

MINUTES OF COMPENSATION COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

November 4, 1997

Pursuant to notice given to the *Register-Guard* for publication on November 3, 1997, and distributed to persons on the mailing list of the District, the Compensation Committee of the Lane Transit District Board of Directors met on Tuesday, November 4 1997, at 7:30 a.m. in the District conference room at 3500 E. 17th Avenue, Eugene.

Present: Rob Bennett, Chairman, presiding
Mary Murphy
Roger Saydack
Phyllis Loobey, General Manager
Mark Pangborn, Assistant General Manager
Diane Hellekson, Finance Manager
Ed Rutledge, Human Resources Manager
Jo Sullivan, Recording Secretary

Absent: ---

CALL TO ORDER: Mr. Bennett called the meeting to order at 7:35 a.m. and noted that the basic agenda was to continue the discussion of the compensation study report.

Mr. Rutledge explained that consultant Ross Ardrey had added some properties in order to obtain additional matches, and declared a plus or minus 5 percent reliability for the whole study. He also broke out companies with more or fewer than 400 employees into two groups. This distinction had been made because the committee had asked about a comparison with the smaller employers, because LTD ranges around 310 employees now. It was Mr. Rutledge's understanding that there was not a plus or minus 5 percent reliability for that section only (under 400 employees) because there may not have been enough matches in that group.

Mr. Bennett asked if there was some evidence through previous studies that positions change in the larger organizations. Mr. Rutledge replied that this depended on the position. In some cases, such as in Human Resources, for instance, there could be more employees reporting to a position, and there may be a bigger budget and more regulations to follow. On the other hand, that position probably would not have as much day-to-day contact with the employees. He stated that there may be a pretty good match in some duties, but if he made a mistake, the overall cost impact was not as high as it would be at Tri-Met in Portland. The LTD and Tri-Met HR Manager positions were not considered a match because Risk & Safety did not report to the Tri-Met manager.

Mr. Saydack noted that there were not transit matches for many of LTD's management positions. Mr. Rutledge used the example of LTD's assistant general manager position, saying that there was no position that seemed to match this position. Salem Area Transit and

several other organizations have a general manager and some department managers, but nothing in-between. He thought that the assistant general manager might be compared with a deputy superintendent of a large school district. C-TRAN in Vancouver, Washington, had a smaller number of employees and buses, but a bigger budget. Tri-Met had an assistant general manager in the past, but had eliminated that position. As another example, he said that the LTD facility manager had more responsibility than Salem's position, and much less than Tri-Met, with Tri-Met's huge capital projects.

Mr. Bennett said it concerned him a little that the study was trying to do matches based on specific day-to-day responsibilities at any given time. He wondered if the study couldn't lean more heavily on the size of the organization and the skill level necessary to get into that position. He realized that was more subjective, but he wondered if that might give LTD a better sense of the comparisons. He stated that in the private sector, employers did not try to compete with Portland, because there was a different set of cost of living issues, with a very different market and economy. He thought that in the majority of instances, the people who wanted to be in Eugene had their reasons, and employers looked at that pool and did not compete with Portland. He said he would argue that the size of the firm did make a difference, and that as the firms get larger, there may be matches in terms of qualifications and skill levels for a job, but exposure in that job is significantly larger and a very different risk position.

Mr. Saydack wanted to react to a couple of things Mr. Bennett had said. Mr. Saydack said that this survey was different than would be done in the private sector; different information would be looked at in a different fashion. He was glad to see that there were some transit districts of comparable size for the overall survey, but he was disappointed that they were not included in the analysis for purposes of matching. He said that if this were being done in the private sector it would have in the front of it the compensation information on people who were not matches. The private sector would want to know that to help make decisions. He said it would help to understand what that level of responsibility was being compensated at.

Mr. Saydack said that when talking about competing with Portland and the differences between Portland and Salem, Portland is the place LTD really can't compete with. There is a \$15,000 difference between Portland and Salem for a transit planner. He said that LTD would have to pay a person who could go to Portland \$55,000 to keep him or her in Eugene, so would not keep that person with \$48,000. He thought that LTD's market was the under-400-employee transit systems, so LTD needed more information on what those transit systems were paying. For other positions, such as the general manager, the market was broader. He stated that when using the private sector as a model, this kind of salary structure would not be the way it would be done, because some information was not comparable.

Mr. Rutledge responded to Mr. Bennett that qualitative judgments had been made. He stated that Mr. Ardrey would admit that he made subjective judgments when declaring matches, but also would say that this is what he does for a living, so feels secure about these judgments. Regarding compensation in Portland, he reminded the committee that where there were matches, the figures represented the average of a number of different employers. Some were local, some were public, and some were private. The overall survey average included all

matches, of which most were from the local area. The out-of-town matches basically were matches at transit properties.

