

# AGENDA

## CITY COUNCIL WORK SESSION

April 5, 2022

4:00 PM, City Council Chambers  
427 Rio Grande Place, Aspen



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### I. WORK SESSION

I.A. Classification and Compensation Study Update



## MEMORANDUM

**TO:** Aspen City Council

**FROM:** Alissa Farrell, Administrative Services Director  
Courtney DeVito, Human Resources Director

**THROUGH:** Sara Ott, City Manager

**CC:** Pete Strecker, Finance Director

**MEMO DATE:** April 1, 2022

**MEETING DATE:** April 5, 2022

**RE:** City of Aspen Compensation and Classification Update

The purpose of this memorandum is to discuss implementation of the City's compensation and classification study. The results of the study support the City's adopted Total Compensation Philosophy "TCP" (Exhibit A) and offer a path forward in providing exemplary services to the community by attracting and retaining the City's most important assets, City employees.

**REQUEST OF COUNCIL:** Staff is requesting Council consideration of a total compensation budget increase of \$1.75 million across the organization (of which \$1.2 million is already appropriated in the 2022 annual budget) in order for the City of Aspen to effectively implement the critical, actual pay increases. These pay increases ensure every position at the City of Aspen will receive a highly competitive market rate to coincide with the City's Total Compensation Philosophy (TCP). Additionally, the proposed pay increases account for the market moving at an aggressive pace, while addressing the pay gap with fiscal responsibility in mind.

**SUMMARY AND BACKGROUND:** The compensation and classification project was introduced in 2020 but was paused due to the Covid-19 pandemic effect on data quality. During this time and continuing through today, the pressures on City staffing and operational needs have increased.

Subsequently, Council authorized through Resolution 37, Series of 2021 hiring of a compensation and classification consultant, Segal Company. Segal has worked to ensure that the following compensation and classification project goals are met:

- To attract and retain talent to achieve the City's goals and provide exceptional service to the community.
- Ensure equitable pay, parity in jobs, highly competitive pay, and career advancement opportunities that support the City's TCP.
- Reinforce alignment of the adopted TCP with City values and culture.

To assist the City in the compensation and classification process, Segal worked closely with the City's Compensation and Classification Steering Committee to identify key elements that impact the City's workforce.

The Steering Committee is comprised of a cross-departmental group of management level staff who understand the City's unique operational and business challenges, and are actively engaged in the retention, attraction, and development of the City's qualified workforce.

Steering Committee Members:

- Tyler Christoff, Utilities Director
- Trish Aragon, City Engineer
- Diane Foster, Assistant City Manager
- Matt Kuhn, Parks & Open Space Director
- Richard Pryor, Police Chief
- Alissa Farrell, Administrative Services Director
- Courtney DeVito, Human Resources Director
- Pete Strecker, Finance Director

Additionally, Segal conducted interviews with several managers and stakeholders to better understand the City's culture, values, and goals.

Throughout the compensation and classification process, Segal, the City Manager and the Steering Committee considered and incorporated City Council perspectives, employee survey feedback, stakeholder interview findings, and the City's mission and values.

Feedback obtained by key stakeholders recognized the City of Aspen's challenge of managing sophisticated, community and customer services typically found in much larger organizations. These sophisticated services embody the City's organizational culture and values of *partnership, service, innovation, and stewardship*. The Total Compensation Philosophy bridges the City's service model and the City's workforce, linking organizational culture, values, and employee compensation & benefits to the City's service delivery approach, ensuring that the City maintains a qualified, talented and sustainable workforce through the total compensation package. The TCP that was then designed to capture the essential elements that are significant to both employees and organizational success, while maintaining high degrees of community and customer service levels. As a result of Segal and the Steering Committee's efforts, the outcome is a TCP that places the City as a market leader through the offering of a highly competitive, total compensation package.

Council then approved and authorized the City's Total Compensation Philosophy for the design of the compensation and classification study at the City Council work session discussion on June 28, 2021. This document serves as the framework and guiding

principles to build the City's employee total compensation system through the collection of market data (public and private sector) and then merging with internal equity.

