Thus, the City is paying right around the “going market rate” for some of its jobs, but others are below market and should





be adjusted. Many of the jobs, such as transit, police officers and IT roles, where the City has challenges in recruitment and retention (and cited earlier in this report), is where the market variances are most prevalent.

Using the Job Evaluation results as a baseline, the consultants determined the logical breakpoints between different levels of work that were influenced by both total points and “Know-How” evaluations (the factor accounting for the greater percentage of the whole evaluation in many jobs below the senior management levels).

Based on the scores of each of the positions evaluated, and the way evaluated positions appear to cluster together in terms of total points, the Consultants recommend the following grading structure (next section).

### 6.10 Pay Structure Considerations

The Korn Ferry team worked closely with the HR project team to examine various options for COG pay structures. All options reviewed are based around the following guiding principles:

- Align the midpoint of each range to the 50<sup>th</sup> percentile (based on desired compensation philosophy); and
- Incorporate the Living Wage Rate of \$13.25.

The various options are outlined below with details around pros and cons for each approach. The consultants are providing our recommendations based on the best approach going forward for the City in terms of aligning with the overall strategy and retention/attraction of talent, HR best practice, ease of administration and internally equitable and externally competitive approach for employees of the City moving forward.

**Table 21: Pay Structure Options**

Option	Details
1. Current State with Updated Market Midpoint	Maintain the 5 current structures, with new midpoints based on market data. Current range spreads and midpoint progressions remain. <ul style="list-style-type: none"> <li>• Pros – updates midpoints to market, quick implementation because the structures are already in place and familiar across the organization.</li> <li>• Cons – no consistent or clear methodology for classification or evaluation of jobs to ensure similar sized jobs are internally equitable and market competitive. Range spreads and midpoint progressions are inconsistent.</li> </ul>
2. Current State with Updated Market Midpoint, Range Spreads and Midpoint Progressions –	Maintain the 5 current structures, adjust midpoints based on market data and correct dispersions across range spreads and midpoint progressions. <ul style="list-style-type: none"> <li>• Pros – updates midpoints to market, provides consistent midpoint progressions</li> <li>• Cons – no consistent or clear methodology for classification or evaluation of jobs to</li> </ul>





Option	Details
	<p>ensure similar sized jobs are internally equitable and market competitive.</p>
<p><b>3. Structure Option Three – One Unified Structure:</b></p>	<p>Create one unified pay structure for all employees based on a consistent job evaluation and classification methodology and relevant market pay data. Pay ranges have differential range spreads based on job levels and career progressions.</p> <ul style="list-style-type: none"> <li>• Pros – provides clear and consistent methodology for classification of jobs across the entire organization; efficient administration of pay structure with one unified structure; creates more opportunities for mobility and career development.</li> <li>• Cons – does not allow for differentiation for public safety personnel where market data suggests a separate structure is reasonable; review of FLSA classification will be needed to ensure appropriate levels based on unified structure.</li> </ul>
<p><b>4. Structure Option Four – Two Distinct Structures:</b></p> <ol style="list-style-type: none"> <li>1. GG</li> <li>2. GRU</li> </ol>	<p>Create new pay structures based on consistent job evaluation and classification methodology and relevant market pay data. Pay ranges have differential range spreads-based on job levels and career progression. Separate structures for GG/ GRU.</p> <ul style="list-style-type: none"> <li>• Pros – provides differentiation for general government jobs and utilities jobs</li> <li>• Cons – difficult to administer due to CWA employees working in both GG and GRU</li> </ul>
<p><b>5. Structure Option Five– Six Distinct Structures:</b></p> <ol style="list-style-type: none"> <li>1. All (GG and GRU)</li> <li>2. Public Safety: Fire</li> <li>3. Public Safety: Police</li> <li>4. Engineering/IT/Operations (EIO)</li> <li>5. Transit Operators</li> <li>6. PTPP</li> </ol>	<p>Create new pay structures based on consistent job evaluation and classification methodology and relevant market pay data. Pay ranges have differential range spreads-based on job levels and career progression. Separate structures for GG/ GRU; Fire; Police; EIO (Engineering/IT/GRU-Operations); Transit Operators and PTPP.</p> <ul style="list-style-type: none"> <li>• Pros – structure reflect job evaluation and market practice and differentiate as needed; creates more opportunities for mobility and career development.</li> <li>• Cons – multiple pay plan creates more administration and maintenance across the organization.</li> </ul>





## Recommended Pay Structures

Korn Ferry recommends implementing the following pay structures based on Option #5 above. It is based around the 50<sup>th</sup> percentile of the market and incorporates the Living Wage Rate of \$13.25. Structure Effective 10/1/2019 (aged for future implementation, fiscal year 2020).

**Table 22: Recommended Structures**

All Employees						
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
24	\$ 172,269	\$ 223,950	\$ 275,631	60%	13%	
23	\$ 150,577	\$ 195,750	\$ 240,923	60%	8%	2
22	\$ 139,000	\$ 180,700	\$ 222,400	60%	7%	
21	\$ 129,000	\$ 167,700	\$ 206,400	60%	13%	5
20	\$ 113,882	\$ 145,200	\$ 176,518	55%	12%	8
19	\$ 99,922	\$ 127,400	\$ 154,878	55%	13%	8
18	\$ 88,680	\$ 110,850	\$ 133,020	50%	14%	11
17	\$ 76,560	\$ 95,700	\$ 114,840	50%	12%	18
16	\$ 67,200	\$ 84,000	\$ 100,800	50%	12%	30
15	\$ 60,408	\$ 74,000	\$ 87,592	45%	14%	98
14	\$ 52,000	\$ 63,700	\$ 75,400	45%	14%	98
13	\$ 44,898	\$ 55,000	\$ 65,102	45%	13%	95
12	\$ 39,792	\$ 47,750	\$ 55,708	40%	6%	182
11	\$ 37,208	\$ 44,650	\$ 52,092	40%	8%	67
10	\$ 34,167	\$ 41,000	\$ 47,833	40%	8%	35
9	\$ 31,333	\$ 37,600	\$ 43,867	40%	6%	42
8	\$ 29,458	\$ 35,350	\$ 41,242	40%	6%	38
7	\$ 27,583	\$ 33,100	\$ 38,617	40%		38

Police (Sworn)						
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
P22	\$ 132,080	\$ 165,100	\$ 198,120	50%	9%	1
P21	\$ 120,360	\$ 150,450	\$ 180,540	50%	10%	
P20	\$ 108,640	\$ 135,800	\$ 162,960	50%	10%	1
P19	\$ 97,600	\$ 122,000	\$ 146,400	50%	11%	
P18	\$ 86,576	\$ 108,220	\$ 129,864	50%	16%	4
P17	\$ 72,312	\$ 90,390	\$ 108,468	50%	10%	15
P16	\$ 65,296	\$ 81,620	\$ 97,944	50%	11%	
P15	\$ 58,280	\$ 72,850	\$ 87,420	50%	19%	63
P14	\$ 47,152	\$ 58,940	\$ 70,728	50%	10%	175
P13	\$ 42,264	\$ 52,830	\$ 63,396	50%	6%	
P12	\$ 39,744	\$ 49,680	\$ 59,616	50%		13







Fire (Sworn)						
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
F22	\$ 130,760	\$ 163,450	\$ 196,140	50%	9%	
F21	\$ 118,856	\$ 148,570	\$ 178,284	50%	12%	1
F20	\$ 104,216	\$ 130,270	\$ 156,324	50%	11%	1
F19	\$ 92,736	\$ 115,920	\$ 139,104	50%	11%	2
F18	\$ 82,120	\$ 102,650	\$ 123,180	50%	20%	6
F17	\$ 65,800	\$ 82,250	\$ 98,700	50%	12%	2
F16	\$ 57,960	\$ 72,450	\$ 86,940	50%	12%	38
F15	\$ 51,224	\$ 64,030	\$ 76,836	50%	15%	39
F14	\$ 43,480	\$ 54,350	\$ 65,220	50%	11%	82
F13	\$ 38,480	\$ 48,100	\$ 57,720	50%	10%	
F12	\$ 34,616	\$ 43,270	\$ 51,924	50%		

