



CITY OF CONCORD EXECUTIVE AND MANAGEMENT COMPENSATION PROGRAM

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Winner 1999
Helen Putnam Award

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CITY OF CONCORD

EXECUTIVE AND MANAGEMENT

COMPENSATION PROGRAM

PROGRAM OVERVIEW

During the years from 1995 through 1998, the City of Concord embarked on a remarkable journey. With the full guidance and support of the City Council and the leadership of the City Manager, the City team developed and implemented a wide range of initiatives to foster the changes necessary to make Concord a City of Excellence. Included among the initiatives developed and implemented were:

▲ **An integrated Mission, Vision and Values Statement** for the organization, including specific steps taken by each City department to implement the vision and values into its every day work and long range strategic planning.

▲ **A Long Range (10-year) Financial Plan** which provides the financial barometer necessary to develop a long term Management approach and which provides direction in the Management of solutions to Council identified issues. Funding for replacement of capital and maintenance requirements is now planned, ensuring the integrity of the City's infrastructure while developing new programs and greater service levels. This form of planning assures that decisions made today are supportable in the long term.

▲ **Performance Based Budgeting**, introduced in 1995, establishes Council policy direction and desired service levels and measures the level of performance reached by individual Program Managers. Each Manager has specific performance indicators that define the level of success attained in meeting established program performance goals. Efficiency and effectiveness can be measured and Managers now focus on results and outcomes that are linked directly to the City's mission.

▲ **A Performance Management Process** for all Executive and Management staff which includes three distinct steps as follows:

▲ **The Achievement Plan** is prepared by the individual Manager at the beginning of each fiscal year and translates the Council's expectations into specific objectives for each Manager. The Achievement Plan delineates a performance plan between the organization and the Manager and forms the basis upon which performance shall be evaluated.

▲ **The Year End Report** is prepared by each Manager at the end of the fiscal year describing the accomplishments compared with Achievement Plan objectives.

▲ **The Annual Audit** is prepared for each Manager by the Department head (or second level reviewing Manager) comparing what was planned (Achievement Plan) with what was accomplished (Year End Report). The performance of each Manager is evaluated and a score is developed based on the level of success.

The Achievement Plan, Year End Report and Annual Audit focus on three performance categories: ongoing operational responsibilities, special studies or projects and leadership competencies.

INITIAL REVISION OF THE PAY SYSTEM (1998)

Recognizing the critical role that the pay system plays in a performance oriented culture, the Council identified the necessity of developing a pay philosophy and specific pay programs to support and reinforce the City's long range objectives as well as the culture, climate and behaviors needed for the organization to be effective.

Although the previous pay policy described that compensation for Management classes was intended to be commensurate with actual job performance, the system did not include specific features that linked pay to performance. Further, "satisfactory" performance generally qualified a Manager for a step increase and movement through the "step system" became essentially automatic. In addition, general adjustments were made annually to all Management salaries based on several factors other than individual performance. The Council recognized that the City was moving toward an organizational culture which emphasized high performance but was burdened by an outmoded pay system that rewarded mediocrity.

Building on the foundation of its earlier initiatives, the Council approved a major restructuring of the City's pay policy and practices for its Executive and Management staff. There are three (3) elements to the revised pay system for the key management group.

First, a revised compensation policy was developed which reflects several major considerations. From the outset, it was identified that the revised policy should include a strong pay-for-performance element to communicate clearly that the organization and Council are serious in the commitment to strengthen the emerging performance culture. Other important considerations included fiscal prudence, market-competitive base pay and the need to attract and retain performance oriented Management employees.

Second, a major reconfiguration of the pay schedule for the Management positions was accomplished which refocuses the emphasis from internal comparisons to primarily market considerations in setting position pay ranges. The "automatic" steps were eliminated since all future increases are to be based on performance. The new salary schedule was reviewed annually based on several identified variables, including movements in the market place. However, changes to the pay schedule did not result in changes in an individual Manager's rate of pay.

The third element was the development of the pay-for-performance plan, a strategic tool for assisting the City in achieving its mission of providing responsive, innovative local government services. Reflecting the complete commitment to the performance culture, this new plan becomes the exclusive system for Management pay adjustments (other than bona fide promotions). Movement through the pay range was based exclusively on performance.

Under the pay-for-performance plan, Managers were eligible for an annual Incentive Compensation Award (ICA) based on their performance score developed through the performance audit. The ICA was paid as increase in the base salary rate up to the maximum rate for the position. That portion of an ICA which would exceed the maximum rate for the position was annualized and awarded as a one-time lump sum payment.

The revised Executive and Management pay system was the capstone of the City of Concord's performance initiatives. The new pay system accomplished several important organizational objectives:

- It makes excellent performance financially worthwhile. This created a climate in which excellent performers were encouraged to sustain their performance. It communicated to satisfactory performers the importance of improved performance. This created a climate in which employees understood that superior performance was financially worthwhile and provided encouragement for them to improve their performance where possible to earn financial rewards.
- It provided a compensation system that encouraged excellence and not mediocrity.
- It communicated to less than satisfactory performers that their performance must improve or they would be encouraged to find employment where their abilities more closely match the performance expectations of the organization.

CHANGES TO THE PLAN – 2006

In conjunction with CALPERS, the City modified the plan to reflect earnings in the year in which the work was performed, as well as an award going forward for which the employee would enjoy the "reward" for a job well done. Therefore, ICA shall be paid in the following fashion:

- Thirty percent (30%) of the ICA shall be paid retroactively in a lump sum payment and reported to PERS as spread over the twenty-six (26) pay periods of the fiscal year for which the employee was evaluated;
- The remaining seventy percent (70%) shall be paid over twenty-six (26) pay periods of the current fiscal year, as a temporary increase to the employee's base salary, up to the maximum rate for the position.

CITY OF CONCORD EXECUTIVE AND MANAGEMENT COMPENSATION POLICY

GENERAL INTRODUCTION

“Our mission is to join with our community to make Concord a city of the highest quality. We do this by providing responsive, cost effective and innovative local government services.”

“We will be a customer based, performance driven, results oriented organization, focused on finding the answer, solving the problem and achieving positive outcomes.

“We will partner with the Concord community to maximize resources, deliver high quality services and be recognized as setting the standard for excellence.

