

## **5.11 Compensation Program Procedures**

*Effective Date: May 12, 2015*

### **Purpose**

This policy outlines procedures to compensate employees, defines systems/methods to establish pay structures, establishes methods to assign positions to pay ranges, establishes starting salaries for new hires, establishes salaries for employees who change positions, defines procedures to grant annual base salary increases, and defines performance based compensation programs.

### **Policy**

Lake County is committed to compensating its workforce equitably. The Lake County compensation system establishes methods to assign base salary levels to positions and employees. These methods include a combination of compensable factors such as internal equity, market value of a position, skill, knowledge, education, experience and the County's budgetary conditions and constraints.

These compensable factors will not only assist in the assignment of base salary for positions and its incumbents but will also serve as a basis to establish pay grades. Pay grades will consist of a minimum, midpoint and maximum. These pay grades may be adjusted periodically based upon a market analysis to ensure Lake County remains competitive within the market while still operating within budgetary constraints.

The Human Resources Department (HRD) is authorized to implement any pay provisions within the County Administrator's Office (CAO) authority as defined in this policy. However, the HRD may not implement any pay provisions beyond the CAO's authority as defined in this policy without authorization (for administrative departments) or review (for departments managed by elected officials) by the Financial and Administrative Committee and/or any other designated Lake County Committee. Any request that is beyond CAO's authority shall be presented to the Financial and Administrative Committee and/or any other designated Lake County Committee. If the Financial and Administrative Committee and/or any other designated Lake County Committee deny a request made by an elected official, the elected official may implement the request in spite of such denial. The Financial and Administrative Committee will require the affected elected official to formally acknowledge the implementation of the denied request.

### **Application**

The Lake County Compensation Policy is applicable to all regular full-time and regular part-time employees not covered under a collective bargaining agreement.

### **Section 1-Classification of Newly Created Positions**

Departments may create new positions in an effort to respond to changing operational objectives, changing technology or other reasons that will improve productivity and enhance customer service. New positions may be requested in conjunction with the budget process and during the fiscal year (outside of the budget process). However, every effort should be made to submit new position request during the budget review process. When a new position is requested, departments shall comply with following the procedures:

**A. New positions shall be created and authorized in the following manner through the budget process:**

- 1) Departments will complete a new program request.
- 2) Departments shall provide a job description for the new position, an organizational chart showing where the position fits within the departmental hierarchy and optionally, pay range expectations. This shall be provided to the Finance and Administrative Services Department (FAS).
- 3) FAS will share the above information with (HRD).
- 4) HRD will use the information to evaluate the position and determine what pay range the position should be assigned. If additional information is needed, HRD will contact the department.
- 5) HRD will share its findings with FAS and the requesting department.
- 6) FAS will evaluate the position and HRD recommendation to determine if the position will be recommended for approval by (CAO).
- 7) If there is a dispute that cannot be resolved, said dispute will be brought to the County Administrator's attention during the department's budget recommendation meeting.
- 8) The County Administrator will determine if the position will be presented to the Financial and Administrative Committee and any other designated Lake County Committee for approval with the budget.

**B. New positions shall be created and authorized in the following manner during the fiscal year (outside of the budget process):**

- 1) Departments will inform HRD of their need to create a new position.
- 2) Departments shall provide a job description for the new position, an organizational chart showing where the position fits within the departmental hierarchy, funding sources for the current and future fiscal years and, optionally, pay grade expectations.
- 3) HRD will contact FAS to determine if there is funding for the newly requested position.
- 4) If FAS determines that funding is available, HRD will use the above information to evaluate the position and determine the accurate/appropriate pay range for the position.
- 5) HRD will share its findings with FAS to determine if sufficient funding is available at the newly established pay grade and provide input regarding the operational necessity of the request.
- 6) HRD will share its findings with the department.
- 7) If the request is recommended, the position, justification, any comments by FAS and pay grade assignment will be presented to CAO.
- 8) If there is a dispute that cannot be resolved regarding the pay grade assignment, said dispute will be resolved by CAO.