Engineering/IT/GRU-Operations (EIO Structure)						
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
EIO24	\$ 189,000	\$ 245,700	\$ 302,400	60%	3%	1
EIO23	\$ 182,846	\$ 237,700	\$ 292,554	60%	3%	
EIO22	\$ 176,692	\$ 229,700	\$ 282,708	60%	16%	1
EIO21	\$ 149,192	\$ 193,950	\$ 238,708	60%	14%	2
EIO20	\$ 130,980	\$ 167,000	\$ 203,020	55%	9%	4
EIO19	\$ 119,725	\$ 152,650	\$ 185,575	55%	15%	15
EIO18	\$ 103,640	\$ 129,550	\$ 155,460	50%	15%	29
EIO17	\$ 88,200	\$ 110,250	\$ 132,300	50%	13%	35
EIO16	\$ 76,400	\$ 95,500	\$ 114,600	50%	12%	46
EIO15	\$ 68,980	\$ 84,500	\$ 100,020	45%	11%	38
EIO14	\$ 61,061	\$ 74,800	\$ 88,539	45%	13%	29
EIO13	\$ 53,347	\$ 65,350	\$ 77,353	45%	11%	16
EIO12	\$ 48,208	\$ 57,850	\$ 67,492	40%	13%	5
EIO11	\$ 41,917	\$ 50,300	\$ 58,683	40%	11%	9
EIO10	\$ 37,500	\$ 45,000	\$ 52,500	40%		4

Transit Operators						
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	Midpoint Progression	# of Incumbents
R2	\$ 30,520	\$ 38,150	\$ 45,780	50%	28%	194
R1	\$ 27,560	\$ 27,560	\$ 27,560			6





PTTP					
New Grade	ANNUAL MINIMUM	ANNUAL MIDPOINT	ANNUAL MAXIMUM	Range Spread	# of Incumbents
PTTP6	\$ 65,000	\$ 87,500	\$ 110,000	69%	26
PTTP5	\$ 55,000	\$ 72,500	\$ 90,000	64%	106
PTTP4	\$ 45,000	\$ 60,000	\$ 75,000	67%	102
PTTP3	\$ 40,000	\$ 50,000	\$ 60,000	50%	114
PTTP2	\$ 34,000	\$ 42,000	\$ 50,000	47%	54
PTTP1	\$ 28,000	\$ 35,000	\$ 42,000	50%	31

Job Titles in each Korn Ferry Job Evaluation Reference Level can be found in Appendix J.

The tables and options referenced above provide pay structures for City employees reflecting base salary. It is important to consider total cash when competing for talent across the general market, especially across jobs with GRU as privately held utility organizations practices include incentive schemes. These organizations have been cited as competitors for talent across GRU. At this time, we do not recommend including these practices in the market analysis or pay philosophy for GRU, but consideration should be made when recruiting or losing talent to these organizations and setting individual pay within the ranges (may need to be more aggressive on base pay for some).

### 6.11 Bonus/Incentives

In addition to annual basic salary increases to reward performance, employers also use on-the-spot, monthly, quarterly, or annual cash payments and non-cash awards to recognize superior performance or for other contributions to the organization. Payments may be given to individuals or to a group of employees.

The Utilities Industry is most prevalent in having some sort of formal incentive pay plan, especially at the executive and managerial levels. Most organizations that have incentive pay plans also have:

- reliable and sophisticated methods for setting corporate, business unit and individual quantitative operational goals and targets,
- methods to reliably measure accomplishments against goals and targets,
- mechanics linking the accomplishment of goals and targets to pay disbursements, and
- sophisticated communication and training programs for employees and managers to ensure comprehensive understanding of the plans and effective implementation.

In the public sector, we don't typically see formal incentive plans across large populations. Although the trend in private and not for profit sector has seen an increased emphasis on incentive plans and holding employees accountable for results, public sector is still limited in practice. If any plans or put in place, they would be at the executive level where Board and oversight bodies are looking for specific results and rewarding teams in return, but these are very limited in practice and not suggested for the City at this time. Other forms of reward and recognition should be considered (non-monetary) when looking to achieve certain results and key initiatives for success.







## 6.12 Benefits

In addition to the analysis of cash compensation, Korn Ferry conducted a comprehensive benefits study for COG. The combination of cash compensation and benefits represents the total tangible rewards employees receive from the organization.

The results of the benefits study provide a comparison of the prevalence and value of benefits offered by COG to those offered by a custom group of comparator organizations.

COG employees participate in the benefits program offered to employees of the City. The current package includes health insurance, life insurance, disability (provided via the pension plans), retirement, paid leave and other benefits. (See Appendix K for more detail.) The largest components of the total package are the health insurance and retirement benefits.

### **Korn Ferry BVC Methodology**

Korn Ferry has developed a method of evaluating benefit plans in terms of the cash equivalence of benefits. This valuation method is applied to the full range of employee benefits including:

- Pension and Capital Accumulation Plans
- Health Insurance
- Life Insurance
- Disability Insurance and Sick Leave
- Vacations and Holidays
- Statutory Benefits
- Other Benefits

While the standard values developed for such cash equivalents are representative of average costs, they should not be interpreted as the actual costs of any given employer's benefits package. The benefit values are based on the average cost of providing benefits to employees in an organization comparable to COG. The valuation methodology considers the expected frequency and duration of use of a benefit. Taxes are not considered.

Korn Ferry's detailed benefit analysis provides a comparison of COG's total benefits program to the comparator organization's total benefits program. In addition, this analysis provides a comparison of each component of the program. The comparison is based on the value of the employer provided portion of each benefit plan.

### **Overview Comparison to Market**

Overall, COG provides a comprehensive benefits program to employees. The program includes a wide variety of non-statutory benefits such as retirement, health care, life insurance, disability insurance, paid time off and other benefits. The table below shows the overall ranking of the total benefits program and each component.





Chart 7: Total Benefits to Market for Salary Levels 20K – 100K

Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$20,000 to \$100,000)

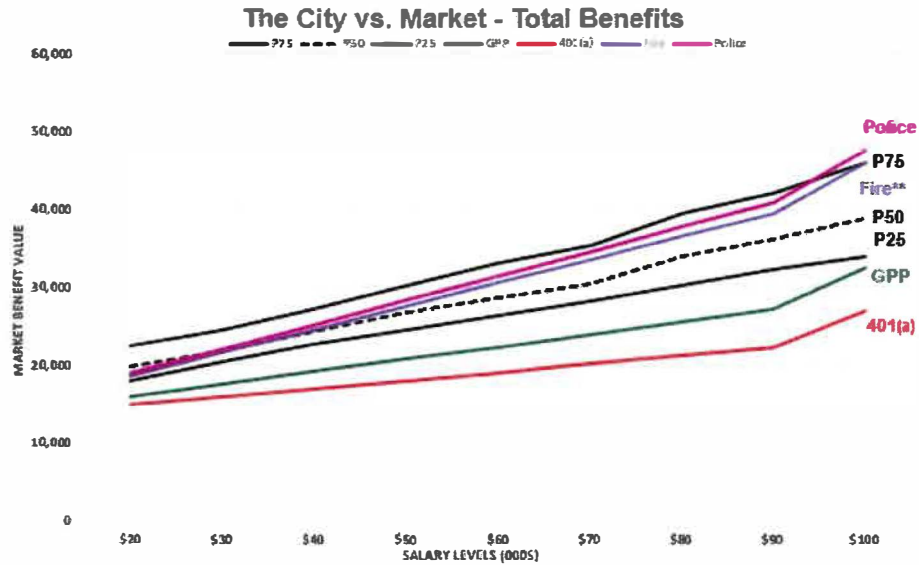
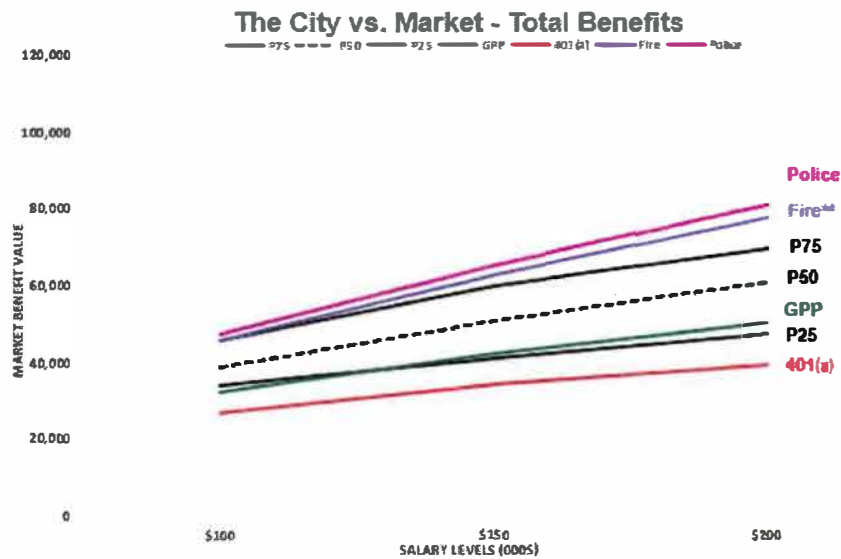


Chart 8: Total Benefits to Market for Salary Levels from 100K-200K

Total Benefits\*(combined - based on prevalent peer group market plans for salary ranges: \$100,000 to \$200,000)





Overall, COG provides a comprehensive benefits program to employees. The program includes a wide variety of non-statutory benefits such as retirement, health care, life insurance, disability, paid time off and other benefits. The table below shows the overall ranking of the total benefits program and each component.

