



ADMINISTRATIVE DIRECTIVE

Title: Compensation Administration
Issuing Department: Human Resources
Effective Date: July 2, 2022
Approved: Terry Rozema, Town Manager
Type of Action: Revision

1.0 PURPOSE

The purpose of this directive is to provide guidance for the administration of the Town's compensation policies.

2.0 DEPARTMENTS AFFECTED

All Town of Marana departments and employees

3.0 REFERENCES

- 3.1 Town of Marana Personnel Policies and Procedures, Chapter 3: Classification and Compensation
- 3.2 Town of Marana Personnel Policies and Procedures, Chapter 4: Employment Benefits and Leaves
- 3.3 Town of Marana Personnel Policies and Procedures, Chapter 5: Work Rules

4.0 DEFINITIONS

- 4.1 Actual Holiday: The date of an actual holiday beginning at 12:01 AM on the date of the actual holiday.
- 4.2 Call-Out: When a non-exempt employee is called back to unscheduled regular duty requiring the employee to report to a Town facility or worksite more than one hour following or more than two hours before the employee's regular assigned shift.
- 4.3 Call-out Pay: Up to two hours of the employee's regular base rate of pay plus any special assignment pay that is paid when the hours worked during call-out are less than two hours.
- 4.4 Call-Out Supplementary Pay: A supplement to payment for hours worked when the hours worked during call-out do not cause the employee to work more than 40 hours in a work week. Call-out supplementary pay is calculated at one-half times the employee's

regular base rate of pay plus any special assignment pay for hours worked during call-out.

- 4.5 Exempt employee or exempt position: Employees or positions that devote most of their hours to activities that are managerial, administrative or professional. These employees are excluded from specific provisions of federal and state overtime wage and hour laws and are generally not entitled to overtime pay.
- 4.6 Holiday Pay: Compensation for paid Town-approved holidays, paid for the number of hours an employee is regularly scheduled to work at one times the employee's regular base rate of pay.
- 4.7 Holiday Supplementary Pay: A supplement to pay, paid for the number of hours a non-exempt employee works on an Actual Holiday at one-half times the employee's regular base rate of pay.
- 4.8 Non-exempt employee or non-exempt position: Employees or positions that devote most of their hours to activities that are not managerial, administrative or professional. These employees are entitled to overtime pay under specific provisions of federal and state laws.
- 4.9 Observed Holiday: A Town-approved holiday observed during the standard work week (Monday-Friday) when the actual holiday occurs on a Saturday or Sunday.
- 4.10 Regular Base Rate of Pay: Regular base rate of pay for hours worked including any special assignment pay.
- 4.11 Second Language Pay: A fixed dollar amount paid to compensate employees for their use of second language skills during the performance of their job duties. The amount of compensation is established as part of the annual budget process.

5.0 POLICIES AND PROCEDURES

- 5.1 Hiring Pay Rates. Hiring pay rates shall be at least the minimum of the pay grade. When an applicant's relevant experience exceeds the minimum requirements or a special skill requirement is identified, a hiring rate between the minimum and midpoint of the pay grade may be considered. Hiring rates above the midpoint require written justification by the Department Head and approval by the Human Resources Director and Town Manager.
- 5.2 Market-Based Adjustments. When an adjustment is made to the Town's salary structure due to market movement, and employees receive salary increases as a result, adjustments to pay shall not cause an employee's base salary to exceed the maximum of the grade.
- 5.3 Promotion. Upon promotion, an employee shall be compensated in accordance with section 5.1 above, but in all cases, a promoted employee shall receive a minimum of a 5% increase, provided the salary increase amount does not cause the employee's base salary to exceed the maximum of the new grade.
- 5.4 Demotion. Upon demotion, an employee's salary shall be established by the Human Resources Department in accordance with the provisions of this section 5.4. In all cases, the employee's base salary upon demotion shall not exceed the maximum of the new salary grade.