- 9) If approved by the County Administrator, the recommendation will either be implemented administratively, presented to the Financial and Administrative Committee, any other designated Lake County Committee and/or the full County Board.
- 10) The following outlines when, if approved, the requested action will be presented to the Finance and Administrative Committee, any other designated Lake County Committee and/or the full County Board or implemented administratively:

| <b>Circumstance</b>   | <b>CAO</b> | <b>F&amp;A</b> | <b>Cty Board</b> |
|---|------------|----------------|------------------|
| The position represents an increase in the number of budgeted positions in the department.  | X          | X              | X                |
| The action will cause the department to exceed the budgeted amount in their personnel services line (a budget transfer or new revenue source must also be approved to fund the position). | X          | X              | X                |
| The position represents an increase in the employee's salary but the increase will not cause the personnel services line to be exceeded.  | X          | X              |                  |
| There is no increase in salary for the affected employee.   | X          |                |                  |
| The budget line for personnel services is not increased.  | X          |                |                  |
| The number of budgeted positions remains the same or is decreased.  | X          |                |                  |

### **Section 2-Reclassification of an Existing Position**

Due to changes in the market, technology and/or business operations it may become necessary to modify a job description. The affected position should be evaluated by HRD to determine if the modifications have changed the level of responsibility, so that it may be necessary to reclassify the position to a lower or higher pay grade. Department Heads should contact the HRD when there is a need to change, delete or add new responsibilities to an existing position/job description. The following outlines the process:

- 1) Departments will contact HRD and inform them of the potential to modify/add to an existing position's job responsibilities.
- 2) The department will provide a description of the changes in responsibilities, an organizational chart showing where the position fits within the departmental hierarchy,

funding sources for the current and future fiscal years and, optionally, pay range expectations.

- 3) HRD will contact FAS regarding the department's request.
- 4) HRD will use the above information to evaluate the position and determine what pay grade the position should be assigned.
- 5) HRD will share its findings with FAS to determine if sufficient funding is available at the recommended pay grade and provide input regarding the operational necessity of the request:
  - i. If the incumbent's salary is below the recommended pay grade minimum, the rate of pay will be brought to the new pay grade minimum.
  - ii. Generally, employees will receive a 5% pay rate increase or the minimum of the pay grade, whichever is higher, for a reclassification. However, there may be some situations where providing a pay rate increase creates internal equity or market competitiveness issues and, a reclassification increase may not be warranted. HRD will research the matter and provide evidence to justify reasons for not granting a reclassification increase.
  - iii. If the recommendation is to reclassify the position into a lower pay grade, the incumbent's salary shall remain unchanged. (See the Section 4(A)-Employees at Pay Grade Maximum and Section 10(A)-A Demotion as a Result of a Compensation or Reclassification Study, for more information regarding annual increases.)
- 6) The department will be notified if the request will be recommended to CAO, the pay grade recommendation and if there is sufficient funding.
- 7) If the request is recommended, the position will be presented to CAO.
- 8) The justification for the position's reclassification and any related pay changes will be presented to CAO for administrative implementation or presented to the Financial and Administrative Committee or any other designated Lake County Committee.
- 9) If there is a dispute that cannot be resolved regarding the pay grade assignment or the recommended reclassification rate of pay, the dispute will be brought to CAO for resolution.
- 10) If approved by the County Administrator, the recommendation will either be implemented administratively, presented to the Finance and Administrative Committee, the full County Board and/or any other designated Lake County Committee.
- 11) The following outlines when, if approved, the requested action will be presented to the Finance and Administrative Committee, any other related designated Lake County Committee and/or the full County Board or implemented administratively:

| <b>Circumstance</b>   | <b>CAO</b> | <b>F&amp;A</b> | <b>Cty Board</b> |
|---|------------|----------------|------------------|
| The incumbent is paid at a higher rate of pay and the personnel services line in the budget <b><u>will not</u></b> be exceeded.   | X          | X              |                  |
| The action will cause the department to exceed the budgeted amount in their personnel services line (a budget transfer or new revenue source must also be approved to fund the position). | X          | X              | X                |

|  |   |  |  |
|--|---|--|--|
| There is no increase in salary for the affected employee.          | X |  |  |
| The budget line for personnel services is not increased.           | X |  |  |
| The number of budgeted positions remains the same or is decreased. | X |  |  |

### **Section 3-Annual Increases**

The County shall provide an annual increase that maintains market competitiveness, recognizes the escalating cost of living, and is fiscally responsible. The decision to grant an annual increase will be considered annually and may be approved by the Financial and Administrative Committee, any other designated Lake County Committee and the full County Board.