A few fundamental elements of the TCP include:

- Pay as the cornerstone of any competitive total compensation package. It is the City's primary tool to help address issues such as cost of living and cost of housing. Year-to-date 2022 data through exit interviews shows that approximately 50% of staff left the City because of pay. The TCP allows the City to be a *Market Leader*. Being a market leader is a tool to assist in mitigating, to a certain extent, some of the cost-of-living concerns. It is recognized by staff that housing as part of the City's TCP, needs to be further addressed.
- Additionally, the TCP speaks to benefits that support the health and wellbeing, and professional development of employees.

**DISCUSSION:** To appropriately implement the compensation and classification study results through the lens of the TCP, additional funding is requested. The \$1.2 million City Council approved for compensation in the 2022 budget was presented to City Council as an estimate and, due to the timing of the budget, that estimate was created before any market analysis was started by Segal.

An additional \$550,000 is requested. As mentioned earlier, the market has been moving at an aggressive pace. Furthermore, the City of Aspen has not conducted a comprehensive classification and compensation study since 2014. These factors along with the new TCP have combined to result in the market analysis recommending a compensation budget increase of more than the initial estimate.

A new pay plan is proposed by Segal along with recommended pay movement for all staff. This impacts the FY 2022 budget appropriations and requires Council consideration of options for possible additional funding for implementation in 2022.

Segal applied best practices in the new, proposed pay plan by decreasing the number of pay ranges from thirty-five to sixteen. In tandem with this consolidation, the pay ranges were also widened, as was the differentiation between each range relative to the next. These actions, along with the market leader philosophy, resulted in the average midpoint for all pay ranges moving from \$85,257 to \$109,434, or a 28% increase. Note that this does ***not*** translate into the actual average wage increase for employees, but rather is a reflection of the movement to the allowable pay ranges within the organization.

**RECOMMENDATION:** As stated previously, Administration seeks an all-in budget adjustment of \$1.75 million to implement the market leader philosophy that was supported by Council during the previous work session on June 28, 2021.

### **Funding Review**

This total adjustment has been partially funded already, as Council supported an *initial* \$1.2 million placeholder in the 2022 Budget which was benchmarked to the equivalent budget increase associated with the City's 4% annual merit increase. This placeholder was known to be just that, but it was also an acknowledgement that staff required time to engage an outside consultant to assess and formulate a well-supported solution to the changing labor market and derive a pay plan and wage adjustments that will recruit and retain the best for the Aspen community. Today, staff feels that with Segal's support, the right approach to be competitive for actual pay recommendations has been found and in a fashion that is considerate of the fiscal responsibility the community expects.

### **Best Practice Approach**

Best practice is to use the market rate on the pay plan which is also defined as the midpoint (halfway point) of the new minimum and maximum ranges when assessing placement into the new pay plan. Range placement for each incumbent was developed dependent on length of service, performance, and evaluation of placement within the new pay range for position. The new pay plan structure is designed with best practice in mind and therefore is no longer comparable to the current pay plan.

### **How to Achieve the Objective**

To achieve the objectives of the TCP along with the goal of reducing turnover, staff is recommending implementing a new pay plan, with the approval of an additional \$550,000, that will result in an average wage increase of roughly \$9K per full-time employee. This option would also result in a new average pay range penetration (defined as where an employee falls between minimum and maximum of a pay range) of slightly under midpoint at 47.3 percent, allowing for continued earning income and growth. With the implementation of the new pay plan, the actual pay placement formula for the new range is determined by evaluation of tenure, performance, job descriptions, internal equity, and old and new range placement comparison. This will be done with a goal of maintaining a high degree of focus on the market competitive rate (midpoint) within the pay range.

**ALTERNATIVES:** Council may direct staff to revise the implementation of the recommended pay plan and hold the budget impact to the \$1.2 million placeholder that was adopted in the 2022 Budget, and to move staff only to the new minimum pay ranges in the proposed pay plan. This would, however, continue to create compression issues and would not fulfil the City's TCP.

Further, Council could request a more aggressive implementation that places employees at higher wages in the new pay ranges. The most extreme scenario that was evaluated costs around \$5 million, however; it is not recommended for implementation. This scenario would increase wages well beyond reasonable market leader rates that prioritizes employee placement in a pay range at the expense of other critical factors.