**Table 23: Comparison of COG Benefits to Market**

Benefit Type	The City vs. Market
<b>Total Benefits</b> (includes retirement, healthcare, life insurance, disability and other benefits/allowance)	<b>Fire:</b> <ul style="list-style-type: none"> <li>Above P50 when compared to peer group market prevalent plans</li> </ul> <b>Police:</b> <ul style="list-style-type: none"> <li>Above P50 when compared to peer group market prevalent plans</li> </ul> <b>GPP:</b> <ul style="list-style-type: none"> <li>P25 and below</li> </ul> <b>401(a) Participants:</b> <ul style="list-style-type: none"> <li>Below P25</li> </ul>
<b>Retirement</b>	<b>Fire:</b> <ul style="list-style-type: none"> <li>Above P75 compared to peer group market prevalent plans</li> </ul> <b>Police:</b> <ul style="list-style-type: none"> <li>Above P75 compared to peer group market prevalent plans;</li> </ul> <b>GPP:</b> <ul style="list-style-type: none"> <li>P50 to P75 compared to peer group market prevalent plans</li> </ul> <b>401(a):</b> <ul style="list-style-type: none"> <li>Between P25 and P50 compared to peer group market prevalent plans</li> </ul>
<b>Healthcare</b>	<b>Below P25</b> (mainly due to higher employee cost-share on monthly premiums)
<b>Life Insurance</b>	<b>Varies by income level</b> (competitive for lower income earners, but not for those earning above \$50,000, except for Charter Officers - due to increased maximum vs core employees)
<b>Disability</b>	<b>Below P25</b> (due to lack of an employer paid STD benefit and lower income replacement ratio under LTD programs)
<b>Other Benefits and Allowances</b>	<b>Varies by income level</b> (above market median for employees earning < \$100,000; below market median for employees earning > \$100,000 without an auto allowance; above market median for employees with auto allowance)
<b>Paid Leave*</b>	<b>In-line with market practices</b>

The total findings of the benefits market analysis can be found in Appendix K.





## Section 7 - Recommendations Based on Market Findings

### 7.1 Compensation

After researching the databases at different levels and taking into consideration COG's strategy, Korn Ferry recommends the market median (P50) to compare jobs within COG. The City overall is currently paying at or close to the 25<sup>th</sup> percentile of the market (overall, some functions are higher or lower). The recommendations for using the market median came after reviewing the level of depth and breadth of the jobs within COG. From our analysis, it appears that competitive pressures are being felt at the middle and senior professional ranks. There appears to be less competitive pressure at the lower classification levels. Overall, our competitive market analysis suggests that COG adopt a pay policy that is aligned with the market median with particular emphasis on attracting and retaining talent in the professional, management and senior management ranks.

Further analysis indicates that a pay philosophy and market positioning to the general government and private sector is essential given the mission and strategy of the organization. Therefore, it is recommended that the market pay line is pegged to the specific industry data.

### 7.2 Salary Structures

In creating the structures, various range spreads were developed around the midpoint to determine the minimum and maximum pay from the market median. The varied range spreads have been put forth in this report for consideration and are based on job level and the expected amount of time individuals would typically remain at a grade level. Further discussion and weighing pros and cons can be considered. At a minimum, the current structures should be updated to reflect the market. There are enough differences in the market data and types of jobs between some functions (such as Public Safety, Engineering, IT, etc.) to justify separate pay plans. Continuing with multiple pay plans is appropriate, but under the new methodology all jobs are aligned to the job evaluation criteria (consistent grades and methodology) which ensures internal equity, creates greater opportunities for mobility and career paths across the organization.

### 7.3 Benefits

Following a review of the City's benefits offering relative to the market peer group, the following observations were noted:

#### Retirement:

- The City's GPP falls between P50 and P75. Although the Police & Fire pension plans are richer than the GPP, when compared to just the Public Safety DB plan subset, the Police & Fire pensions are P50 and P25 - P50, respectively.
- The City's DC plan (401(a) money purchase) offered to "at will" executives and select temps is between P25 and P50 when compared to the Total Retirement market (DC and DB plans) due to influence of the richer DB plans, but is above P75 when compared to just the DC retirement plans offered by the peer group market (the 10% employer contribution is driving this)





#### 401(a)

- These types of plans provided by public-sector/not-for-profit/educational institutions are often in lieu of a DB pension plan; thus, often having a higher employer contribution than typical DC retirement plans (such as a 401(k) or 403(b))
- Contribution strategies vary from a fixed percentage to escalators based on years of service (e.g., 1-5 yrs.: 3%, 6-9 yrs.: 4%, 10-14yrs: 5%, 15-19yrs: 6%, 20+yrs: 8.5%)
- Typical “non-uniform” vesting is 5 to 6 yrs. - cliff or graded (e.g. 1-2 yrs.: 0%, 25% each year thereafter reaching 100% in yr. 6)

Other DC retirement plans such as 401(k)/403(b) typically have a 3% - 4% employer contribution (normally provided on a match basis), with executives often receiving an additional 4-5% via a supplemental retirement plan; vesting is typically 4 - 5 yrs. (cliff)

Although the 401(a)-plan provided by the City is quite competitive based on the 10% employer contribution, it is somewhat atypical for employers to provide this type (and this rich) of benefit to “at will” and temporary employees.

#### Healthcare

The City’s healthcare plan is below market (below the 25<sup>th</sup> percentile of the market), mainly due to high employee cost-share (both individual and dependent cost-share high when compared to market data). When comparing plans, the City’s plan design is more favorable compared to the market (better plan, lower cost when getting care, etc.), but it does cost more for each employee **out of pocket every paycheck**. Based on the most recent plan year, the City had only 80 members hit the maximum out of pocket, and only 12 Family Contracts hit the monthly out-of-pocket.

When employees were asked about health care costs in the pulse survey, the following was reported:

- Results from the employee survey indicated the main identifiable reason for not being enrolled in the City’s medical plan is the high “cost” (by an overwhelming majority (>90%). It should be noted that medical plans are also seen as the most valued benefit from responders, but with high dependent cost share, it is difficult for those to participate in the plan offered by the City (too expensive and impacts take home pay).
- This is likely a major source of the negative comments/perceptions around the benefits plan.

The City only offers one Medical plan, yet offers three (3) Dental plan options:

- The City may want to consider offering an additional Medical plan to provide more choices (and lower cost) to its employees, e.g., a High Deductible Health Plan (HDHP), which is the prevalent medical plan type for the peer market group (44% vs. PPO at 33%).
- We understand that the City has adopted three dental plan options to provide more options and cost savings; a similar approach could be taken for medical.
- A HDHP could be structured to deliver a less rich benefit, but with a lower premium. These types of medical plans are becoming increasingly popular with employees who are only light users of healthcare (often, younger/single employees). The City should target higher HDHP enrollment by





creating more differentiation in the rates and making an HSA contribution. HDHPs are the market trend, as these types of plans provide more flexibility to employees in how health care dollars are spent.

- PPOs with low or no deductibles are decreasing in prevalence, as premiums for these types of plans are unsustainable to employers.