Annual increases may be based upon the following methods:

- **Merit**-based upon performance and evaluation scores.
  - High Performer Matrix-significantly recognizes superior performance
  - Traditional Matrix-distinguishes performance to a lesser extent than above matrix
- **General**-flat dollar amount or percentage of salary that applies to all employees provided the employee receives a satisfactory performance evaluation.
- **Combination Merit and General**-blends the two methods where a base percentage or dollar amount is granted and the remainder will be performance based.

The County Administrator will recommend to the Financial and Administrative Committee, any other designated Lake County Committee and the full County Board, during the budget approval process, a method to grant annual increases. The full County Board will ultimately approve a method to grant annual increases and authorize the CAO to administer such. HRD will issue administrative guidelines that will define the procedures to implement the annual increase after a method has been approved.

### **Section 4-Employees at or Near the Maximum of a Pay Grade**

Pay grade maximums are designed to be the most competitive rate the County offers and employees' annual base salaries shall not exceed these established amounts. Employees who are at or near pay grade maximums shall be granted annual increases in the following manner:

#### **A. Employees at Pay Grade Maximum**

- 1) Employees whose base salaries are at the maximum of their assigned pay grades shall be eligible to receive a lump sum increase based upon the method chosen by CAO to grant annual increases.

- 2) The lump sum shall not be added to their base salary.
- 3) In those years where an annual increase is not approved or budgeted, employees at the maximum of the pay grade shall not receive an annual lump sum increase.

**B. Employees Near the Pay Grade Maximum**

- 1) Employees shall be eligible to receive an increase (including a proficiency incentive) to their base salary up to the maximum of the pay grade; any amount in excess of the maximum shall be paid in a lump sum.
- 2) Any lump sum increase granted in conjunction with an incentive program shall be for the year in which the incentive was granted; the lump sum shall not be paid in subsequent years.
- 3) In those years where an annual increase is not approved or budgeted, employees at the maximum of the pay grade shall not receive an annual lump sum increase.

**Section 5-Annual Increase for New and Newly Promoted Employees**

Employees hired or promoted (includes a capability promotion) prior to June of any given year shall be eligible to receive the annual increase. Employees hired or promoted after May 31<sup>st</sup> of any given year may receive a portion of the annual increase to be determined by the Financial and Administrative Committee, any other designated Lake County Committee and the full County Board the during the budget process based upon a recommendation by CAO.

**Section 6-Starting Salary Offers for New Hires**

New hires shall generally be offered salaries at the beginning of the pay grade, especially if their last wage is lower than the minimum of the pay grade. But, due to experience, internal equity and the market it may be necessary to offer more than the pay grade minimum.

**A. Department Discretion to Offer a Starting Salary**

If an offer above the minimum is justified the department shall have the discretion to hire employees up to the first quartile of the applicable pay grade provided this decision is based upon experience, market consideration and internal equity.

**B. Offers above the First Quartile of the Pay Grade**

- 1) If the offer is above the pay grade's first quartile and below or equal to the midpoint, the request shall be submitted to HRD.
- 2) In consultation with FAS, HRD will make a recommendation to approve or deny the request.
- 3) A written offer may not be extended to the candidate prior to approval by HRD/FAS or if necessary the CAO.

**C. Offers above the Midpoint of the Pay Grade**

- 1) If the offer is above the pay grade's midpoint, the request shall be submitted to HRD.
- 2) In consultation with FAS, HRD will make a recommendation to CAO if warranted.
- 3) The CAO will determine if the recommendation will be presented to the Financial and Administrative Committee for final approval.

- 4) A written offer may be extended to the candidate after approval of CAO and prior to the Finance and Administrative Committee's decision, provided the candidate understands that such an offer is pending approval.

