

METROPOLITAN EXPOSTION-RECREATION COMMISSION

Resolution 04-13

For the purpose of adjusting Pay-For-Performance market targets.

Whereas, the Commission, in accordance with MERC Personnel Policies, maintains a Pay-For-Performance program for its full-time, non-represented staff; and

Whereas, pursuant to Section 6.3(C) of the MERC Personnel Policies, all employees in the Pay-For-Performance program receive annual base pay within the pay range for their job classification; and

Whereas, pursuant to Section 6.3(C) of the MERC Personnel Policies, the "market target" in a pay range is the maximum base pay an employee may earn; and

Whereas, pursuant to Section 6.3(D) of the MERC Personnel Policies, an eligible employee may earn an annual lump sum award that, when added to the employee's base pay, brings the employee's annual compensation up to the maximum of the employee's pay range; and

Whereas, pursuant to Section 6.3(E) of the MERC Personnel Policies, an employee's total compensation (base pay plus lump sum award) may not exceed the top of the pay range for that employee's job position; and

Whereas, MERC's formula for calculating lump sum awards is based on a facility score and an individual score and, under this formula, an employee who earns an individual score of "4" for the year, and whose facility achieved a score of "4" for the year, would earn a lump sum pay award of 12% of their base salary; and

Whereas, Martech Associates, Inc. conducted a study of market targets within the scope of the 2002-2003 classification compensation study; and

Whereas, the Martech Associates, Inc. study concluded that no public or private sector plans capped their "market targets" at the mid-point of the salary range; and

Whereas, MERC's market targets are currently capped at the mid-point of the salary ranges, and employees who earn a maximum lump sum award cannot reach the top of their salary range under any circumstances; and

Whereas, as a result of the pay difference between the "market target" and maximum pay for each pay range, MERC recruits and selects employees based on a potential maximum pay rate that is unattainable, even if an employee earns the highest lump sum award possible under MERC's formula; and


Whereas, Martech Associates, Inc. recommends moving the market target from the midpoint in each range to a percentage of each range that would allow employees to reach the top of the pay range under limited circumstances; and

Whereas, the Commission has expressed their intent to continue to review the Pay-For-Performance program to identify other policy and program revisions that may be needed,

THEREFORE BE IT RESOLVED:

1. The Commission authorizes the General Manager to implement the Recommendations made by Martech Associates, Inc. (Exhibit A).
2. The Pay-for-Performance program will be reviewed during the course of FY04-05 to identify policy and program revisions that may be needed.
3. Effective July 28, 2004, the "market target" in the pay range for each job classification in the Pay-For-Performance program is adjusted from a "market target" historically set at the midpoint (50%) of the total pay range to the "market targets" shown in Exhibit B.
4. The Commission authorizes the General Manager to implement the change in salary range market targets effective July 28, 2004.

Passed by the Commission on July 28, 2004.



Chair



Secretary-Treasurer

Approved As To Form:
Daniel B. Cooper, Metro Attorney

By: 

Lisa Umscheid, Senior Attorney

MERC STAFF REPORT

Agenda Item/Issue: Consideration of Resolution 04-13 for the purpose of adjusting pay-for-performance market targets.

Resolution no.: 04-13

Date: July 28, 2004

Presented by: Tanya Collier

BACKGROUND:

In 1998, the MERC Commission adopted a Pay-For-Performance Program that rewards the performance and contribution of full-time, non-represented employees. Pay increases are tied to the achievement of individual and group goals and to specific performance factors identified through a goal setting process. Each classification is assigned a pay range with a minimum, midpoint and maximum. Employees are currently able to earn increases to base pay up to the midpoint of their range. When an employee reaches the midpoint of their range, future performance increases are delivered as a one-time only lump sum bonus not to exceed the maximum of their salary range.

The formula for calculating increases in base pay and lump sum bonuses is based on a facility score and an individual score. If a facility earned a "4" rating and an employee also earned a "4" rating that employee would be entitled to a 12% PFP award. Because an employee is currently capped at the midpoint of their range and the top of their range is more than 12% from the midpoint it is impossible for an employee to reach the top of their range.

