

CITY OF DENTON

POLICY/ADMINISTRATIVE PROCEDURE/ADMINISTRATIVE DIRECTIVE

SECTION: HUMAN RESOURCES	REFERENCE NUMBER: 106.10
SUBJECT: WAGE AND SALARY PLAN	INITIAL EFFECTIVE DATE: 09-16-03
TITLE: INCENTIVE/RECOGNITION PROGRAMS	LAST REVISION DATE: 04-02-21

POLICY STATEMENT:

The City of Denton recognizes the importance of rewarding employees when their actions positively contribute to the success of the City's mission, goals, and objectives. As a result, the City Manager or their designee has the authority to implement incentive and/or recognition programs that promote the success of the City's mission, goals, and objectives.

ADMINISTRATIVE PROCEDURES:

I. General Guidelines

Any director wishing to implement an incentive and/or recognition program in their department should submit a recommendation to the City Manager or their designee for his/her approval. The recommendation should include the following:

- A. Purpose of the incentive and/or recognition program, specifically defining how the program will contribute to the success of the City's mission, goals, and objectives;
- B. Eligibility criteria;
- C. Anticipated duration of the program;
- D. Type and value of award(s) that will be distributed (e.g., monetary, gift certificates, tangible property);
- E. Frequency of distribution of award(s);
- F. Source of funding for the award(s); and
- G. Approval by the Assistant City Manager for the participating department or workgroup.

Prior to the final approval of any incentive and/or recognition program, the City Manager or their designee will review the program to ensure (1) compliance with this policy, (2) consistency with City practices and standards, and (3) the Management and Budget department has reviewed the program for compliance with IRS regulations.

A copy of any incentive and/or recognition program should be forwarded to the Human Resources

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department.

II. Categories of Incentive/Recognition Programs

A. Service Awards

This program recognizes employees for their dedicated service to the City of Denton during a Service Awards Banquet. Employees are recognized for years of service in 5-year increments (i.e., 5 years, 10 years, 15 years, 20 years) with a certificate for the appropriate years of service. The Human Resources department is responsible for the oversight and coordination of this program.

B. Safety Awards

The City of Denton is committed to the development of an aggressive city-wide safety program that promotes a safe work environment throughout the City organization. A program that recognizes employees for their achievements in promoting and maintaining a safe work environment is a valuable tool in meeting this goal.

All safety incentive programs must be documented and based on measurable goals directly related to the type of work performed by the employees receiving the incentive and/or industry benchmarks for the participating workgroup. Development of any safety incentive program should be coordinated through Risk Management or Utility Safety and Training, as applicable. Risk Management and Utility Safety and Training shall work together to assure a coordinated safety program for the City.

A copy of all safety/recognition program documentation must be filed with Risk Management and the Human Resources department.

C. Long-term Business Incentive Strategy Awards

This incentive program allows department directors to award an employee up to a 5% lump sum award (calculated on the employee's annual base salary) when they contribute to the City's mission, goals, and objectives in the following areas:

- Aggressively involving citizens and businesses to help deliver services;
- Aggressively involving citizens in selecting services and products;
- Identifying and implementing new alternative revenue sources;
- Becoming a unique and special city in the metroplex;
- Expanding and diversifying the local economy by attracting and expanding desirable commercial, industrial, and education enterprises;

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- Implementing new programs/services, enhancing current programs/services or receiving special recognition that contributes to the City's mission, goals, and objectives;
- Excellence in achieving operation goals and objectives.

Any award over \$500 must be approved by the Assistant City Manager for the department. The Human Resources department is responsible for the oversight of this program; however, awards are paid by individual departments through savings in their existing operating budget. Programs or services should not be discontinued in order to fund these awards.

Any director granting an incentive award should submit a memorandum and an employee status record to the Human Resources department for processing. The memorandum should include a justification as to why the award is being granted, the amount of the award (i.e., percent awarded), how the award will be funded, and the effective date for the award.

Because this program should only be used for recognition when employees go above and beyond their normal responsibilities, awards typically should not be granted to an individual more than once a year.

