

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2003-16

Revised Pay for Performance Program

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Executive Committee	3/6/03	Discussion/Possible Action to Recommend Board Approval	Joni Earl, Executive Director Joann Francis, Chief Administrative Officer	(206) 398-5450 (206) 689-4934
Finance Committee	3/6/03	Discussion/Possible Action to Recommend Board Approval	Janice Bondar, Human Resources Manager	(206) 398-5054
Board	3/13/03	Action		

OBJECTIVE OF ACTION

To reduce certain elements of Sound Transit's pay for performance program.

ACTION

To adopt revisions to Sound Transit's pay for performance program by (1) reducing base pay percentage increases, (2) reducing performance award percentages, (3) capping the performance award dollar amount, and (4) eliminating the agency performance award, effective January 1, 2003.

KEY FEATURES

- Reduces base pay percentage increases available to employees.
- Establishes a ceiling for base pay increases for "Developing" performance rating that is tied to annual average cost of living data and is no higher than 3%.
- Reduces performance award percentages available to employees.
- Places a dollar cap on the award amount available to employees.
- Eliminates the agency lump sum award element of the pay for performance program.
- Eliminates weighting of lump sum awards (no longer necessary with the elimination of the agency lump sum award).
- Renames the individual lump sum award to "Contribution & Performance Award" (C & P Award).
- Renames the "Fully Competent" performance rating category to "Proficient."
- Continues to recognize employees' individual performance and their contribution toward overall agency achievements.

HISTORY

In 1997, Sound Transit implemented a Human Resources system incorporating principles of total compensation and performance management.

The primary objectives of performance management at Sound Transit are: to ensure a consistent basis for salary administration and performance recognition; to promote teamwork as well as personal accountability and responsibility; and to provide incentive mechanisms that align with Sound Transit's organizational objectives.

The main programs of the performance management system are the annual performance appraisal and pay for performance. The pay for performance program does not include annual cost of living increases or a step system of automatic pay increases over time. Rather, salary decisions are based on individual performance. Depending upon performance, employees can earn a base pay increase and a lump sum award. Lump sum awards do not adjust base pay. The lump sum award consisted of two elements, an individual lump sum award, and an agency lump sum award. The lump sum award was weighted between the individual and agency elements, based upon salary bands. The Board eliminated the agency lump sum award element in September 2002, making weighting unnecessary. The Board also asked the Executive Director to develop recommendations to revise the pay for performance system to better contain costs and to address the elimination of the agency lump sum award element. The recommendations are outlined under Key Features.

Sound Transit follows a pattern that is typical for most employers in the region and the United States in that about 85 to 90 percent of the workforce fall into the “Proficient” performance rating category. About 2 percent are rated as “Developing” and about 5 to 6 percent are rated as “Exceptional.”

Last year the average increase to base pay was 4.12 percent. This is lower than previous years. The proposed changes will help maintain or even reduce that level of growth. Last year, the average individual lump sum award was 5.42 percent. Again, the proposal should help maintain that overall average.

**Prior Board or Committee Actions
and Relevant Board Policies**

Motion or Resolution	Summary of Action	Date of Action
Motion No. 38	Establishing a Human Resources system incorporating principles of total compensation and performance management.	8/14/97
M99-6	Authorizing the Executive Director to implement enhancements to the compensation system methodology, which better support the pay for performance program.	2/11/99

CONSEQUENCES OF DELAY

Performance appraisals are scheduled for about 25% of Sound Transit’s employees during January and February. Salary adjustment decisions (based on those performance appraisals) are pending until Board action on the recommended revisions takes place.

SOUND TRANSIT

MOTION NO. M2003-16

A motion of the Board of the Central Puget Sound Regional Transit Authority adopting revisions to Sound Transit's pay for performance program by (1) reducing base pay percentage increases, (2) reducing performance award percentages, (3) capping the performance award dollar amount, and (4) eliminating the agency performance award, effective January 1, 2003.

Background:

In 1997, Sound Transit implemented a Human Resources system incorporating the principles of total compensation and performance management.

The primary objectives of performance management at Sound Transit are: to ensure a consistent basis for salary administration and performance recognition; to promote teamwork as well as personal accountability and responsibility; and to provide incentive mechanisms that align with Sound Transit's organizational objectives.

The main programs of the performance management system are the annual performance appraisal and pay for performance. The pay for performance program does not include annual cost of living increases or a step system of automatic pay increases over time. Rather, salary decisions are based on individual performance. Depending upon performance, employees can earn a base pay increase and a lump sum award. Lump sum awards do not adjust base pay.

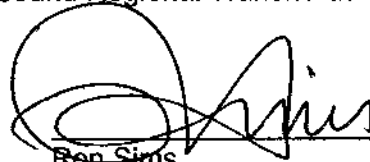
The lump sum award consisted of two elements, an individual lump sum award, and an agency lump sum award. The lump sum award was weighted between the individual and agency elements, based upon salary bands. The Board eliminated the agency lump sum award element in September 2002, making weighting unnecessary. The Board also asked the Executive Director to develop recommendations to revise the pay for performance system to better contain costs and to address the elimination of the agency lump sum award element. The recommendations are as follows:

- Reduce base pay percentage increases available to employees.
- Establish a ceiling for base pay increases for "Developing" performance rating that is tied to annual average cost of living data and is no higher than 3%.
- Reduce performance award percentages available to employees.
- Place a dollar cap on the award amount available to employees.
- Eliminate the agency lump sum award element of the pay for performance program.
- Eliminate weighting of lump sum awards (no longer necessary with the elimination of the agency lump sum award).
- Rename the individual lump sum award to "Contribution & Performance Award" (C & P Award).
- Rename the "Fully Competent" performance rating category to "Proficient."
- Continue to recognize employees' individual performance and their contribution toward overall agency achievements.

Motion:

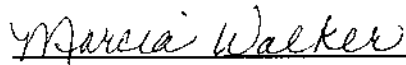
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to adopt revisions to Sound Transit's pay for performance program by (1) reducing base pay percentage increases, (2) reducing performance award percentages, (3) capping the performance award dollar amount, and (4) eliminating the agency performance award, effective January 1, 2003.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 13, 2003.



Ron Sims
Board Chair

ATTEST:



Marcia Walker
Board Administrator