

<b>III. COMPENSATION</b>		<b>Reference No.</b>	3.07
<b>SUBJECT</b>	Compensation Plan	<b>Last Revised</b>	June 2022

**STATEMENT OF POLICY:**

The purpose of the Compensation Plan is to ensure that the City is able to attract, retain and motivate Employees through a compensation plan that is fair, representative of ability and performance, and promotes the City’s goals and overall vision.

**Applicability**

This policy is applicable for all Employees of the City of Montgomery as indicated with respect to performance, employment status, and job classification. The policy is generally applicable for the position of City Administrator with the understanding that the City Council must approve any changes in the base salary, job description and working conditions of the City Administrator.

**Objectives**

This policy has the following objectives:

- To ensure that Employees of the City of Montgomery have a fair and equitable compensation plan
- To comply with Federal, State, and Local regulations
- To allow for a compensation plan that is fiscally sound and cost-effective
- To provide a pay plan that the City can easily administer and maintain
- To provide a compensation system that provides incentives and recognition consistent with City goals and values
- To establish a pay for performance system to aid in retaining and rewarding quality Employees

**Provisions**

**Pay Plan:** The City of Montgomery hereby adopts a pay plan that is based on salary grades, job descriptions, and uniform evaluations. The City Administrator is authorized to administer the plan and to make interpretations of this plan where specific instructions are not provided. City Council will approve the annual personnel budget, which reflects this plan.

**Budget:** City Council will approve personnel expenditures during the budget process along with a classification system. Operational changes may allow for the City Administrator to authorize different positions within the adopted personnel budget, but any Staffing changes that will result in higher personnel costs must be brought to City Council for approval via a budget amendment.

**Starting Pay:** Starting pay for positions will depend upon relevant education and experience. It is expected that the starting pay will fall somewhere between the Minimum and the Min-to-Mid point of the relevant pay range. A Department Director may recommend hiring an applicant at a salary above minimum based upon factors including but not limited to education, related experience, exceeding minimum qualifications, market factors, City needs, and business necessity. Recommendations for salaries above the minimum salary must be approved by the City Administrator (or designee) prior to extending a job offer to an applicant. The following guidelines apply to all job offers:

Starting Pay Rate	Required Approval Before Job Offer
Minimum rate for pay grade, up to 10% over minimum	Department Director
Over 10% of minimum of pay grade	Department Director & City Administrator
Police on Step Plan	According to Step Plan

**Job Description:** The City will maintain an approved job description for each budgeted/established position. These job descriptions will be the basis for evaluations and will be reviewed as needed. The City Administrator (or designee) will have final approval overall job descriptions, except that the City Council will approve any changes to the job description of the of the City Administrator and City Attorney.

**Certification Pay:** Certain Employees are eligible for extra pay based on certifications and or degrees earned. The amount(s) of extra pay received are based on the highest eligible level attained in each applicable category. This is awarded as a separate stipend that is separate from the Employee’s regular rate of pay. The City Administrator has the final authority for approving or disapproving Departmental certification programs.

**Longevity Pay:** The City values retaining good Employees. As a result, the City will pay \$4.00 per month for each full year of continuous service. Longevity pay will be paid the first paycheck of December as a lump sum for service earned through the end of the current calendar year. This policy applies to all Regular Full-Time Employees only who have completed 1 year of consecutive regular Full-Time employment with the City. This policy does not apply to Part-Time, Temporary and Seasonal Employees. Service time used for purposes of calculating longevity pay will be capped at 20 years.

1. Non-uniformed Employees will receive longevity pay after the completion of 1 year of consecutive regular Full-Time employment; retroactive to the first month of employment.
2. Uniformed Police Personnel will receive longevity pay on a monthly basis based on the number of months of service.

Terminating Employees will receive payment for any accrued longevity pay on a pro-rata basis for the number of months worked during the year in which they terminate.

**Evaluations:** All formal Employee evaluations will be conducted using standard evaluation forms approved by the City Administrator. The direct Supervisor of the Employee will conduct the evaluation with final approval given by the appropriate Department Director. The City Administrator will be responsible for completing the evaluations of appropriate subordinates. Evaluations will be conducted on an annual basis at a time designated by the City Administrator. Additional evaluations may be administered on an as-needed basis. The resulting score of an evaluation will determine the appropriate level of a pay increase, if any. An evaluation score that merits a rating of “Unsatisfactory” or Improvement Required” will require the Supervisor to schedule a follow-up review within three months to monitor the progress of the Employee.

The performance evaluation process is intended to accomplish the following:

- a. To enhance individual Employee performance and ensure effective City operations.
- b. To promote and support performance/behavior.
- c. To document formal and informal performance discussions held with Employees throughout the review period.
- d. To document performance areas in which Employees do well and those that require improvement.
- e. To link Employee performance to merit increase considerations.

Each Supervisor is responsible for setting and communicating clear performance standards for his/her Employees at the beginning of, and throughout, the review period. In evaluating Employees, Supervisors shall consider factors such as the experience and training of the Employee, the job description, and the Employee's attainment of previously set goals and objectives.

If an Employee is not meeting expectations, a Performance Improvement Plan may be developed with the Employee in accordance with appropriate City policies.

If an Employee disagrees with a performance evaluation, they may include their own statement to be included in the personnel profile. Performance evaluation results and any related pay increases will not be appealed.

