

**Metropolitan Domestic Water Improvement District
Board of Directors Board Meeting**

June 13, 2011

Analysis of In-House Process to Complete Compensation Survey

Synopsis

The Board of Directors is requested to consider including in the Fiscal Year 2011-2012 budget a line item for an analysis of the District's process for completing a compensation survey.

Background

At the May 23, 2011 study session, Board member Dan Offret requested the inclusion of funds for the purpose of having an outside firm analyze the District's template or process for conducting a compensation survey. He noted that a previous analysis had been done by the firm Fox Lawson. He thought it was time to revisit the template or approach that the District uses so that the District would then be ready to pursue a compensation survey the following year. It was also requested to have an outside firm do the analysis of the District's salary survey process.

The Board directed staff to get information about the possible cost for such an analysis to determine if the Board would like to have it included in the Fiscal Year 2011-2012 budget.

Issues

The District conducted compensation surveys in 2000, 2003, 2005, and 2007. Following the 2000 survey, the Board had directed staff to have an analysis done of the 2000 compensation survey to verify its objectivity, suitability and competitive with the job market. Fox Lawson was selected at the August 2002 meeting from 10 firms that had submitted proposals and agreed to do the analysis for \$12,000. Fox Lawson presented its review to the Board at the December 9, 2002 meeting. Fox Lawson concluded that the overall process and resulting recommendations for the salary survey were appropriate. Fox Lawson made no recommendation to modify the 2000 compensation survey; however, they made recommendations for future surveys. The recommendations included the following: 1) conduct a compensation survey every two to three years; 2) define the relevant labor market with emphasis on the Tucson and Phoenix areas; 3) determine before collection data an evaluation of each job and its importance to the District and apply geographical differentials; 4) and consider evaluation base salary versus total compensation.

The recommendations made by Fox Lawson have been incorporated into each subsequent salary

survey that the District has done.

The District has not done a compensation survey recently because of the economic downturn that has frozen salary ranges of most, if not all, municipalities.

Staff was able to contact three firms who specialize in compensation surveys to ask for an estimate of what the cost would be to analyze the District's process for salary surveys. The amount of time between the study session and doing this report was not long enough to contact more firms and to have a more thorough discussion with them. They all indicated that their approach would be to review the process followed for completing the 2007 compensation survey. Based on the estimates given, \$10,000 would be an adequate amount to include in the budget for this task. The firms emphasized that doing a review of job descriptions, benefits and/or an actual compensation survey would be significantly higher.

Recommendations

Staff recommends that the Board of Directors discuss whether funds should be included in the Fiscal Year 2011-2012 budget to do an analysis of the in-house compensation survey process. Having such an analysis done would confirm whether the District's approach to compensation surveys is appropriate and objective, which staff believes it has been. With an outside firms review, this would position the District to move forward with a new compensation survey.

On the other side, the timing for an analysis of our compensation survey process may be questioned due to the fact that salary ranges are frozen due to the economic downturn. The estimated \$10,000 may be spent more productively if it was targeted directly to staff, such as part of the mid-year COLA benefit.

Staff did include in the budget \$10,000 to hire a firm to review the District's process for its in-house compensation survey.

Suggested Motion

The Board does not need to take formal action under this agenda item but rather direct staff whether \$10,000 should remain in the budget. Staff will be available to answer any questions. The formal action will be under the approval of the Fiscal Year 2011-2012 budget of whether this line item should not be included in the budget.

Respectfully submitted,

Mark R. Stratton, P.E.
General Manager