Martech Associates, Inc., in the course of conducting the 2002-2003 classification compensation study, concluded that the inability to reach the top of the salary range is a flaw in the Pay-For-Performance program that should be corrected. Martech's conclusions regarding market targets are attached in Exhibit A.

In accordance with the recommendations of the classification compensation study, the MERC Commission adopted three Pay-For-Performance pay schedules with the following minimum-maximum range spreads:

	<u>Range spread</u>	<u>Current midpoint</u>	<u>New market target</u>
• Supervisor/Technical	28%	14%	14.3%
• Management	40%	20%	20.3%
• Executive Management	56%	28%	39.5%

Resolution 04-05:

Adjusts the current midpoints to enable an employee to reach the top of their pay range.

Fiscal Impact:

There is no fiscal impact in FY04-05. Employees who are at or nearing the midpoint of their range will be eligible for a pay-for-performance increase to their base salary as opposed to only receiving a bonus if they were already at their midpoint.

RECOMMENDATION

Staff recommends approval of Resolution 04-13.

The other basic plan that private sector employers use is a bonus at the end of the fiscal year based upon two factors:

- The profitability, or cash available, of the company or entity
- The performance of the employee

We only found one private sector client that adjusts pay ranges because of their plan. This entity capped the pay ranges based upon the percentage of pay that was to be distributed to employees. This particular organization paid out about 7 to 10% of the employees pay in the form of a bonus. They reduced their maximum pay ranges by this same percent in order that an above standard performer could receive a bonus that would equate to the maximum pay in his/her pay range. This client is an exception in this regard.

MILLIMAN USA

The Milliman USA survey showed that over 80 percent of the respondents provided some type of cash bonus for their managers (the survey did not include non-exempt employees). We contacted the publisher to determine if we could have access to their data bank for analysis purposes and we were declined. However, in checking the available data it appeared that all of the pay ranges were at market and none adjusted for any type of bonus plan.

PUBLIC SECTOR PLANS

Of the public entities research we identified only five (5) government agencies having some type of pay for performance system in place at this time. These entities include:

- C-TRAN..... Vancouver, Washington
- Human Services Council Vancouver, Washington
- Kitsap Transit..... Bremerton, Washington
- Tri-Met..... Portland, Oregon
- Clean Water Services..... Beaverton, Oregon

All five of the above entities used a pay for performance plan based upon individual performance of each employee. The basic concept of these plans was that an employee could move from the minimum to the maximum very rapidly if he/she were an outstanding performer. We found varying scoring methods to evaluate the performance of employees, but none of the entities capped their pay ranges because of the pay for performance plans in place. In the case of Tri-Met, they paid bonuses at the end of each year when they had funds for this purpose. They paid no bonuses in 2001 due to budget constraints.

The recent survey of Washington State counties and municipalities showed only four entities that had any type of merit plan. All had a basic performance based plan that varied the levels of pay adjustments as previously described. None of these entities adjusted their pay ranges because of their pay for performance plan.

Ms. Tanya Collier, Human Resources Manager
Metropolitan Exposition-Recreation Commission
January 29, 2003
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RECOMMENDATIONS

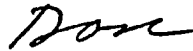
In summary, we were unable to find any public sector or private sector plans that capped their pay ranges at market rates because of their pay for performance plan. It needs to be noted that during our compensation work we asked each person when interviewed his or her opinion about MERC's Pay for Performance Plan. It was almost universally stated that the plan was unfair because there was no way any employee could receive pay that would equal the maximum of the pay range. It is our opinion that the pay for performance plan as originally designed was seriously flawed in this regard.

Based upon the survey and our experience over the past 30 years, it is our recommendation to cap MERC's pay ranges at 12 percent below the maximum rate of each pay range. This level would then become the market target for the Pay for Performance Plan. The 12 percent is recommended because under ideal circumstances if a facility received a 4.0 rating and an individual received a 4.0 rating they would then receive a 12 percent bonus. This 12 percent bonus would then equal the maximum of the employees' pay range.

I have enclosed a proposed pay schedule for MERC reflecting our recommendations.

Let me know if we can be of further help to you in this matter.

MARTECH ASSOCIATES, INC.



