

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 15, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO #3: COMPENSATION REVIEW PROJECT OVERVIEW

The City has engaged Watson Wyatt Worldwide in a contract to review the City's compensation policies. The attached material provides a project overview for Council's information. An employee committee has been involved in the study and we expect to have a report back to Council in the fall so that we can implement recommendations from the study as part of the FY 2010 budget. We will be available to answer any questions about this project at the next Council Budget Work Session on Wednesday, March 20, 2008.

For Council's information, the City also has engaged the Corbin Company to conduct a separate performance audit and efficiency study of the Personnel Services Department. This study will focus on the internal systems and processes used by the City's Personnel Services Department and benchmark them against best practices in similar organizations. The activities to be examined include classifications, employee relations and training, recruitment and selection, benefits and records, and the employee wellness program. We expect the study to be completed by late Spring.

ATTACHMENT: City of Alexandria: Compensation Consulting Services Project Overview February 14, 2008; Watson Wyatt Worldwide

STAFF: Michele Evans, Deputy City Manager
Bruce Johnson, Director, Office of Management and Budget

watsonwyatt.com



City of Alexandria

COMPENSATION
CONSULTING SERVICES Project
Overview

February 14, 2008



Discussion Outline

- Project Overview
- Project Approach in Detail
- Current Project Status
- Questions?

Project Overview

Project Objectives

- Conduct audits, studies and reviews regarding best practices related to:
 - performance management
 - position classification and compensation
 - compensation philosophy
 - benchmarking of City benefits
- Make recommendations to the City regarding these programs

About Watson Wyatt

- World leader in human capital consulting. We help clients:
 - Improve organizational performance
 - Achieve competitive advantage
- Clients include 70% of the Fortune 1000
- Over 6,000 associates worldwide
 - Largest compensation consulting practice in the Washington DC area
- Watson Wyatt has several of the largest databases of employee pay in the world:
 - Compensation information on over 3,800 jobs positions
 - 131 Industries
 - 24,000 Zip Codes

Project Overview

- The project is divided into 3 Phases:
 - **Phase 1 Discover:** Assess current state by gaining an understanding of City of Alexandria's Classification, Compensation and Performance Management Programs
 - **Phase 2 Invent:** Develop, test and finalize design recommendations
 - **Phase 3 Deliver:** Design and Deliver Outline of Implementation Plan, Determine Fiscal Impact
- We estimate this project to take approximately 6 months to complete
- Watson Wyatt is working closely with a Steering Committee and a Project Team made up of City employee's to accomplish the project objectives

Project Approach in Detail – Discover Phase



Phase I: Discover

- Project Kick-off
- Review of Compensation Philosophy
- Benchmarking of City Benefits
- Local Government Survey
 - Interviews of lessons learned and results with supporting data
 - Report results to Steering Committee
- Evaluate Current Classification System and Merit Process
 - Confirm objectives
 - Test for differentiation of rewards based on merit
 - Conduct comparison of achievement of objectives to other types of systems
- Leadership interviews
- Focus groups

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Project Approach in Detail – Invent Phase



Phase II: Invent

- Formulate recommended revisions to the performance management system, comparing to best practices in performance management and ensuring alignment with organizational objectives and present options
- Conduct fiscal impact analysis
 - Use assumptions based on current distribution of ratings
 - Use Watson Wyatt's Reward software
- Review and Evaluate the City's Classification and Compensation Process
 - Local Government Survey
- Evaluate current operating status of City's QES system

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Pay for Performance Study: Deliver



Project Management

Phase III: Deliver

- Outline implementation plan
 - Implementation timeline
 - Plan for system development
 - Training
 - Communications
 - Change Management Strategy
- Develop and deliver final report

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Current Project Status

- We are currently in the Discover phase of the project
- What has been accomplished to date:
 - Kick off meetings with Steering Committee (Jan. 7) and Project Team (Jan. 16). Discussed with groups:
 - The Near Future: Organizational Mission, Strategic Planning, Goals and Objectives
 - Attraction/Retention Issues
 - Communications Priorities and Preferences
 - Defined outcomes of a successful project and working relationship
 - Project Team Meeting #2 (Jan. 31)
 - Compensation Philosophy Discussion
 - Overview of current philosophy
 - Relevant labor markets
 - Identification of targets for local government surveys
 - Washington Metropolitan area
 - Other local government organizations
 - Assign interim research/tasks
 - Project Team Meeting #3 (To take place on Feb. 21)
 - Finalize draft list of local government organizations
 - Draft interview guide for local governments
 - Immediate Next Steps
 - Contact organizations and conduct interviews

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