**Table 24: Comparison of COG Healthcare Costs to Market**

Metric	COG	Market	COG vs. Market
<b>Plan type</b>	PPO	HDHP	COG has a more favorable (richer) plan design, but it costs employees more
<b>Individual Contributions (monthly)</b>			
Employee	\$115.70	\$0.00	-
Employer	<u>\$509.04</u>	<u>\$654.52</u>	+
<b>TOTAL</b>	<b>\$624.74</b>	<b>\$654.52</b>	<b>+</b>
EE%	18.5%	0.0%	-
<b>Family Coverage Contributions (monthly)</b>			
Employee	\$649.18	\$412.50	-
Employer	<u>\$941.68</u>	<u>\$1,166.97</u>	+
<b>TOTAL</b>	<b>\$1,590.86</b>	<b>\$1,579.47</b>	<b>=</b>
EE%	40.8%	26.1%	-
<b>In Network</b>			
Deductible - Individual	\$600	\$1,375	+
Family	\$1,800	\$2,750	+
Coinsurance	20%	20%	=
Out-of-Pocket Maximum - Individual	\$4,500	\$3,625	-
Family	\$7,500	\$7,250	=
<b>Pharmacy</b>			
Generic	\$10	\$10	=
Non-Preferred Brand	\$80*	\$55	-

\*also has separate \$300 deductible

Annual Employee Contributions and Deductibles				
Individual	COG	Market	Difference	COG vs. Market
Annual Employee Contribution (monthly x 12)	\$1,388.40	\$0.00	\$1,388.40	-
Deductible (In-Network)	<u>\$600.00</u>	<u>\$1,375.00</u>	<u>-\$775.00</u>	+
Individual Cost (excl copays and coinsurance)	\$1,988.40	\$1,375.00	\$613.40	-
<b>Family</b>				
Annual Employee Contribution (monthly x 12)	\$7,790.16	\$4,950.00	\$2,840.16	-
Deductible (In-Network)	<u>\$1,800.00</u>	<u>\$2,750.00</u>	<u>-\$950.00</u>	+
Family Cost (excl copays and coinsurance)	<b>\$9,590.16</b>	<b>\$7,700.00</b>	<b>\$1,890.16</b>	-





### Disability

The City does not provide an employer paid Short-term disability (STD) benefit (employees must purchase their own coverage), however, there is no cap on sick day accruals (where sick days still exist).

The City does not provide a standalone Long-term disability (LTD) benefit; rather, employees are eligible for LTD coverage under their retirement plan.

- Although LTD benefits vary by plan, the minimum LTD benefit (via the retirement plans) is below market median practices (when analyzing the Public Safety pension disability benefits, the income replacement percentage ranges from 42% to 66 2/3%, however, the average of this subset is closer to 60%). However, this was designed to keep employees longer and not encourage an early departure.

### Life Insurance

The City’s life insurance benefit lags the market due to the low \$50,000 cap (Charter Officers have a \$250,000 cap). As such, the City may want to consider increasing this level more in-line with the market (e.g., \$200,000).

### Other Benefits

The City provides a customary set of “other benefit” offerings to employees, including an EAP, FSA, ID Theft, Legal, Discount Fitness Membership, Parental Paid Leave, Wellness Program, etc. “Other benefits” vary across GG and GRU, as outlined below. The market also provides benefits that may be considered by the City and are included in the table below as well, with recommendations and cost estimates following.

The City has been very progressive in adding other benefits that enhance the City’s overall benefits, including the top paid parental leave, educational assistance and paid time off for volunteering. Similar with other public sector organizations, the City has a paid time off program that benefits more tenured employees, providing more days off (which can be challenging to use given role and accountabilities at certain levels).

**Table 25: Review of Other Benefits/Perquisites**

Other Benefit Options	Current City Plan	Market Prevalence
Paid Parental Leave	Available to eligible employees	Over 50% of market comparators provide
Student Loan Assistance/Repayment	n/a	35% of market comparators provide
Educational Assistance	Available to eligible employees (actual cost up to state limit)	78% of market comparators provide
Paid Time Off for Volunteering	5 PTO hours granted for 25 hours volunteering (capped at 10 hours)	Over 50% of market comparators provide
Unlimited PTO	n/a	Less than 25% of market comparators provide







Other Benefit Options	Current City Plan	Market Prevalence
Flexible Work Arrangements	Discretionary across functions (some jobs require fixed schedules and on-site presence)	Over 75% of market comparators provide
Onsite Fitness Centers	Available to eligible employees	Over 75% of market comparators provide
Medical Clinics	Available to eligible employees	Over 75% of market comparators provide
Child Care Centers	n/a	Less than 25% of market comparators provide
Long-Term Care	n/a	Over 50% of market comparators provide (typically at the executive level)
Adoption Assistance	n/a	Over 75% of market comparators provide
Pet Insurance	n/a	Over 75% of market comparators provide
Standing/Treadmill Desks	Available if department budgets allow	Over 50% of market comparators provide
Quiet/Lactating Room	Available to eligible employees	Over 75% of market comparators provide
Massage Chairs	n/a	Less than 25% of market comparators provide
Free Coffee	Available if department budgets allow	Over 75% of market comparators provide
Home buying assistance program	n/a	Over 50% of market comparators provide (typically at the executive level)
Financial Wellness	n/a	Over 75% of market comparators provide
Charitable Gift Matching	n/a	Less than 25% of market comparators provide

For those other types of benefits that the City does not currently offer, KF recommends considering the following for attraction and retention of talent (based on market studies and trends). Below are some details regarding the plans for consideration.

- 1. Student Loan Assistance:** The City provides employees with a tuition reimbursement benefit (actual cost up to state limit). A related benefit that is starting to gain traction in the marketplace is Student Loan Assistance/Repayment. The City should consider reviewing this program, in conjunction with the current tuition reimbursement program, as an alternative or addition to hiring talent:
  - Given the increasing amount of debt students are graduating with in today's market, employers are giving more consideration to student loan benefit programs as an





attractive recruitment and retention strategy (more than 50% of employees entering the workforce have some form of student loan debt).

- Utilizing these types of programs can assist employers with attracting high-quality talent and are being used as another way for employers to set themselves apart from their peers. Costs begin at \$2,000 per year (up to \$10,000 total) toward repayment of their student loans. Higher end costs begin at \$6,000 per year. Some employers require a commitment (paying back of they leave the organization; but most pay the student loan benefit is monthly, therefore if an employee who leaves the organization does not have to repay the benefit).
2. **Student Loan Counseling:** In addition to setting up programs for employer contributions, student loan benefit vendors also work with employees to review refinancing options and provide advice on alternative programs for loan forgiveness (e.g., for those employed by a not-for-profit). Providing these types of “counseling” benefits can be done at relatively low cost by the employer and can have significant positive impact on employees via: i) assistance in navigating what can sometime be a relatively complex refinancing market and; and ii) substantial savings.
  3. **Long-Term Care:** Offered on a voluntary basis (i.e. 100% employee paid, so no cost to employer other than administration) and utilized to help offset the high cost of future elderly care. This program is offered at no cost to the City but provides an opportunity to have access to longer-term care options (and at times as discounted price as negotiated through the City).
  4. **Adoption Assistance:** Typically provides reimbursement for associated adoption expenses up to a pre-determined maximum. Those amounts begin at \$2,000 with a maximum of \$10,000 (cost include Adoption agency fees; Home study fee; Legal fees and court costs relating to the adoption process; Medical expenses for an adopted child not covered by insurance; Medical expenses of the birth mother of the adopted child; Travel fees)
  5. **Home Buying Assistance Program:** Some municipalities are beginning to offer employer-Assisted Housing Programs which could include 0% interest loan and a matching funds grant for down payment and closing costs to purchase first homes. Programs vary and cost impact depending on funding and grants. These programs are beneficial for those areas where affordable housing is challenging or where local municipalities need an increase in employees living in their respective county/city/town.
  6. **Pet Insurance:** Becoming increasingly popular in current market (100% employee paid, so no cost to employer other than administration)
  7. **Financial Wellness:** Counsellors to assist in retirement savings, taxes, debt consolidation, etc. Fees range from \$100-\$500 per employee, annually.

### Communicating Benefits

Communication of benefits to employees is becoming increasingly important – most employers in a recent study by HSA Bank believe employees do not fully understand their benefits (while some are straight forward, others are complex and can be confusing). With the advancement of technology, organizations can reach more employees through text, email, teleconference or face-to-face contact. Employees who work shifts or work around the clock want 24 hr. access (i.e., the employer needs to tailor access to these employees’ schedules, not the other way around).





Communication should be ongoing and frequent; once a year open enrollment is no longer the best practice or only time to communicate benefits to employees. Beyond financial incentives (\$), employees are looking to feel valued and appreciated; some of the simpler, no cost “incentives” - like saying “thank you” and making eye contact with staff works, too.

