

**Performance Pay Program
City of Hendersonville
2023-2024**

I. Purposes

The purposes of the Performance Pay Program are:

1. To provide a systematic program to reward employees based on job performance, accomplishments, and contributions to the organization;
2. To provide recognition and demonstrate appreciation for job performance; and
3. To provide incentive for improved performance and productivity and to maintain a high level of employee performance and morale.

II. Definitions

The pay table will be designed with the following rates for each grade:

Minimum- the entry level rate for the pay grade. Employees meeting the requirements on their respective class specification should be hired at the Hiring Rate. Employees who significantly exceed the education and experience requirements on their respective class specification may be considered for hiring above the hiring rate.

Midpoint - a rate that is half way between the Minimum Rate and the Maximum Rate

Maximum - a rate that is 52% greater than the Minimum Rate.

III. Responsibilities

1. City Manager. The City Manager will recommend to the Council sufficient funding to insure an effective Performance Pay program. The City Manager will make decisions regarding when to award Performance Pay to department heads. The City Manager will monitor the Performance Pay program in the organization for consistency, fairness, and accurate and complete information. The City Manager may overturn the decision of department managers to award performance pay increases where inconsistencies, failure to follow established policies and procedures, funding availability, or other circumstances dictate.
2. Department Heads. Department heads will make performance pay decisions in the department, subject to the review and approval of the City Manager based on completing and/or reviewing the Performance Review and Development forms completed by immediate supervisors and upon any other information that is needed. Department Heads will make performance pay decisions regarding increases for their direct subordinates. They will communicate their recommendations to employees, explaining that the recommendation is subject to the review and approval of the City Manager. Department Heads are accountable to the City Manager for the pay decisions they make.

Performance pay program
Page 2

3. Human Resources Department. The Human Resources Department will manage and monitor the Performance Pay Program in the organization for consistency, fairness, adherence to policies, and accurate and complete information.

IV. Performance Pay Amounts

Performance pay amounts (including performance bonus) will be awarded based on the overall performance rating the employee receives for the full year on the final performance review form.

Performance pay amounts will affect both the market adjustment (cost of living) (the effect on market adjustment will be waived for 2023-2024 fiscal year) and performance (merit) increases. If the employee's performance review date is different than the hire date and if the employee receives a needs improvement or below, they will not be eligible for a market increase on their next hire date anniversary, (waived for 2023-2024 fiscal year). These amounts may vary from year to year depending on budget availability and market adjustment amount. Unless a different schedule is published by the City Manager by July 15 of any given year, the following schedule will apply:

	2023-2024 FY
Outstanding	3.50 %
Exceeds Expectations	2.25%
Achieves Expectations	1.00%
Needs Improvement	0
Fails to Achieve Expectations	0

An employee whose performance fails to meet expectations will have the performance review scheduled again in six weeks to three months. If the employee's performance is rated Achieves Expectations at that time, the employee will receive a market adjustment at that time only if failure to do so leaves the employee's salary below the hiring rate. (market adjustment waived for 2023-2024 fiscal year). If the employee's performance is rated Needs Improvement or Fails to Meet Expectations the disciplinary process will continue.

Performance pay program
Page 3

Note: Changes for fiscal year 2023-2024. Employees will receive a 3% market adjustment (cost of living adjustment) on July 1, 2023. There will be no additional market adjustments throughout the fiscal year. All applicable merit and longevity increases will still occur. Merit pay percentages are below.

Achieves 1.0%
Exceeds 2.25%
Outstanding 3.50%
Needs Improvement or Fails to Meet Expectations 0%

- V. Performance Pay Bonus.** Employees who are at the top step of the salary range for their position classification are eligible to be considered for a Performance Pay Bonus. These bonuses shall be awarded based upon the performance of the employee as described in the Performance Review and Employee Development forms.

An employee's base salary may not move above the maximum of his or her assigned salary range. Therefore, if an employee's current salary is below the maximum of the salary range but awarding the full performance pay amount places an employee above the maximum, then 1) the employee will receive the amount in base pay that places him or her at the maximum of the range; and 2) the employee will receive the amount that would place him or her above the maximum in a lump sum amount.

