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**MEMORANDUM**  
*Office of the Administrator*

**To:** Council

**From:** Marsha Hall, Administrator

**Copy:** Mayor Westcamp

**Date:** October 3, 2014

**Re: Merit Increases**

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As you are aware merit increases range from 0 to 4.5%. Performance evaluations that determine the amount of merit increase are based upon a combination of 1) criteria described in the employee job description and 2) general criteria shown in all job descriptions (good attendance, meeting job safety rules, maintaining required licenses or certifications, etc.).

**Current Method**

The current method for determining the amount of merit increase is flawed. An employee who is awarded an average of 1.99 points receives 0% increase. An employee who is awarded an average of 1/100<sup>th</sup> of a point higher (2.0 pts.) receives a 4% increase. An employee who is rated consistently exceeding all criteria is only eligible for an additional .5% merit increase over the employee who is rated meeting standards.

Current merit increase based on average points is as follows:

0 – 1.99 pts    0% merit increase    2.0 – 2.99 pts    4% merit increase  
3.0 – 4.0 pts    4.5% merit increase

The performance of each criteria listed in the employee’s job description is scored between 0 points and 4 points as follows:

0 pts.    Consistently below performance standards    1 pts.    Often below performance standards  
2 pts.    Consistently meets performance standards    3 pts.    Often exceeds performance standards  
4 pts.    Consistently exceeds performance standards

In addition, in the current format of the performance appraisal, the general criteria apply at the same value as the job-specific criteria. In some cases, there are more general criteria than job-specific criteria.



## **Recommended Method**

We are recommending that the employee receives a merit increase calculated in two parts.

The first, most critical, would be determined by arriving at the average score between 0 and 4 points for those job-specific criteria included in the employee's job description. The average score would then dictate the amount of the merit increase. *(For example, an employee who scores an average of 3.5 points would be eligible for a 3.5% merit increase.)* However, we believe the cut off to be able to earn a merit increase should be to score at least an average of 1.75 points. We do not believe an employee who is rated "often below" or "consistently below" standards of more than one of the criteria should be eligible to receive a merit increase.

The second part would be to add either a 0% or 0.5% increase award based on if the employee meets the general criteria shown in all job descriptions (attendance, etc.). These criteria would no longer be shown on the evaluation form separately; instead be shown as one criteria. This part would come into play only if the employee is eligible to receive a merit increase under the first part of the evaluation. *(For example, if an employee scores an average of 4 points on the first part of the evaluation and a 0.5% increase on the second part of the evaluation, they would earn a total of a 4.5% merit increase.)*

In addition, each job-specific criteria that is rated with a score below a 2 (consistently meets) would require an action plan to assist the employee in working toward reaching a score of 2 or above on their next evaluation.

## **Implementation**

Performance evaluations for 2014 will be done in early December. We believe it would be best to implement this beginning with 2015 evaluations. We would meet with the employees before the first of 2015 to explain to them how the evaluation system works. This would provide them with their entire rating period to work toward their merit increase goals.