Another alternative would be for City Council to select a target implementation number above the recommended \$1.75 million and below the \$5 million number. Staff and Segal

would then use the new pay plan to determine the new implementation plan based on the evaluation of tenure, performance, job descriptions, internal equity, and old and new range placement comparison.

**FINANCIAL IMPACTS:** The implementation cost for the recommended changes, including pay increases and associated benefits into the new pay plan is \$1.75 million for 2022. Currently in the FY2022 Budget, \$1.2 million appropriated. The request of Council is to appropriate an additional \$550,000 across several funds for implementation in May 2022.

Additionally, Council should anticipate a second funding request during the 2023 budget assumptions work session in June 2022 to ensure the base budget assumptions fully fund the compensation plan for FY2023.

Recommendations outlined in this memo were not originally anticipated during 2022 budget development of the Water and Electric enterprise funds. These enterprise funds are currently healthy and support adequate reserves. Additional staff analysis and supporting recommendations will be required to ensure a transparent and balanced rollout of this proposal within these funds.

**ATTACHMENTS:**

City of Aspen Total Compensation Philosophy Document (Exhibit A)

**CITY MANAGER COMMENTS:**

This memo outlines the new proposed compensation program at the policy level. There is significant work left to be completed for implementing the plan. While staff could go forward with the current appropriations, I do not recommend it. The additional \$550K is key to addressing issues in the compensation structure in a comprehensive manner. It remains less expensive and less disruptive to have the appropriate tools – including pay – to address retention of qualified employees than it is to constantly lose time and capacity due to turnover.

Additionally, I find these recommendations to be robust and with merit because of how the work was completed. I want to thank the Steering Committee members for their work on the project. They spent countless hours educating themselves, having difficult conversations, ensuring fairness, and maintaining the integrity in a new pay system.

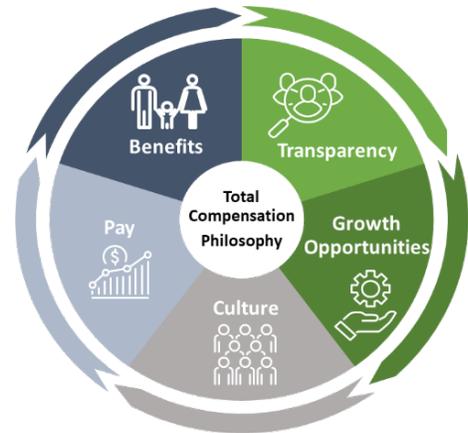
Finally, staff is preparing for a future work session around employer-sponsored housing and housing benefits, consistent with the City's TCP. The reduction in affordability and availability throughout the Roaring Fork Valley is impacting the City's ability to recruit and retain qualified employees. The pay adjustments can offset a portion of this impact; however, it is not enough to address the growing housing needs of employees in critical positions. The City needs to re-evaluate all housing benefits to be realistic to the market conditions. Council can expect this work session after the moratorium work is completed.



# Total Compensation Philosophy

## Total Compensation Philosophy OVERVIEW

The City of Aspen's *Total Compensation Philosophy* provides a framework to guide decision-making on compensation and benefits programs for employees. As an employer of choice, the City encourages an engaged and innovative workforce through a Total Compensation Philosophy that supports highly competitive and equitable pay. Employees that embody the City's values and mission enjoy a unique and rewarding mountain culture experience.



## City of Aspen EXPERIENCE

The City is committed to providing a Total Compensation Philosophy that attracts, retains, and rewards a talented and motivated workforce that embraces the City's Mission statement and Organizational Values.

## MISSION STATEMENT

To engage with positive civil dialogue, provide the highest quality innovative and efficient municipal services, steward the natural environment, and support a healthy and sustainable community for the benefit of future generations with respect for the work of our predecessors.

