

A low-angle shot of a white and blue Sound Transit train. The train has a teal and blue wave-like graphic on its side. The windows are dark, and the train is moving towards the right. A glass and metal structure is visible in the upper left corner.

CEO Compensation Market Study

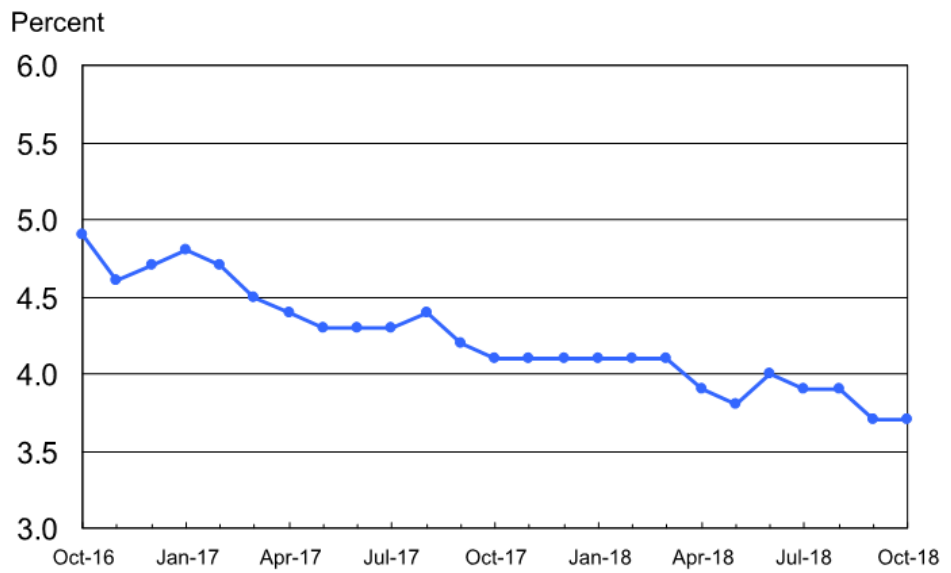
November 2018

 **SOUNDTRANSIT**

Unprecedented Labor Market Strength

- Unemployment at a 49 year low
- Increased competition for qualified talent
- Increased upward pressure on wages