Mr. Bennett stated that going out of town was dangerous, except in specific categories of jobs if similarities were found in communities. He said he would be inclined to look more at Bremerton, Washington, than at Portland. In a sense, he said, LTD does compete with Portland, but in the sense that people want to live here. Mr. Rutledge said that it was correct that in some positions, LTD did not compete in the larger pool.

Ms. Murphy said that as LTD compared locally, both public and private, it should keep in mind that with the ballot measures, there had been a lot of downsizing in management jobs. She said that Gino Grimaldi in the City of Springfield was like LTD's assistant general manager position. For the graphic artist, she said, a lot of public and private agencies out-sourced that function and did not have one on staff. Some jobs required additional responsibilities and liabilities, and she thought that looking at the job that was accomplished was important, as well as looking at the dollars and cents. She commented on the lifestyle and quality of life in this area and people's ability to move in our culture, or to choose to stay in the community at an organization with a long-term vision and responsible reputation in the community. Referring again to the downsizing in the community, she mentioned that the Lane Council of Governments (LCOG) paid higher, but job stability was not present. She thought that LTD's leadership and stability spoke highly of LTD.

Mr. Bennett asked if the committee needed more information. At some point, he said, they would need to make a choice regarding the range and number of employees. He asked if they could cross and match with different positions, or if that was an either/or situation, and whether out of that would come the range. He said that the committee had the staff recommendation and the administrative cost comparisons.

Ms. Murphy asked how the manager salary structure and midpoint evolved. Mr. Rutledge said that LTD had a number of managers who were not at the same level on the salary structure. He believed that over the years, manager-level positions were put under the previous structure at the same level no matter what they managed. As a result of the reorganization, some positions were made manager-level positions, but the compensation was not transferred (such as in IS and Facility Services). Mr. Ardrey had been concerned about the impact of compensating all managers at the same level, which to him was not a rational system, and had recommended not doing so. Ms. Loobey said that the current system was the result of many studies over the years as LTD grew and created new positions and tried to determine where the levels of responsibilities were. That system had worked for LTD at the time, and previous consultants did not suggest changing it. Now LTD was at a size where those distinctions were more important than they had been in the past, and now the private-sector data bolstered that recommendation.

Ms. Murphy questioned the recruiting pool. Mr. Rutledge explained that openings for bus operator positions were becoming more aggressive. For a Facility Maintenance position, staff were concerned about another company paying \$2 per hour more for a generalist and LTD only receiving 24 applications and interviewing two. He said that LTD was reaching into

the marginally-employable pool, where people were less literate and had lower-developed skills. He said that was a result of 4 percent to 5 percent unemployment.

Mr. Saydack thought that LTD should use the study as a starting point, not the ending point. He thought the transit operations manager had substantial responsibilities and should be compensated accordingly within the organization. There were only two matches, one in Salem and one in Portland, with a \$25,000 difference between the two, based on their sizes. The average of \$63,232 would not allow LTD to hire a Portland person. However, that salary needed to fit within LTD's overall structure in a way that was fair. He then noted some suggested midpoints in Attachment B of Ms. Loobey's letter (assistant general manager - \$75,000; finance manager - \$70,000; IS manager - \$65,000; planning and development manager - \$65,000; **TM and FM (facility?)** - \$61,000). He suggested that LTD should only use the study as a starting point for analysis, and look at where the salary should be if that person needed to be replaced with a fully-qualified replacement in the future. He suspected that the salaries were suggested where they were because of the matches and not based on their value to the organization. Where there were five matches, he thought there was highly reliable market information, and then LTD should consider also the value to the organization (more or less) and make a determination. He did not think LTD should be tied to the survey numbers. He said he had no problem with an intuitive "plug in" of the assistant general manager's salary, since there were no matches. He thought LTD did not need to support that with a literal interpretation of the numbers if it was based on relative value and placement. He thought there should be justification beyond just the numbers.

Mr. Bennett said that generally the people who do make those decisions would be the top management people, and Mr. Saydack thought that the committee could not make them. Mr. Bennett thought that companies such as HMT and Sony would not have ranges. Mr. Rutledge explained that they actually did have ranges. The very large organizations, such as Sony, not only had local salary ranges; they also had national ranges, in addition to other incentives, in order to have a methodology to plug people into salaries.

Mr. Bennett asked if LTD needed a range because it was a public agency. Mr. Rutledge replied that LTD also needed a system with ranges because when outside people ask, they can be shown a system with some rationale. If there were none, LTD get into trouble like in the Springfield School District. He said that ranges and positions protected the District from rights-based litigation.

Mr. Saydack said he was suggesting that in any case where there were only two matches that were widely disparate, the District needed to make an independent analysis of the positions in this organization.