

# Agenda Report

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July 7, 2014 City Council Meeting

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Item No. 14

## **ISSUE: Policy Manual Updates-Pay for Performance**

### **BACKGROUND:**

Attached is the updated employee compensation plan the City Administrator and Department Heads have been working on and presented to the Policy & Administration Committee last month. All changes have been approved by and are being recommended by the Policy and Administration Committee. If approved, the changes will replace the current pay for performance model in the policy manual.

- Program will run from FY 16-FY 18 (three years)
- Two pronged approach, with both approaches being based on employee's performance evaluation. Part A constitutes an annual wage adjustment that is determined by a rolling three year average of the Midwest Consumer Price Index. This increase will be to the base salary of the affected individuals and will help to ensure an employee's salary is adjusted in a comparable manner to rising inflation occurring in the economy. Individuals will need to score a minimum of 3 (standard performance) to qualify for this provision. Part B will be determined annually by the City Council and will be allocated for the annual performance incentive plan. This plan will be a one-time incentive payment (paid during the second payroll in July) and will not be affect the employee's base salary. This plan is similar to the plan approved by the City Council last year and implemented last December. The ratings and categories remain the same as the previous year with the amount employees can qualify for being changed to a percentage of their salary and capped instead of a firm dollar amount. This will give department heads and the City Administrator more leeway in approving dollar amounts. The amounts awarded will be based on the amount allocated by the City Council when the annual budget is approved. Last year the Council allocated \$19,000 for the program, of which half was spent.
- Performance Incentive is based on a percentage and not flat dollar amount. For example employees scoring 3.00-3.49 will received up to 2% of their base salary, not automatically be guaranteed 2%.
- If approved the plan will begin this fall when the council determines the amount to be allocated for FY 16 (July 1, 2015-June 30, 2016).

### **RECOMMENDATION:**

The department heads worked hard to recommend a plan that is both fair to the employees and cost effective to the City and that meets the overall pay for performance

goals established by the City Council. Both Policy and Administration Committee and I recommend approval of the resolution instituting the new pay for performance plan.

**STAFF CONTACTS:**

Jeff Fiegenschuh, City Administrator

**RESOLUTION 14-0733**

**CITY OF WINDSOR HEIGHTS, IOWA**

**APPROVAL OF AMENDMENT TO THE CITY OF WINDSOR HEIGHTS PERSONNEL  
POLICY MANUAL**

WHEREAS, the City of Windsor Heights, Polk County, State of Iowa, is a duly organized Municipal Organization; and

WHEREAS, the City strives to provide superior municipal services at the lowest cost possible; and

WHEREAS, the City Council wishes To amend the personnel policy manual regarding employee safety and best practices to ensure the public's money is spent in a prudent and lawful manner; and

WHEREAS, the City Council has determined that an updated policy manual is necessary and will promote the public good; and

**NOW THEREFORE BE IT RESOLVED** by the City of Windsor Heights City Council in session this 7<sup>th</sup> day of July, 2014 that it hereby adopts this revised personnel policy manual and that this policy shall be effective upon passage.

Passed and approved this 7<sup>th</sup> day of July, 2014

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Diana Willits, Mayor

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Jeffrey A. Fiegenschuh, City Administrator/Clerk

## Employee Compensation Program – Effective FY16-FY18

*In an effort to recognize the contributions made by employees to the betterment of city services in Windsor Heights, as well as to reward individual employee excellence, the City has designed the following three-part compensation plan for non-union staff members:*

1. Each non-union employee shall receive a basic **Annual Wage Adjustment** (AWA) each year that is determined by a rolling three year average of the Midwest Consumer Price Index (CPI). This increase will be to the base salary of each individual and will assure employees that their compensation is adjusted in a comparable manner as to what is occurring within the local economy. It also values employee skills at the current market rate. This adjustment would occur as long as the employee demonstrates acceptable performance (3.0) to set evaluation standards.
2. Additionally, employees shall be given the opportunity to earn an annual, one-time **Merit Incentive** that is paid based upon identified benchmarks as measured in annual performance evaluations. This additional incentive will not affect the base salary of any position. It will be offered to individual employees performing at a “meets standard” rating on their performance objectives and include the following additional intangibles as measured by each department head:
  - a. Attainment/progress towards an individual’s identified goals for professional growth
  - b. Commitment to the overall success of the City’s corporate image and mission
  - c. Attitude and collaboration with city stakeholders
3. In an effort to show long-term commitment to on-going employment and professional growth within the city, the City Administrator and department heads shall collaborate every five (5) years on updating job descriptions and city comparables through an updated **Salary Study**. The intent of this is to establish a salary range for each position within the city that is comparable to like duties in other municipal metropolitan communities and include within that range a salary midpoint. These ranges will then be forwarded to the Policy, Administration & Finance Committee and eventually the full city council for review, discussion, and adoption by resolution as appropriate. Then moving forward in non-salary study years as each year’s AWA adjustment is made, the salary range minimums and maximums should be increased by the same adjustment percentage.

