

***Letter of Engagement Between
Ray Associates, Inc. and the City of Boerne, Texas
for a
Compensation and Benefits Study***

This is an agreement between Ray Associates, Inc. and the City of Boerne, Texas for a Compensation and Benefits (total compensation) Study for the City.

Understanding of the Project

This agreement is based on telephone conversations and email correspondence between Katherine Ray and Linda Zartler, Assistant City Manager for the City of Boerne.

This study will look at changes in the market since the last compensation and benefits analysis in 2014. This study will build off of previous studies conducted by Ray Associates, Inc. for the City of Boerne since 1993.

To contain costs, the City has agreed to perform some elements of the work. However, the data analysis and recommendations for changes, if any, will be those of Ray Associates.

Scope of Work: Compensation and Benefits Study

A good compensation plan needs *consistency*, or a sense of orderliness and fairness in determining pay, *options* for management to reward employees and make hiring decisions, and a *shelf-life* that allows a city or any other organization to plan for its future and continue to make equitable compensation decisions.

Ray Associates' familiarity and experience with the City of Boerne specifically and with other Texas cities uniquely qualify the firm to review and update the City's compensation and benefits plan, ensuring that the City can attract and retain talented, competent employees.

1. Preliminary Preparation and Initial Planning Conference Call.

Katherine Ray will participate in a conference call with key city executive staff on a mutually agreeable date to initiate this project and make preparations for the study. To begin the project, Ray Associates will gather information on compensation issues, including organizational structure and hierarchy of positions, cost of living concerns, and other items in this conference call with the City Manager and Assistant City Manager. Consensus will also be reached between key city staff and the consulting firm on the schedule for the project, if different from that proposed in this Letter of Engagement.

2. Select Labor Market and Benchmark Job Titles.

Survey Cities. It is our understanding that the City of Boerne wishes to revise the labor market cities used in the last few compensation studies. Ray Associates will work with the City to identify the appropriate revisions to the survey list.

Selection of Benchmark Jobs. Ray Associates will work with the City’s management team to identify up to 40 benchmark jobs to be included in the survey. These 40 jobs need to represent a broad cross-section of the City’s departments, functions, and levels of responsibility, as well as at least one job from each job family.

3. External Equity and Competitiveness/Salary Survey.

The City of Boerne will prepare summaries of the 40 jobs to be surveyed, which Ray Associates will review and use in an online customized salary survey instrument. The job summaries will include the duties, responsibilities, and education and experience requirements of each job. These job summaries will form the basis of our online market salary survey, making it possible for the survey respondents, the selected market employers, to reply to more than simply a job title, which ensures more accurate “apples to apples” comparisons.

In the survey, we will request the actual low and actual high salary, as well as the surveyed employers’ established salary range, for each comparable position. We will also request any other direct compensation, such as certification pay, education pay, or any other “add-on” pay, including a question about whether the survey cities pay longevity pay in excess of that required by state law. In addition, we will request any clarifying information about or differences between the jobs the surveyed employers are comparing to the City of Boerne job summaries. Using the survey instrument as the main tool for gathering data will help ensure accuracy of comparisons and of data received. The online survey process results in more timely responses from the surveyed employers than accomplished through hard copy surveys. This process also helps to ensure accuracy, as employers directly enter the data themselves.

The City of Boerne will call each employer in advance of the survey to obtain their agreement to participate and obtain current contact information for the person to whom to send the survey (name, email address, and telephone number). Ray Associates will then contact each employer via email with their assigned login and password for the online survey, as well as instructions for completing the instrument. As an incentive for their participation, we agree to provide each respondent with the survey data at the conclusion of the study. The survey respondents receive only the survey data in chart form, with no narrative or analysis. ***The City of Boerne also will*** follow up with the selected survey cities, as needed or requested, to ensure that their responses are timely, as well as assist, if requested, with any calls to respondent cities to clarify any information submitted by them.

The City of Boerne will provide Ray Associates with payroll information for all City employees in an Excel spreadsheet that includes each employee’s name, official job title,

current base salary, and any incentives currently paid (separate from the current base salary).

