City of Rapid City, SD

Request for Proposals for Non-Union Compensation Study

May 12, 2022

Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP | Managing Principal
Erik Smetana, MBA, SPHR, SHRM-SCP | Principal Consultant
Public Sector & Higher Education

Gallagher Human Resources & Compensation Consulting
901 Marquette Ave. South, Suite 1900
Minneapolis, MN 55402

651.234.0845 | Mike_Verdoorn@ajg.com
314.494.4849 | Erik_HenrySmetana@ajg.com
ajg.com/compensation
April 8, 2022

PERSONAL & CONFIDENTIAL

Elaine Leland, Senior Human Resources Generalist
City of Rapid City
300 6th Street, Rapid City, SD 57701

Dear Ms. Leland:

We appreciate the opportunity to present this proposal regarding services Gallagher’s Human Resources & Compensation Consulting practice (“Gallagher”) is able to offer the City of Rapid City, South Dakota (“the City”). Gallagher is highly capable and qualified to work with the City based on our extensive experience with public sector organizations across the country.

We believe we will provide the City with the most ethnically diverse project team of any consulting practice in the country, which enhances the solutions and recommendations we will provide on this engagement. The questions and perspective provided by our team ensure we anticipate any issues the City may face throughout this project, as well as the ongoing management of the new classification and compensation systems.

It is our understanding that the City is seeking a consultant for the evaluation of the City’s non-union compensation system. We have completed over 500 classification and compensation studies for municipalities in the last ten (10) years. The experience we have gained in conducting these studies will inform our analyses and recommendations to the City. There are several things that we would like you to know about our experience and qualifications, including:

- Our staff has proven themselves as compensation professionals not only by experience, but also through the attainment of the CCP (Certified Compensation Professional) designation from WorldatWork and/or IPMA-SCP designation from the International Public Management Association, and graduate degrees in Human Resources/Industrial Relations and Public Administration.
Our smaller organizational structure and director interaction allow us to provide the City senior-level consultants who have the experience to guide you through this assignment to a successful conclusion.

We have the technical experience, as well as sensitivity to the significant impact of compensation decisions to ensure results are appropriate for the City. Much of our work is with public sector organizations, many of which have similar objectives to this project.

Our proposal will be valid for ninety (90) days. We have prepared the following proposal in response to your request. We would consider it a privilege to serve the City in this project.

Sincerely,

Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP
Managing Principal

Erik Henry-Smetana, MBA, SPHR, SHRM-SCP
Principal Consultant
2. FIRM EXPERIENCE QUALIFICATIONS

Firm Experience

Gallagher Benefit Services, Inc., is a wholly owned subsidiary of Arthur J. Gallagher & Company, a publically traded company under the symbol AJG. Gallagher Benefit Services, Inc. was incorporated in 1999 in Delaware. Gallagher Benefit Services, Inc. has approximately 3,300 employees worldwide.

Our firm is organized by nine (9) industry groups, which we call niches. By organizing our resources by industry focus we assure that our services are provided by personnel who are experts in the industry that they serve. One of our niches is public sector. With over 150 consultants, public sector is one of Gallagher’s largest industry segments, and is designed to share insight and best practices. High-visibility issues in the public sector are putting the industry under a microscope. This reality calls for a compensation and benefits program that addresses complex issues, protects your bottom line and positions the City as a leader.

Gallagher’s public sector consulting practice has been in business since 1981, beginning as the public sector compensation consulting practice of Ernst & Young. In January 1995, Ernst & Young elected to withdraw from the public sector marketplace and sold its public sector compensation consulting practice to Fox Lawson & Associates. On October 1, 2009, Arthur J. Gallagher & Company purchased Fox Lawson. We are now a division of Gallagher and operate with the many of the same personnel. Gallagher’s public sector consulting practice includes extensive experience in developing and communicating a compensation philosophy, designing and implementing market-aligned pay structures, and developing job evaluation methods to maintain internal equity. We conduct benchmark analyses, including conducting custom tailored salary surveys (if needed), and recommend appropriate administrative and procedural guidelines to maintain the compensation system. We ensure that our clients are in compliance with applicable laws and regulations, such as the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), and Equal Employment Opportunity (EEO) standards and have pay systems that are appropriate for their organization and market strategy.

Gallagher has offices throughout the United States and abroad. Services will be provided by team members located in our Virginia, Minnesota, and Colorado offices. Other members of Gallagher may be utilized as the project requires.