## ORGANIZATIONAL VALUES

**SERVICE:** We serve with a spirit of excellence, humility, integrity, respect

**PARTNERSHIP:** Our impact is greater together

**STEWARDSHIP:** Investing in a thriving future for all by balancing social, environmental, and financial responsibilities

**INNOVATION:** Pursuing creative outcomes, grounded in Aspen's distinctive challenges and opportunities



The City invites employees to bring their passion and experience to affect positive change through public service. Diverse perspectives, rich ideas, and a culture with an appreciation for individuality and a sense of belonging are reinforced and appreciated in the City. To pursue creative outcomes, demonstrate excellence, and address the distinctive opportunities found in Aspen, the City recruits qualified and talented employees who are prepared to manage complex and highly technical challenges.



## HOW WE COMPARE OURSELVES

To respond to the unique Aspen environment and labor market conditions, the City will:

- Ensure we are a market leader locally, regionally, and as appropriate, nationally.
- Utilize a comparable labor market that includes both private and public sectors, as appropriate.
- Regularly evaluate the City's competitive labor market and compare similar positions to other organizations whom the City competes with for its workforce.

## WHAT WE OFFER

To achieve a sustainable, fiscally responsible, and highly competitive compensation program, the City will provide the following core Total Compensation programs to City of Aspen employees:

### PAY

- Market-leading pay structures that consider the high cost of living in Aspen and the surrounding area.
- Pay for similar work that is equitable both internally and externally and applied consistently across the organization.
- Meaningful merit/performance increases that recognize employee's contributions and reflect the varying levels of employee achievements.

### HEALTHY LIFESTYLE BENEFITS

- Comprehensive and competitive benefits programs designed to support the health of City employees and their families.
- Robust employee benefits that encourage awareness of individual health and offer resources to pursue healthy lifestyles.
- Benefits that are inclusive and meaningful at a variety of life stages.
- Work-life balance enhancements through offerings such as alternative work schedules, employee wellness programs, and ancillary benefit programs.

### PAY COMMUNICATION

- Clarity and transparency in managing the total compensation system.
- Communication of the value of the total compensation package offered to City employees.
- Guidance and oversight in pay decisions to ensure fairness and consistency.



## WHAT WE OFFER - CONTINUED

### PROFESSIONAL DEVELOPMENT & CONTINUOUS LEARNING

The City seeks to retain and develop employees by providing opportunities for learning and professional development. The City and employees both play critical roles in maintaining the success of a professional development culture.

- Foster a positive work environment that is meaningful, stimulating, and encourages employee innovation and creativity.
- Provide a range of learning and professional development opportunities for all employees that support personal and professional growth.
- Offer ongoing and timely communication to employees on their performance, goals, and professional development throughout the year.

### REWARDS & RECOGNITION

- Acknowledge and celebrate employees' contributions that align with the City's mission statement and organizational values.
- Provide financial and non-financial incentives for extraordinary and exemplary performance.
- Reward employees by offering learning opportunities to promote professional growth and development.

### HOUSING SUPPORT

- Respond to the high cost of living and lack of affordable housing through an array of housing program options.
- Review creative and innovative opportunities on an ongoing basis to further enhance employee support with housing challenges.





City of Aspen, CO

# Compensation & Classification Study

**City Council Work Session**

April 5, 2022 / Patrick Bracken, Vice President

# | Agenda

Project Overview

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Total Compensation Philosophy Overview