- 5.4.1 When an employee moves to a position in a lower classification due to reorganization or reduction in force, the employee's salary may be reduced, taking into consideration the following factors:
- 5.4.1.1 The minimum, midpoint and maximum pay rates in the new classification;
 - 5.4.1.2 Internal equity issues, including compression within the pay grade and pay rates for other employees in the same salary grade;
 - 5.4.1.3 The employee's date of hire;
 - 5.4.1.4 The employee's job knowledge, skills, abilities and experience;
 - 5.4.1.5 The employee's pay history; and
 - 5.4.1.6 The percentage difference of any decrease.
- 5.4.2 Except as set forth in section 5.4.2.1 below, when an employee moves to a position in a lower classification due to performance issues or disciplinary action, the employee's salary shall be reduced, taking into consideration the factors listed in section 5.4.1 above.
- 5.4.2.1 An employee who fails a promotional initial evaluation period and is returned to his or her former position shall have his/her salary reduced to the salary amount the employee earned when he or she left the position, except that market-based adjustments shall be applied, if applicable.
- 5.4.3 When an employee moves to a position in a lower classification voluntarily, i.e., the employee applies for and is selected for a position in a lower classification, the Human Resources Department, in consultation with the hiring department, shall extend the employee a salary offer within the new lower salary grade and the employee may decide to accept the offer and transfer or to reject the offer and remain in the employee's current position in the higher classification.

5.5 Reclassification

- 5.5.1 When a position is reclassified to a classification at a higher salary grade, employees in that position shall receive a pay increase to the minimum of the new pay grade or a 5% increase, whichever is greater, unless the job duties and responsibilities of employees in that position have not changed.
- 5.5.2 When a position is reclassified to a classification at a lower salary grade the salaries of employees in that position will ordinarily not change. If an employee's salary is higher than the top of the salary grade for the new classification, the employee's salary will be "frozen" or "redlined" until the employee's salary is at or below the top of the salary grade for the new classification.
- 5.5.3 When a position is reclassified to a classification at the same salary grade, the salaries of employees in that position will ordinarily not change. However, the Department Head may recommend a change in salary to the Human Resources Director in order to address an extraordinary circumstance. The Human Resources Director's decision is final and is not subject to appeal under the personnel action review procedures set forth in Chapter 5 of the Town's Personnel Policies and Procedures or any other internal review process.

5.6 Job Evaluation of New and Reclassified Positions. The evaluation of a new position and reclassification of existing positions shall be based on the factors and levels defined in the Town's job evaluation system. The results of the evaluations will determine the grade for the position.

5.7 Overtime Pay and Compensatory Time

5.7.1 Whenever a non-exempt employee is required to work more than 40 hours in a work week, the employee shall be compensated for the hours worked in excess of 40 at the rate of one and one-half times the employee's regular base rate of pay. In the alternative, the employee may take one and one-half hours of compensatory time off for each hour worked in excess of 40 hours in a work week.

5.7.2 The employee shall designate whether he or she desires to receive pay at the rate of one and one-half the employee's regular base pay rate or compensatory time off at the time that the employee submits his or her time entry for the pay period in question. An employee is not required to accept compensatory time in lieu of overtime pay unless the employee agrees to this arrangement before the employee performs the overtime work.

5.7.3 Hours worked for purposes of calculation of overtime shall be defined as time on the job performing a responsible work assignment.

5.7.4 Time shall begin once the employee is at the work station or at the call origination for emergencies.

5.7.5 Vacation, sick, holiday and other leave shall not be considered time worked and shall be deducted from hours worked during overtime calculation for each work week.

5.7.6 Hours actually worked on Town-approved holidays shall be included as hours worked for the purposes of calculating overtime in a work week.

5.7.7 Pay for work beyond an employee's regularly scheduled work day or work week will be at the straight time hourly pay rate unless and until the employee has actually worked more than 40 hours in a work week.

5.7.8 The Department Head must specifically authorize the rendering of overtime services. Employees shall obtain such authorization prior to working any overtime, unless the overtime is deemed to be an emergency by the Department Head.

5.7.9 An employee's compensatory time balance must not exceed 40 hours. The Town Manager may make an exception to the accumulated compensatory time balance as recommended by the Department Head.

5.7.10 The following provisions apply to the use of compensatory time:

5.7.10.1 Compensatory time may not be used before it is accrued.

5.7.10.2 An employee must submit a leave request in advance to use compensatory time.

5.7.10.3 Requests to use compensatory time will be approved unless the employee's absence during the period requested will unduly disrupt Town or department operations.