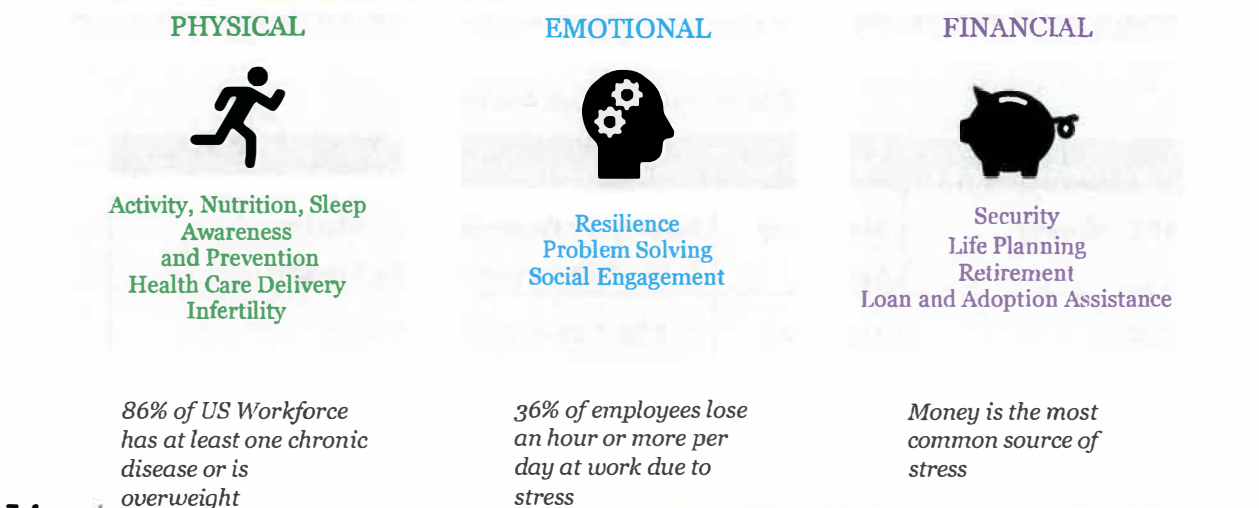
Studies found that employees often feel more motivated if their managers expressed thanks more often...this doesn't cost anything but can go a long way to motivating and making an employee feel that they are valued and appreciated. Many of these types of employees are looking to work for an organization with a sense of purpose, beyond just making a profit and/or doing their job.

**New Approach to Managing Benefits**

- Research shows that employers are taking a new approach to employee well-being: Providing non-core benefits that concentrate on the employee holistically.
- The employee wellbeing concept is a deliberate broadening of the definition of wellness to include programs, tools, and discounts that help employees balance their lives and be the best version of themselves – both on and off the job
- The City currently provides some non-core benefits (as described in the table above) to assist with employee work/life balance and overall wellbeing. Below are some additional programs to consider, and include Health Management (Physical), Veteran’s Assistance Policies or Enhanced Parental Leave (Emotional); and Student Loan Assistance Program, Adoption Assistance Program, Childcare Subsidy and Back-Up Elder Care (Financial).

**Chart 9: This is a shift in mentality: Wellness to Wellbeing<sup>2</sup>**

Thriving employees are physically healthy, emotionally resilient, have strong ties with family, friends and community, are engaged in their work and manage their finances



7.4



Research finds that thriving employees have 41% lower health costs, 35% lower turnover costs and 31% higher productivity<sup>2</sup>



<sup>2</sup> Research from World at Work.





Developing reward strategies for this population is a significant challenge, given the special nature and diversity of the jobs covered. The starting point for a reward strategy is agreeing on a Value Proposition, which is the answer to the question – why someone should choose to work for you. This will involve considering the overall people strategy and culture that you wish to encourage, understanding the constraints that exist with respect to your ability to provide pay and benefits, appreciating the perspective of the target “employees” and then considering the role that each element of the Total Rewards package needs to play in order to deliver an effective value proposition.

The non-financial (or intangible) rewards are often seen as very important for the type of population under consideration. In many public sector organizations, the view is that public service is, in and of itself, a reward for the serving incumbent - particularly at the top where individuals can have a significant impact on society. This is the Self Worth or Self Actualization element indicated above. Putting a value on this “intangible” is, by definition, almost impossible. The test is that the tangible elements of the package need to be sufficient to attract the required caliber of talent, so the success of the value proposition is measured by the quality of the applicants for the vacancies.

When reviewing total rewards offered to City employees compared to the market, the total overall position should be considered. As noted in this report, overall the City is behind when looking at base compensation, mostly attributed to years of pay freezes and failure to keep up with market (not implementing past study recommendations has an impact). When benefits are considered, the City offers a generous plan to employees in terms of health and welfare plans and retirement and other benefits. When including spouse or dependents in the health care coverage, the City does have a significant gap from the market. Further examination and consideration regarding providing better coverage for families is philosophy the City will need to consider for the future.

In aggregate, COG’s total rewards program is between the market 25th and 50th percentiles for all elements of compensation. When reviewing Public Safety, Base Salary is trending toward the lower end of the market, but Benefits are at the higher end of the market. Total Rewards for the City only considers base compensation and benefits; it should be noted that private sector also includes bonus/incentive pay for some jobs (as noted in this report earlier).

**Table 26: Total Reward Analysis**

Total Reward Analysis	Component	Current Aggregate Position
All Employees	Base Salary	Below <b>50th Percentile</b> of the Market
	Benefits	Below <b>25th Percentile</b> of the Market
Police	Base Salary	At <b>25th Percentile</b> of the Market
	Benefits	Above <b>75th Percentile</b> of the Market
Fire	Base Salary	At <b>25th Percentile</b> of the Market
	Benefits	Above <b>75th Percentile</b> of the Market





Total Reward Analysis	Component	Current Aggregate Position
EIO	Base Salary	Below <b>50th Percentile</b> of the Market
	Benefits	Below <b>25th Percentile</b> of the Market
Transit Operators	Base Salary	Below <b>50th Percentile</b> of the Market
	Benefits	Below <b>25th Percentile</b> of the Market
PTTP	Base Salary	Between <b>50th – 75th Percentile</b> of the Market
	Benefits	Below <b>25th Percentile</b> of the Market

The City’s employees are eligible for a comprehensive compensation and benefits program. We recommend COG consider introducing a total reward statement which provides a personalized document showing the overall value of financial rewards such as base pay and employee benefits. A total reward statement can also serve to communicate less tangible benefits such as work/life programs, learning and development programs and flexible work arrangements. These statements could be provided in conjunction with any market adjustments and the roll-out of the new pay plan.

## Section 8 - Implementation

### 8.1 Cost Impact

#### Recommendations/Cost impact:

Korn Ferry analyses found that when applying the various scenarios (current and new salary ranges with current market data) to City employees, some incumbents are paid below the minimum of the proposed salary grade and others are paid above the maximum of the respective salary grade.

If the recommendations were to be adopted, the following should be considered to ensure internal equity:

- 1. Internal equity across all jobs** – using criteria to establish incumbent pay within the new pay ranges. This could be done immediately (recommended and preferred); in two years or up to three years (long term implementation process considering budget availability).
- 2. Retention and Attraction** - Review those jobs that have retention and attraction issues and focus on getting those to an acceptable pay position (with the understanding and evidence that pay is the issue in retention or attraction of talent).
- 3. Progression through Training Program** - Review current PTTP policy (top of the range policy) which impacts both GG and GRU jobs and adjust as needed. It appears that this policy was established to allow the City to be more aggressive in how pay is established and movement within the pay ranges. With the newly updated pay ranges, this policy should be reviewed since the new ranges are competitive and in line with current market practice. Movement in the pay ranges should be based





on performance of each individual, along with development and growth in their careers (identifying both high performers and high potentials and compensating them appropriately as they develop).

The City should consider adjusting pay for individual incumbents currently compensated below the recommended range minimum. For example, the City could increase the pay for incumbents who have a compa-ratio less than 80 percent to a pay level that would result in a compa-ratio of at least 82 percent (tenure and performance drive everyone's compa-ratio). The cost impact scenarios below are based on the recommended option 5, where the City would transition to a unified structure, except for Transit Operators, Fire and Police, EIO and PTPP respectively.

As a result of the recommended pay structures, immediate review of the impact by employee is recommended as no individual should be below minimum of the new range. This is especially critical as the new living wage pay philosophy is being adopted across the City. These costs would impact only those individuals who fall below the minimum of the pay range. Additionally, the City has deferred any structure or pay increase for many years on a consistent basis (most have been ad-hoc or collectively bargained). To correct internal equity and encourage a pay for performance and recognition of commitment to the City, the criteria in Table 27 is recommended for movement of individuals in the new pay ranges. The criteria should be reviewed internally and agreed to, with additional conversations with managers of each function weighing in on each individual's position in range. The model shown below is being used as a proxy for costing analysis. City management should consider an implementation plan over a time period (2-3 years) in conjunction with performance reviews and budgets.