HRD will consider experience, job references, market, internal equity, verifiable salary history and budget when making a recommendation. If the request is denied by HRD, the department may appeal to the CAO. The CAO will determine if the request is presented to the Financial and Administrative Committee.

### **Section 7-Lateral Transfers**

Employees who are hired into a position classified in the same pay grade as their current position shall not be eligible for an increase. However, the employee shall be eligible to receive annual increases in the same manner as they would have if the Lateral Transfer did not occur.

### **Section 8-One Time Lump Sum Increases/Off-Cycle Increases to Base**

Circumstances may arise that require the County to offer employees a higher base wage or grant a lump sum increase. These circumstances may include but are not limited to:

- maintaining market competitiveness.
- making a salary offer to retain an employee with a unique skill set.
- making a salary offer to retain an employee who has received a verifiable job offer at a higher wage.
- rewarding employees for superior performance outside of current programs outlined in this policy.

The County Administrator shall have the discretion to grant up to a 10% increase to address the circumstances above. Department Heads may request this action by submitting the request in writing to HRD. The request should include the employee's name, the reason for the request and supporting documentation. Supporting documentation includes written offers of employment with annual salary, examples of the incumbent's unique skills, evidence of superior performance, and/or market information obtained through surveys conducted or verified by the HRD. The County Administrator will approve or deny the request.

If the department request is more than a 10% increase, such amount must be approved by both the County Administrator and the Financial and Administrative Committee.

The County Administrator shall report to the Financial and Administrative Committee any increases granted in compliance with this section.

### **Section 9-Promotions**

Promotions occur when an employee accepts a position in a higher pay grade within their department or another County department. Departments may offer current employees a promotional opportunity with or without conducting a competitive selection process. Generally

employees will receive an annual salary offer in compliance with subsection A below but, in special circumstances, when justification can be established, employees may receive an offer up to the new pay grade midpoint.

#### **A. Offer to Employees**

- 1) Affected employees may receive up to a 10% increase or be paid at the minimum of the new pay grade, whichever is higher.
- 2) If a 10% increase results in an employee being paid more than 5% above the midpoint, and the employee's current annual base salary is below the new pay grade midpoint, the employee may receive a promotional increase in an amount that does not exceed the midpoint by 5%.
- 3) If the affected employee's current base salary exceeds the new pay grade midpoint, the employee may be offered up to a 5% increase.

#### **B. Offer to Employees up to the New Pay Grade's Midpoint**

- 1) If sub sections A (1) or A (2) of this section do not apply, and the normal 10% promotional increase will not result in the employee receiving a wage that is equal to the new pay grade midpoint, a department head may request that the employee be offered a salary that is equal to the new pay grade midpoint.
- 2) The request must be submitted to HRD for consideration prior to the offer being made.
- 3) HRD will consider experience, job references, market, internal equity, verifiable salary history and budget when making a decision to grant a request.

#### **C. Approvals**

- 1) Any base salary increase offered to an employee in conjunction with a promotion must be budgeted. Therefore, any potential salary offers above the budgeted base salary must be approved by FAS prior to an offer being made.
- 2) If the request is denied by HRD or FAS, the department may appeal to the CAO.
- 3) Any promotional offers above the midpoint as described above do not require Financial and Administrative Committee approval.

### **Section 10-Demotion**

A demotion is the re-assignment of an employee to a position in a lower pay grade for one of the following reasons:

- performance/disciplinary action
- as a result of accepting a position due to a reduction in work force or operational changes
- at the request of the employee
- a downgrade due to a compensation or reclassification study

The following outlines how employees' annual base wages will be affected when a demotion occurs.

#### **A. Demotion as a Result of a Compensation or Reclassification Study.**

- 1) If the affected employee's current rate of pay falls within the pay grade they are being demoted into, their rate of pay shall not change.

- 2) If the affected employee's base salary is above the pay grade maximum their salary shall be frozen until the pay grade maximum becomes higher than their base salary.
- 3) The affected employees will be eligible to receive a lump sum increase in compliance with Section 4 of this policy.