VI. Procedure

1. **Performance Pay Eligibility Dates.** Employees will be considered for a performance pay increase on their anniversary date. Performance pay begins on the first day of the payroll period immediately following the review date.
2. **Documentation.** All Performance Review and Employee Development forms will be signed by the employee, supervisor and department head and forwarded to the Human Resources Department with any accompanying memoranda or other documentation for review and filing. The employee shall be given access to a copy of the forms and other documents to keep.
3. **Appeals.** Any employee who believes that his or her performance pay decision is unfair or inaccurate may make a formal appeal by following the grievance procedure in the Personnel Policy.

06/19/2023

Performance Review and Employee Development Program
City of Hendersonville
Effective 7/1/23

I. Purpose

To establish and maintain a performance review and employee development program that contributes to the organization achieving its mission, core values and goals, increases accountability, and focuses on continuous employee development and recognition of the performance levels of all employees.

II. Objectives

1. **Communications:** To create and nurture an atmosphere for open and direct two-way communications between supervisors and employees concerning job performance and expectations, to ensure that performance is discussed on a regular, on-going basis between supervisors and employees so that there are no surprises in the annual performance review. To build a partnership based on mutual respect and increase trust in the relationship between employees and supervisors. To provide a format for supervisors, when they choose, to request and receive feedback from employees. To enable employees to establish clear, challenging and achievable goals in consultation with their supervisors. To ensure that employees know how their jobs and their goals fit into overall organizational and departmental mission, vision, and goals.
2. **Recognition:** To establish a program of on-going feedback whereby employees receive recognition and appreciation for their good performance, accomplishments and achievements and feel affirmed for the contributions they make to the organization.
3. **Employee Development:** To develop information which can be used jointly by supervisors and employees to determine appropriate training needs and resources including on-the-job training. To discuss and identify how employees can prepare for potential advancement opportunities where appropriate.
4. **Continuous Performance Improvement:** To regularly discuss the performance of all City employees based on job-related criteria; to provide performance coaching, encouragement, and exploration of optional approaches where needed; to identify during discussions both accomplishments and areas for performance employee development for each employee; to discuss specific plans to bring about continuous improvement for each employee and the organization as a whole that translates into increasing service excellence for our customers and citizens.
5. **Service Excellence:** To communicate, promote, and provide accountability for the City's Principles of Excellent Service.
6. **Motivation:** To hold performance review meetings that develop a sense of purpose in the job, and help employees increase their motivation to achieve important results for the City.
7. **Teamwork:** To reinforce and promote the City's culture of teamwork including mutual respect, humility, and service.
8. **Personnel Actions:** To provide background information and documentation for consideration in

Performance Review and Employee Development Program

Page 2

conjunction with any personnel actions that may occur, including performance pay and promotions.

III. Instruments

1. Performance Review and Employee Development Program Instruments

Instruments have been developed for use with employees of the City based on the occupational groups as identified in the Addendum. The instruments contain performance standards that are behaviorally anchored for each of the five levels of performance identified in Section V of this policy.

2. Performance Standards. Performance standards refer to the behaviorally anchored language mentioned in number one above and are developed based on input by employees and supervisors. Performance standards are written using the following criteria:

- a. Clearly job-related
- b. Stated in terms of behavior that can be observed
- c. Specific and descriptive of the behavior
- d. Focused on results/outputs, not inputs, effort, etc.
- e. Measurable when possible and feasible

3. Weights. Weights should be established in a conference jointly with the employee(s) and supervisor(s) at the beginning of the performance review period as part of communicating and understanding job expectations and requirements. All weights should add up to 100%. Weights should be established individually where jobs are unique and in a team approach where multiple employees have the same job duties. Weights should be reviewed annually by those who originally established them to determine if they are still accurate.

IV. Responsibilities

Each person or group identified below has a very important role to play in the Performance Review and Employee Development Program to ensure the overall program's success. Because this program has a significant interdependence component, the effectiveness of each person in performing each aspect of his/her role may substantially affect the overall effectiveness of the program for the City.

1. City Council: The City Council responsibilities include:

- provide a clear mission and vision to guide the organization
- supporting the program;
- adopting policies to govern the program;
- respecting the City Manager's role as program administrator; and
- providing resources (funding) to support the program.