While we have a broad understanding of human resource systems, our practice primarily specializes in classification and compensation studies.
Key Personnel Qualifications

Gallagher fosters a commitment of excellence, professionalism, integrity, collaboration, and urgency to each of our clients. With each unique client, Gallagher combines these principles to deliver client services customized, specifically to meet your needs. Your Gallagher consulting team has years of experience consulting to public sector clients, including public employers, with a significantly diverse employee workforce.

Each member of Gallagher’s public sector compensation consulting practice has achieved one or more of the following certifications and/or degrees:

- Certified Compensation Professional from WorldatWork
- IPMA-SCP from the International Public Management Association for Human Resources
- Master’s degree or above, in Human Resources, Public/Business Administration, and/or Organizational Psychology.

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<thead>
<tr>
<th>Project Advisor</th>
<th>Project Manager</th>
<th>Project Director</th>
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<tbody>
<tr>
<td>National Managing Director: Ronnie Charles, SPHR, GPHR, IPMA-SCP</td>
<td>Managing Principal: Mike Verdoorn, MA-HRIR, CCP, IPMA-CP</td>
<td>Principal Consultant: Erik Smetana, MBA, SPHR, SHRM-SCP</td>
</tr>
<tr>
<td><a href="mailto:Ronnie_Charles@ajg.com">Ronnie_Charles@ajg.com</a> (651) 234-0848</td>
<td><a href="mailto:Mike_Verdoorn@ajg.com">Mike_Verdoorn@ajg.com</a> (612) 339-1909</td>
<td><a href="mailto:Erik_HenrySmetana@ajg.com">Erik_HenrySmetana@ajg.com</a> (314) 494-4849</td>
</tr>
<tr>
<td>6802 Paragon Place, Ste. 126 Richmond, VA 23230</td>
<td>901 Marquette Ave. S., Ste. 1900 Minneapolis, MN 554502</td>
<td>5301 Virginia Way Brentwood, TN 37027</td>
</tr>
</tbody>
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Key Leadership Team:

ROONIE CHARLES, SPHR, GPHR, IPMA-SCP  
Project Advisor  
Mr. Charles is responsible for leading Gallagher’s public sector Human Resources & Compensation Consulting practice. Mr. Charles has over 30 years of Public Sector HR experience including Chief Human Resources Officer (CHRO) experience most recently in the City of Baltimore with additional professional stints in the District of Columbia, State of Virginia, and City of Suffolk, Virginia. Mr. Charles has a Bachelor’s Degree in Management from Saint Paul’s College. Mr. Charles is a member of several professional organizations, including the International Public Management Association for Human Resources (IPMA-HR) and is a past chair of the International IPMA-HR Professional Development Committee. In addition, Mr. Charles is a past Chair of the Human Resources Institute (HRCI). He brings vast experience in domestic U.S., and Global HR compensation practices. Mr. Charles is located in Virginia. 

National Managing Director  
30 years of experience
MIKE VERDOORN, MA-HRIR, CCP, IPMA-SCP  
Project Advisor  
Managing Principal  
16 years of experience

Mr. Verdoorn has been with Gallagher for 16 years and has experience working with public sector organizations across the United States. Mr. Verdoorn has led over 100 similar projects addressing the compensation issues in complex organizations. He has a Master’s Degree in Human Resources and Industrial Relations from the University of Minnesota and has earned his CCP certification from WorldatWork. Prior to joining the firm, he was a compensation analyst at Imation and at the University of Minnesota. Mr. Verdoorn is located in Minnesota.

ERIK HENRY-SMETANA, SHRM-SCP, SPHR, HCS, SWP  
Project Director  
Principal Consultant  
20 years of experience

Mr. Henry-Smetana serves as a Principal Compensation Consultant with Gallagher’s Human Resources and Compensation Consulting practice. In this role, Erik provides high quality consulting services by leading projects specific to client needs and managing relationships between Gallagher experts and clients. Erik’s 20-plus year work history has led him to serve in a variety of diverse roles across human resource management, particularly in compensation and benefits, talent management and organizational development, people analytics, and employee relations and policy development. Erik has extensive experience in both private and public sectors, working with an eclectic mix of dynamic organizations including Fortune 500 companies across multiple industries, international not-for-profit organizations, membership associations, media outlets (e.g. NPR and NBC affiliates), institutions of higher education and research, and others. Prior to joining Gallagher, he served as the enterprise-wide Deputy CHRO with the University of Missouri System and for Vanderbilt University as the Executive Director of People & Engagement leading, designing, and implementing compensation and people-focused programs and initiatives. Erik has a Bachelor’s degree in Psychology, an MBA, and Master’s degree in Writing. He has previously earned professional certifications with the Human Resources Certification Institute (SPHR), Society for Human Resource Management (SHRM-SCP), and the Human Capital Institute (Strategic Workforce Planner and Human Capital Strategist).