**Pay for Performance:** This manner of tying performance to pay is called "Pay for Performance." Each Department has its own Pay for Performance evaluation criteria for each specific position and function. The City uses Employee performance evaluations to provide a process by which job performance is periodically and regularly appraised for purposes of development, to note areas for improvement, counseling, to establish performance improvement goals, and to support pay decisions. This process enables the City to maintain a high standard of professionalism with competent, well-trained Employees.

**Annual Merit Increases:** The annual budget will include an amount that may be granted to an Employee as a performance incentive. When an evaluation determines that a merit pay increase is appropriate, the Employee's overall rating will determine the percentage increase for which the Employee is eligible. Any Employee hired after February 26, 2008, must complete one full year of service in order to be eligible to receive a merit increase. Merit increases will be effective on January 1 of each year. The Employee's Department Director does have some discretion within the respective ranges. The chart below is an example of how a merit pay increase will be calculated:

Overall Evaluation Rating	Evaluation Score	Percentage Increase
Superior	50-55	5%
Above Expectations	40-49	4%
Meets Expectations	30-39	3%
Below Expectations	20-29	No Pay Increase
Unsatisfactory	10-19	No Pay Increase

**Evaluation Procedure:** Supervisors complete evaluations on subordinate Employees. A member of the "Management Team" from the respective Department must review and approve evaluations prior to review with the Employee. If the Employee's overall rating is below expectations or unsatisfactory, a Performance Improvement Plan must be completed by the Supervisor and reviewed by the Management Team Member, the Department Director, and the City's Human Resources Official prior to review with the Employee. If the Employee's overall rating meets expectations, is above expectations, or is superior, the evaluation and an appropriate form are required to be completed and sent to the City's Human Resources Official for processing. Merit pay increases will be administered in accordance with this and other applicable policies and the current budget.

The City Administrator has the final approval on all merit increase amounts.

**Uniformed Police Pay:** Pay for police will be according to the respective Step Plans.

**Promotions:** An Employee receiving a promotion will not receive a decrease in pay. The minimum raise for an Employee receiving a promotion should be the minimum of the new pay grade or a 10% increase over the current salary, whichever is greater. The only exception to this rule will be if the Employee receiving the promotion and subsequent raise would have a salary that exceeds the maximum of the position's pay range. In this case, the City Administrator will make the final determination of salary/compensation issues. A promotion is defined as moving from a position within the City organization to a position that is assigned a higher pay grade. The promoted Employee's first annual review will be one year from the date of promotion; thereafter, the performance evaluations will occur such that adjustments in pay, if any, are effective as of January 1.

Uniformed Police: If the promotion, by definition, is to a position in a Step Plan in the Police Department, the pay may not result in an increase, but rather the Employee will start at the beginning step of the respective step plan unless otherwise placed in a higher step of that step plan based on experience and/or knowledge applicable to the job position.

**Lateral Transfers:** Lateral transfers can be the result of Departmental reorganization or may be the request of the Employee or City. When an Employee moves into a new position within the same or different Department that is the same pay grade, there is no salary increase or decrease and the Employee will remain on the schedule for further pay increases.

**Demotions:** In accordance with budgetary, performance, and/or Staffing issues, demotions and/or reductions in salary may occur. In the event a demotion occurs, the Employee (who must meet the requirements of the lower position) shall be employed at the Employee's current rate of pay or the maximum salary for the lower position, whichever is lower. In the case of a voluntary demotion, the Employee's rate of pay will be adjusted so as not to create internal equity issues in the new position.

**Reductions in Salary:** In accordance with the documented diminished value of an Employee's service, an Employee's salary may be reduced. The Employee's salary may not be reduced below the minimum of the pay grade of the position.

**Lump Sum Adjustments:** Over the course of an Employee's tenure with the City, there may be times when it is appropriate for the Employee to receive a one-time lump-sum salary adjustment. Specific reasons for such adjustments must be documented and follow any applicable Laws and/or Statutes. These adjustments may also be given to Employees who have reached the maximum pay of their respective pay grade in lieu of a raise. All lump-sum adjustments will be made within the established personnel budget adopted by Council. If such an adjustment causes the personnel budget to be exceeded, then Council's prior approval must be received.

**Cost of Living Adjustments:** The Pay Grades and Salaries schedule may be adjusted automatically in October of each year in accordance with the change in the Consumer Price Index – All Urban Consumers, U.S. City Average for All Items as published by the U.S. Bureau of Labor Statistics. No Employees will see a direct increase from this automatic adjustment unless their current salary is below the minimum of the position's new respective pay grade.

The City Administrator may request that City Council authorize a general cost of living adjustment (COLA) to offset the effects of inflation on City Employee salaries. ~~If granted, the adjustment will be applied to the salary ranges and step plans for all City Employees.~~

**Other Salary Adjustments:** This policy recognizes that other pay adjustments may be necessary at times to address issues of internal equity, competitive market forces or other relevant factors. The City Administrator and/or the City's Human Resources Official will meet as needed to consider such adjustments. The City Administrator (or designee) can authorize other salary adjustments as long as the total approved City personnel budget is not exceeded. If it is projected that such increases will cause the budget to be exceeded, then City Council will be consulted for approval.

**Salary Schedules and Step Plans:** The current salary schedule (pay plan) for general Employees and the step plans for police are available from Supervisors and the City's Human Resources Official.

**Approvals Required:** Any changes to Employee pay and/or classifications must be submitted on the appropriate form and approved by the Department Director, City Administrator and/or the City's Human Resources Official.

The City of Montgomery is an at-will employer. This policy, in whole or in part, does not constitute a contract and is not intended to alter the City's status as an at-will employer.