5.7.10.4 Compensatory time must be used during the calendar year in which it is accrued.

5.7.11 Payment for accrued but unused compensatory time is as follows:

- 5.7.11.1 Compensatory time will be paid out twice each calendar year; in the last pay period that falls entirely within the fiscal year, and in the last pay period that falls entirely within the calendar year.
- 5.7.11.2 If an employee is terminated or otherwise separates from employment while in a non-exempt position, the employee will be paid for all accrued compensatory time.
- 5.7.11.3 If an employee is promoted into an exempt position, the employee will be paid for all accrued compensatory time prior to the effective date of the promotion at his or her rate of pay in the non-exempt position.

5.7.12 Nothing in this directive shall be construed to contravene the provisions of the Fair Labor Standards Act (FLSA).

5.8 Holiday Pay

5.8.1 Eligible full-time non-exempt employees who are required to work on a Town-approved holiday shall receive Holiday Pay and, when applicable, Holiday Supplementary Pay. The following examples illustrate the administration of pay in these circumstances.

5.8.1.1 When an employee who regularly works 8 hours per day works 8 hours on an Actual Holiday, the employee will receive Holiday Pay, the employee's Regular Base Rate of Pay, and Holiday Supplementary Pay. For example, if the employee earns \$20/hour, the employee will receive: 8 hours Holiday Pay (8 x \$20.00=\$160.00) + 8 hour Regular Base Rate of Pay (8 x \$20.00=\$160.00) + 8 hours Holiday Supplementary Pay (8 x \$10.00=\$80.00) = \$400 TOTAL for 8 hours worked on Actual Holiday.

5.8.1.2 If the same employee works 8 hours on an Observed Holiday, the employee will receive 8 hours' Holiday Pay and the employee's Regular Base Rate of Pay. For example, the employee will receive: 8 hours Holiday Pay (8 x \$20.00 = \$160.00) + 8 hours Regular Base Rate of Pay (8 x \$20.00 = \$160.00) = \$320 TOTAL for 8 hours worked on Observed Holiday.

5.8.1.1 If the same employee's shift begins on the Actual Holiday and continues to the Observed Holiday, the employee shall receive the employee's Regular Base Rate of Pay and Holiday Supplementary Pay for hours worked on the Actual Holiday and Holiday Pay. When an employee regularly works a 8-hour shift beginning at 10:00 PM and ending at 6:00 AM, and that shift begins on an Actual Holiday that occurs on a Sunday and the shift ends on an Observed Holiday that occurs on a Monday, then the employee shall receive 8 hours' Holiday Pay, the employee's Regular Base Rate of Pay, and 2 hours Holiday Supplementary Pay. For example, the employee will receive: 8 hours Holiday Pay for Observed Holiday (8 x \$20.00= \$160.00) + 8 hours Regular Base Rate of Pay (8 x \$20.00 = \$160.00) + 2 hours Holiday Supplementary Pay for hours worked on Actual Holiday (2 x \$10.00 = \$20.00) = \$340 TOTAL for an 8 hour shift beginning at 10:00 PM on Actual Holiday and ending at 6:00 AM on Observed Holiday.

- 5.8.2 Eligible part-time non-exempt employees who are required to work on a Town-approved holiday shall receive Holiday Pay, prorated to the employee's normal work schedule, Regular Base Rate of Pay, and, when applicable, Holiday Supplementary Pay, as described in section 5.8.1 above .
- 5.8.3 Exempt employees are expected to work the hours necessary to satisfactorily perform their jobs. Exempt employees will receive their normal rate of pay for the work week regardless of whether or not they work on a Town-approved holiday and regardless of whether they are on a standard or alternative work schedule.
- 5.8.4 Holiday Supplementary Pay begins at 12:01 AM on the day of the Actual Holiday. For example, if an employee works a 10-hour shift beginning at 9:00 PM the day before an Actual Holiday and ending at 7:00 AM on the Actual Holiday, the employee shall receive Holiday Supplementary Pay for the 7 hours worked on the Actual Holiday.
- 5.8.5 Employees not regularly scheduled for work on an Actual Holiday must have Department Head approval to work on an Actual Holiday.
- 5.8.6 Hours of actual work in excess of 40 in the work week shall be compensated according to the overtime and compensatory rules in section 5.7 above.

