

Ordinance No. 119705

Council Bill No. 112931

AN ORDINANCE adding a new Seattle Municipal Code Section 4.20.390, Manager and Strategic Advisor Compensation Program; and repealing Seattle Municipal Code Sections 4.20.400, Manager Compensation Program—Description, and 4.20.420, Strategic Advisor Compensation Program—Description.

CF No. _____

Date Introduced: 10-4-99		
Date 1st Reading: 10-4-99	For (committee): Finance & Budget	
Date 2nd Reading:	For (committee):	
Date 3rd Reading:	For (committee):	
Date of Final Passage: 10-11-99	Full Council Vote: 9-0	
Date Presented to Mayor: 10-13-99	Date Approved: 10/11/99	
Date Referred to City Clerk: 10/19/99	Date Published:	Y.O. <input type="checkbox"/> P.T. <input checked="" type="checkbox"/>
Date Voted by Mayor:	Date Vote Published:	
Date Passed Over Vote:	Vote Overridden:	

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by _____

Committee



10/6/99 passed at Council 9-0 (1st time)
10-11-99

Martha Chase

10-11-99 Full Council: 9-0
(No Page Len)

This file is complete and ready for presentation to Full Council

Law Department

Law Dept. Review

OMP Review

City Clerk Review

ORDINANCE 119705

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AN ORDINANCE adding a new Seattle Municipal Code Section 4.20.390, Manager and Strategic Advisor Compensation Program; and repealing Seattle Municipal Code Sections 4.20.400, Manager Compensation Program—Description, and 4.20.420, Strategic Advisor Compensation Program—Description.

WHEREAS the Manager and Strategic Advisor Compensation Program was adopted in November 1997 for implementation in 1998, with the understanding that the Program would be formally evaluated to ensure its continued viability as a pay strategy; and

WHEREAS, the City contracted with a consulting firm in 1999 to evaluate the program, including how well the program was received and understood by program participants; and

WHEREAS, the evaluation and subsequent discussions between the Mayor, the City Council and department heads concluded that revisions to the program's design relative to overall spending, base salary-setting, and the variable performance pay component will improve its sustainability and ensure greater consistency of application across departments;

NOW THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. There is hereby added to Seattle Municipal Code Chapter 4.20 a new section, 4.20.390, **Manager and Strategic Advisor Compensation Program**, as follows:

A. There is established a Manager and Strategic Advisor Compensation Program under which positions allocated to "Manager" and "Strategic Advisor" shall be compensated. The Personnel Director is authorized to implement and administer the Manager and Strategic Advisor Compensation Program substantially in accord with the APEX, Managers and Strategic Advisors Plan Design, which is incorporated by this reference, and any subsequent revisions thereto that are approved by the Mayor and the City Council. The Personnel Director shall allocate positions into and out of Manager and Strategic Advisor in accordance with established rules and procedures.



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1 B. The salary structure for the Manager and Strategic Advisor Compensation
2 Program shall consist of one (1) pay band with three (3) sub-bands, or pay zones. Pay zone
3 assignment shall constitute the classification for all relevant provisions of the Seattle
4 Municipal Code and the Personnel Rules. Where occupational groups have been designated,
5 the occupational group shall constitute the class series. The appointing authority shall have
6 the discretion to set and/or modify base salary anywhere within the recommended pay zone
7 for any Manager or Strategic Advisor under his or her direction, within formal budget and
8 spending limits established by the Mayor and the City Council. The Personnel Director
9 shall recommend to the City Council for approval market adjustments to the salary structure
10 based on a biennial labor market analysis of selected representative classifications. The
11 appointing authority shall determine whether position incumbents shall receive a base salary
12 increase to reflect any or all of the approved market adjustment; provided, that no Manager
13 or Strategic Advisor shall be eligible for such an adjustment if his or her performance in the
14 most recent evaluation cycle failed to be described as "satisfactory" or better. Other
15 adjustments to base salaries must be made in accordance with Program Guidelines and
16 within budget and spending guidelines.

17
18 C. The Personnel Director will establish performance recognition guidelines for
19 the Manager and Strategic Advisor Compensation Program. The appointing authority may
20 award to a Manager or Strategic Advisor under his or her direction a lump sum payment of
21 up to eight percent (8%) of base salary, in addition to base salary, for recognition of the
22 accomplishment of goals and work outcomes at the completion of an annual evaluation
23 period. Any lump sum payment made pursuant to this section shall be considered a part of
24 regular compensation, prorated annually, for purposes of withholding retirement
25 contributions and calculating retirement benefits for affected employees who are members of
26 the City Employees Retirement System.

27
28 Section 2. A limit on each department's overall spending for 1999 and 2000 for
29 the Manager and Strategic Advisor Program is hereby established as 106% of baseline
30 salaries for each year. This will be done by establishing actual annual baseline salary costs
31 as of the last pay period of 1998, including adjustments for vacant positions and for

1 positions added to the program during 1999; adding an annual allowance of four percent
2 (4%) of the baseline salary costs for base salary increases, including any approved market
3 adjustments; and adding an annual allowance of two percent (2%) of the baseline salary
4 costs for variable performance pay. These limits shall apply to each department's overall
5 spending for the combined Manager and Strategic Advisor Program and the Accountability
6 Pay for Executives Program. The Personnel Director may approve, if necessary and
7 appropriate, properly documented exceptions to the spending limits for unanticipated
8 retention or hiring costs, for small departments, and for base salary commitments made prior
9 to this legislation. Department heads are hereby directed to report annual baseline salary
10 data as of the last pay period for 1998 for Manager and Strategic Advisor Program
11 participants to the Personnel Director by November 15, 1999 and by February 1st each year
12 thereafter for the last pay period of the previous year, in accordance with procedures
13 established by the Personnel Director.

14 Section 3. Seattle Municipal Code Section 4.20.400, Ordinance 118783, is hereby
15 repealed.

16 Section 4. Seattle Municipal Code Section 4.20.420, Ordinance 118775, is hereby
17 repealed.

18 Section 5. Any acts made consistent with the authority and prior to the effective date
19 of this ordinance are hereby ratified and confirmed.

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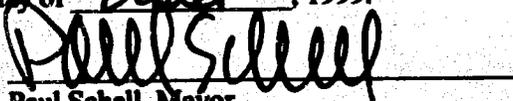
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2 Section 6. This ordinance shall take effect and be in force thirty (30) days from
3 and after its approval by the Mayor, but if not approved and returned by the Mayor within
4 ten (10) days after presentation, it shall take effect as provided by Municipal Code Section
5 1.04.020.

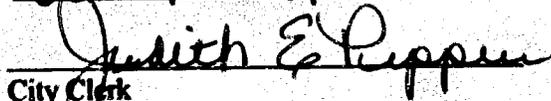
6 Passed by the City Council the 11th day of October, 1999, and signed by
7 me in open session in authentication of its passage this 11th day of October,
8 1999.

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10 
11 President of the City Council

12 Approved by me this 19th day of October, 1999.

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14 
15 Paul Schell, Mayor

16 Filed by me this 19th day of October, 1999.

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18 
19 City Clerk

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21 (SEAL)
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**REPORT: 10/6/99 FINANCE & BUDGET COMMITTEE
CHANGES TO THE "APEX/SAMS" PAY SYSTEM FOR CITY
EXECUTIVES, STRATEGIC ADVISORS AND MANAGERS**

Prepared by Mary Denzel, 10-7-99

Issue	Adopted/Amended version	Vote
Spending limit	Limit spending to 106% of base pay as of last pay period 1998. Max. 4% for base pay increases. Max 2% as spending limit for bonuses.	4-0
Implementing strategy for 1999	Implement % cap retroactive to last pay period in 1998, but allow departments to request exceptions for base salary adjustments already awarded that exceed the 106% cap, and for retention problems.	3 - 0 - 1 MC JD TP RM
Who is eligible for bonuses?	Guideline of 40% of employees, (exceptional performers), with 15% eligible for large bonuses.	4-0
Maximum amount of bonus	8%. Consider additional levels of bonus in ongoing evaluation of the program.	4-0
Oversight	Include details on oversight and monitoring in the Plan Design adopted as part of this legislation.	4-0
CONSENT ITEMS		
Clarifying language	Clarify that 106% cap is to overall spending, not individual pay. Ensure that the 106% cap is clearly articulated in the legislation and the Plan Design. Clarify that market adjustments to pay will not be given to employees whose evaluation in the most recent evaluation cycle failed to be described as "satisfactory" or better. Delete language in Plan Design that says employees who "meet expected targets" are eligible for variable performance pay.	3 - 0 MC TP JD
Market Surveys	Stratify market surveys so we have data by occupational groups, and can apply different market adjustments to different groups as appropriate.	3-0
Adopt legislation as amended		3 - 0 - 1 MC JD TP RM



**Legislative Department
Seattle City Council
Memorandum**

**ANNOTATED WITH
COMMITTEE VOTES**

Date: October 7, 1999
To: Members, Finance and Budget Committee
From: Mary Denzel, Council Central Staff *MD*
Subject: APEX/SAMS Program Changes: Decision Agenda

Beginning in spring 1999, a task force Chaired by Deputy Mayor Maud Daudon has been working with a consultant to evaluate the new compensation program for the City's executives, managers, and strategic advisors, adopted in the fall of 1997.¹

One piece of information the task force was responding to was the fact that the average salary increase for this group as a whole was 11.4% in 1998 compared to 1997, including base pay increases and variable performance pay [VPP]. In addition, 93% of participants in the program received some VPP. Labor reacted unfavorably to this information because of perceived inequities with pay increases in the same period for represented employees. (It is difficult to do an apples-to-apples comparison, because the increases in the APEX/SAMS program would compare to all pay increases to represented employees including cost of living increases to base pay, reclassifications, step increases and overtime pay). One intention of the APEX/SAMS program was to establish a relationship between pay for this group and pay in the job markets in which we compete for these employees. However, there is always a tension between comparison to outside employers and comparison to other employees within the City system, (internal equity). The Labor representatives are pointing to perceived shifts in internal equity as a result of the APEX/SAMS program.

The Executive, working with Councilmember Choe, has developed several proposed changes to the APEX/SAMS program:

- Limit cost increases in 1999 and 2000 to 106% of the previous year's total actual salaries for the group.
- Within that 106%, allow 4% for base pay increases, and 2% as a budget for the VPP program. The VPP is currently budgeted at 4% of total salaries.
- Continue to assess the relationship of these positions to the market every two years, (in lieu of automatic COLAs of the old program). It is recommended that departments provide the market adjustment judiciously to assure that positions warrant a market increase and that employees who receive this market adjustment in 1999 and 2000 have had satisfactory performance.
- Establish a guideline, not a mandate, that VPP should be awarded to the top 40% of performers, to implement the goal of recognizing outstanding or exceptional performance.
- Limit the maximum bonus possible to 8% of salary. (Executives are currently eligible for 10%).

¹ Task Force members: Mayor's Office: Maud Daudon, Laurie Brown; ESD Personnel: Mike Schoeppach, Nancy Schaefer, Norma McKinney, Dean Barnes; CBO: Elaine Marklund; Department Heads: Dwight Dively, Gary Zarker, Virginia Anderson, Daryl Grigsby; Human Resources Managers: Wayne Sepolen, Joan Miller, Bill Kolden, Joanne Peterson; Law Department: Jack Johnson; City-wide: Curt Green, Sarah Welch; Legislative: Martha Choe, Jan Drago, Mary Denzel

The proposal before Council suggests implementing these spending restrictions in 1999 without changing the budgets for the affected departments. This will restrict spending in this program, but not necessarily the overall spending of departments.

I have identified six issue areas for discussion:

1. The amount of the spending limit to be imposed, and the methodology for imposing it
2. Legislating the suggested formal spending limits
3. The implementing strategy for 1999
4. The methodology for seeking market comparisons, and the relationship of the market adjustment to performance.
5. Who should be eligible for bonuses, and what should the maximum bonus be?
6. Continuing oversight

1. Options for Establishing Spending Limits for the Program

Spending limit Methodology	Issues/Considerations
<p>a) Original Program design</p> <ul style="list-style-type: none"> i) Midpoint of Zone for all positions in zone as budget for base pay ii) 4% of total salary budget for program as bonus pool (variable performance pay or VPP) iii) Funds from other sources can be used to cover costs of this program 	<p>↓ Allowed departments to "import" savings from other places in their budgets into this program.</p> <p>↓ Labor representatives protested the richness of this program, relative to the pay increases bargained for represented employees.</p> <p>↕ Allowed pay adjustments to positions that had not been assessed in many years, even decades. This is similar to a broad reclassification process. In making these adjustments in the first year, departments exceeded the expected costs for the program, averaging over 5% in VPP paid out and over 6% in base pay adjustments.</p> <p>↕ Extended considerable discretion to department heads for decisions that had previously been legislated and centrally controlled.</p>
<p>b) Executive Proposal</p> <ul style="list-style-type: none"> i) Actual salary as of last pay period 98 ii) 2.565% market adjustment for both 1999 and 2000 iii) 2% VPP cap iv) 6% cap on total program cost increases for 1999 over 1998 and for 2000 over 1999 v) departments that have difficulties with the retroactive application can appeal to the Personnel Director. vi) Savings from elsewhere in the budget cannot be used to increase payouts in this program. 	<p>↑ Imposes some spending constraints on the system.</p> <p>↑ Allows for 6% overall growth in salary costs per year, which covers market adjustments, job growth, and performance pay. This is similar to the average growth in pay in similar public sector agencies over the year.</p> <p>↑ Departments that are having particular recruitment problems can appeal to the Personnel Director for relief.</p> <p>↑ This resolves one complaint about the system from Labor representatives: that salary savings from vacancies in represented positions can be used to increase payouts to Executives.</p> <p>↕ The limited budget for VPP means meaningful bonuses can be given to very few employees.</p> <p>↕ By using actual salary as the base upon which % increases are given, departments who gave large increases early in the program are benefited out of proportion to those who designed a program with more gradual pay increases.</p>

	<p>↓ Does not allow for exceptions for retention problems (such as the recent modification to the signal electricians in SEATRAN that were being hired away by City Light).</p> <p>↓ Making this adjustment back to 1-1-99 at such a late date in the year could cause difficulties to departments that have made spending decisions, or assurances to staff, based on the current program design.</p>
<p>c) Alternative One</p> <p>i) Actual salary as of 1-1-99</p> <p>ii) 2.565% market adjustment</p> <p>iii) <u>3% VPP cap</u></p> <p>iv) 107% overall cap</p> <p>1% of total salary for this 600-member group is estimated at \$425,000, about half of it General Fund. However, this amount would not be added to department budgets. CBO's plan is to hold departments to the established spending cap, and to recoup some savings from General Fund departments in the salary settlement process. For 1999 in particular, this will be negotiated department by department.</p>	<p>↑ Given the difficulty some departments are having recruiting and retaining staff in certain positions, a higher compensation level for this program may be needed. Some feel 6% is not enough for the City to compete for and retain top performers.</p> <p>↓ If the cap is not established, the funds budgeted for the program are likely to be spent, whether or not there are recruitment or retention problems.</p> <p>↓ This contributes to the perception, if not the reality, of unfair disparity in pay for this group compared to represented employees. (this perceived disparity does not factor in overtime pay to represented employees).</p> <p>↓ Adding to the VPP budget is not as effective in recruiting and retaining employees as adding to base pay.</p>
<p>d) Alternative Two:</p> <p>i) Actual salary</p> <p>ii) 2.565% market adjustment</p> <p>iii) 2% VPP cap</p> <p>iv) <u>107% total cap. (providing more \$ for the base pay budget)</u></p>	<p>↑ Additional spending authority is needed to assist departments in recruiting and retaining personnel in this program.</p> <p>↑ Adding a percent to the base pay is the most effective way to improve recruiting and retention.</p> <p>↓ If the cap is not imposed, it is likely to be spent, regardless of whether there are legitimate recruiting and retention problems.</p>
<p>e) Option b) plus more room for exceptions for unanticipated retention costs and for base salary commitments made prior to this legislation.</p>	<p>↑ Allows more flexibility to 106% cap</p> <p>↓ If not judiciously applied, could result in "unexpected" cost overruns.</p>
<p>COMMITTEE VOTE: OPTION e)</p>	<p>VOTE 4-0</p>

It is unclear if the Executive proposal is intended to limit *individual* pay increases to 106% of the previous year's salary, or if this spending limit is meant only to apply to the overall spending for the program in each department, (in which case some individuals may be given more than 106%).

<p>Clarify language in Plan Design and legislation</p>	<p>COMMITTEE VOTE, CONSENT ITEM 3-0</p>
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2. Communicating Formal Spending Limits in the Plan Design

The proposed legislation says:

The appointing authority shall have the discretion to set and/or modify base salary anywhere within the recommended pay zone for any Manager or Strategic Advisor under his or her direction, within formal budgetary limits established by the Mayor and the City Council.

The language above that refers to "budgetary" limits should be modified to read "spending" limits. Budget does not equal spending. CBO does not intend to change budget authority in 1999 or 2000 for this program, but instead to impose spending limits on departments. If there are savings generated by this process, CBO intends to recoup them in the salary settlement process with General Fund Departments.

The original "APEX, Managers and Strategic Advisors Proposal" referenced in the legislation adopting the program was silent on the issue of budgeting and spending on the program. However, training materials used for the program, (cf. "Questions and Answers from Variable Performance Pay Training, October 27, 28, and 29, 1997) state clearly that departments may use "funds from other sources, such as salary savings" to cover the actual costs of the program. Staff recommends that Council establish the firmer spending limits for the program either in the Plan Design, (the "APEX, Managers and Strategic Advisors Proposal"), or in the legislation adopting the program.

Establish the firm spending limits in the "APEX, Managers and Strategic Advisors Plan Design"	COMMITTEE VOTE, CONSENT ITEM 3-0
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3. Implementation strategy for 1999.

The following table compares the existing spending strategy with the proposed new spending strategy.

Old methodology	New Methodology
<ul style="list-style-type: none"> Midpoint of the zone for base budget - (see table below, from the 1998 Annual Report on the program, for the relationship of department's actual base pay relative to midpoint) Midpoint should have been figured in the budgets for 99 and 00 to include a 2.565% increase over 98 figures each year. 4% of estimated total salary for VPP Departments were allowed to import budget savings into this program from elsewhere in their budgets. CBO allowed adjustments for small departments, and also made allowance for this being the first year implementing a new compensation program, (which typically results in a "bump" in base pay as these positions are reevaluated on a broad basis) 	<p>Actual salary ("rewards" those departments who paid, on average, above midpoint)</p> <p>+2.565 (some departments awarded the 2.565 to take effect first pay period 99. Others may not have. This unfairly impacts those who didn't award it right away).</p> <p>+2% for VPP</p>

APEX/SAMS 1998 PAY IN RELATION TO MIDPOINT (Small Departments in bold)			
Arts Commission	110%	Fire	98%
City Light	101%	Housing & Human Services	98%
Construction & Land Use	104%	Municipal Court	103%
Civil Service Commission		Parks	105%
Neighborhoods	93%	Planning Commission	105%
Executive Services	104%	Police	100%
Office for Civil Rights	109%	Public Safety Civil Service Commission	110%
Office of Economic Development	100%	Retirement Office	115%
Intergovernmental Relations	101%	Seattle Center	104%

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Mayor's Office	101%	SEATRAN	102%
Strategic Planning Office	88%	Seattle Public Utilities	105%
Overall City Average 103%			

The Executive is concerned that the 11.5% overall pay increases granted in the program in 1998 could be repeated in 1999. This is the motivation for imposing the cap retroactively. Some departments have designed programs that spent according to the current budget. The cap could interfere with what they feel are promises made to employees (e.g. "if you perform up to this level it's worth an X% bonus"). The Executive's proposal does accommodate this difficulty with appeal to the Personnel Director. However, the legislation limits this exception for "unanticipated hiring costs and for small departments."

