



OFFICE OF THE CITY AUDITOR

COLORADO SPRINGS, COLORADO

14-20 Colorado Springs Utilities Compensation Study Changes

August 2014

Purpose

The purpose of this audit was to verify that accurate and appropriate compensation changes have occurred as a result of the 2013 Compensation Methodology Study process. We also confirmed spending was on target not to exceed funds budgeted by City Council and the Utilities Board.

Conclusion

Based on our review, we conclude that overall, Colorado Springs Utilities has implemented or was in the process of implementing the primary recommendations suggested by the Compensation Methodology Study conducted in 2013. Some recommendations that were considered opportunities for improvement were not implemented or were under review.

Colorado Springs Utilities engaged a consultant to perform a review of Colorado Springs Utilities Classification and Compensation Methodologies. Overall, the consultant determined Colorado Springs Utilities methodologies were consistent with best practices, except in a few areas. The consultant's summarized recommendations were:

- Classify some jobs more narrowly,
- Revise the salary structure design, and
- Develop base pay strategies to compensate employees competitively.

Classification—Colorado Springs Utilities was exploring the appropriateness of creating more narrow classifications for two job classifications.

Salary structure—A new salary structure was designed to agree with industry best practices and became effective in January 2014. Salary structure changes included a more narrow range of minimum to maximum salary for each position. Additionally, the midpoint for related jobs was revised to better correspond with the market.

Strategy for competitive compensation—Colorado Springs Utilities market comparison showed 75% of Utilities' employees were paid below the market midpoint. Colorado Springs Utilities designed a multi-year strategy to maintain a competitive compensation program. The 2014 budget provided a regular base pay increase of \$5.7 million (or 4.3%) from the 2013 budget to address this shortfall. Approximately three quarters of the allocation would be used for merit increases, based on performance, designed to target employees with salaries which were under market the most. Colorado Springs Utilities began distribution of the merit increases effective March 30, 2014.

After the salary adjustment was implemented, the percentage of employees paid under market midpoint decreased to 57%. Those employees were paid, on average, 4.3% under market midpoint. As of the end of June 2014, 50% of the total budget for regular base pay had been spent.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.

City Council's Office of the City Auditor
City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575
Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387
www.SpringsGov.com/OCA