

PROJECT DELIVERY INCENTIVE PROGRAM

Objective

The City of League City's Strategic Plan, updated August 2020, contains Goal 5: Trained, Committed, and Valued Workforce. Initiative D of said goal is stated as: Create an employee recognition program for CIP/Bond Program/Project Delivery by January 1, 2021.

This Project Delivery Incentive Program (the "Program"), hereby created in furtherance of the Strategic Plan, has the objective of incentivizing staff whose primary job duties directly impact project delivery for the CIP and Bond Program, to exceed expectations for on-time and on-budget completion of these projects that the community has deemed critical.

Eligibility

The Program has two components, Individual Incentives and the Group Incentive, as provided below. Individual Incentives are available only to Project Managers and Senior Project Managers. The Group Incentive is awarded according to two tiers, with the first tier incentive available to Project Managers, Senior Project Managers, the Land/ROW Specialist, the Assistant Director of Project Management, the Senior Engineering Technician, and the Staff Engineer In Training (EIT); and the second tier incentive available to the Executive Assistant for Project Management, the CIP Projects Administrator, Project Technicians, Senior Civil Engineer, Floodplain Administrator/Drainage Engineer, and those Construction Inspectors assigned solely to CIP projects. The Program is separate and distinct from the City's annual performance-based merit adjustments to compensation.

Individual Incentives

Individual incentives are awarded as a proportion of an annual budgeted pool of funds to be used to pay such incentives. The proportion of the funds that each eligible employee is awarded is determined as a ratio, calculated by using the points earned by each eligible employee through the achievement of Targets during the fiscal year. For each employee's ratio, the numerator shall be the sum of the average of the group's points plus 1/2 of the employee's points that exceed the group average, and the denominator shall be the total of the group's points. The formula for the ratio can be stated as:

$$[A + (E - A)/2] / T$$

A = the average of the group's points

E = the particular employee's point total

T = the total of the group's points

Points will be totaled at fiscal year-end and each employee's ratio calculated therefrom. Each employee's ratio applied to the budgeted pool of funds yields that employee's Individual Incentive.

Targets

- A. On-time Project Delivery. Each project will have milestones based on the project schedule set as the 'baseline' schedule at the beginning of a project and tracked by the Director of Project Management. The baseline schedule is determined by each contract; design schedules and time

required are detailed in proposals while construction contracts have contract days listed. Each of the following milestones is a Target, the timely achievement of which is worth points as provided below: (1) 100% design plans; (2) solicitation of bids/proposals for construction; (3) start of construction; and (4) substantial completion.

- B. On-budget Project Delivery. Each project will have a Construction Budget, which is the sum of the construction contract awarded amount (“Contract Amount”), materials testing, and the Work Change Directive budget. Completion of a project without exceeding the Construction Budget is a Target. Completion of a project at or below 103% of the Contract Amount is an additional Target.

Point Values

The point value of each Target is based upon the project’s budget as shown in the table below:

| Project Budgets | Points |
|------------------------|---------------|
| Under \$5M | 1 pt |
| \$5M to \$20M | 2 pts |
| Over \$20M | 3 pts |

2019 GO Bond Projects are the highest priority to the community, and so their Targets shall have a 1.5 multiplier applied to the standard point values.

Achievement Reporting

It is the responsibility of the Project Manager or Senior Project Manager to report Target achievement and request the award of points therefor. Such request is made by submitting the designated form to the Director of Project Management. If the Target being claimed relates to project completion, the request must include a vendor report card for both the design engineer and the construction contractor and a “lessons learned” memo regarding the project.

Group Incentive

This incentive provides collective recognition based on the group’s attainment of the goal for total amount spent on CIP projects each fiscal year. The annual investment goal will be set by the City Manager with the assistance of the Director of Project Management. The realistic amount of investment attainable based on the year’s capital budget along with projects already underway from the previous year will be taken into consideration when setting the annual investment goal. Once determined, the amount will be communicated to the PMO staff. The annual investment represents the amount spent on CIP projects during the fiscal year. Projects that represent a ‘cash call’ will only be included if they are part of the realistic amount of investment attainable calculation.

For FY2021, the annual investment goal is \$70M, which includes the Grand Bargain project.

The first tier incentive is available to Project Managers, Senior Project Managers, the Land/ROW Specialist, the Assistant Director of Project Management, the Senior Engineering Technician, and the Staff Engineer In Training (EIT). The second tier incentive, calculated as 2/3 of the first tier incentive, is available to the Executive Assistant for Project Management, the CIP Projects Administrator, Project Technicians, Senior Civil Engineer, Floodplain Administrator/Drainage Engineer, and those Construction Inspectors assigned

solely to CIP projects. Employees who are eligible for the incentive for only part of the fiscal year may receive a pro-rated incentive amount as recommended by the Director of Project Management and if approved by the City Manager.

| Annual Investment | First Tier Incentive | Second Tier Incentive |
|--------------------------|-----------------------------|------------------------------|
| \$50M | \$1,000 | \$667 |
| \$60M | \$1,900 | \$1,000 |
| \$70M | \$2,000 | \$1,333 |
| \$75M | \$2,900 | \$1,667 |
| \$80M | \$3,000 | \$2,000 |
| \$85M | \$4,000 | \$2,667 |
| \$90M | \$5,000 | \$3,333 |

Payment of Incentives

Incentives will be paid annually in December of the calendar year after the fiscal year end (i.e., Dec 2021 for FY2021). Awards constitute income and will be treated as such for tax purposes. Employees who depart the City prior to incentive payment forfeit such payment unless otherwise decided in the sole absolute discretion of the City Manager.