D. Attendance Awards

This program allows departments to recognize employees for not having any absences relating to sick time. However, any department director wishing to implement such a program needs to ensure employees who have used sick time under the Family Medical Leave Act are not penalized, pursuant to section 825.215 of the Department of Labor Final Rules and Regulations. Oversight and coordination of such a program is the responsibility of individual departments.

E. Retirement Awards

The following guidelines apply to the purchase of any retirement gifts by departments during the 2020/2021 Fiscal Year:

- Each department may spend up to \$100.00 per retiree for a retirement gift. Funding for such gifts will come from the department's budget. Food purchased as part of the recognition event is not subject to the \$100 per retiree limit.
- The department director must approve the gift purchase in advance and in writing.
- Gifts must consist of tangible items (e.g., plaque, trophy).
- Intangible gifts, such as cash or cash equivalents (e.g., gift cards) are not allowed under these guidelines.
- If a Purchasing Card (Pcard) is used to purchase tangible items, the director's written

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approval, along with the expense receipt, are to be uploaded into the City's expense reimbursement system per standard expense reconciliation expectations.

- If food is purchased as part of the recognition event (e.g., cake, cookies), a Food Justification Form must be completed and uploaded into the City's expense reimbursement system along with the expense receipt.

F. General Recognition/Achievement Awards

The City of Denton encourages the creation and promotion of a work environment that recognizes, motivates, and rewards employees for a job well done. Creating positive employee morale is critical to ensuring employee longevity with the organization. As a result, it is recognized that department directors may want to develop departmental-specific programs. Any recognition program must be approved by the City Manager or their designee and must comply with all aspects of this policy.

III. Cash and Cash Equivalent Awards

Awards may be given in the form of cash or cash equivalents. Cash equivalents include such things as gift cards, tickets to sporting events, or meals. If the award is to be given in the form of a check, the check must be produced by the City's payroll department. If cash, gift cards, tickets, etc. are to be given, the following information must be provided to the City's payroll department two weeks **prior to** the presentation of the award:

- The name and JD Edwards employee ID number of each employee;
- The amount of each award;
- The date the award will be given; and
- The type of award (e.g., safety, incentive).

As these types of awards are taxable to the employee (see Section IV), the payroll department will ensure that the tax records of each employee are properly updated. Please note that these procedures apply without regard to the value of the award.

IV. Taxability Criteria

Service awards, safety awards, and other achievement awards may be subject to federal income tax withholding, social security, Medicare, and federal unemployment tax if certain conditions are not met.

A. Length of Service Awards

The award must meet the following criteria to be excluded from the employee's income and

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from federal income and employment taxes:

1. The award must be tangible personal property. Awards of cash, cash equivalents, gift certificates, or other intangible property must be included in the employee's income and are subject to federal income and other employment taxes.
2. The award must be given under conditions and circumstances that do not create a significant likelihood of the payment of disguised compensation.
3. The award must be given as part of a meaningful presentation.
4. The employee cannot receive the award during the first five years of their service.
5. The employee may not have received another length-of-service award (other than one of very small value) during the same year or in any of the prior four years.

B. Safety Achievement Awards

The award must meet the following criteria to be excluded from the employee's income and from federal income and employment taxes:

1. The award must be tangible personal property. Awards of cash, cash equivalents, gift certificates, or other intangible property must be included in the employee's income and are subject to federal income and other employment taxes.
2. The award must be given under conditions and circumstances that do not create a significant likelihood of the payment of disguised compensation.
3. The award must be given as part of a meaningful presentation.
4. The award may not be given to a manager, administrator, clerical employee, or other professional employee.
5. During the tax year, not more than 10% of the organization's employees, excluding those listed above, may have received a safety achievement award (other than one of very small value).

If an award meets the criteria listed above AND is a qualified plan award (part of an established written plan or program that does not favor highly-compensated employees), then awards up to \$1,600 may be excluded from the employee's income and federal taxation. If the award is NOT a qualified plan award, then the exclusion amount is \$400.