2. City Manager. The City Manager's responsibilities include:

- educating, promoting, and keeping the Council informed of program status;
- keeping department heads informed of relevant Council activities;
- helping establish and communicating organizational goals and objectives with all department heads regularly and working with departments and the Council on changing priorities;

Performance Review and Employee Development Program

Page 3

- ensuring a policy is developed and maintained to guide the program;
- ensuring a mechanism to evaluate effectiveness of the Performance Review and Employee Development Program and monitoring the progress and success of the implementation and administration of the performance review program;
- monitoring the program for a) consistency from department to department, b) adherence to policies and procedures; c) training needs; d) consistency with other personnel actions; e) legality, and f) overall effectiveness;
- working with department heads to make any needed improvements and approving changes to the administrative procedures in the program;
- jointly developing management performance standards with department heads, communicating expectations and giving feedback to department heads on their individual performance throughout the year, coaching them in the effective use of the program , and conducting performance review conferences with department heads; and
- fairly and objectively conducting employee appeals of performance ratings.

3. Department Heads. The responsibilities of department heads include:

- helping develop and communicate organizational and departmental goals and objectives to their employees;
- educating, promoting, and involving employees in program Employee development, implementation, use, monitoring, and insuring that new employees are oriented to the program;
- providing on-going feedback to their direct reports, including identifying specific ways employees can improve performance;
- identifying employee development and advancement needs and interests and recommending appropriate training opportunities;
- supporting the training activities of the program;
- ensuring that Performance Review and Employee Development conferences are conducted and documented in a timely fashion;
- insuring that interim performance reviews are completed when supervision changes occur;
- keeping management informed on the effectiveness of the program and monitoring the performance ratings in their departments for logical documentation and consistency among divisions, sections, and different supervisors to ensure departmental fairness;
- conducting Performance Review and Employee Development conferences with employees answering directly to the department head; and
- conducting any employee appeals fairly and objectively and making decisions based on valid performance ratings.

Department heads are accountable for the quality and effectiveness of the program in their departments.

4. Supervisors. The responsibilities of supervisors are:

- communicating department goals and expectations regularly, as well as the benefits of the performance review program;
- clarifying specific job expectations, communicating them to employees, and providing on-going performance feedback to their employees including identifying specific ways employees can improve their performance;
- conducting thorough Performance Review and Employee Development conferences and documenting them in a timely fashion, including making performance rating recommendations;

Performance Review and Employee Development Program

Page 4

- keeping department heads informed on the effectiveness of the program including the contents of the performance review forms and recommending changes necessary to maintain an accurate and fair program following the chain of command;
- following the policies and procedures established for the program and applying them fairly and consistently;
- identifying employee development and advancement needs and interests and recommending appropriate training opportunities;
- fairly and objectively considering all performance rating appeals; and
- training new employees in the performance review and Employee development program purpose, objectives, procedures and expectations of employees as well as reviewing forms and performance standards and relating them specifically to the job and setting weights as appropriate.

Supervisors are accountable for the Performance Review and Employee Development forms they complete and the recommendations regarding employee performance that they make.

5. Lead Workers. Lead workers are employees who make work assignments, monitor work quality and provide on-the-job training and coaching to co-workers. Lead workers may participate in performance review and Employee development conferences or provide input for them. Lead workers are responsible for:

- providing accurate, thorough input regarding the performance of employees on their team including accomplishments/strengths and areas for improvement;
- respecting and maintaining the confidentiality of all personnel matters in which they are involved;
- assisting supervisors with documentation of performance, both positive and “needs improvement” when assigned;
- participating in performance review and Employee development conferences fully and honestly when assigned; and
- assisting supervisors with communicating performance expectations and providing on-going feedback and coaching throughout the year.

6. Employees. Each employee is responsible for:

- working with his/her supervisor on a mutual understanding of work expectations;
- providing input and feedback into the Performance Review and Employee Development conference including identifying accomplishments and areas for improvement;
- following the policies and procedures established for the program;
- following the chain of command to express concerns and make appeals;
- providing candid open feedback to supervisors concerning their satisfaction with the performance review program; and
- making suggestions regarding any needed changes in the performance standards related to their jobs.