Donald R. Walker CMC
President



DRW:gh
Enclosure

**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
EXECUTIVE MANAGEMENT POSITIONS
(Exempt Positions)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.4%)			(12% below maximum) New		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate
401	8295 8158	Expo Director Human Resource Director - MERC	67,961	87,075	106,188	68,912	88,294	107,675	68,912	96,138	107,675
402	8304 8110	MERC Director of Administration/Finance Officer PCPA Executive Director	78,155	100,137	122,119	79,249	101,539	123,829	79,249	110,561	123,829
403	8475	OCC Executive Director	101,602	130,178	158,753	103,024	132,000	160,976	103,024	143,728	160,976

Note: New Market Target = Maximum Rate after trending/1.12 (107,675 /1.12=96,138)
 Test: (Max-New Market Target)/New Market Target = 12%
 (107,675 - 96,138)/96,138= 12%)

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7/23/2004

**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
MANAGEMENT POSITIONS
(Exempt Positions)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.7%)			(12% below maximum)		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	New Market Target	Maximum Rate
	8230	Computer Systems Administrator									
	8028	Marketing Information Services Manager									
	8032	Senior Sales Manager									
	8515	Security Manager									
	8215	Senior Event Manager									
	8185	Senior Setup Supervisor - OCC									
	8410	Stage Supervisor									
	8234	Ticketing/Parking Services Manager									
306	8315	Assistant Operations Manager, Technical Sv	52,397	62,864	73,330	53,288	63,933	74,577	53,288	66,586	74,577
	8205	Event Services Manager									
	8232	Information Systems Supervisor									
	8027	Marketing and Communication Manager									
	8162	Operations Manager - Housekeeping & Setup									
	8057	Sales and Events Manager									
307	8288	Construction Coordinator	57,637	69,150	80,662	58,617	70,326	82,033	58,617	73,244	82,033
	8164	Operations Manager I									
	8163	Operations Manager - Technical Services									
307	8055	Sales & Marketing Manager									
	8036	Sales & Ticket Services Manager									
308	8302	Director of Events & Special Services	63,401	76,065	88,729	64,479	77,358	90,237	64,479	80,569	90,237
	8303	Director of Sales & Marketing									
	8165	Operations Manager II									
309	8290	Construction/Capital Projects Manager	66,570	79,868	93,165	67,702	81,226	94,749	67,702	84,597	94,749
	8306	Director of Operations									

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7/23/2004

**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
SUPERVISORY/TECHNICAL/SUPPORT POSITIONS
(Hourly Rate Based on 2080 Hours)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.9%)			(12% below maximum) New		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate
201	8400	* Multi Media Services Assistant	13.07	14.90	16.73	13.32	15.18	17.05	13.32	15.22	17.05
	8494	* Expo Utility Lead									
	8010	* Secretary II									
202	8015	* Administrative Technician - Accounting	13.55	15.45	17.35	13.81	15.74	17.68	13.81	15.79	17.68
	8016	* Administrative Technician - Clerical									
	8017	* Administrative Technician - Events									
	8018	* Administrative Technician - Expansion									
	8019	* Marketing Coordinator									
203	8022	* Administrative Technician II	15.03	17.14	19.25	15.32	17.47	19.62	15.32	17.51	19.62
204	8046	* Administrative Assistant I	16.14	18.40	20.66	16.45	18.75	21.05	16.45	18.80	21.05
205	8045	* Administrative Assistant II	16.41	19.03	21.65	16.72	19.39	22.06	16.72	19.70	22.06
	8510	* Audio Visual Technician									
	8250	* Telecom and Information Systems Technician									
206	8047	* Administrative Assistant III	18.26	20.82	23.38	18.61	21.22	23.82	18.61	21.27	23.82
	8511	Audio Visual Technician Lead	37,977	43,305	48,633	38,699	44,128	49,557	38,699	44,247	49,557
	8210	Building Maintenance Supervisor									