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Market Study Findings

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Recommended Pay Structure

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Q&A

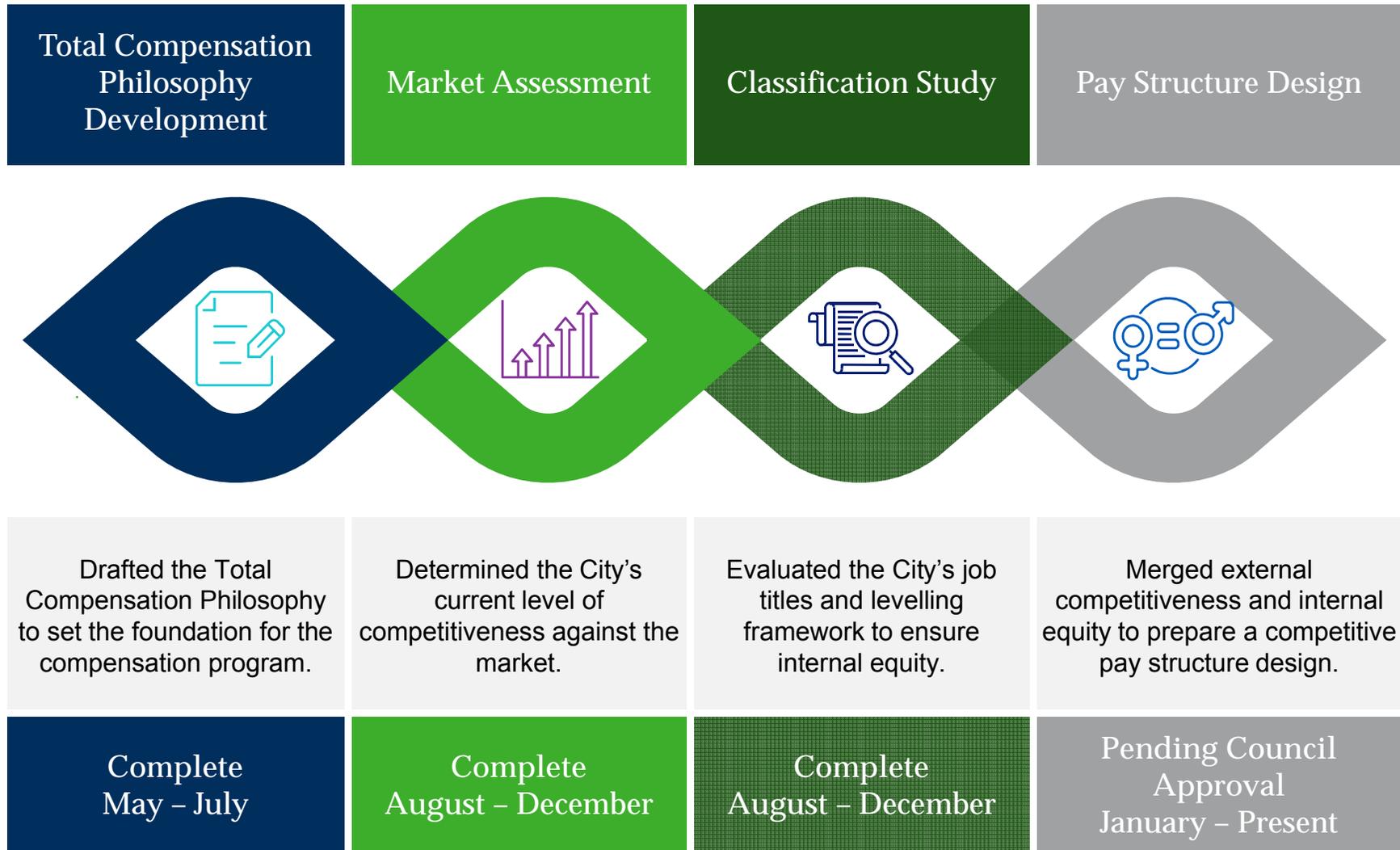
# Project Overview

## Compensation and Classification Study Goals

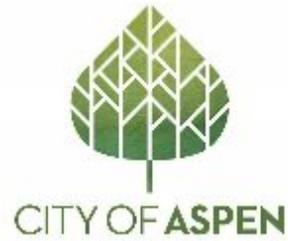
1. Ensure the City is able **to attract and retain talent** to achieve City's goals and **provide exceptional service** to community
2. Finalize a **transparent and innovative compensation philosophy**. This will be the foundation for the compensation and classification study.
3. Ensure **equitable pay, parity in jobs, competitive pay**, and consistent and fair career advancement opportunities.
4. Adopt **repeatable**, compensation and classification methodologies and provide policies for **City long-term, self-sustainability**.