An alternative would be to hold departments to the budget for the program, and to disallow "importing" savings from elsewhere in the budget to cover costs in the APEX/SAMS program. If this option is not selected, Staff recommends adding language to both pieces of legislation to allow departments to request exceptions in 2000, for spending above the 106% limit for other reasons, such as retention difficulties, that the Personnel Director believes are warranted. A different approach is needed for 1999, because these spending limits are being imposed so late. 1999 salary adjustments may already have exceeded the limits in some departments. The legislation should acknowledge that departments may not meet the 106% limit in 1999. Departments in this position should discuss these exceptions with the Personnel Director and CBC in the salary settlement process.

Options for Implementing:	
a) Implement % cap retroactive to first pay period in 1999	
b) Implement % cap in 2000	
c) Enforce a spending limit in 1999 holding departments to the minimal budget for the program (midpoint for base salaries, 4% for VPP), disallowing using funds from other sources for costs of this program, and implement % cap in 2000.	
d) Implement % cap retroactive to last pay period in 1998, but allow departments to request exceptions for base salary adjustments already awarded that exceed the 106% cap.	COMMITTEE VOTE: 3-0-1

ADDITIONAL JUSTIFICATION COULD BE REQUIRED OF DEPARTMENTS WELL ABOVE MIDPOINT FOR BASE PAY BEFORE ADDITIONAL (UP TO 4%) INCREASES ARE GIVEN.	COMMITTEE VOTE: INCLUDE LANGUAGE IN PLAN DESIGN 3-0-1
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4. Base salary increases for market adjustment.

a. Should we stratify market surveys by occupational group to provide better data for market adjustments?

The Executive's document "APEX/SAM Programs Review" suggests market comparisons should be used to justify adjustment to individual employees' base pay in 1999. Another proposal that has been discussed, but is not included in the Executive proposal, is to conduct the market surveys stratified by occupational group.² This would provide information about the different rates of growth or decline in pay for varying professions.

If changes to base pay are made according to this stratified data, it could exacerbate internal inequities such as those that exist in the market between, for example, human services professionals and Information Technology professionals. At the same time, the City must be able to pay a sufficient wage to compete for employees with skills critical to performing the various missions of City departments.

Staff recommends the market surveys be conducted in such a way as to provide data on variation in the market pay for the different occupational groups. The Personnel Director should then make recommendations to the City Council about how the pay bands should be modified to allow hiring authorities to hire the employees they need. This could be done by broadening the pay bands, or establishing separate pay bands for different occupational groups. There may be other options as well, which Personnel should recommend to Council.

² The 11 Occupational Groups named in the "APEX, Managers and Strategic Advisors Proposal" are Customer Service, Public Information and Promotion; Human Services; General Government; Courts, Legal and Public Safety; Finance, Budget and Accounting; Engineering and Plans Review; Utilities; Purchasing, Contracting and Risk Management; Property and Facility Management; Parks and Recreation; and Information Technology.

Revise the "APEX, Managers and Strategic Advisors Proposal" to say the City will conduct market surveys to provide data on variation in the market pay for the eleven occupational groups identified in the "APEX, Managers and Strategic Advisors Proposal".

COMMITTEE
VOTE:
CONSENT
ITEM 3-0

b. Clarify language on timing of performance review related to eligibility for performance pay.

The language in the proposed legislation is misleading where it says:

The appointing authority shall determine whether position incumbents shall receive a base salary increase to reflect any or all of the approved market adjustment; provided, that no Manager of Strategic Advisor shall be eligible for such an adjustment if his or her performance in the *previous* evaluation cycle failed to be described as "satisfactory" or better.

The reference to the "previous evaluation cycle" could be interpreted to mean that, even if in this evaluation cycle the employee's performance is satisfactory or better, if in the previous one it wasn't, the employee is not eligible for the market adjustment. I suggest the following amended language:

The appointing authority shall determine whether position incumbents shall receive a base salary increase to reflect any or all of the approved market adjustment; provided, that no Manager of Strategic Advisor shall be eligible for such an adjustment if his or her performance in the previous most recent evaluation cycle failed to be described as "satisfactory" or better.

(The same change would need to be made in the APEX legislation).

Adopt Staff's recommended amendment

COMMITTEE VOTE: CONSENT
ITEM, 3-0

5. Issues With the Variable Performance Pay Program (Bonuses)

a. Who is Eligible for Bonuses?

i. Current program: The "Apex, Managers and Strategic Advisors Proposal," page 25, says

There is no intention of suggesting that performance awards should be given to employees who merely meet expectations. These are "incentive" programs. Performance targets are intended to be set over and above ordinary job expectations.

Yet on page 20 it says:

Should the employee's performance meet or exceed targeted expectations, he or she could be awarded up to the maximum available . . . as a lump sum performance award.

This language could be interpreted to be consistent with the Executive proposal, but it is ambiguous. It is possible to design a set of objectives stratified by priority and difficulty, where meeting some very extraordinary objectives warrants a large bonus. However, this language could also be interpreted to mean an employee who merely meets ordinary objectives is eligible for a bonus.

Regardless of Council's decision on the guideline proposed by the Executive, Staff suggests this ambiguity in the "Apex, Managers and Strategic Advisors Proposal." (the Plan Design) be clarified.

COMMITTEE VOTE: CONSENT
ITEM 3-0

ii. Executive proposal: Same as current, with a guideline suggesting not more than 40% of employees should receive bonuses, and only 15% of employees should be receiving large bonuses.

This guideline reiterates and emphasizes the original program design: that bonuses should be awarded for performance that exceeds expectations. The Executive suggests it is "merely" a guideline, rather than a mandate, and department

heads can design programs that reward teams rather than individuals, and that provide rewards to more than 40% of employees. However, the language in the Program Plan, which is part of the legislation, and therefore binding, reads as follows:

Effective January 1, 1999, each department will be expected to limit variable performance pay recipients to 40% of program participants. A general rule of thumb for awards is that 15% of all program participants would receive awards in the high range (e.g., 5% to 8%) and 25% of all program participants would receive lesser awards (e.g. 1% to 4%). Each department shall revise its variable performance pay program to be consistent with those recommendations. [Plan Design page20] (emphasis added).

The Plan Design leaves in place the original language on team awards:

Recognizing that many executives, managers and strategic advisors may achieve their greatest accomplishments as part of a team while others work effectively with more independence, the identification of team oriented strategic objectives (assessable operational results) will be recommended but not required. [Plan Design page 20]

iii. **City Auditor Proposal:** All employees who perform as expected are eligible for at least a small bonus. (Do not establish the 40% guideline).

The City Auditor has done considerable research among professionals in the human resources field. Her findings are that bonuses limited to a small portion of the workforce can cause employees to "not try" for the bonus, or set up undesirable win-lose competition that undermines team morale.

i. Current program: employees who meet or exceed targeted objectives are eligible, but employees who merely meet expectations are not presumed to be deserving of a bonus.	
ii. Executive proposal: 40% guideline, stated as a mandate. Team awards are a possibility.	
iii. Auditor Proposal: No guideline. Allow department heads to design a program that suits their mission and management objectives.	
iv. Amended Executive Proposal: 40% stated as guideline, not mandate	COMMITTEE VOTE 4-0

b. Maximum Amount of Bonus

i. Current program:

- APEX (the top City executives) are eligible for up to 10% bonuses
- SAMS (managers and strategic advisors) are eligible for up to 8%

ii. **Executive proposal:** 8% maximum bonus for all APEX/SAMS participants

iii. **Alternative:** bonuses up to 15%, with no increase in the budget

Professional literature in the field of Human Resources indicates that bonuses are not effective in motivating employees unless they are substantial (15-20%). However, it may be argued that a maximum bonus of 8% is more in keeping with public sector values, and still sends the desired signal of acknowledgement to exceptional performers

i. 10% for APEX, 8% for SAMS	
ii. 8% maximum bonus for all participants in APEX/SAMS	COMMITTEE VOTE 4-0
iii. 15% maximum bonus	

.6. Oversight. Continuing oversight of the program is clearly advisable. No formal mechanism is included in this legislation, nor in the plan design. Staff recommends establishing a formal monitoring and reporting mechanism.

OPTIONS	PREFERENCE
i. Current Program: Accountability is meant to occur as part of the performance review of department heads by the Mayor.	
ii. Executive Proposal: Establish a Compensation Review Committee to review	

program issues and make recommendations to the Personnel Director. Small departments and departments who are having particular recruitment or retention problems have the ability to seek relief from the Personnel Director.	
iii. Use the Compensation Review Committee to review and review proposed VPP payouts from departments, to ensure they are not exceeding budget.	
iv. Direct the Executive bring a plan specifying what elements of the program the oversight committee will oversee, along the lines of the monitoring report appended to the original program design.	COMMITTEE VOTE 4-0

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<u>WHY DID WE START THESE PROJECTS?</u>	2
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Why did we start these projects?

Background

The City of Seattle is committed to the design and delivery of high quality public services to its citizens. Achieving this objective depends upon the experience, knowledge, hard work, abilities, performance, and dedication of its employees. To that end, the City needs to recruit and retain individuals with the solid skills, technical expertise, creativity, positive work habits, and experience which continue to add value to its workforce.

The City needs to develop classification and compensation systems that provide the authority, responsibility and accountability for employees to successfully meet customer needs, as well as systems that encourage productive behaviors and adapt easily to changing technologies and other external forces.

It is the objective of the City's classification and compensation systems to provide leaders with the flexibility to design and assign work, and appropriately compensate employees for their efforts in helping achieve the City's business objectives. Through a competitive and comprehensive compensation program that includes wages, health care benefits, paid leave, career mobility, and performance incentives, the City can affirm the value of its employees and reward their contributions to the City's success.

Therefore, for executive and other non-represented management employees, it is the City's intent that, as the City's economic condition permits, the value of our total compensation package will be no less than the average value of the market, comprised of those public and private employers with whom we compete for qualified employees. We will continue to value internal equity but recognize that market-driven changes may alter the historical relationships between jobs. When appropriate we will implement reward programs that are independent of base pay, replacing the concept of pay progression as an automatic entitlement with the understanding that variable pay is an incentive and compensation for a job well done.

The City's current classification and compensation programs do not support these goals. The lack of a deliberate link between the external marketplace and the City's salary structure means that the City may pay one type of position too little to be truly competitive for fully qualified candidates, and may pay another type of position much more than is needed to recruit and retain qualified individuals. Our seniority-based wage progression plan doesn't communicate the value of superior performance. Our narrow salary bands limit the appointing authority's flexibility to recognize the qualifications of a "superstar" job candidate with a commensurate pay offer, and mean that most employees have topped out their earnings potential in about the same length of time that the average

employee has mastered the "learning curve"—just over three years. We measure the value of our high level management positions by the size of the budget managed and the size and compensation level of their subordinate structures—a practice that has resulted in the development of unnecessary management layers and an internal alignment of positions based on their hierarchical level, rather than by virtue of scope of impact and strategic significance. Although the City's current "civil service" -type classification and compensation systems negatively impact management flexibility and employee performance throughout all layers of the organization, it appears that two areas in particular are ripe for change: the process for compensating City executives, and the classification/compensation process for City managers.

How did we get here?

Steps Taken To Get To The Plan Designs

The executive and manager projects were begun simultaneously, employing a single steering committee, a project management team made up of three different employees (a team leader and two individual analysts, each assigned to a unique project but working cooperatively), and two different consulting organizations.

1. The very first task undertaken involved joint interviews, with a representative from each consultant organization and a project staff member meeting with every City department head individually. The purpose of these interviews was to gather information which would help us define our concepts of executive and manager, the market from which the City recruits and to which it loses employees at these levels, and performance linkage possibilities.
2. Revised executive job summary questionnaires (JSQs) and manager position description questionnaires were distributed to potential participants in order to gather current relevant information about individual positions.
3. Focus groups consisting of projected executive and manager program participants were convened. The executive focus groups were intended to ascertain employees' opinions and perceptions about their current compensation program and identify potential performance measures for a proposed performance and reward program. The manager focus groups also sought to gather information clarifying distinct occupational groups represented in the City's management work force.
4. Market compensation data was gathered for both programs. The executive project's consultants initially drew their benchmark data from their large library of published survey information. These data were augmented with a customized survey that sought specific information regarding several key

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APEX, Managers and Strategic Advisors Compensation Programs

positions from regional government agencies. The manager project's consultants gathered all of their survey results from a regional survey customized specifically for this project.

5. Design work was initiated. Draft proposals were critically considered and the pros and cons of each were vigorously discussed, clarified and addressed in subsequent drafts. Comments and direction were solicited from Councilmembers, the Mayor's Management Work Group, and the Mayor's cabinet. Proposed program details were published and distributed to participants.
6. In response to this feedback, adjustments were made to the proposed programs, including the evolution of a nonmanagerial "strategic advisor" concept.

The three proposed programs that resulted from this work are:

- The Accountability Pay for Executives (APEX) Program,
- The Managers Program, and
- The Strategic Advisors Program.

These programs were implemented as described below on January 8, 1998. Through September 1999, approximately 600 positions have been allocated to the new programs. As part of the City's ongoing efforts to ensure the continued viability of the APEX, Manager and Strategic Advisor Compensation Programs, an independent consultant was contracted to conduct an evaluation of the first year outcomes. This plan design has been revised to reflect the programmatic changes that will be implemented as a result of that evaluation. In addition, a summary of changes has been included as Attachment #5.

Which positions in the City fit these three programs?

CATEGORY DEFINITIONS

Executive

The executive level of City government (APEX) is comprised of the people who are responsible for managing the relationships between the City and its social, economic, and political environment, and for setting the tone and maintaining control of internal operations. A City executive must anticipate problems stemming from rapid change and take advantage of new opportunities, allocate resources, make strategic decisions, evaluate performance, and articulate plans and policies for the most significant activities of the City.

Positions in the City of Seattle designated within the APEX program clearly meet some or all of the following criteria: hierarchical orientation that carries broad corporate responsibilities and is oriented toward management of the 'whole'; strategic significance that imparts a definitive long term impact on the way the City conducts business; and scope and impacts that affect the delivery of critical services and quality of life for many people, entail the management of large sums of money, and or involve control of extensive non-financial resources.

While the description of APEX positions was general enough to cover a wide range of executive roles, we found that our initial description for manager seemed to exclude a number of valued positions that played clearly significant roles in the City. Thus, an alternate definition was developed to describe positions of a level similar to manager, but that did not directly manage significant human or other resources. This new category is called strategic advisor.

Manager

A manager for the City of Seattle is an employee who is identifiably accountable for translating City and departmental objectives into specific outcomes in the areas of policy, programs, and service delivery, through effective utilization of the City's human, financial, and other resources.

Strategic Advisor

A strategic advisor of the City of Seattle is an employee who serves as a key advisor to senior officials, or who makes recommendations which help shape significant City policies or programs, or who represents the City in strategic arenas, without having full accountability for managing resources to achieve specific outcomes.

Which positions will be allocated to the APEX Program?

Department heads and division directors will automatically become part of APEX and other positions will be evaluated for eligibility based on their hierarchical orientation, strategic significance, and scope and impact.

APEX PROGRAM CRITERIA

Hierarchical orientation--Position carries broad corporate responsibilities and is oriented toward management of the "whole." Accountability extends across the organization or beyond. This position typically reports to an elected official, department head, or the board or commission heading a principal office or department, and is responsible for translating their high level vision into broad organizational policy and direction.

Corporation = Citywide: The position's responsibility and opportunity to effect positive change extends to, impacts, and addresses most, if not all subsidiary organizations (other departments).

Corporation = Sub-Division of the City: This level is mid-way between Citywide and department-wide and should address positions with opportunity to effect positive change to specific aspects of organizations across the City, or to a defined sub-group of City departments.

Corporation = Department-wide: The position's responsibility and opportunity to effect positive change extends to, impacts, and addresses most, if not all subsidiary organizations (other divisions).

Strategic significance—Position is responsible for making significant policy recommendations to elected officials, and for formulating and implementing resulting long-range City goals and objectives. This position establishes program and policy direction that has considerable long-term impact on resource allocation and the City's provision of services. Such positions define the organization's objectives, determine appropriate resource allocations, and direct the efforts of organizational components to accomplish the City's mission. Position is responsible for all program outcomes.

Strategic significance is likely to change over the years in response to changing political agendas, economic, environmental and social conditions.

For example,

1. health care reform was of great importance to the City to address in 1992;
2. the welfare to work initiative has a new level of urgency in response to reduced federal support for welfare programs; and,
3. if juvenile crime is ever diminished to an acceptable level (somewhere near 0), addressing the problem will correspondingly diminish in mayor and council priorities.

Strategic significance is a factor appropriate to be decided at the highest levels of the executive management team. Thus, an Executive Compensation Review Committee, designated by the Mayor, will have direct involvement in the APEX allocation process.

Strategic Significance—High: The incumbent is in the position of effecting significant positive results in the areas defined by the Mayor and the Council as City priorities such as enhancing community, social equity, environmental stewardship, economic opportunity, and security.

Strategic Significance—Moderate: There is the opportunity, albeit a more limited opportunity, to effect positive results in these same areas. The significance may be diminished simply because the position's

APEX Positions in Strategic Areas

responsibility has changed to entail the maintenance of successful innovations that were begun earlier, or because the City is not in any position of affecting change in this arena. For example, the position of Director of the Office for Education is limited in strategic effectiveness, because although it has some influence with control of certain funds distribution, it has no direct authority over Seattle School District policy or programmatic activities.

Strategic Significance—Low: The position is in a supporting role in effecting positive results in the strategic areas listed above. For example, The Finance and Administration Director for a department assists in achieving the wider strategic goals of the organization by ensuring the financial health of the organization and continued, reliable service delivery. The Human Resources Director for a very large department would provide similar strategic support for an organization on an executive level.

Scope and Impact—Position's discretionary authority has significant impact over a large arena. The range of authority may be Citywide, regional, or larger, and includes programs that affect the delivery of critical services, quality of life for citizens, management and effective allocation of large sums of money, and/or control of extensive non-financial resources.

Scope and Impact—Large: The incumbent is directly responsible for the dispersal or control of at least 10 million dollars, a customer base of 500,000 or more, workforce of 1,000 or more, or regional services covering, at minimum, the entire City.

Scope and Impact—Medium: The incumbent is directly responsible for the dispersal or control of at least 5 million dollars, a customer base of 250,000 or more, workforce of 500 or more, or regional services covering, at minimum, half the City.

Scope and Impact—Small: The incumbent is directly responsible for the dispersal or control of at least 2.5 million dollars, a customer base of 100,000 or more, workforce of 250 or more, or regional services covering, at minimum, a quarter of the City.

How will the City decide who is in APEX?

Initial allocations to APEX will be recommended by the Personnel Director based on input from department heads and evaluation of employee-completed job summary questionnaires. Since the APEX program covers positions for whom the personal qualities of the incumbent will affect the nature of the work

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performed, allocation to and within the APEX program is made on a generalized whole job evaluation and ranking approach.

The Personnel Director will evaluate Job Summary Questionnaires (JSQs) utilizing these criteria and determine whether a new position should be allocated to APEX. At the request of a department head, the Personnel Director will evaluate non-APEX positions to determine whether they have undergone sufficient change to meet the necessary criteria for inclusion, or will evaluate APEX positions to determine whether they should be excluded because of duties changes. Otherwise, the appointing authority will have significant discretion to determine, by work allocation, who is included and who is not.

Upon implementation, appointing authorities will be provided the opportunity to have APEX placement of specific positions independently reviewed by a committee designated by the Mayor as the Executive Compensation Review Committee (ECRC). However, we anticipate limited need for review, given the appointing authority's broad discretion for position allocation and placement.

As a final step, the allocation of all APEX positions will be confirmed by the City Council through legislation.

Methodology and use of the APEX Criteria

The essential base pay structure of APEX will consist of a broad pay band (137% wide) anchored by four market group sub-bands. (See the APEX Base Pay Structure section of this proposal for more detail.) Applying market data and the three criteria, the Personnel Director will recommend which of four established market groups best fits each position.