“We will constantly look for new and better ways to deliver services. We will seek to be innovative, take reasonable risks, learn from our mistakes and always strive for excellence.

“We will be accountable for our performance and our organization’s success and be recognized for our achievements.

“We set measurable performance goals which support the priorities of the City and our individual work groups. We are given the necessary authority, training and resources to enable us to achieve these goals. Performance reviews are conducted in a timely and effective manner. Employee advancement and other incentives are based on performance. We are proud of the professionalism, competency and dedication that exist throughout the organization.” (*Excerpts from Concord’s Vision and Value Statements*).

Policy Statement

The City’s Compensation Policy supports and facilitates the mission of making the City of Concord a city of the highest quality. Fairness, competitiveness and equity are important components of the pay philosophy to the extent they complement the primary focus.

A Compensation Plan will be designed to recognize and encourage (through appropriate compensation rewards) desired outcomes, innovation, reasonable risk taking and accountability. While the core principles of the philosophy will remain stable, the Compensation Plan details will be flexible to meet the changing needs of the organizational units and work force arrangements.

Policy Implementation

The City's compensation policy will be implemented in accordance with the following guidelines:

1 Fiscally Prudent

The City's practice is to compensate employees in accordance with the City's financial condition. In determining the City's financial condition, the City will consider competing service priorities, reserves, revenue growth and the Council's adopted budget policies.

2 Attract and Retain Quality Employees

The City's Compensation Plan should provide the City with the ability to attract and retain high quality, innovative, motivated, performance-oriented individuals.

3 Base Pay

The maximum base pay rates will generally reflect the economics of the market and serve as the foundation for variable pay. The market will be determined for each position or group of like positions and typically will include comparable sized public agencies located in the Bay Area, but may also include private sector employers, as appropriate.

Maximum base pay rates will be competitive with the identified market(s) and will reflect the opportunity for above average performers to earn more than market rates through performance based Incentive Compensation Awards, i.e., the variable pay component.

The maximum rates for individual positions will be valued based primarily on external market considerations modified as appropriate by internal alignment considerations.

4 Variable Pay

All Management and Executive employees will participate in a pay for performance plan, which will reward the achievement of individual performance objectives, "corporate" goals and, when applicable, will reward successful accomplishment of special team efforts.

The pay for performance plan will provide the opportunity for above average performers to earn more than market rates for comparable positions.

The pay for performance plan will include adjustments to base pay and lump sum bonuses.

5 Mix of Base Salary, Total Cash, and Benefit

The City's policy is to provide a mix of base salary, total cash and benefits that is generally competitive with the labor market. When evaluating benefits, the City will consider both the cost and the content of the benefits.

PAY FOR PERFORMANCE PLAN

Purpose

The purpose of the Pay-for Performance Plan is to provide a strategic tool to assist the City in achieving its goals of providing responsive, innovative local government services in the most efficient and cost effective manner. The Plan has been designed to reward Management employees of the City for exceptional performance of assigned program responsibilities and outcomes, as well as exceptional performance in the completion of special projects and studies.

Plan Provisions

1 Coverage The plan applies to all regular employees assigned to Executive and Management positions, except Council appointed officers. Notwithstanding the exception, the Council may authorize the application of this Plan to Council-appointed officers upon terms as they may determine are in the best interests of the City.

The plan applies, as well to all full time Management employees engaged under contract pursuant to Article XI, Chapter 3, §11304.A.3.b of the Concord Municipal Code who are employed during the fiscal year. In the case of a covered contract Management employee, the Incentive Compensation Award described below shall be in the form of a one time annual lump sum payment in addition to the consideration set forth in the individual contract.

2 Eligibility To be eligible for an Incentive Compensation Award, the covered employee must be in active status on the last day of September, following the end of the fiscal year and must have been assigned to an Executive or Management position for more than six (6) calendar months preceding the end of the fiscal year. Awards will be prorated for eligible employees with more than six (6) months, but less than a full year participation in the Plan. When a manager is assigned on the 15th of the month or later, that month is not counted as assigned to the plan.

3 Exclusive System for Pay Adjustments Other than bona fide promotions, all individual salary increases will be based on performance and shall be in the form of an Incentive Compensation Award. Executives successfully completing one year of service or managers successfully passing their probationary period are eligible for a 5% increase to base pay, not to exceed the maximum salary range.

4 Relationship with Annual Performance Audits and Performance Based Budgeting The Performance Audit System provides the foundation for the Pay-for-Performance Plan. Each Manager will continue to be evaluated based on performance of Part I program objectives, Part II special projects and studies and Part III core management and leadership competencies. The evaluations will address the objectives set forth in the annual achievement plans.

The Performance Based Budget system, in turn, provides objective measures for evaluating each Manager's performance of the Part I program responsibilities and provides an improved tracking device for Part II objectives.

5 Incentive Compensation Awards At the completion of the Annual Audit process, the performance scores from each performance category (Part I, Part II and Part III) will be included in the Annual Performance Audit for each Manager. The final performance score will equal the total of the weighted scores for each performance category. For Executive employees, the individual performance scores will be adjusted to reflect the successful achievement of the Corporate Goals.

6 Corporate Goals

The performance of all Executive employees will include a specific rating for the successful completion of "Corporate Goals", a set of City-wide objectives in addition to the Part I, Part II and Part III performance categories.

Incentive Compensation Awards shall be determined as follows (Effective 10/09/06):

| <u>Performance Score</u> | <u>Performance Rating</u> | <u>Incentive Compensation Award (% of current base salary)</u> |
|--------------------------|---------------------------|--|
| 96 to 100 | Outstanding | 10% to 12% |
| 85 to 95 | Superior | 6% to 9% |
| 75 to 84 | Good | 1% to 5% |
| 74 or Less | Needs Improvement | 0% |
| 65 or Less | Unsatisfactory | 0% |

Incentive Compensation Awards will be paid partly as increases to base salary and partly as lump sums as described below.