An individual employees' position in range will vary based on the widths of each pay grade/range. The costs outlined below are based on assumptions and current employee census. Before finalizing, the consultants would encourage that the City allow each department head to review the analysis for each incumbent and provide recommendations based on their knowledge of each incumbent's performance over time as well as career potential (high potentials), retention of talent and internal equity (compression).

**Table 27: Cost Impact Criteria**

Criteria	Range Placement
1. <1 year of time in job and with good performance	Ranging from 77-85% Compa-Ratio
2. 1-3 years of time in job with 1+ years of good performance	Ranging from 83-89% Compa-Ratio
3. 3-5 years of time in job with 3+ years of good performance	Ranging from 89-93% Compa-Ratio
4. 5-7 years of time in job with 5+ years of good performance	Ranging from 89-95% Compa-Ratio
5. 7+ years of time in job with 7+ years of good performance	100% Compa-Ratio







The cost impact table calculated for the entire City (represented as All) are displayed below. We have done a further calculation which splits the cost between GG and GRU (given the separate budgeting process).

**Table 28: Cost Impact Across the City**

Organization	# of Employees Immediate Correction	Total	# of Employees over Maximum	\$ over Maximum
GG	779	\$ 4,744,648	32	\$ 136,660
GRU	388	\$ 3,375,734	33	\$ 97,772
<b>Total</b>	<b>1167</b>	<b>\$ 8,120,383</b>	<b>65</b>	<b>\$ 234,432</b>

Organization	# of Employees	Year 1	Year 2	Year 3	3 Year Implementation Total
GG	779	\$ 1,581,549	\$ 1,621,088	\$ 1,661,615	\$ 4,864,253
GRU	388	\$ 1,125,245	\$ 1,153,376	\$ 1,182,210	\$ 3,460,831
<b>Total</b>	<b>1167</b>	<b>\$ 2,706,794</b>	<b>\$ 2,774,464</b>	<b>\$ 2,843,826</b>	<b>\$ 8,325,084</b>

Cost Impact estimate reflects compensation adjustment and does not include benefits cost impact.

Long term cost impact is calculated as follows:

Year 1 = Immediate Correction/3

Year 2 = Year 1 total + 2.5%

Year 3 = Year 2 total + 2.5%







Cost Impact by Department is illustrated below.

Market Bucket	Total Cost Impact	% of Total
<b>CLASSIFICATIONS ACROSS MULTIPLE DEPARTMENTS</b>	<b>\$867,568</b>	<b>11%</b>
BUDGET & FINANCE	\$108,509	1%
CITY ATTORNEY	\$176,498	2%
CITY AUDITOR	\$0	0%
CLERK OF THE COMMISSION	\$0	0%
COMMUNICATIONS	\$51,592	1%
CRA	\$206	0%
EQUAL OPPORTUNITY	\$18,189	0%
IT	\$807,500	10%
COG - CITY MANAGER	\$51,341	1%
COG - DOING	\$38,974	0%
COG - FACILITIES	\$42,408	1%
COG - FLEET	\$128,290	2%
COG - GFR	\$290,688	4%
COG - GPD	\$1,773,067	22%
COG - HR	\$66,335	1%
COG - RISK MGMT	\$53,477	1%
COG - MOBILITY	\$13,165	0%
COG - NI	\$15,910	0%
COG - PRCA	\$232,903	3%
COG - PUBLIC WORKS	\$123,869	2%
COG - RTS	\$1,124,632	14%
COG - STRATEGIC INITIATIVES	\$11,025	0%
GRU - GENERAL MANAGER	\$56,664	1%
GRU - CUSTOMER SUPPORT	\$302,736	4%
GRU - GRUCOM	\$7,364	0%
GRU - OPERATIONS	\$366,067	5%
GRU - ENERGY DELIVERY	\$715,585	9%
GRU - ENERGY SUPPLY	\$285,819	4%
GRU - WATER/WW	\$390,003	5%
<b>Total</b>	<b>\$8,120,383</b>	<b>100%</b>

Organization	Total	% of Total
GG	\$ 4,744,648	58%
GRU	\$ 3,375,734	42%
<b>Total</b>	<b>\$ 8,120,383</b>	<b>100%</b>





All other incumbents should be reviewed and adjusted accordingly taking into consideration tenure and performance. Individual incumbent reviews will be done in conjunction with department managers and supervisors. Employees who are above the salary range maximum are costing the City \$ every year and should be reviewed carefully.

When studies of this nature are conducted, there are typically a certain number of incumbents that fall above the recommended pay maximum (mostly due to tenure, especially when individuals have been in the same position for a long period of time). The current cost of those above maximum is costing the City \$234,432 annually in excessive salary expense (approximately 65 employees).

COG should consider one of the following options to address the situations where incumbents are compensated above the recommended pay range maximum. Please note that option 1 is the most prevalent practice amongst both public and private sector organizations, mainly utilized to encourage continued good performance and employees should also be coached and encouraged to seek development and career opportunities within the City.

1. Providing a lump sum payment (outside of base pay) based on performance.
2. Freezing pay - by not providing any increase in pay for the coming fiscal year; or, if this option would be considered as a de-motivator for incumbents,
3. Slowing raises - by offering those incumbents only half the percentage increase earned.

**Benefits Cost Impact:**

Aside from compensation, the main drivers of employee satisfaction with respect to benefits are typically healthcare, retirement, and paid leave. These same three components also account for the majority of an employer’s benefits cost.

The City’s Healthcare benefits need consideration for updating (plan design) to improve cost sharing, as the City is significantly below market median practices (mainly due to higher individual and dependent cost-sharing). Additional consideration for eliminating the three dental plans and switching to one plan could result in cost savings that could be applied to healthcare costs (adding a high deductible health plan could be structured to deliver a less rich benefit, but with a lower premium. These types of medical plans are becoming increasingly popular with employees who are only light users of healthcare (often, younger/single employees).

Benefits cost and impact to an organization can vary depending on the options and participation of employees in the plans. Given Korn Ferry’s recommendation to review the current health care plan offering to employees, an estimated cost to the City has been calculated in conjunction with the City’s project team.

The estimated cost is based on actual active enrollment numbers and are based on projected premiums for the next two years, with a cost of 75% dependent coverage:

**Table 29: Cost Impact Across the City**

Year	Cost Impact
2020	\$ 2,960,000
2021	\$ 647,000





## 8.2 Linking the recommended pay structure to performance

Emphasizing a philosophy of performance-based compensation, individual pay within the compensation structure should be driven by individual, team, and the City's performance. As part of the appraisal process, specific goals or objectives should continue to be established for certain individuals based on mutual understanding between the manager and employee. Through discussion and review of expectations as well as performance, managers assist employees to improve performance and prepare for the possibility of advancement to larger jobs. Employees work on development plans and increase skills and knowledge through various learning programs, including on the job, formal education and certification programs.

It is important that the City understands that if a salary administration program is to be motivational, individuals must be rewarded on the basis of their performance and contribution to achievement of goals and objectives. A successful performance management system should be capable of recognizing different levels of performance and rewarding appropriately for it.

In designing such a system, Korn Ferry recommends analyzing a variety of information such as the City's strategy, targeted work culture, work roles, job content and the work processes. The performance management system also needs to be usable and manageable.

Korn Ferry recommends that the City looks closely at current practice and re-tool the performance management system. Korn Ferry recommends enforcing the current performance management system that consists of at least the following tools:

- A document for performance planning including mechanisms to prioritize objectives and competencies (weighting).
- A document for performance appraisal.
- A procedure for administering the system (i.e., guidelines for linking performance ratings to pay).

In order to truly reinforce the desired work culture, it is critical to reward individuals appropriately and not merely by just appraising performance. Rewarding performance may come in several fashions. These include merit base pay increases, incentives, and cash or non-cash awards. A combination of these pay delivery vehicles should be considered and used at different levels throughout the organization.

Career Development Plans (CDP) are approved career paths that employees may voluntarily elect to utilize to advance their own professional growth. Each level in an approved CDP is assigned to a pay grade. When an employee meets the CDP criteria and demonstrates sustained successful performance at the next successive CDP level, s/he is promoted to that level and receives an associated pay increase. Employees must continue to meet the criteria and demonstrate sustained successful performance at that level in order to maintain that level (if not, the employee would be demoted with the associated decrease in pay). Part of an approved CDP includes earning relevant licenses, certifications or professional designation.