Internal benchmark positions will provide easily recognizable and identifiable standards for market group comparisons for all other positions allocated to the APEX program. These comparative analyses will be supplemented with an application of the three APEX criteria, hierarchical orientation, strategic significance and scope and impact.

Examples of Market Group Four Executives

City Light Superintendent, Seattle Center Director, Police Chief, and Deputy Mayor.

All of these positions easily manifest all of the executive criteria. Hierarchical orientation is always "corporate" (Citywide) in nature. Decisions involve the development of broad organizational policy or direction, and positions are accountable for major program outcomes. Direction is given across functions or organizations, with responsibility for overall objectives, staffing, and resource allocation. Unique market issues also contribute to placement at this market

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APEX Managers and Strategic Advisors

group level, which was specifically created to address exceptional market conditions.

Examples of Market Group Three Executives

Parks and Recreation Superintendent, Housing and Human Services Director, Deputy City Light Superintendents, and Intergovernmental Relations Director.

All of these positions also manifest all of the executive criteria. Hierarchical orientation is always "corporate" in nature. Decisions involve the development of broad organizational policy or direction, and positions are accountable for program outcomes. Direction is given across functions or organizations, with responsibility for overall objectives, staffing, and resource allocation. These positions, while closely related to Market Group Four executives, do not require the same level of compensation to address compelling market demands.

Examples of Market Group Two Executives

Electric Services Directors, Land Use Director, and Energy Planning and Forecasting Director.

At this level, at least two of the executive criteria would be met. Some decisions might involve broad organizational policies or direction, but most decisions are likely to concern the development of long range plans, goals and objectives for specific elemental functions of the City, such as court functions, regional electrical services, or land use issues. These positions are likely to evince a diminished Citywide corporate hierarchical orientation.

Examples of Market Group One Executives

Civil Rights Director, City Light's Civil Engineering Director, and the (Citywide) Building Operations Director.

Positions at this level might have notable (Citywide) hierarchical orientation, strategic significance, or scope and impact; but usually meet only one such criterion. They tend to have greater responsibility for program outcomes than for policy design and direction. Positions at these levels are closely related to the highest level positions in the manager or strategic advisor group and may be evaluated utilizing the manager or strategic advisor group criteria for confirmation and reliability.

The APEX Allocation Process Differs from the Manager and Strategic Advisor Process. Why?

Whole job ranking is the most common method used in measuring executive level jobs because it is relatively simple, flexible and responsive to changing management needs. The whole job ranking method works well for positions

where incumbents have great latitude to define their jobs, and is particularly suitable for compensation system designs which are intended to provide maximum flexibility for recruiting and work load management. Because it doesn't provide "hard" criteria for justification of results, it is less effective as a job measurement tool for classified service positions. We find that the Manager and Strategic Advisor programs are better served with more detailed and quantifiable point factor job measurement systems.

How Are Manager And Strategic Advisor Program Allocations Determined?

The Personnel Director will evaluate Strategic Advisor/Manager Position Description Questionnaires (SAM PDQs) utilizing the Manager and Strategic Advisor Program point factors criteria and determine whether a new position should be allocated to these programs. At the request of a department head, the Personnel Director will evaluate other positions to determine whether they have undergone sufficient change to meet the necessary criteria for inclusion, or will evaluate Manager and Strategic Advisor positions to determine whether they should be excluded because of duties changes.

Upon implementation, affected employees and department heads will be provided the opportunity to have Manager and/or Strategic Advisor placement of specific positions independently reviewed by the Reconsideration Committee made up of ESD Classification staff, departmental human resources staff, and program Consultants. In addition, all classified service employees can appeal the application of the classification process for their position.

For implementation, the allocation of all Manager and Strategic Advisor positions will be confirmed by the City Council through legislation.

Manager and Strategic Advisor Point Factor Methodology

Addressing positions largely represented by the classified service, the Manager and Strategic Advisor Programs benefit from the kind of quantifiable job measurement approach represented by a point factor system. In a point factor system, relevant factors are defined and weighted. Each job is compared to descriptions of the various levels within each factor. When the appropriate degree is selected for each factor, the assigned points are combined to produce a total score for each job. The clarity of this system and the relative ease in justifying results is offset by its inflexible nature. Therefore, rather than allowing the point factor system to force undue limitations on appointing authorities, the point factor scoring system is limited to simply placing positions within pay zones (35% wide) within which department heads have discretion for exact placement.

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APEX Managers and Strategic Advisors Proposal

Salary Placement Guidelines (described later) will assist department heads in making individual salary placement within pay zones.

Manager and Strategic Advisor base pay structures consist of single broad pay bands (84% wide) with three sub-bands, or pay zones (35% wide). Department head discretion for managers and strategic advisors is limited to placement within the three sub-bands, or pay zones. (See the Manager and Strategic Advisor Base Pay Structure section of this proposal for greater detail.)

One set of point factors was identified and defined for the Manager Program and another for the Strategic Advisor Program. (Specific Manager and Strategic Advisor point factor matrix data is attached.)

MANAGER PROGRAM POINT FACTORS:

- Human Resources Management 13%
- Budget / Fiscal Management 14%
- Program Management 18%
- Communications Management 13%
- Matrix Management 12%
- Policy Management 16%
- Technical Management 14%

STRATEGIC ADVISOR PROGRAM FACTORS:

- Policy Contribution And Impact 35%
- Program Contribution And Impact 15%
- Budget Contribution And Impact 15%
- Communications Contribution And Impact 10%
- Matrix Contribution And Impact 10%
- Technical Expertise Contribution and Impact 10%
- Human Resources Contribution and Impact 5%

What Are The Job Classification Issues Involved?

Positions in the APEX study are exempt from the classified service and therefore, not classified. However, most manager and strategic advisor positions are part of the City's Classified Service system and therefore require classification. Orders of lay-off and other classified service rights need criteria for definition. Therefore, as a means of classifying these positions, managers and strategic advisors are assigned to one of eleven broad occupational groups, that serve as manager and strategic advisor program class series. The positions are then allocated to one of three pay zones that serve as indicators for the three levels of broad classes allocated to the established pay zones attending each of these series.

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APEX Manager and Strategic Advisor Programs

When considering orders of lay-off, the committee charged with this responsibility, will consider service credit connected to the title in use at program implementation, to be accrued to the new programs' allocations.

MANAGER AND STRATEGIC ADVISOR

OCCUPATIONAL GROUPS (Class Series)

(More detailed definitions are attached.)

1. Customer Service, Public Information and Promotion
2. Human Services
3. General Government
4. Courts, Legal and Public Safety
5. Finance, Budget, and Accounting
6. Engineering and Plans Review
7. Utilities
8. Purchasing, Contracting, and Risk Management
9. Property and Facility Management
10. Parks and Recreation
11. Information Technology

What Will Be The BASE PAY Structure?

The base pay structure for all three programs consist of single broad pay bands divided by sub bands.

APEX Base Pay Structure

The base pay structure for APEX consists of one "Executive Pay Band", which is anchored by four market groupings. The same decision process for inclusion in APEX will determine, to which market grouping each executive position belongs.

1998 APEX Pay Band Proposal¹

Market Group	Bottom	Middle	Top
1	\$56,872	\$66,872	\$76,778
2	\$64,646	\$75,960	\$87,273
3	\$79,451	\$93,354	\$107,267
4	\$99,974	\$117,472	\$134,970

APEX Salary Setting Discretionary Range

The APEX program allows the appointing authority broad discretion to increase and/or decrease executive base salaries at any time within the recommended

¹ Please note that Market Group One was adjusted in response to the transfer of specific benchmark positions from APEX to Manager and/or Strategic Advisor Programs. Transfer of these positions out of the APEX Program altered (increased) the resulting market average of the benchmarks defining this Market Group.

market group in response to business needs, reorganization, job content changes, strategic priority shifts, and unique market indications. However, a spending limit on the overall expenditures for this program is established as of the last pay period of 1998. Changes in compensation outside the recommended market group will require the approval of the Mayor, or the compensation review committee designated by the Mayor.

Manager and Strategic Advisor Pay Structures

The Manager and Strategic Advisor class series are served by a single broadband with three Pay Zones. The appointing authority's discretion for setting and changing base pay for subordinate managers and strategic advisors is confined to the allocated Pay Zone. However, a spending limit on the overall expenditures for this program is established as of the last pay period of 1998. Should there be disagreement with the Personnel Director's initial allocation, appointing authorities and incumbents are provided with the opportunity to request an administrative review or reconsideration of the allocation. In addition, classified service employees may appeal the process utilized to allocate their position to the Civil Service Commission.

1998 Manager and Strategic Advisor Pay Band

	Minimum	Mid-point	Maximum
Zone 1	\$44,531	\$52,324	\$60,117
Zone 2	\$52,624	\$61,833	\$71,043
Zone 3	\$60,717	\$71,342	\$81,967

The overlap between the APEX pay band and the Manager and Strategic Advisor pay band can be attributed to the fact that a Manager may have responsibility for a function or program that is far broader, more complex, or more strategically significant than an Executive who is automatically allocated to APEX because of his or her hierarchical placement.

How will individual pay rates be set?

APEX Salary Setting Process

The APEX program allows the appointing authority broad discretion to increase and/or decrease executive base salaries at any time, subject to budget and spending limits established by the Mayor and City Council, and within the recommended market group in response to business needs, reorganization, job content changes, strategic priority shifts, and unique market indications. Given this far-reaching discretion, the appointing authority can be held fully accountable for his/her staffing decisions. Setting compensation outside the recommended market group will require the approval of the Mayor or the compensation review committee designated by the Mayor.

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APEX Managers and Strategic Advisors Program

When making his/her APEX salary placement decisions, the appointing authority would be asked to address and personally certify that he/she took into account the following:

- Relative size of job,
- Financial impact of position,
- Market difficulties,
- Sensitivity of position,
- Scope and range of subordinate operations, and
- Technical complexity.

A limit on each department's overall spending for 1999 and 2000 for the APEX program is established as 106% of baseline salaries for each year. This will be done by establishing actual annual baseline salary costs as of the last pay period of 1998, including adjustments for vacant positions and for positions added to the program during 1999; adding an annual allowance of four percent (4%) of these salary costs for base salary increases, including any approved market adjustments; and adding an annual allowance of two percent (2%) of these salary costs for variable performance pay.* These limits shall apply to each department's overall spending for the combined Manager and Strategic Advisor Program and the Accountability Pay for Executives Program. The Personnel Director may approve, if necessary and appropriate, properly documented exceptions to the spending limits for unanticipated retention or hiring costs, for small departments, and for base salary commitments made prior to adoption of this legislation.

MANAGER AND STRATEGIC ADVISOR SALARY PLACEMENT GUIDELINES

Department Heads have the discretion to set manager and strategic advisor salaries anywhere within allocated pay zones. Manager and strategic advisor salary adjustments within the pay zones can be made at any time that the department head can support that a change is warranted. However, a spending limit on the overall expenditures for this program is established as of the last pay period of 1998. Department heads must use consistent criteria for placement of managers and strategic advisors within the allocated pay zones. The Personnel Director will provide appointing authorities with a salary placement workbook that, in addition to describing a simplified transitional approach, recommends a detailed process addressing the following sets of considerations:

- Job Size (two recommended methods)
 1. Job Ranking
 2. Point Factor Score Modified by Market
- Recruiting and Retention

APEx Managers and Strategic Advisors Proposal

- Market Equity
- Internal Alignment

A limit on each department's overall spending for 1999 and 2000 for the Manager and Strategic Advisor program is established as 106% of baseline salaries for each year. This will be done by establishing actual annual baseline salary costs as of the last pay period of 1998, including adjustments for vacant positions and for positions added to the program during 1999; adding an annual allowance of four percent (4%) of these salary costs for base salary increases, including any approved market adjustments; and adding an annual allowance of two percent (2%) of these salary costs for variable performance pay. These limits shall apply to each department's overall spending for the combined Manager and Strategic Advisor Program and the Accountability Pay for Executives Program. The Personnel Director may approve, if necessary and appropriate, properly documented exceptions to the spending limits for unanticipated retention or hiring costs, for small departments, and for base salary commitments made prior to adoption of this legislation.

The spending limit is proposed as a method to reinforce consistent and equitable treatment of program participants across departments, in addition to containing program costs.

Does subordinate salary dictate a manager's base pay?

Breaking from long held tradition, it should be noted, that the number or compensation level of subordinate employees is not a relevant consideration for salary placement. In fact, there is no rule, guideline or policy for any of the three programs that is intended to suggest that supervisors must make more than their subordinates.

What is The Market From Which We Compete For Employees To Fill Our Executive, Manager, And Strategic Advisor Positions?

The market for the majority of the City's executive, manager and strategic advisor positions is defined as regional public sector employers with similar scope and diversity of functions and services. The market for department heads has been expanded to include national public or private sector employers of similar size and scope, and the market for certain utility-specific executive positions may also include nongovernment utilities.

How will the program keep current with market changes?

The initial data collected for all three programs, APEX, Managers, and Strategic Advisors, was current as of January 1, 1997. The delay in implementation has been accommodated by "aging" the market data by one year at 3.6%, a rate consistent with changes to government sector salaries nationwide.

To maintain the current market connection of these compensation programs, the City will survey the market at least once every two years, and adjust the market groupings and/or pay zones accordingly. These biennial adjustments will replace the cost of living adjustment (COLA), which had become the predictable annual salary increase expectation for most City employees. This biennial data will be used to adjust budgets and the parameters of APEX Market Groupings and Manager and Strategic Advisor Pay Zones. However, while the appointing authority will continue with the discretionary authority granted by these programs, it should be understood that no automatic changes to incumbent salaries will be implemented in response to this data.

There is no intention of permanently using the same market data sources listed in Attachment 1. Market data collection will be regularly modified and improved. The impact, if any, of variance in results should only help to better situate the City in terms of its market relationship.

The first year evaluation recognized that the market data provided in support of changes to the programs' pay bands was insufficiently detailed to permit withholding the 1999 and 2000 adjustments. Future market studies will provide data to support variable application of the market adjustment, awarding the adjustment to some occupational categories and classifications and withholding it from others.

Beginning with the January 2000 market adjustment, no market adjustment will be awarded to program participants whose performance during the most recent evaluation cycle fails to be rated satisfactory or better, regardless of what the survey data indicates.

What Does Variable Performance Pay Mean?

All three programs, APEX, Managers, and Strategic Advisors, contain a variable compensation component, where a portion of the employees' potential gross pay is dependent upon the achievement of targeted and assessable operational results with respect to specific City values, described by 7 competencies.

Given the "at risk" nature of the variable pay component of these programs, it should be clearly understood that while high performers will now have the opportunity to increase their wages, executives, managers, and strategic

advisors who fail to achieve their objectives are quite likely to earn less than they could expect under the current compensation program.

APEX Variable Performance Pay

Due to their exempt employment status and a projected potential for greater risk taking and reward possibilities, each executive is given the opportunity to earn an additional 10% of base pay.

As a result of the first year evaluation, the APEX variable performance pay potential is reduced to 8% of actual base pay effective January 1, 1999.

Manager and Strategic Advisor Variable Performance Pay

Each manager and strategic advisor has the opportunity to earn an additional 8% of base pay.

For all three programs, the incentive would be assessed and paid upon completion of a review period, as a lump sum retroactive pay adjustment. This assessment (evaluation) will be performed late in the calendar year in order to allow payment within the current (relevant) tax year.

A limit on each department's overall spending for 1999 and 2000 for the Manager and Strategic Advisor program is established as 106% of baseline salaries for each year. This will be done by establishing actual annual baseline salary costs as of the last pay period of 1998, including adjustments for vacant positions and for positions added to the program during 1999; adding an annual allowance of four percent (4%) of these salary costs for base salary increases, including any approved market adjustments; and adding an annual allowance of two percent (2%) of these salary costs for variable performance pay. These limits shall apply to each department's overall spending for the combined Manager and Strategic Advisor Program and the Accountability Pay for Executives Program. The Personnel Director may approve, if necessary and appropriate, properly documented exceptions to the spending limits for unanticipated retention or hiring costs, for small departments, and for base salary commitments made prior to adoption of this legislation.

Program participants who transfer to a position that is not eligible for variable performance pay during the evaluation cycle, or who separate from City employment, shall not be eligible for variable performance pay for the year in which the transfer or separation occurs.

The City may suspend or adjust variable performance pay funding at any time.

Performance measures-Two Parts

All three programs feature a combination of assessable operational results and performance measures for behavioral competencies, in order to ensure that both receive due attention.

Performance Measures, Part One: Goals & Outcomes

The appointing authority is charged with naming up to 5 clearly defined strategic objectives (assessable operational results), identifying the relative weight (importance) of each. Most often, department goals will be reiterated in the strategic objectives set for a department's chief executive, and reflected in objectives set for lower level executives, managers and strategic advisors.

Performance Measures, Part Two: Competencies

At the same time as objectives are set, the appointing authority is asked to identify competency standards with which to measure the behavior of the subject employee. As guidelines, the program defines seven areas of targeted competencies: customer service; diversity; achievement/performance orientation; organizational orientation and impact; judgment, analysis, and directives; leadership and teamwork; and technical expertise. Not every defined competency need be applied to every position or objective. Rating sources, with a potential for a 360° review process, will also be identified at this time.

Team Versus Individual Performance Measures

Recognizing that many executives, managers and strategic advisors may achieve their greatest accomplishments as part of a team while others work effectively with more independence, the identification of team oriented strategic objectives (assessable operational results) will be recommended but not required. In addition, successful team orientation will be reinforced with use of the proposed 360° review process for competencies.

Variable Performance Pay Communication Responsibilities

Although the appointing authority may change selected objectives or their relative weighting, if priorities, organizational structure, or other variables change significantly during the review period, strategic objectives and expected competencies should be fully discussed/negotiated with the subject employee at the onset of the performance review period. Any subsequent changes should be immediately communicated to the subject employee.



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APEX Managers and Strategic Advisors

Calculating Variable Performance Pay Results

Following the end of the evaluation period, the appointing authority (or designee) assesses the subject executive's strategic objective achievement and collects evaluative data from peers, subordinates, or customers regarding competencies.

Should the employee's performance exceed targeted expectations, he or she could be awarded up to the maximum available (0% to 10% of base pay for APEX executives, or 0% to 8% for managers and strategic advisors) as a lump sum performance award. The actual award amount, up to the maximum, will be determined by the appointing authority.

Effective January 1, 1999, the variable performance pay potential for APEX executives is 0% to 8%.

Effective January 1, 1999, each department will consider using a guideline of awarding variable performance pay to 40% of program participants. A general rule of thumb for awards is that 15% of all program participants would receive awards in the high range (e.g., 5% to 8%) and 25% of all program participants would receive lesser awards (e.g., 1% to 4%). Each department should consider revising its variable performance pay program to be consistent with these recommendations.

As noted above, the market adjustment will also be performance-based, to the extent that failure to receive a "satisfactory" performance rating or better will result in denial of the market adjustment regardless of what the survey data indicates.

Effect of Variable Performance Pay on Retirement Program Participants

Retirement contributions will be assessed against the lump sum retroactive pay adjustments. These variable pay adjustments will be included as part of the participating employee's base pay for retirement calculation purposes.

What will be the Process for Implementing These Programs?

Implementing Base Pay for APEX

Upon implementation of the three programs, the employee's compensation level may be brought up or down to within the appropriate level of the pay band. If the recommended level is lower than the employee's salary rate at the time of transition, the appointing authority has the discretion to "freeze" the employee's salary at its current rate until the band level catches up, or to set it at a lower

level. If the bottom of the recommended range of discretion² is higher than the employee's salary rate at the time of transition, the appointing authority will be expected to bring the employee's salary up at least to the minimum of their discretionary range.

