

RESOLUTION NO. 3720, as amended

A RESOLUTION of the Port Commission of the Port of Seattle amending Resolution No. 3712, as amended, the 2016 Salary and Benefit Resolution, to modify the Pay for Performance Program to add an Incentive Pay Plan component.

WHEREAS, the 2016 Salary and Benefit Resolution exercises the Commission's statutory responsibility and authority to fill positions, fix wages, salaries, and establish other benefits of employment including retirement, insurance and similar benefits; and

WHEREAS, this Incentive Pay Plan component of the Pay for Performance Program will provide incentives for Port employees to deliver exceptional performance toward the publicly oriented and Commission established Century Agenda goals of job creation, economic development, and environment and sustainability improvements; and

WHEREAS, the proposed Incentive Pay Plan will support the Port's efforts to attract and retain the most capable employees; and

WHEREAS, the goals identified in this Resolution are results oriented, strategically important, values driven, and Century Agenda focused and must be met before any incentive pay is paid out; and

WHEREAS, the 2016 Incentive Pay Plan non-financial goals will focus on increasing small business contracting, and certified minority and women's business enterprise participation; and improving customer satisfaction; and measuring and reducing our environmental footprint; and

WHEREAS, the Incentive Pay Plan will be funded by exceptional financial performance with a share of the financial returns dedicated to the tax levy fund to the benefit of taxpayers; and

WHEREAS, the Incentive Pay Plan will be self-funding and will not add to fixed salary costs; and

WHEREAS, the Incentive Pay Plan will include all non-represented Port employees and pay from the bottom up, paying employees first, followed by Executives; and

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle as follows:

Section I The Commission amends Resolution 3712, as amended, to edit the current section I, Definitions, to add the following definitions related to Incentive Pay Program:

- a. **Incentive Pay Plan:** A component of the Pay for Performance program that provides a lump sum payment to employees based on the size of the Adjusted Total Positive Budget Variance and individual employees' performance ratings identified in the Guided Rating Distribution, when the Port meets the Incentive Pay Plan goals and the Port's adjusted total positive budget variance is sufficient to fund at least the minimum plan payout.
- b. **Incentive Pay Plan Goals:** The goals that must be met for the Incentive Pay Plan to pay an award to eligible employees. There are two types of goals, financial and non-financial. The financial goal is to produce an Adjusted Total Positive Budget Variance sufficient to fund at least the minimum incentive pay plan payout. There are three non-financial goals established for each plan term, at least two of which must be met along with the financial goal for the plan to produce a payout. The Incentive Pay Plan goals are established by Commission resolution.
- c. **Guided Rating Distribution:** The guideline for the distribution of employee performance review ratings across the Port. The guided distribution is not a forced ranking or distribution, rather a guideline to support consistent application of the various performance ratings, based on rating definitions, across the Port.
- d. **Adjusted Total Positive Budget Variance:** The value used to determine whether or not the financial goal for the Incentive Pay Plan has been met. The Adjusted Total Positive Budget Variance is determined by calculating the difference between actual and budgeted total non-aeronautical revenues and adding this difference to the difference between actual and budgeted total Port expenses. The total of these differences is then adjusted to account for any pre-identified adjustments included in the Incentive Pay Plan.
- e. **Budget Variance Adjustments:** A small number of expenditure and revenue categories that may be excluded from the incentive pay plan variance calculation. These include unpredictable and non-controllable expenses such as reserves established for lawsuits and environmental remediation, non-cash expensing of prior year costs that had been capitalized if projects are cancelled and major variances due to accounting rule changes. Similarly, significant cost savings due to major budgeted initiatives being cancelled or deferred and unpredictable and non-controllable revenues, such as grants, may be excluded when calculating the budget variance. Items subject to exclusion will be identified and noted during the annual budget development process.

Section II The Commission amends Resolution 3712, as amended, to edit the current section II.D.4, Pay for Performance, to reaffirm that the previous program referred to performance based increases to employees' base pay and to add authorization for the Incentive Pay Plan as follows:

- a. **Administration of Pay for Performance Program**
 - i. The Pay for Performance Program shall be administered in accordance with Commission resolutions and Port Policy HR-21 – Pay Administration. The Pay

for Performance Program shall be comprised of two components, a base pay increase component and a lump sum incentive pay component.

b. Base Pay Component

- i. The base pay component of the Pay for Performance Program permits eligible non-represented employees to earn increases to their base pay that are based on performance ratings earned during the previous performance review period. The amount of the base pay increases shall be approved by Commission Resolution as part of the Port budget process and administered according to a plan approved by the Chief Executive Officer and implemented by Human Resources.