7 Award Payments (Effective 10/09/06)

Incentive Compensation Awards will be paid in two parts: an increase in the base pay rate and a lump sum payment. The City will not promise that any base pay rate increase will be provided for more than one year and reserves the right to reduce Managers' base pay rates for any reason, including but not limited to budget and performance. Generally, the ICA will be divided between base pay rate and lump sum on a 70/30 percentage basis. 70% of the award will be applied to current base pay rate and will be distributed over twenty-six (26) pay periods. The awarded ICA will be distributed between base pay rate and lump sum on a 70/30 percentage basis. 70% of the award will be applied to current base pay rate and will be distributed over twenty-six (26) pay periods. Lump sums resulting from an overall performance rating of "Outstanding" and "Superior" will be reported to CalPERS over the time period earned (prior fiscal year). Lump sums resulting from a rating of "Good" will not be reported to CalPERS.

Reporting to PERS

Incentive Compensation Awards will be reported to PERS as "compensation earnable" -- which is part of the formula for calculating PERS retirement benefits. All amounts that are paid as base pay rate will be reported to PERS as compensation earnable when paid. For example, a Manager who receives an increase in base pay rate for 2006 - 2007 will have this increase reported to PERS during the pay periods in which it is paid to the Manager on a going forward basis starting in October 2006.

All lump sums that are paid to Managers who receive a performance rating of superior or outstanding will be reported to PERS as compensation earnable, as special compensation earned during the prior fiscal year, e.g., earned during the period July 1, 2005 through June 30, 2006. Lump sums that are paid to Managers who receive a performance rating of "good" will not be reported to PERS as compensation earnable because they are not for "superior performance" and therefore do not meet governing PERS rules.

Other than as specifically provided, lump sum payments shall not be included as compensation for purposes of disability benefits, vacation or holiday pay, or any other pay related City provided fringe benefit. Lump sum payments will be payable by the first pay period following October 1st of each calendar year and will be subject to all statutory withholdings. All salary adjustments will be effective the beginning of the first pay period in October of each calendar year.

These amounts will be reported to PERS as compensation earnable as follows:

1 – All amounts that are paid as base pay rate will be reported to PERS as compensation earnable when paid.

2 -- All lump sums that are paid to Managers who receive a performance rating of superior or outstanding will be reported to PERS as compensation earnable, as special compensation earned during the prior fiscal year, July 1, 2005 through June 30, 2006.

3 -- Lump sums that are paid to Managers who receive a performance rating of “unsatisfactory,” “needs improvement,” or “good” will not be reported to PERS as compensation earnable because they are not for “superior performance.” The City will pay lump sums to these Managers. It is important to note that all Managers have the same opportunity for pay and awards and accordingly will all be treated in the same manner.

4 -- An employee must receive at least two lump sum payments in the three-year period prior to retirement in order for the final payment to be eligible for inclusion in the final year’s compensation for purposes of calculating retirement benefits.

The following examples are illustrative:

| | | |
|------------------|-------------------------------|--------------------|
| Manager 1 | Current base salary: | \$48,000 |
| | ICA rating (“Superior”) | 85 |
| | ICA Award | 6% of compensation |
| | Total ICA Award (6%*\$48,000) | \$2,880 |
| | New base salary | \$50,016 |
| | Lump sum ICA payment | \$864 |

Compensation Earnable reported to PERS:

- (1) \$864 is reported as “special compensation” earned in prior fiscal year. Note that PERS’ law may prevent special compensation that is earned only in the final year(s) of employment from being taken into account for PERS pensions.
- (2) \$50,016 is reported as “base compensation” as paid
- (3) The City cannot promise that PERS will treat all amounts reported as compensation earnable as reported to PERS.

| | | |
|------------------|-------------------------------|--------------------|
| Manager 2 | Current annual salary: | \$48,000 |
| | ICA rating (“Good”) | 83 |
| | ICA Award | 5% of compensation |
| | Total ICA Award (5%*\$48,000) | \$2,400 |
| | New base salary | \$49,680 |
| | Lump sum ICA payment | \$720 |

Compensation Earnable reported to PERS:

- (1) Under PERS’ rules, no part of the lump sum payment is reported to PERS because performance was not Superior or Outstanding.
- (2) \$49,680 is reported as “base compensation” as paid.
- (3) The City cannot promise that PERS will treat all amounts reported as compensation earnable as reported to PERS.

Plan Administration

The plan will be administered by the Director of Human Resources subject to the approval of the City Manager and, as appropriate, the City Council. The plan is designed to be flexible in response to changing competitive environments and the City’s financial status.

Participation in the plan does not guarantee employment, nor does participation at one time guarantee ongoing participation.

Amendment and Termination of the Plan

While it is intended that the plan will become an integral part of the City’s compensation policy for Executive and Management employees, the City reserves the right to terminate, suspend, or amend the plan, in whole or in part, from time to time as conditions warrant.

PERFORMANCE MANAGEMENT PROCESS GUIDELINES

INTRODUCTION

These guidelines briefly describe the linkages between the Achievement Plan, Year End Audit, Performance Based Budgeting and the Executive and Management Pay for Performance Plan and set forth the general protocol for bringing these components together to develop each participant's annual Incentive Compensation Award. These guidelines are expected to evolve throughout the initial years of the process, as the Performance Based Budgeting System is refined and the participants become more experienced in identifying and measuring performance outcomes. The guidelines below reflect this evolution to date.

ACHIEVEMENT PLAN

The process begins when each Manager prepares an individual Achievement Plan for the upcoming fiscal year. These Achievement Plans are typically prepared in April and translate the City Council's expectations into specific objectives for each Manager. The Achievement Plan defines a "contract" between the organization and the Manager and forms the basis for performance measurement. The Achievement Plans are organized into three sections, referred to as Part I, Part II and Part III.

Briefly, Part I includes the Manager's operational responsibilities, i.e., the primary functions performed by the Manager, or why the position exists. Part II includes all special projects or studies that are contemplated to be worked on or completed during the fiscal year. Part III includes measures of the core management and leadership competencies, particularly as they reflect the impact of a particular Manager on the City's Mission, Vision, and Values. Parts I and II are tracked monthly through the Performance Based Budgeting System.

The Achievement Plan component operates as follows:

Initial Achievement Plan Meeting

The Manager and the Manager's Supervisor, referred to as the "auditor" will meet at start of the fiscal year to review the Manager's Achievement Plan.

Part I

The Manager and auditor will discuss the Manager's Part I program objectives, performance indicators and tasks, and determine generally the results necessary for achieving each acceptable level of performance ("Good", "Superior", "Outstanding"). In determining the results necessary to achieve each acceptable level of performance, the following can be used as a general guideline.