Ray Associates' analysis and compilation of the resulting data from the market survey will include generating charts that calculate and demonstrate how the City's salaries compare with the market average and market median salaries of the surveyed market, for both actual salaries and salary ranges. The City's compensation philosophy has been to pay in the top one-third (66.66th percentile), so the charts will also indicate the City of Boerne's position relative to the preferred target market position (66.66th percentile).

The 14 employers being considered for this survey are listed below. We removed the cities of Brenham, Lampasas, and New Braunfels, substituting Buda, Kyle, and Bryan, which are better matches with the City of Boerne.

City of Buda	City of Kyle	CPS Energy
City of Bryan	City of San Marcos	Kerrville Public Utility Board
City of Fredericksburg	City of Schertz	New Braunfels Utilities
City of Georgetown	City of Seguin	Pedernales Electric Coop
City of Kerrville	City of Weatherford	

4. Internal Equity/Point Factor Job Analysis of All City Jobs.

Ray Associates uses a Point Factor Job Analysis System©, which is industry standard. Together with the market data, the Point Factor Job Analysis scores provide an integrated compensation system that takes into account both internal equity and market competitiveness for each job. With this system, it is possible to review the duties and responsibilities of each job and rank jobs relative to one another in terms of their overall levels of responsibility and job demands.

This analysis ensures an objective review of the job itself, not the individual employee's performance. Without a tool such as the point factor job analysis system, it would be difficult, if not impossible, to compare, for example, the executive secretary job to that of a maintenance foreman.

The system allows for comparisons to be made through scoring each job according to the following 10 factors:

- required knowledge, skills, and abilities;
- education and training;
- independence and judgment;
- initiative and ingenuity;
- supervisory responsibility;
- financial responsibility;
- level and frequency of outside contacts;

- physical and mental demands;
- responsibility for equipment and property; and
- working conditions.

The point factor process results in a numeric score for each City job. The 11th factor is the Labor Market, and points can be added to or subtracted from the total score based on market data for the specific job or data for a job in the same job family. Ray Associates' system is very market driven in determining how to pay City jobs, but the internal equity scores are important for those positions for which adequate market data is not obtained and for initial placement of future new or changed positions on the pay schedule when market data is not readily available.

If sufficient market data is not obtained on a job, then other jobs in the same job family are reviewed to see whether it was necessary to add points to their total scores to bring those jobs into line with the market. If market points were added to other jobs in the same job family, then a proportionate number of points are also added to the job for which adequate data was not available. As a result, all city jobs are tied to the market, either because sufficient market data was obtained in the survey, or because the job is in the same job family with at least one of the jobs for which adequate market data was obtained.

In 2009, Ray Associates trained key Boerne staff in the use of Ray Associates' Point Factor Job Analysis System©, and the City has maintained the system from an internal equity perspective since that time. For this reason, for the purposes of this study, current internal equity will be utilized for placement of jobs not selected as benchmarks or for which sufficient market data is not obtained. The only exception will be in cases where the market job in that job family has resulted in a change in internal equity. Other jobs in the same job family will follow the job for which current market data was obtained.

5. Creation of Updated Pay Plans.

Ray Associates will use the results of the market salary survey to assist the City in updating the City's pay schedule format(s), for both general government jobs and those in public safety positions. Ray Associates will then consult with the city management team to achieve consensus on the appropriate updates.

Following these discussions, Ray Associates will prepare revised pay schedule(s) for the City of Boerne. Katherine Ray will work with the Assistant City Manager and her designee to determine the proper placement of each selected job that was used in the salary survey, taking into consideration both internal equity (see No. 4 earlier in this LOE), and external market competitiveness, as determined by the City's current pay relationships and market survey results, as well as the City's desired level of competitiveness in the surveyed market. After placing the benchmark jobs, Katherine Ray and the City team will together place the remaining City jobs appropriately on the new pay schedule(s), taking into account both internal equity and market competitiveness.

