

NON-UNION MARKET ADJUSTMENT IMPORTANT REMINDERS

- You may recall 250K in 2018 budget for possible market adjustments which had not been studied for over 20 years.
- Only those salaries that are considered under market will receive adjustments.
- Benefits are competitive and will remain the same.
- No one will receive a pay decrease as a result of this study.
- Adjustments were not based on performance or longevity at the City.
- Performance related issues: This might be a good time to reinforce any performance related issues that you are having with an individual employee. Remember: Adjustments are market driven and have nothing to do with performance.
- Everyone has already received a 2% increase in their salary from 2017 to 2018.
- Market adjustments for this year will be retroactive to January 1, 2018 and implemented over the remaining pay periods for this year.
- Market Merit Pay is not coming back until performance reviews are an accurate reflection of employee performance.
- Market adjustment decisions will be made year to year. 2019 Budget discussions are coming up soon. We will not know revenue estimates until late July.
- This is a step at moving us closer to market.
- This was not a classification study.
- Grade change request may be appropriate in some cases.

EVERGREEN SOLUTIONS, LLC

Executive Summary

In February 2017, Evergreen Solutions was retained by the City of Bloomington to conduct a Salary and Benefits Study for City employees. The City has not conducted a study of this nature in approximately 20 years (although every four to five years is the recommended best practice). The compensation study is primarily designed to focus on internal and external equity of the structure by which employees are compensated. The study included all union, non-union, and elected officials—as well as Bloomington Transit—though only non-union and elected positions are being discussed in this Executive Summary.

Study Methodology

Evergreen's study focuses both on internal and external equity. Internal equity relates to the fairness of an organization's compensation practices among its current employees. Specifically, by reviewing the skills, capabilities, and duties of each position, it can be determined whether similar positions are being compensated in a similar manner within the organization. External equity deals with the differences between what an organization is paying for each classification and what compensation is available in the market place for the same skills, capabilities, and duties.

Evergreen Solutions combined qualitative as well as quantitative data analysis to produce an equitable solution in order to maximize the fairness and competitiveness of the organization's compensation structure and practices. Project activities included:

- conducting a project kick-off meeting;
- conducting orientation sessions with employees;
- facilitating employee focus group sessions;
- conducting salary and benefits surveys;
- developing recommendations for compensation management;
- developing detailed implementation plans; and
- creating the draft and final reports.

Employee Outreach

Evergreen consultants visited the City of Bloomington during the week of March 6, 2017 and on April 5, 2017 to conduct outreach sessions. These sessions consisted of orientation presentations and focus groups with City employees. The orientation segment of the outreach sessions gave employees and supervisors an opportunity to learn about the study process and about their role in the study. During the focus group segment, Evergreen consultants asked questions designed to gather feedback on several topics related to the study. This

feedback provided the Evergreen Team with valuable knowledge of employee opinions on the City's current compensation and classification systems.

The feedback received by the Evergreen Team during outreach in the City was positive when considered as a whole. Employees believe that the City continues to be a very good place to work—attributed to the benefits (health, retirement, and PTO) as well as the positive relationships most employees have with their co-workers and the attractiveness of living and working in Bloomington. However, it is apparent that employees perceive weaknesses in certain areas related to compensation, which they point to as a primary source of overall concern. The Evergreen Team used focus group feedback as one component of the groundwork for this study. The comments and suggestions received during the outreach sessions are considered throughout the remainder of the study, including the development of the market and benefits surveys, as well as the development of recommendations

Analysis of Current Conditions

By conducting a review of the current classification and compensation system data, a number of strengths and weaknesses in the City's current salary schedules related to the overall structure of the compensation system as well as the administration of it at the individual employee level. Notably, the following weaknesses and strengths are identified:

- **Weakness:** Range spread (i.e. percent increase between the minimum and the maximum of a pay range) varies greatly across all tables and grades.
- **Weakness:** Midpoint progression (i.e. grade increase value) varies greatly across grades and salary schedules.
- **Strength:** Overall, as a strength, the City possesses just two, simple pay plans for non-union staff pay plans.
- **Strength:** While anomalies exist in the relationship between experience and grade penetration, the City generally maintains a healthy positive linear relationship between these two variables.

Salary Survey

This salary survey focused on the average salary ranges offered by the market for a total of 41 positions. This external equity analysis allowed for a comprehensive examination of the Bloomington compensation structure. Market comparison analysis is best thought of as a snapshot of current conditions, and provides the most up-to-date market information available at the time. In other words, market conditions will generally change over time and, in some cases, will change very quickly. Therefore, a market survey and analysis should be performed at regular intervals to help maintain market competitiveness.