c. Incentive Pay Plan Component

- i. The Incentive Pay Plan component of the Pay for Performance Program awards lump sum payments to eligible non-represented employees when the Port's results are sufficient to fund payouts and Commission established non-financial goals are met. This feature ensures that the Incentive Pay Plan component is self-funding while incenting achievement of non-financial goals.
- ii. The Incentive Pay Plan is funded by an adjusted total positive budget variance, based on the Commission approved budget. Half the total positive variance is available to fund the Incentive Pay Plan payout pool. Once funding required for the earned payout is identified, any remaining funds not required to pay the Incentive Pay Plan payouts together with the other half of the positive budget variance is retained by the Port. The positive variance must be sufficient to fund the minimum level payout before incentive pay is awarded. The portion of the positive budget variance retained by the Port shall be applied to the tax levy fund, the airport development fund and general fund.
- iii. This Resolution identifies three non-financial goals, two of which must be met for Incentive Pay Plan awards to be paid. The non-financial goals for the 2016 term shall be:

1.Small Business and WMBE Participation

- a. Increase small business contracting participation Port-wide, as defined by the U.S. Small Business Administration guidelines to 35%, including the sub-goal of a 50% increase (over 2015) of certified Washington State Office of Minority and Woman's Business Enterprises to 5.1%.
- b. Develop and ensure Port-wide implementation of a small and WMBE business participation scorecard that measures the Port's small and WMBE business participation and that will serve to guide and monitor efforts in all Port operating divisions and non-operating departments.
- c. By November 1, 2016, assess all Port efforts geared to promoting small and WMBE business participation and provide a scorecard to the Commission rating the effectiveness of each and providing specific recommendations for improvements for Commission consideration.

2.Customer Satisfaction and Public Engagement

- a. Quantitatively and qualitatively assess customer satisfaction of all segments of non-aviation customers to measure satisfaction with Port services and facilities; and identify specific areas for improvement.
- b. Improve aviation customer overall satisfaction, as measured by the Airport Service Quality (ASQ), from 4.07 to 4.13.
- c. Assess within our jurisdiction public and other local government understanding of the Port and our role in the regional and local economy.
- d. By November 1, 2016, provide a report to the Commission that includes:
 - i. Benchmarks for future goal setting to improve satisfaction with Port services and facilities.
 - ii. Strategies to improve the ASQ.
 - iii. High impact actions and programs to improve public and other local government understanding of the Port and our role in the regional and local economy

3.Environmental Stewardship

- a. Develop and ensure Port-wide implementation of an environmental scorecard that measures the Port's environmental footprint and that will serve to guide and monitor reduction efforts in all Port operating divisions and non-operating departments.
 - b. By November 1, 2016, assess potential opportunities for increasing the use of renewable energy and reducing greenhouse gas emissions at Port owned facilities and report findings and recommendations to the Commission for consideration.
- iv. Consistent with the General Delegation of Authority and the employment agreement with the CEO, the Commission shall review and evaluate the performance of the CEO. Such evaluation shall set the participation of CEO in the incentive pay program.
 - v. Consistent with the General Delegation of Authority, the Commission shall provide input to the CEO regarding performance of those employees that report directly to the CEO for the CEO's benefit in rating the performance of the CEO's direct reports. Such input shall be provided in executive session no later than the first Commission meeting in February 2017.
 - vi. For the 2016 performance term, the total incentive pay plan payout to all eligible employees shall not exceed \$5,000,000.

- vii. Additional details regarding eligibility, funding, payout calculations and other aspects of the Incentive Pay Plan are described in Port policy, HR-21 – Pay Administration and the Incentive Pay Plan Document. These documents shall be available to employees before the plan term begins so employees are fully aware of the Incentive Pay Plan and potential awards before the commencement of the plan term.
- viii. The Port’s financial results, performance relative to the Incentive Pay Plan goals, plan funding, total estimated incentive pay awards, and actual distribution of employee performance ratings relative to the guided rating distribution shall be reported to the Port Commission before any earned awards are paid to eligible employees.
- ix. The CEO shall report to Port Commission the progress toward incentive pay plan goals in August.
- x. This amendment is effective immediately upon passage and the Incentive Pay Plan will become effective June 1, 2016.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting thereof, held this _____ day of _____, 2016, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

Port Commission