

**CITY OF LA VISTA  
MAYOR AND CITY COUNCIL REPORT  
FEBRUARY 17, 2009 AGENDA**

<b>Subject:</b>	<b>Type:</b>	<b>Submitted By:</b>
DISCUSSION - COUNCIL POLICY STATEMENT - PAY FOR PERFORMANCE	RESOLUTION ORDINANCE ◆ RECEIVE/FILE	RITA M. RAMIREZ ASSISTANT CITY ADMINISTRATOR

**SYNOPSIS**

An update on the development of an implementation strategy for the Compensation Study and Pay for Performance system will be presented, which includes a draft of a Council Policy Statement regarding Pay for Performance. No action by Council is being requested at this time.

**FISCAL IMPACT**

N/A

**RECOMMENDATION**

N/A

**BACKGROUND**

In November of 2008 Council accepted the Compensation Study prepared by The Austin Peters Group and staff presented a timeline for implementation of the recommendations contained therein with a goal of full implementation by April 1, 2009. As you know, the recommendations included new salary ranges and a switch to a Pay for Performance (PFP) compensation strategy. In order to achieve this it was determined that the City's performance evaluation instrument would have to be significantly improved and considerable time would need to be spent creating an updated evaluation tool and training staff on its use. In addition, training regarding the PFP concept would also be necessary. While we are making progress in the development of a full implementation strategy, it has become increasingly more apparent that an April 2009 implementation date is not feasible.

Work to date includes department heads and mid-level managers participating in a process to identify the strengths and weaknesses of our current evaluation instrument and outlining what should be in a new instrument. The group then participated in demonstrations of three electronic evaluation systems and chose Success Factors, an on-line program that allows for a great deal of flexibility in creating customized performance appraisals. We are just beginning the process of creating new appraisal forms and developing a training program for all employees who are responsible for conducting evaluations.

A draft of the Pay for Performance policy has been prepared and is included in the packet for Council review and feedback. This draft has been reviewed with department heads and it is anticipated that this policy will continue to evolve as the evaluation instrument starts to take shape.

In addition to the development of a performance appraisal instrument and training staff members, we will also prepare a final draft of the PFP policy and work on other changes to the employee handbook that will be required. A new compensation ordinance will need to be drafted, as well.

This project is simply taking more time than originally anticipated and staff has determined that a 10/1/09 full implementation date is more realistic. In the meantime, it is our belief that we do need to make some adjustments to the salaries for the positions that are currently paid considerably below market comparability according to the compensation study. As a result, it is anticipated that we will bring forth such a proposal at an upcoming Council meeting.

**SUBJECT:** EMPLOYEE COMPENSATION – PAY FOR PERFORMANCE  
**ISSUED:** (Date)  
**ISSUED BY:** Brenda Gunn, City Administrator

### **Purpose**

The City's Pay for Performance compensation program is designed to attract, retain, motivate and reward qualified employees who demonstrate a commitment to the City of La Vista, Nebraska and its mission through the payment of financial compensation that is commensurate with the employee's ability, responsibility and contribution toward the City's goals.

### **Objectives**

The primary objectives are to:

- Maintain internal equity by evaluating jobs to assure that a position's duties and responsibilities and the required skills, experience, and education are valued fairly as compared to others within the organization.
- Ensure external competitiveness by developing and maintaining compensation levels that reflect current market rates of pay.
- Promote a pay for performance philosophy by providing incremental pay increases that distinguish between levels of performance.
- Ensure that compensation actions comply with federal, state and local legal requirements.
- Provide employees with information on the compensation process, the overall pay structure and current market pay for each position.
- Provide flexibility to allow the system to remain responsive to changes in the marketplace, the organization and the economic conditions within our industry.

### **Applicability**

The Pay for Performance program shall apply to all employment positions in the City with the following exclusions:

- a. Employment positions covered as part of a collective bargaining agreement, except to the extent otherwise provided in the agreement.
- b. Any temporary employment position such as seasonal positions.
- c. Any employment position covered by an express employment contract, except to the extent otherwise provided in the contract.

