



# City of Annapolis

## Standard Operating Procedure

<b>Title:</b>	Civil Service and Exempt Service Pay Rules	<b>SOP #:</b>	HR.02
<b>Department:</b>	Department of Human Resources	<b>Release Date:</b>	
<b>Division:</b>			
<b>Purpose:</b>	To establish compensation guidance for civil service and exempt service employees		
<b>References:</b>	3.08.030 Exempt Service and 3.12 and 3.16 Civil Service		
<b>Attachments:</b>	Appendix 1: Pay Setting Worksheet		

### 1.0 Background

- 1.1 This policy establishes the Civil Service and Exempt Service Compensation Program for the City of Annapolis. The City's policy is to have a flexible, competitive pay system that is comparable to other jurisdictions in which the City competes for talent. The goal of the policy is to balance internal pay equity, experience, performance, labor market conditions, and budget constraints in determining compensation for Civil Service and Exempt Service employees.
- 1.2 Objectives-- Administer a compensation program that:
  - 1.2.1 Ensures all compensation decisions are made without regard to race, religion, color, age, marital status, national origin, physical or mental disabilities, veteran status, sexual orientation, gender identity, genetic information, political or religious affiliation, or any other status protected by federal, state or local law or any other factors shown to have a disparate effect.
  - 1.2.2 Attracts, retains, and motivates highly competent employees who can accomplish COA's mission and goals.
  - 1.2.3 Provides competitive compensation to its employees while remaining within approved budget parameters.
  - 1.2.4 Bases employee compensation on the duties and responsibilities of the position, as well as the employee's knowledge, skills, abilities, competencies, and performance.
  - 1.2.5 Follows a merit-based pay system, which uses a combination of base and total pay to compensate employees based on their performance.

### 2.0 Applicability

This policy applies to all COA employees who are in Civil Service and Exempt Service positions.

### 3.0 Definitions

- 3.1 Appointing Authority –

- 3.1.1 The Mayor, for positions assigned to the office of the Mayor
- 3.1.2 The City Manager, for the director of each department
- 3.1.3 The director of each department, for positions assigned to that department
- 3.1.4 The head of an office, for positions assigned to that office
- 3.2 Demotion – any movement of a Civil Service or Exempt Service employee to a lower pay grade.
- 3.3 In-grade Pay Increase – pay adjustments based on annual performance ratings that exceed the recommended minimum standards. These may also be granted on a case-by-case basis for exceptional performance, changes to scope and nature of work, or for internal equity purposes.
- 3.4 Internal Equity – “pay fairness.” Internal Equity means an individual will receive pay comparable to others currently performing the same or similar duties based on job content, experience, knowledge, skill or effort required, level of responsibility, and working conditions.
- 3.5 Promotion – any movement of a Civil Service or Exempt Service employee to a higher pay grade.
- 3.6 Recruitment Bonus – a lump-sum cash payment as initiated by the Department Director, recommended by the Department of Human Resources with approvals from the Finance Director and the City Manager.
- 3.7 Retention Allowance – a payment used to retain exceptionally talented or knowledgeable employees and may be granted if an employee has been offered non-COA employment or has applied for retirement. This request may be initiated by the Department Director, recommended by the Department of Human Resources, and with the approvals of the Finance Director and the City Manager.

#### **4.0 Procedure**

- 4.1 These procedures must be followed unless otherwise provided for within collective bargaining agreements.
- 4.2 Pay scales
  - 4.2.1 The City’s pay scales should be reviewed periodically and compared against peer jurisdictions.
    - 4.2.1.1 The City’s salary scales should be designed so that the midpoint of the scale is at or near the 50<sup>th</sup> percentile of the market. This may cause the pay scale minimum and maximum to shift by the percentage determined necessary to achieve comparability.
    - 4.2.1.2 The Human Resources Director and City Manager may initiate a review of the minimum and maximum of each grade but no more often than every two years.
    - 4.2.1.3 Pay scale design is subject to bargaining unit negotiations and spending affordability considerations.
  - 4.2.2 The City will maintain separate pay scales for bargaining unit and non-bargaining unit employees.
  - 4.2.3 Once a pay plan has been adopted, the City Council shall not increase or decrease the pay of an individual employee but shall change rates of pay only by the passage of a resolution revising the pay plan in accordance with the City Code Section 3.12.070(D).
  - 4.2.4 The City will not pay an employee less than the minimum pay for the grade associated with their assigned position.

