

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	<u>6c</u>
Date of Meeting	<u>November 23, 2009</u>

DATE: November 13, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Tammy Woodard, Sr. Manager, Total Compensation

SUBJECT: Resolution No. 3633, Second Reading and Final Passage.
2010 Salary and Benefit Resolution

BACKGROUND

The Salary and Benefit Resolution delegates authority from the Commission to the Chief Executive Officer to direct the administration of compensation and benefits for non-represented employees. The purpose of these programs is to ensure that the Port's pay and benefit programs are competitive with the labor market and support retention and attraction of capable staff committed to achieving the Port's mission.

AMENDMENTS SINCE FIRST READING

Based on comments and suggestions provided by Commissioners at first reading of the 2010 Salary and Benefit Resolution, the Resolution has been amended as follows:

Section I.

This section has been amended to stipulate that changes to the Chief Executive Officer's pay or salary range adopted by Commissioners in open session would prevail over any similar and contradicting terms or conditions contained in the Resolution.

Section VI.B.

This section is updated to give Commissioners discretion in determining the salary range for the Chief Executive Officer. The resolution previously granted discretion to the Commission in determining pay for the Chief Executive Officer.

Section IX.

This section is amended to refer to *Special Programs* rather than only the Voluntary Separation Program. The section is further amended to authorize the Chief Executive Officer to establish and implement programs similar to the Voluntary Separation or Furlough Program as necessary to benefit the financial health of the Port.

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Exhibit A

The Exhibit is updated to reflect increases to the ranges for Police and Fire Chiefs, Deputy Chiefs and Assistant Chiefs. The increases to these ranges maintain an established differential between the ranges for chiefs and represented employees in the Police and Fire Departments.

PROPOSED CHANGES

There are very few substantive changes from the 2009 resolution. Most changes are made to clarify sections of the resolution that have generated questions throughout the year. Noteworthy revisions to the resolution include:

III.A. Salary Ranges: We recommend no increase to salary ranges for 2010. At the beginning of the Port's 2010 budget cycle, we recommended a 1.5% salary range increase. However, due to budget constraints and the current economic environment no increase is recommended at this time. Maintaining the current range structure through 2010 could present retention and hiring challenges if hiring activities in the local labor market increase substantially before the end of 2010 as increases in hiring activities are often accompanied by an upward pressure on actual pay levels.

Salaries of the Port's non-represented employees fall within a graded salary range structure. These ranges do not tie an employee's pay to a specific step or rate as many other public employers' structures and some of the Port's represented structures do. Rather, the ranges provide the framework for non-represented employees' salaries. Most public employers increase salary ranges based on changes in the Consumer Price Index (CPI) and their employees receive a Cost of Living (COLA) pay increase equal to the range increase. In addition to the COLA increase some public employers also provide automatic annual step increases. Non-represented employees at the Port earn performance-based pay increases and rarely receive automatic increases.

Each year, the compensation staff reviews and analyzes data from various salary surveys to determine how our pay ranges compare to average market pay rates. This analysis is the basis for adjustments to the Port's ranges. This is different than the CPI change approach most public employers use. This year, our analysis of the labor market indicates the Port's salary ranges are an average of 1.2% below market.

In addition to the customary annual market pricing analysis that market prices all non-represented jobs as one group, we also market priced exempt and non-exempt jobs separately. We market priced exempt jobs on an annual basis and converted salary survey data to an hourly basis (based on a standard 40 hour work week) and market priced non-exempt jobs on an hourly basis. That analysis revealed that the Port is 1.1% below market for exempt jobs (not eligible for overtime pay) and 6.2% above market for non-exempt jobs (eligible for overtime pay). A one year study is not sufficient to determine what, if any, action is needed to close the gap between

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the market and the Port's pay for non-exempt jobs. We will again evaluate the comparisons to market next year using the processes developed this year and may recommend changes in 2011.

X. ADMINISTRATION OF RETIREE MEDICAL AND RETIREE LIFE BENEFIT PROGRAMS

This new section is being added to document the existing practice of providing medical and life insurance benefits to employees who retire from the Port of Seattle and who meet the eligibility requirements specified in this section. It also provides documentation that retirees will be responsible for paying 100% of the retiree medical premiums beginning January 1, 2010. This section also defines the eligibility requirements for Commissioners who can be enrolled in these plans. Because retirees will be paying the full cost of their coverage, the Port's OPEB liability related to retiree medical benefits will be eliminated.

II.A. Salary Ranges: Exhibit A is attached to the Salary and Benefit Resolution and is a schedule of authorized non-represented job titles. Though Salary Ranges require the approval of Commission or the Chief Executive Officer; amendments to Exhibit A do not require this level of approval. Exhibit A is amended and published quarterly by Human Resources and Development to reflect the outcomes of on-going job evaluation work.

REQUESTED ACTION

Approval of Resolution No. 3633; Second Reading and Final Passage, 2010 Salary and Benefit Resolution.