

Regional Transit Authority
Motion No. 38

A motion relating to the establishment and implementation of a human resources system for the RTA.

Background:

As a new and expanding agency, the RTA requires a human resources (HR) system to be implemented. The primary objectives of the RTA's new HR system are to attract and retain top caliber staff to successfully implement Sound Move and to support and reinforce the organizational values that have been identified by staff and reviewed with the Board, and which may further refined by the Board. A central part of the new HR system is the classification/compensation performance management element.

Motion:

It is hereby moved by the Board of the Regional Transit Authority as follows:

Section 1. The Executive Director shall implement a human resources classification, compensation, and performance management system, substantially as described in the attached August 1, 1997 memorandum.

Section 2. The Executive Director shall report back to the Executive Committee in approximately one year to report on implementation issues and to recommend any adjustments that are deemed appropriate.

Approved by the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region at its meeting held on August 14th, 1997.



Bob Drewel
Board Chair

ATTEST:



Marcia Walker
Board Administrator



Regional Transit Authority

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August 1, 1997

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MEMORANDUM

TO: RTA Executive Committee
FROM: Paul Matsuoka, Deputy Executive Director
SUBJECT: RTA's proposed new classification/compensation/performance management system

The attached package of materials describes the RTA's proposed classification, compensation, and performance management system that has been developed by our human resources consultants, The Washington Firm. Its development is consistent with, and flows from, the agency's values and compensation philosophy, discussed at the Executive Committee on May 2, 1997. Following Board review, we hope to implement the system in August 1997.

Objective The primary objectives of the RTA's new human resources (HR) system are to attract and retain top caliber staff to successfully implement *Sound Move* and to support and reinforce the organizational values that have been identified by staff and reviewed with the Board, and which may be further refined by the Board. A central part of the new HR system is the classification/compensation performance management element.

Previous Board Policy Earlier this year, the RTA staff and Board conducted exercises in defining what kind of organization we needed to create in order to achieve the commitments of *Sound Move*. From these exercises, words like "innovative," "results-oriented," "creative," "flexible," "can-do," "diverse," and "rapid response" were identified as characteristics valued by the agency. Clearly, to achieve this objective, an HR system would need to be developed that avoided establishing a cumbersome, bureaucratic structure that would hamper the RTA in successfully implementing *Sound Move*.

In recognition of this, RTA staff directed The Washington Firm to develop a classification and compensation system that would support the objectives of the

agency, and would be flexible, adaptable, and non-bureaucratic. The consultant's first task was to develop a compensation philosophy to guide their subsequent work. This compensation philosophy was developed and presented to the Executive Committee on May 2, 1997 (see Attachment A). Key policies supporting this philosophy were a pay-for-performance policy and a compensation system that would allow the RTA to be competitive for talent in the appropriate job markets.

Proposed Classification System Following Executive Committee review and go-ahead to continue the development of the human resources system, the next step was to develop a way to classify all RTA jobs. A system was developed which places all RTA positions into seven broad classifications depending on the complexity and scope of the job, the position's impact on agency success, degree of accountability, the amount of supervision given and received, and the requisite knowledge, skills, education, and experience required. The seven proposed classifications are:

1. Positions that report to the Board (Executive Director and Board Administrator)
2. Directors
3. Managers/subject matter experts
4. Senior professionals
5. Professionals
6. Associates
7. Assistants

In contrast to more traditional public sector personnel systems, having only seven job classifications is relatively few. In the personnel field, this concept is known as "broad banding." The rationale for broad banding for an agency like the RTA is described in Attachment B.

Proposed Compensation Ranges After the classification system was developed, the next step involved a market survey of salaries paid in other public and private sector agencies, both locally and nationally. As a result of this survey, proposed salary ranges were established to correspond to the seven classification categories.

Because the classification bands are broad, so also are the salary ranges. A concern for this kind of system may therefore be in containing salary costs within each classification band. The key to cost control lies in striving to hire new employees based on salaries paid in the market place and in the performance management system.

Proposed Performance Management System The consultants developed three major options for the RTA's senior management staff to implement performance appraisals and pay-for-

performance concepts. The concept recommended by the senior management staff is described in detail in Attachment E along with the other two options.

Simply described, the proposed pay-for-performance system requires an annual performance appraisal for each employee. Achievement of performance goals is then rewarded with a lump sum payment. This pay would *not* adjust base pay at all, and is entirely dependent on the employee's and organization's performance. For people lower in the band, a combination of adjustment to base pay and lump sum performance awards would be applied until they reach the mid-zone of their band salary range. Otherwise, the only increases to base pay would be pursuant to market adjustments and significant regional and/or national cost of living impact adjustments.

To encourage and reward teamwork within the RTA, we also propose that a significant portion of performance pay be based on attainment of agency-wide performance goals. For bands 2 and 3, 75 percent of performance pay is dependent on attainment of agency goals and 25 percent on individual performance. For bands 4 and 5, the weighting is 50 percent/50 percent. For bands 6 and 7, the weighting is 25 percent agency and 75 percent individual. The rationale for this scheme is that higher-level employees have higher visibility positions and more authority to effect agency goal attainment than lower-level employees do.

To control costs and to allay fears of unjustified lump sum performance awards, we recommend that the Executive Committee conduct the agency's performance rating each year, after receiving the independent performance audit and the annual Citizens Oversight Panel (COP) review. These two outside reviews of agency performance would give the Executive Committee objective information on which to base agency performance awards.

Implementation Schedule The recommended classification/compensation system will be reviewed with the Executive Committee on August 8, 1997. Per RTA Board retreat discussion, staff requests clarification from the Executive Committee as to whether the issue will go to the full Board for review or whether staff may proceed with implementation after committee review.

Staff urges that the review of this proposal be expeditiously conducted as it is critical to the rapid expansion of RTA staff levels to implement *Sound Move*. It is also important to provide certainty to existing RTA staff who have worked for many months without clarity as to their titles, salaries, and career paths. It may seem self-evident, but it is our staff that will move implementation of *Sound Move* forward, and having a human resources system in place is essential to making progress.

Attachments Attached to this cover memo are the following which together describe the new system:

- A. Compensation philosophy: reviewed by Executive Committee, May 2, 1997.

Executive Committee

August 1, 1997

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- B. Overview of new system: provided to give greater understanding to commonly used HR terminology and the concepts of the new system, and how it differs from more traditional public sector systems.
- C. Classification system: displays the seven broad bands into which all RTA positions will be classified depending on job complexity, accountability, impact to the success of the RTA's mission, supervision given and received, and knowledge, skills, and abilities required.
- D. Compensation system: displays the market data used to create the salary ranges associated with each job classification band.
- E. Performance management system: describes three options considered by senior management staff. Option A is recommended for implementation.

PM:nt_{CLASSCOMP.PM}

Attachments

c: RTA Board