MINUTES OF HUMAN RESOURCES COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

March 10, 2003

Pursuant to notice given to *The Register-Guard* for publication on March 7, 2003, and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Human Resources Committee was held at 3:30 p.m. on Monday, March 10, 2003, in the District's conference room at 3500 E. 17th Avenue, Eugene.

Present:

Gerry Gaydos, Chair
Susan Ban
David Gant
Jo Sullivan, Recording Secretary/Clerk of the Board
Ken Hamm, General Manager
Mark Pangborn, Assistant General Manager
Dave Dickman, Director of Human Resources and Risk Management
Diane Hellekson, Director of Finance and Information Technology

CALL TO ORDER: The meeting was called to order at 3:40 p.m. by Committee Chair Gerry Gaydos.

DISCUSSION AND RECOMMENDATIONS: The Committee discussed the following topics:

1. Pension Matters for Future Board Action
2. Administrative Staff Compensation Recommendation
3. General Manager's Employment Agreement
4. Committee Charge

Pension Matters for Future Board Action: Trust attorney Everett Moreland was present for this discussion. Mr. Dickman and Mr. Moreland explained that currently the LTD Salaried Retirement Plan and LTD/ATU Pension Plan trustees were individuals who worked as fiduciaries and did not act for LTD. If a claim were made against them, it truly would be against them and not against LTD. Mr. Moreland stated that the goal was to shift the responsibility to LTD and the ATU as much as possible so that they would act through their officers (trustees). Several issues would have to be reviewed to make sure this would work, and the Board would have to be willing to say that LTD was willing to work as the trustee and be responsible. He was not at the point where he would make a final recommendation, but this would require Board action in the future, possibly by the May 21, 2003, Board meeting.

Mr. Gaydos asked Mr. Moreland to bring this back to the HR Committee after a risk assessment was completed. Mr. Dickman said that he was researching District-wide indemnity policy to see if any part of this risk was covered there. Mr. Moreland also was asking District counsel if there were unintended consequences of making LTD the trustee, such as public purchasing requirements and open meetings laws. Mr. Gaydos asked, if this plan did not work, whether there was something else LTD could do, such as an indemnity agreement that could be insured. He wanted to find a way to indemnify the trustees and said that he would appreciate more information to figure out how to solve this problem. Mr. Dickman said that LTD could elect to do this for the Salaried Retirement Plan even if the ATU plan did not make this change.

This issue was to be brought back to the HR Committee for discussion before going to the full Board for a decision.

General Manager Employment Contract: Mr. Gaydos asked Mr. Moreland about the vesting issue raised by Mr. Hamm. Mr. Moreland discussed his written opinion dated March 3, 2003. It was his opinion that it would be possible to allow Mr. Hamm's retirement plan to vest earlier than the current five-year waiting period. He recommended that LTD submit this amendment the IRS to see if they disagreed, and said that it could be up to a year before LTD received a response.

Mr. Moreland left at this point in the meeting.

Mr. Gaydos said that he, LTD counsel, and Mr. Hamm had worked on the draft employment agreement. One discrepancy that evidently Mr. Hamm and Board President Hillary Wylie had discussed when Mr. Hamm was hired was that Mr. Hamm believed that after one year he would be fully vested in the retirement plan. However, he said that if it involved a large cost to the District, it was not that important to him. Mr. Gaydos said that although nothing was written in Mr. Hamm's letter of agreement with the Board, the Committee should make a good faith effort to look into this issue. Since the District already had spent the money to have an opinion of counsel regarding this question, it should not be that hard to write the letter to the IRS suggested by Mr. Moreland. Mr. Gant said that this change would cost LTD money only if Mr. Hamm left the District before the normal five-year vesting period.

Mr. Gant said he wanted to know about the three-to-five-year vesting issue anyway, because he would be in favor of vesting employees immediately. He thought there should be ways to keep people at LTD rather than holding vesting to five years.

The committee briefly discussed whether allowing Mr. Hamm to be vested earlier than other employees would cause a negative cultural impact. Mr. Hamm reiterated that since he had been at LTD three years, this was not as big an issue for him as it had been. He said he would rather have the contract completed than hold it up worrying about this issue.

There also was some discussion about Mr. Hamm's starting date. Mr. Gaydos explained that there were two periods when Mr. Hamm was paid as a temporary general manager while he was still employed in Washington before he was permanently hired, and that LTD believed his hire date to be March 27, 2000. Mr. Hamm, however, believed that his LTD start date was March 1. The date was only important if vesting began on the anniversary date. However, this was not the case at LTD; rather, vesting was based on either January 1 or June 1, whichever came first, five years after the date of hire. Mr. Gaydos believed that the date of hire should be the day Mr. Hamm started work when not on temporary assignment. This date, however, was not important to the issue of the employment agreement.

Mr. Hamm said that he had a basic agreement that he was happy with. Mr. Gaydos asked him to let the Committee know before the agreement went to the full Board if there was anything else that would be triggered by the start date. If not, then the March 27 date would stand.

Administrative Staff Compensation: The Committee heard the history of administrative staff compensation decisions and discussed a staff recommendation for FY 2003-04 administrative staff compensation. An Economic Research Institute (ERI) benchmark analysis for next fiscal year was prepared in January 2003, in order to determine the market comparativeness of LTD's pay plan as a whole. Based on this analysis and additional cost-of-living information from comparable neighboring and regional jurisdictions, a 2 percent adjustment to the pay plan for administrative employees had been recommended by staff for FY 2003-04.

