

City of Arkansas City

Compensation Administration Policy

Effective December 27, 2025

Policy

The City of Arkansas City (THE CITY) aims to attract and retain qualified employees at all levels by offering fair and competitive compensation that aligns with the organization's economic needs and reflects the community's standards.

Objectives

1. To enhance employee performance, morale, and loyalty through fair and equitable compensation administration.
2. To ensure consistency and fairness within all departments and divisions of the organization.
3. To maintain competitiveness by aligning compensation with current pay rates.
4. To effectively manage payroll costs and employee compensation expenditures.
5. To recognize and reward individual performance and abilities.
6. To standardize compensation rates and methods for establishing, classifying, and promoting employees.

Methodology and Procedures

The City of Arkansas City follows a systematic approach to classifying jobs and determining compensation to ensure competitive and equitable pay.

1. Job Analysis

Job Analysis is the process of defining the tasks, required skills, and qualifications for each position. This results in a detailed job description outlining Essential and Non-Essential job functions. For new or significantly changed roles, managers and employees work with the Human Resources (HR) Division to complete a Job Analysis Questionnaire. HR then creates the job description, which must be reviewed and approved. HR also determines if the job is Exempt or Non-Exempt under the Fair Labor Standards Act (FLSA). Job descriptions are regularly reviewed to ensure accuracy, any subsequent updates will be shared with the employee by providing each a new, updated job description. New hires receive the job description upon employment, and any subsequent updates will be shared by providing each with a new, updated job description.

2. Job Evaluation

Job Evaluation ranks jobs based on training requirements, complexity, and responsibility. THE CITY uses job-content information and market data to determine the ranking of each job. Jobs with similar responsibilities and required skills are grouped together and assigned corresponding Point Values, which determine the Compensation Grade.

3. Compensation Structure

The Compensation Structure consists of Pay Grades, each with a Minimum, Midpoint, and Maximum Compensation Range. Point Values derived from the Job Evaluation process are linked to specific Pay Grades. The Compensation Structure is reviewed annually and adjusted based on market data for benchmarked roles.

- Pay Grades 10-15: Range is 18.00% below/above the Midpoint, with a 7.00% progression between Pay Grades.
- Pay Grades 30-35: Range is 22.50% below/above the Midpoint, with a 10.00% progression between Pay Grades.

- Pay Grades 40-42: Range is 15.00% below/above the Midpoint, with a 15.00% progression between Pay Grades.

Factors influencing pay decisions include knowledge, skills, experience, community pay levels, job scope, and special licenses. THE CITY also recognizes a mixed market position for specified positions. HR should be involved in all compensation decisions, especially for new hires above the Pay Grade Minimum.

4. Job Classification

Job Classification is the process of matching each employee to the appropriate job description and Pay Grade. New hires should start at or above the Minimum for the position, based on qualifications. All pay-related decisions require HR approval.

Pay Scale Maintenance and Annual Pay Increases

THE CITY generally implements an annual Cost-of-Living Adjustment (COLA), applied as a broad Pay Scale adjustment that updates Pay Grades and Steps for applicable positions. This increase may be paused during periods of financial hardship. The Finance Division and the Human Resources Division recommend the COLA amount and overall compensation budget, which are then reviewed and approved by the City Commission. The City Commission may modify these recommendations as needed to align with financial priorities.

1. Annual COLA and Pay Plan Adjustments

- Each budget year, THE CITY reviews and applies a COLA/Pay Plan Adjustment based on the 12-month rolling Midwest Consumer Price Index (CPI).
- THE CITY aims to recommend a minimum 1.00% COLA adjustment each budget year, effective with the first Payroll Period of the new budget year.

2. Employee Step Increases

- THE CITY uses a structured Grade and Step Compensation Model where compensation increases are tied to both performance and Step progression. See Basic Performance Standards below:
 - i. Basic Performance Standards: To qualify for a Step Increase, employees must demonstrate effective and consistent performance in the following areas:

1. *Job Responsibilities:*

- Fulfill the Essential Functions of the role efficiently and competently.
- Meet expectations as outlined in the job description.
- Submit timely and accurate reports, records, and communications.

2. *Quality of Work:*

- Consistently meet or exceed quality standards with attention to detail and timely completion.
- Show accuracy, effectiveness, and professionalism in all responsibilities.
- Contribute to improvements in processes, practices, or services.

3. *Professionalism:*

- Maintain a respectful, positive attitude with all stakeholders.
- Follow policies, ethical guidelines, and codes of conduct.
- Collaborate well with colleagues and supervisors to foster a supportive work environment.

4. *Initiative and Problem-Solving:*

- Identify and address issues proactively.
- Take on new challenges and offer innovative solutions to improve outcomes.

5. *Professional Development:*

- Engage in both required and voluntary learning opportunities.
- Apply new skills and knowledge to enhance job performance and team growth.

6. *Adherence to Goals and Objectives:*

- Meet or exceed performance goals set during the previous evaluation cycle, including targets related to departmental objectives and success.

