

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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| Category: | Personnel | Policy # 94-2 |
| Title: | Pay for Performance Program | |

PURPOSE

The Rancho Murieta Community Services District has, up to now, used a traditional compensation program for employees. In an effort to make government more responsive to its constituents, consistent with the mission statement of the District, "To provide and facilitate quality public services on an economical basis, as needed, within the District", the Board of Directors hereby adopts the exploration, development, and institution of a "Pay for Performance Program".

The program will include base pay, incentive pay, and a benefits package which is provided to eligible employees.

By adoption of this policy, the Board declares this to be a priority issue of the District, and hereby directs staff to pursue this policy forthwith and with all due diligence. Implementation of the policy will be phased as time and budget permit. The Board will periodically **REVIEW** the policy and procedures, and may **REVISE, ELIMINATE** or **ADD** to the various components.

Funding for the Pay for Performance Program will come from two (2) sources; a percentage of payroll set aside for this purpose, and cost containment realized through employee effort. Funding will work within the limitations of the Budget Process and shall be evaluated and funded as Budget is available.

Attached is a description of the possible components of the program that will be fully explored during the investigatory and phase-in process.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**ATTACHMENT TO POLICY STATEMENT # 94-2
ON
PAY FOR PERFORMANCE PROGRAM**

I PURPOSE

Consistent with the District's Mission Statement "To provide and facilitate quality public services on an economical basis, as needed, within the District", the Board of Directors of the Rancho Murieta Community Services District hereby adopts a "Pay for Performance Program", and provides guidelines for the program's development and implementation.

II GENERAL POLICY

The District recognizes that employees, at times, perform above and beyond the call of duty and/or consistently maintain a level of performance that distinguishes them from their co-workers. With a performance based pay system, the amount, if any, of an employee's salary increase is a percentage of his/her base salary based upon the rating he/she receives during the annual performance evaluation process. Employees, who complete a significant project, develop programs that improve efficiency, or result in cost savings, or otherwise perform in a way that brings credit to the District, will be compensated accordingly. Incentives or rewards beyond base pay and benefits are designed to acknowledge employees who have made special efforts on a project, program or service rendered and/or have consistently maintained an above average or excellent level of performance.

The overall objective of the plan is to establish regularly utilized, practical, and uniform performance measures that are related to pay. It is anticipated that this plan will provide appropriate recognition and identification of District employees, resulting in improved morale and productivity. Further, the process by which compensation will be set should enable the District to attract and retain competent personnel and encourage the professional growth and development of its employees.

The employees recognize that with regard to employee compensation, it is time to "change the way we do business" in local government. Our employees recognize that the community is holding us accountable for every decision made and action taken. In a performance based compensation system, those employees who successfully emulate the District's high standards of accountability, accomplishment and service, will be compensated at a higher level than those whose performance is at a lower level.

While performance based merit pay systems are a mainstay in the private sector, implementation of such systems in local government is truly "cutting edge". Historically, local, county, state and federal employees have received annual, automatic, across-the-board cost-of-living increases without regard to performance. In such systems, long term employees whose performance is average are compensated at the same level as long term employees whose performance is outstanding.

III COMPONENTS OF COMPENSATION or "PAY FOR PERFORMANCE"

A. Base Pay

The primary purpose of compensation is to select and retain the best available talent and provide incentives for peak performance. One of the first steps would be to establish a salary range above and below control point. Salary ranges recognize differences in competency when entering the position, with reward expected with the acquisition of skills and knowledge of District Operations. Pay ranges should be competitive with the local market to ensure access to competent and qualified personnel and to maximize retention. Adjustments based on salary surveys ensure market equity. The elements of the basic pay program are:

1. Determine control points (market average) based on market surveys for each job classification beyond which only the outstanding pass.
2. Replace COLA with performance increases based on job performance. Increases shall vary depending on performance.

B. Incentive Pay

Incentive Pay for Performance above expectations is to provide recognition and incentive to the employees for goal attainment and special results or outcome, as well as continuing performance.