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**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
SUPERVISORY/TECHNICAL/SUPPORT POSITIONS
(Hourly Rate Based on 2080 Hours)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.9%)			(12% below maximum) New		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate
207	8280	* Operations Coordinator	19.72	22.49	25.25	20.09	22.92	25.73	20.09	22.97	25.73
208			44,297	50,512	56,726	45,139	51,472	57,804	45,139	51,611	57,804
209	8252	Telecom and Information Systems Supen	47,841	54,553	61,264	48,750	55,590	62,428	48,750	55,739	62,428

Note: New Market Target = Maximum Rate after trending/1.12 (62,428 /1.12 = 55,739)
 Test: (Maximum - New Market Target)/New Market Target = 12%
 (62,428 -55,739)/55,739= 12%

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**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
MANAGEMENT POSITIONS
(Exempt Positions)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.7%)			(12% below maximum) New Market Target		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate
310	8307	OCC Assistant Director	69,898	83,861	97,823	71,086	85,287	99,486	71,086	88,827	99,486

Note: New Market Target = Maximum Rate after trending/1.12 (99,486/1.12 = 88,827)
 Test: (Max-New Market Target)/New Market Target = 12%
 (99,486 - 88,827)/88,827 = 12%

**METROPOLITAN EXPOSITION-RECREATION COMMISSION
NON-REPRESENTED EMPLOYEES PAY SCHEDULE
MANAGEMENT POSITIONS
(Exempt Positions)**

Salary Range	Job Code	Position	(Current)			(After Trending) (1.7%)			(12% below maximum) New		
			Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate	Minimum Rate	Market Target	Maximum Rate
301	8128 8405 8481 8125	Facility Services Sales Coordinator Operations Accounting Coordinator Ticket Services Coordinator Volunteer Coordinator - FT	33,447	40,128	46,808	34,016	40,810	47,604	34,016	42,503	47,604
302	Vacant		35,788	42,937	50,085	36,396	43,667	50,936	36,396	45,479	50,936
303	8013 8509 8179 8402 8394	Accountant Audio Visual Supervisor Event Manager I Graphic Designer II Multi Media Services Supervisor	39,367	47,230	55,093	40,036	48,033	56,030	40,036	50,026	56,030
304	8012 8370 8051 8011 8425 8180 8168 8035 8245 8480	Accounting Supervisor Admissions Staffing Manager Booking Coordinator Budget Analyst Construction/Capital Projects Assistant Manager Event Manager II Maintenance Supervisor - OCC Sales Manager Setup Supervisor - OCC Ticket Services Supervisor	43,303	51,953	60,602	44,039	52,836	61,632	44,039	55,029	61,632
305	8220 8314 8316	Assistant Event Services Manager Assistant Operations Manager Asst. Operations Mgr-Housekeeping & Setup	47,633	57,148	66,662	48,443	58,120	67,795	48,443	60,531	67,795

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MERC

Pay for Performance Plan

Basic Elements

MERC Pay for Performance Plan

So, what is the problem with the current system?

The problem with the current system is that the maximum of the pay range is mathematically impossible to attain.

This “false advertising” has had an impact on the confidence staff feels in the program.

MERC Pay for Performance Plan

What is the staff's recommendation?

MERC staff recommends that the Commission adopt Resolution 04-05. Our financial analysis estimates that the costs, over time, are minimal— a grand total of \$78,561 or 0.18% of salary over eight years. This fixes the existing problem and is a nominal amount for a payroll that will exceed \$4.4 million in the coming fiscal year.

MERC Pay for Performance Plan

What is the “market target”?

The “market target” is the most that MERC will pay in base salary for any given job.

Where is the “market target” set?

Currently, the “market target” is set at the mathematical mid-point (50%) of each range.

MERC Pay for Performance Plan

Fiscal Year 2011-12

Estimated incremental costs of implementing Resolution 04-05.

\$13,630

or

0.26% of salary

MERC Pay for Performance Plan

What is a “performance award”?

A “performance award” is the amount an employee in the PFP program earns each year as a result of performance. It can be received as a base salary increase, or a one-time-only cash bonus, or a blend of the two, depending on how far the employee has advanced in their particular pay range.

MERC Pay for Performance Plan

Fiscal Year 2009-10

Estimated incremental costs of implementing Resolution 04-05.

\$13,196

or

0.26% of salary

MERC Pay for Performance Plan

What does MERC budget for the PFP program?