Leadership Support and Staff Support:

BEVERLY MOULTRIE, SPHR, IMPA-SCP  
Leadership Support  
Principal Consultant  
20 years of experience

Ms. Moultrie has over 20 years of human resources and compensation experience and a wide range of expertise working with large, mid-sized and start-up organizations (both public and private) in manufacturing, government, healthcare, and service environments. Ms. Moultrie is particularly adept at managing complex projects and has led the adoption of employee relation strategies and human resource systems where no prior system existed. Prior to joining the firm, Ms. Moultrie was the Chief Human Resources Officer with the City of Chattanooga where she partnered with Gallagher to lead the successful completion of the compensation study for the civilian and public safety workforce. In addition, she launched the strategic development of the City’s equity & inclusion work with the Government Alliance on Race and Equity. Ms. Moultrie has a master’s degree in business with an emphasis on organization development and is a certified senior human resource professional. Ms. Moultrie is located in Tennessee.
YOLANDA HOWZE, MPA, SPHR, SHRM-SCP, IPMA-SCP  
**Senior Consultant**

Leadership Support

Ms. Howze has over 20 years of public sector Human Resources experience—primarily in municipal government. Prior to joining Gallagher she was the Assistant to the City Manager/Director of Human Resources for the City of University City, MO, and her professional experience also includes eight combined years as the Director of Human Resources with the City of University City, MO (2005-2010 and 2018-2020) and over six years as Director of Human Resources with the City of Bellaire, TX (2012-2018). Yolanda has a Bachelor of Arts in Psychology and a Bachelor of Arts in Organizational Leadership from Maryville University St. Louis, as a well as a Master of Arts in Public Administration and Policy Analysis from Southern Illinois University Edwardsville. Ms. Howze is located in Missouri.

DEEKSHA GARG, MA-HRIR  
**Consultant**

Staff Support

Ms. Garg has a Bachelor’s Degree in Psychology from Bangalore University, India and a Master’s Degree in Human Resources and Industrial Relations from the University of Minnesota. She previously worked at Nielsen Company (India) as a consultant for two years and later joined Basix Microfinance (India) in talent acquisition. Ms. Garg is located in Texas.

AUGUST ZHU, MA-HRIR, CCP  
**Consultant**

Staff Support

Mr. Zhu as a Bachelor of Science Degree in Human Resources from Shanghai Jiao Tong University and a Master’s Degree in Human Resources and Industrial Relations from the University of Minnesota. Prior to joining Gallagher, he was a compensation analyst at BASF (China) and an organization development consultant at Bovis Consulting. Mr. Zhu is located in Minnesota.

QUYANG PAN, MA-HRIR, CCP  
**Consultant**

Staff Support

Ms. Pan has a Bachelor’s Degree in Accounting from Xiamen University, China and a Master’s Degree in Human Resources and Industrial Relations from the University of Minnesota. Ms. Pan is located in New York.

MEGAN OLSON, MA-HRIR, CCP  
**Consultant**

Staff Support

Ms. Olson has a Bachelor’s Degree in Psychology from North Dakota State University and a Master’s Degree in Human Resources and Industrial Relations from the University of Minnesota. Prior to joining Gallagher she held project based roles in the nonprofit sector and with the Ford Motor Company. Ms. Olson is located in Minnesota.

AIDAN RAO, MA-HRIR  
**Associate Consultant**

Staff Support

Mr. Rao received a Bachelor of Arts from the University of Minnesota in Political Science and History and a Master’s Degree in Human Resources and Industrial Relations from the Carlson School of Management at the University of Minnesota. Mr. Rao spent several years in health insurance as an analyst. Mr. Rao is located in Minnesota.