- 4.2.5 The City will not pay an employee more than the maximum pay for their grade unless there is a justification for maintaining pay for an employee who previously held a higher paying position and the action was involuntary (such as a reduction-in-force or reclassification action that results in a reduction in grade).
  - 4.2.5.1 In such situations, the employee's pay will be frozen at their current salary unless the pay range is increased to cover the employee's pay.
- 4.2.6 Employees who seek a voluntary demotion or are demoted for disciplinary reasons will receive a lower pay rate that is within the new pay range not to exceed the maximum pay of the new grade.
- 4.2.7 The Director of Human Resources is responsible for establishing and maintaining a classification system for the City that delineates the relationship between the classification system and the City's pay scales.
- 4.3 Compensation for new hires
  - 4.3.1 Salary recommendations are developed by the Appointing Authority in consultation with the Human Resources Director.
  - 4.3.2 Factors that Appointing Authorities should take into consideration when recommending starting salaries for new employees include, but are not limited to:
    - 4.3.2.1 Existing salaries for employees in positions comparable in terms of grade, scope, breadth, and complexity of duties, tasks, and responsibilities to that which the new employee holds or will hold.
    - 4.3.2.2 Years of relevant work or job-related experience (minimum qualifications) as determined by the hiring manager in collaboration with the Department of Human Resources.
    - 4.3.2.3 Qualifications above the minimum requirements of the position, such as additional relevant education, professional licenses, and certificates.
    - 4.3.2.4 Labor market conditions - in rare situations, a higher salary may be justified based on the difficulty in filling the position, reflected in recruitment efforts, and the criticality of the position to the City's mission.
    - 4.3.2.5 Salaries for recent graduates – generally, salaries for recent graduates of colleges and universities with little to no experience will be set at the minimum of the pay/grade unless factors such as the difficulty of filling the position or labor market or other conditions apply.
  - 4.3.3 The Department of Human Resources will develop and provide Appointing Authorities with a "COA Pay-Setting Worksheet" (PSW) and assist them with salary recommendations.
    - 4.3.3.1 Upon the request of the Appointing Authority, the Department of Human Resources will supply to the Appointing Authority a list of existing employees in the job class with their salary and time in position. If a supervisory position is being filled, the Department of Human Resources will also supply a list of employees who report to the position that is vacant, to include their salaries and time in position.
    - 4.3.3.2 All recommended salary offers must be addressed to the Human Resources Director and must be accompanied by a written justification initiated by the Appointing Authority. At a minimum, the written justification must include:

- 4.3.3.2.1 A description of the qualifications of the individual candidate that justifies the proposed rate.
    - 4.3.3.2.2 If applicable, all reasonable bases for authorizing a higher salary in comparison to employees in the comparator group
    - 4.3.3.2.3 If applicable, all reasonable bases for authorizing a recruitment incentive.
  - 4.3.3.3 Salary offers that exceed equity for the position must be approved by the Human Resources Director, Director of Finance, and the City Manager with a written justification that addresses the relevant pay-setting considerations outlined above in section 4.2.2.
  - 4.3.3.4 Recruitment bonuses
    - 4.3.3.4.1 The City may offer a Recruitment Bonus when a position has proven to be a recruitment challenge and is critical to the mission of the City and there is a need to address one or more of the following factors:
      - a. Obtain highly skilled employees in hard-to-fill positions;
      - b. Remain competitive to existing market employment conditions; or
      - c. Partially offset relocation costs.
    - 4.3.3.4.2 Recruitment bonuses must be approved by the Human Resources Director in consultation with the Director of Finance and City Manager. Approval should consider budgetary constraints and consistency across all departments.
    - 4.3.3.4.3 The City may structure the recruitment bonus with conditions and terms, for example, should the candidate voluntarily terminate employment prior to a period agreed to by the Human Resources Director, the candidate agrees to reimburse the City the bonus amount on a prorated basis.
  - 4.3.3.5 These procedures may result in candidates receiving a salary offer that is below their previous rate of pay or significantly higher than their previous rate of pay. Under Maryland law it is not permissible to ask a candidate for current salary information or make a determination based on that information.
  - 4.3.3.6 Salary and job offers can only be authorized and transmitted by Department of Human Resources staff to any candidate either internal or external unless specifically authorized by the Director of Human Resources.
- 4.4 Compensation for existing employees
  - 4.4.1 Performance-based increases
    - 4.4.1.1 A Civil Service or Exempt Service employee is eligible for an in-grade pay increase upon receipt of a satisfactory or higher rating on their annual performance evaluation.
    - 4.4.1.2 At least twelve months shall elapse between each performance-based in-grade pay increase granted. Employees that change positions within the City shall be eligible for an in-grade pay increase if all of the following factors are met at the time of their annual performance evaluation:

- 4.4.1.2.1 The employee has passed their probationary period in their new position, and their performance evaluation is satisfactory or higher.
    - 4.4.1.3 Performance based in-grade pay increases shall take effect the first day of the full pay period following the anniversary date.
  - 4.4.2 Other increases
    - 4.4.2.1 In-grade pay increases may be granted for the purposes of addressing Internal Equity concerns or determinations or to retain employees in positions where it is difficult to attract or retain them. These increases must be evaluated and approved by the City Manager and the Director of Human Resources, which includes the following criteria while making a pay increase determination:
      - 4.4.2.1.1 Reviewing and considering the salaries of other City employees in the same occupational classes or other occupational classes that could be impacted by the increase
      - 4.4.2.1.2 Reviewing and considering the qualifications (experience, education, licensure, etc.) of other City employees in the same occupational classes that could be impacted by the increase.
    - 4.4.2.2 An employee may receive a permanent in-grade pay increase in their current salary within the same pay grade if a desk audit or classification analysis reveals that major additional duties and responsibilities at the same grade level have been added to the position requirements.
    - 4.4.2.3 Discretionary Performance Based Bonuses (PBBs) are lump-sum payments to employees based on an employee's performance and contributions to the City.
      - 4.4.2.3.1 Department Directors, with approval of the Human Resource Director, Director of Finance, and City Manager determine if PBBs will be awarded. Approval should consider budgetary constraints and consistency across all departments.
      - 4.4.2.3.2 Department Directors, with approval of the Human Resource Director, Director of Finance, and City Manager determine if compensatory time can be distributed in lieu of PBBs.
      - 4.4.2.3.3 Guidelines for the award include:
        - a. Employees receiving the highest available performance rating.
        - b. Complexity of the work assignment.
        - c. Importance of employee contribution.
        - d. Hire date if employee did not work the entire performance year.
        - e. In-grade Pay Increase with the appropriate justification.
        - f. The department has an adequate budget.
        - g. Limitations to be determined with the approval of the City Manager and Director of Finance.
  - 4.4.3 Promotions
    - 4.4.3.1 Employees who are promoted serve a one-year probationary period.
    - 4.4.3.2 Promotions of one grade will result in an increase of 7.5% above the employee's current salary (placed in the closest to but not less than step), unless the salary must be set higher to equal the minimum pay of the new grade or achieve pay equity.

