

City of Appleton

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To: Chairperson Konetzke and Human Resources Committee Members
From: Sandy Behnke
CC: Common Council
Date: August 5, 2016
Re: Pay for Performance and Compensation Plan Review

The City adopted an open-range pay plan structure and supporting policies in 2013 that extended pay-for-performance to all staff (except the Police, Fire, and Valley Transit union employees). The City adjusted the pay structure in 2014-16, and a market review in October 2015 confirmed the plan remains competitive.

As part of the 2012 consulting study, which provided the foundation for our plan, the Mayor appointed an advisory compensation committee of department directors (Public Works, Finance, Utilities, Fire, Library, Facilities and HR) to assist with the project. This committee has met periodically since 2012 to review the functioning of the plan, and they have recommended we review the functioning of the pay-for-performance elements of our policy to make sure we are getting the desired results.

Specifically, we agree a well-functioning policy and pay plan requires the following:

- Accurate, efficient performance measurement with decent standards
- Standards are applied fairly
- Consistent application across departments and divisions
- Plan is funded appropriately
- Plan is Market Competitive
- Pay and recognition/performance are timely
- Plan provides for flexibility to meet staffing, market and internal demands

The advisory committee wants to make certain we are doing well on all seven points. We also have a specific concern that the current structure may need to be modified so that progression to a market-rate occurs quickly enough. Additionally, we want to look at whether or not the effort and time expended to complete performance reviews affects the outcome for entry-level employees.

Therefore, we will be reviewing the functioning of our plan in the third quarter of this fiscal year to see what adjustments, if any, we would recommend you consider.

In the project, we proposes that we:

Develop an alternative budgeting and timing process for performance reviews and awards that incorporates any cost-of-living adjustment (i.e., one raise; probably effective in 2018).

Explore cost options for shortening the front half of the pay structure to deal with the issue of taking too long to go from minimum to control point (market estimate).

Explore removing entry level positions from pay for performance plan

Explore developing behavioral anchored rating scales

Evaluate the current rating system and evaluation method.

Explore total rewards management

We will engage the compensation consultant at a rate of \$200/hour with a not to exceed \$5,000 to make some recommendations on the project items listed. The Human Resources budget includes monies for consulting services that will be allocated to this project.

If you have any questions regarding the project, please contact me directly.