The Manager and the auditor should review the Manager's program objectives, performance indicators and tasks. The purpose of this review is to determine the range of acceptable performance for the relevant **performance indicators** (effectiveness measures) and **unit costs** and **unit hours** (efficiency measures) associated with each program objective. This information will help guide the Manager's and auditor's future evaluation of whether or not the program objective was met. The following table is provided as a guideline when reviewing performance indicators, unit costs and unit hours to establish a range of acceptable performance:

| PART I COMPONENT | DID NOT MEET | MET | EXCEEDED |
|-------------------------|--|--|--|
| Performance Indicators | More than 5% unfavorable to Plan | Plus or minus 5% of Plan | 5% better than Plan |
| Unit Cost Tasks | Exceeds budgeted unit costs by more than 10% | Plus or minus 10% of budgeted unit costs | More than 10% under budgeted unit costs. |
| Unit/Hour Tasks | More than 10% under budgeted units/hour | Plus or minus 10% of budgeted units/hour | More than 10% above budgeted units/hour |

It is recognized that the range of acceptable performance for any particular performance indicator or task may deviate from these general guidelines. If the ranges are modified from the above guideline, the Manager and auditor should identify the ranges used and the rationale for deviating from the above guidelines should be documented. During this review, the Manager and auditor should agree on any Part I program objectives that are of a higher priority so the manager will understand the auditor's expectations.

At this meeting the auditor will emphasize the importance of accurate monthly reporting of Part I performance indicators and task data.

Part II

The Manager and auditor will discuss the Part II projects that are included in the Manager's Achievement Plan and establish priorities among the Part II projects. If practicable, weightings among Part IIs should likewise be set. At the end of the meeting, the Manager and the auditor should have a clear and mutual understanding of the relative priorities of the Part II projects. Part II projects will include those Part IIs for which the Manager has been identified as support and where the scope of the Manager's support role has been defined. The auditor will communicate the expectations and establish in general terms the factors which will be considered in rating Part II project completion as "Outstanding", "Superior", etc. Factors should include consideration of timely completion, cost, quality, impact, degree of difficulty, potential for cost savings or increased productivity, innovation, conservation of time, materials, resources, support of Corporate Goals, expectation of improved customer service, etc., as appropriate to the specific Part II. When projects are added during the year, the Manager and auditor should discuss the priority of the added project and how the project fits into the overall plan for completion of other projects. The auditor must approve changes in priority or deferral of completion dates of other projects. The City Manager, in turn, must approve those plan adjustments. The Manager and auditor are responsible for recording approved changes.

At this meeting the auditor will emphasize the importance of accurate monthly reporting of Part II project status.

Part III

The Part III objectives should be reviewed, with appropriate reference to the Mission, Vision and Values, and the results necessary for achieving each acceptable level of performance ("Good", "Superior", "Outstanding") should generally be discussed. The Manager and auditor should also discuss and agree on a plan for the Manager's self-development program and identify training opportunities.

Periodic Feedback

The successful completion of the Achievement Plan will be enhanced by effective use of the following periodic feedback tools:

Monthly Reports

Monthly reports are to be completed before the 15th day of each month by the Manager and should update the necessary Part I performance indicator and task data and succinctly describe the status of each assigned Part II, including the status of the Manager's scope of supporting role Part II projects. When Part II completion dates are extended, the rationale should be recorded. Where a project's priority is adjusted, the monthly report should reflect the change. When projects are added during the fiscal year, the monthly reports include the added project, clearly identifying that it is an added project and the impact on completion of other assigned work, if any. The monthly reports should be reviewed by the auditor and feedback should be provided to the Manager where deviations from Plan are identified.

Trimester Reviews

All Managers shall receive trimester reviews and the Department Head shall conduct the trimester reviews of all direct reporting managers. Reviews will include a review of all Part I programs and the Part II project status to date. Managers will be expected to provide explanations for any delays incurred which will extend completion of Part II projects. Managers should be provided feedback on performance to date, including performance feedback on Part IIIs, including progress on the self-development program, where applicable. The trimester reviews are a critical element in the feedback process because they provide an opportunity for the Manager to investigate and explain deviations from budget and the reviews also prepare the Department Heads for their trimester reviews with the City Manager.

Trimester reviews will be scheduled during the months of September/October, January/February, and April/May.

YEAR END REPORTS

The Year End Report is a narrative account by the manager of accomplishments, supported as appropriate by PBB performance indicator and task data. The Year End Report will follow the three part format of the Achievement Plan and is a self-evaluation of each of the performance objectives set forth in the Achievement Plan. The Year End Report provides the basis for evaluation of each Manager, Department Head and, ultimately, the City Manager.

Year End Reports will be completed by each manager and submitted to the Department Head by the end of the third full week of July.

Part I

The Manager will attach a copy of the June PBB Monthly Budget Report for each program for which the Manager is responsible and the June PBB Summary of Objective Accomplishments. The Manager's narrative should address each of the performance objectives but should focus on the high priority objectives describing any circumstances that made the accomplishment of the objective particularly noteworthy. For example, the Manager should describe any adverse conditions which made the accomplishment more difficult than anticipated. If a budgeted objective was not met, the Manager should address this issue and identify the reasons for the shortcoming. The Manager should also explain what steps will be taken to assure that the objective will be met in the future.

Operational responsibilities which are not covered by a program objective, performance indicators, or tasks, should also be described. The description should include why the responsibility is important and what was significant in terms of accomplishment.

In preparing the Part I report, the manager should focus on the impact the Manager's efforts have made on the organization.

Part II

The Manager will attach a copy of the June Monthly Part II Status Report reflecting the current status of all projects for which the Manager is responsible. The Manager's narrative addresses assigned projects included in the Achievement Plan and projects or special assignments that were added during the course of the fiscal year, i.e., unplanned projects and may include those where the Manager was identified as providing a support role. The Manager will highlight those where the accomplishment was particularly noteworthy or where the project was not completed according to plan. If there was a failure to meet the goal, explain why and what corrective actions are being taken. The narrative should focus on the major accomplishments and should include:

- Why the accomplishment was significant
- What impact the accomplishment had on the City, e.g., cost savings, improved customer service, increased productivity, etc.
- If it was completed as scheduled or, if long term, is on or ahead of schedule
- Any other circumstances that made accomplishment of the project particularly noteworthy.