6. Benefits Survey and Analysis

The City of Boerne also wishes to include a benefits survey in this study to analyze total compensation of its employees. Ray Associates will prepare a benefits survey instrument containing detailed questions about the specific benefits provided by the City of Boerne and the surveyed employers. *The City of Boerne will* be given an opportunity at the beginning of the project to make any desired changes to the standard benefits survey (additions or deletions). The benefits survey requests details of health insurance and retirement plans, as well as the details of other fringe benefits, such as education pay, certification pay, longevity pay, types and amounts of leave time, and other employee incentives.

In our analysis of the benefits data, we will prepare a detailed table that will demonstrate how each component of the City's benefits package compares with the benefits offered by the other employers in the survey. We will also include a summary that shows our best determination of which benefits offered by the City are competitive with the market, and which are below or above the norm in the market.

Ray Associates will also gather information about and discuss each surveyed employer's specific pay practices. This will include compensation plan structure, cost-of-living increases and performance-based increases provided over the last three years. In addition, we will ask specifically about 2018-19 pay increases, i.e., if they have already been given, and if not, what is budgeted for the 2019 fiscal year.

In addition to salary recommendations, Ray Associates will review the benefits data from the survey and will make recommendations, if appropriate, regarding changes for the City to consider in its benefits package.

7. Implementation of the New Compensation Plan.

After the selected jobs have been appropriately placed on the pay schedule(s), Ray Associates will prepare a transition cost schedule, showing the following information for each city employee:

- Name;
- Current job title;
- Recommended new job title, if appropriate;
- Current salary;
- Recommended pay range; and recommended salary on the pay schedule.

The transition cost schedule also will reflect the resulting cost, if any, for each department, and for the City overall, to implement the job placement recommendations (i.e., the difference between the total recommended salaries and the total current salaries).

For ease of reference, we will prepare inventories of all City job titles in three formats: sorted by department, by recommended pay grade, and alphabetically by job title.

In addition, Ray Associates will review the City of Boerne's current policies relating to classification and compensation and will recommend what changes, if any, should be made to those policies to properly implement our recommendations.

8. Final Report and Recommendations.

Ray Associates will prepare a Report on the Compensation and Benefits Study that details the methodology, findings, and recommendations. Katherine Ray will present the results of the study to City management and to the City Council at the conclusion of the project.

Ongoing Services

Ray Associates will remain available to the City of Boerne for telephone consultations regarding the implementation of our work without charge provided no research and no written responses are required. Our goal is not only to provide the City with an outstanding final product, but also to facilitate the implementation of that product, making it as painless as possible.

Products of the Engagement

The physical products of the work detailed in the previous sections will include the following items:

- A Report on the Comprehensive Compensation and Benefits Study for all full-time City positions, detailing our findings and recommendations, and including:
 - A narrative analysis of our findings relating to the City's total compensation (salaries and benefits);
 - Both actual salary and salary range charts for each job included in the salary survey, clearly demonstrating the City's current competitive position in the surveyed market;
 - Recommended pay schedule(s);
 - A detailed benefits table comparing the various components of the City of Boerne's benefits package to those provided by other market cities; and
 - Inventories of job titles in three formats: alphabetical, by pay grade, and by department.
- Transition cost schedule(s) detailing the fiscal impact of implementing our recommendations, shown at the employee, department, and City levels.

Pay plans, transition cost schedules, and other supporting schedules will be submitted in electronic format, as will the final report. Katherine Ray, SPHR, a principal of the firm, will make the final presentation of our findings and recommendations to City management and to the City Council.

Cost Estimate

Ray Associates will complete the proposed project for \$36,291 for the compensation and benefits study with the City of Boerne performing elements of the project as identified in this LOE. This is the cost for professional service hours to complete all components of the project, and does not include reimbursable expenses for actual, reasonable, and documented costs for such items as travel, additional copies of reports (in addition to the electronic copy provided as a part of this agreement), or other project-related direct expenses, if authorized by the City, which shall be included in each invoice, listed separately from the contract amount.