The City of Bloomington considered several factors when selecting peers for comparison, including geographic proximity, size and other market considerations. In addition, Bloomington selected the State of Indiana as a peer based on job market considerations. Fourteen (14) peer organizations responded. **Exhibit 4A** shows peers from which Evergreen solicited and obtained full or partial market data on their matching classifications.

Market Peers
Ann Arbor, MI*
Boulder, CO*
Champaign, IL*
Evansville, IN
Fishers, IN
Fort Wayne, IN
Indiana University
Indianapolis, IN
Lafayette, IN
Madison, WI*
Monroe County School Corporation, IN
Monroe County, IN
South Bend, IN
State of Indiana Government

*Used in comparisons for positions in grade 9 – 12 only.

All data collected for published salary ranges were adjusted for cost of living using a national cost of living index factor, which allowed salary dollars from entities outside of the immediate area to more accurately be compared in terms of spending power relative to the Bloomington, IN area.

In general, the majority of Bloomington's Non-Union, benchmarked positions are at or below market averages at all levels. While there is a small group of positions that are ahead of market averages, the positions below market averages show significant negative differentials.

This survey confirms some of the concerns expressed during the focus groups sessions regarding hard to fill positions with lower than market starting salaries as well as the difficulty of retaining some tenured staff in Bloomington. The overall market differentials are shown below. Note: A negative differential indicates that the City is behind market by the given percentage.

Comparison Point	Market Differential
Minimum	-25.0%
Midpoint	-11.1%
Maximum	-3.6%

The midpoint of a salary range is considered to be where an employee is expected to be paid upon obtaining the relevant experience, training, and efficiency required of a full-proficient and competent. Therefore, from a compensation practice perspective, midpoint is considered the best single-point of comparison when trying to determine the general competitiveness of an organization's pay ranges. The City's midpoints are, on average, behind market by a relevant percentage (5.0% behind or greater).

Evergreen also collected market data for elected officials. The peer organizations were selected from the pool for second-class cities in Indiana, and were further filtered to ensure alignment with organization demographics and job responsibilities. Based on these data, Evergreen identified the average market salary for each elected position:

Position	City Current	Market Average
Mayor	\$103,333	\$118,034
City Council	\$15,501	\$17,323
City Clerk	\$57,851	\$57,851

It is important to acknowledge that market averages do not paint a complete picture of the compensation ranges offered in the City as compared to the market peers. In many cases, the City has been compensating new and existing employees further into their pay range due to the range values being outdated.

Recommendations

As the first step towards addressing the issues identified in the internal and external reviews, Evergreen is recommending that the City adopt the proposed revised pay structure. The ultimate goal of any compensation policy or practice recommendation is to put the City in a position to better recruit and retain quality employees. This pay structure moves the City closer to market, while providing an affordable path to implementation. It is important to note that the City has a Living-Wage initiative that ensures every part-time and full-time permanent employee is earning *at least* \$15 per hour. Therefore, Evergreen used this rate as the minimum value in the revised pay plan. The recommended pay plan is shown in the table below.

Pay Grade	Minimum	Midpoint	Maximum	Range Spread
1	\$31,200.00	\$35,880.00	\$40,560.00	30.0%
2	\$32,136.00	\$36,956.40	\$41,776.80	30.0%
3	\$33,100.08	\$38,065.09	\$43,030.10	30.0%
4	\$34,093.08	\$44,321.01	\$54,548.93	60.0%
5	\$35,115.87	\$45,650.64	\$56,185.40	60.0%
6	\$36,871.67	\$47,933.17	\$58,994.67	60.0%
7	\$38,715.25	\$50,329.83	\$61,944.40	60.0%
8	\$41,425.32	\$53,852.92	\$66,280.51	60.0%
9	\$45,567.85	\$63,794.99	\$82,022.13	80.0%
10	\$50,124.64	\$70,174.49	\$90,224.35	80.0%
11	\$57,643.33	\$80,700.67	\$103,758.00	80.0%
12	\$69,748.00	\$97,647.20	\$125,546.40	80.0%



The proposed pay plan moves the City from 11.1 percent below market to 0.2 percent below market (at midpoint). This structure aligns closer to market—both in dollar value and construction than the City's current pay plan. The range spreads (percentage increase between the minimum and the maximum) have been normalized to reflect the range spreads found in the market. The artificial floor of \$15 per hour that results from the living-wage initiative creates a situation wherein lower-level employees are being compensated well above the starting market rate for the position. As a result, the range spread for Grades 1-4 (those most affected by this initiative) have been reduced to 30.0 percent to keep the maximum rates close to market competitiveness. The range spreads for the remaining 12 grades reflect the market spreads (keeping in mind that positions in Grades 9-12 included peers outside the state of Indiana).