When effectively designed and implemented, performance management systems are valuable tools in helping organizations reinforce the behaviors required to be successful.

Include job description review as part of annual performance appraisal process. This will ensure that job descriptions are up-to-date and ensure that performance is tied to the requirements of the job description.





### 8.3 Short- & Long-Term Recommendations

**Table 30: Short-term Recommendations**  
**Salary Adjustments for Market Comparability**

Adjust all salaries based on the following criteria: current compa-ratio, length of service and performance ratings in 1 YEAR.	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"><li>• Puts the focus on pay-for-performance (in the current job).</li><li>• Rewards tenure and institutional knowledge (based on current job).</li><li>• Can be used as a tool to reward and recognize high performers and high potentials.</li><li>• Immediate correction of internal equity and market competitiveness.</li></ul>	<ul style="list-style-type: none"><li>• Does not reward those with high compa-ratios as greatly on a percentage basis.</li><li>• Large cost impact in year one, budget implications.</li></ul>

**Table 31: Long-term Recommendations**  
**Salary Adjustments for Market Comparability**

Adjust all salaries based on the following criteria: current compa-ratio, length of service and performance ratings over 3 YEARS.	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"><li>• Puts the focus on pay-for-performance (in the current job).</li><li>• Rewards tenure and institutional knowledge (based on current job).</li><li>• Can be used as a tool to reward and recognize high performers and high potentials.</li><li>• Cost savings and funding over 3 years.</li></ul>	<ul style="list-style-type: none"><li>• Does not reward those with high compa-ratios as greatly on a percentage basis.</li><li>• Discouraging to employees that have to wait for adjustments over 3 years; may cause retention issues.</li><li>• Compression and internal equity issues may remain over the 3-year time period.</li></ul>





#### 8.4 Salary Administration Recommendations

- Develop a strategy for getting people to midpoint level of pay especially if policy is maintained to hire at minimum. The length of time to midpoint depends on the job but is generally from three to five years.
- Improve internal equity and reduce compression by adjusting based on performance and seniority through the Performance Management system.
- Reduce the number of unique jobs and develop more functional families of jobs. This will empower employees to enhance their job skills, allowing more cross functional development.
- Identify career paths within job families that allow for promotion based on building individual capability and value to the City. Currently, focus is too much on job, not career.
- Clarifying career paths will allow for the creation and use of “career ladders” to organize jobs and to manage pay. This will allow individuals to better understand expectations by job, performance, and career advancement.
- Consider the following when addressing promotions and longevity:
  - Value: work with employees to help them understand that they can be valued even if they do not receive a promotion.
  - Levels: there is a fixed level of work that needs to be performed; therefore, every employee having significant tenure cannot realistically be promoted.
  - Eligibility: In order to be eligible to move into a job having a higher job level, the employee must meet the established job level criteria. Additionally, there must be a vacancy at the job within the higher job level before the eligible employee can apply for promotion.
  - Manage expectations regarding longevity: a large portion of COG employees are very tenured, but it is that tenure that often reinforces the organization’s mission and goals. It is obvious that the City should encourage its employees to remain with the organization to further increase their institutional knowledge. But the goal should not be to promote an employee simply because he or she walks in the door each day. By making firm distinctions between jobs, the City can provide employees with opportunities for growth and career development while encouraging both performance and longevity.

#### 8.5 Implementation Plan

In conjunction with the Human Resources department, Korn Ferry is continuing to work with the City to:

- Cost the implementation of the Proposed Salary Structure.
- Communicate the new pay program to all City employees.
- Develop/Revise Salary Administration Policies.
- Make final decisions regarding adjusting salaries relative to new structure.
- Ensure the living wage is considered when implementing and costing out over the next few years (for all employees)
- Consistently review internal equity and adjust annually as needed, in conjunction with department heads

Korn Ferry recommends embracing the following guidelines:

- Utilize the salary range appropriately. Specifically, when determining base salary for a lightly experienced employee, pay at the minimum of the range and gradually move the employee through the salary range





based on his/her performance level (typical progression is five years to midpoint in the private sector; public sector is longer and can range from 7-10 years given the more conservative annual pay increases). The midpoint of the range is the market reference or the “going rate” of the job for an experienced, competent employee.

- Establish a policy to effect immediate adjustments in pay for those incumbents whose salaries are below or fall below the minimum of the salary range. This adjustment should be done within a one- or two-year period (budget permitting). On average, pay ranges typically increase by 2.0 to 3.0 percent per year.
- Write thorough and accurate job descriptions that reflect what is expected of the incumbent performing the responsibilities. Include job scope, accountability, and decision making in all descriptions. Review and revise job descriptions regularly.
- Complete a Fair Labor Standards Act questionnaire for every employee and add to his/her human resources file.
- Redesign the performance evaluation system to include a review of the job description, specific performance factors and respective ratings, and goals/areas of development for the upcoming period.

## Section 9 - Ongoing Support

### 9.1 Recommendations on Training HR

All training and development are essentially about change and learning – and at Korn Ferry, we treat all capacity and capability development as an integrated priority right from the Inception phase through diagnosing (data collection), developing (job evaluation and market analysis) and deploying (implantation/cost impact) phases. We believe that successful project implementation depends on learning in the most collaborative way possible, and we have done so through all phases of this project. Knowledge transfer is facilitated through teaching, training, coaching and experiencing, always with a view to both personal development and maximizing organizational capability. We don’t just offer training and hope that this will be enough, we sustain the learning process through direct support and coaching until competence is fully established. Our approach to designing and delivering training programs, curricula and other critical learning opportunities for knowledge transfer is based on our commitment to finding the most effective ways to help people grow and develop and our understanding of how they, at different levels, learn. As such, we ensure that our program design approach includes:

- A commitment to recognizing and accommodating different learning needs;
- A recognition that sustainable learning and personal change takes time and the support of everyone across the various COG team’s;
- Utilization of the latest research and best practices in Job Evaluation and Compensation practices, and incorporation of these concepts into the design of the various learning experiences, such as case studies and exercises;
- A belief that helping create momentum for learning across COG is the best way to promote ongoing capacity and capability development; and
- learning experiences through the process of consultation, and hands-on training opportunities that are geared towards obtaining practical experience.







All methods have been described in detail in our detailed work plan and the relevant work packages of various activities.

## 9.2 Transfer of Knowledge

An important Knowledge Transfer initiative which oftentimes gets overlooked is the transferring of ownership towards the end of the project. As we are nearing project completion, we will ensure that ownership responsibilities are clear and have been transferred from Korn Ferry to the Human Resource Department which is then to continue with people-related support to ensure the continued success of the initiative. This step requires careful management to ensure that the transfer does not take place too early or too late and that all parties are aware of and accept the new responsibilities involved in the transfer. This means that a number of actions need to be considered. For example, with the HR project team, we will identify which ongoing responsibilities need to be transferred to the business owner and develop a strategy for this transfer, including what, who and when; determine what outstanding issues or needs should be addressed; recommend future change management support activities and associated timeframes to the business owners of the project; and work out a transition schedule that is agreed by all affected parties.

The table below highlights all knowledge transfer and capability building components, topics and target audiences, including the corresponding work package for ease of reference. It is important to note that all knowledge transfer activities are supported by comprehensive manuals and tools, customized to meet your objectives, and as a joint team approach, in partnership with COG team members and Korn Ferry consultants.

**Table 32: Approach for Transfer of Knowledge**

Approach/Methodology	Topic	Target Audience	Status
<b>Hands-On Learning</b>	Co-development of 151 Benchmark Jobs	HR Project Team	
	Review of Benchmark Evaluation Results	HR Project Team Total Reward Project Committee	
	Finalizing of Benchmark Evaluations	HR Project Team	
	Leading the development of slotting of non-benchmark jobs	HR Project Team	
	Overseeing and project managing	HR Project Team Total Reward Project Committee	
	Final review of benefits analysis and recommendations	HR Project Team Total Reward Project Committee	
	Final review of all benchmark and non-	HR Project Team Total Reward Project Committee	







Approach/Methodology	Topic	Target Audience	Status
	benchmark jobs and grade structure options		

Approach/Methodology	Topic	Target Audience	Status
<b>Formal Training program: class room training and online training modules</b>	Standard Job Evaluation Methodology	HR Project Team Possible Future Job Evaluation Committee	👉
	Job Evaluation Manager Technology (Online Platform)	HR Project Team	👉
<b>Integrated Learning through Consultation</b>	Development of Job Description Templates	HR Project Team	👉
	Career pathing and competency-based modelling and levelling	HR Project Team	👉

### 9.3 Ongoing Administration and Guidelines of the Pay Structure after Implementation

Once the new pay structure is implemented, Korn Ferry recommends that the overall structure be reviewed on an annual basis. The review need not be as extensive as this analysis, however, overall trends in consumer price indexes and inflation should be considered. For example, if the annual rate of inflation is 2.0 percent, then COG should consider increasing the range and midpoints of the pay structure by the increase in inflation. The utilization of the proposed salary structure will allow COG to manage the compensation of many different jobs within a compensation system designed to align job responsibilities with market-competitive compensation. Moreover, aging the salary structure to keep it in line with inflation will ensure that pay ranges remain linked with current market practices.