# Project Overview

## Timeline

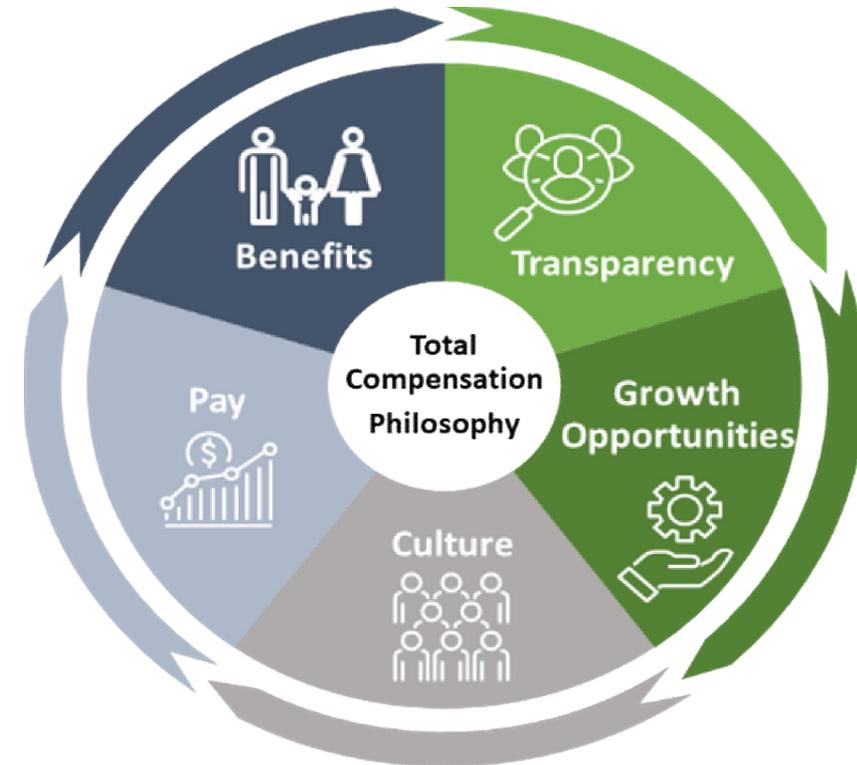


# Total Compensation Philosophy Overview



## CITY OF ASPEN Total Compensation Philosophy

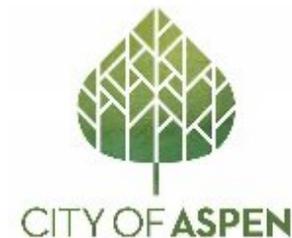
- The City of Aspen's Total Compensation Philosophy provides a framework to guide decision-making on compensation and benefits programs for employees
- As an employer of choice, the City encourages an engaged and innovative workforce through a Total Compensation Philosophy that supports highly competitive and equitable pay
- Employees that embody the City's values and mission enjoy a unique and rewarding mountain culture experience



The Total Compensation Philosophy provided the guiding principles for the remainder of the Compensation & Classification Study.

# Total Compensation Philosophy Overview continued

- **City of Aspen EXPERIENCE, MISSION STATEMENT AND ORGANIZATIONAL VALUES**
- **HOW WE COMPARE OURSELVES**
  - Local, regional, and national market leader
  - Comparable labor market
  - Regular evaluations to maintain competitiveness
- **WHAT WE OFFER:** To achieve a sustainable, fiscally responsible, and highly competitive compensation program, the City will provide the following core Total Compensation programs to City of Aspen employees:
  - PAY
  - HEALTHY LIFESTYLE BENEFITS
  - PAY COMMUNICATION
  - PROFESSIONAL DEVELOPMENT & CONTINUOUS LEARNING
  - REWARDS & RECOGNITION
  - HOUSING SUPPORT



# Market Study Findings

- Segal and the Aspen project team selected 125 benchmark jobs representative of the Aspen workforce using the following factors: job families, pay grades, and career levels
- **Segal found that Aspen’s pay ranges lag the market across all salary levels based on the new TCP.** It is important to note there is variability in competitiveness at the benchmark job level. In other words, there is a mixture of benchmark jobs that are at, below or above the market average
- **Aspen’s market position was compared to similar public sector entities and established published survey sources** that reflect both public sector and private sector compensation levels

	CoA as a % of Compensation Market Data			
	10th Percentile	50th Percentile	75th Percentile	90th Percentile
Public Sector Entities	96%	95%	94%	94%
Employers Council Surveys	92%	87%	85%	85%
National Surveys	104%	96%	91%	90%
<b>Overall Market Average</b>	<b>98%</b>	<b>93%</b>	<b>90%</b>	<b>90%</b>

Figures shown in **red** are below market (less than 95% of the market average)  
 Figures shown in **black** are within the market range (95% to 105% of the market average)  
 Figures shown in **blue** are above market (more than 105% of the market average)

The proposed pay scale is designed to be as market-leading as possible, while balancing fiscal affordability.