Implementing Base Pay for Managers and Strategic Advisors

If the recommended level is lower than the employee's salary rate at the time of transition, the department head will "freeze" the employee's salary at its current rate until the band level catches up. If the bottom of the recommended range of discretion³ is higher than the employee's salary rate at the time of transition, the effect of allocation will be to bring the employee's salary up at least to the minimum of the range.

Changing Base Pay

In response to changing business needs, appointing authorities may change the compensation of subordinate executives at any time for any amount within their range of discretion. Department heads may change the compensation of managers and strategic advisors based on the salary placement guidelines provided by the Classification Director at any time following program implementation. Since most managers and strategic advisors are civil service employees, they will have "incumbency rating" rights upon transition into the program. Thereafter, base pay may be adjusted within the pay zone when there is a corresponding change in the level or complexity of duties and responsibilities.

All changes to base pay must be made within the overall spending limit of an increase of four percent (4%) above the total salaries for the program as of the last pay period of 1998. The Personnel Director must approve any exceptions which may be considered for unanticipated hiring or retention costs, for small departments, and for base salary commitments made prior to October 11, 1999.

How will the Programs be Monitored?

The Executive Services Department, Personnel Division's Classification and Compensation Unit will run payroll utilization reports at least twice a year to ensure that the programs continue to serve the City as originally intended.

Base pay for each program position will be published in the City's Budget Book annually and reports will be generated annually regarding the disbursement of performance funds.

² The range of discretion available to the appointing authority will differ based on the program in question. See section "How Will Individual Pay Rates Be Set?"

³ The range of discretion available to the appointing authority will differ based on the program in question. See section "How Will Individual Pay Rates Be Set?"

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PROGRAM ACCOUNTABILITY

All three of these new programs will require a significant amount of ongoing communication on the part of all affected parties to be successful. The following accountability statements are not necessarily all-inclusive, and are only intended to provide clear direction about the minimum responsibility required of each participant if the programs are to be effective.

Mayor's Accountability

The Mayor is accountable for establishing clear and meaningful objectives for each department and department head under his or her authority, and for communicating those objectives, and any subsequent changes thereto, early and frequently.

The Mayor shall establish accountability contracts with all of the department heads under his or her authority, outlining his or her expectations for achievement of the objectives he or she has set. On no less than an annual basis, the Mayor shall evaluate each department head's progress toward achievement of those objectives, and may or may not award a lump sum performance recognition payment based thereon.

The Mayor is responsible for reviewing any and all data related to the implementation and administration of these programs as it is provided to him or her by the Personnel Director, and for taking action when such data indicates that a department head has failed to properly exercise his or her discretionary responsibilities under the Accountability Pay for Executives Program (APEX), or the Manager and Strategic Advisor Classification and Compensation Programs, imposing restrictions as appropriate.

City Council's Accountability

The City Council will review, modify as desired, and adopt the City's compensation policies and programs by legislative action, evaluate all funding requests made by department heads in their budgets for compensation, and take action as required to modify the budgeting strategy or strategies approved for the program.

Personnel Director's Accountability

The Personnel Director will train, advise, and consult with appointing authorities to ensure that they have the information and direction they require to implement and administer the APEX, Manager, and Strategic Advisor programs in a manner consistent with the programs' goals and principles. The Personnel Director will develop and implement strategies to assist departments in administering these compensation programs equitably, and to assist them in using the market data developed through the salary surveys and in documenting their base pay

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decisions. The Personnel Director will also develop forms and protocols for conducting entrance and exit interviews, to gauge the effectiveness and impact of the pay program on recruitment and retention, and will train departments in their use.

At least once every two years, the Personnel Director will conduct an analysis of the appropriate labor markets in order to adjust the salary bands established for these programs.⁴ Salary surveys will provide data that will support awarding the adjustment to some occupational categories and classifications and withholding it from others.

The Personnel Director will provide reports to the Mayor and the City Council on an annual quarterly basis, for the first year of program implementation, to monitor the program establishment of The annual report shall include the following:

- Changes to base salaries,
- Summary data on base salary with the following fields: position number, program, EEO category, department, occupational group, pay zone, current salary
- Pay zone penetration,
- Recruitment, Exit and Turnover Statistics, when available, tracking the number of applications for vacant positions covered by the Programs, the reasons why hired applicants chose the City, the reasons why position holders left the City, and the overall rate of turnover within the Programs,
- Summary data on performance awards with the same fields as for the base pay report, and
- A decision documentation audit.
- For 1999 and 2000, the Personnel Director shall report to Council on those departments who requested exceptions to the 106% spending limit, and the decisions made on those appeals.

The Personnel Director will provide an assessment every second year, with the annual report following the market survey, of recommended changes to the program structure, if any, including the base pay structure and the amount of and eligibility for variable performance pay.

Department Head Accountability

The department head will set base salaries for program participants under his or her supervision in accordance with the program design and guidelines issued by the Personnel Director. The department head will use fair and consistent criteria for the establishment of base salaries, will document his or her salary decisions,



and will be prepared to explain the rationale behind their decisions when necessary.

The department head will set performance objectives for all program participants who report directly to him or her, and will oversee and approve the establishment of performance objectives for all program participants who report to his or her direct subordinates. The department head will ensure that performance objectives are communicated to and discussed with the individual who will be evaluated based on his or her achievement of same, and that the individual is kept apprised throughout the course of the evaluation period on his or her progress toward accomplishment of designated performance objectives. The department head will mandate the formal evaluation and award of performance pay for all program participants in his or her department, and shall withhold performance pay from his or her direct reports until they have completed evaluations and awarded performance recognition incentives to their subordinates as appropriate.

Employee Accountability

Those employees who are assigned to APEX, or to the Manager or Strategic Advisor compensation program, shall be accountable for understanding the performance objectives and competencies that have been established for them, and for immediately communicating to their supervisors any obstacles to their accomplishment.

How Will Participants Know What Is Expected and How to Do It?

One on one support will be provided for appointing authorities, management, affected employees, and department human services staff as requested. This will include, but not be limited to:

1. Distribution of sample performance programs and guidelines;
2. Informal in-house training as well as referrals to specialized management training consultants;
3. Customized market data research;
4. Analysis and recommendations regarding individual salary placement effects; and,
5. Program management guidance.

Questions That Might Be Asked By Program Participants

Could I lose potential income under this program?

Yes, you could. As stated earlier "Given the "at risk" nature of the variable pay component of these programs, it should be clearly understood that while high performers will now have the opportunity to increase their wages, executives,

managers, and strategic advisors who fail to achieve their objectives are quite likely to earn less than they could expect under the current compensation program."

For example, we've described the earnings of four fictional City executives for 6 years in the recent past (1/1/91 through 12/31/96). All four begin with the base compensation of top step for Director III. There have been no changes to anyone's responsibilities during this time. (See attached spreadsheet showing relevant calculations.)

The first executive lived under the current program and received same colas enjoyed by the bulk of City employees. Her gross earnings were \$356,982.

The other executives lived in an parallel world where the new program had been implemented January 1, 1991 and the cost of living adjustments had been diverted into the variable performance pay program. The pay of these executives was adjusted every other year to account for market changes.

One of these "other executives" has only able to meet normal expectations for the entire decade. His gross earnings were \$354,918. His earnings were less than the cola'd executive's by .578% .

The second of the "other executives" did a good job consistently exceeding expectations without variation. His gross earnings were \$372,663. His earnings exceeded the cola'd executive's by 4.393%.

The last of the "other executives" was an extraordinary superstar employee, who always greatly exceeded expectations and was very nice doing it. Her gross earnings were \$390,409. Her earnings exceeded the cola'd executives by 9.364%.

With so much independent discretion being proposed, how will the City ensure fairness and equity?

Although plans are underway to officially monitor these programs, to reveal trends and subtle adverse impacts, these programs will not be implemented in secret. This is "up-front government" in a way unknown until now. The person given the responsibility for making hiring and compensation decisions will be held accountable for decisions made. Many people, including employees, customers, unions, and peers, will be watching how individual appointing authorities use the discretion they are being granted. Behavior will be noted and abuses/successes can be addressed by the Mayor as needed.

How do you address concerns about our current system that is "mysterious and perceived to be subjective and inconsistent," with APEX, a system that applies to the highest level, nonclassified personnel?

Whole job ranking is recognized as the most common method in use for measuring executive level jobs in both the private and public sectors. This is because, unlike lower level positions, executive positions are viewed as those most likely to be significantly altered by the style, skills and abilities of their incumbents. The flexibility of APEX capitalizes on this fact.

Other than recommending placement of positions into broad bands, compensation decisions will no longer involve Personnel Analysts, making narrowly calibrated recommendations based on such abstractions as organizational charts and span of control theories. Individual salary placement decisions will be the responsibility of the appointing authority.

Two essential hallmarks of the APEX Program are accountability and management flexibility, each balancing the other. Decentralizing compensation decisions supports the point-of-management accountability required for greater workload management flexibility, the development of innovative ways of doing business and accomplishing objectives, and the effective communication of the City's values and goals.

Will performance awards be granted to employees who merely meet expectations?

There is no intention of suggesting that performance awards should be given to employees who merely meet expectations. These are "incentive" programs. Performance targets are intended to be set over and above ordinary job expectations.

How will these programs reduce management layering?

We have found that our current systems have inadvertently encouraged management layering in the City. Thus, both APEX and the Manager/Strategic Advisor Plans were developed with an intent of recognizing high levels of contribution outside the articulation of subordinate organizations.

We found that application of the Strategic Advisor matrix more appropriately addresses approximately forty positions uncomfortably holding manager titles. Although we cannot precisely forecast cultural change, we believe that by not encouraging layering, that the long term effects of these plans may be quite significant.

Attachment #1- APEX, Managers and Strategic Advisors Market Study

APEX Market Study

A combination of published market data and regional custom survey data was utilized to create the market groupings for the APEX Program. The following is a list of the source data employed for this purpose:

- APPA Survey of Management for organizations with revenues of at least \$100 million.²
- APPA Survey on Management for organizations with a customer base of at least 100,000.
- Charlotte NC Survey of cities with populations greater than 175,000 or less than a million.
- City of Bellevue's national survey.
- City of Phoenix's national survey.
- Colorado Muni League's survey of positions in cities with populations greater than 15,000.
- Cook County Salary & Fringe Benefit market survey of municipalities within the Chicago metropolitan area.
- Dietrich Executive Engineering Occupation Market Survey for private and public sector employers with over 1,000 employees.
- ECS Middle Management Survey for All Industries
- ECS Top Management Survey for Government Jobs
- ECS Top Management Survey for Gas/Electric/Water Organizations
- ECS Top Management for Non Profit Organizations
- EEI Management and Administration Compensation Survey for Organizations with revenues from \$600 million to one billion.
- EEI Management and Administration Compensation Survey for Organizations with revenues from \$300 million to \$600 million
- Custom Survey-Tacoma
- Custom Survey-State of Washington
- Custom Survey-Snohomish County
- Custom Survey-Portland, OR
- Custom Survey-Port of Tacoma
- Custom Survey-Port of Seattle
- Custom Survey-Pierce County
- Custom Survey-Kitsap County
- Custom Survey-King County
- Custom Survey-City of Everett
- Custom Survey-City of Bellevue
- ICMA Compensation Survey for cities with populations of 500,000 to 1 million
- ICMA Compensation Survey for cities with populations of 250,000 to



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499,999

- ICMA Compensation Survey for cities with populations over one million
- M&R Northwest Management & Professional Compensation Survey
- Mercer Finance and Accounting Occupations National Survey
- Mercer Finance and Accounting-National Survey limited to government organizations.
- Metro/King County National Compensation Survey
- Metro/King County National Compensation Survey, Pacific Northwest Sort
- Municipal Yearbook data for cities with populations of 500,000 to one million
- TPF&C Survey of Not for Profit Organizations
- Washington City & County Database Information for Bellevue, King County, Pierce County, Tacoma and Spokane

Manager and Strategic Advisor Market Study

A custom survey was prepared and conducted seeking comparable salary information for 38 benchmark positions from the following sources:

- City of Bellevue
- City of Bellingham
- City of Everett
- City of Federal Way
- City of Portland (OR)
- City of Renton
- City of Tacoma
- City of Yakima
- King County
- Kitsap County
- City and County of Denver (CO)
- Pierce County
- Snohomish County
- Puget Sound Regional Council
- Seattle School District
- State of Washington
- Port of Tacoma
- East Bay Municipal Utility District (CA)
- Washington Natural Gas
- Bonneville Power (OR)
- Snohomish County P.U.D.
- Dallas Zoo (TX)
- Phoenix Zoo (AZ)
- Portland Metropolitan Zoo (OR)

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Attachment #2- Manager and Strategic Advisor Program Occupational Group Definitions

1. Customer Service, Public Information and Promotion

Positions in this occupational group manage customer service, public information and promotional programs. The range of major functions includes management of customer complaint resolution, events booking at major facilities, contract negotiation and administration, customer relations and education program development and implementation, media relations and advertising campaigns, development and production of special programs and events, and community and governmental relations.

2. Human Services

Positions in this occupational group manage the provision of direct and contracted human services. The range of major functions includes management of programs dealing with aging, children, youth, families, diversity, prohibited discrimination, low-income assistance, domestic violence, housing, nutritional assistance, persons with disabilities, the homeless, and other areas of human service needs. Functions also include policy and program development, and the monitoring of performance and compliance by grantee community agencies.

3. General Government

Positions in this occupational group manage diverse functions of an administrative nature that broadly facilitate and support general governmental services and operations. The range of major functions includes administration, human resources, records, field operations, fleets, warehousing, strategic planning, policy, printing, and animal control.

4. Courts, Legal and Public Safety

Positions in this occupational group manage court services, legal services, or public safety services. The range of major functions includes management of court services, such as case preparation and juror control, courtroom operations, courtroom security and inmate transportation, crime prevention programs, community policing, police identification and photo laboratory, emergency preparedness program, hazardous material code compliance, and security and public safety for a City department.

5. Finance, Budget, and Accounting

Positions in this occupational group manage finance, budget and/or accounting functions. The range of major functions includes managing credit, collection and customer account billing, managing and performing expenditure tracking, accounting, cash and investment management, developing expenditure

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policies, managing and performing policy analysis, cost/benefit analysis and financial forecasting, evaluating programs, serving as legislative liaison, coordinating and reviewing utility rate design, cost allocation, fees and changes, negotiating provisions of special contracts, managing capital finance and consultant contracting.

6. Engineering and Plans Review

Positions in this occupational group manage professional engineering and/or functions related to inspection and plan review for a department. The range of major functions includes management of civil, electrical, or mechanical engineering, transportation engineering, street rights of way services traffic operations, capital improvement construction projects, and a specialized area of construction and land use such as permitting, plans review or land use review.

7. Utilities

Positions in this occupational group manage utility-specific fields. The range of major functions includes management of utility operations, utility resources, utility contracts, and utility metering services.

8. Purchasing, Contracting, and Risk Management

Positions in this occupational group manage processes designed to safeguard the City and maximize the value of its financial resources. The range of major functions includes purchasing/procurement, contract administration, risk management and claims management.

9. Property and Facility Management

Positions in this occupational group manage facilities and property. The range of major functions includes facilities and property management, maintenance, property inventories and transfers, development and rehabilitation, and energy conservation.

10. Parks and Recreation

Positions in this occupational group manage parks, recreation programs, and zoo operations. The range of major functions includes managing recreation programs, golf courses, zoo exhibits, zoo operations and visitor services, zoo animal management, and veterinarian services for zoo and aquarium animals.

11. Information Technology

Positions in this occupational group manage information technology, including systems, computer operations, and data communications. The range of major functions includes technology planning and implementation, evaluation of technology and user needs, hardware and software acquisition, and management of related staff and functions.

**Attachment #3 Executive Earnings with Cola Compared to APEX
Executives With No COLA but Market Adjustments & Incentive Pay
Opportunity**



Attachment #4 Manager and Strategic Advisor Point Factor Matrices

Manager Matrix

1. Human Resources Management - Refers to managing, monitoring and administering human resources, including direct and indirect supervision.

Not applicable	Is not a full supervisor of City employees; may manage the work product of consultants or contractors.	0
Low	Has first-line supervisory responsibility for a small staff (6 or fewer FTE).	43
Medium	Manages and supervises subordinate supervisors, or supervises a large staff (at least 7 FTE).	87
High	Manages and supervises subordinate supervisors, with total direct and indirect supervision of 20 or more FTE.	130

2. Budget / Fiscal Management - Refers to managing, monitoring and administering financial resources.

Not applicable	Provides input to budget development; may administer or monitor budget(s).	0
Low	Manages budget(s) with relatively limited impact to City, typically up to several million dollars; has limited Managerial discretion in allocating financial resources; deals with a limited number of funding sources and has minimal specialized funding source requirements.	47
Medium	Manages budget(s) of some consequence to the City, typically as high as twenty million dollars; has delegated authority to exercise discretion in allocating financial resources, including budget adjustments; fiscal management responsibilities may include contract management, dealing with multiple funding sources and complying with numerous specialized funding source requirements; implements fiscal management strategies to maximize resource utilization.	93
High	Manages budget(s) of substantial consequence to the City, typically approaching 1% or more of the City's overall budget; has delegated authority to exercise substantial discretion in allocating financial resources, including budget adjustments; fiscal management typically includes diverse responsibilities for contract management, dealing with multiple funding sources and complying with numerous specialized funding source requirements; develops and implements fiscal management strategies to maximize resource utilization and achieve efficiencies.	140

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3. Program Management - Refers to responsibility for developing, implementing, advocating, administering and evaluating identifiable program(s). A program has an identified set of policies, procedures, budget, identified and measurable outcomes associated with it, and has clear boundaries in relation to other programs and activities.

Not applicable	Has no defined responsibility for program management and administration.	0
Low	Manages programs of limited impact to City or external constituents; provides input on program implementation for more significant programs; administers procedures and processes to achieve specific objectives; provides customer service interface.	60
Medium	Provides recommendations for development of significant programs; implements programs by developing procedures and processes, and by managing resources to achieve program objectives targeted by senior decision-makers.	120
High	Plans, develops, creates, implements and evaluates significant programs to achieve broad objectives; defines measurements and is accountable for accomplishments; is vested with substantial delegated discretionary authority to develop an execute program policy and to allocate program resources.	180

4. Policy Management - Refers to responsibility for developing, implementing and advising decision-makers on policy.

Not applicable	Provides analyses on policy issues, and provides input on policy options; provides input on issues relating to operating processes and procedures.	0
Low	Provides input on and implements policies related to operations or services with limited direct public impact; provides recommendations on policy options affecting matters of limited scope and of short-term impact, typically of an operational nature.	53
Medium	Develops, recommends and implements policies of a programmatic or operational nature which have a direct impact on programs or services affecting the public; develops, presents and defends policy recommendations made to elected officials or executive decision-makers, typically involving short- to mid-term impact and consideration of impact on external parties.	107
High	Develops policy options and recommendations on highly visible or sensitive issues integral to the City's priority	160



	programs; develops recommended solutions to significant policy issues; develops implementation plans; provides authoritative recommendations of long-term impact to elected officials and executive decision-makers.	
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5. Technical Management - Refers to responsibility for technical expertise, typically in a technological or scientific discipline, including such elements as managing expert staff, serving as a key contributor or expert, and having technical competencies spanning various disciplines.

Not applicable	Has no defined responsibility for managing or possessing technical expertise; may require specialized professional knowledge.	0
Low	Supervises some technically-oriented staff and is required to deal regularly with technically-related issues, including legal or highly analytical issues; required to possess and apply technical expertise.	47
Medium	Has technical expertise in a specific field, typically evidenced by a required degree or license; supervises or provides authoritative advice to technically-oriented staff; required to possess some technical competencies outside of field of primary expertise.	93
High	Serves as a technical expert or key contributor, involving independent technical decision-making, typically evidenced by a required advanced degree and/or license; supervises technical staff providing highly visible or high-impact service to the City and its customers; required to possess additional technical competencies in order to effectively manage and integrate services.	140

6. Communications Management - Refers to effective representation of the City or City interests before external constituencies or as part of group processes.