LISA COHNES  
**Associate Consultant**

Staff Support

Ms. Cohnes received a Bachelor of Arts from Saint Louis University in Organizational Studies and a Minor in Industrial Psychology. Ms. Cohnes spent eight years in Public Sector and seven years in Higher Education where she was involved in a variety of human resources and compensation related functions. Most recently, Ms. Cohnes served as Business Manager-Human Capital Management at St. Louis University. Ms. Cohnes is located in Missouri.
3. PROPOSAL

A. Provide a description of how your firm will achieve the scope of services set forth in Section 2.03 of this request.

Our significant experience has resulted in a comprehensive understanding of the scope of work described by the City. Additionally, we understand the importance of this study as one of many strategies to address current human resources issues and appreciate the delicate nature of public sector spending. The work plan proposed is designed to provide the flexibility necessary to attract, retain, and motivate employees to provide quality services and ensure the system is not an administrative and/or costly burden to the City now or in the future. Below are some key considerations we have in this type of project, followed by our approach to the areas identified by the City, and then our detailed work plan.

Key Considerations

- **Employee Involvement.** The study should be introduced to employees so they know what will happen and can ask questions, and then we suggest summarizing the study findings at the end of the project in an open session so they can see the results. Updates throughout the process will go a long way toward acceptance of the results. We believe that if employees know how and why they are compensated the way they are, they will accept the results better than if the system was created without their involvement.

- **Leadership Sponsorship.** Updating classification and compensation systems requires strong and visible support of an organization’s management and governance.

- **Internal Equity.** While market parity is important, most employees want to make sure that they are paid fairly in relation to other employees. We have extensive experience with designing pay systems that take into consideration internal equity and mitigate compression.

- **Project Timing.** Doing it right produces a better study outcome than trying to meet unrealistic deadlines.

- **Data/Exceptions.** Rely on data, but make decisions based on humans. It has been our philosophy that the results and recommendations should be based on verifiable, auditable and valid data. Once the basic structure is in place, adjustments may be needed for special conditions or other factors. However, the classification and compensation systems should be based on verifiable facts and solid professional standards.

- **Communication.** These systems need to be understood. They need to be simple, straightforward and transparent.

- **Pay Compression.** Give adequate attention to implementation costs when employees are placed in the pay ranges and there is potential for creating or increasing pay compression.
Our Approach

Market Comparison - We will work with the City to identify benchmark job classes for the purposes of competitive market analysis. We recommend that the City collect market data on its job titles to ensure sufficient data and validity of the resulting salary structure. We will survey both current rates of pay, minimum and maximum rates of pay, in addition to the relevant benefits and the employer and employee cost. We will also integrate private sector salary information in the market comparison process from survey sources that represent the local area market.

Final Report - Our final report will be prepared which outlines the process, methods, techniques and findings and recommendations of the study. It will include a financial impact analysis and recommended ways to implement and maintain the system in the future. We will provide the data in a format that can be used to update your HRIS system based on your implementation approach. Finally, we will train the HR staff in the proper procedure and methods to manage and maintain the system. Additionally, we will provide the necessary documentation and other materials so the City will be able to maintain the system independent of the consultant following implementation.

Work Plan

Our project plan and proposed timeline will accomplish the following objectives:

1. Attract qualified applicants for employment by the City in all categories of work.
2. Retain experienced and qualified employees in all categories of work for the City.
3. Provide incentives for employees to pursue career advancement opportunities as they arise within City employment.
4. Accomplish these objectives within responsible economic parameters.

PHASE 1: STUDY INITIATION & STRATEGY DEVELOPMENT

Meeting via telephone/online platform to initiate project and discuss timelines and key deliverables.
Organization & salary material collected.
Discussion of the City’s current compensation philosophy and supporting strategies.
Project timetable confirmed.
Employee orientation sessions conducted, if applicable.
Initial phase will include one onsite visit to introduce the project, meet with project team and conduct 15-18 identified interviews over the course of three days.
## PHASE 2: COMPENSATION STUDY

### CUSTOM SURVEY
Conduct of meetings with HR/leadership/project team at critical intervals to discuss deliverables.
Labor market confirmed and survey participants identified to gather data from local, state and regional sources.
Benchmark jobs identified and summarized.
Identification of hard to recruit positions and assessment of the relevance of compensation for recruiting.
Benefit and pay practice questions determined for inclusion in the custom survey.
Custom survey developed and conducted, including collection of specified contracts

### INTEGRATE PUBLISHED SURVEY SOURCES
Identify appropriate published survey sources.
Collect market data from published survey sources using data cuts from public, private, local, state and regional sources.