**B. Demotion as a Result of Performance, Voluntary Request of the Employee or Reduction in Work Force.**

- 1) Base salary will be set at the same relative amount from the midpoint in the new pay grade as the old pay grade.
- 2) The new base salary shall not exceed the maximum of the new pay grade.
- 3) If the employee was demoted due to a voluntary request or reduction in work force and this change occurred;
  - i. prior to June of any given year, the employee shall be eligible to receive the annual increase.
  - ii. after May 31<sup>st</sup> of any given year, the employee may receive a portion of the annual increase to be determined by the CAO.
- 4) If the employee was demoted due to performance and this change occurred;
  - i. prior to June of any given year, the employee shall be eligible to receive the annual increase.
  - ii. after May 31<sup>st</sup> of any given year, the employee shall not be eligible for an increase until the next fiscal year.

**Section 11-Interim/Temporary Upgrade Pay**

When vacancies occur on temporary or interim basis, departments may use employees to perform the duties of the vacant position. In addition, employees may be needed to perform the duties associated with a special project on a temporary basis that require the performance of duties at a higher level of responsibility.

**A. Temporary Employment**

- 1) An employee who is assigned the duties of a higher level position on a temporary basis shall be eligible for a temporary increase if said assignment is for more than one (1) month but does not exceed six (6) months. Employees who qualify for temporary upgrade pay are:
  - i. filling a non-supervisory vacancy that is classified in a higher pay grade until the vacancy is filled.
  - ii. performing the work of an employee who is classified in a higher pay grade as a result of an absence.
  - iii. performing work that is at a higher level of responsibility in conjunction with a special project or other operational initiative of short duration.

- 2) When an employee is assigned to a higher pay level on a temporary basis for any of the reasons outlined above, the employee may receive up to a 5% increase for the duration of the new assignment.

## **B. Interim Employment**

- 1) An employee who is assigned, due to a vacancy or absence, the duties of a position classified in a significantly higher pay level or in a different job category may be eligible for interim pay. The interim assignment must be for a minimum of three (3) weeks but cannot exceed six (6) months. Employees who qualify for interim pay are performing the duties of a position in a different job category such as:
  - i. an administrative/technical employee performing the duties of a professional employee
  - ii. a professional employee performing the duties of a supervising manager
  - iii. a supervising manager performing the duties of a position that is three or more pay grades higher.
- 2) When an employee is assigned to a higher pay level on an interim basis, the employee may receive an additional 5% increase or the pay grade minimum, whichever is higher, for the duration of the interim assignment, not to exceed six (6) months.
- 3) The interim assignment may not exceed six (6) months unless the department receives prior approval from HRD.

## **C. Approvals**

These actions must be pre-approved by HRD and the following information must be provided:

- Documentation describing the action, its duration and the reason.
- Information indicating if the action will cause the department to exceed its personnel service line in the budget.

## **Section-12 Compensation Incentive Programs**

The County endeavors to recognize employees who perform their jobs in an exemplary manner. The following programs have been established to provide a method for employees to receive pay increases and/or progress through pay ranges in addition to annual increases. These programs are designed to recognize employees who have met documented performance standards. Salary advancement will be based on pre-established, specific and measurable performance criteria. Lake County has two compensation incentive programs:

**A. Capability Promotion** is a promotional opportunity within a market recognized, pre-authorized job series. Positions in these job series will be eligible to move up one (1) or two (2) pay grades depending on the job series. A job series will consist of new job titles and descriptions that define duties that are progressively more responsible. **A job series may be established as a result of market practices or because the position is unique to public employment. Positions unique to public employment have a limited employment pool which may require more time to train a candidate because of the lack of specific experience.** An employee who is eligible for this incentive, will be moved to a higher pay grade upon meeting specified performance goals, and receive a 5% pay increase or the minimum of the new pay grade whichever is higher.

1) Eligibility for Capability Promotion

Affected employees may be eligible for this incentive by:

- i. Acquiring credentials that will enable the employee to perform more responsible tasks.
- ii. Receiving at least a 3.0 score on their most recent performance evaluation.
- iii. Performing more responsible tasks through knowledge gained over time in a position.
- iv. Increasing capacity to perform work at higher volumes.
- v. Successfully completing a development plan enabling employees in pre-determined positions unique to County Government to learn and perform job duties at acceptable levels.
- vi. Employees are eligible for up to two (2) Capability promotions within a job series. After the employee has reached the top of the job series, they will then be eligible for proficiency incentives.

