



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

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Recommendations

It is recommended that the Board of Supervisors takes the following action:

1. Establish an incentive-reward program.
2. Provide funding as an integral element of the program.
3. Authorize the County Manager to approve appropriation transfers under this policy.

Objective

To provide necessary tools by which the County Manager may proactively manage the County similar to a corporate organization:

- provide positive effluences to effect desired actions and decisions on the part of all management personnel;
- to establish a reward structure which will provide a motivational basis for ensuring success of a performance-based measurement program.

Background

INCENTIVE-REWARD PROGRAM

When I, as County Manager, first reviewed the organizational aspects of Pima County in December of 1989, it became apparent that organizationally the County was not operating in a corporate manner. Whether by conscious design, or a function of organizational evolution, the County was a collection of fairly autonomous departments held together by compliance requirements (administrative procedures) and various personal alliances and loyalties. Whatever the benefits that may have been realized from the structure, it does not appear to have a role in the current environment in which the County now finds itself. What is clear is that the current organizational structure, in fact, rewards behavior and managerial actions which are counterproductive to our current needs. This structure also punishes, or at least ignores, many actions and decisions which are beneficial to the County as a whole; especially in the area of fiscal management.



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Since, December of 1989, I have diligently sought to define the appropriate roles and responsibilities of the corporate structure, starting with the relationship at the apex of the organization. There has always been a desire to proceed with implementing a performance-based evaluation system within the organization in order to move away from the present system which is best characterized as an inconsistently applied personality-based evaluation system.

At this time, I am proposing to introduce a performance-based system in FY 91-92; to be more fully developed in the ensuing years. In order to more efficiently implement a performance-based system, an appropriate reward program would provide for better success than to implement a program via a compliance effort while still maintaining the current organizational culture (inadvertent incentives encouraging inappropriate behavior). This situation would only send conflicting and confusing signals throughout the organization. It is for this reason I am asking that an appropriate and effective incentive-reward program be established as a prelude to introducing a performance-based evaluation system.

FUNDING:

Any reward system is based on recognition and acknowledgement of superior performers by those in position of authority. However, it is equally true that utilization of resources gives evidence or priorities and commitments. Generally, resources are defined in terms of monetary resources or human resources. How we spend money and how we spend time (human resources) is a matter of record, revealing our true priorities and commitments. This particular incentive program focuses on monetary resources and the need to commit those resources in order to demonstrate commitment to this program. It is the intent of the incentive-reward program to give financial recognition for appropriate behavior and to encourage fiscal management by allowing those responsible to share in the financial success of the County. It is also the intent of this program to provide disincentives for inappropriate behavior which may result in regressive measures, including the possibility of termination.

AUTHORITY FOR APPROPRIATION TRANSFERS:

Fiscal awards that may be granted by this program should come from the central management figure; the County Manager. Currently, any appropriation transfer between departments requires approval by the Board of Supervisors. In order to demonstrate managerial authority and the authority to recognize appropriate corporate contributions, the County Manager is requesting the ability to approve and effect incentive-rewards without it becoming an agenda item requiring the



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Board to approve. In asking for this authority, the County Manager does recognize the responsibility of the Board to hold the Manager accountable for his actions and will, therefore, provide an annual report to the Board which will include the departments that received rewards (including punishments), the amounts involved, the basis for granting the awards, how the awards were used by the departments, and any other information deemed appropriate for full disclosure.

Scope

The incentive-reward program is designed to approximate a profit-sharing plan by basing the total amount of the awards on net increases to Fund Balance each year. They would then be allotted back to the various departments depending on their overall contributions to the annual financial success of the County.

The remaining statements of this memo provide some of the parameters of the program and represent the approach and tone of the program as it is intended to be implemented. It is the intent of the program to reward conscious and "appropriate" management decisions and actions; not accidents of circumstance.

It is the intent of this program to reward departments with an additional appropriation on a one-time basis to improve performance, productivity, or working conditions.

