

# Incentive Pay Plan

Commission Briefing  
April 12, 2016

# Incentive Pay Plan

- **Results oriented**
  - Financial performance exceeds budget
  - Payout is fully earned when two values driven, non-financial goals are met
- **Self-funding and taxpayer oriented**
  - Financial performance must be above threshold before plan pays out
  - At least half the positive variance is retained by the Port
    - A portion is returned to the airport (required amount)
    - A portion will go to the tax levy fund to help offset future increases
- **Values driven, socially responsible**
  - Focuses on the triple bottom line
  - Pays out to employees first, executive leadership follows
  - Doesn't add to fixed salary costs
- **Capacity building**
  - Makes the Port stronger over time

Results oriented, self-funding and Century Agenda focused

# Business Case

- Motivates exceptional performance
- Drives Century Agenda goals
- Supports working together as “One Port”
- Improves the Port’s ability to compete for talent
  - Makes the Port more competitive with private employers
  - Differentiates the Port among public sector employers
- Is consistent with high-performing employers
- Benefits taxpayers, may help offset future levy increases

One Port creating jobs in our community

# Motivating Exceptional Performance

## TWO TYPES OF GOALS

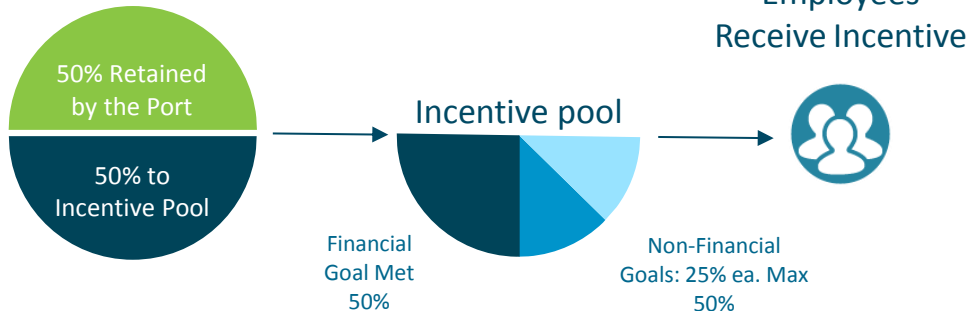
1. Financial
  - Self-funding
2. Values Driven, non-financial
  - Focuses the Port on social responsibility and environmental sustainability commitments

Results Oriented, Self-funding, Values Driven, Century Agenda Focused

# Incentive Pool Funding

- ↑ Adjusted Revenue Higher than Budget
- + Budget
- ↓ Expenses Lower than Budget

= Total Positive Variance



**Financial goals must be met to fund pool**

# Pool Funding Example

## PLAN FUNDS ITSELF

	2016 Budget	2016 Actual*	Variance
Total Revenue	\$584.5m		
Less Aeronautical Revenue	- \$257.4m		
Adjusted Revenue	= \$327.1m	\$339.9m	\$12.8m
Total Port Expense	\$336.1m	\$323.7m	<u>+\$12.4m</u>
Total Variance			<u>= \$25.2m</u>
50% to the Payout Pool			\$12.6m

\*NOTE – 2016 Actual is for illustrative purposes only, total variance supports maximum plan payout

**Incentive plan funded by positive budget variance**

# Payout Method



Employees



Step 5 (Max)

Step 4

Step 3

Step 2

Step 1

Minimum

Step 5.1 (Max)

Step 4.1

Step 3.1

Step 2.1

Step 1.1

Executives



Incentive plan pays from the bottom up

# Individual Payout Calculations

## Employees Earn Awards Based on Annual Performance Review Ratings

Performance Rating	Rating Distribution	Payout Factor	Minimum Payout*	Step 1	Step 2	Step 3	Step 4	Step 5 - Maximum
Unsatisfactory	0%	No Payout	0%	0%	0%	0%	0%	0%
Contributing	0% – 5%	1 X Payout	0.5%	1%	2%	3%	4%	5%
Strong	65% - 70%	2 X Payout	1.0%	2%	4%	6%	8%	10%
Highly Effective	15% - 20%	3 X Payout	1.5%	3%	6%	9%	12%	15%
Exceptional	5% - 10%	4 X Payout	2.0%	4%	8%	12%	16%	20%
<b>Total Variance Needed to Fund</b>			<b>\$2.4M</b>					<b>\$25.2M</b>

NOTES – payouts are based on employees eligible earnings during the plan year  
Payouts assume all goals, financial and non-financial, are met

**Funding step determined by the size of the payout pool**



# Variance Allocation



Total variance shared with stakeholders

# Values Driven Non-Financial Goals

1. Increase small business contracting participation across the Port to 35%, including an increase to 4% for Minority/Women-Owned Business Participation.
2. Define external customers, define customer satisfaction and develop and implement an external customer satisfaction survey.
3. Develop an environmental scorecard to reduce the Port's environmental footprint.

Focusing the Port on the triple bottom line

# Implementation

- June 1, 2016 Implementation
- Mid-year implementation will require adjustments
  - Variance eligible to fund the payout pool will be pro-rated
  - Earned awards based on employee earnings from June through December are eligible

Port results and employee earnings reflect June 1 implementation