### **Incentive Pay Adjustment Determination**

The City Council will determine annually (on or before March 15) as part of the budget process for the upcoming fiscal year, the amount to be allocated for the Employee Performance Incentive Pay Plan. The incentive plan shall be approved annually by the City Council and is conditional based on available funding.

### **Eligibility**

All regular, non-union employees must have 6 months of continuous employment to be eligible for any Pay for Performance merit incentive. Anyone receiving a written warning or greater disciplinary action during their current rating period OR receives an overall evaluation rating below “meets standard” (3.0) will not be eligible for any incentive pay adjustment.

### **Annual Evaluation Required**

Employees will receive an annual evaluation of individual job performance by May 1<sup>st</sup> of the current fiscal year. Employee evaluations completed by May 1<sup>st</sup> will determine the one-time incentive pay adjustment awarded in the first payroll of July in the following fiscal year. This annual merit incentive will be based solely on the current year evaluation and shall not be affected by any previous year evaluations.

### **Ratings and Categories**

The performance evaluation system will also utilize the following five (5) rating categories and corresponding percentages to determine overall scores of employee performance. The ratings categories are:

**DP Distinguished Performance (5)**

Performance consistently exceeds position requirements and management expectations. Resourcefulness and demonstrated knowledge are the highest quality. Assignments are accomplished in an exceptional manner with minimal direction and are characterized by outstanding achievements within the department and organization.

**EP Excellent Performance (4)**

On a regular basis, performance is characterized by high quality and quantity of work that exceeds most position requirements, key objectives, and management expectations. Employee demonstrates outstanding skills and abilities, and assignments are accomplished in a highly effective manner with limited guidance and direction.

**SP Standard Performance (3)**

Performance meets all requirements of work objectives and management expectations. Employee demonstrates a good working knowledge of job duties, and assignments are accomplished with normal supervisory guidance.

**ND Needs Development (2)**

Performance does not consistently meet management expectations. Employee requires more than normal guidance and direction. Improvement and/or development are necessary if the rater elects to continue employment with the City. Performance improvement plan required.

**FI Failing/Failed to Improve (1)**

The employee has previously been given a performance improvement plan or specific improvement instruction in a particular area and has not improved.

### **Incentive Pay Calculation**

Once an employee's performance evaluation has been completed, the final score shall be determined by their evaluator. Once an appropriate adjustment has been made, the supervisor shall fill out a personal action form and turn it into the City Administrator in order to make the one-time lump sum payroll adjustment for the second payroll period in July.

<b>Performance Evaluation Level</b>	<b>Incentive Pay Amount*</b>
0.00-1.99	\$0.00
2.00-2.99	\$0.00
3.00-3.49	Not to exceed 2%
3.50-3.99	Not to exceed 3%
4.00-4.49	Not to exceed 4%
4.50-5.00	Not to exceed 5%

*\*Each year funding for incentive payment shall first be decided by the city council as to the amount of monies available to support the City's overall compensation program (Average Wage Adjustment + Performance-based Merit Incentive). In no case will the merit incentive exceed the employee's annual wage percentage as listed in the table above.*

### **Proposed Schedule for Annual Implementation**

#### **October - December (of current fiscal year)**

City council/administrator discussion on amount of money to allocate to pay for performance plan incentives for upcoming budget year (Ex: 18 eligible employees = maximum of \$18,000).

#### **January - February**

Determine updated rolling three year average of Midwest CPI for July 1<sup>st</sup> AWA adjustment (Ex: upcoming budget year of FY16. Three year average is based upon CPI from CY12, CY13, CY14).

#### **No Later than March 15<sup>th</sup>**

Finalize/approve upcoming budget including AWA adjustments and total dollar amount to be shared among those who qualify for pay for performance incentive. [NOTE: upcoming fiscal year salary schedule to be adopted by resolution prior to July 1<sup>st</sup> (if not included with budget adoption).]

#### **April**

City Administrator and department heads complete annual performance reviews of all non-union staff and collaborate on allocations of merit incentive. Allocations are based upon percentage of eligible employees within each department (Ex: PD has 5 of 18 eligible employees (~28%); City Administrator and Police Chief work together to award 28% of allocated merit funds to eligible PD staff).

#### **First Pay Period in July**

AWA adjustments become effective – base salary is increased for new fiscal year.

#### **Second Pay Period in July**

One-time merit incentive checks are issued to employees who have exceeded standards of measure.