7. Human Resources Department. The Human Resources Department is responsible for:

- continuing to provide training and information on implementing the program to Manager, department heads, supervisors, and employees;
- working with department heads to make recommendations for any needed improvements to the program;
- keeping materials and resources up to date and communicating changes;
- facilitating/mediating performance review program appeals and processes;

Performance Review and Employee Development Program

Page 5

- monitoring the program for a) City-wide consistency from department to department; b) adherence to policies and procedures; c) training needs; d) consistency with other personnel actions; e) legality; and f) overall effectiveness, progress, and success of implementation and administration;
- providing feedback where needed to departments regarding timeliness, thoroughness, legal issues, fairness, consistency, and program statistical data;
- processing personnel transactions and insuring appropriate documentation;
- providing internal consultation on the use of the program to employees, supervisors, and management; and
- being a resource on information regarding training programs for skills enhancement and continuous improvement as well as identifying trends that lead to training needs for the organization.

V. Performance Categories

The overall performance of all employees will be rated in one of the following five levels:

Important Note: The purpose of the Performance Review and Employee Development form is not to dictate a performance rating to the supervisor, but rather to help the supervisor 1) focus on job-related criteria; 2) review the whole period (three months, six months, or a year), not just most recent months; 3) give feedback on relevant aspects of the employee's performance; 4) help document performance, and 5) think through a logical decision on the overall performance rating. The performance standards are not necessarily the only indication of performance; some categories or standards are more important than others; other important aspects for consideration, such as disciplinary actions, may only be found in the summary comments. The supervisor is expected to use reasoned logic and good judgment in determining the overall rating of performance. Documentation is available to support the rating level. Employees should be rated against performance expectations, not against each other.

Outstanding: Fully meets all job requirements identified for the position. In addition, performance consistently and significantly exceeds job requirements in important aspects of work. Work is performed at a sustained high level of proficiency. The employee also expands the scope of tasks and responsibilities or the amount of work performed resulting in increased productivity for the work unit. The employee accomplishes the most difficult and complex assignments with minimum supervision and maximum quality. Specific examples of such performance are readily available.

Exceeds Expectations. Fully meets all major job requirements identified for the position. In addition, performance frequently exceeds job requirements in several areas. Supervision is required only for special or unusual assignments or problems.

Achieves Expectations. Meets all major job requirements in a competent manner. The employee may occasionally exceed some job requirements. Accomplishes duties in a reasonable and consistent manner demonstrating full proficiency in the job. If there are occasional lapses in performance, they do not create any substantial problems for the organization, nor have any major impact on service delivery. Normal supervision is required.

Needs Improvement. Performance meets job requirements in important categories at least marginally. However, performance is inconsistent or unreliable in one or more performance categories. The employee needs to improve proficiency to more fully meet the needs for which

Performance Review and Employee Development Program

Page 6

the position was established. Remedial attention and close supervision are required.

Fails to Achieve Expectations. Performance is inconsistent and one or more major job requirements are not met. Work tasks are not performed or must be repeated due to low quality. Remedial attention and close supervision are required. Failure to correct performance deficiencies in an appropriate amount of time may result in suspension, demotion, or dismissal. A rating at this level should be coordinated with the progressive disciplinary process.