It was explained that administrative staff members received performance evaluations on an annual basis. Staff who were not at the top of their pay scales were eligible for a percentage increase based on merit. In the past, staff could receive up to a 6 percent merit increase for exceptional performance. In FY 2002-03, merit increases were limited to 3 percent for fiscal reasons. This year, the District's Leadership Council recommended increasing the maximum to 5 percent. The Leadership Council's primary concern was that since a majority of the District's administrative employees already were at maximum pay in their ranges, the fiscal implications of this recommendation were slight and tended to affect only the newest employees of the District. This would require a change to current policy.

Mr. Gaydos said that part of this issue was for the Committee to decide what to do in the future, and what was the appropriate cycle to keep up with the market. The Committee was not interested in controlling the process; rather, the Committee needed to know how things were working and when it was appropriate to set policies. Policy issues might include the percentage allowed for merit increases or how often to do a market study, but not to determine things like whether ERI was the correct method, etc. Mr. Dickman said that a general "rule of thumb" was to perform a salary study every eight to ten years, depending on what the market had done. Sometimes certain parts of the market changed more than others, causing pressure to make internal changes, as LTD had done in the past with IT positions. However, in periods of low inflation, he did not think it made sense to do a market study, and he did not think it was healthy for an organization to undergo salary studies every three to five years, because of the internal market values in addition to the external market values. He explained that a salary study looked at external issues, and LTD made adjustments based on internal equity, comparable worth, etc.

Instead, LTD had tied itself to a benchmark position study, and Mr. Dickman recommended keeping to that plan. When the ERI model was introduced at LTD, it had been discussed with the Employee Council. He thought that employees considered it to be a fair methodology. In the current ERI model, thirty positions were represented in the benchmark study, showing a trend of an increase of 2.1 percent in the market.

Mr. Dickman explained that at one point LTD had made a 3 percent adjustment to the retirement package rather than providing a salary increase, so a spreadsheet showed that the salaries had been adjusted by 3 percent for comparison purposes. At some point, he said, that would cease to have an impact on salaries.

Other materials showed cost-of-living adjustments from the region and an analysis of comparable positions in transit for LTD's top positions. The ERI study did not include executive positions because they were much different in the private sector.

Mr. Hamm asked that the Committee members let staff know how much information they needed on these kinds of issues. All agreed that the amount received for this meeting met their needs.

Staff's recommendation to the Committee was for a 2 percent increase to the salary schedule for administrative staff, and a merit increase maximum of 5 percent. Only 30 percent of administrative staff were not at the maximum rate for their positions, so the cost for merit increases would be relatively low.

Mr. Hamm noted that employees were beginning a process of updating their position requirements (job standards). One of the goals was for employees to better understand the salary model based on the requirements of the position.

Mr. Gaydos said he still was struggling with the question of periodic salary studies, noting that it had been five years, and he thought the market would change dramatically in ten years. Mr. Dickman said that some positions actually were out of line with the market, and Mr. Hamm warned that LTD would have to be prepared to back up any salary study results financially.

Ms. Hellekson said that the proposed 2 percent salary schedule increase would be included in the Long-Range Financial Plan to be presented to the Board Finance Committee and the Board. As a member of both committees, Mr. Gaydos could report to the Finance Committee that the HR Committee had reviewed the request. She said the committee did not need to make a motion on this issue.

Mr. Gaydos said that there still were some negatives on the horizon, and that 2 percent might not feel good if the District had to put more money in paratransit service or cut other services. Ms. Hellekson said that LTD budget could handle this 2 percent increase without big consequences. She said there were a number of uncertainties for the following year, and that there had not been a noticeable drop in payroll tax revenues. In fact, if LTD had not lost the PeaceHealth tax revenues, the payroll tax would be 2 percent ahead of the previous year.

Committee Charge: The HR Committee briefly discussed a "committee charge," outlining in a general way the responsibilities and areas of involvement for the committee. The four main areas of responsibility of the Committee were: administrative staff compensation and benefits; general manager performance evaluation and compensation; employee retirement plans; and labor relations oversight. Labor relations had been added to the committee's charge at the February 19, 2003, Board meeting. Ms. Ban mentioned that the HR Committee previously had expressed some interest in the organizational culture/workplace environment, to make sure those were aligned with the District's vision and mission. Mr. Dickman suggested adding some language from the Oregon Revised Statutes regarding the Board establishing a personnel administration system. He also suggested some language regarding general policy oversight, to make sure policies and treatment were consistent.

A draft of the committee charge would be reviewed at the next HR Committee meeting, and then taken to the full Board for approval at a later meeting, possibly in April 2003.

EXECUTIVE SESSION PURSUANT TO ORS 192.660(1)(a): Mr. Gaydos moved, seconded by Ms. Ban, that the Committee meet in executive session pursuant to ORS 192.660(1)(a), to consider the employment of a public officer, employee, staff member, or individual agent. The motion carried unanimously, and the executive session began at 5:15 p.m. The Committee moved out of executive session at 5:45 p.m.

NEXT MEETING/ADJOURNMENT: The Committee scheduled its next meeting for Monday, March 31, 2003, at 3:30 p.m. at LTD. The meeting was adjourned at 5:45 p.m.

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Recording Secretary