Part III

The Part III narrative will address those Part III objectives included in the Achievement Plan. In general, the Part III objectives should reflect the City's Mission, Vision and Values. In particular, the Manager should provide specific examples of accomplishments in one of more of the following areas. The auditor will address the applicable areas in the audit.

- **Mission, Vision, and Values:** The approach to assignments and the performance of work reflects an understanding of and personal commitment to, the City's Mission, Vision and Values.
- **Customer Service:** Continuously working to improve customer service; making attempts to involve others at all points in the service delivery system to improve or redesign the process; routinely soliciting, systematically gathering and accurately measuring feedback to be used in the redesign process; understanding who the customer is and displaying a positive customer service orientation.
- **Leadership:** Influencing and effectuating positive outcomes by setting and communicating clear visions of goals and strategies and gaining the commitment of others through personal example and by adhering to high ethical, professional and performance standards.
- **Team Player:** Advocating and advancing the seamless organization philosophy by participation in interdepartmental committees, teams and task forces; interdepartmental cooperation.
- **Professional Growth/Self Development:** Maintaining professional skills and designing and implementing a self-development program as appropriate.
- **Fiscal Awareness:** Managing financial and material resources, showing an awareness of the budget process and exercising effective cost control, identifying and promoting revenue enhancement opportunities and demonstrating an understanding and working knowledge of the performance based budgeting system;
- **Communication Skills:** Writing clear and concise reports, memos and letters; making effective group presentations and making the effort to improve communication skills. Facilitating communications throughout the organization.
- **Planning and Organizing:** Anticipating future needs; establishing and managing priorities; adapting to a changing environment and modifying priorities as necessary; demonstrating effective leadership skills and assertive initiative.
- **Initiative/Innovation:** Seeking and supporting new ways to perform work more efficiently or productively; demonstrating original thinking, ingenuity and creativity by searching out and introducing new ideas or courses of action; demonstrating a willingness to take risks when appropriate.
- **Problem Solving:** Anticipating problems and the need for good information; assuming responsibility for making decisions based on sound judgment supported by reliable relevant facts.
- **Staff Management:** Motivating assigned staff toward the achievement of excellence; effectively delegating responsibility to staff and allowing decisions to be made at the lowest level at which information is available and responsibility is assigned; conducting annual and periodic performance reviews with all assigned employees in a timely manner; providing regular, ongoing performance feedback in a constructive, reinforcing manner; developing staff through career and professional counseling and work assignments; developing and building employee morale.

ANNUAL PERFORMANCE AUDITS

The Written Annual Performance Audit

The Annual Performance Audit is prepared by the auditor and compares what the Manager committed to accomplish in the Achievement Plan to both the Year End Report and the results published in the PBB system. The Performance Audit is the objective basis upon which the Incentive Compensation Awards are determined.

The auditor will use the matrix below for determining a Manager's performance under Part I, Part II and Part III.

Part I

For Part I, the performance audit will be in narrative format, supplemented by a PBB worksheet and the narrative should concentrate on those Part I PBB program objectives and operational assignments for which the accomplishment was determined to be superior or outstanding, or where the Manager's performance did not meet expectations. The narrative should focus on those accomplishments that were high priority, particularly noteworthy, or where expectations were not met, as well as the unplanned accomplishments that exceeded expectations. The narrative should also discuss those program objectives that were not met for reasons beyond the Manager's control and comment on whether and to what extent the manager's efforts mitigated any potentially negative outcomes.

Additionally, the narrative should address expectations and priorities for the next fiscal year, as well as issues for change or advancement. An overall rating for Part I shall be determined based on actual performance against expectations.

The evaluation of Part I program objectives should refer back to the performance results necessary for achieving each acceptable level of performance that were established between the auditor and Manager at the initial achievement plan meeting (see page 2 above). For the PBB component, this will be accomplished as follows:

For each program objective, all performance indicators and task will be scored and the scoring exercise will be recorded on a PBB worksheet.

Part II

The evaluation of Part II should include a comparison of the accomplishments of each Part II project with the expectations and performance factors established during the initial achievement plan meeting. Each Part II project should be individually rated and an overall Part II rating should be developed using as a general guideline the weightings defined at the beginning of the fiscal year. As with the Part I narrative, the auditor's narrative should focus on those Part IIs for which the accomplishment was considered superior or outstanding, or where the Part II was not completed as expected. An overall rating for Part II should be determined giving consideration to the established weightings for individual projects. The Part II narrative should describe the results in terms of the impact of the work performed and the outcomes achieved.

Part III

The evaluation of Part IIIs should address each of the Part III performance factors that are applicable to the position. For example, not all Managers supervise staff and the "Managing Human Resources" performance factor in those cases would not be applicable. The narrative should focus on those factors where the performance was distinguished, however, all applicable performance factors should be rated and an average rating for the applicable factors will determine the overall rating for Part III. The Part III evaluation of all managers must discuss the Mission, Vision and Values performance factor.

PART I RATING MATRIX

| Part I | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|--|---|--|---|---|--|
| PBB – Program Objectives | Exceeds all high priority objectives as determined in Achievement Plan discussion. No program objective is “not met”. | Exceeds most of the high priority objectives. No program objective is “not met”. | Meets all program objectives. | Meets some but not all program objectives. | Fails to meet the high priority objectives, meets some but not all program objectives. |
| Budget Preparation and Management | Budget preparation is accurately accomplished ahead of budget deadlines. All issues regarding management of expenditures and revenues are addressed quickly and effectively. Understands the management of unit costs and exceeds the budgeted cost efficiencies. | Budget is accurately accomplished by budget deadlines. Issues regarding management of expenditures and revenues are identified and addressed. Understands the management of unit costs and exceeds most of the budgeted cost efficiencies. | Budget preparation is generally accurate and meets most budget deadlines. Issues regarding management of expenditures and revenues are identified and addressed. Understands the management of unit costs and generally meets the budgeted cost efficiencies. | Work contains errors and some deadlines are not met. Not all issues regarding management of expenditures and revenues are identified and addressed. Does not completely understand the management of unit costs and fails to meet several budgeted items. | Contains numerous errors and is submitted very late or not at all. Issues regarding management of expenditures and revenues are not addressed. Fails to understand the management of unit costs and fails to meet most budgeted items. |
| Commissions and Boards Staff Support | Staff reports timely and accurately completed all of the time. | Staff reports timely and accurately completed most of the time with no adverse consequence for infrequent failures. | Staff reports timely and/or accurately completed most of the time with no adverse consequences for infrequent failures. | Occasionally fails to accurately and timely prepare staff reports for Boards and Commissions. | Repeatedly failed to properly prepare for meetings, causing delays, postponements, and complaints. |
| Major Non-PBB Assignments to be identified by manager and reviewer. | | | | | |