Not applicable	Participates in and supports group decision-making processes.	0
Low	Represents functional area by communicating program or operating policies and procedures, or resolving significant customer service issues.	43
Medium	Represents department or functional area on a variety of issues before external constituencies; defuses potentially troublesome issues related to department policies and procedures; manages relationships with significant external constituencies; resolves significant problems and gathers	87

	external feedback through facilitating group processes.	
High	Represents the City on highly visible, sensitive and controversial issues before external constituencies; defuses troublesome issues related to City policies and procedures; manages and promotes relationships with significant external constituencies; regularly facilitates public involvement processes for policy input, to resolve significant issues, and to achieve important City objectives.	130

7. Matrix Management - Refers to coordinating and/or integrating functions, systems, or programs, and managing and/or facilitating the work of individuals, groups or teams across functional, departmental and/or jurisdictional lines without full Managerial/supervisory control, including administrative Managers across functional lines, and including the management of non-employees such as contractors and volunteers.

Not applicable	Participates as a member of and may assist with facilitating cross-functional, -departmental, or -jurisdictional teams.	0
Low	Periodically coordinates, integrates, and provides leadership for initiatives which involve cross-functional, -departmental, or -jurisdictional <i>ad hoc</i> teams.	40
Medium	Regularly coordinates, integrates, and provides leadership for both standing and <i>ad hoc</i> teams engaged in organized problem-solving, policy development, or service delivery across functional, departmental and/or jurisdictional lines.	80
High	On an on-going and consistently substantial basis, coordinates, integrates, and provides leadership for teams and other organized work groups with diverse representation across functional, departmental and/or jurisdictional lines, to achieve important outcomes requiring coordination and integration of diverse perspectives, skill sets, competencies and resources.	120



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Strategic Advisor Matrix

Level of: POLICY CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Provides input on policies related to operations or services; provides recommendations on policy options of an operational or short-term nature.
Medium	175	Develops and defends policies affecting the City's ability to fund and deliver programs and services; advises elected official(s) and/or department head(s) of major City department(s) on policies which may involve long-term impacts to the City, City services, City partners, or the public.
High	350	Shapes policy by making highly authoritative policy recommendations to elected officials and department heads; develops and defends policies with significant long-term impacts on the City's priority programs; strongly influence policies having significant and long-term resource implications; strongly influence policies which impact the conduct of business by multiple City organizational units.

Level of: PROGRAM CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Makes program recommendations, may administer some phases of program(s).
Medium	75	Provides recommendations for development of significant programs to elected official(s) and/or department head(s) of major City department(s).
High	150	Strongly influence nature and scope of program direction for significant programs by acting as a key advisor to elected official(s) and/or department head(s) of major City department(s).

Level of: BUDGET CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Makes budget recommendations, may administer some phases of budget(s).
Medium	75	Provides recommendations for development of significant departmental, program or business unit budget(s) to elected official(s) and/or department head(s) of major City department(s).
High	150	Strongly influence decisions by elected official(s) and/or department head(s) of major City department(s) on appropriate levels, sources and allocation of resources for major City services, programs or other activities, with significant long-term

attachment to SAM legislation.doc
 Edited 10/07/99

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		implications which impact the conduct of business by multiple City organizational units.
Level of: COMMUNICATIONS CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Communicates program and procedural information, and policies of an operational nature, to internal and external audiences.
Medium	50	Communicates to internal and external audiences on behalf of elected official(s) and/or department head(s) of major City department(s) on a variety of significant issues.
High	100	Communicates to internal and external audiences as an authoritative representative of elected official(s) and/or department head(s) of major City department(s) on a variety of significant issues related to the City's priority programs and services, for the purpose of garnering support, shaping opinions, advocating controversial positions, and achieving important City objectives.

Level of: MATRIX CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Participates in and may assist with coordinating or facilitating cross-functional, departmental or jurisdictional teams.
Medium	50	Acts on behalf of and represents priorities and interests of elected official(s) and/or department head(s) of major City department(s) on a variety of cross-functional, departmental or jurisdictional teams.
High	100	Actively provides leadership, focus and direction to cross-functional, departmental or jurisdictional teams as an authoritative representative of elected official(s) and/or department head(s) of major City department(s) to achieve important City objectives related to the City's priority programs and services.

Level of: TECHNICAL EXPERTISE CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Deals regularly with technically-related matters, and applies specialized knowledge in analyzing a variety of issues.
Medium	50	Has technical expertise in a specific field, typically evidenced by a required degree or license, and provides authoritative advice on technical matters to elected official(s) and/or department head(s) of major City department(s).
High	100	Acts as a technical expert in a specific field, involving independent technical decision-making, typically evidenced by a required degree or license, who serves as a Strategic Advisor of



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		advice on technical matters which is relied upon by elected official(s) and/or department head(s) of major City department(s) to make decisions affecting the City's highly-visible or high-impact services.
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Level of: HUMAN RESOURCES CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	May provide lead direction to other staff.
Medium	25	Full supervisor of one or two staff.
High	50	Full supervisor of three or more staff.

Attachment #5—FIRST YEAR REVIEW

SUMMARY OF PROGRAM CHANGES

Budget Spending Limits

Effective with the last pay period of 1998, a spending limit budget cap of a maximum 4% increase per year on base salary adjustments is implemented. The limit includes any approved market adjustments in addition to base salary changes made as a result of job size changes, recruiting or retention issues, market equity, internal alignment, or other factors.

The appointing authority may petition the Personnel Director for approval of a budget cap spending limit exception when unanticipated hiring or retention costs exceed the 4% cap. In order to support an exception, the appointing authority should be prepared to provide data indicating that the relevant labor market and or recruiting difficulties justify the base salary decision(s) resulting in the spending limit overage.

The revision to the spending budget strategy responds to program participants' concerns regarding the perceived variations in base salary setting and adjustments between "haves" and "have nots." The spending budget limit will improve the City's ability to promote equity and consistency both among departments and between the APEX, Manager and Strategic Advisor Programs and the City's other compensation strategies.

In addition, the spending budget limit is intended to help promote fiscal responsibility as a key component of these compensation programs and to improve the City's ability to plan for and fund salary changes.

The spending limit budget cap for variable performance pay is set at two percent (2%).

Market Adjustment

Market data compiled for the 1999 – 2000 adjustment was not sufficiently detailed for informed decision-making regarding variable application.



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Consequently, the majority of program participants received the adjustment in 1999.

Future salary surveys will provide data that will support awarding the adjustment to some occupational categories and classifications and withholding it from others.

Beginning with the January 2000 market adjustment, no program participant whose performance fails to receive a rating of satisfactory or better will be eligible for the market adjustment, regardless of whether the data supports a pay increase or not.

Variable Performance Pay

Nearly 93% of program participants received a variable performance pay award for 1998. The original Plan Design requires performance that meets or exceeds targeted objectives, and describes "targeted objectives" as above and beyond normal job outcomes. A 93% success rate was unexpected.

Effective January 1, 1999, the following variable performance pay guidelines are implemented:

- A guideline that 40% of program participants may be rewarded for variable performance pay award each year.
- Fifteen percent of program participants who receive a variable performance pay award should expect an award in the top end of the potential range (e.g., 5% to 8%)
- The remaining 25% of program participants who receive a variable performance pay award should expect an award in the lower end of the potential range (e.g., 1% to 4%).

The APEX variable performance pay potential range is reduced to 0% to 8% of base salary, from 0% to 10% of base salary. This is consistent with the potential range for Managers and Strategic Advisors.

The City retains the right to suspend all variable performance pay funding and programs at any time.



City of Seattle

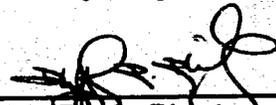
Paul Schell, Mayor

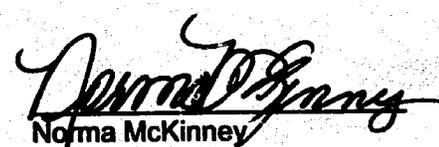
Executive Services Department
Dwight D. Dively, Director

MEMORANDUM

DATE: September 27, 1999
TO: Honorable Sue Donaldson, President
Seattle City Council

Attn: Elaine Marklund
City Budget Office

FROM: 
Dwight Dively, Director
Executive Services Department


Norma McKinney
Personnel Director

SUBJECT: Proposed Legislation – An Ordinance Replacing the Manager and Strategic Advisor (SAM) Compensation Program Ordinance

The attached ordinance will add a new Seattle Municipal Code (SMC) Section 4.20.390, Manager and Strategic Advisor Compensation Program, and will repeal SMC 4.20.400, Manager Compensation Program—Description as well as SMC 4.20.420, Strategic Advisor Compensation Program—Description.

Summary of the Legislation: The replacement of SMC 4.20.400 and SMC 4.20.420 with SMC 4.20.390 is based on formal evaluation of the SAM Compensation Program by a contracted consulting firm and the subsequent discussions among the Mayor, City Council and department heads. Modifications or further clarifications include: revisions to the program's design relative to budgeting, base salary-setting and the variable performance pay component.

DD/NM:nsc

Attachment: Replacement SAM Ordinance

c: Councilmember Martha Choe, Chair
Finance and Budget Committee, City Council
ESD Personnel Division Administrators

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Fiscal Note

Each piece of legislation that is financial in nature will be accompanied by a fiscal note. The fiscal note should be drafted by department staff and will identify operating, capital, revenue, and FTE impacts of the legislation.

Department: ESD, Personnel Division, Class/Comp Unit	Contact Person/Phone: Donna Cook/684-7970 Nancy Schaefer/386-9081	CBO Analyst/Phone: Barbara Gangwer/615-0768 Elaine Marklund/684-8053
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Legislation Title: AN ORDINANCE adding a new Seattle Municipal Code Section 4.20.390, Manager and Strategic Advisor Compensation Program; and repealing Seattle Municipal Code Sections 4.20.400, Manager Compensation Program—Description, and 4.20.420, Strategic Advisor Compensation Program—Description.

Summary of the Legislation: The ordinance provides for replacement of the original Strategic Advisor and Manager Program Ordinance; adopts budgetary guidelines of 4% for base pay adjustments and 2% for variable performance pay adjustments and establishes that actual salaries will provide the baseline for such percentages; directs departments to prepare baseline reports; and provides for budget cap exceptions for unanticipated hiring costs and small departments.

Background (Included justification for the legislation and funding history, if applicable): Proposed program modifications and revisions were based on formal evaluation of the APEX, Managers and Strategic Advisors Plan pursuant to a report from a contracted consulting firm and the subsequent discussions among the Mayor, City Council and department heads. It was concluded that revisions to the program's design relative to budgeting, base salary-setting and the variable performance pay component would improve its sustainability and ensure greater consistency of application across departments.

Sustainability Issues (related to grant awards): None

Estimated Expenditure Impacts: For 1999, there is some potential for savings, but the amount is uncertain. This because the ordinance is being presented late in the year, and some departments have already made base pay adjustments. Also, it is difficult to calculate savings accurately until departments provide better baseline data, which the ordinance directs them to do. For 2000, we have assumed an estimate of \$450,000 in General Fund savings in the salary reserve, but again, baseline data from departments is needed before the amount of projected savings can more accurately be calculated. These total projected savings cover participants in both APEX and SAM programs.

Estimated Revenue Impacts: None.

Estimated FTE Impacts: 0

Do positions sunset in the future? If so, when? No.

Other Issues (including long-term implications of the legislation): These modifications are intended to make the program sustainable for the future.

ORDINANCE

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AN ORDINANCE adding a new Seattle Municipal Code Section 4.20.390, Manager and Strategic Advisor Compensation Program; and repealing Seattle Municipal Code Sections 4.20.400, Manager Compensation Program—Description, and 4.20.420, Strategic Advisor Compensation Program—Description.

WHEREAS the Manager and Strategic Advisor Compensation Program was adopted in November 1997 for implementation in 1998, with the understanding that the Program would be formally evaluated to ensure its continued viability as a pay strategy; and

WHEREAS, the City contracted with a consulting firm in 1999 to evaluate the program, including how well the program was received and understood by program participants; and

WHEREAS, the evaluation and subsequent discussions between the Mayor, the City Council and department heads concluded that revisions to the program's design relative to budgeting, base salary-setting and the variable performance pay component will improve its sustainability and ensure greater consistency of application across departments;

NOW THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. There is hereby added to Seattle Municipal Code Chapter 4.20 a new section, 4.20.390, Manager and Strategic Advisor Compensation Program, as follows:

A. There is established a Manager and Strategic Advisor Compensation Program under which positions allocated to "Manager" and "Strategic Advisor" shall be compensated. The Personnel Director is authorized to implement and administer the Manager and Strategic Advisor Compensation Program substantially in accord with the APEX, Managers and Strategic Advisors Plan Design, which is incorporated by this reference, and any subsequent revisions thereto that are approved by the Mayor and the City Council. The Personnel Director shall allocate positions into and out of Manager and Strategic Advisor in accordance with established rules and procedures.

B. The salary structure for the Manager and Strategic Advisor Compensation Program shall consist of one (1) pay band with three (3) sub-bands, or pay zones. Pay zone assignment shall constitute the classification for all relevant provisions of the Seattle Municipal Code and the Personnel Rules. Where occupational groups have been designated,



1 the occupational group shall constitute the class series. The appointing authority shall have
2 the discretion to set and/or modify base salary anywhere within the recommended pay zone
3 for any Manager or Strategic Advisor under his or her direction, within formal budgetary
4 limits established by the Mayor and the City Council. The Personnel Director shall
5 recommend to the City Council for approval market adjustments to the salary structure
6 based on a biennial labor market analysis of selected representative classifications. The
7 appointing authority shall determine whether position incumbents shall receive a base salary
8 increase to reflect any or all of the approved market adjustment; provided, that no Manager
9 or Strategic Advisor shall be eligible for such an adjustment if his or her performance in the
10 previous evaluation cycle failed to be described as "satisfactory" or better. Other
11 adjustments to base salaries must be made in accordance with Program and budgetary
12 guidelines.

13 The Personnel Director will establish performance recognition guidelines for
14 the Manager and Strategic Advisor Compensation Program. The appointing authority may
15 award to a Manager or Strategic Advisor under his or her direction a lump sum payment of
16 up to eight percent (8%) of base salary, in addition to base salary, for recognition of the
17 accomplishment of goals and work outcomes at the completion of an annual evaluation
18 period. Any lump sum payment made pursuant to this section shall be considered a part of
19 regular compensation, prorated annually, for purposes of withholding retirement
20 contributions and calculating retirement benefits for affected employees who are members
21 of the City Employees Retirement System.

22 Section 2. The budgeting strategy for 1999 and 2000 for the Manager and
23 Strategic Advisor Program is hereby established as an annual allowance of four percent
24 (4%) of actual annual salary costs for base salaries, including any approved market
25 adjustments, and an annual allowance of two percent (2%) of actual annual salary costs for
26 variable performance pay. These limits shall apply on a departmental basis. The Personnel
27 Director may approve and the City Budget Office shall fund properly documented
28 exceptions to the budget cap for unanticipated hiring costs and for small departments.
29 Department heads are hereby directed to report annual baseline salary data for Manager and
30 Strategic Advisor Program participants to the Personnel Director by November 15, 1999 and
31 February 1st each year thereafter, in accordance with procedures established by the
32 Personnel Director.

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Section 3. Seattle Municipal Code Section 4.20.400, Ordinance 118783, is hereby repealed.

Section 4. Seattle Municipal Code Section 4.20.420, Ordinance 118775, is hereby repealed.

Section 5. Any acts made consistent with the authority and prior to the effective date of this ordinance are hereby ratified and confirmed.

Section 6. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 1999, and signed by me in open session in authentication of its passage this _____ day of _____, 1999.

President of the City Council

Approved by me this _____ day of _____, 1999.

Paul Schell, Mayor

Filed by me this _____ day of _____, 19____.

City Clerk

(SEAL)

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From: Lisa Peyer
To: Carter, Margaret
Subject: Substitute for CB 112931

Margaret:

I just noticed that when the Law Department changed one of the sections on CB 112931, which is going to be introduced on Monday, 10/2, the Section numbering was screwed up. Therefore, could you substitute the attached ordinance on-line. I will bring a hard copy to your chair to substitute in the blue jacket. Life is never easy.... Thanks for your help. L.

CC: Cook, Donna, Jorgensen, Edie, Steinmeyer, Kathy,...



**APEX, Managers and Strategic Advisors
Plan Design**

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ATTACHMENT #4 MANAGER AND STRATEGIC ADVISOR POINT FACTOR MATRICES **32**

MANAGER MATRIX **33**
STRATEGIC ADVISOR MATRIX **36**

ATTACHMENT #5 SUMMARY OF CHANGES RESULTING FROM FIRST YEAR EVALUATION



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Why did we start these projects?

Background

The City of Seattle is committed to the design and delivery of high quality public services to its citizens. Achieving this objective depends upon the experience, knowledge, hard work, abilities, performance, and dedication of its employees. To that end, the City needs to recruit and retain individuals with the solid skills, technical expertise, creativity, positive work habits, and experience which continue to add value to its workforce.

The City needs to develop classification and compensation systems that provide the authority, responsibility and accountability for employees to successfully meet customer needs, as well as systems that encourage productive behaviors and adapt easily to changing technologies and other external forces.

It is the objective of the City's classification and compensation systems to provide leaders with the flexibility to design and assign work, and appropriately compensate employees for their efforts in helping achieve the City's business objectives. Through a competitive and comprehensive compensation program that includes wages, health care benefits, paid leave, career mobility, and performance incentives, the City can affirm the value of its employees and reward their contributions to the City's success.

Therefore, for executive and other non-represented management employees, it is the City's intent that, as the City's economic condition permits, the value of our total compensation package will be no less than the average value of the market, comprised of those public and private employers with whom we compete for qualified employees. We will continue to value internal equity but recognize that market-driven changes may alter the historical relationships between jobs. When appropriate we will implement reward programs that are independent of base pay, replacing the concept of pay progression as an automatic entitlement with the understanding that variable pay is an incentive and compensation for a job well done.

The City's current classification and compensation programs do not support these goals. The lack of a deliberate link between the external marketplace and the City's salary structure means that the City may pay one type of position too little to be truly competitive for fully qualified candidates, and may pay another type of position much more than is needed to recruit and retain qualified individuals. Our seniority-based wage progression plan doesn't communicate the value of superior performance. Our narrow salary bands limit the appointing authority's flexibility to recognize the qualifications of a "superstar" job candidate with a commensurate pay offer, and mean that most employees have topped out their earnings potential in about the same length of time that the average employee has mastered the "learning curve"--just over three years. We measure the value of our high level management positions by the size of the budget



managed and the size and compensation level of their subordinate structures--a practice that has resulted in the development of unnecessary management layers and an internal alignment of positions based on their hierarchical level, rather than by virtue of scope of impact and strategic significance. Although the City's current "civil service" -type classification and compensation systems negatively impact management flexibility and employee performance throughout all layers of the organization, it appears that two areas in particular are ripe for change: the process for compensating City executives, and the classification/compensation process for City managers.

How did we get here?

Steps Taken To Get To The Plan Designs

The executive and manager projects were begun simultaneously, employing a single steering committee, a project management team made up of three different employees (a team leader and two individual analysts, each assigned to a unique project but working cooperatively), and two different consulting organizations.

1. The very first task undertaken involved joint interviews, with a representative from each consultant organization and a project staff member meeting with every City department head individually. The purpose of these interviews was to gather information which would help us define our concepts of executive and manager, the market from which the City recruits and to which it loses employees at these levels, and performance linkage possibilities.
2. Revised executive job summary questionnaires (JSQs) and manager position description questionnaires (MPDQs) were distributed to potential participants in order to gather current relevant information about individual positions.
3. Focus groups consisting of projected executive and manager program participants were convened. The executive focus groups were intended to ascertain employees' opinions and perceptions about their current compensation program and identify potential performance measures for a proposed performance and reward program. The manager focus groups also sought to gather information clarifying distinct occupational groups represented in the City's management work force.
4. Market compensation data was gathered for both programs. The executive project's consultants initially drew their benchmark data from their large library of published survey information. These data were augmented with a customized survey that sought specific information regarding several key positions from regional government agencies. The manager project's consultants gathered all of their survey results from a regional survey customized specifically for this project.