• Eligibility for Step Increase:

- To be eligible for a Step Increase, an employee must:
 - i. Consistently meet or exceed performance and attendance expectations during the Evaluation Period.
 - ii. Have not been placed on a Performance Improvement Plan or received any Corrective Action(s) during the Evaluation Period.

Incremental Grade and Step Increases will follow THE CITY's established compensation schedule outlined below:

Grades 10–15 17 Steps		Grades 30–35 22 Steps		Grades 40–42 14 Steps	
Step	Increase	Step	Increase	Step	Increase
A	Hiring Rate	A	Hiring Rate	A	Hiring Rate
B – G	3.00%	B – H	3.00%	B – F	3.00%
H	2.70%	I	2.70%	G	2.70%
I	2.40%	J	2.40%	H	2.40%
J	2.10%	K	2.10	I	2.10%
K	1.80%	L	1.800%	J	1.80%
L - Q	1.50%	M – V	1.50%	K-N	1.50%
R	<100%	W	<100%	O	<1.00%

• Eligibility for Lump-Sum Performance Payment:

- *For Full-Time employees (FTEs) only* - If an employee has reached the Maximum Pay Rate for their assigned Pay Grade, any approved performance-based increase shall be awarded as a Lump-Sum Performance Payment rather than an adjustment to the employee's Base Pay Rate. Lump-Sum Performance Payments may be given only once per annual Performance Period.
 - i. Lump-Sum Performance Payments do not increase base salary and do not compound for future pay calculations.
 - ii. Eligibility for a Lump-Sum Performance Payment is subject to the same performance standards, evaluation criteria, and approval requirements applicable to Step Increases.
 - iii. PRN and non-FTE employees are not eligible for Lump-Sum Performance Payments under this provision.

This provision ensures continued recognition of performance while preserving the integrity of

the established compensation structure.

Key Pay Actions

The City of Arkansas City's compensation practices are designed to recognize employee growth, ensure market competitiveness, and support organizational needs. Key Pay Actions such as Promotions, Reclassifications, Transfers, and Market Adjustments are guided by clear criteria to maintain consistency and equity.

Additionally, THE CITY's "Grow-BUILD/BUY-Up" strategy reflects a commitment to developing internal talent while remaining competitive in attracting qualified external candidates. The following outlines each of these components in greater detail.

1. Reclassifications

- When a job's responsibilities change significantly, the position is re-evaluated and Reclassified. If the position is upgraded or downgraded, the employee's compensation is adjusted accordingly.

2. Promotions

- Employees may be Promoted to higher Pay Grades based on qualifications, experience, and job requirements. Promotional Increases are typically between 5.00% and 15.00%. Any Promotional Increase above 15% requires approval from the Human Resources Division and the City Manager.

3. Transfers

- Transfers occur when an employee moves to a new position within the same Pay Grade or department/division. The employee retains their current Grade and Step compensation unless a Promotion is involved.

4. Voluntary Change of Classification

- If an employee voluntarily moves to a lower Classification, their compensation will be adjusted according to the new position's Pay Grade.

5. Demotions

- Demotions result in a lower Pay Grade and compensation. Employees accepting a Demotion will receive compensation based on the new position.

6. Market Adjustments

- Market Adjustments are made to align pay with changes in the job market or when a position is upgraded. These adjustments do not constitute a Promotion but ensure internal equity and competitiveness.

7. Rehires

- The City recognizes the value of prior service when an employee separates and later returns to City employment. Rehire compensation is determined based on the length of separation, as outlined below.

i. Rehire Within 12 Months:

Employees who separate from City employment and are rehired into the same or a comparable position within twelve (12) months of separation will retain their prior position on the Pay Scale, including Grade and Step, provided the position has not been reclassified during the separation period.

ii. Rehire After 12 Months:

Employees who separate from City employment and are rehired after more than twelve (12) months of separation will have all prior City service and external experience evaluated as external experience for purposes of the Relevant, Transferable, and Verifiable (RTV) process. Placement on the pay scale will be determined in accordance with the City's "Grow-BUILD/BUY-Up" strategy and applicable RTV experience limits.

- iii. This approach ensures consistency, equity, and alignment with market-based hiring practices while recognizing recent continuity of service and maintaining fairness across internal and external candidates.

8. *“Grow-BUILD/BUY-Up” Talent Strategy*

- The City of Arkansas City values both developing internal talent (“Grow-BUILD”) and recruiting external talent (“BUY-Up”). The “BUY-Up” strategy offers higher starting pay for external candidates with Relevant, Transferable and Verifiable (RTV) experience. THE CITY considers external experience when setting compensation and limits the amount of external (non- City of Arkansas City) experience used in compensation calculations. This approach supports a balance of internal development and external recruitment.

External candidates with Transferable experience receive compensation based on a specific matrix, considering relevant experience.

- 1. One (1) year for every two (2) years of non-City of Arkansas City's RTV experience
 - a. Maximum of 20 years' external RTV experience; with a maximum buy-up option of 10 years
- 2. One (1) year for every four (4) years of Honorable Military Service
 - a. Maximum of 32 years' Honorable Military Service; with a maximum buy-up option of 8 years

- The “Grow-BUILD/BUY-Up” strategy ensures THE CITY remains competitive while supporting employee growth and talent development.