### **Provisions**

The City Administrator or his/her designated representative shall be responsible for administering the Pay for Performance program according to the following provisions:

- ***Salary Ranges***

Salary ranges will be established for each class of positions and shall be approved by the Governing Body as part of the annual Compensation Ordinance. Each range will be defined by minimum and maximum salary amounts. The range defines the pay opportunities for the class of positions.

The Governing Body shall annually consider adjustments to the salary ranges and determine the amount of funds to be made available for pay for performance increases subject to the

City's overall financial state. Recommendations for adjustments to the salary ranges shall be based on an average of information compiled from multiple sources including but not limited to national surveys conducted by Mercer and World at Work, the U.S. Bureau of Labor Statistics, the U.S. Conference Board, the Consumer Price Index, and the Norfolk Salary Survey. Additionally, the City of La Vista will conduct a market study every three years for all positions covered by the pay for performance program to ensure market comparability. Every five years position descriptions will be reviewed to maintain internal equity and relevancy.

Adjustments to the salary ranges do not increase employee pay, but do increase the range maximum. Upon implementation of a salary range adjustment all ranges are adjusted upward. Any employee (other than a probationary employee) who is below the minimum after a salary range adjustment will be moved to the new minimum.

- ***Starting Salaries***

New employees in positions that are part of the Pay for Performance program shall be hired at the minimum of the pay range in which the position is classified. However, a Department Head, with the approval of the Human Resources Department, can recommend to the City Administrator that an exceptionally well-qualified applicant be employed above the minimum, not to exceed the mid-point of the range. The City Administrator shall approve any appointment above the entry level salary.

- ***Performance Appraisals***

The performance appraisal process provides the basis for determining employment status and performance-based salary increases. Appraisals are considered in determining promotions, used as a factor in determining the order of layoffs, and as a means of identifying employees who should be transferred, rehired, or who, because of their poor performance, should be demoted or dismissed, and for any other purpose related to job performance.

Salary increases will be based exclusively on the performance appraisal system which rewards knowledge of work, resource management, customer service, innovation and continuous improvement, decision making, respecting differences, staff development, flexibility, teamwork, and leadership. As salary increases are dependent upon the performance appraisal, it shall be the responsibility of supervisors to complete an accurate and honest evaluation on employees supervised.

Performance appraisals shall be completed as follows (includes employees whose salary is at the top of the range):

- (1) at the end of an employee's introductory period;
- (2) annually, corresponding with the employee's anniversary date in his/her current position; or
- (3) after 3 months if an employee has received a "Below Standard" performance rating.

Prior to the time frame set out above, employees will be required to complete a self-evaluation using the approved performance appraisal instrument, which shall be reviewed with their supervisor. This requirement is meant to provide an opportunity for open communication between the employee and the supervisor on measurements of performance. An important part of the performance appraisal is the establishment of goals for the next year. Goal achievement should, where appropriate, be linked to individual and departmental performance goals and/or measures.

Direct supervisors are responsible for completing employee performance appraisals. The performance appraisal shall be reviewed and approved by additional department/division supervisors, if appropriate as well as the Department Head. Prior to presenting the appraisal

to the employee, it must be submitted to Human Resources for review and approval. After meeting with the employee and reviewing the performance appraisal, the Department Head can submit a Personnel Action Form (PAF) to request a salary adjustment. The City Administrator must approve all salary adjustments prior to any pay actions being communicated to the affected employee.

Recommended salary adjustments shall be one of the following:

- (1) a salary adjustment of a percentage commensurate with the corresponding level of performance consistent with pay for performance guidelines,
- (2) maintain the current rate of pay, or
- (3) reduction of the current salary.

