

# City of Mission Viejo

## Personnel Policy

**Subject:** WAGE ADMINISTRATION

**Statement of Intent:**

To provide guidelines for administering salaries for City employees.

**Background:**

The City offers competitive salaries for duties performed by City employees. The ability of the City to pay wages is based upon the continued efficient and effective delivery of services and available revenues. While each approved classification title has an approved salary range, the actual salary of each employee within the salary range, is based upon his/her performance of assigned duties.

**Policy:**

1. Salary Ranges: Each approved job classification title will have an approved salary range assigned to it.
  - a. The minimum rate of the salary range will represent the normal starting pay rate for an employee who is just beginning to perform the duties of the position.
  - b. The maximum rate of the salary range will represent the maximum value of work performed in the classification. The salary of an employee may not exceed the maximum pay rate for his/her classification unless the employee has been Y-Rated as explained below.
  - c. The actual pay rate for each employee will be based upon a review of his/her performance in relationship to the expectations of his/her supervisor.
  - d. Salary ranges are set by the City Council and may be adjusted only with the approval of the City Council. The Human Resources Division, on an annual basis, will perform a salary survey to determine the salary range for each of the City's authorized position titles. Consideration will be given to internal differentials and the relationships among all authorized positions. Individual placement within a new salary range will be determined at the sole discretion of the City Manager.
2. Pay Rates: Each employee will be assigned to an approved job classification title and a specific pay rate within the approved salary range for the job classification. A department head may approve an offer of employment up to

five (5%) percent above the minimum rate. Appointments above five (5%) percent of the minimum rate must be approved by the City Manager, or a designee.

3. Merit Adjustments: Merit increases are not automatic. At or near the potential effective date of a merit adjustment for each employee, his/her supervisor shall make a recommendation as to whether the employee shall receive a merit adjustment, be denied a merit adjustment or be deferred for consideration of a merit adjustment. All merit adjustment recommendations must be accompanied by a completed Performance Review, and be approved by the department head and the City Manager, or a designee. Regular employees will be considered for, BUT ARE NOT GUARANTEED, a merit adjustment as follows:
  - a. At or near the successful completion of the initial 12 months of service.
  - b. At or near their anniversary date each year. A merit increase may not cause an employee to exceed the maximum rate for his/her job classification.
  - c. In the event of a promotion, at or near the successful completion of six months of service.
  - d. A merit increase may not be granted retroactively without the specific written approval of the City Manager.
4. Merit Adjustment Guidelines: The following table shall be used as a guide for the City Manager, or a designee, in approving merit salary adjustments:

| <u>Performance Rating</u> | <u>Anniversary* Year Potential**</u> |
|---------------------------|--------------------------------------|
| Exemplary                 | 5.5 - 7.5%***                        |
| Highly Commendable        | 3 - 5.5%                             |
| Proficient & Competent    | 0 - 3%                               |
| In Development            | 0 – 1.25%                            |
| Improvement Needed        | 0%                                   |
| Unacceptable              | 0% or reduction in salary            |

\* Unless an employee is promoted, he/she may not be granted increases in excess of eleven (11%) percent in any one (1) anniversary year.

\*\* Except in the case of a Y-Rate, an employee may not exceed the maximum salary range rate for his/her job classification.

\*\*\* Only the City Manager may approve a merit adjustment of more than 5.5%.

5. The City Manager, or a designee, may approve special out of cycle merit adjustments for individual employees in addition to those adjustments, which may be made as a result of an employee's anniversary date review. Such

adjustments shall be reserved for special situations, where in the judgment of the City Manager, or a designee, it is appropriate to recognize the extraordinary performance contributions of an employee.

6. Hourly/seasonal/temporary employees are not eligible for merit increases except under special circumstances approved by the City Manager, or a designee.
7. Promotion: An employee who is promoted to a position which has a maximum pay rate which is higher than the maximum pay rate for the employee's current position, will be placed by the City Manager, or a designee, at either the minimum rate for the new classification or at a rate which is 5% higher than the employee's current pay rate, whichever is greater provided that the new rate does not exceed the maximum rate for the new classification. The City Manager may approve a different salary placement if the employee is being promoted from a non-exempt position to an exempt position.
8. Involuntary Demotion: An employee who is involuntarily demoted to a position which has a lower maximum pay rate than the maximum pay rate for the employee's current position, will be placed at a pay rate within the new salary range at the discretion of the City Manager, or a designee. The City Manager, at his/her sole discretion, may approve a Y-rate for an employee who is involuntarily demoted.
9. Voluntary Demotion: An employee who voluntarily requests and receives approval for a demotion to a position which has a lower maximum pay rate than the maximum pay rate for the employee's current position, will be placed at a pay rate within the new salary range at the discretion of the City Manager, or designee. The City Manager, at his/her sole discretion, may approve a Y-rate for an employee who voluntarily requests a demotion.
10. Reclassification: An employee who is reclassified to a position which has a maximum pay rate which is higher than the maximum pay rate for the employee's current position, will be placed by the City Manager, or a designee, at either the minimum rate for the new classification or at a rate which is 5% higher than the employee's current pay rate, whichever is greater provided that the new rate does not exceed the maximum rate for the new classification. The City Manager may approve a different salary placement if the employee is being reclassified from a non-exempt position to an exempt position.
11. Y-Rate: An employee who is reclassified or is demoted to a position which has a lower maximum pay rate than the maximum pay rate for the employee's current position, may be Y-rated in accordance with the following schedule:

Years of Service

After 6 months through year 2

Y-Rate Period

6 months

|                                  |         |
|----------------------------------|---------|
| Beginning year 3 through year 5  | 1 year  |
| Beginning year 6 through year 10 | 2 years |
| Beginning year 11 or more        | 5 years |

- a. The City Manager, at his/her sole discretion, shall determine the actual length of the Y-Rate period, provided it does not exceed the maximum Y-Rate period listed above.
- b. For purposes of this policy, Y-rate or Y-rated shall be defined as a freezing the employee's salary at the base hourly rate paid prior to the employee being reclassified or demoted.
- c. An employee who is approved for a Y-rate shall have his/her salary frozen at the base hourly pay rate in effect at the time of the Y-rate. The Y-Rate will remain in effect until either (1) the City Manager approved Y-rate period expires, or, (2) the maximum rate for his/her new classification exceeds his/her rate at the time of the Y-rate.
- d. If the maximum base pay rate for the new range has not exceeded the employee's base pay rate at the conclusion of the Y-rate period, the employee's salary will be readjusted to the maximum base pay rate of the new range.
- e. If the maximum rate exceeds the employee's rate during the period of the Y-rate, the employee will be eligible for merit increases in accordance with this policy.

12. Exceptions: With the approval of the City Council, the City Manager may make an exception to the policies described above, provided that there is a bona fide business reason for the exception.

**Administration:**

In accordance with City of Mission Viejo Municipal Code chapter 2.60 "Personnel System", this Personnel Policy is deemed to have a direct financial impact on the City. City Council approval is required prior to initial implementation and for any subsequent amendments.

- Adopted: By City Council - September 11, 1989 - Res. No. 89-92.
- Revised: By City Council - January 30, 1991 - Res. No. 91-016, effective January 19, 1991.
- Revised: By City Council - November 20, 1993 - Res. No. 93-200, effective November 20, 1993.
- Revised: By City Council – August 21, 2006 – Res. No. 06-59, effective August 21, 2006.
- Revised: By City Council – March 22, 2016 – Res. No. 16-08, effective March 22, 2016.