PART II RATING MATRIX

| Part II (Definitions) | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|--|--|--|--|--|--|
| Part II projects include: | The Report/study was completed ahead of time when timeliness was an important consideration, and was of excellent quality leading to successful implementation. Minimal supervisory input required and to format issues. If generally limited the project is multi-year, it is significantly ahead of approved schedule. | Report/study was completed ahead of time when timeliness was critical, and was of superior quality leading to successful implementation. Some supervisory input required for both substantive and format issues. If the project is multi-year, it is ahead of approved schedule. | Report/study was completed on time and was of acceptable quality leading to successful implementation. Required regular review and input by supervisor. If the project is multi-year, it is on schedule. | Report/study was incomplete or not completed in a timely manner, even where timeliness was critical, causing delays in work of others; work was of a poor quality and required significant unplanned supervisory involvement prior to completion. If the project is multi-year, it is behind schedule. | Failed to complete the report/study or was of unacceptable quality and could not be implemented as completed. If the project is multi year, it is behind schedule and will not be completed on time. |
| • Unique, one time items. | Accomplished the project, planned or unplanned, under extraordinary circumstances. | Accomplished the project, planned or unplanned, under unusual circumstances. | Accomplished the project, planned or unplanned, as expected. | Project was not completed as planned. | Failed to complete project. |
| • Reports/ special studies related to productivity, cost reduction. | Demonstrated exceptional creativity and initiative in the most critical elements to complete project or project phase. | Demonstrated creativity and initiative in some elements to complete project or project phase. | Although the project was satisfactorily completed, it did not require any significant creativity or require any exceptional initiative. | Should have exercised creativity and initiative to complete quality results on time. | Resisted advice on creative approaches and failed to take any initiative to complete project. |
| • Capital Projects. | The completed project, or phase, incorporated efficiencies, methods, designs that have a significant and wide ranging impact on cost or service delivery. | The completed project, or phase, incorporated efficiencies, methods, designs, that positively impacted cost or service delivery. | The completed project, or phase, did not incorporate any improvement in cost or service delivery beyond the improvements anticipated. | Project did not adequately address cost or service delivery issues. | Project had no impact, or adversely impacted cost or service delivery. |
| • Council Support on Regional Task Force/ Committees. | | | | | |
| • Investigate and report on special issues considered by Council. | | | | | |
| • Special Interdepartmental Task Force(s). | | | | | |

PART III RATING MATRIX

| Part III | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|--------------------------------|---|--|---|--|---|
| Mission, Vision, Values | Demonstrates a complete understanding of, and personal and professional commitment to, MVV. | Understands the importance of MVV and incorporates MVV in daily work routine. | Has accepted the general concept of MVV and makes an effort to incorporate MVV in approaches to work. | Must be frequently reminded to consider MVV in assignments. Lacks an understanding of MVV. | Disregards MVV. Quality of work performed is adversely affected by refusal or reluctance to accept MVV. |
| Customer Service | Always alert to customer service issues; develops and implements new methods/ procedures to improve customer service. | Takes the extra step to assure that customer service action plans are followed. Recognizes the identity of the customer and the customer's needs. | Customer service skills are solid; understands who the customer is and recognizes the importance of providing a high level of customer service. | Less than adequate customer service skills; Views customer's needs as secondary. | Poor customer service skills. Customers complain about level and quality of the manager's efforts. |
| Team Player | Makes an effort to share information with other managers on matters related to their activities; actively participates in interdepartmental committees/task forces/teams, addressing Citywide issues; has a firm understanding and is an active advocate of the philosophy of the seamless organization. Makes an effort to work collaboratively with other departments and fosters a sense of team work. | Willingly shares information with other managers on matters related to their activities; willingly participates in interdepartmental committees/task forces/teams addressing Citywide issues; understands and supports the need for a seamless organization. Actively works with other departments and cooperates on interdepartmental issues. | When requested, will share information with other managers; participates in some City-wide activities; understands and supports the need for interdepartmental cooperation. | Is slow to release to, or share information with, other managers; reluctantly participates on interdepartmental committees; displays a limited understanding in cross department concerns. | Reluctant to share information; regularly declines opportunities to participate on interdepartmental committees, even when participation would be beneficial; is not interested in cross department concerns. |
| Leadership | Leads by example and is highly respected within the sphere of influence; motivates others to achieve highest potential and avoids wasting scarce resources; often sought to lead projects and provide guidance outside the scope of responsibility; sets and achieves difficult goals for self and others. | Often provides a positive example for others; Understands but does not consistently use motivational skills, steps up in crisis or high profile situations; asked to assume leadership role on projects; sets high standards for self and others. | Provides a steady and positive influence; exhibits good coaching and managing skills; demonstrates impartiality, fairness and honesty; establishes challenging but realistic goals. | Reluctant to assume a leadership role, may discourage independent thinking among staff; avoids confronting conflict and may at times enhance conflict by failure to take action; goal setting is limited to routine tasks. | Rules by exerting position authority; bypassed by those seeking guidance or service; goal setting is unrealistic. |

PART III RATING MATRIX (Cont.)

