

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 14, 2009

Board Item: V-E-3

2010 ANNUAL WAGE AND SALARY RECOMMENDATIONS

Action by Consent

Action

Information

This Board item describes recommendations for two components of Denver Water's 2010 wages and salaries: the market adjustment to the salary ranges, or structures, and the annual performance based step increases for 2010.

Job Market Wage and Salary Survey

Each year Human Resources conducts a survey of market pay for each of Denver Water's occupational groups. The survey data reports wages and salaries paid for particular jobs across a number of public and private organizations. HR staff analyzes the changes in median pay for the jobs surveyed from year to year, and recommends any changes to the salary structures based on that analysis. This year the survey data produced inconsistent results largely due to the economic recession which affected organizations in various ways.

As previously communicated to the Board, the survey data appear to be unreliable to serve as a basis for making any adjustments to Denver Water's pay structures. While the surveys reported on wages and salaries paid for specific jobs, the impact of other variables such as furlough days, the use of part time or temporary staff, or reduced hours, were not reflected in the data.

Based on these results, the Senior Staff recommends that no adjustments should be made to the salary structures for each occupational group in 2010.

Merit Step Increases

Denver Water's pay system is one that incorporates traditional steps and grades, similar to that used by the Federal Government. When Staff brings wage and salary recommendations to the Board each year, the recommendations normally address only market adjustments to the structures. The Board has not been asked to approve annual merit step increases, other than the initial policies that govern the system. However, it seemed important to raise the topic this year in light of the concerns and recommendation to make no market adjustments in 2010.

Employees usually begin their employment at Denver Water at or near the beginning of the pay range and progress each year through the steps as long as performance is satisfactory. In the first and second quartiles of the range (steps 1 through 6), the step increases are approximately 5%; in the 50th to 75th percentile (steps 7 through 10), approximately 2.5%; and in steps 10 through 13 approximately 1.67%. The final movement from step 13 to step 14 is approximately 5%. These merit increases are based on an individual's performance and accomplishments achieved throughout the year. If all eligible employees were to receive step increases in 2010 the cost would be about \$889,000 or 0.4% of Denver Water's total budget and 1.2% of the estimated payroll budget.

In response to the economic recession, a number of options were examined by Human Resources and Senior Staff. In each scenario, other than the one in which all eligible employees would receive step increases, several complications became apparent. Those ranged from deciding which criteria to use if

steps were awarded to only a portion of the workforce, to handling the impact of no step increases in 2010 after the economy and labor markets recover. i.e. awarding double steps in 2011, or accepting that some jobs may be permanently under market.

Employee Meetings and Feedback:

Each year, at the Board's request, HR staff holds employee meetings to discuss any proposed changes in benefits, wages and salaries. The general feedback from these meetings is that employees understand the possible decision to freeze salary structures, and realize they are fortunate to work for an organization as stable as Denver Water. Not surprisingly, however, many have expressed frustration at the possibility of not receiving step increases in recognition of their performances throughout the year.

Recommendations

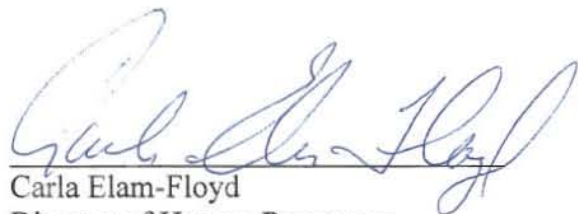
The process of developing recommendations for wages and salaries in 2010 has been difficult. While acknowledging the importance of letting rate payers know that Denver Water is sensitive to the economic difficulties we all face, there is also the recognition that Denver Water's workforce should be compensated for high levels of performance. The inconsistent market survey results support the recommendation to the Board to make no market adjustments to the wage and salary structures in 2010. Manager and Staff further recommend that step increases be allowed for eligible employees with the exception of discretionary employees at the Senior Staff level.

Approvals:

Respectfully submitted,

A handwritten signature in blue ink, appearing to be "D. B. ...", written over a horizontal line.

Manager Approval

A large, handwritten signature in blue ink, appearing to be "Carla Elam-Floyd", written over a horizontal line.

Carla Elam-Floyd
Director of Human Resources