- 4.4.3.2.1 Promotions of more than one grade will result in an increase of at least 10% but not more than 15% without approval from the City Manager and Human Resources Director and subject to appropriation as determined by the Director of Finance.
    - 4.4.3.2.2 With the approval of the City Manager and a recommendation from the Human Resources Director, pay may be set higher or lower to avoid creating inequities among comparator employees.
  - 4.4.3.3 If an employee does not successfully complete the probationary period after Promotion, if the employee's former position is vacant or an equivalent position is vacant, with the approval of the Department Director the employee may be demoted to the vacant position.
    - 4.4.3.3.1 Once demoted, the employee's salary will revert to the salary he or she received immediately prior to the Promotion.
    - 4.4.3.3.2 If the employee received a merit increase while in the promoted position, the merit increase percentage will be added to the employee's previous (before the Promotion) salary at the end of the promotion.
    - 4.4.3.3.3 If a position is not vacant for the employee to be placed in or the department director does not approve the demotion, the employee will be terminated and placed at the top of the eligibility list for vacancies in the employee's prior classification for a period not to exceed six months.
  - 4.4.3.4 Appointing Authorities, supervisors, and managers should not discuss any promotion request or salary recommendation with the affected employee prior to the request being confirmed by the Director of Human Resources. Following confirmation from Human Resources, the supervisor may notify the employee of the promotion and new salary.
- 4.4.4 Demotions
  - 4.4.4.1 Voluntary demotion is a non-disciplinary demotion that may have been initiated by the employee who is seeking a lower level position or may be the result of an employee taking a lower level position prior to termination from the employee's current position (i.e. the employee no longer possesses the minimum qualifications for current position).
    - 4.4.4.1.1 The rate of pay should be consistent with the employee's qualification for the lower level position and is not based on the prior rate of pay for the position.
  - 4.4.4.2 Involuntary demotion is when the employee is removed from their position due to disciplinary demotion, deficient performance, or lay-off/reduction in force. Refer to 4.4.3.3 for procedures related to failing to pass a probationary period following promotion.
    - 4.4.4.2.1 If the employee's position is eliminated due to a reduction in force and the employee is placed in an equivalent or lower level position for which the employee qualifies, the employee retains a rate of pay

that is closest to but not more than their current rate of pay and not more than the maximum of the new grade.

4.4.4.2.2 If the employee is demoted due to deficient performance the employee's salary will revert to the salary he or she received in their immediately prior position. If the employee received a merit increase while in their current position, the merit increase percentage will be added to the employee's previous salary.

4.4.4.2.3 If the employee is demoted for disciplinary reasons, the Appointing Authority, the Director of Human Resources, and the City Manager must confer and agree on a salary rate commensurate with the particular circumstances of the discipline.

#### 4.4.5 Acting pay

4.4.5.1 Unless otherwise provided for in a collective bargaining agreement with the City, employees who are accountable for exercising the authority of a higher grade position that is either vacant or from which the incumbent is absent and unavailable for consultation for two weeks or longer will be eligible for acting pay provided the employee is not being provided an opportunity to perform work above their classification for training purposes. The employee must be formally designated with the authority in writing from either the absent incumbent, the Appointing Authority, the City Manager for all departments, or the Mayor for the Office of Law.

4.4.5.2 Unless otherwise provided for in a collective bargaining agreement with the City, the employee shall be compensated 7.5% above their current pay rate for all hours worked should that assignment exceed two weeks

#### 4.4.6 Retention bonuses

4.4.6.1 The City may issue a retention bonus to retain an employee in an occupational class or career ladder series where it is difficult to attract new employees or where retention of existing employees is challenging as evidenced through the following metrics:

4.4.6.1.1 Turnover rate, number of vacant positions, and length of time it took to fill positions in the occupational class

4.4.6.1.2 Number of qualified candidates in the labor pool; and

4.4.6.1.3 Salaries paid to members of the occupational class by local employers in the private and public sectors.

4.4.6.2 Retention bonuses must be requested by the employee's Appointing Authority and approved by the Human Resources Director, Finance Director, and City Manager.

4.4.6.3 To be eligible to receive a retention bonus, the employee must agree in writing to remain in their position for an agreed-upon length of time (i.e. a retention period). If the employee does not remain in the position for the agreed-upon length of time, they must repay the City a pro-rated amount based on the time remaining.

