



## **Budget Policy – Payroll and Compensation**

The purpose of this policy is to establish clear expectations regarding employee compensation, pay scale administration, and payroll budgeting. This policy promotes consistency, transparency, fiscal discipline, and appropriate oversight by the City Council by ensuring compensation decisions are based on approved position structures rather than individual discretion.

### **Compensation Structure Defined**

For purposes of this policy, the City shall utilize a position-based compensation system. Each position shall be assigned a defined pay range consisting of three (3) to five (5) steps. These steps reflect increasing levels of experience, qualifications, certifications, and job proficiency.

Starting placement within a pay range shall be determined using an equivalent experience model. Directly applicable experience shall be credited at a full value, while somewhat applicable experience may be credited at a reduced value, as determined by administration.

### **Position-Based Payroll Budgeting**

Payroll budgets shall be developed based on authorized Full-Time Equivalent (FTE) positions and associated pay ranges. Individual employee wages shall not be used as the basis for Council-level budget deliberations.

This approach ensures that payroll is evaluated based on organizational structure and operational needs rather than individual circumstances.

### **Cost-of-Living Adjustments (COLA)**

The City Council shall annually determine and approve a cost-of-living adjustment (COLA), if able. The approved COLA shall be applied consistently across all eligible employees in accordance with this policy.

### **Merit Increases**

The City Council shall establish a maximum allowable merit increase percentage as part of the annual budget process, if able.

The City of Sidney is an equal opportunity employer and provider.

Merit increases shall be:

- Based on documented employee performance evaluations
- Applied consistently across departments
- Administered within the limits approved by the City Council

### **Administrative Authority**

City administration shall be responsible for implementing compensation decisions within the framework established by the City Council. This includes determining starting placement, evaluating employee performance, and applying step increases and merit adjustments in a consistent and documented manner.

Administration shall ensure that all compensation decisions are based on job-related criteria and are applied equitably across the organization.

### **Limitations on Discretionary Adjustments**

Compensation adjustments outside of the established pay scale structure or beyond approved COLA and merit parameters shall not be made without prior City Council approval.

This policy is intended to reduce reliance on discretionary, individualized compensation decisions and to ensure that all wage adjustments occur within a structured and defensible framework.

### **Relationship to Other Financial Policies**

This policy operates in conjunction with the City's adopted. These policies collectively establish the City's financial and administrative oversight framework.

### **Policy Review**

This policy shall be reviewed annually, prior to the budget process, by the City Council and City administration to ensure continued compliance with Montana law and best practices in municipal financial management.

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