2) Limitations

- i. Employee must be a full-time/part-time regular employee.
- ii. Employee must be in their current position for a minimum of 18 months.
- iii. Capability promotions must be based on identified criteria that will substantiate advancement to next job in the series.
- iv. Employees cannot have adverse personnel actions in the last two (2) years.

If a department wishes to create a Capability Promotion job series the procedures outlined in Section 1-Classification of Newly Created Positions should be followed.

**B. Proficiency Incentive** is designed to recognize employees who have a level of institutional and job knowledge that allows them to perform their task in a more responsible manner. Employees receiving this incentive have attained a comprehensive knowledge of their job and use this knowledge to provide consistently reliable service. Employees may be eligible to receive a up to 2% increase added to their base salary. Employees may be eligible to receive this incentive every three (3) years for a maximum of three (3) times within their current position. If employees move to another position at a higher level, they may again be eligible for three (3) proficiency increases every three (3) years.

1) Eligibility for Proficiency Incentive:

Affected employees may be eligible for this incentive by:

- i. Receiving at least a 3.75 score on their past two (2) performance evaluations.
- ii. Exhibiting advanced knowledge and superior performance.
- iii. Demonstrating the ability to be a highly valued and reliable resource to co-workers and customers.
- iv. Demonstrating the ability to be the subject matter expert; routinely exercising good judgment and initiative by resolving situations creatively or in an unprecedented manner.

- v. Demonstrating an ability to perform a broader scope of responsibilities.
- vi. Suggesting and assisting in the implementation of process improvements.

2) Limitations

- i. Employee must be full-time/part-time regular.
- ii. Employee must be in their current position for a minimum of three (3) years.
- iii. Employees' eligibility will be based on demonstrated, measurable success criteria from either internal or external sources.
- iv. Employees cannot have any adverse personnel actions in the prior two (2) years.
- v. Employees' base salary shall not exceed the pay grade maximum as a result of this incentive (see section 4-Employees at or Near Pay Grade Maximum).

### **C. Nomination Process**

Departments will nominate an employee for a Capability or Proficiency Incentive and receive approval for funding of the increase during the budget process.

- 1) The Request for Budget Approval form must be completed and submitted to FAS during the budget process.
- 2) Departments will provide the following information in order to pre-qualify an employee for these incentives:
  - i. Identify what tasks will be performed that illustrate the eligibility requirements.
  - ii. Identify how the quality of performance will be measured.
  - iii. For a Proficiency Incentive, identify what information/data/documents will be provided that clearly demonstrates a high level of proficiency and the timeframe it will be accomplished.
  - iv. For a Capability Promotion, identify what information/data/documents will be provided that demonstrates the employee has satisfied the development plan.
- 3) The measureable tasks for the Proficiency Incentive may be completed any time after the first fiscal quarter.
- 4) The eligibility requirements for the Capability Promotion may be satisfied any time during the fiscal year that the employee has attained certification, completed a development plan, and demonstrated they can perform work at the next level.
- 5) FAS will provide the information to HRD for review.
- 6) HRD will present the nominations and the related material to the Compensation Review Committee comprised of representative from the FAS, CAO and HRD.
- 7) The Committee will make a recommendation regarding the approval or denial of nominations based in part on the department's plan to identify proficiency, whether performance standards have been achieved, and available funding.
- 8) If the department disagrees with the Committee's recommendation, they may appeal to CAO.
- 9) The County Administrator will determine if the approved recommendation will be presented to the Financial and Administrative Committee during budget hearings.

### **D. Review Process**

The determination of whether an employee qualifies for Capability or Proficiency incentive will be based on a review and approval by the Compensation Committee which consists of:

- 1) Managers will re-submit the completed Incentive Plan Review Form once the criterion has been met.
- 2) The Compensation Committee will review the results of the success measures and recommend approval or denial of the requested.
- 3) If a department disagrees with the Committee's recommendation, they may appeal to CAO for a final determination.

**Section 13-Budgetary Authority**

The County Board will determine on an annual basis the budget for each program based upon recommendations from CAO.