5. Design work was initiated. Draft proposals were critically considered and the pros and cons of each were vigorously discussed, clarified and addressed in subsequent drafts. Comments and direction were solicited from Councilmembers, the Mayor's Management Work Group, and the Mayor's cabinet. Proposed program details were published and distributed to participants.
6. In response to this feedback, adjustments were made to the proposed programs, including the evolution of a nonmanagerial "strategic advisor" concept.

The three proposed programs that resulted from this work are:

- **The Accountability Pay for Executives (APEX) Program,**
- **The Managers Program, and**
- **The Strategic Advisors Program.**

These programs were implemented as described below on January 8, 1998. Through September 1999, approximately 600 positions have been allocated to the new programs. As part of the City's ongoing efforts to ensure the continued viability of the APEX, Manager and Strategic Advisor Compensation Programs, an independent consultant was contracted to conduct an evaluation of the first year outcomes. This plan design has been revised to reflect the programmatic changes that will be implemented as a result of that evaluation. In addition, a summary of changes has been included as Attachment #5.

Which positions in the City fit these three programs?

CATEGORY DEFINITIONS

Executive

The executive level of City government (APEX) is comprised of the people who are responsible for managing the relationships between the City and its social, economic, and political environment, and for setting the tone and maintaining control of internal operations. A City executive must anticipate problems stemming from rapid change and take advantage of new opportunities, allocate resources, make strategic decisions, evaluate performance, and articulate plans and policies for the most significant activities of the City.

Positions in the City of Seattle designated within the APEX program clearly meet some or all of the following criteria: hierarchical orientation that carries broad corporate responsibilities and is oriented toward management of the 'whole'; strategic significance that imparts a definitive long term impact on the way the City conducts business; and scope and impacts that affect the delivery of critical services and quality of life for



many people, entail the management of large sums of money, and or involve control of extensive non-financial resources.

While the description of APEX positions was general enough to cover a wide range of executive roles, we found that our initial description for manager seemed to exclude a number of valued positions that played clearly significant roles in the City. Thus, an alternate definition was developed to describe positions of a level similar to manager, but that did not directly manage significant human or other resources. This new category is called strategic advisor.

Manager

A manager for the City of Seattle is an employee who is identifiably accountable for translating City and departmental objectives into specific outcomes in the areas of policy, programs, and service delivery, through effective utilization of the City's human, financial, and other resources.

Strategic Advisor

A strategic advisor of the City of Seattle is an employee who serves as a key advisor to senior officials, or who makes recommendations which help shape significant City policies or programs, or who represents the City in strategic arenas, without having full accountability for managing resources to achieve specific outcomes.

Which positions will be allocated to the APEX Program?

Department heads and division directors will automatically become part of APEX and other positions will be evaluated for eligibility based on their hierarchical orientation, strategic significance, and scope and impact.

APEX PROGRAM CRITERIA

Hierarchical orientation--Position carries broad corporate responsibilities and is oriented toward management of the "whole." Accountability extends across the organization or beyond. This position typically reports to an elected official, department head, or the board or commission heading a principal office or department, and is responsible for translating their high level vision into broad organizational policy and direction.

Corporation = City-wide: The position's responsibility and opportunity to effect positive change extends to, impacts, and addresses most, if not all subsidiary organizations (other departments).

Corporation = Sub-Division of the City: This level is mid-way between City-wide and department-wide and should address positions with opportunity to effect positive change to specific aspects of organizations across the City, or to a defined sub-group of City departments.



Corporation = Department-wide: The position's responsibility and opportunity to effect positive change extends to, impacts, and addresses most, if not all subsidiary organizations (other divisions).

Strategic significance—Position is responsible for making significant policy recommendations to elected officials, and for formulating and implementing resulting long-range City goals and objectives. This position establishes program and policy direction that has considerable long-term impact on resource allocation and the City's provision of services. Such positions define the organization's objectives, determine appropriate resource allocations, and direct the efforts of organizational components to accomplish the City's mission. Position is responsible for all program outcomes.

Strategic significance is likely to change over the years in response to changing political agendas, economic, environmental and social conditions.

For example,

1. health care reform was of great importance to the City to address in 1992;
2. the welfare to work initiative has a new level of urgency in response to reduced federal support for welfare programs; and,
3. if juvenile crime is ever diminished to an acceptable level (somewhere near 0), addressing the problem will correspondingly diminish in mayor and council priorities.

Strategic significance is a factor appropriate to be decided at the highest levels of the executive management team. Thus, an Executive Compensation Review Committee, designated by the Mayor, will have direct involvement in the APEX allocation process.

Strategic Significance—High: The incumbent is in the position of effecting significant positive results in the areas defined by the Mayor and the Council as City priorities such as enhancing community, social equity, environmental stewardship, economic opportunity, and security.

Strategic Significance—Moderate: There is the opportunity, albeit a more limited opportunity, to effect positive results in these same areas. The significance may be diminished simply because the position's responsibility has changed to entail the maintenance of successful innovations that were begun earlier, or because the City is not in any position of affecting change in this arena. For example, the position of Director of the Office for Education is limited in strategic effectiveness, because although it has some influence with control of certain funds distribution, it has no direct authority over Seattle School District policy or programmatic activities.

Strategic Significance—Low: The position is in a supporting role in effecting positive results in the strategic areas listed above. For example,



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The Finance and Administration Director for a department assists in achieving the wider strategic goals of the organization by ensuring the financial health of the organization and continued, reliable service delivery. The Human Resources Director for a very large department would provide similar strategic support for an organization on an executive level.

Scope and impact—Position's discretionary authority has significant impact over a large arena. The range of authority may be Citywide, regional, or larger, and includes programs that affect the delivery of critical services, quality of life for citizens, management and effective allocation of large sums of money, and/or control of extensive non-financial resources.

Scope and Impact –Large: The incumbent is directly responsible for the dispersal or control of at least 10 million dollars, a customer base of 500,000 or more, workforce of 1,000 or more, or regional services covering, at minimum, the entire City.

Scope and Impact –Medium: The incumbent is directly responsible for the dispersal or control of at least 5 million dollars, a customer base of 250,000 or more, workforce of 500 or more, or regional services covering, at minimum, half the City.

Scope and Impact –Small: The incumbent is directly responsible for the dispersal or control of at least 2.5 million dollars, a customer base of 100,000 or more, workforce of 250 or more, or regional services covering, at minimum, a quarter of the City.

How will the City decide who is in APEX?

Initial allocations to APEX will be recommended by the Personnel Director based on input from department heads and evaluation of employee-completed job summary questionnaires. Since the APEX program covers positions for whom the personal qualities of the incumbent will affect the nature of the work performed, allocation to and within the APEX program is made on a generalized whole job evaluation and ranking approach.

The Personnel Director will evaluate Job Summary Questionnaires (JSQs) utilizing these criteria and determine whether a new position should be allocated to APEX. At the request of a department head, the Personnel Director will evaluate non-APEX positions to determine whether they have undergone sufficient change to meet the necessary criteria for inclusion, or will evaluate APEX positions to determine whether they should be excluded because of duties changes. Otherwise, the appointing authority will have significant discretion to determine, by work allocation, who is included and who is not.



Upon implementation, appointing authorities will be provided the opportunity to have APEX placement of specific positions independently reviewed by a committee designated by the Mayor as the Executive Compensation Review Committee (ECRC). However, we anticipate limited need for review, given the appointing authority's broad discretion for position allocation and placement.

As a final step, the allocation of all APEX positions will be confirmed by the City Council through legislation.

Methodology and use of the APEX Criteria

The essential base pay structure of APEX will consist of a broad pay band (137% wide) anchored by four market group sub-bands. (See the APEX Base Pay Structure section of this proposal for more detail.) Applying market data and the three criteria, the Personnel Director will recommend which of four established market groups best fits each position.

Internal benchmark positions will provide easily recognizable and identifiable standards for market group comparisons for all other positions allocated to the APEX program. These comparative analyses will be supplemented with an application of the three APEX criteria, hierarchical orientation, strategic significance and scope and impact.

Examples of Market Group Four Executives

City Light Superintendent, Seattle Center Director, Police Chief, and Deputy Mayor.

All of these positions easily manifest all of the executive criteria. Hierarchical orientation is always "corporate" (City-wide) in nature. Decisions involve the development of broad organizational policy or direction, and positions are accountable for major program outcomes. Direction is given across functions or organizations, with responsibility for overall objectives, staffing, and resource allocation. Unique market issues also contribute to placement at this market group level, which was specifically created to address exceptional market conditions.

Examples of Market Group Three Executives

Parks and Recreation Superintendent, Housing and Human Services Director, Deputy City Light Superintendents, and Intergovernmental Relations Director.

All of these positions also manifest all of the executive criteria. Hierarchical orientation is always "corporate" in nature. Decisions involve the development of broad organizational policy or direction, and positions are accountable for program outcomes. Direction is given across functions or organizations, with responsibility for overall objectives, staffing, and resource allocation. These



positions, while closely related to Market Group Four executives, do not require the same level of compensation to address compelling market demands.

Examples of Market Group Two Executives

Electric Services Directors, Municipal Court Administrator, Land Use Director, and Energy Planning and Forecasting Director.

At the this level, at least two of the executive criteria would be met. Some decisions might involve broad organizational policies or direction, but most decisions are likely to concern the development of long range plans, goals and objectives for specific elemental functions of the City, such as court functions, regional electrical services, or land use issues. These positions are likely to evince a diminished City-wide corporate hierarchical orientation.

Examples of Market Group One Executives

Civil Rights Director, City Light's Civil Engineering Director, and the (City-wide) Building Operations Director.

Positions at this level might have notable (City-wide) hierarchical orientation, strategic significance, or scope and impact; but usually meet only one such criterion. They tend to have greater responsibility for program outcomes than for policy design and direction. Positions at these levels are closely related to the highest level positions in the manager or strategic advisor group and may be evaluated utilizing the manager or strategic advisor group criteria for confirmation and reliability.

The APEX Allocation Process Differs from the Manager and Strategic Advisor Process. Why?

Whole job ranking is the most common method used in measuring executive level jobs because it is relatively simple, flexible and responsive to changing management needs. The whole job ranking method works well for positions where incumbents have great latitude to define their jobs, and is particularly suitable for compensation system designs which are intended to provide maximum flexibility for recruiting and work load management. Because it doesn't provide "hard" criteria for justification of results, it is less effective as a job measurement tool for classified service positions. We find that the Manager and Strategic Advisor programs are better served with more detailed and quantifiable point factor job measurement systems.

How Are Manager And Strategic Advisor Program Allocations Determined?

The Personnel Director will evaluate Manager Position Description Questionnaires (MPDQs) utilizing the Manager and Strategic Advisor Program point factors criteria and determine whether a new position should be allocated to these programs. At the request of a department head, the Personnel Director will evaluate other positions to determine whether they have undergone sufficient



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change to meet the necessary criteria for inclusion, or will evaluate Manager and Strategic Advisor positions to determine whether they should be excluded because of duties changes.

Upon implementation, affected employees and department heads will be provided the opportunity to have Manager and/or Strategic Advisor placement of specific positions independently reviewed by the Reconsideration Committee made up of ESD Classification staff, departmental human resources staff, and program Consultants. In addition, all classified service employees can appeal the application of the classification process for their position.

Finally, the allocation of all Manager and Strategic Advisor positions will be confirmed by the City Council through legislation.

Manager and Strategic Advisor Point Factor Methodology

Addressing positions largely represented by the classified service, the Manager and Strategic Advisor Programs benefit from the kind of quantifiable job measurement approach represented by a point factor system. In a point factor system, relevant factors are defined and weighted. Each job is compared to descriptions of the various levels within each factor. When the appropriate degree is selected for each factor, the assigned points are combined to produce a total score for each job. The clarity of this system and the relative ease in justifying results is offset by its inflexible nature. Therefore, rather than allowing the point factor system to force undue limitations on appointing authorities, the point factor scoring system is limited to simply placing positions within pay zones (35% wide) within which department heads have discretion for exact placement. Salary Placement Guidelines (described later) will assist department heads in making individual salary placement within pay zones.

Manager and Strategic Advisor base pay structures consist of single broad pay bands (84% wide) with three sub-bands, or pay zones (35% wide). Department head discretion for managers and strategic advisors is limited to placement within the three sub-bands, or pay zones. (See the Manager and Strategic Advisor Base Pay Structure section of this proposal for greater detail.)

One set of point factors was identified and defined for the Manager Program and another for the Strategic Advisor Program. (Specific Manager and Strategic Advisor point factor matrix data is attached.)

MANAGER PROGRAM POINT FACTORS:

- Human Resources Management 13%
- Budget / Fiscal Management 14%
- Program Management 18%



- **Communications Management** 13%
- **Matrix Management** 12%
- **Policy Management** 16%
- **Technical Management** 14%

STRATEGIC ADVISOR PROGRAM FACTORS:

- **Policy Contribution And Impact** 35%
- **Program Contribution And Impact** 15%
- **Budget Contribution And Impact** 15%
- **Communications Contribution And Impact** 10%
- **Matrix Contribution And Impact** 10%
- **Technical Expertise Contribution and Impact** 10%
- **Human Resources Contribution and Impact** 5%

What Are The Job Classification Issues Involved?

Positions in the APEX study are exempt from the classified service and therefore, not classified. However, most manager and strategic advisor positions are part of the City's Classified Service system and therefore require classification. Orders of lay-off and other classified service rights need criteria for definition. Therefore, as a means of classifying these positions, managers and strategic advisors are assigned to one of eleven broad occupational groups, that serve as manager and strategic advisor program class series. The positions are then allocated to one of three pay zones that serve as indicators for the three levels of broad classes allocated to the established pay zones attending each of these series.

When considering orders of lay-off, the committee charged with this responsibility, will consider service credit connected to the title in use at program implementation, to be accrued to the new programs' allocations.

MANAGER AND STRATEGIC ADVISOR

OCCUPATIONAL GROUPS (Class Series)

(More detailed definitions are attached.)

1. **Customer Service, Public Information and Promotion**
2. **Human Services**
3. **General Government**
4. **Courts, Legal and Public Safety**
5. **Finance, Budget, and Accounting**
6. **Engineering and Plans Review**
7. **Utilities**
8. **Purchasing, Contracting, and Risk Management**
9. **Property and Facility Management**
10. **Parks and Recreation**
11. **Information Technology**



What Will Be The BASE PAY Structure?

The base pay structure for all three programs consist of single broad pay bands divided by sub bands.

APEX Base Pay Structure

The base pay structure for APEX consists of one "Executive Pay Band", which is anchored by four market groupings. The same decision process for inclusion in APEX will determine, to which market grouping each executive position belongs.

1998 APEX Pay Band Proposal¹

Market Group	Bottom	Middle	Top
1	\$56,872	\$66,872	\$76,778
2	\$64,646	\$75,960	\$87,273
3	\$79,451	\$93,354	\$107,267
4	\$99,974	\$117,472	\$134,970

APEX Salary Setting Discretionary Range

The APEX program allows the appointing authority broad discretion to increase and/or decrease executive base salaries at any time within the recommended market group in response to business needs, reorganization, job content changes, strategic priority shifts, and unique market indications. Changes in compensation outside the recommended market group will require the approval of the Mayor, or the compensation review committee designated by the Mayor.

Manager and Strategic Advisor Pay Structures

The Manager and Strategic Advisor class series are served by a single broadband with three Pay Zones. The appointing authority's discretion for setting and changing base pay for subordinate managers and strategic advisors is confined to the allocated Pay Zone. Should there be disagreement with the Personnel Director's initial allocation, appointing authorities and incumbents are provided with the opportunity to request an administrative review or reconsideration of the allocation. In addition, classified service employees may appeal the process utilized to allocate their position to the Civil Service Commission.

1998 Manager and Strategic Advisor Pay Band

	Minimum	Mid-point	Maximum
Zone 1	\$44,531	\$52,324	\$60,117
Zone 2	\$52,624	\$61,833	\$71,043
Zone 3	\$60,717	\$71,342	\$81,967

¹ Please note that Market Group One was adjusted in response to the transfer of specific benchmark positions from APEX to Manager and/or Strategic Advisor Programs. Transfer of these positions out of the APEX Program altered (increased) the resulting market average of the benchmarks defining this Market Group.



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The overlap between the APEX pay band and the Manager and Strategic Advisor pay band can be attributed to the fact that a Manager may have responsibility for a function or program that is far broader, more complex, or more strategically significant than an Executive who is automatically allocated to APEX because of his or her hierarchical placement.

How will individual pay rates be set?

APEX Salary Setting Process

The APEX program allows the appointing authority broad discretion to increase and/or decrease executive base salaries at any time, within the recommended market group in response to business needs, reorganization, job content changes, strategic priority shifts, and unique market indications. Given this far reaching discretion, the appointing authority can be held fully accountable for his/her staffing decisions. Setting compensation outside the recommended market group will require the approval of the Mayor or the compensation review committee designated by the Mayor.

When making his/her APEX salary placement decisions, the appointing authority would be asked to address and personally certify that he/she took into account the following:

- Relative size of job,
- Financial impact of position,
- Market difficulties,
- Sensitivity of position,
- Scope and range of subordinate operations, and
- Technical complexity.

Effective January 1, 1999, a budget cap of four percent (4%) per year on base salary adjustments is imposed. The cap includes any approved market adjustments, as well as salary changes contemplated based on the aforementioned factors. The Personnel Director in limited cases may approve exceptions to this cap when unanticipated hiring costs cause a department to exceed its budget. Market data must support these exceptional salary offers.

MANAGER AND STRATEGIC ADVISOR SALARY PLACEMENT GUIDELINES

Department Heads have the discretion to set manager and strategic advisor salaries anywhere within allocated pay zones. Manager and strategic advisor salary adjustments within the pay zones can be made at any time that the department head can support that a change is warranted. Department heads must use consistent criteria for placement of managers and strategic advisors within the allocated pay zones. The Personnel Director will provide appointing authorities with a salary placement workbook that, in addition to describing a



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simplified transitional approach, recommends a detailed process addressing the following sets of considerations:

- Job Size (two recommended methods)
 1. Job Ranking
 2. Point Factor Score Modified by Market
- Recruiting and Retention
- Market Equity
- Internal Alignment

Effective January 1, 1999, a budget cap of four percent (4%) per year on base salary adjustments is imposed. The cap includes any approved market adjustments, as well as salary changes contemplated based on the aforementioned factors. The Personnel Director in limited cases may approve exceptions to this cap when unanticipated hiring costs cause a department to exceed its budget. Market data must support these exceptional salary offers.

The budget cap is proposed as a method to reinforce consistent and equitable treatment of program participants across departments, in addition to containing program costs.

Does subordinate salary dictate a manager's base pay?

Breaking from long held tradition, it should be noted, that the number or compensation level of subordinate employees is not a relevant consideration for salary placement. In fact, there is no rule, guideline or policy for any of the three programs that is intended to suggest that supervisors must make more than their subordinates.

What is The Market From Which We Compete For Employees To Fill Our Executive, Manager, And Strategic Advisor Positions?

The market for the majority of the City's executive, manager and strategic advisor positions is defined as regional public sector employers with similar scope and diversity of functions and services. The market for department heads has been expanded to include national public or private sector employers of similar size and scope, and the market for certain utility-specific executive positions may also include nongovernment utilities.

How will the program keep current with market changes?

The initial data collected for all three programs, APEX, Managers, and Strategic Advisors, was current as of January 1, 1997. The delay in implementation has



been accommodated by "aging" the market data by one year at 3.6%, a rate consistent with changes to government sector salaries nationwide.