**The following activities will be performed on all data:**
- Comprehensive internal salary relationship analysis of data to ensure the structure is internally equitable and externally competitive.
- Competitive analysis of market data (salary, benefits, and contracts) performed.
- Diagnostic review of current salary structures conducted to identify opportunities for simplification, reduction in pay compression.
- Recommended pay structure developed or existing structures updated (includes 1 revision if requested).
- Internal review conducted and consolidated feedback provided by the City. The City approves the updates to the pay plan(s) and other recommendations and implementation options.
- Provide the City with up to three (3) transition options, recommendations and next steps/ongoing maintenance.

### SCOPE OF SERVICES ADDRESSED:

A. Compensation Study. (1) Consultant shall conduct a comprehensive compensation study of comparable Midwestern cities, public sector employers and private sector employers in the local and regional labor market. This study must provide data which considers the comparable compensation packages of survey participants, including: Base pay including minimum and maximum ranges; pay step progression/interval analysis; and other compensation such as longevity pay, differentials, allowances and bonuses. The City also requests that survey data collected include compensation data for the City’s elected Mayor. (2) Data should be collected from participants regarding applicable state or local income taxes for the surveyed region. This will be useful information for comparing “take-home pay” between survey participants.

B. Based on the survey data, recommend wage adjustments to salary plans for non-union employees that will strengthen the City’s ability to attract and retain talent.
PHASE 3: PROJECT FINALIZATION, DRAFT & FINAL REPORTS

Conduct of meetings with HR/leadership/project team at critical intervals to discuss deliverables.
Draft and final report and presentations developed
Quality assurance reviews conducted.
Finalization of the City’s compensation philosophy and supporting strategies alongside compensation study results.
Training provided for staff including necessary tools to maintain the system.

SCOPE OF SERVICES ADDRESSED:

C. Recommend a plan and methodology for the City to maintain its pay plans at economically competitive levels over time.

B. Provide a proposed time line your firm would follow in completing this project.

The following is an estimate to complete each phase by month. We will discuss the details of each phase during Phase 1 and identify specific deadlines for the project at that time. We will conduct frequent conference calls with the City to ensure the schedule is monitored throughout the project.

In today’s world, speed is very important. However, given the significance of this project, it is just as important for the City officials, department heads, and employees to have sufficient time to review and approve the recommendations of Gallagher and to ensure proper communications occur. We have prepared a timeline to ensure the City has the work products in an expeditious manner. Our phases run concurrently, in that we do not wait until the full completion of a phase to begin another phase. We are prepared to commence the work within two weeks of receiving your authorization to proceed.

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<thead>
<tr>
<th>Month</th>
<th>PHASE 1</th>
<th>PHASE 2</th>
<th>PHASE 3</th>
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<tr>
<td></td>
<td>Study Initiation &amp; Strategy Development</td>
<td>Compensation Study</td>
<td>Project Finalization, Draft &amp; Final Reports</td>
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<tr>
<td>June</td>
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<td>Nov</td>
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C. Describe what your firm would require of City Human Resources staff to assist you in completing this project, including staff time, technical resources, documents, and data, etc.

Our firm considers senior management, human resources and general staff engagement essential to project success. We confirm with key stakeholders a communications approach to ensure staff are apprised of all project activities and provide periodic status updates on study progress throughout the engagement. In addition, we provide training to ensure staff awareness on adopted classification and compensation systems, utilization, and long-term maintenance to assist the City following project implementation. During and after projects, we serve as mentors to HR staff and provide work products that fit client needs. We recommend the following actions to ensure appropriate management and administration of the project from a consulting and City perspective:

1. **City Project Manager**: A Project Manager should be appointed to manage the project internally from beginning to end. We also recommend that an administrative support person is also allocated to the project in order to support the Project Manager.

2. **Regular Status Meeting and Conference Calls**: Every two weeks, a conference call meeting should be established with the City’s Project Manager and the Gallagher Project Manager to discuss the schedule, status and issues regarding the project. We recommend 30 to 60 minutes for this discussion. Gallagher will provide regular written project status updates to the City’s Project Manager or his/her designee.

3. **Regular Steering Committee and Executive Meetings**: The City should also schedule regular updates and/or meetings of at least monthly to inform the City’s project team of the project status and seek direction and input on activities.

