

**Blue Ribbon Commission – Phase II (BRC II)**  
**Meeting Summary**  
**October 22, 2009**

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Members Present: Tom Hagerty, Suzanne Jones, Dan King, Michelle Krezek, Beth Pommer, Dorothy Rupert, Jeff Wingert,

Members Absent: Susan Graf, Michael Leccese, Rich Wobbekind

Staff Present: Jane Brautigam, Peggy Bunzli, Bob Eichen, Paul Fetherston, Kathy McGuire, Linda Rad, Maureen Rait, Jim Reasor, Patrick Von Keyserling, Roy Wallace

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Public Participation

- none

Welcome by, Maureen Rait

- Paul introduced the evening's agenda
  - Compensation Practices
  - General discussion on report recommendations
- It was also noted that the meeting was being recorded and is available for review; please contact Jim or Kathy if you would like access to the recording.

Compensation Practices

- Jane introduced: compensation philosophy had not been reviewed in 6 years – time to review, especially in context of changes in economic and business environment; important to look at **total** compensation; philosophy is to pay favorably compared to market, was implemented first as 7.5% above market, then 75<sup>th</sup> percentile, philosophy remains the same, without being tied to these numerical values; there will be no general salary increase (GSI) this year for Management/Non-union employees, Jane would like to move away from GSI and prefers using a strictly performance-based pay system.
- Sue Bohline presented overview and context of conversations with EAB:
  - Introduction of herself; assessment of current city practices and compensation philosophy
  - Objectives of study: comprehensive and independent review in context of organizational/environmental changes and increased emphasis on pay-for performance (PFP).
  - Evaluation based on: fit to compensation philosophy, technical soundness, cost effectiveness, administrative effectiveness, communication effectiveness.
  - Importance for mission, structure, people, culture and systems to be aligned.
  - Idea of “integrative involved” combines emphasis on people with emphasis on performance.

- Motivators for various age groups are different – motivators need to work for older base while attracting new generations of workers.
- Total compensation framework is broader than just pay and benefits; should (1) attract and retain, (2) motivate and reward, (3) build capacity and (4) engage – underlying all this is performance management. City has focused on (1) only and has been good at (4) but is not fully leveraging (2) and (3). Ideally organization wants to accomplish (1) as efficiently as possible in order to have more resources for (2), (3) and (4). Merit exists within (1) – need to look at other forms of motivational reward. Also, merit differentiation may be too narrow to maximize its effectiveness.
- Public sector organizations moving towards private sector practices.
- High performance companies in private sector spend more on development and less on merit and bonuses.
- Emerging best practices include: comprehensive compensation packages, focus on implementation and communication, linking pay to contribution, variable pay, increased calibrating skills, performance management, differential based on contributions, line-led implementation, maximizing ROI, training and development, competition in broader market, targeted solutions.
- City of Boulder has narrowly defined compensation, little variable pay, limited differentiation, and inconsistent communication and implementation.
- What is private sector doing to increase differentiation? Fewer people getting pay increases, tough conversations – even letting people go, variable pay.
- Performance management underlies it all; very important; need coaching, goals, feedback.
- COLA/GSI almost unheard of in private sector and going away in public sector.
- On the job development very important for career development (not necessarily promotion, but increased contribution to organization).
- Building managers' behavior important; performance management also about organization, not just individual performance.
- Next steps: finalized assessment in mid-Nov., communication with employees in Dec/Jan, action plan for 1/1/2010, completion of initial market analysis by March 2010, 1<sup>st</sup> quarter 2010 – initial priorities identified, 2010/2011 – longer-term development of program.
- Questions:
  - How do you begin to measure total compensation compared to market? Still need to look at salary and benefits as important factors in market, there is market data available on total compensation even though this increases complexity of comparison
  - How do you reconcile competitive salaries to merit? Depends on performance, merit can be useful tool to close competitiveness gap
  - How do you implement? Groups for standardization across city, greater flexibility, workforce may be ready for cultural change, more than process

and bureaucracy of organization and managers, could use reverse mentoring

- What about vacation policy, sick leave, appreciation bonus, comp time? These will be reviewed by city management in 2010/2011
- What % of city is in Mgmt non-union? 40-50% that will be most affected by culture change being discussed. Process can be beneficial to accomplishing goals
- Is there any move to go away from PERA? No, too costly
- How do you know that you're maximizing return on investment in public sector total compensation? Very difficult to answer in public sector, need robust set of metrics, score cards
- Is there information on relationship between satisfaction of employees and community it serves? Has not been measured in public sector but high level of correlation between employee satisfaction and customer satisfaction in private sector
- What's the right level of retention? Depends on job
- Is there anything else that BRCII should be looking at with regard to compensation? Will BRCII take a position on recommendations of EAB, group could include some of this in the report.

#### General Discussion on Report Recommendations

- Discussion on how to reach consensus, role of dissenting opinions, etc. needs to happen with whole commission
- There was general agreement that this should happen naturally as the draft report is developed

Adjournment. Next meeting 11/12.