

# City of Sterling Personnel Policies

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## CHAPTER 5

### COMPENSATION

The City of Sterling views wages and salaries as a component of overall or total compensation associated with City employment. Compensation on an individual basis should be considered as wages and or salary, plus any non-statutory benefit or perk either granted or awarded by virtue of City employment. Total Compensation will reflect the added value which does not appear on wage statements, pay stubs, etc. The City reserves the right to use total compensation comparisons in lieu of simple wage comparisons as discussed in this chapter.

#### Pay and Salary Statement

We need highly talented staff to be able to excel at our mission and achieve our strategic goals. Our pay and salary system is designed to attract, retain and reward individuals that can build a successful service-based organization.

We believe that positions within our organization with comparable responsibilities and decision-making authority should be paid similarly. We also believe that higher pay should be associated with greater responsibility and decision-making authority. Since we have many types of positions that cover a wide range of activities we will use like comparisons to determine which positions are comparable and to establish an internal hierarchy of positions. The results of these internal comparisons form the basis of our pay and salary structure.

It is important that our pay plan is well positioned against the external market. We need to be able to compete with other organizations to attract individuals with established track records and to retain high performance employees. For the purpose of evaluating general external competitiveness, we will rely primarily on cities in our state and the neighboring states that are of a similar size, character of organization, services provided, per capita income and other similar community characteristics. Other data sources to be used will include: the local labor market to determine the market competitiveness of labor/trades/clerical and other non-exempt jobs; local and regional market data will be used primarily for professional and technical jobs; and local, regional, and broader market data will be used primarily for managerial jobs. Adjustments for the cost of living may be made to normalize the market data to the city's economy.

Based on the guiding principles outlined above, positions will be placed into a system of pay ranges. The size and shape of the ranges will be determined by the market data collected. An employee's eligibility for salary movement through their respective salary ranges is normally based on performance, work behaviors, increased service value of an employee to the City, and identifiable productivity gains.

Human Resources and the City Manager are responsible for maintaining the pay plan. Human Resources will also collect market data on a periodic basis and make recommendations to the city leadership regarding adjustments to the plan. The City's leadership is responsible for ensuring that the compensation strategy and plan continue to advance the city's operational needs and strategic goals. The leadership will also play a vital role in maintaining the integrity of the plan by adhering to its objectives in their actions and

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by setting a strong example for their department's management team. The City Manager has final authority for any decision related to the pay strategy and plan.

## **SECTION 1 - PAY PLAN**

The pay plan is intended to provide equitable compensation for all positions or titles in the City Service, considering range of pay for other titles, rates of pay for comparable services in the private and public employment in the area, cost of living data, other benefits received by employees, the City's financial condition, and other relevant factors. Generally, each regular position is assigned to a pay grade, which establishes that position's base and maximum pay. The current pay plan is maintained in the Human Resource Office and is available for review by appointment during normal business hours.

## **SECTION 2 - MAINTENANCE OF THE PAY PLAN**

In order to maintain a competitive pay plan, the Human Resource Director will conduct periodic compensation studies based on municipal, national, state, regional, and local pay trends. After review of the information, the Director will make such recommendations as may be deemed appropriate, and pass the information to the City Manager for review. The Human Resource Director and the City Manager will give due consideration to the City of Sterling's ability to fund any proposed adjustments. The City Manager and Human Resource Director will proceed to prepare a personnel budget from said information.

## **SECTION 3 - PAY RANGES**

Pay ranges normally consist of a minimum or base for the grade, a first quartile, a midpoint or a second quartile and a maximum rate of pay for the grade. The first and second quartiles are calculated as follows:

Maximum - Minimum, with this difference divided by 4;

The first quartile is equal to the Minimum + (Maximum - Minimum)/4; and

The Midpoint or second quartile is equal to the Minimum + 2((Maximum - Minimum)/4).

## **SECTION 4 - RATE OF PAY FOR NEW APPOINTEES**

**A new employee will normally enter employment at the minimum rate of pay for the position to which they are appointed.**

Exceptions to this practice may be made on a case by case basis if the City Manager determines waiving the practice is in the best interest of city operations. Situations in which the starting wage rate is recommended above the minimum for the pay range shall be justified in writing and approved by the City Manager prior to filling the position.

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## SECTION 5 - EMPLOYMENT ACTIONS AFFECTING THE RATE OF PAY OR SALARIES

### A. Promotions

Usually a promotion will involve an increase in the employee's rate of pay. Any change in the rate of pay is subject to the approval of the City Manager. The following guidelines may be observed in establishing a rate of pay for a promoted employee:

- At a minimum, when an employee is promoted to a position title in a more responsible classification, the employee's wage rate shall be increased to the minimum rate for the higher pay grade.
- The following exceptions may be allowed with the City Manager's explicit written authorization:
  - In the event the employee's current wage rate lies within the first quartile of the pay range to which they are being promoted, the new wage rate may be established not to exceed the first quartile but greater than or equal to the current wage rate.
  - In the event the employee's current wage rate lies within the second quartile of the pay range to which the employee is being promoted the wage rate may be established not to exceed the midpoint of the pay range but greater than or equal to the employee's current wage rate.
- Any situations where the employee's current wage rate is above the midpoint of the new pay grade will require the City Manager's written authorization prior to enacting the promotion.

### B. Transfers

When an employee transfers to a position in a different department, division, etc., regardless whether there is a corresponding pay grade change, the employee's new wage rate shall be determined by the Department Head and Human Resource Director with approval by the City Manager. An employee who transfers to another position is not entitled to an increase in pay by virtue of the transfer. Upon successful completion of a six month introductory period in the new position the employee may be eligible for an increase in pay, provided the performance appraisal for that period of time reflects or indicates such.