- 4.4.6.4 The retention bonus may be paid either biweekly throughout a one-year period, in addition to the employee's regular salary, or as a lump-sum payment at the beginning of the retention period
- 4.4.7 Retroactive pay
  - 4.4.7.1 Retroactive pay can be issued if there has been a delay in the implementation of a personnel action such that the effective date of the action as acknowledged by the City precedes the current pay period.
  - 4.4.7.2 Retroactive pay cannot predate the current fiscal year.
  - 4.4.7.3 The effective date of the retroactive pay start date must be approved by the Human Resources Director, City Manager, and Finance Director.

## **5.0 Roles and Responsibilities**

- 5.1 City Manager
  - 5.1.1 Exercises final authority over all City compensation matters and ensures that department directors are held accountable for efficient and effective human resources management practices consistent with this policy and in support of the City's mission.
  - 5.1.2 Acts as the Appointing Authority for all department directors.
  - 5.1.3 Approves pay above the pay scale midpoint.
  - 5.1.4 Approves recruitment and retention bonuses.
  - 5.1.1 Confers with the Human Resources Director and the Director of Finance in establishing the annual limits for performance based bonuses.
- 5.2 Human Resources Director
  - 5.2.1 Oversees implementation of this policy.
  - 5.2.2 Leads analysis of Civil Service and Exempt Service compensation comparability with jurisdiction comparators.
  - 5.2.3 Makes recommendations to the City Manager and/or the Director
  - 5.2.4 Establishes the pay ranges for the grades based primarily upon comparability, the budget, and the ability to attract, retain, and motivate the requisite talent for successful accomplishment of COA's mission.
  - 5.2.5 Approves initial salaries above Step 1 of the salary pay grade, including promotions, other pay adjustments up to the pay scale midpoint and awards not to exceed a specific amount approved by the City Manager.
  - 5.2.6 Confers with the City Manager and the Director of Finance in establishing the annual limits for performance based bonuses.
- 5.3 Director of Finance
  - 5.3.1 Advises the Human Resources Director and other executives on requirements in carrying out this policy.
  - 5.3.1 Confers with the City Manager and the Human Resources Director in establishing the annual limits for performance based bonuses.
  - 5.3.2 Approves Performance Based Bonuses.
- 5.4 Department Directors, Managers, and Supervisors
  - 5.4.1 Support equitable compensation practices by consulting with designated Human Resources staff to include:



- 5.4.1.1 Salary related recommendations in accordance with this policy.
- 5.4.1.2 Preparing documentation as described in this policy.
- 5.4.1.3 Monitoring and observing approval and other requirements of the policy.
- 5.4.1.4 Ensuring that staff reporting to them are held accountable for adherence to this policy.

## 6.0 **Exceptions**

The provisions of a collective bargaining agreement may supersede the provisions of this policy. Exceptions to any of the provisions of this Standard Operating Procedure must be approved in advance in writing by the City Manager.

Exceptions, appeals, and grievances to any of the provisions of this Standard Operating Procedure must be reviewed and approved by the City Manager. Decisions are neither appealable to the Civil Service Board, nor subject to an Administrative Grievance Policy.

A pay issue or disparity which an employee believes is based, in whole or in part, on unlawful discrimination based on race, color, religion, sex, national origin, age, genetic information disability, or in reprisal for protected activity, may be raised as an Equal Employment Opportunity (EEO) or a Maryland Commission on Civil Rights complaint.

An EEO complaint is initiated by contacting the EEO office within forty-five (45) days of discovering disparate or discriminatory pay.

## 7.0 **Version Control**

Version	Date	Description
1.0		Initial release

### **Authorization**

Role	Name	Signature
Author	Tricia Hopkins	
Dept. Director	Tricia Hopkins	
City Manager		

## 8.0 Pay Setting Worksheet

COA (DRAFT) PAY RULES WORKSHEET	
Completed By:	
Department Head Reviewer:	
HR Director:	
Director of Finance:	
City Manager:	
Position Information	
Position Title:	
Grade:	
Salary Range for Grade:	
Reports to:	
Minimum:	
Midpoint:	
Maximum:	
Maximum Starting Salary:	
At Level (same/similar position):	
Overall Years of Experience:	
Current/Highest Base Salary (related field):	
Base Salary:	
Total Salary:	
Final Recommended Salary:	