4. **Regular Employee Communications**: The City should inform employees on a regular basis regarding the status of the project. Some of our clients have created a dedicated email for employee questions that are then answered through an organization’s internet and regular newsletter. We also encourage clients to share any communications with us to ensure that a consistent message is sent by all involved in the project. We also provide FAQs to assist the City in addressing any questions.
D. **Provide a description of proposed fees and expenses your firm would charge to provide the services described in your response to this request. Please show an approximate breakdown of the proposed fees and expenses based on the different project elements.**

Our fees to conduct the compensation study outlined above (including out-of-pocket expenses) are $80,000. The table below outlines the price per phase and optional services.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Fees</th>
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<tbody>
<tr>
<td>Phase 1: Study Initiation &amp; Strategy Development</td>
<td>$22,500</td>
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<td>- Includes initial onsite for project introduction and 15-18 interviews over three days.</td>
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<tr>
<td>Phase 2: Compensation Study</td>
<td>$47,500</td>
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<tr>
<td>Phase 3: Project Finalization, Draft &amp; Final Reports</td>
<td>$10,000</td>
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**TOTAL COST (inclusive of all tasks):** $80,000

Our study costs are directly derived from estimating the number of hours needed to perform the work and the level of the consultant charged with performing the work. Gallagher typically bills on a monthly basis up to the maximum of each deliverable. Please note, as phases may sometimes run concurrently, a phase may not be completed at the time it is billed. All expenses are included in this quote.

All proposed fees throughout this proposal for the respective consulting services assume meetings will take place via teleconference or webinar. In the event on-site visits are requested, they will be billed at actual cost for time and travel and these costs will be discussed with the City for approval.
3. REFERENCES

Our firm has assisted several hundred public sector clients throughout the country. These projects have included a range of less than 100 to more than 100,000 employees. Below are clients we have previously assisted. Contact information is listed for each project. These projects are relevant in demonstrating our ability to meet the needs of Altoona and show considerable experience reviewing and developing classification and compensation systems. Our references will attest to the timeliness, quality, and responsiveness of services we provide, as well as our knowledge of legal issues such as the ADA, EEO, and the FLSA, the classifications under study, and our skill and ability of dealing with organizations of your size and needs. We continue to provide ongoing services for many of our clients.

STATE OF SOUTH DAKOTA: We have recently completed a total compensation review of the State’s compensation program. Ellen Zeller, Director, 605-773-3148 or Ellen.Zeller@state.sd.us. 500 East Capitol Avenue, Pierre, SD 57501.

CITY OF DURHAM, NC: Beginning in 2016 and currently, we are assisting the City in conducting a comprehensive Compensation System Study which provided for the development of a formal compensation philosophy, identified appropriate labor markets and benchmark jobs, recommendations for alternative pay structures, and enterprise wide employee and key stakeholder communication strategies. Alethea Hardy, Human Resources Manager, (919) 560-4214 ext. 23026 or alethea.hardy@durhamnc.gov, 101 City Hall Plaza, Durham, NC 27701.

RAMSEY COUNTY, MN: We are currently working with the County on a comprehensive classification and compensation project encompassing all County operations of approximately 4,000 employees in 600 classifications. We are over 70% complete with the project and anticipate full project completion this summer, however, the COVID-19 impact may stall these final steps. Johanna M. Berg, Deputy County Manager, 651.266.2762, johanna.berg@co.ramsey.mn.us, 4000 Metro Square, 121 7th Place East, Saint Paul, MN 55101.

CITY OF TACOMA, WA: We are currently engaged with the City in the conduct of a comprehensive classification and compensation study. In 2016, we were retained to assist the City to support reorganization. Additionally, in 2008 we were retained to assist the City in developing a new job classification structure covering all City positions, as well as to develop a new compensation program using data to be collected by another consulting firm. Current study contact: Kari Louie, Sr. Manager Compensation & Benefits, (253) 591-5419, klouie@cityoftacoma.org; 2008 study contact: Joy St. Germaine, former Human Resources Director and current Human Resource Director at City of Bellevue at (425) 452-4581, jstgermain@bellevuewa.gov, 747 Market Street, Tacoma, WA 98402.

CITY OF CHATTANOOGA, TN: In 2019, we began working with the City to conduct a classification and compensation study for approximately 1,200 general employees in approximately 400 classification titles. In the study, we introduced the City to and trained staff on a new job evaluation methodology, conducted a custom survey, utilized published survey data, created a new pay structure for the City and assisted the City in refining its compensation philosophy and supporting strategies. Today, we continue to assist the City in implementing the recommendations from our study. Ms. Beverly Moultrie, Chief Human Resources Officer, bmoultrie@chattanooga.gov, (423) 643-7200.
4. EXPERIENCE

The following case studies demonstrate our specific experience in conducting similar studies for other government organizations. The experience we have gained in conducting these studies will inform our analyses and recommendations to the City.