### C. Demotions

When an employee is demoted, that employee shall be paid at a rate which is within the approved pay range for the lower classed position. The rate of pay shall be set by the City Manager in concert with the Department Head and Human Resource Director, taking into consideration the circumstances surrounding reasons for the demotion. Under most circumstances the employee's rate of pay shall be established at the midpoint of the pay range to which the employee is being demoted.

### D. Reclassification

The reclassification of an employee's position, may not affect the employee's rate of pay. In the event a position is reclassified to a lower classification, an incumbent's salary may be reduced, dependent upon the maximum pay for the new classification of the position; however, under no circumstances shall their salary be fixed at an amount greater than the maximum amount of the new pay range. If a position is reclassified it does not necessarily mean an increase in the rate of pay for the incumbent(s) of that particular position.

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## SECTION 6 - INCREASES OF WAGE RATES OR SALARIES

Increases in an employee's rate of pay or salary unless attached to attainment milestones are not guaranteed to occur on a specific frequency or by specific amounts. Future wage or salary increases shall be based on the ability of the City to fund any current and future obligations created by the wage or salary increases. Since the funding of these obligations is through the budgetary process any pay increases shall be authorized and implemented by the City Manager.

Normally, no employee shall be assigned a rate of pay beyond the maximum of the pay grade to which the position held is assigned. Any exception to this practice can only be made by the City Manager on a case by case basis through memorandum or administrative order.

With the above paragraph taken into consideration the City may award wage or salary increases under the following general guidelines.

### A. Performance Based

1. This type of pay increase will normally become effective at the beginning of the next pay period following the employee's anniversary date. The amount of this type of pay increase shall be determined by criteria and factors developed by the City Manager. Criteria and factors to be given consideration may include but are not limited to the most recent and past performance appraisals, goal attainment, productivity increases, work attendance and behaviors. Probationary and introductory employees, unless otherwise indicated are not eligible for performance based pay increases.
2. Pay increases shall not be automatic, but shall depend upon increased service value of an employee to the City.
3. Employees may become eligible for pay increases based on performance at the conclusion of the appropriate introductory period. Such increases shall be based on the employee's performance, recommendation of the Department Head and the Human Resource Director with approval of the City Manager.

### B. Economic Adjustments and Adjustments to Wage and Salary Ranges

The entry level rate of pay may be changed from time to time to reflect area salary rates based on area salary surveys or economic adjustment allocated by the City Council. This type of pay adjustment or increase will normally result in a change to the pay grades as used by the City. The City Manager may authorize the adjustment either in full or partially and determine the effective date of this type of adjustment. The City Manager shall take into consideration wage or salary compression implications when developing and implementing this type of adjustment.

### C. Supplemental Pay

Supplemental pay is usually applied when the employee assumes supplemental duties and responsibilities which in the City Manager's opinion warrant the award of supplemental pay. The duties and responsibilities assumed are normally marginal functions of the position and are performed on such a short term nature or frequency as not to warrant reclassification of the position. The supplemental pay shall only be applied to the hours actually spent performing the additional marginal duties/responsibilities. The change in the rate of pay is removed while the employee is not specifically performing the marginal supplemental duties and responsibilities. Supplemental pay may result in a temporary increase in pay beyond the maximum for the pay grade.

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## **SECTION 7 - PART-TIME, SEASONAL, and TEMPORARY EMPLOYMENT**

An employee whose appointed duties are on a part-time, seasonal or temporary basis, in a position for which no rate of pay has been established by the pay plan, may be paid that proportion of the regular rate of pay for a similar position as shall be determined by the City Manager. An employee in a title for which a rate of pay has been established by the pay plan and whose duties are of an irregular (not a "regular" appointment) part-time or seasonal nature may be paid at the appropriate minimum rate of pay as specified in the pay plan with approval of the City Manager.

## **SECTION 8 - OVERTIME COMPENSATION**

Positions shall be classified as exempt from overtime in accordance with the provisions of the Fair Labor and Standards Act. Any declaration of exemption from overtime shall be approved and finalized by the City Manager based on the position's established duties and how those duties correspond to the requirements for exempt status as set forth and specified in the Fair Labor and Standards Act. No employee determined to be an exempt employee shall be eligible for overtime pay. The stated salary for this employee shall be considered to be the entire compensation.

Employees whose positions are determined to be non-exempt from provisions of the FLSA will receive one and one-half times their regular rate of pay for those hours worked which exceed those specified in their respective work period. Overtime compensation shall be calculated based on time actually worked. Paid time off is not considered to be time worked and will not be added to hours worked to compute overtime pay. Overtime pay shall be paid on the first pay day following the work period in which it was earned. Overtime compensation must be approved by the Department Head prior to submission.

Department Heads and/or Department Superintendents may adjust employee schedules to effectively manage the department's overtime budget.

## **SECTION 9 - PAY DAYS**

Employees shall be paid on a schedule as established by the City Manager. When a pay day falls on a designated City Hall closure date, employees shall be paid the preceding work day.

## **SECTION 10 - PAY RECORDS**

The City Clerk/Director of Finance shall be required to keep records of all persons employed, including pay rate, time worked, accrued paid time off, all absences for paid time off, accrued overtime and all related absences.

## **SECTION 11 - REINSTATEMENT**

An employee, who has resigned in good standing may be reinstated at the discretion of the City Manager providing such reinstatement may require satisfactory completion of all testing required for such position. Generally, reinstatement shall not be at a salary level higher than an employee was receiving at the time of the resignation.

## **SECTION 12 - WAGES IN ADVANCE**

It is the policy of the City that no advance in pay, including accrued paid time off, shall be made. Exceptions may be made on a case by case basis upon the approval of the Finance Director, the Human Resource Director, and the City Manager.