MERC budgets 7% of its personal service line item for those staff in the pay for performance program as potential PFP payout.

MERC Pay for Performance Plan

Does that mean that MERC will automatically pay the full 7% that is budgeted for that purpose each year?

No. How much is paid out each year depends on how well each facility and each individual employee do in achieving their goals. In years in which facilities do not achieve their financial targets, payout is less than budget.

MERC Pay for Performance Plan

Fiscal Year 2007-08

Estimated incremental costs of implementing Resolution 04-05.

\$11,070

or

0.22% of salary

MERC Pay for Performance Plan

What is “trending”?

“Trending” is an annual movement of the pay ranges in line with job market trends. It is essential to the maintenance of a pay for performance program.

MERC Pay for Performance Plan

Fiscal Year 2005-06

Estimated incremental costs of implementing Resolution 04-05.

\$5,335

or

0.11% of salary

MERC Pay for Performance Plan

How does an employee move up through the pay range?

Staff receive performance awards each year based upon their personal performance and the performance of their facility. Employees receive their performance awards as base salary increases only until they reach market target, which is currently set at the mid-point of the range. Once an employee reaches market target, any remaining performance awards will be received as one-time-only cash bonuses.

MERC Pay for Performance Plan

How much would it cost to implement Resolution 04-05?

Assumptions are key to estimating costs. Staff has made the following assumptions for purposes of analysis:

- MERC will spend the entire 7% that it budgets for PFP in every single budget year, even though in the past, the budget has been under-spent. This is a deliberately conservative assumption designed to estimate cost at the high end.
- MERC will trend its pay ranges each year at the same rate that they have been trended this year (+1.9% for lower pay ranges, 1.7% for the middle range, 1.4% for the higher). This could be more or less in any given year.
- There will be no turnover, i.e., no senior employees leaving the system at higher rates of pay and no new employees entering at the minimum. This is a deliberately conservative assumption designed to estimate cost at the high end.

MERC Pay for Performance Plan

Illustration of the Current Problem

Salary Range 304 (10 positions)

Minimum

\$44,039

Market Target

(Mid-point)

\$52,836

+ 12%
(\$6,340)

=

\$59,176

Maximum

\$61,632

MERC Pay for Performance Plan

What would Resolution 04-05 do to fix this problem?

Resolution 04-05 would move the "market target" up from its current place at the mid-point of each salary range to a place 12% below the established "maximum" of each range. This new "market target" would allow employees to advance their base salaries higher. Performance awards would still be limited to 12% maximum. Reaching the advertised "maximum" salary would now be mathematically possible for an employee who scored a perfect "4" in the same year that their facility also received a perfect "4."

MERC Pay for Performance Plan

New Pay Range

(if Resolution 04-05 is adopted)

Salary Range 304 (10 positions)

Minimum

Market Target Maximum

\$44,039

\$55,028

\$61,632

MERC Pay for Performance Plan

Fiscal Year 2004-05

Estimated incremental costs of implementing Resolution 04-05.

\$0

or

0% of salary

MERC Pay for Performance Plan

Fiscal Year 2006-07

Estimated incremental costs of implementing Resolution 04-05.

\$8,934

or

0.18% of salary

MERC Pay for Performance Plan

Fiscal Year 2008-09

Estimated incremental costs of implementing Resolution 04-05:

\$12,984

or

0.26% of salary

MERC Pay for Performance Plan

Fiscal Year 2010-11

Estimated incremental costs of implementing Resolution 04-05.

\$13,411

or

0.26% of salary

MERC Pay for Performance Plan

Total Cumulative Cost Over Eight Years:

2004-05 to 2011-12

\$78,561

or

0.18% of salary

MERC Pay for Performance Plan

What are some other ways to fix the “truth in advertising” problem?

- MERC could leave the market target where it is, at the mid-point, and allow one-time-only cash bonuses all the way to the established “maximum.” At the higher end of the pay scale, this would require MERC to allow (and budget for) cash bonuses in some cases as high as 28%.
- MERC could fix the market target at somewhere in between the mid-point and the point contemplated by Resolution 04-05. This would again require MERC to allow cash bonuses well in excess of 12%.