5.9 Special Assignment Pay

- 5.9.1 The Department Head or the chain of authority above the level of Department Head, where applicable, must request special assignment pay in writing. All special assignment pay requires the approval of the Human Resources Director or designee.
- 5.9.2 When special assignment pay is approved, it shall begin on the first day of the next pay period following approval.
- 5.9.3 Unless otherwise specified in the Town's salary schedule, special assignment pay shall normally be 5% of the employee's regular base rate of pay. If an employee assumes the full responsibilities of a vacant position in a higher classification, special assignment pay shall be at the rate of 5% of the employee's regular base rate of pay unless this increase does not raise the employee's salary to the minimum salary for the higher classification. In that case, the employee's salary shall be raised to the minimum of the higher salary grade. Notwithstanding the provisions of this paragraph, the Human Resources Director may recommend special assignment pay of up to 10% of the employee's regular base rate of pay in extenuating circumstances.
- 5.9.4 Any increases to base pay that are made while an employee is receiving special assignment pay, such as performance-based increases, general increases or market-based adjustments, shall be calculated using the employee's regular base rate of pay before the application of the special assignment pay. The special assignment pay may be recalculated after increases are added to the employee's base rate of pay.

5.10 Call-Out Pay and Call-Out Supplementary Pay.

- 5.10.1 When a non-exempt employee is eligible for call-out pay and/or call-out supplementary pay pursuant to the parameters set forth in Section 3-7-3 of the Town's Personnel Policies and Procedures and this Administrative Directive, calculation of the actual hours worked shall begin at the call origination of the call-

out and shall include travel time to and from the place the employee is directed to report to work. The Department Head or designee or the chain of authority above the level of Department Head, where applicable, must authorize all call-outs.

- 5.10.2 An employee on a call-out that is less than two hours shall receive up to two hours of call-out pay, so that the employee receives two hours of pay regardless of actual hours worked. For example, an employee working 30 minutes on call-out shall be paid 0.5 hours for hours worked and an additional 1.5 hours of call-out pay.
- 5.10.3 Employees shall only receive call-out supplementary pay for actual hours worked. When authorized, call-out supplementary pay is a supplement to the regular rate of pay at half the hourly rate for each hour worked.
- 5.10.4 Call-out supplementary pay is authorized when:
 - 5.10.4.1 The employee is on call-out; AND
 - 5.10.4.2 The actual hours worked during the call-out do not cause the employee to report more than 40 hours of actual hours worked in a work week; OR
 - 5.10.4.3 For emergency shift coverage, the employee is given less than 24 hours of notice of required shift coverage.
- 5.10.5 Call-out pay and Call-out supplementary pay are not authorized when:
 - 5.10.5.1 The employee is not required to report to Town facilities or worksites for the callout, i.e. if the emergency can be addressed remotely by phone or computer, the time shall be reported as hours worked, but is not eligible for call-out pay; OR
 - 5.10.5.2 The employee picks up a shift for another employee with 24 hours or more notice regarding the scheduled shift.
- 5.11 On-Call/Stand-By Pay. The rate of pay for on-call and stand-by assignments shall be determined by the Town Manager based on budget capacity with consideration given to the rates paid for comparable assignments in other jurisdictions that make up the Town's market for the purposes of surveying pay and benefits.
- 5.12 Shift Differential Pay. Shift differential pay shall be provided to non-exempt employees for any hours worked between 6:00 p.m. and 6:00 a.m. Shift differential pay is an hourly amount added to the employee's regular base rate of pay. The amount of shift differential pay shall be determined in accordance with Section 3-7-5 of the Town's Personnel Policies and Procedures.
- 5.13 Pay During Emergency Closures
 - 5.13.1 When operations of the Town or any part of the Town are officially closed due to emergency conditions, employees' time off from scheduled work will be paid.
 - 5.13.2 Employees in essential operations may be asked to work because of emergency conditions on a day when non-essential operations are officially closed. If the hours worked are within the normally scheduled work day and work schedule, the employee will receive the regular base rate of pay.
 - 5.13.3 Any hours actually worked during an emergency closure shall be included as hours worked for the purposes of calculating overtime in a work week.