A separate, but related, issue is the performance appraisal system and the need to provide appropriate recognition of individual performance. The incentive-reward policy as discussed herein specifically excludes any discussion of compensation.

Each department will document specific performance measures and activities which may be considered by them desirable. The various budget analysts will administer and collect the information throughout the year from the departments. Annually, the County Manager will meet with the Assistant County Managers to review the information, weigh it with those actions and activities detrimental to the policies of the County, and determine the awards to be granted to each department based on specified and predetermined criteria.

Actions that are deemed desirable to the County as a whole and, therefore, may form the basis for an incentive award include, but are not limited to, the following:

- Any net contribution toward Fund Balance at the end of each year.



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- Specific management actions to economize operations through a reduction in overhead and other bureaucratic efforts which improves or maintains service delivery.
- Reduction in force with no net negative impact on individual employees, nor on service delivery.
- Increased utilization of current operating resources.
- Reduction in space requirements.
- Improve working conditions for customer service and County personnel.
- Decisions which focus on an organizational approach, corporate thinking, departmental cooperation, and long-term benefits for the County.
- Efficient performance delivery.
- Achieving and exceeding specific performance measurement criteria.
- Ability to quantify and qualify the department's demand environment and its performance enhancement measures.

Actions that are not deemed desirable to the County as a whole and, therefore, will reflect negatively on the department and the director include, but are not limited to, the following:

- Increased procedural requirements without a corresponding increase in performance or benefit to the County.
- Demonstrated noncompliance with County policy, procedures, and management directives.
- Net cost to, or dependency on, Fund Balance.
- Inability to meet performance objectives.
- Abnormal grievance activity resulting in consistently unfavorable judgments (This reflects poor administrative oversight).
- Excessive claims and judgments arising out of operations of the department.
- Deterioration of working conditions and employee morale.



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- Inability to demonstrate progress toward affirmative action.
- Inability to administer grant programs, defined as abnormal or extraordinary levels of disallowed costs and unreimbursed expenditures.

All fiscal year budgets (exclusive of contingencies and reserves) will be developed based on current revenues only. Fund balances will be used to fund contingencies, reserves, and the incentive rewards.

End of the year Fund Balances won't be audited and verified until the end of October or November. Estimates will be made much earlier, subject to adjustments. Awards should be discussed after the adoption of the budget so as not to interfere with the budget process.

Contingencies have been based on historical need. In order to avoid willful manipulation of the amount available for rewards, a specific policy on how to establish an appropriate level of contingencies should be developed.

General reserves are to be increased by \$1,000,000 per year, or until they equate to 5% of operating revenues, whichever is less.

Specific reserves are relatively minor and are required by Governmental Accounting Standards. Such items include reserves for inventory and reserves for prepaid items.

The total amount of incentive awards to be distributed will amount to the year-end Fund Balance, less contingencies, less reserves both general and specific.

In order to provide an example of the process, we could look at the June 30, 1989 ending General Fund Balance as follows:

Total Fund Balance:	\$6,406,000
less: 89-90 Contingencies	1,000,000
89-90 General Reserve	5,190,000
89-90 Specific Reserves	216,000
	\$ -0-

Of the above example, all of the available Fund Balance was budgeted as part of the FY 89-90 Contingency Account. If a policy defining the Contingency as being equal to the amount available for



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incentive rewards, but not to exceed the General Reserve, then Contingencies would have been \$500,000 and the amount available for reward would have been \$500,000. The \$500,000 would have then been distributed back to the General Fund departments based on their contribution to the Fund Balance.

Upon the adoption of an incentive-reward program, the specific procedures, consistent with the information presented in this memorandum, as well as how information will be obtained and who will have the specific responsibilities, will be established and distributed through the Administrative Procedures process.

Responsible Department

1. The County Manager
2. Department Heads

Sunset Provision

This policy will be reviewed for continuance by 12-31-93.

Effective Date: 08/12/91