

# Agenda Report

---

July 7, 2014 City Council Meeting

July 7, 2014

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