- 5.14 Second Language Pay. Eligible employees shall receive additional compensation per pay period for second language skills, based on the employee's position, the employee's proficiency in the second language, and the business need for the use of the second language in the employee's position.
- 5.14.1 Full-time probationary or permanent employees are eligible for Second Language Pay if, on average, the employee uses a language other than English for a minimum of 5% of the employee's work week in the performance of the employee's duties, if approved by the Department Head.
- 5.14.2 Eligible part-time non-exempt employees are eligible for Second Language Pay if, on average, the employee uses a language other than English for a minimum of 5% of the employee's regularly scheduled work hours in the performance of the employee's duties, if approved by the Department Head. Second Language Pay shall be prorated to the employee's normal work schedule
- 5.14.3 The Human Resources Department shall be responsible for confirming the conversational proficiency of any employee who is eligible for Second Language Pay.
- 5.14.4 Once an eligible employee is approved for Second Language Pay, the employee will continue to receive the additional compensation until such time as it is determined that the second language use has diminished to less than 5% of the work week, or the employee is transferred to another position.
- 5.14.5 When an employee receiving Second Language Pay transfers to another position, the Department Head shall determine if the new position is eligible for Second Language Pay by determining if the new position requires the employee to use a language other than English for a minimum of 5% of the employee's work week in the performance of the employee's duties.
- 5.14.6 Employees on leave, including parental paid time off, administrative leave, FMLA leave, military leave, imposed leave, or leave without pay are not eligible for Second Language Pay during the leave period.
- 5.15 Miscellaneous Pay Adjustments. A Department Head may request Town Manager approval for a pay adjustment to address pay equity or to retain a key employee. The intent of this section is to provide the means to address a singular bona fide equity or retention issue, not to adjust the pay of groups of employees within classifications or work units. Any pay adjustment approved pursuant to this section is subject to the following:
- 5.15.1 The pay adjustment shall not cause the employee's base salary to exceed the maximum of the pay range assigned to the position.
- 5.15.2 The pay adjustment shall not cause the department to exceed its current budget, as new funding will not be added to a department's budget for this purpose.
- 5.16 Documentation of Changes
- 5.16.1 Changes in pay rate or classification shall be documented on a Personnel Action Form (PAF). PAFs may be in paper or electronic format.

5.16.2 PAFs documenting changes in pay rate or classification shall be approved by the Department Head, the Human Resources Director or designee, and the Finance Director or designee.

5.16.3 All PAFs shall be made a part of the employment history record of the employee.

5.17 Effective Date of Pay Changes

5.17.1 Unless otherwise specified in the Town's Personnel Policies and Procedures, by Town Council action, or in this Administrative Directive, the effective date of adjustments to pay shall be when the employee assumes the new position or responsibilities, as applicable. For ease of administration, assumption of a new position or responsibilities shall occur on the first day of a pay period if possible.

5.17.2 Adjustments to pay for employees on unpaid leaves of absence shall be implemented upon the employee's return to work.

6.0 RESPONSIBILITIES

6.1 It is the responsibility of each Department Head to ensure employees are compensated appropriately and accurately for the work performed.

6.2 The Human Resources Department shall ensure that documents related to employee adjustment to pay and/or classification are filed in the employee's official personnel file.

6.3 The Human Resources and Finance Departments shall ensure that personnel actions related to pay are verified and posted accurately and timely to the electronic employment record system.

7.0 ATTACHMENTS

7.1 Attachment A – Application for Second Language Pay

REVISION HISTORY

	<i>DESCRIPTION OF CHANGE</i>	<i>DATE</i>
OR	Original Release	7/1/2014
REV	Revision	9/1/2015
REV	Revision	4/25/2016
REV	Revision	7/5/2017
REV	Revision	1/1/2018
REV	Revision	2/1/2019
REV	Revision	1/1/2022
REV	Revision	7/2/2022

Caution: A copy of this Administrative Directive is an uncontrolled document. It is your responsibility to ensure you are using the current version. The electronic version is the only acceptable and controlled Administrative Directive.