

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: 10-07-21

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 their 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 the 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.

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A copy of any incentive and/or recognition program should be forwarded to the Human Resources 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 Event. 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 the Safety Department. Safety and Utility Safety and Training shall work together to assure a coordinated safety incentive program for the City.

Safety incentive documentation will be maintained by the Safety Department.

C. Long-term Business Incentive Strategy Awards

The Long-term Business Incentive Strategy Award allows department directors to recommend awarding 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

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- commercial, industrial, and education enterprises;
- 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.

The Human Resources department is responsible for the oversight of this program; however, awards are paid by individual departments through funding in their existing operating budget. Programs or services should not be discontinued in order to fund these awards.

Any director proposing an incentive award should submit a memorandum to the Human Resources department for review and approval routing through the Finance Department and City Manager or their designee. The memorandum should include a justification for why the award is being granted, the amount of the award (i.e., percent awarded), and how the award will be funded.

Because this program should only be used for recognition when employees go above and beyond their normal responsibilities, awards typically should not be proposed for an individual more than once per year. Civil Service employees are not eligible.

D. Retirement Awards

- Each department may spend up to \$150.00 per retiring employee. Retirees must meet the definitions and requirements of a retiree per HR Retirement Policy 112.03.
- The spend amount is to be used for a gift and any food/drink that the department may wish to provide at a celebration event for each retiree.
- Gifts must consist of tangible items (e.g., plaque, trophy) and not be in the form of cash or gift cards.
- Civil Service employees are excluded from the \$150.00 limit.
- Justification for retirement expenses for Civil Service employees will need to be provided with transaction receipts following standard Purchasing Card (Pcard) practices.
- 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.

E. Annual Employee Appreciation Event

The City of Denton holds an annual Employee Appreciation Event. The event may include a catered lunch, City branded shirt, or an appreciation token. The Human Resources department is responsible for the oversight and coordination of this program

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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.

- Each fiscal year, \$25.00 will be allocated to each department for every budgeted regular full- and part-time employee (but not temporary or seasonal employees) on staff as a fixed cost
 - This amount is provided for departments to use for an end-of-year holiday celebration
- Each fiscal year, \$10.00 will be allocated to each department for every budgeted regular full- and part-time employee (but not temporary or seasonal employees) on staff as a fixed cost
 - This amount is provided for departments to use for employee incentive/recognition events. While this amount can be combined with the \$25.00 per employee allocation for a department's end-of-year holiday celebration, departments are encouraged to consider using this funding for an additional, separate incentive/recognition event during another time of year such as coinciding with a key industry event (e.g., Vet Tech Week, National Telecommunicators Week, Finance and Accounting Appreciation Week)
- Each fiscal year, departments may spend up to \$10.00 per temporary or seasonal employee to recognize the efforts of these individuals.

General Recognition/Achievement Awards should not be given in the form of cash or gift cards.

- G. Should departments wish to provide for any employee events in amounts greater than those listed in this Section II, City funding will not be made available, and the event will need to be paid for outside of the department's budget.

III. 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.

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A. Service 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 and not be in the form of cash or gift cards.
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 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 and not be in the form of cash or gift cards.
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.