

Pay for Performance Policy

- 1.0 POLICY STATEMENT:** The City establishes pay for performance policy to ensure fair and equitable compensation practices.
- 2.0 PROCEDURES:** A fundamental feature of any merit pay plan is an established budgeted amount for pay for performance and merit increases. Every year the merit pay plan is in effect, the budget process must consist of two key activities: determining the size of the budget; and allocating funds to the department within the City.
- 2.1 *Determining Budget Size* - The recommendation for the amount of merit increases will be addressed during the annual fiscal budget year process. Typically, salary increase amounts will be established each budget year based on the following factors:
- 2.1.1 Actual or anticipated organizational financial results.
 - 2.1.2 Cost of living and/or inflation.
 - 2.1.3 Competitive factors such as retention rates and recruiting success or difficulty; and
 - 2.1.4 Cost of labor and the competitive position of the City's pay within the marketplace.
- 2.2 *Budget Allocation* - Funds for merit adjustments are distributed to departments and divisions of the City as a percentage of "eligible payroll" which is defined as the aggregate base salaries of all employees who are eligible to participate in the merit pay plan. For the purpose of this policy, "eligible payroll" refers to full-time and part-time employees not on either a new hire or promotional probation. Merit increase funding levels are recommended by the Budget Manager, Human Resources Director, Assistant City Manager and the City Manager and approved by the City Commission during the fiscal year budget process.
- 2.3 *Merit Increases* - The City has adopted a pay for performance based pay system which is based on the premise that those who perform at a higher level should be rewarded with higher pay. All eligible employees are evaluated every year. An employee who receives a meets expectations or higher overall rating is eligible for, but not entitled to a pay increase. A merit increase recommendation will not be accepted if that would cause the employees pay to exceed the maximum of the pay grade for the classification. An employee that is topped out within his/her salary range would be eligible for merit bonus based on their performance. The merit bonus would be awarded as an annualized one time lump sum payment and their rate of pay remains unchanged.

- 2.4 *Approval of Merit Pay Recommendations* - Prior to the merit adjustments, Human Resources will provide departments with summary spreadsheet that contain each employee's title, exemption, level of pay, the minimum and maximum for the position, the employee's current pay, how close (by percentage and annualized amount) the employee's current pay is to the maximum for the position. This document will be used to assist in determining the amount of merit to be awarded to the employee.
- 2.4.1 Merit pay recommendations are to be prepared by the supervisor for each eligible employee reporting directly to him/her. Department Heads will review recommendations from supervisors to ensure fairness and that the recommendations are within the allotted budget for merits for the department.
 - 2.4.2 The Human Resources Director, Budget Manager, Assistant City Manager, and City Manager will review all recommendations for merit adjustments for possible pay inequities and unsubstantiated adjustments to ensure that departments are within their merit budget. Merit pay recommendations may be revised upon review.
 - 2.4.3 Once the merit adjustments are approved, the Department Head will communicate each employee's merit adjustment to the appropriate supervisor. Supervisors are responsible for informing employees of the merit decision.
- 2.5 *New Hires and Rehires* - The salary placement of a full-time and part-time newly hired or rehired employee should be based on previous experience that is directly applicable to the position, taking into consideration the pay of other staff who perform the same job within the work group. It is the City's position that the starting salary for a new hire or rehire should generally be between the minimum and the first quartile for the position's salary range. Salary offers that are above the first quartile of the range shall be reviewed and approved by the City Manager.
- 2.6 *Transfers and Demotions* - In cases where an employee accepts a lateral transfer to a position in the same salary range, no automatic pay change will occur. If the transfer is to a position in a lower pay range (demotion), it may result in adjusting to a lower pay rate. A decrease if it occurs will become effective at the time of transfer.
- 2.6.1 If it has been six months or more since the employee's last evaluation, the previous supervisor must review the employee before the transfer, promotion or demotion becomes effective. The review may consist of a single narrative on the appropriate evaluation form and must address all

performance elements. This review will become part of the employee's personnel file with a copy to the employee and the new supervisor.

2.6.2 At the time of the City's annual merit process, the employee's performance from the previous position will be considered (along with other factors normally considered) to determine what, if any, merit adjustments are appropriate.

2.7 *Probationary Employees* – Newly hired and promoted employees on probation at the time the annual performance evaluation period ends shall not be eligible for a merit.

2.8 *Change in Status* - When an employee changes from part-time to full-time status or vice versa and remains in the same position, typically there will not be a pay change. Any pay increase will require the written recommendation of the Department Head and approval by the City Manager.

2.9 *Temporary Assignment to a Higher Level Position* – Before an employee is notified of a temporary assignment to a higher level position, a written request must be made by the department head with consultation with the Human Resources Director and approved by the City Manager. Upon approval by the City Manager, an employee who is assigned, either voluntarily or involuntarily, to fill in for a higher level position for a period exceeding thirty (30) consecutive work or duty days will be compensated for the temporary assignment at the rate of pay at the starting level of the higher position or at ten (10) percent above their current rate, whichever is greater.

The temporary rate of pay will be effective after completion of thirty (30) consecutive work or duty days and beginning of the next pay period. After the temporary assignment is complete, the employee's pay will be returned to what it was prior to the temporary assignment.

3.0 RESPONSIBILITY: The Human Resources Director is responsible for the administration and communication of this policy. The Department Director is responsible for consulting with Human Resources or Payroll prior to notifying an employee of a change in classification or other actions described herein.

APPROVED:

M. Denis Peterson
City Manager