| Part I | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|--|--|--|--|--|--|
| Professional Growth/ Self Development | Constantly striving to identify and correct professional and personal weaknesses; has developed and actively pursues a self-development program; assists assigned staff to identify areas for improvement and reviews self-development needs for future career growth, striking a proper balance between outside activities and work responsibilities. | Independently develops a self-development program, recognizes the need to balance outside activities with work responsibilities; maintains and updates level of technical knowledge and skills; encourages staff to improve skills levels. | Willingly participates in self-development activities as identified by supervisor. | Seldom makes an effort to improve professional and technical skills required of the job. | Resists suggestions for self-development activities; refuses to recognize the need for improvement. |
| Fiscal Awareness | Always aware of budget implications; very effective cost control actions; always provides notices and obtains approvals for expenditures as required; actively seeks revenue enhancement opportunities; insists on appropriate and effective use of equipment, facilities and materials. | Has a good sense of budget responsibilities; with few exceptions, provides required notices and/or requests appropriate expenditure approvals; takes advantage of revenue enhancement opportunities; monitors n appropriate and effect use of City property. | Has competent budget skills; will act on revenue enhancement opportunities that are identified; takes appropriate action when City property is being improperly used. | Needs a better understanding of budgetary methods and responsibilities; generally lacks sufficient understanding to take effective advantage of identified revenue enhancement opportunities; is not concerned with proper use of City property. | Has no awareness of budget issues, must be repeatedly taken step by step through the process; resists taking any action on revenue enhancement opportunities; participates in, or permits the improper use of City property. |
| Communication Skills | Written reports/ documents and oral presentations are of the highest quality and do not require substantive revision; facilitates communication up and down the organization. | Written materials and oral presentations are consistently of a high quality and but occasionally need revision in style as well as substance; communicates well up and down the organization. | Written materials and oral presentations are acceptable, but generally require supervisory input when making revisions to substantive matters. Adequate organizational communications. | Written materials require several revisions before release, both substantively and stylistically; oral presentations are minimally acceptable; frequently becomes the bottle-neck in organizational communications. | Written materials always require rewrite and significant supervisory assistance; cannot be relied upon to give oral presentations; resists facilitating organizational communications. |

PART III RATING MATRIX (Cont.)

| Part III | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|--------------------------------|---|---|--|---|--|
| Planning and Organizing | Proactively develops short and long range strategies to assure timely completion of assignments; always includes appropriate resources at proper steps in assignment completion; anticipates problems that can alter plans; responsibilities are always carried out in a smooth organized manner. | Frequently develops plans to assure timely completion of assignments; organizes and coordinates assignments to avoid delays and repetitious work by manager and others. | Generally develops plans to assure timely completion of assignments, although some assignments not completed on time due to inadequate planning or organizing; occasional scheduling conflicts arise that could have been avoided. | Infrequently develops effective plans and assignments are usually late due to lack of planning and/or organization; frequent conflicts in schedules. | Does not know how to plan and organize or refuses to do so; work is usually late as a result. |
| Initiative/ Innovation | A self-starter who always completes work with little or no supervision; is constantly looking for new ideas and is an agent of change; new ideas are frequently of value; never afraid to take a well reasoned and calculated risk. | A self-starter who completes work with minimal supervisory input; open to developing and/or accepting new ideas and change; willing to take a risk in many situations. | Completes work with a minimum of supervisory involvement. Usually receptive to new ideas and accepts change with minimum encouragement; avoids risk. | Requires frequent intervention of supervisor; usually not receptive to new ideas; resists change. | Supervisor is required to be frequently involved to assure that work is satisfactorily completed; never receptive to new ideas; cannot cope with change. |
| Problem Solving | Anticipates need for key information to make decisions based on relevant facts; as needed, makes informed choices with limited information; utilizes foresight to make difficult decisions without undo delay; develops effective strategies and alternatives. | Occasionally anticipates problems and collects needed information in advance to make decisions; Decisions on important issues are correct; not afraid to act independently when a decision must be made. Develops alternatives. | Gathers facts when available before making key decisions; makes timely decisions with good judgment; solves problems as they arise; does not procrastinate on difficult decisions; weighs alternatives. | Occasionally bases key decisions on irrelevant information; does not always act timely; is generally able to define the symptoms but not the problem; procrastinates on difficult decisions; does not always evaluate alternatives. | Makes on-the-spot decisions without proper knowledge of facts or situations; delays decisions unnecessarily; does not handle routine problems independently; difficult decisions show poor judgment; does not identify alternatives. |

PART III RATING MATRIX (Cont.)

| Part III | Outstanding 95-100 | Superior 85-94 | Good 75-84 | Needs Improvement 65-74 | Unsatisfactory Below 65 |
|-------------------------|--|--|--|--|--|
| Staff Management | Assigned staff is well motivated and seeks to deliver the highest quality products and services; assigned staff regularly develops new methods and procedures designed to save money and improve efficiency and/or services; always delegates responsibility to assigned staff as appropriate; always completes annual and periodic performance reviews on time; provides a positive working environment for assigned staff. | Assigned staff functions well together and develops new methods to save money and improve efficiency; frequently delegates responsibility and invites staff input; infrequently misses the due date for periodic performance reviews; and is striving to create a positive work environment. | Assigned staff generally works well together, experiencing few, if any, problems; assigned staff will occasionally work together to develop new, more efficient methods of doing the work. | Frequent problems occur within the work group; assigned staff displays limited understanding of their role and how they fit into the overall picture; assigned staff infrequently develops new money saving or efficiency enhancing ideas. | Serious problems exist within the work group; the work group, including the manager, do not understand goals and objectives of their area. |
| Corporate Goals | Committed to and actively participates in meeting the Corporate Goals; has a complete understanding of the relationship between the Corporate Goals and the department, program, and individual objectives; commitment to Corporate Goals is reflected in thought and work product. | Understands and works to meet Corporate Goals; understands the relationship between Corporate Goals and departmental goals. | Is familiar with Corporate Goals and does not work in a manner which is contrary to Corporate Goals. | Does not make any effort regarding Corporate Goals. | Works in a manner which is detrimental to the Corporate Goals. |

Summary Rating

As has been done in the past, an overall performance rating for each Manager will be calculated by summing the product of the individual ratings for Parts I, II and III by the weightings assigned to each Part.

PAY FOR PERFORMANCE SCALE

Objectives:

- Facilitate consistency between Departments. For example, a Manager who receives an overall performance rating of 88 should receive the same Incentive Compensation Award (ICA) as another Manager in the same or other Department who achieves the same overall performance rating.
- Tie the overall performance rating directly to the ICA.