- **Performance Ratings**

The City's performance appraisal system is based on the following rating system:

*Below Standard:* Does not meet standard job expectations. May not provide an acceptable level of customer service. Performance is inconsistent; additional training may be needed. May have received one or more warnings during the review period.

*Standard:* Consistently meets minimum job expectations. Is competent in all essential job functions and routinely provides customer services which are entirely acceptable. Meets most performance goals within his/her control. The employee does what is necessary and is a valued member of the team.

*Proficient – Exceeds Standards:* Fully meets all standard job expectations and routinely exceeds some standard job expectations; routinely demonstrates initiative, accuracy and reliability; routinely provides customer service at a high level. Meets most performance goals and surpasses others within his/her control.

*Exemplary:* Consistently exceeds most standard job expectations, including all major expectations. Provides exemplary customer service. Surpasses most performance goals within his/her control. Actively supports department and City mission.

*Note:* While there is not a set ratio of the number of employees that should fall into each category, employees receiving an overall rating of "Exemplary" must have the majority of their ratings at the "Exemplary" level. Receipt of this highest level of overall performance rating should be rare and reserved for only those employees that routinely out perform all others, or where circumstances during the evaluation period allowed an employee to truly distinguish him/herself. Employees receiving this rating would typically be a small percentage of the total workforce.

Any employee who receives a performance appraisal with an overall rating of "Below Standard" will be placed on a Performance Improvement Plan (PIP) for a minimum of 90 days. A PIP is a document that may include, but is not limited to, levels of performance that must be achieved to obtain a "Standard" rating, current performance deficiencies, support that may be provided by the department or City, actions the employee must take to address the performance deficiencies, and a timeline for completion of the actions. If the employee's performance does not improve, the employee will be subject to termination. If the employee's performance does improve to an acceptable level, any salary adjustment forthcoming will not be paid retroactively.

- **Performance Pay Increases**

Employees may be considered for performance pay increases each year on their anniversary date as part of their annual performance appraisal. Advancement through a pay range is based entirely on job performance as evaluated by the employee's supervisor. Employees receiving ratings of Standard, Proficient and Exemplary will be eligible for a performance pay increase. The amounts of these increases shall fall within a targeted range established by the Governing Body and will be reviewed annually as part of the Compensation Ordinance subject to the City's overall financial condition. The goal is to appropriately reward and recognize employees for the overall appraisal rating.

Employee salaries shall be maintained within the range established for the position classification they currently hold. Employees whose salary is at the maximum of the pay range may receive additional compensation above the top of the range in the form of a one-time, lump sum amount.

Exceptions:

- ❖ Employees in their introductory period will not be eligible for an increase.
- ❖ An employee receiving an overall rating of "Below Standard" will not be eligible for an increase.
- ❖ Employees placed on a Performance Improvement Plan will not be eligible for an increase.
- ❖ An employee subject to disciplinary action during the year consisting of suspension, more than one written warning, or more than two oral warnings will not be eligible for an increase.
- ❖ An employee subject to disciplinary action during the year consisting of one written warning or two or less oral warnings will be eligible for a limited increase.\*\*

\*\* Increases in these situations are the exception and require prior approval from the City Administrator.

- **Other Pay Rate Adjustments**

The following actions shall affect the pay status of an employee in the manner provided:

- (1) **Transfer:** When an employee is transferred to a different position within the same pay classification, the employee shall continue to receive the same salary.
- (2) **Promotion:** When an employee who meets all established requirements is promoted to a position in a higher pay classification, the employee's salary shall be advanced to the minimum level of the new pay range. If the employee's rate of pay prior to promotion was equal to or greater than the minimum of the new range, the employee shall be advanced to the minimum of the pay range or the level which would provide at least the equivalent of a five (5) percent increase.
- (3) **Demotion:** Upon demotion an employee may receive a decrease in pay. It shall be the responsibility of the City Administrator or his/her designated representative to determine the amount of the pay decrease, if any.