



DATE: December 7, 2015
TO: Mayor, City Council, City Manager
FROM: *Mari Kittridge*
Mari Kittridge, Acting Director of Human Resources
RE: 2016 Compensation Plan

The City Council is requested to approve the 2016 Compensation Plan. The Plan includes all regular full-time and probationary employees who are not covered by a collective bargaining agreement. It will become effective December 31, 2015. Approximately 343 City employees are covered by this Compensation Plan. Approximately, an additional 201 City employees are covered by labor union contracts and the Unions negotiate with the City for their wages and benefits. The proposed salary adjustment to the 2016 Compensation Plan is 2.5%.

The 2015 wage base for the 343 unrepresented employees is approximately \$23,936,970. The compensation plan proposes adjustments to salaries and benefits. There are no cost of living allowances (COLAs) in addition to the general increases.

The recommended general increases are based on several factors including budgeted City funds, the labor market, internal equity, the general increase in inflation, maintaining compliance with the Minnesota State Pay Equity Statute and comparisons of other public sector employers.

Internal Equity

The City has contracts in effect with four (4) labor unions that expire December 31, 2017.

Police Officers (91 employees)

The Bloomington Police Officers have a three-year labor agreement that will expire on December 31, 2017. General wage increases included in the contract are as follows:

2015 - 2017	
January 1, 2015	+2.5%
January 1, 2016	+2.5%
January 1, 2017	+2.75%

Police Supervisors (22 employees)

The Bloomington Police Supervisors (representing Sergeants and Lieutenants) also have a three-year labor agreement that expires on December 31, 2017. General wage increases included in the contract are as follows:

2015 - 2017	
January 1, 2015	+2.75%
January 1, 2016	+2.75%
January 1, 2017	+2.75%

AFSCME Technical (51 employees)

The American Federation of State, County and Municipal Employees (AFSCME) represents 51 Bloomington employees in various technical and trade classifications. Members of the bargaining unit include environmental inspectors, building inspectors, property appraisers, animal control and other classifications. The City and AFSCME have a three-year labor agreement currently in effect that expires December 31, 2017. General wage increases included in the contract are as follows:

2015 - 2017	
January 1, 2015	+2.5%
January 1, 2016	+2.5%
January 1, 2017	+2.75%

AFSCME Park Maintenance (24 employees)

The American Federation of State, County and Municipal Employees (AFSCME) represents 24 Park Maintenance workers in the Public Works Department. The City and AFSCME have a three-year labor agreement currently in effect that expires December 31, 2017. The general wage increases included in the contract are as follows:

2015 – 2017	
January 1, 2015	+2.5%
January 1, 2016	+2.5%
January 1, 2017	+2.75%

One additional union, IAFF (Civilian Police Dispatchers, has a contract in effect that expires December 31, 2015.

I.A.F.F. (14 employees)

The Civilian Dispatchers (14 employees) are represented by the International Association of Fire Fighters (I.A.F.F.) and have a one-year labor agreement that expires on December 31, 2015. The general wage increase included in the contract is as follows:

2015	
January 1, 2015	+2.5%

Consumer Price Index

The Consumer Price Index (CPI) is a general consideration among other factors in setting a general wage increase. The following is a historical comparison of the CPI (all Urban Consumers), Social Security increases and the general increase for unrepresented employees.

All Urban Consumers – October to October
1982 – 1984 = 100

<u>Year</u>	<u>C.P.I. National</u>	<u>Social Security</u>	<u>CPI Mpls/St. Paul</u>	<u>General Wage Increase</u>
2011	+3.5%	0%	+3.6%	+2.0%
2012	+2.2%	+3.6%	+2.3%	+1.0%
2013	+1.0%	+1.7%	+1.9%	+2.5%
2014	+1.7%	+1.5%	+1.4%	+2.0%
2015	+0.2%	+1.7%	+1.0% (1 st Half '15)	+2.5%
2016	N/A	0%	N/A	+2.5%*

*Proposed

Pay Equity Statute

Minnesota State law requires that political subdivisions periodically submit a report to the Minnesota Department of Management and Budget as evidence of continuing compliance with the Pay Equity law. Bloomington submitted its report in January 2013 as required and received a certification from the Minnesota Department of Management and Budget that states Bloomington is in compliance with the pay equity statute. The City is due to submit its report in January 2016 to become certified for another three years.

