

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: August 10, 2011

Board Item: V-E-2

Adoption of Changes to Denver Water's Pay Plan

Action by Consent

Action

Information

In October 2010, Human Resources and members of the Executive Team convened a workgroup of 40 employees from all divisions to look at pay plans to replace Denver Water's traditional Step Pay Plan. The primary goal of the change was to increase focus on, and provide a method to reward, employees' contributions to the organization. Other important goals of the new plan were to:

- Reward employees who contribute to the achievement of Denver Water's Strategic Plan goals
- Be fiscally responsible and equitable in the eyes of Denver Water rate payers
- Remain competitive with the job market in order to attract, retain and reward high performing employees
- Provide the Board and Management flexibility when setting and administering payroll budgets

After meeting for six months, the workgroup recommended to the Board that the traditional Step Pay Plan be replaced by a pay for performance plan known as Open Range. In an Open Range pay system, annual pay increases are controlled through the payroll budget which is reviewed and approved by the Board each year. Any merit increase approved by the Board is earned through performance. The pay increase received by each employee will depend upon:

- Available payroll budget,
- Individual performance evaluation ratings, and
- The employee's position in the relevant occupational group pay range.

The change to an Open Range Pay Plan will not affect pay increases related to promotions earned by employees throughout the year.

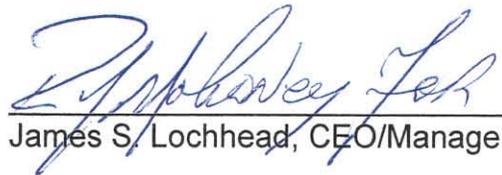
Due to the extensive nature of modifications to process and degree of training needed to implement Open Range, the new plan will be implemented over two years. New performance evaluation and scoring systems will be implemented this fall and next winter, but employees' pay will not be fully subject to the new system. Instead, in 2012, any merit payroll budget increase approved by the Board will be evenly distributed to employees who achieve a "meets expectations" ratings or higher. Employees will be able to see how they would have fared

under the new Pay Plan, and we will have the opportunity to work out any bugs we might encounter before full implementation in 2013.

Recommendation:

Implementation of the new Pay Plan requires numerous changes to Denver Water's Personnel Policies, procedures and guidelines. This Board item only requests the first of the needed changes—moving from a step system to an Open Range pay for performance system. Other necessary changes to the Personnel Policies will be brought to the Board for approval as implementation moves forward.

Respectfully submitted,



James S. Lochhead, CEO/Manager

Approvals:



Director of Human Resources



Legal Approval