Chart 1. Unemployment rate, seasonally adjusted, October 2016 – October 2018



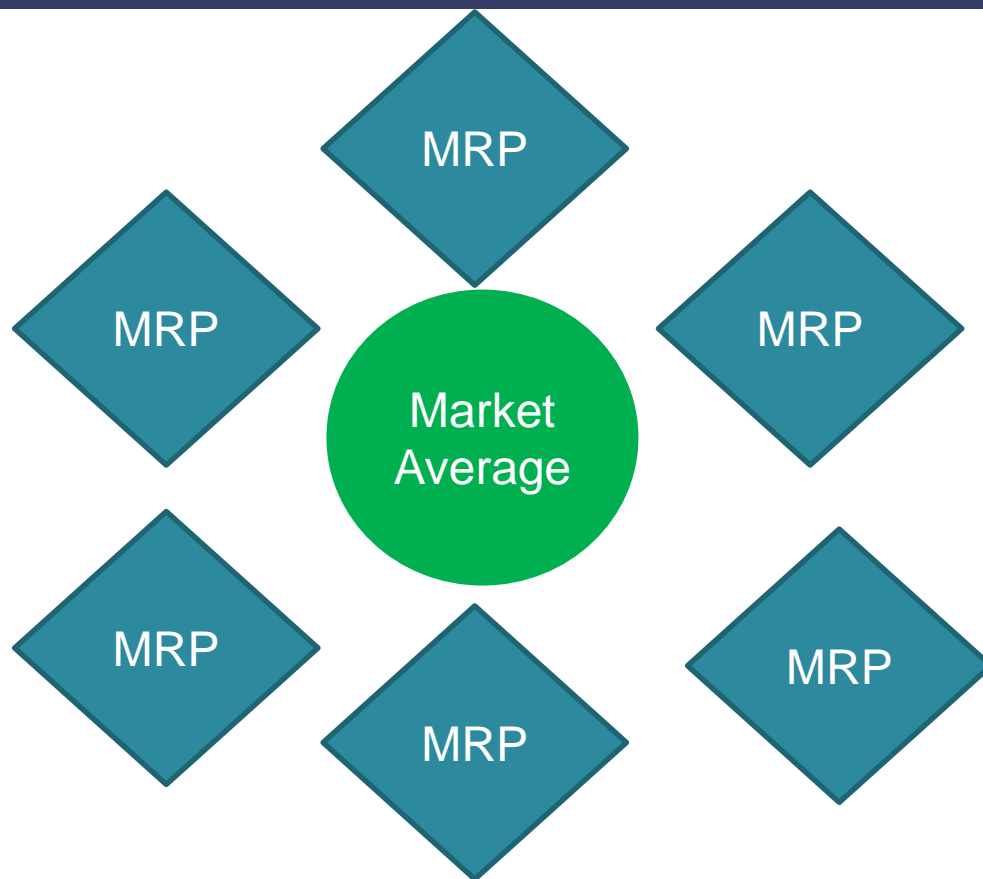
Compensation Philosophy

Sound Transit's compensation methodology works to ensure a market competitive compensation package at market midpoint, neither lagging nor leading the market.

The compensation program works to:

- Attract, motivate and retain highly qualified employees
- Provide competitive salaries in recognition of changing labor market factors and job responsibility
- Promote internal equity throughout the agency
- Reward contributions and achievement by aligning pay with performance
- Steward responsible spending of tax-payer dollars

CEO Compensation Market Study



**MRP = market
reference points**

**Market Average =
average of
market reference
points**

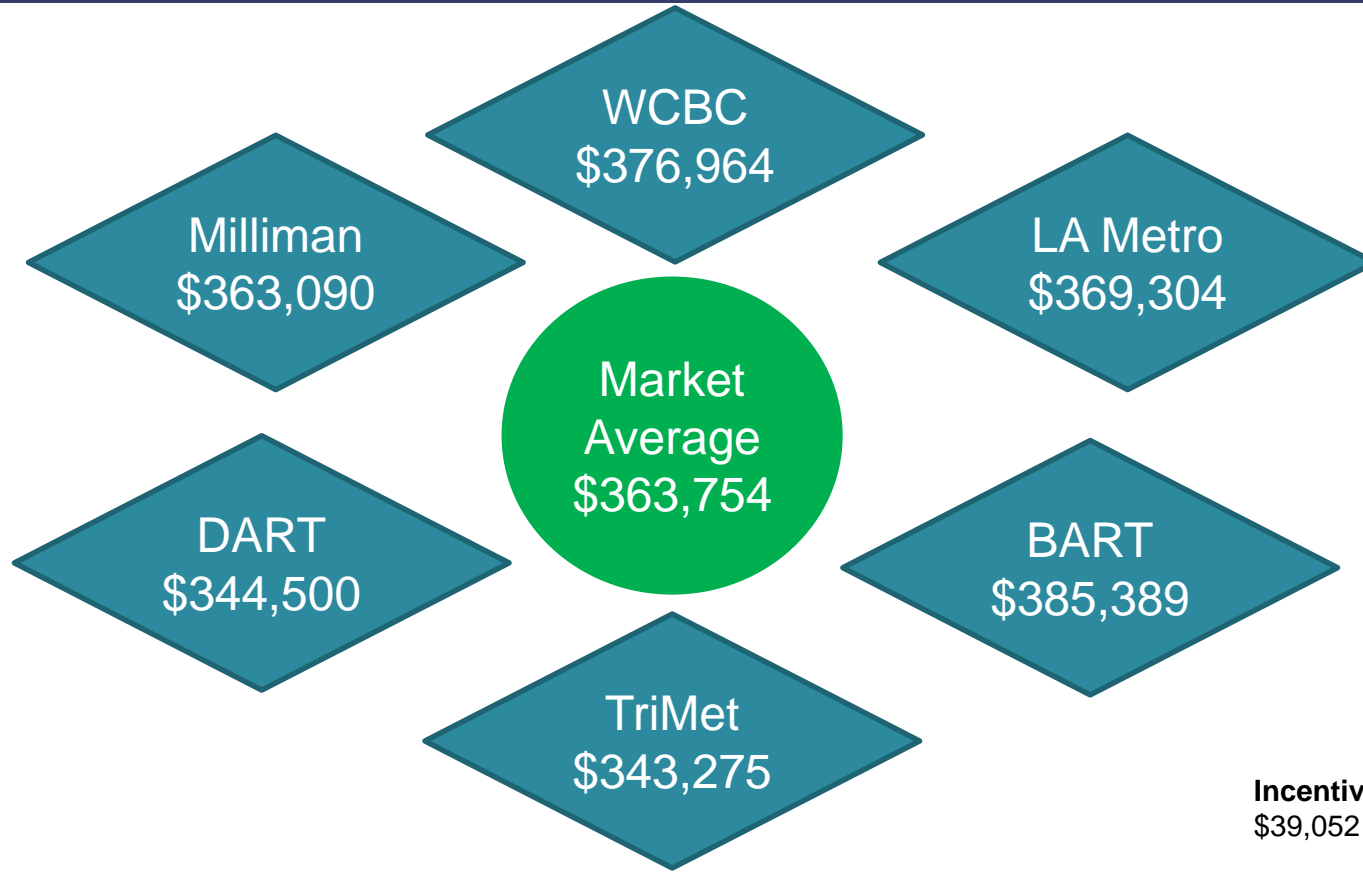
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Gathered Market Reference Points from variety of sources:

- Milliman Survey
- Western Compensation & Benefits Transportation Survey
- Other Transit Agencies: LA Metro, BART, DART, & TriMet

Applied Cost of Living Differentials to adjust upward or downward to ensure a valid comparison of compensation

CEO Compensation Market Study



Incentive Pay Market Average:
\$39,052



Performance Management Process

November 2018

SOUND TRANSIT

Performance Management Process

**Annual
Performance
Goal Setting**



**Continuous
Feedback**



**Annual
Performance
Review**

Pay for Performance

Performance Rating	Merit Increase
Outstanding	5%
Excellent	4%
Successful	3.5%
Needs Improvement	1.0%
Unsatisfactory	0.0%

CEO Market Pay Options

Aligned to ST Performance Management System

First Year Compensation	
Assumes performance rating of successful	
Base Salary	\$ 365,000
2019 Performance Award	\$ 4,000
Total	\$ 369,000

Second Year Compensation	
Assumes performance rating of successful	
Base Salary	\$ 377,775
2020 Performance Award	\$ 4,000
Total	\$ 381,775

Third Year Compensation	
Assumes performance rating of successful	
Base Salary	\$ 390,997
2021 Performance Award	\$ 4,000
Total	\$ 394,997

Current Contract Compensation Terms

First Year Compensation	
Assumes 5% step increase & 5% bonus	
Base Pay	\$ 344,972
2019 Performance Award	\$ 17,249
Total	\$ 362,221

Second Year Compensation	
Assumes 5% step increase & 5% bonus	
Base Pay	\$ 362,221
2020 Performance Award	\$ 18,111
Total	\$ 380,332

Third Year Compensation	
Assumes 5% step increase & 5% bonus	
Base Pay	\$ 380,332
2021 Performance Award	\$ 19,017
Total	\$ 399,349

Annualized Difference Option 1 vs 2	\$ 6,779	\$ 1,443	\$ (4,351)
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 **SOUNDTRANSIT**
RIDE THE WAVE