The cost estimate provided in this letter of engagement is based on the proposed scope of services. If a different scope of services is negotiated, the cost would be decreased or increased accordingly. This agreement includes two round trips from Austin to Boerne. If additional trips are necessary, there will be an additional charge, over and above the cost outlined in this letter of engagement, comprised of the time and expenses required to make the additional trip(s). This cost estimates that the “red flag” review will be conducted by telephone conference call. Below is detail of the cost estimate:

Estimated costs are listed on the following pages of this agreement. These costs are based on the following:

- ◆ 250 City Employees
- ◆ 140 City Job Titles
- ◆ 40 Selected City Job Titles Included in the Salary Survey
- ◆ Not More Than 12 Employers Surveyed for Salaries and Benefits
- ◆ An Approved Revised List of Employers to be Used for Salaries and Benefits and for General Government Employees as well as Public Safety Employees.

Should the above numbers increase significantly (more than 10 percent), the costs for the project will increase accordingly, and a change order will be processed.

Details of the cost estimate are on the following page.

Compensation and Benefits Study	Cost
<p>Project Initiation – includes conference call with City leadership</p> <p>Reviewing market employers used in 2014 study and revise, in conjunction with City of Boerne leadership; Assisting City with selecting 40 Benchmark Positions and Revising Survey Employers List; Agreeing Upon Timeline for Study.</p>	\$1,200
<p>Salary and Benefits Survey – includes</p> <p>Labor Market Salary and Benefits Survey (Up to 12 Employers, Estimated 40 Job Titles; Preparation of Survey Instruments, Follow-Up Calls, and Analysis of Data)</p> <p>Reviewing job summaries prepared by City for use in survey; posting them on-line; emailing survey login information to each participant; and follow-up calls to employers to complete the surveys; Preparing charts for both actual salaries and salary ranges; Analyzing survey data; preparing detailed benefits tables; and call-backs to clarify or verify information (assisted by City).</p>	\$14,508
<p>Creation of Compensation Plan – includes</p> <p>Creating pay schedules (or revising current pay schedules), incorporating both the current internal equity and the market data into the analysis; spending one day in Austin placing all jobs on the pay schedule; and preparing transition cost scenario(s) that track the migration of each employee from their current classification and pay to the recommended classification and pay; and showing cost by department and citywide. Also includes providing preliminary recommendations and costs to the City for a “red flag” review prior to finalization.</p>	\$11,258
<p>Preparing or Revising Procedures for Maintaining the Classification and Compensation Plan</p>	\$2,515
<p>Prepare Final Report and Present to the City Council – includes</p> <p>Preparing report including narrative explanation of assignment, methodology, findings and conclusions, and recommendations, along with appendices that will include the salary survey charts; the pay schedule; inventories of job titles by department, pay group, and alphabetical; a copy of the job summaries used for the salary survey; detailed benefits tables; and other supporting documentation, all provided in electronic format.</p>	\$6,810
Estimated Professional Services Costs – Class/Comp Study	\$36,291
<p>** Total includes professional services hours and overhead costs only; does not include reasonable, necessary, and documented travel expenses, or other authorized expenses, such as production of additional copies of reports (in addition to the one electronic copy included in this Letter of Engagement). Expenses are estimated at not to exceed \$5,000.</p>	

Project Timeline/Invoices

Work on this project begins February 25, 2019 and will be completed by July 31, 2019. Invoices will be submitted monthly as follows:

Compensation Study Only

March 31, 2019	\$ 7,258.20 plus reimbursable expenses
April 30, 2019	\$ 7,258.20 plus reimbursable expenses
May 31, 2019	\$ 7,258.20 plus reimbursable expenses
June 30, 2019	\$ 7,258.20 plus reimbursable expenses
July 31, 2019	<u>\$ 7,258.20</u> plus reimbursable expenses

Total, Professionals Services **\$36,291.00 plus reimbursable expenses**

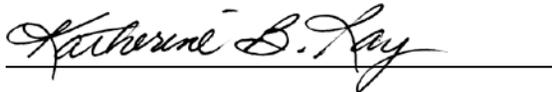
The final invoice will be paid upon satisfactory completion of the project by Ray Associates, Inc.

Signatures

By signing below, both parties agree to the terms set forth in this letter of engagement.

Sincerely,

ACCEPTED:



Katherine B. Ray, SPHR, President/CEO
Ray Associates, Inc.

Ronald Bowman, City Manager
City of Boerne

Date Signed: February 24, 2019

Date Signed: _____