To maintain the current market connection of these compensation programs, the City will survey the market at least once every two years, and adjust the market groupings and/or pay zones accordingly. These biennial adjustments will replace the cost of living adjustment (COLA), which had become the predictable annual salary increase expectation for most City employees. This biennial data will be used to adjust budgets and the parameters of APEX Market Groupings and Manager and Strategic Advisor Pay Zones. However, while the appointing authority will continue with the discretionary authority granted by these programs, it should be understood that no automatic changes to incumbent salaries will be implemented in response to this data.

There is no intention of permanently using the same market data sources listed in Attachment 1. Market data collection will be regularly modified and improved. The impact, if any, of variance in results should only help to better situate the City in terms of its market relationship.

The first year evaluation recognized that the market data provided in support of changes to the programs' pay bands was insufficiently detailed to permit withholding the 1999 and 2000 adjustments. Future market studies will provide data to support variable application of the market adjustment.

Beginning with the January 2000 market adjustment, no market adjustment will be awarded to program participants whose performance during the previous evaluation cycle is rated "unsatisfactory" or the equivalent thereof, regardless of what the survey data indicates.

What Does Variable Performance Pay Mean?

All three programs, APEX, Managers, and Strategic Advisors, contain a variable compensation component, where a portion of the employees' potential gross pay is dependent upon the achievement of targeted and assessable operational results with respect to specific City values, described by 7 competencies.

Given the "at risk" nature of the variable pay component of these programs, it should be clearly understood that while high performers will now have the opportunity to increase their wages, executives, managers, and strategic advisors who fail to achieve their objectives are quite likely to earn less than they could expect under the current compensation program.

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APEX Variable Performance Pay

Due to their exempt employment status and a projected potential for greater risk taking and reward possibilities, each executive is given the opportunity to earn an additional 10% of base pay.

As a result of the first year evaluation, the APEX variable performance pay potential is reduced to 8% of base pay effective January 1, 1999.

Manager and Strategic Advisor Variable Performance Pay

Each manager and strategic advisor has the opportunity to earn an additional 8% of base pay.

For all three programs, the incentive would be assessed and paid upon completion of a review period, as a lump sum retroactive pay adjustment. This assessment (evaluation) will be performed late in the calendar year in order to allow payment within the current (relevant) tax year.

Effective January 1, 1999, the variable performance pay budget is set at two percent (2%) of program budget.

Program participants who transfer to a position that is not eligible for variable performance pay during the evaluation cycle, or who separate from City employment, shall not be eligible for variable performance pay for the year in which the transfer or separation occurs.

The City may suspend variable performance pay funding at any time.

Performance measures-Two Parts

All three programs feature a combination of assessable operational results and performance measures for behavioral competencies, in order to ensure that both receive due attention.

Performance Measures, Part One: Goals & Outcomes

The appointing authority is charged with naming up to 5 clearly defined strategic objectives (assessable operational results), identifying the relative weight (importance) of each. Most often, department goals will be reiterated in the strategic objectives set for a department's chief executive, and reflected in objectives set for lower level executives, managers and strategic advisors.

Performance Measures, Part Two: Competencies

At the same time as objectives are set, the appointing authority is asked to identify competency standards with which to measure the behavior of the subject employee. As guidelines, the program defines seven areas of targeted competencies: customer service; diversity; achievement/performance orientation; organizational orientation and



impact; judgment, analysis, and directives; leadership and teamwork; and technical expertise. Not every defined competency need be applied to every position or objective. Rating sources, with a potential for a 360° review process, will also be identified at this time.

Team Versus Individual Performance Measures

Recognizing that many executives, managers and strategic advisors may achieve their greatest accomplishments as part of a team while others work effectively with more independence, the identification of team oriented strategic objectives (assessable operational results) will be recommended but not required. In addition, successful team orientation will be reinforced with use of the proposed 360° review process for competencies.

Variable Performance Pay Communication Responsibilities

Although the appointing authority may change selected objectives or their relative weighting, if priorities, organizational structure, or other variables change significantly during the review period, strategic objectives and expected competencies should be fully discussed/negotiated with the subject employee at the onset of the performance review period. Any subsequent changes should be immediately communicated to the subject employee.

Calculating Variable Performance Pay Results

Following the end of the evaluation period, the appointing authority (or designee) assesses the subject executive's strategic objective achievement and collects evaluative data from peers, subordinates, or customers regarding competencies.

Should the employee's performance meet or exceed targeted expectations, he or she could be awarded up to the maximum available (0% to 10% of base pay for APEX executives, or 0% to 8% for managers and strategic advisors) as a lump sum performance award. The actual award amount, up to the maximum, will be determined by the appointing authority.

Effective January 1, 1999, the variable performance pay potential for APEX executives is 0% to 8%.

The first year evaluation revealed that a significant number (93%) of program participants received a variable performance pay award in 1998. Fiscal responsibility and the need to clearly establish a direct link between variable performance pay and high performance argue for implementing guidelines to reduce the number of variable performance pay recipients. Effective January 1, 1999, each department will be expected to limit variable performance pay recipients to 40% of program participants. A general rule of thumb for awards is that 15% of all program participants would receive awards in the high range (e.g., 5% to 8%) and 25% of all program participants would receive lesser awards



(e.g., 1% to 4%). Each department shall revise its variable performance pay program to be consistent with those recommendations.

As noted above, the market adjustment will also be performance-based, to the extent that "unsatisfactory" performance, or the equivalent thereof, will result in denial of the market adjustment regardless of what the survey data indicates.

Effect of Variable Performance Pay on Retirement Program Participants

Retirement contributions will be assessed against the lump sum retroactive pay adjustments. These variable pay adjustments will be included as part of the participating employee's base pay for retirement calculation purposes.

What will be the Process for Implementing These Programs?

Implementing Base Pay for APEX

Upon implementation of the three programs, the employee's compensation level may be brought up or down to within the appropriate level of the pay band. If the recommended level is lower than the employee's salary rate at the time of transition, the appointing authority has the discretion to "freeze" the employee's salary at its current rate until the band level catches up, or to set it at a lower level. If the bottom of the recommended range of discretion² is higher than the employee's salary rate at the time of transition, the appointing authority will be expected to bring the employee's salary up at least to the minimum of their discretionary range.

Implementing Base Pay for Managers and Strategic Advisors

If the recommended level is lower than the employee's salary rate at the time of transition, the department head will "freeze" the employee's salary at its current rate until the band level catches up. If the bottom of the recommended range of discretion³ is higher than the employee's salary rate at the time of transition, the effect of allocation will be to bring the employee's salary up at least to the minimum of the range.

Changing Base Pay

In response to changing business needs, appointing authorities may change the compensation of subordinate executives at any time for any amount within their range of discretion. Department heads may change the compensation of managers and strategic advisors based on the salary placement guidelines provided by the Classification Director at any time following program implementation. Since most managers and strategic advisors are civil service

² The range of discretion available to the appointing authority will differ based on the program in question. See section "How Will Individual Pay Rates Be Set?"

³ The range of discretion available to the appointing authority will differ based on the program in question. See section "How Will Individual Pay Rates Be Set?"



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employees, they will have "incumbency rating" rights upon transition into the program. Thereafter, base pay may be adjusted within the pay zone when there is a corresponding change in the level or complexity of duties and responsibilities.

All changes to base pay must be made within the overall budget cap of four percent (4%) from January 1999 forward. The Personnel Director must approve exceptions for unanticipated hiring costs, with funding released by the City Budget Office.

How will the Programs be Monitored?

The Executive Services Department, Personnel Division's Classification and Compensation Unit will run payroll utilization reports at least twice a year to ensure that the programs continue to serve the City as originally intended.

Base pay for each program position will be published in the City's Budget Book annually and reports will be generated annually regarding the disbursement of performance funds.

PROGRAM ACCOUNTABILITY

All three of these new programs will require a significant amount of ongoing communication on the part of all affected parties to be successful. The following accountability statements are not necessarily all-inclusive, and are only intended to provide clear direction about the minimum responsibility required of each participant if the programs are to be effective.

Mayor's Accountability

The Mayor is accountable for establishing clear and meaningful objectives for each department and department head under his or her authority, and for communicating those objectives, and any subsequent changes thereto, early and frequently.

The Mayor shall establish accountability contracts with all of the department heads under his or her authority, outlining his or her expectations for achievement of the objectives he or she has set. On no less than an annual basis, the Mayor shall evaluate each department head's progress toward achievement of those objectives, and may or may not award a lump sum performance recognition payment based thereon.

The Mayor is responsible for reviewing any and all data related to the implementation and administration of these programs as it is provided to him or her by the Personnel Director, and for taking action when such data indicates that a department head has failed to properly exercise his or her discretionary responsibilities under the Accountability Pay for Executives Program (APEX), or



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the Manager and Strategic Advisor Classification and Compensation Programs, imposing restrictions as appropriate.

City Council's Accountability

The City Council will review, modify as desired, and adopt the City's compensation policies and programs by legislative action, evaluate all funding requests made by department heads in their budgets for compensation, and take action as required to modify the budgeting strategy or strategies approved for the program.

Personnel Director's Accountability

The Personnel Director will train, advise, and consult with appointing authorities to ensure that they have the information and direction they require to implement and administer the APEX, Manager, and Strategic Advisor programs in a manner consistent with the programs' goals and principles.

At least once every two years, the Personnel Director will conduct an analysis of the appropriate labor markets in order to adjust the salary bands established for these programs.

The Personnel Director will provide reports to the Mayor and the City Council on a quarterly basis, for the first year of program implementation, to monitor the establishment of base salaries and the distribution of performance pay in each department.

Department Head Accountability

The department head will set base salaries for program participants under his or her supervision in accordance with the program design and guidelines issued by the Personnel Director. The department head will use fair and consistent criteria for the establishment of base salaries, will document his or her salary decisions, and will be prepared to explain the rationale behind their decisions when necessary.

The department head will set performance objectives for all program participants who report directly to him or her, and will oversee and approve the establishment of performance objectives for all program participants who report to his or her direct subordinates. The department head will ensure that performance objectives are communicated to and discussed with the individual who will be evaluated based on his or her achievement of same, and that the individual is kept apprised throughout the course of the evaluation period on his or her progress toward accomplishment of designated performance objectives. The department head will mandate the formal evaluation and award of performance pay for all program participants in his or her department, and shall withhold performance pay from his or her direct reports until they have completed evaluations and awarded performance recognition incentives to their subordinates as appropriate.

Employee Accountability

Those employees who are assigned to APEX, or to the Manager or Strategic Advisor compensation program, shall be accountable for understanding the performance objectives and competencies that have been established for them, and for immediately communicating to their supervisors any obstacles to their accomplishment.

How Will Participants Know What Is Expected and How to Do It?

One on one support will be provided for appointing authorities, management, affected employees, and department human services staff as requested. This will include, but not be limited to:

1. Distribution of sample performance programs and guidelines;
2. Informal in-house training, as well as referrals to specialized management training consultants;
3. Customized market data research;
4. Analysis and recommendations regarding individual salary placement effects; and,
5. Program management guidance.

Questions That Might Be Asked By Program Participants

Could I lose potential income under this program?

Yes, you could. As stated earlier "Given the "at risk" nature of the variable pay component of these programs, it should be clearly understood that while high performers will now have the opportunity to increase their wages, executives, managers, and strategic advisors who fail to achieve their objectives are quite likely to earn less than they could expect under the current compensation program."

For example, we've described the earnings of four fictional City executives for 6 years in the recent past (1/1/91 through 12/31/96). All four begin with the base compensation of top step for Director III. There have been no changes to anyone's responsibilities during this time. (See attached spreadsheet showing relevant calculations.)

The first executive lived under the current program and received same colas enjoyed by the bulk of City employees. Her gross earnings were \$356,982.

The other executives lived in an parallel world where the new program had been implemented January 1, 1991 and the cost of living adjustments had been diverted into the variable performance pay program. The pay of these executives was adjusted every other year to account for market changes.

One of these "other executives" has only able to meet normal expectations for the entire decade. His gross earnings were \$354,918. His earnings were less than the cola'd executive's by .578% .

The second of the "other executives" did a good job consistently exceeding expectations without variation. His gross earnings were \$372,663. His earnings exceeded the cola'd executive's by 4.393%.

The last of the "other executives" was an extraordinary superstar employee, who always greatly exceeded expectations and was very nice doing it. Her gross earnings were \$390,409. Her earnings exceeded the cola'd executives by 9.364%.

With so much independent discretion being proposed, how will the City ensure fairness and equity?

Although plans are underway to officially monitor these programs, to reveal trends and subtle adverse impacts, these programs will not be implemented in secret. This is "up-front government" in a way unknown until now. The person given the responsibility for making hiring and compensation decisions will be held accountable for decisions made. Many people, including employees, customers, unions, and peers, will be watching how individual appointing authorities use the discretion they are being granted. Behavior will be noted and abuses/successes can be addressed by the Mayor as needed.

How do you address concerns about our current system that is "mysterious and perceived to be subjective and inconsistent," with APEX, a system that applies to the highest level, nonclassified personnel?

Whole job ranking is recognized as the most common method in use for measuring executive level jobs in both the private and public sectors. This is because, unlike lower level positions, executive positions are viewed as those most likely to be significantly altered by the style, skills and abilities of their incumbents. The flexibility of APEX capitalizes on this fact.

Other than recommending placement of positions into broad bands, compensation decisions will no longer involve Personnel Analysts, making narrowly calibrated recommendations based on such abstractions as organizational charts and span of control theories. Individual salary placement decisions will be the responsibility of the appointing authority.

Two essential hallmarks of the APEX Program are accountability and management flexibility, each balancing the other. Decentralizing compensation decisions supports the point-of-management accountability required for greater workload management flexibility, the development of innovative ways of doing

City Manager and Strategic Advisors Proposal

business and accomplishing objectives, and the effective communication of the City's values and goals.

Will performance awards be granted to employees who merely meet expectations?

There is no intention of suggesting that performance awards should be given to employees who merely meet expectations. These are "incentive" programs. Performance targets are intended to be set over and above ordinary job expectations.

How will these programs reduce management layering?

We have found that our current systems have inadvertently encouraged management layering in the City. Thus, both APEX and the Manager/Strategic Advisor Plans were developed with an intent of recognizing high levels of contribution outside the articulation of subordinate organizations.

We found that application of the Strategic Advisor matrix more appropriately addresses approximately forty positions uncomfortably holding manager titles. Although we cannot precisely forecast cultural change, we believe that by not encouraging layering, that the long term effects of these plans may be quite significant.



Attachment #1- APEX, Managers and Strategic Advisors Market Study

APEX Market Study

A combination of published market data and regional custom survey data was utilized to create the market groupings for the APEX Program. The following is a list of the source data employed for this purpose:

- APPA Survey of Management for organizations with revenues of at least \$100 million.
- APPA Survey on Management for organizations with a customer base of at least 100,000.
- Charlotte NC Survey of cities with populations greater than 175,000 or less than a million.
- City of Bellevue's national survey.
- City of Phoenix's national survey.
- Colorado Muni League's survey of positions in cities with populations greater than 15,000.
- Cook County Salary & Fringe Benefit market survey of municipalities within the Chicago metropolitan area.
- Dietrich Executive Engineering Occupation Market Survey for private and public sector employers with over 1,000 employees.
- ECS Middle Management Survey for All Industries
- ECS Top Management Survey for Government Jobs
- ECS Top Management Survey for Gas/Electric/Water Organizations
- ECS Top Management for Non Profit Organizations
- EEI Management and Administration Compensation Survey for Organizations with revenues from \$600 million to one billion.
- EEI Management and Administration Compensation Survey for Organizations with revenues from \$300 million to \$600 million
- Custom Survey-Tacoma
- Custom Survey-State of Washington
- Custom Survey-Snohomish County
- Custom Survey-Portland, OR
- Custom Survey-Port of Tacoma
- Custom Survey-Port of Seattle
- Custom Survey-Pierce County
- Custom Survey-Kitsap County
- Custom Survey-King County
- Custom Survey-City of Everett
- Custom Survey-City of Bellevue
- ICMA Compensation Survey for cities with populations of 500,000 to 1 million
- ICMA Compensation Survey for cities with populations of 250,000 to 499,999

- ICMA Compensation Survey for cities with populations over one million
- M&R Northwest Management & Professional Compensation Survey
- Mercer Finance and Accounting Occupations National Survey
- Mercer Finance and Accounting-National Survey limited to government organizations.
- Metro/King County National Compensation Survey
- Metro/King County National Compensation Survey, Pacific Northwest Sort
- Municipal Yearbook data for cities with populations of 500,000 to one million
- TPF&C Survey of Not for Profit Organizations
- Washington City & County Database Information for Bellevue, King County, Pierce County, Tacoma and Spokane

Manager and Strategic Advisor Market Study

A custom survey was prepared and conducted seeking comparable salary information for 38 benchmark positions from the following sources:

- City of Bellevue
- City of Bellingham
- City of Everett
- City of Federal Way
- City of Portland (OR)
- City of Renton
- City of Tacoma
- City of Yakima
- King County
- Kitsap County
- City and County of Denver (CO)
- Pierce County
- Snohomish County
- Puget Sound Regional Council
- Seattle School District
- State of Washington
- Port of Tacoma
- East Bay Municipal Utility District (CA)
- Washington Natural Gas
- Bonneville Power (OR)
- Snohomish County P.U.D.
- Dallas Zoo (TX)
- Phoenix Zoo (AZ)
- Portland Metropolitan Zoo (OR)



Attachment #2- Manager and Strategic Advisor Program Occupational Group Definitions

1. Customer Service, Public Information and Promotion

Positions in this occupational group manage customer service, public information and promotional programs. The range of major functions includes management of customer complaint resolution, events booking at major facilities, contract negotiation and administration, customer relations and education program development and implementation, media relations and advertising campaigns, development and production of special programs and events, and community and governmental relations.

2. Human Services

Positions in this occupational group manage the provision of direct and contracted human services. The range of major functions includes management of programs dealing with aging, children, youth, families, diversity, prohibited discrimination, low-income assistance, domestic violence, housing, nutritional assistance, persons with disabilities, the homeless, and other areas of human service needs. Functions also include policy and program development, and the monitoring of performance and compliance by grantee community agencies.

3. General Government

Positions in this occupational group manage diverse functions of an administrative nature that broadly facilitate and support general governmental services and operations. The range of major functions includes administration, human resources, records, field operations, fleets, warehousing, strategic planning, policy, printing, and animal control.

4. Courts, Legal and Public Safety

Positions in this occupational group manage court services, legal services, or public safety services. The range of major functions includes management of court services, such as case preparation and juror control, courtroom operations, courtroom security and inmate transportation, crime prevention programs, community policing, police identification and photo laboratory, emergency preparedness program, hazardous material code compliance, and security and public safety for a City department.

5. Finance, Budget, and Accounting

Positions in this occupational group manage finance, budget and/or accounting functions. The range of major functions includes managing credit, collection and customer account billing, managing and performing expenditure tracking, accounting, cash and investment management, developing expenditure policies, managing and performing policy analysis, cost/benefit analysis and financial forecasting, evaluating programs, serving as legislative liaison,



coordinating and reviewing utility rate design, cost allocation, fees and changes, negotiating provisions of special contracts, managing capital finance and consultant contracting.

6. Engineering and Plans Review

Positions in this occupational group manage professional engineering and/or functions related to inspection and plan review for a department. The range of major functions includes management of civil, electrical, or mechanical engineering, transportation engineering, street rights of way services traffic operations, capital improvement construction projects, and a specialized area of construction and land use such as permitting, plans review or land use review.

7. Utilities

Positions in this occupational group manage utility-specific fields. The range of major functions includes management of utility operations, utility resources, utility contracts, and utility metering services.