<table>
<thead>
<tr>
<th>CITY OF CHATTANOOGA, TN</th>
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<tr>
<td>In the past year, we have completed a classification and total compensation study for the City’s general employee population (excluding its sworn police and fire job classifications).</td>
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<td>In particular, the City was interested in applying a new job evaluation methodology to its current positions, updating its minimum and maximum pay ranges, identifying opportunities for career growth and development in current classifications, formally identifying its comparator organizations, updating its compensation philosophy and supporting strategies and revising human resources policies that would allow the City to better attract, recruit and retain top talent.</td>
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<td>The project began with an onsite initiation meeting between Gallagher consultants and the City’s project team to review the timeframes, deliverables and expectations for the project and to discuss potential comparator organization. Once the consultants and project team were solid on the timeframes, deliverables and expectations, Gallagher consultants spent approximately three days onsite to introduce employees and union representatives to the project and to inform them of what they can expect throughout. These meetings were held at various times throughout the three days (i.e. early morning into the late evening) to reach employees regardless of their work schedules with the City. Meetings were also held with the City’s department heads in order to understand the challenges they experience with attraction, recruitment and retention within their respective departments and to obtain their thoughts on where the City competes for talent. Department heads were encouraged to inform the consultants of any concerns they had with regard to job classification and compensation for consideration in the project.</td>
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<td>While the meetings were being held, Gallagher consultants were working in the background to research the discussed comparators and to determine if there were any that should be considered that were similar to the City of Chattanooga in population, services and governmental structure. This was an important step as these comparator organizations would be those who would be sent a custom survey on behalf of the City to obtain their pay information as well as pertinent pay practices and benefit information. Once Gallagher consultants and the City reviewed and confirmed the comparator organizations, the survey was developed and deployed. While the survey was out for participation Gallagher consultants utilized published survey data to add to the market data in order to incorporate the private market compensation.</td>
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<td>Data from the custom survey and the published survey data were combined and the preliminary analysis was conducted on the data, which Gallagher consultants reviewed with the City’s project team. This was an important</td>
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CITY OF CHATTANOOGA, TN

step to ensure both the Gallagher consultants and the project team both agreed on the data and the methodology utilized. Gallagher consultants explained how the data was aged and weighted appropriately.

While the custom survey was being completed, Gallagher consultants introduced the City to the Decision Band Methodology (DBM®) to determine if it was the right job evaluation methodology for the City. The City adopted DBM® and Gallagher consultants provided extensive training and materials to the City’s Human Resources staff to ensure they would be successful in applying DBM® to future classifications. Gallagher consultants then applied DBM® to the City’s current classifications and reviewed the reasoning for the band and grade recommendations with the City’s Human Resources staff.

Based on the findings from the market analysis, Gallagher consultants worked with the City to refine its current compensation philosophy and supporting strategies. Gallagher consultants also worked with the City to make changes to human resources related policies that affect compensation for the various pay actions that would occur throughout employment.

Draft and final reports were prepared and reviewed with the City’s project team. The City’s team provided input and changes in order to prepare for the final presentation with the City Council in February 2020.

Today, Gallagher continues to be a trusted partner of the City and looks forward to working with the City on the implementation of their new compensation system.

PRINCE WILLIAM COUNTY, VA

The County collaborated with Gallagher to conduct a comprehensive classification, compensation, and pay equity study.

The classification study included Gallagher assisting the County in the administration of a Position Description Questionnaire (PDQ) to gather information about each employee’s respective role. Gallagher also interviewed a sample of employees in an effort to gain clarity where needed. Once that information was received and reviewed, Gallagher consultants utilized the information to create a new classification structure and classification descriptions for the resulting classifications. Gallagher consultants closed this phase by assigning job evaluation ratings to all classifications.

For the comprehensive compensation study, Gallagher consultants worked with the County to determine what positions should be included in a custom survey that was sent to 25 comparator organizations. For positions that are not easily found in the public sector, Gallagher consultant’s utilized published survey sources to market price these positions. The analyzed information was then utilized to create a salary structure that was internally equitable and externally competitive. Gallagher consultants also performed a pay equity study for the County to identify potential pay disparities on the basis of race, age or gender.
PRINCE WILLIAM COUNTY, VA

Upon the completion of the analysis, Gallagher consultants reviewed the data with the County’s project team and incorporated feedback into the draft and final reports. Recommendations with implementation options were provided to the project team.