VI. Procedures

1. **Performance Review and Employee Development Conferences.** Performance Review and Employee Development conferences with all City employees will be conducted and documented within a 30 day window before the employee's review date. Performance Review and Employee Development conferences will be conducted by the employee's supervisor who may also be accompanied by the next level of supervision. The conference will encompass one year. Supervisors will conduct performance review conferences with employees prior to completing the form. Informal interim Performance Review and Employee Development conferences may be conducted when needed or according to departmental policies.
2. **Performance Coaching.** (A "No Surprises Approach" to performance review) An integral part of the Performance Review and Employee Development Program is on-going performance feedback and coaching. Whenever a supervisor observes good performance or performance needing improvement, the supervisor should provide specific, timely feedback to the employee. Performance improvement feedback should be designed to help the employee become more successful. Other coaching activities include helping employees identify optional approaches and develop problem-solving skills, planning projects, providing encouragement for difficult tasks, identifying training and resource possibilities, and general problem-solving discussions designed to help employees learn, develop their capacities, and develop their careers. The "No Surprises Approach" also includes keeping documentation on both positive and improvement feedback provided to employees throughout the year to ensure accurate details at performance review time.
3. **Performance Review and Employee Development Conference Dates.** Performance Review and Employee Development dates will be the hire date of the employee or upon promotion, demotion or reclassification date.
4. **Probationary Performance Review and Employee Development Conferences.** Probationary Performance Review conferences with new or promoted employees who are serving a six month probationary period will be conducted and documented within a 30 day window before the end of the probationary period. For department heads, law enforcement and fire service staff serving a twelve month probationary period, probationary review conferences will be conducted and documented within a 30 day window at six months as an interim measure, and again at the end of twelve months to make a final determination. Additional conferences may be held at the employee's or supervisor's request. An employee must receive a rating of no less than "Achieves Expectations" in order to move from probationary to regular status. An employee whose performance fails to meet expectations but shows clear promise of successful performance may have the probationary period extended for three months and up to a maximum of an additional six months. This provision in no way restricts the City from dismissing a employee whose performance or conduct is considered unsatisfactory at any point in the probationary period.

Performance Review and Employee Development Program
Page 7

5. **Performance Review and Employee Development Instrument.** The purpose of the instrument is to document the performance review conference. The instruments may be revised and updated as needed based on input from employees, supervisors and department heads and approved by the Human Resources Department.
6. **Coordination with Discipline.** Overall performance ratings of “Needs Improvement” and “Fails to Achieve Expectations” are considered unsatisfactory job performance in the City’s progressive disciplinary policies and procedures. These policies will be followed if an employee earns this performance rating. Such a rating may be followed by a written warning. When such a rating is earned, additional counseling sessions and performance review sessions will be conducted in six to 12 weeks and careful performance monitoring and coaching will occur. In no case should a employee’s performance remain in the “Needs Improvement” or “Fails to Achieve Expectations” level for more than six months.
7. **Changes in Supervision.** When a change in supervision is imminent due to promotion, transfer or other action involving the employee or supervisor, the current supervisor should conduct an interim Performance Review and Employee Development conference including meeting with the employee and completing all necessary forms. The interim Performance Review and Employee Development information should be considered by the new supervisor, along with performance observed and documented by the new supervisor in determining the employee's overall rating for the performance period.

In addition, when there is a change in supervision, the new supervisor and employee should jointly review the employee's performance standards, discuss meanings of words and expectations, and set weights.
8. **Documentation.** All Performance Review and Employee Development forms will be signed by the employee, supervisor, intermediate levels of supervision, and department head and forwarded to the Human Resources Department. The supervisor will offer to print a copy of the performance evaluation instrument for the employee to keep after all signatures and comments have been completed. Intermediate levels of supervision and/or department heads should not make changes to the forms unilaterally. Instead changes should only be make after discussing the reasons for the changes with the employee and his/her immediate supervisor, following the chain on command up and down in these discussion as appropriate. All relevant sections of Performance Review and Employee Development forms, including comments sections and all signatures, will be completed by the appropriate person prior to processing the forms in Human Resources. A personnel action form should accompany all forms.
9. **Appeals.** Any employee who believes that the application of this policy or his or her performance rating is unfair or inaccurate may make a formal appeal by writing the specific disagreement(s) and filing it with the evaluating supervisor within five work days. The supervisor will provide a written response within five work days after receipt of the appeal. If the employee is dissatisfied with the response from the supervisor, the employee may appeal the decision within five work days of receiving the supervisor’s response using the City’s Grievance Procedure, a copy of which is available from the supervisor or Human Resources Department. A copy of all appeals and grievances will be provided to the Human Resources Department.
10. **Training.** Department heads are responsible for identifying training needs of supervisors and insuring that these are met so that Performance Review and Employee Development

Performance Review and Employee Development Program

Page 8

conferences are conducted effectively. New supervisors will participate in some form of training in the City's policies and procedures as well as effective techniques for conducting performance and Employee development conferences prior to performing them. The Human Resources Department will coordinate this training.