Performance that is consistently above average or excellent may be recognized with a Performance Award. Such award shall be reviewed and approved by the General Manager. A Performance Award, as an incentive for continuing excellence, shall be made on a one-time basis in a lump sum based upon the employee's previous years' earnings.

Other types of incentive pay may include:

1. Job bonus - a one time payment for recognition after completion of an extremely difficult noteworthy job or task.
2. Employee of the year recognition.
3. Longevity pay as either an increase in monthly base pay, deferred compensation, or employee retirement contribution.
4. Education - increases for obtaining college degrees, outside those required by job classification.
5. Certification beyond current job requirements.
6. Safety Awards - One time increase in vacation time for maintaining a minimum accident period, reduced if an accident occurs.

C. Benefit Package

The Benefit Package should recognize and reflect the difference in level of responsibilities between management and non-exempt employees. Additional incentives are necessary to acknowledge increased responsibility and recognize extraordinary time commitments required of managerial employees. Peak performance is enhanced through employee refreshment periods and understanding that their basic needs are being met. Lastly, the Benefit Package should be competitive with the local market. With this in mind, two classes of Benefit Packages are suggested; one for Management, and one for Non-exempt employees.

Types of benefits may include:

1. PERS
 - a. Fully paid employee contribution
 - b. Ending year basis for retirement benefit determination.
2. Paid time off (unqualified use). PTO may be used for vacation, sick leave, medical appointments, family emergency, care of sick family, illness/disability, or other personal business. Increased at regular intervals to a maximum accrual at 20 years.
3. Holidays - Ten (10) Paid
 - * Floating Holiday - Paid
4. Personal development leave, attendance at seminars, conferences and /or training.
5. Education and tuition reimbursement
6. Professional Organization Dues
7. State certifications and registrations.
8. Fully paid medical, dental and vision care for employee and dependents
9. Life Insurance with option to purchase additional amount not to exceed two (2) times salary.
10. Disability Insurance up to 2/3 salary
11. Funeral Leave and Jury Leave

IV ELIGIBILITY

All non-represented employees, including managerial and non-exempt employees who meet the following eligibility criteria standards, shall be included in the Pay for Performance Program.

- A. Hired on, or before, the first of the fiscal year for which performance pay is being considered as a regular full-time employee.
- B. Performance consistent with the District's high standards.
- C. Attendance consistent with the District's standards.
- D. Successful completion of the "Probationary Period"

V. IMPLEMENTATION AND REVIEW POLICY

The District acknowledges the difficulty in implementing the entire program at once, considering budgetary constraints. Consequently, this program will be phased in as Budget is available; generally following the sequence (and no later than) shown below:

- A. Base Pay July 1, 1995
- B. Performance Program July 1, 1995
- C. Incentive Pay July 1, 1995
- D. Benefit Package December 31, 1995

The Board will determine, with the assistance and recommendations of management, what the comparison market will be, and the targeted position within the market. Total base compensation will be comparable to the market survey.

Management will specify standards of performance to be used to measure employee performance.

The Board has the responsibility of periodically reviewing the compensation policy and corresponding procedures to ensure effective operation (implementation) of the program. Subsequent action may include:

- A. Revision of Standards of Performance
- B. Revision of Components of Compensation
- C. Addition to Compensation Components
- D. Elimination of Compensation Components

IV FUNDING

The Board recognizes that with this type of program it is a win-win situation for both the employees and the District. Not unlike a “for profit” entity, the District benefits from efficient operations and meeting, or exceeding, programmed budgetary goals. The community and employees should share in these successes; the community through improvements of services and lower costs, and employees through incentive awards.

Funding of the Compensation Program will have two sources; a percentage of payroll set aside for this purpose, and cost containment realized through employee effort. This program is intended to work within the limitations of the budget process and shall be evaluated and funded as budget is available.

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| Approved by CSD Board of Directors | November 16, 1994 |
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SUPERSEDED BY POLICY 2012-08