External Comparisons

Another consideration for establishing a Compensation plan is external comparisons. The following represents the 2016 estimated or budgeted increases (not necessarily settlements) for various governmental units within the metropolitan area. The following list should be considered as a guide only. The 2016 increases noted may apply to only one group in that City.

<u>City</u>	<u>2015 General Wage Increase*</u>	<u>2016 Projected General Wage Increase*</u>
Apple Valley	2.5%	2.5%
Blaine	3.0%	2.0 – 3.0%
Bloomington	2.5%	2.5% proposed
Burnsville	2.5%	2.5%
Edina	2.5%	2.5%
Coon Rapids	2.5%	2.5%
Hopkins	2.0%	2.5%
Maple Grove	2.25%	2.5%
Minnetonka	1.0% + Market Adjustments	1.0% + Market Adjustments
Plymouth	2.0%	3.0%
St. Louis Park	2.5%	2.5%

*May apply to one or more employee group

2016 Compensation Plan

The annual Compensation Plan is divided into four employee functional areas: 1) office support and related classes; 2) technical classes; 3) skilled operator and related classes; and 4) executive, supervisory, professional and related classes. Some employees in classes 1, 2 and 3 are in a step progression system. Employees receive periodic step increases based on satisfactory performance and length of service. Step increases are granted at intervals of service at 6 months +5%, 18 months +5%, 5 years +3%, and 10 years +3%. Employees in the step progression system are eligible for the step increases and are granted on the employee's employment anniversary date. Step increases are in addition to the annual general wage increase.

There are very few changes to the 2016 Compensation Plan, and are reflected in red (new) and blue strike out. There are approximately 140 different classifications for the unrepresented employees. Title changes, classifications, and pay schedules that are changed reflect organizational changes, labor market conditions, advances in technology and recruiting experience. The changes in organizational structure and work assigned to the respective employees, coupled with the request of the department head and supervisory staff, result in reclassifications and adjustments.

The general wage increase, the step increases, class changes, and all other adjustments are within the 2016 budget. **No additional appropriation is necessary.**

Executive/Supervisory/Professional/Administrative

Employees in the executive/supervisory/professional/administrative classes are in a performance pay system. **The exempt employees are not eligible for regular, specified step increases.**

Section 6 of the Compensation Plan addresses compensation for exempt employees. The exempt employees (exempt under the Fair Labor Standards Act) are not eligible for overtime compensation. The salaries are listed in six grades, each with a minimum, a midpoint and a maximum. The assignment of a class to a grade is generally, with a few exceptions, the function of the class job value as per the City job evaluation system.

Exceptional Service Pay

The Compensation Plan includes a program for performance-based exceptional service pay. Section Nine (9) of the Compensation Plan permits eligible employees to receive a lump sum payment for recognition of exceptional service. Certain criteria must be met for an employee to be eligible to receive the performance-based pay, and also department head approval. **City Manager approval is required.** Exceptional Service Pay does not become part of an employee's base salary. The "lump sum" payment is made to recognize exceptional efforts and performance for a particular job well done and is **not** an ongoing component of an employee's base pay. Funding for Exceptional Service Pay is generated from a portion of internal departmental savings realized.

Lump Sum Payments

Another component of the compensation review by the City Council was employee recognition for outstanding job performance, i.e., lump sum payments. The City Council has also expressed an interest in recognition for performance that is **not** added to an employee's base rate of pay. Due to the economic downturn this program was suspended from 2009 through 2012. The program of Lump Sum Payments was resumed in 2013.

Benefits

The annual HRA Veba contribution toward the high deductible medical insurance is proposed to increase from \$1,700 to \$1,750 for the unrepresented employees for 2016.

Marketplace Considerations

As an employer in the metropolitan area the City of Bloomington competes in the marketplace for workforce talent. The mobility of the workforce and competitive pressures has resulted in City efforts to reward and retain a quality, professional staff. The City remains poised to recruit and retain talented staff.

Market conditions, including unemployment rates, require that the City remain competitive in its offerings to prospective staff members. This proposed Compensation Plan is intended to keep the City competitive in attracting and retaining qualified staff by reasonably compensating them for their talents and efforts.

The 2016 Compensation Plan is recommended for City Council approval effective December 31, 2015, including the changes included in this memorandum.