



CITY OF HOUSTON

Administrative Procedure

Subject: **Performance Pay Zone (PPZ) Program**

A.P. No:

3-13

Effective Date:

June 19, 2011

1. AUTHORITY

- 1.1 Article VI, Section 7a, City Charter of the City of Houston.

2. PURPOSE

- 2.1 To empower department directors to manage productivity by leveraging employee performance through base pay increases for individual and/or team achievement.
- 2.2 To establish a performance pay program that recognizes employee performance, rewards contributions to each department's goals and objectives, establishes a mechanism to decrease pay for deficient or deteriorating performance and stimulates future performance and improved productivity.

3. OBJECTIVE

- 3.1 To provide guidance for identifying performance, whether positive or negative, that merits further recognition and action by a department.
- 3.2 To establish guidelines for the award of performance-based salary increases to encourage top performance.
- 3.3 To structure a consistent procedure for the purpose of encouraging sufficient improvement in a less than acceptably performing employee through systemic financial disincentives.

4. POLICY

- 4.1 The focus of this program is pay for performance and results. The intended result of this program is for employees to achieve continuous improvement in their knowledge and skill sets, allowing for further advancement of teamwork and professional contributions.
- 4.2 If a municipal employee performs within an established performance zone, the performance increase that is to be paid should reflect the contribution that the employee made to the department in achieving its goals and obtaining results as defined by the department.

Approved:

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5. SCOPE

- 5.1 This program applies to all departments and all municipal employees of the City of Houston.

6. DEFINITIONS

Employee – A person employed by the City of Houston in any capacity and at any level, including executive, appointed, part time, temporary and probationary employees. The term “employee” excludes any employee subject to Chapter 143 of the Texas Local Government Code who receives a scheduled/step salary rate adjustment pursuant to a meet and confer or collective bargaining agreement.

Performance Pay Zone – A zone ranging from 10% below to 20% above an employee’s base bi-weekly pay as determined by the department director. The portion of the zone above the current pay level provides a tool to recognize and reward positive achievement based on performance with salary increases. The portion of the zone lower than the current pay level addresses deficient performance through pay reductions.

7. PROCEDURES

- 7.1 Upon demonstration of exemplary and sustained performance that contributes to carrying out the goals and objectives of the organization, department, division, branch, or unit, as appropriate, a department head may authorize a salary adjustment of up to 20% of the employee’s base pay, not to result in pay above the maximum of the assigned pay grade.
- 7.1.1 The percent may vary from year to year based upon the overall intention of the department director to encourage participation through rewards and based upon the ability to maintain funding for such performance pay zone increases.
- 7.1.2 The percent may vary from employee to employee, depending on the magnitude of contribution, performance and available funding.
- 7.1.3 The decision to adjust an employee’s pay is at the discretion of the department director, within the guidelines of this Administrative Procedure.
- 7.1.4 An employee’s pay may not be adjusted within twelve months of a previous adjustment, except under extremely unusual circumstances approved by the Mayor or designee.
- 7.2 Adjustments may be based on any one or more of the following:
- 7.2.1 Performance factors, including but not limited to Employee Performance Evaluations (EPE), key performance areas, productivity, ingenuity or creativity that results in major savings or other positive results;
- 7.2.2 The permanent assignment of significant additional responsibilities sufficient to justify recognition and additional compensation within a classification;
- 7.2.3 The consistent exercise of performance competencies that directly and/or indirectly facilitate the achievement of goals and objectives, such as teamwork, critical thinking, and innovation;
- 7.2.4 The temporary assignment of acting responsibilities that will continue for a minimum of thirty days; and