Korn Ferry will provide, on an annual basis, market data on salary structure increases and merit pay budgets. This information if collected annually from clients, aggregated and reported by sector. In our continued partnership and support of the City, this information will be shared.





#### 9.4 Interim Support/Transition

Korn Ferry can support the City in maintaining accurate job evaluations through one of four options. Our job evaluation maintenance process considers the amount a client wants to be involved in the process. This goes from clients who want to do as much as possible themselves (“Empower me”) to leave it up to Korn Ferry to do the complete maintenance (“Do it for me”).

**Chart 10: Transition Approaches**



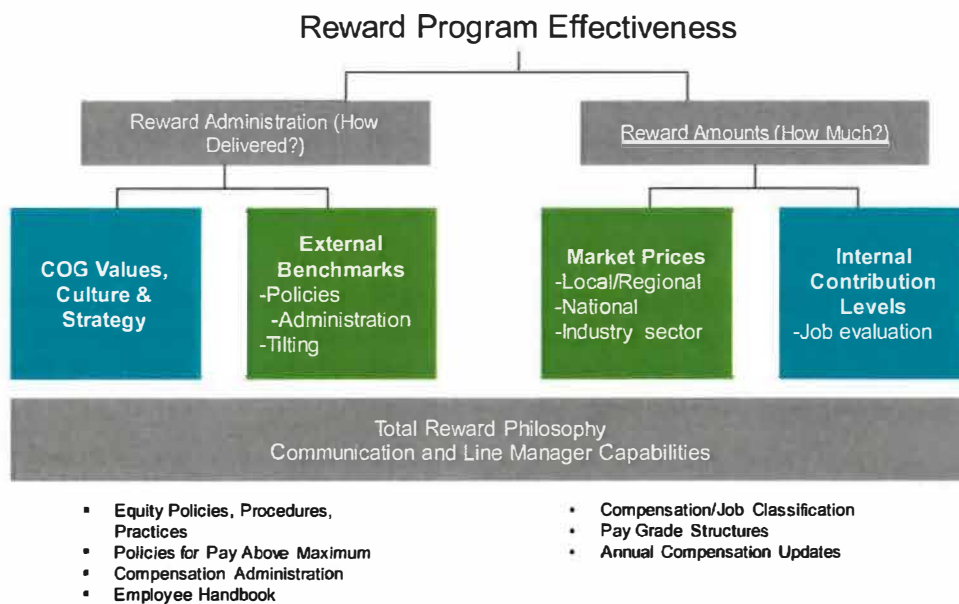


## Section 10 – Final Recommendations

This Final Report and the attached Appendices summarize Korn Ferry consultant activities, work outputs, findings and recommendations.

The focus of this project has been on building a total rewards infrastructure that is ready to implement and support the proposed job evaluation system, pay plan, and enhance the current performance management system.

**Chart 11: Reward Program Effectiveness**



In summary, our recommendations propose an approach to job measurement, compensation administration and performance management which is intimately aligned with COG’s stated strategic objectives.

If Korn Ferry’s recommendations are accepted, there will be a cost impact to align the organization to the proposed market position. However, this strategy promises a significant improvement in COG’s ability to attract, motivate, and retain qualified individuals at all levels within the organization. The proposed recommendations will allow COG management the flexibility to deploy talent in the most effective and productive manner and increase COG’s competitive advantage in a competitive labor marketplace.

**Based on Korn Ferry’s findings we would draw the following conclusions:**

1. In Korn Ferry’s view, the blended markets and weighted approach are appropriate salary comparators for the various jobs within the COG population. The blended market comparisons indicate some higher base salary pay levels, therefore if this market position is to be considered, it follows that a significant improvement in the base salary compensation component would need to be implemented into the COG compensation package.





COG also competes with organizations who have annual incentive opportunity which puts the City at a disadvantage. As a result, COG's compensation program is below market from a total cash perspective.

2. Korn Ferry's analysis of COG's current Pay Plans leads us to recommend a new pay structure based on:

- Current job requirements which include qualifications, skills, decision making and accountability within COG;
- The audited job evaluations based on job requirements;
- A pay policy aligned with the blended market;
- Pay Range widths can vary depending on the jobs in grades, the hiring rate is the minimum of the range of market and the range maximum is the top end of pay for jobs within the range.
- Increments between Midpoints throughout the structure to accommodate for growth and promotional opportunities; and
- Individual pay increases based on performance ratings and tenure aligned to the proposed salary range. While recognizing that service and tenure yields valued experience, pay delivery mechanisms will be based on a combination of the recognition of differences in job content, achievement of performance objectives, the acquisition and application of further skill and education, and the achievement of team/unit or department goals.

Review the health plans and costs associated to employees should be a priority for the City. Employees have expressed the cost burden is impacting their ability to provide for their families. The plan should be reviewed in conjunction with understanding better what employees need. More options and flexibility for different level of employees would be recommended (more cafeteria style plans).

In framing this strategy, Korn Ferry concluded that COG would like to develop a total reward strategy which is as simple as possible with reward linked to performance rather than length of service.

### **Compensation Philosophy**

It is important that all recommendations be considered within the context of a Compensation Philosophy. The current compensation philosophy adopted over ten years ago will require updating reflect the recommendations outlined in this report. Korn Ferry's recommendation for an updated compensation philosophy is outlined below:

#### **City of Gainesville Compensation Philosophy**

The compensation program for City of Gainesville employees is designed to support the mission of the organization. The foundation of the compensation program is to attract and retain quality employees with competitive compensation based on relevant labor markets. The program is based upon principles of fairness and equity and is administered with sound fiscal discipline.

1. All aspects of compensation (base salary, benefits, lump sum payments, allowances and other variable elements of compensation) are considered as a total compensation package for City of Gainesville employees. The City's pay programs utilize fixed compensation as well as non-cash reward and recognition programs.





2. Total compensation, as defined above, will be targeted at a competitive level when compared to the appropriate labor markets to allow the City to attract, retain, and motivate the quality and quantity of employees needed to fulfill service commitments to its citizens. This is relevant when comparing GRU to the Utilities market, where formal incentive plans exist in over 50% of privately held organizations. We are not recommending adopting similar plans, but consideration of these plans for recruitment and retention purposes would help with hiring and retention of top talent.
3. The City is committed to ensuring that its salary structures are up to date through the conduct of market surveys at regular intervals. There will be a planned approach to ensure that the classification structure and classification of employees is kept current.
4. The compensation program reinforces a work culture and climate where employees are recognized and rewarded for their contribution. Any changes to compensation must be reasonable and take into consideration the needs of the City as an employer, the work culture afforded to the employees as public service providers and the citizens receiving services from COG.

The City of Gainesville’s Charter Officers will be accountable for the adoption of the compensation philosophy and framework. City of Gainesville’s Human Resources Department will be accountable for the consistent administration of the program. City Directors and Managers will be accountable for proper administration of the program within their Departments.

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*The consultants would like to thank the City of Gainesville Human Resources Department for their guidance, and the Project Team and Project Committee work teams for the many hours they devoted to this project.*

*We appreciate the trust you have placed in Korn Ferry for conducting this study. We will be happy to have the opportunity to provide further assistance to the City of Gainesville.*

## Appendices

- A. Work Plan
- B. C-1 Compensation Philosophy and Policy
- C. Interview Protocol
- D. Benefits Pulse Survey Results
- E. Guide Chart Method of Job Evaluation
- F. Job Level Matrix
- G. Custom Survey Target Participants (Local Peer Organizations)
- H. Survey List of Participants
- I. Market Variance by Job Departments
- J. New Pay Plan
- K. Employee Benefits Market Analysis Results
- L. Competitive Market Analysis by Benchmark Job



## About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.

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