Final presentations were made to leadership team and to the County’s Board.

CITY OF RALEIGH, NC

The City collaborated with Gallagher to conduct a classification and compensation redesign study that began in June 2016. The objectives of this study included:

- Review duties and responsibilities of current jobs and employees to develop a new classification system.
- Develop new classification specifications.
- Evaluate jobs for internal value relationships.
- Collect market compensation data from private and public organizations.
- Develop a new/revised compensation system that is externally competitive and internally equitable.
- Review and update compensation policies and practices.
- Develop a transition plan.

The classification review was conducted to assess the types and levels of work across all jobs in the City and provide recommendations for an updated, simplified, and sustainable classification system. More than 700 current City job classes were consolidated by type and level of work into an updated class system that incorporated approximately 260 job classes across 34 job families. The type and level of work for each class was rated using the Decision Band Method® job evaluation tool. Class specifications addressing the type and level of work for each job consistent with the approved class structures were developed. Employees were allocated to the new class systems based on PDQs and management input.

A customized data collection instrument was developed to collect pay data on each of the benchmark classifications from the City’s national and local labor market. Survey data was analyzed to develop four separate pay structures tailored for specific groups of employees, which was coordinated with the job evaluation results. Structures consisted of broad-banded open ranges and step structures. Gallagher provided implementation cost options for the City’s consideration. In addition, pay practice, classification, and compensation policy recommendations were provided to the City.
EXCEPTIONS TO TERMS

Our legal team has provided the following exceptions to the terms and conditions outlined in this proposal. We are open to discussion on these.

Section 5.06 (PDF Pages 9-10) - Indemnification should be limited to grossly negligent acts and omissions, breaches of the contract, intentional misconduct, or violations of law.

Section 5.06 (PDF Pages 9-10) - A limitation of liability of fees paid needs to be added to the indemnification provision. We would request this limit be set at total project fees.

Section 5.07 (PDF Page 10) - Gallagher shall at all times during the term of this Agreement and for a period of two (2) years thereafter, obtain and maintain in force the following minimum insurance coverages and limits at its own expense:

- Commercial General Liability (CGL) insurance on an ISO form number CG 00 01 (or equivalent) covering claims for bodily injury, death, personal injury, or property damage occurring or arising out of the performance of this Agreement, including coverage for premises, products, and completed operations, on an occurrence basis, with limits no less than $2,000,000 per occurrence;
- Workers Compensation insurance with statutory limits, as required by the state in which the work takes place, and Employer’s Liability insurance with limits no less than $1,000,000 per accident for bodily injury or disease. Insurer will be licensed to do business in the state in which the work takes place;
- Automobile Liability insurance on an ISO form number CA 00 01 covering all hired and non-owned automobiles with limit of $1,000,000 per accident for bodily injury and property damage;
- Umbrella Liability insurance providing excess coverage over all limits and coverages with a limits no less than $10,000,000 per occurrence or in the aggregate;
- Errors & Omissions Liability insurance, including extended reporting conditions of two (2) years with limits of no less than $5,000,000 per claim, or $10,000,000 in the aggregate;
- Cyber Liability, Technology Errors & Omissions, and Network Security & Privacy Liability insurance, including extended reporting conditions of two (2) years with limits no less than $2,000,000 per claim and in the aggregate, inclusive of defense cost; and
- Crime insurance covering third-party crime and employee dishonesty with limits of no less than $1,000,000 per claim and in the aggregate.

All commercial insurance policies shall be written with insurers that have a minimum AM Best rating of no less than A-VI, and licensed to do business in the state of operation. Any cancelled
or non-renewed policy will be replaced with no coverage gap, and a Certificate of Insurance evidencing the coverages set forth in this section shall be provided to City upon request.

Section 5.08, last para (PDF Page 11) - The non-appropriation of funds provision needs to make clear that Gallagher will still get paid for satisfactorily completed work up until the date it receives notice of non-appropriation or until the termination date listed in such notice, whichever is later.

* * * * *

Thank you for this opportunity to offer our services. Please feel free to contact us at any time if you have any questions or require additional information. We look forward to hearing from you soon.

Sincerely,

Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP  
Managing Principal

Erik Henry-Smetana, MBA, SPHR, SHRM-SCP  
Principal Consultant