- 7.2.5 Other qualitative and quantitative indicators of major importance to the performance of the employee's job and the achievement of the department's goals and objectives.
- 7.3 Upon the demonstration of sustained performance that detracts from the execution of organization, department, division, branch or unit goals and objectives or documented significant deterioration in performance over a period of time (no less than 120 days), a department director may authorize a salary reduction of up to 10% of base pay, not to result in pay below the minimum wage or the minimum of the assigned pay grade.
 - 7.3.1 Two consecutive reductions in pay instituted under this provision within a 24-month period may be considered grounds for demotion or indefinite suspension/termination.
 - 7.3.1.1 Reductions in pay enacted through other circumstances shall not be used in conjunction with this rule when considering demotion or indefinite suspension.
 - 7.3.1.2 Recommendations for indefinite suspension/termination for two or more consecutive below standard EPEs are separate and independent considerations. Although the facts may overlap, each action is independent of the other and shall not be related to the reductions in pay or the demotion/indefinite suspension authorized by this provision.
- 7.4 Reductions may be based on one or more of the following if they occur over a significant period of time of no less than 120 days:
 - 7.4.1 Documented deterioration in performance;
 - 7.4.2 Significant, recurring errors;
 - 7.4.3 The consistent exercise of behaviors that compromise, limit, prevent, inhibit, or obstruct the achievement of organization, department, division, branch or unit goals and objectives; and
 - 7.4.4 Performance factors as reflected in an EPE.
- 7.5 Reductions in pay should not be implemented in conjunction with another formal disciplinary process, such as the progressive discipline or superior performance processes.
- 7.6 At the conclusion of a temporary assignment or placement into a position that involved a commensurate pay increase, an employee's pay:
 - 7.6.1 Should be reduced to the amount received before the temporary placement or reassignment; or
 - 7.6.2 Should be reduced to an amount that remains above what was received before the temporary placement or reassignment as appropriate under the circumstances. Any such reduction is not considered a disciplinary action and may not be appealed to the Civil Service Commission.
- 7.7 To implement a pay change under this Administrative Procedure, a department director shall prepare a memorandum of justification from the department director to the Mayor along with an executed HR Form 201 or PAR and forward the package to the Human Resources Director for processing. The effective date should be included in the memorandum or Form 201/PAR and may only be prospective.

- 7.8 Unless stipulated as a temporary assignment or placement when a salary increase is made, salary increases administered under this Administrative Procedure are intended as ongoing and permanent unless other circumstances or disciplinary actions intervene.
- 7.9 A salary reduced under this provision due to poor performance may be restored to any amount, up to and including the original rate, upon sustained demonstration of satisfactory performance over a reasonable period of time, as determined by the department director. Ordinarily, a reasonable period of time would be at least 120 days.

8. RESPONSIBILITIES

- 8.1 The department director is responsible for ensuring that:
 - 8.1.1 The performance of any employee is of sufficient importance to deserve additional compensation;
 - 8.1.2 The performance reward comports with standards of fairness (no adverse or disparate impact) according to guidelines promulgated by the Equal Employment Opportunity Commission;
 - 8.1.3 Current and future budgets can accommodate the increase;
 - 8.1.4 The proposed salary falls within the pay grade minimum and maximum; and
 - 8.1.5 Potential inequity and/or salary compression problems are taken into consideration prior to the administration of salary changes under the program.
- 8.2 The Mayor is responsible and has sole authority for:
 - 8.2.1 Establishing the upper and lower limits of the performance zone and may revise the zone at any time; and
 - 8.2.2 Designating the budgetary fund balance(s) from which performance compensation will be paid in the annual budget.
- 8.3 Employees are responsible for:
 - 8.3.1 Assisting with establishing goals and objectives for the department, division, branch, or unit, as appropriate;
 - 8.3.2 Participating in and establishing team and individual goals and objectives as well as identifying the individual contribution the employee will make to the overall success of the department, division, branch, or unit;
 - 8.3.3 Knowing the goals and objectives of their department, division, branch, or unit and monitoring their performance to meet these goals and objectives;
 - 8.3.4 Committing to continuous improvement in their knowledge, skills and performance; and
 - 8.3.5 Focusing on teamwork and their individual performance.

9. COMPLIANCE

- 9.1 All municipal employees, including department directors, shall comply with this Administrative Procedure from the effective date forward.

9.2 Any policy exceptions and/or violations shall be brought to the attention of the Human Resources Director for review and recommendation of a course of action or resolution.

10. CONFLICT AND REPEAL

10.1 This Administrative Procedure supersedes Administrative Procedure 2-22, Performance Pay Zone (PPZ) Program, signed June 9, 2004, which shall be of no further force or effect.