The “Pay for Performance Scale” shown below shall be use to calculate Parts I, II, and III performance ratings:

| Performance Category | Performance Rating |
|----------------------|--------------------|
| Outstanding | 98 – 100 |
| Outstanding | 97 |
| Outstanding | 96 |
| Outstanding | 95 |
| | |
| Superior | 94 |
| Superior | 91 |
| Superior | 88 |
| Superior | 85 |
| | |
| Good | 84 |
| Good | 81 |
| Good | 78 |
| Good | 75 |
| | |
| Needs Improvement | 74 |
| Needs Improvement | 71 |
| Needs Improvement | 68 |
| Needs Improvement | 65 |
| | |
| Unsatisfactory | Less than 65 |

How to apply the Scale:

- The auditor prepares the year end audit for Parts I, II and III, using the guidelines and performance criteria in the applicable matrix for each part of the audit.
- The auditor selects the applicable Performance Category (“Outstanding”, “Superior”, etc.) for each part of the audit.
- The auditor then selects one of the four points within that Performance Category as shown in the scale above, e.g., 75, 78, 81, or 84 for “Good” performance. Note: unsatisfactory performance is any performance below a rating of 65.
- If an auditor believes that a Manager is at the upper range of “Superior” performance, a 91 or 94 should be selected. For other than unsatisfactory, ratings are to be at one of the designated points. For example, 76 or 77.5 would not be used. This is to facilitate consistency and to decrease the potential that a one percent or less difference in the overall Performance Rating would have a significant impact on the ICA percentage.
- Once the ratings for each of the Parts has been done, an overall performance rating for each Manager is calculated by summing the product of the individual ratings for Parts I, II and III and weightings assigned to each Part as has been done in the past. The result is to be rounded to the closest percentage or half (.5) percentage point.

Examples of completed calculations of Performance Ratings are shown below:

Example 1.

Rounding up:

| | | |
|--------------|---------------|------------------|
| Part I | 85 (Superior) | $x 50\% = 42.5$ |
| Part II | 88 (Superior) | $x 25\% = 22$ |
| Part III | 81 (Good) | $x 25\% = 20.25$ |
| TOTAL POINTS | | 84.75 |

RATING 85 (Superior)

Example 2.

Rounding down:

| | | |
|--------------|---------------|------------------|
| Part I | 91 (Superior) | $x 45\% = 40.95$ |
| Part II | 94 (Superior) | $x 30\% = 28.2$ |
| Part III | 88 (Superior) | $x 25\% = 22$ |
| TOTAL POINTS | | 91.15 |

RATING 91 (Superior)

Once the Overall Performance Rating is established, use the following revised scale to determine the ICA percentage rate (Effective October 2006):

| Performance Rating | Score | ICA Percentage |
|--------------------|--------------|----------------|
| Outstanding | 100 | 12.0% |
| Outstanding | 99 | 12.0% |
| Outstanding | 98 | 12.0% |
| Outstanding | 97 | 11.0% |
| Outstanding | 96 | 10.0% |
| Superior | 95 | 9.0% |
| Superior | 94 | 9.0% |
| Superior | 93 | 9.0% |
| Superior | 92 | 8.5% |
| Superior | 91 | 8.5% |
| Superior | 90 | 8.5% |
| Superior | 89 | 8.0% |
| Superior | 88 | 7.5% |
| Superior | 87 | 7.0% |
| Superior | 86 | 6.5% |
| Superior | 85 | 6.0% |
| Good | 84 | 5.0% |
| Good | 83 | 5.0% |
| Good | 82 | 4.5% |
| Good | 81 | 4.0% |
| Good | 80 | 3.5% |
| Good | 79 | 3.0% |
| Good | 78 | 2.5% |
| Good | 77 | 2.0% |
| Good | 76 | 1.5% |
| Good | 75 | 1.0% |
| Needs Improvement | 74 - 66 | 0% |
| Unsatisfactory | 65 and below | 0% |

Calculation of the Incentive Compensation Award

The Incentive Compensation Award (ICA) percentage will be determined by applying the attached guide chart. The percentage will be multiplied by the Manager's annualized current monthly salary to determine the ICA. *(Note: there are certain exceptions to this general rule, e.g., for those who are appointed provisionally and Human Resources should be contacted for guidance.)* The awarded ICA will be distributed between base pay rate and lump sum on a 70/30 percentage basis. 30% will be awarded in a lump sum cash payment the first full pay period in October and 70% of the award will be applied to current base pay rate and will be distributed over the following twenty-six (26) pay periods. New base pay rates will be in accordance with the City's Executive and Management salary schedule and will be used to calculate the following year's ICA. The following examples are illustrative:

For example, when applying 70% of a Manager's ICA increases his/her pay rate within the Executive and Management salary schedule ranges that amount becomes the new base pay rate and will be used to calculate the following year's ICA. Alternatively, when applying 70% of a Manager's ICA increases his/her pay rate to exceed the Executive and Management salary schedule ranges then the maximum range amount becomes the Manager's new base pay rate to be used in the following year's ICA calculation. The outcome of this method remains the same from the previous plan. In previous years, lump sums equaled the amount of the ICA which exceeded the maximum salary range. The new base salary equaled the maximum salary range and was used to calculate the next year's ICA. The following illustrates the 70/30 split as it affects salary increases, which result in pay rates within and exceeding the maximum salary range:

Example:

| 70% ICA Increases Salary within Range | | 70% ICA Increases Salary to exceed Range | |
|---------------------------------------|--------|--|--------|
| Current Annual Pay Rate: | 60,000 | Current Annual Pay Rate: | 63,000 |
| ICA equals 7%: | 4,200 | ICA equals 7%: | 4,410 |
| 30% Lump Sum: | 1,260 | 30% Lump Sum: | 1,323 |
| 70% Applied to Pay Rate: | 2,940 | 70% Applied to Pay Rate: | 3,087 |
| New Annualized Salary Rate: | 62,940 | New Annualized Salary Rate: | 66,087 |
| (distributed over 26 pay periods) | | (distributed over 26 pay periods) | |
| Salary Grade Range Max (Oct): | 65,000 | Salary Grade Range Max (Oct): | 65,000 |
| New Base Pay Rate: | 62,940 | New Base Pay Rate: | 65,000 |

Lump sum payments for superior or outstanding performance (1) are available to all Executive and Management employees of the City, (2) will be paid pursuant to written policy, (3) are only for work performed during the normal course of employment, (4) are reported to PERS as earned in the twelve (12) month period in which the performance was evaluated and (5) will only be paid when they are consistent with the Incentive Compensation Award schedule set out above.

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