# Current Pay Structure

Grade	Min	Mid	Max	Range Width	Pay Grade Midpoint Differential
B	\$36,566	\$43,971	\$51,376	41%	
C	\$38,584	\$46,405	\$54,205	40%	6%
D	\$40,706	\$48,942	\$57,200	41%	5%
E	\$42,952	\$51,646	\$60,341	40%	6%
F	\$45,302	\$54,475	\$63,648	40%	5%
G	\$47,798	\$57,470	\$67,163	41%	5%
H	\$50,419	\$60,632	\$70,845	41%	6%
I	\$53,206	\$63,981	\$74,755	41%	6%
J	\$56,139	\$67,496	\$78,874	40%	5%
K	\$59,218	\$71,198	\$83,200	40%	5%
L	\$62,483	\$75,130	\$87,797	41%	6%
M	\$65,894	\$79,248	\$92,581	40%	5%
N	\$69,534	\$83,616	\$97,698	41%	6%
O	\$73,362	\$88,213	\$103,064	40%	5%
P	\$77,397	\$93,059	\$108,742	40%	5%
Q	\$81,640	\$98,176	\$114,712	41%	5%
R	\$86,133	\$103,563	\$121,014	40%	5%
S	\$90,854	\$109,262	\$127,650	40%	6%
T	\$95,867	\$115,274	\$134,701	41%	6%
U	\$101,130	\$121,618	\$142,085	40%	6%
V	\$106,683	\$128,294	\$149,885	40%	5%
W	\$112,570	\$135,366	\$158,163	41%	6%
X	\$118,768	\$142,813	\$166,878	41%	6%
Y	\$125,278	\$150,654	\$176,010	40%	5%

# Recommended Pay Structure

- Segal and Aspen have prepared a proposed pay structure for Council’s review. The proposed structure has **fewer grades, wider ranges, and higher minimum pay** than Aspen’s current structure.
- By simplifying the structure to fewer pay grades with wider ranges, City of Aspen employees will have **more meaningful distinction between grades and greater pay potential**.
- The lowest graded city position would have a pay range midpoint of \$54,500, which is about **\$10,000 higher than the current lowest graded position**.

### Proposed Pay Structure

Grade	Min	Mid	Max	Range Width	Midpoint Differential (%)
101	\$43,600	\$54,500	\$65,400	50%	--
102	\$47,524	\$59,405	\$71,286	50%	9%
103	\$51,801	\$64,751	\$77,702	50%	9%
104	\$56,463	\$70,579	\$84,695	50%	9%
105	\$61,545	\$76,931	\$92,317	50%	9%
106	\$67,084	\$83,855	\$100,626	50%	9%
107	\$73,122	\$91,402	\$109,682	50%	9%
108	\$79,703	\$99,628	\$119,554	50%	9%
109	\$86,876	\$108,595	\$130,314	50%	9%
110	\$94,695	\$118,368	\$142,042	50%	9%
111	\$103,217	\$129,021	\$154,826	50%	9%
112	\$110,442	\$138,053	\$165,663	50%	7%
113	\$118,173	\$147,717	\$177,260	50%	7%
114	\$126,445	\$158,057	\$189,668	50%	7%
115	\$135,297	\$169,121	\$202,945	50%	7%
116	\$144,767	\$180,959	\$217,151	50%	7%

# Questions for Council:

- The implementation cost for the recommended changes, including pay increases and associated benefits into the new pay plan is \$1.75 million for 2022. In the FY2022 Budget, \$1.2 million has been appropriated.
- **Does Council support the staff recommendation of an additional \$550,000 in funding for implementation in May 2022?**
- Does Council wish to discuss any of the alternatives?

# Thank You!



**Patrick Bracken, CCP**  
***Vice President***

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