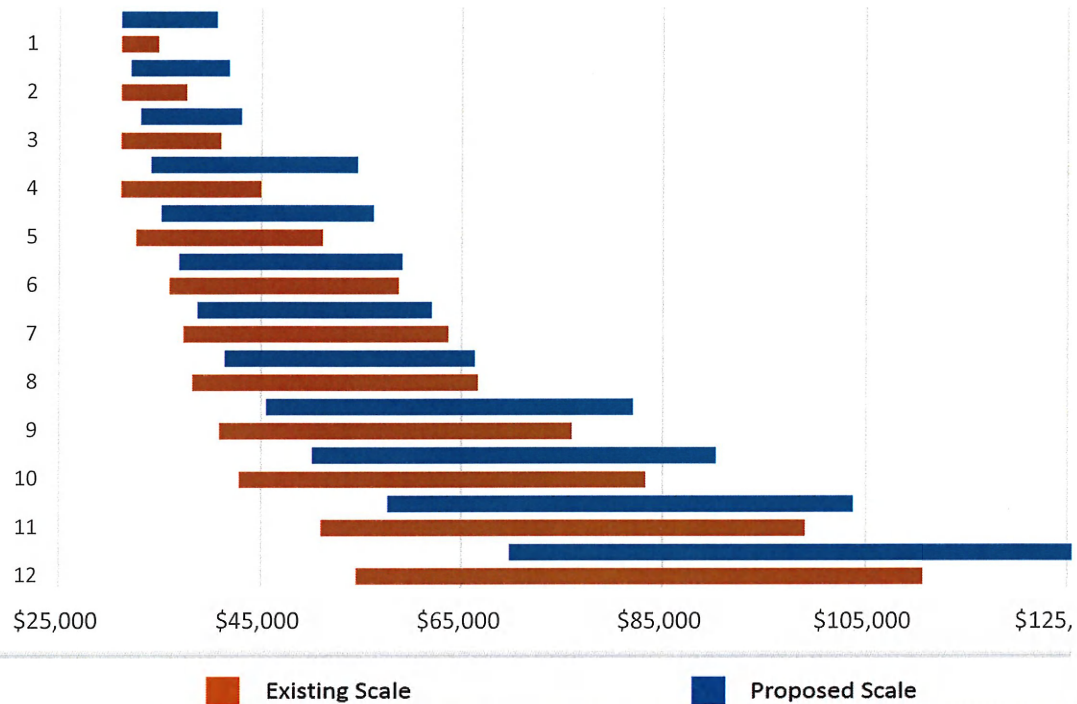
There are additional, employee-specific recommendations that are still in the process of being finalized.

Recommendations regarding AFSCME, Police, and Fire employee will be made in early 2018.



Side by Side Comparison of the Existing and Proposed Pay Scales

Existing vs. Proposed Pay Scale



Values For Existing and Proposed Scales

Existing Scale		
Grade	Minimum	Maximum
1	\$31,200	\$34,779
2	\$31,200	\$37,595
3	\$31,200	\$40,974
4	\$31,200	\$44,992
5	\$32,681	\$51,116
6	\$35,938	\$58,637
7	\$37,371	\$63,633
8	\$38,265	\$66,574
9	\$40,905	\$75,968
10	\$42,907	\$83,290
11	\$51,021	\$99,040
12	\$54,529	\$110,714

Proposed Scale		
Grade	Minimum	Maximum
1	\$31,200	\$40,560
2	\$32,136	\$41,777
3	\$33,100	\$43,030
4	\$34,093	\$54,549
5	\$35,116	\$56,185
6	\$36,872	\$48,995
7	\$38,715	\$51,944
8	\$41,425	\$66,281
9	\$45,568	\$82,022
10	\$50,125	\$90,124
11	\$57,643	\$103,758
12	\$69,748	\$125,547

Provided by the Council Office
(without mid-points, which are in middle of each range).

