

COMPENSATION PHILOSOPHY AND POLICY

1. Total Compensation 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.

2. 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.

An analysis of the external labor market and internal equity shall be used to establish the pay structure with the market as the primary consideration for non-represented classifications, while internal equity shall be the primary consideration for bargaining-unit classifications.

The goal of this Policy is to ensure appropriate and consistent administration of the Compensation Life Cycle for each employee. The Compensation Life Cycle includes establishing appropriate pay rates for newly hired or promoted employees, adjustments to base pay due to other changes in employment status (i.e., demotions, transfers, interim appointments, special assignments), performance-based merit awards, other forms of compensation (i.e., recruitment, retention, or performance incentives, gainsharing), and any similar actions that affect employees' pay over the course of their career. To achieve this, the Compensation Policies include, but are not limited to, this Compensation Philosophy and Policy (Policy C-1) and:

- a. Performance-Based Merit Awards (Policy C-2)
- b. Changes in Employee Status Affecting Compensation (Policy C-3)
- c. Other Forms of Compensation (Policy C-4)

These Compensation Policies are supported by the Performance Management Policy (Policy C-5).

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

3. 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.

The City Commission designates the Human Resources Director to develop, implement, maintain and administer appropriate City-wide compensation systems with the appropriate Charter Officer(s) to include developing pay plans, rewards, recognition and performance management systems in accordance with local, state and federal law and consistent with this Policy.

Charter Officers will be accountable and responsible for implementation of the Compensation Policies. Administrative Procedures and Guidelines will be developed and maintained to support the Compensation Policies to attract and retain high quality employees and meet the demands of the changing employment environment within City Commission approved budgets and fiscal constraints.

The Charter Officers shall appoint representatives from City staff to assist the Human Resources Director to conduct comprehensive compensation studies and provide ongoing maintenance to all pay plans.

4. Compensation Management

Compensation Study: An appropriate compensation study will be conducted every third year, except under extenuating circumstances, to evaluate total compensation for all job classifications within the City of Gainesville, including the Charter Officer classifications. Results of the compensation study will be presented to the City Commission by Human Resources for approval of the recommended pay plan and implementation strategy, if any.

Interim Study: In the event of documented proof of recruitment and retention difficulties for a particular job classification, an interim compensation study for such a classification may be conducted by Human Resources more frequently than every

third year. In order for an interim study to be conducted, the following criteria must be met: Human Resources must concur with the need for an interim study after performing a **market review** of the classification to confirm that market conditions warrant such a study and a possible adjustment to the pay range for a particular classification, and one of the following three conditions must also exist:

1. a classification must exhibit a high turnover rate (defined as 2 or more non-cause turnover occurrences for single incumbent classifications or 50% or more turnover in multi-incumbent classifications during a one year period), or
2. repeated unsuccessful attempts to fill a vacancy for a particular classification (defined as 2 or more unsuccessful attempts to fill a particular classification in a one year period), or
3. repeated unaccepted job offers due to insufficient salary (defined as 2 or more unaccepted job offers of up to the mid-point of the pay range for the same classification in a one year period).

Based on the results of the interim study, an adjustment of up to 10% may be made to the base pay for the affected classification with the concurrence of the appropriate Charter Officer and the Human Resources Director so long as the adjustment is within the City Commission approved budget. If an increase of more than 10 % is required, this must be approved by a majority of the charter officers. If such agreement cannot be reached, the City Commission approval would be required prior to making any changes.

In all cases, any changes to base pay will be implemented on an interim basis, pending the next comprehensive compensation study or subsequent review. Any such adjustments shall be reported to the City Commission on a quarterly basis.

5. 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, mid-point, and maximum level of compensation. Such a pay plan will be developed and maintained by Human Resources for all employees. Human Resources will assign each budgeted 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. Merit awards are normally based on job performance, the individual's knowledge, skills, and abilities, time required to become fully functional in a classification, and market ratio. At no time will base pay be advanced beyond the maximum of the range for an employee's classification.

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 only advance beyond the mid-point in recognition of sustained, high quality performance.

6. 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 or position excluding additional payments or allowances”. Pay ranges are established as follows and reflects both market and internal equity.

- i. Target the 50th percentile of the market median using base pay of actual incumbents.
- ii. 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.
- iv. An internal equity review is conducted to do a horizontal and vertical scan of the classifications to confirm appropriate relationships between jobs.
- v. Pay ranges will be analyzed and adjusted as necessary in accordance with Section 4 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.

i. Benefits will be targeted to be at or above market.

ii. 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.