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# Council Audit & Finance Committee
**Minutes**
7/18/12
10:00 to 12:00
CIC Room

| | |
|---|---|
| **Council Attendees:** | Mayor Karen Weitkunat, Mayor Pro Tem Kelly Ohlson, Ben Manvel |
| **Staff:** | Darin Atteberry, John Voss, Mike Beckstead, Heather Shepherd, Wendy Williams, Kelly DiMartino, Amy Sharkey, Janet Miller |
| **Others:** | Kevin Smith, McGladrey and Pullen;<br>Holly Carroll, Executive Director of PRPLD;<br>Robin Gard, Vice President Library Board;<br>Shelly Kalkowski, Library Board Treasurer<br><br>Daman Holland of Ripley Design; Dan Gallo of Powers Watson |

**Minutes Approval**
Ben Manvel moved to approve the minutes of the June 18th, 2012 Council Finance Committee meeting. Karen Weitkunat seconded the motion. Minutes approved unanimously.

**Audit Findings/Report**
Presenter: Kevin Smith of McGladrey and Pullen

Kevin Smith stated that the City was given a clean opinion which is the highest an organization can achieve.

All of the smaller items mentioned in their audit have already been addressed in a letter from the City staff stating how the items will be handled.

Mike Beckstead informed the committee that at the September Council Finance Committee meeting City staff will present the staff response to each audit item.

**Library Funds**
Poudre Library District board members presented proposed improvements to the park and grounds of the Old Town library using $320,000 in funds that were not used *from another project*.

The main components include:
- Improvements to the Library entry plaza and street accessibility
- Bench Alle (alley/walkway through Library park)
- Outdoor Amphitheater

Darin Atteberry told the Committee that although it has been determined that the excess money from the previous project does belong to the City, using it for enhancement of the external part of the Library and park would benefit both the community and the library, which is a good compromise.

Ben Manvel asked if the City would be able to use the planned amphitheater for City events. Holly Carroll said it will definitely be a shared space.

Kelly Ohlson asked who would be responsible for maintaining the park and landscaping. Library staff said that the City would maintain the park and then bill the Library for it. Library staff will verify the exact cost for that ongoing maintenance.

The Mayor said this is a historical part of downtown and used by the entire community. This area can be showcased as a historical site and can be considered a type of community branding. This would possibly create an identity in the downtown that is a 'destination' identity.

Kelly Olhson asked if this project is designed sustainability in mind. Daman Holland with Ripley Design Inc., said that sustainability is a major part of the process.

Committee members all agree that using the money for these improvements is a benefit for the City as well as for Poudre Library District.

**Compensation Philosophy**

Amy Sharkey presented data on the current methods and philosophy of employee compensation. She said that historically, City Council and the City Manager have supported how determination of salaries is calculated, using market pay, with a target of at or slightly above the market.

**Market Philosophy**
- The pay range midpoint set at the market average actual salary
- Use published surveys to gather data from public and private sector organizations along the Front Range
- Pay employees "at least or slightly above" the market

**Performance Philosophy**
- Differentiate base pay – award employees based on performance

- Allows movement through the pay range based on performance but not to exceed maximum of the pay range

**Current MERIT Workforce Distribution**

**Market Philosophy**

Pay range Minimum

Pay Range Midpoint

Pay Range Maximum

| 1st Quintile | 2nd Quintile | 3rd Quintile | 4th Quintile | 5th Quintile |
|---|---|---|---|---|
| 49 employees | 220 employees | 212 employees | 244 employees | 76 employees |

Market

Don Gallo from Powers Watson stated that this method of calculation covers pay for market and performance, but, performance is viewed first, then comparison to the market. This is a good way to manage expectations of entitlement to an automatic increase because of the general market increase.

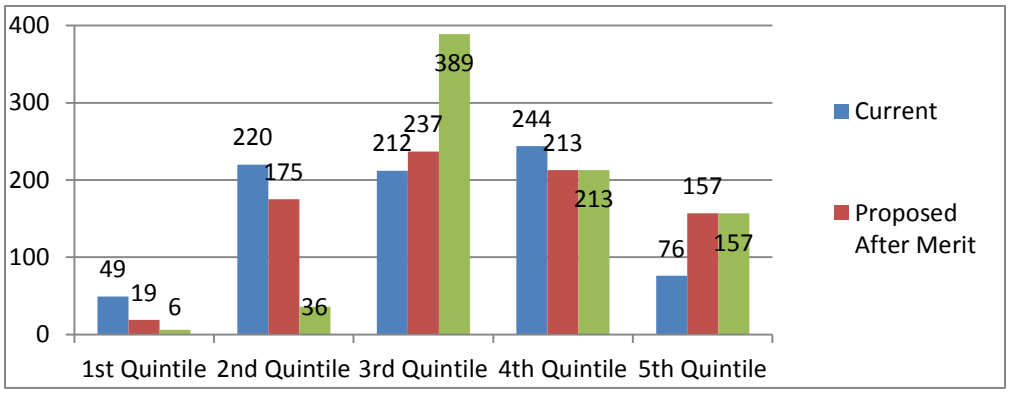
Staff is proposing using the merit matrix below for salary adjustment in 2013. The matrix is based on both performance and market giving a higher increase to higher performers and a higher increase to staff that are below market.

**Proposed Merit Matrix**

| Performance Rating | 1st Quintile | 2nd Quintile | 3rd Quintile | 4th Quintile | 5th Quintile |
|---|---|---|---|---|---|
| 4 | 5% | 4% | 3% | 2.5% | 2% |
| 3 | 4% | 3% | 2% | 1.25% | 1% |
| 2 | 0% | 0% | 0% | 0% | 0% |
| 1 | 0% | 0% | 0% | 0% | 0% |

Kelly Ohlson asked what the performance distribution for City Employees was last year. In 2011, 18.7% = 4 rating, 76.6 % = 3 rating, 2.5 % = 2 rating and 1.7 % = 1 rating.

Regarding the data on the following chart: The orange bars reflect the anticipated quintile dispersion after merit matrix adjustments. The green bars reflect the anticipated quintile dispersion after final market adjustments.




Ben Manvel requested adding a 2% shift for market change to the chart, and NOT assume that the market won't change.

Kelly Ohlson and Ben Manvel questioned the green bars and the resulting demographics of staff by quartile that results from the final market adjustments.

Darin advised the Committee that this is what will be in the recommended budget. Staff is in agreement that it is a good and affordable plan. Ultimately the Council will be deciding on affordability and the overall amount spent on this in the City Budget. But more data will be presented to the Council Finance Committee at the August meeting.