8. Purchasing, Contracting, and Risk Management

Positions in this occupational group manage processes designed to safeguard the City and maximize the value of its financial resources. The range of major functions includes purchasing/procurement, contract administration, risk management and claims management.

9. Property and Facility Management

Positions in this occupational group manage facilities and property. The range of major functions includes facilities and property management, maintenance, property inventories and transfers, development and rehabilitation, and energy conservation.

10. Parks and Recreation

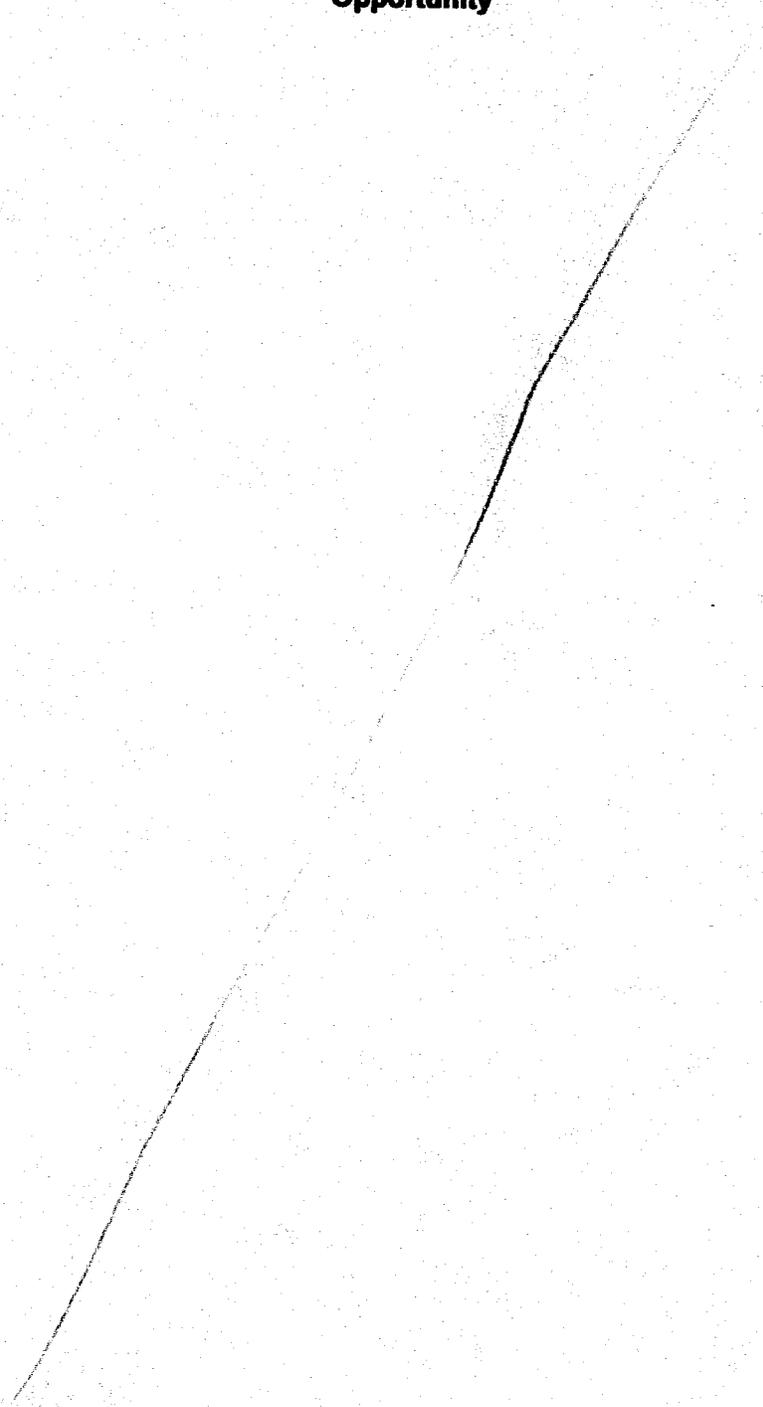
Positions in this occupational group manage parks, recreation programs, and zoo operations. The range of major functions includes managing recreation programs, golf courses, zoo exhibits, zoo operations and visitor services, zoo animal management, and veterinarian services for zoo and aquarium animals.

11. Information Technology

Positions in this occupational group manage information technology, including systems, computer operations, and data communications. The range of major functions includes technology planning and implementation, evaluation of technology and user needs, hardware and software acquisition, and management of related staff and functions.



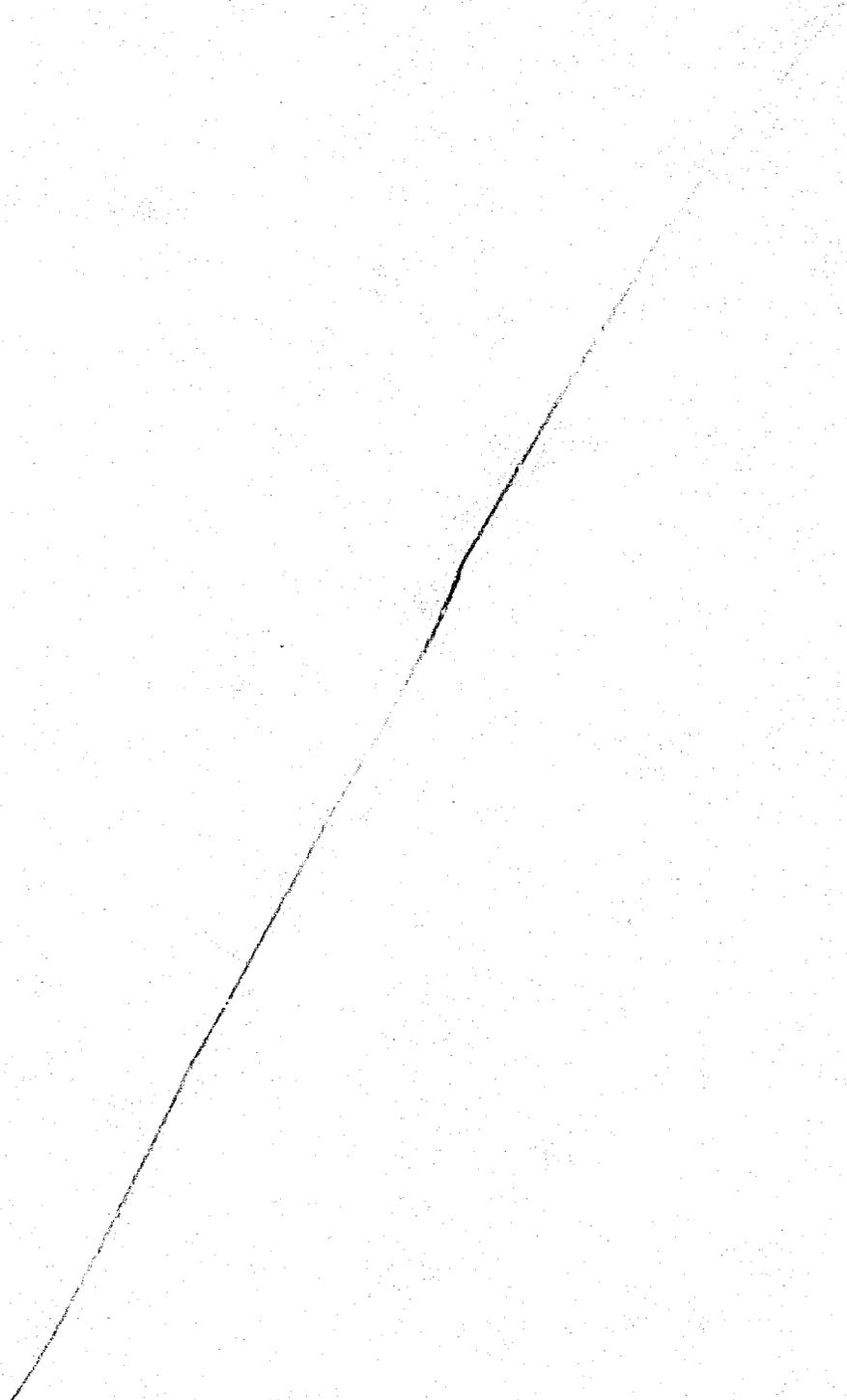
**Attachment #3 Executive Earnings with Cola Compared to APEX
Executives With No COLA but Market Adjustments & Incentive Pay
Opportunity**



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Attachment #4 Manager and Strategic Advisor Point Factor Matrices

Manager Matrix

1. Human Resources Management - Refers to managing, monitoring and administering human resources, including direct and indirect supervision.

Not applicable	Is not a full supervisor of City employees; may manage the work product of consultants or contractors.	0
Low	Has first-line supervisory responsibility for a small staff (6 or fewer FTE).	43
Medium	Manages and supervises subordinate supervisors, or supervises a large staff (at least 7 FTE).	87
High	Manages and supervises subordinate supervisors, with total direct and indirect supervision of 20 or more FTE.	130

2. Budget / Fiscal Management - Refers to managing, monitoring and administering financial resources.

Not applicable	Provides input to budget development; may administer or monitor budget(s).	0
Low	Manages budget(s) with relatively limited impact to City, typically up to several million dollars; has limited Managerial discretion in allocating financial resources; deals with a limited number of funding sources and has minimal specialized funding source requirements.	47
Medium	Manages budget(s) of some consequence to the City, typically as high as twenty million dollars; has delegated authority to exercise discretion in allocating financial resources, including budget adjustments; fiscal management responsibilities may include contract management, dealing with multiple funding sources and complying with numerous specialized funding source requirements; implements fiscal management strategies to maximize resource utilization.	93
High	Manages budget(s) of substantial consequence to the City, typically approaching 1% or more of the City's overall budget; has delegated authority to exercise substantial discretion in allocating financial resources, including budget adjustments; fiscal management typically includes diverse responsibilities for contract management, dealing with multiple funding sources and complying with numerous specialized funding source requirements; develops and implements fiscal management strategies to maximize resource utilization and achieve efficiencies.	140



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3. Program Management - Refers to responsibility for developing, implementing, advocating, administering and evaluating identifiable program(s). A program has an identified set of policies, procedures, budget, identified and measurable outcomes associated with it, and has clear boundaries in relation to other programs and activities.

Not applicable	Has no defined responsibility for program management and administration.	0
Low	Manages programs of limited impact to City or external constituents; provides input on program implementation for more significant programs; administers procedures and processes to achieve specific objectives; provides customer service interface.	60
Medium	Provides recommendations for development of significant programs; implements programs by developing procedures and processes, and by managing resources to achieve program objectives targeted by senior decision-makers.	120
High	Plans, develops, creates, implements and evaluates significant programs to achieve broad objectives; defines measurements and is accountable for accomplishments; is vested with substantial delegated discretionary authority to develop and execute program policy and to allocate program resources.	180

4. Policy Management - Refers to responsibility for developing, implementing and advising decision-makers on policy.

Not applicable	Provides analyses on policy issues, and provides input on policy options; provides input on issues relating to operating processes and procedures.	0
Low	Provides input on and implements policies related to operations or services with limited direct public impact; provides recommendations on policy options affecting matters of limited scope and of short-term impact, typically of an operational nature.	53
Medium	Develops, recommends and implements policies of a programmatic or operational nature which have a direct impact on programs or services affecting the public; develops, presents and defends policy recommendations made to elected officials or executive decision-makers, typically involving short- to mid-term impact and consideration of impact on external parties.	107
High	Develops policy options and recommendations on highly visible or sensitive issues integral to the City's priority programs; develops recommended solutions to significant policy issues; develops implementation plans; provides authoritative recommendations of long-term impact to elected	160



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officials and executive decision-makers.
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5. Technical Management - Refers to responsibility for technical expertise, typically in a technological or scientific discipline, including such elements as managing expert staff, serving as a key contributor or expert, and having technical competencies spanning various disciplines.

Not applicable	Has no defined responsibility for managing or possessing technical expertise; may require specialized professional knowledge.	0
Low	Supervises some technically-oriented staff and is required to deal regularly with technically-related issues, including legal or highly analytical issues; required to possess and apply technical expertise.	47
Medium	Has technical expertise in a specific field, typically evidenced by a required degree or license; supervises or provides authoritative advice to technically-oriented staff; required to possess some technical competencies outside of field of primary expertise.	93
High	Serves as a technical expert or key contributor, involving independent technical decision-making, typically evidenced by a required advanced degree and/or license; supervises technical staff providing highly visible or high-impact service to the City and its customers; required to possess additional technical competencies in order to effectively manage and integrate services.	140

6. Communications Management - Refers to effective representation of the City or City interests before external constituencies or as part of group processes.

Not applicable	Participates in and supports group decision-making processes.	0
Low	Represents functional area by communicating program or operating policies and procedures, or resolving significant customer service issues.	43
Medium	Represents department or functional area on a variety of issues before external constituencies; defuses potentially troublesome issues related to department policies and procedures; manages relationships with significant external constituencies; resolves significant problems and gathers external feedback through facilitating group processes.	87
High	Represents the City on highly visible, sensitive and controversial issues before external constituencies; defuses troublesome issues related to City policies and procedures;	130



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	manages and promotes relationships with significant external constituencies; regularly facilitates public involvement processes for policy input, to resolve significant issues, and to achieve important City objectives.	
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7. Matrix Management - Refers to coordinating and/or integrating functions, systems, or programs, and managing and/or facilitating the work of individuals, groups or teams across functional, departmental and/or jurisdictional lines without full Managerial/supervisory control, including administrative Managers across functional lines, and including the management of non-employees such as contractors and volunteers.

Not applicable	Participates as a member of and may assist with facilitating cross-functional, -departmental or -jurisdictional teams.	0
Low	Periodically coordinates, integrates, and provides leadership for initiatives which involve cross-functional, -departmental, or -jurisdictional <i>ad hoc</i> teams.	40
Medium	Regularly coordinates, integrates, and provides leadership for both standing and <i>ad hoc</i> teams engaged in organized problem-solving, policy development, or service delivery across functional, departmental and/or jurisdictional lines.	80
High	On an on-going and consistently substantial basis, coordinates, integrates, and provides leadership for teams and other organized work groups with diverse representation across functional, departmental and/or jurisdictional lines, to achieve important outcomes requiring coordination and integration of diverse perspectives, skill sets, competencies and resources.	120



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Strategic Advisor Matrix

Level of: POLICY CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Provides input on policies related to operations or services; provides recommendations on policy options of an operational or short-term nature.
Medium	175	Develops and defends policies affecting the City's ability to fund and deliver programs and services; advises elected official(s) and/or department head(s) of major City department(s) on policies which may involve long-term impacts to the City, City services, City partners, or the public.
High	350	Shapes policy by making highly authoritative policy recommendations to elected officials and department heads; develops and defends policies with significant long-term impacts on the City's priority programs; strongly influence policies having significant and long-term resource implications; strongly influence policies which impact the conduct of business by multiple City organizational units.

Level of: PROGRAM CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Makes program recommendations, may administer some phases of program(s).
Medium	75	Provides recommendations for development of significant programs to elected official(s) and/or department head(s) of major City department(s).
High	150	Strongly influence nature and scope of program direction for significant programs by acting as a key advisor to elected official(s) and/or department head(s) of major City department(s).

Level of: BUDGET CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Makes budget recommendations, may administer some phases of budget(s).
Medium	75	Provides recommendations for development of significant departmental, program or business unit budget(s) to elected official(s) and/or department head(s) of major City department(s).
High	150	Strongly influence decisions by elected official(s) and/or department head(s) of major City department(s) on appropriate levels, sources and allocation of resources for major City services, programs or other activities, with significant long-term implications which impact the conduct of business by multiple City organizational units.



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Level of: COMMUNICATIONS CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Communicates program and procedural information, and policies of an operational nature, to internal and external audiences.
Medium	50	Communicates to internal and external audiences on behalf of elected official(s) and/or department head(s) of major City department(s) on a variety of significant issues.
High	100	Communicates to internal and external audiences as an authoritative representative of elected official(s) and/or department head(s) of major City department(s) on a variety of significant issues related to the City's priority programs and services, for the purpose of garnering support, shaping opinions, advocating controversial positions, and achieving important City objectives.

Level of: MATRIX CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Participates in and may assist with coordinating or facilitating cross-functional, departmental or jurisdictional teams.
Medium	50	Acts on behalf of and represents priorities and interests of elected official(s) and/or department head(s) of major City department(s) on a variety of cross-functional, departmental or jurisdictional teams.
High	100	Actively provides leadership, focus and direction to cross-functional, departmental or jurisdictional teams as an authoritative representative of elected official(s) and/or department head(s) of major City department(s) to achieve important City objectives related to the City's priority programs and services.

Level of: TECHNICAL EXPERTISE CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	Deals regularly with technically-related matters, and applies specialized knowledge in analyzing a variety of issues.
Medium	50	Has technical expertise in a specific field, typically evidenced by a required degree or license, and provides authoritative advice on technical matters to elected official(s) and/or department head(s) of major City department(s).
High	100	Acts as a technical expert in a specific field, involving independent technical decision-making, typically evidenced by a required degree or license, who serves as a Strategic Advisor of advice on technical matters which is relied upon by elected official(s) and/or department head(s) of major City department(s) to make decisions affecting the City's highly-visible or high-

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impact services.

Level of: HUMAN RESOURCES CONTRIBUTION AND IMPACT		
Level	Score	Description
Limited	0	May provide lead direction to other staff.
Medium	25	Full supervisor of one or two staff.
High	50	Full supervisor of three or more staff.



Attachment #5—FIRST YEAR REVIEW
SUMMARY OF PROGRAM CHANGES

Budget

Effective January 1, 1999, a budget cap of 4% per year on base salary adjustments is implemented. The cap includes any approved market adjustments in addition to base salary changes made as a result of job size changes, recruiting or retention issues, market equity, internal alignment, or other factors.

The appointing authority may petition the Personnel Director for approval of a budget cap exception when unanticipated hiring costs exceed the 4% cap. In order to support an exception, the appointing authority should be prepared to provide data indicating that the relevant labor market and or recruiting difficulties justify the base salary decision(s) resulting in the budget overage.

Upon approval by the Personnel Director, the City Budget Office will provide additional funding.

The revision to the budget strategy responds to program participants' concerns regarding the perceived variations in base salary setting and adjustments between "haves" and "have nots." The budget cap will improve the City's ability to promote equity and consistency both among departments and between the APEX, Manager and Strategic Advisor Programs and the City's other compensation strategies.

In addition, the budget cap is intended to help promote fiscal responsibility as a key component of these compensation programs and to improve the City's ability to plan for and fund salary changes.

The budget cap for variable performance pay is set at two percent (2%).

Market Adjustment

Market data compiled for the 1999 – 2000 adjustment was not sufficiently detailed for informed decision-making regarding variable application. Consequently, the majority of program participants received the adjustment in 1999.





Future salary surveys will provide data that will support awarding the adjustment to some occupational categories and classifications and withholding it from others.

Beginning with the January 2000 market adjustment, no program participant whose performance is rated "unsatisfactory" or the equivalent thereof will be eligible for the market adjustment, regardless of whether the data supports a pay increase or not.

Variable Performance Pay

Nearly 93% of program participants received a variable performance pay award for 1998. The Plan Design requires performance that meets or exceeds targeted objectives, and describes "targeted objectives" as above and beyond normal job outcomes. A 93% success rate was unexpected.

Effective January 1, 1999, the following variable performance pay guidelines are implemented:

- A maximum of 40% of program participants are expected to be eligible for a variable performance pay award each year.
- Fifteen percent of program participants who receive a variable performance pay award should expect an award in the top end of the potential range (e.g., 5% to 8%)
- The remaining 25% of program participants who receive a variable performance pay award should expect an award in the lower end of the potential range (e.g., 1% to 4%).

The APEX variable performance pay potential range is reduced to 0% to 8% of base salary, from 0% to 10% of base salary. This is consistent with the potential range for Managers and Strategic Advisors.

The City retains the right to suspend all variable performance pay funding and programs at any time.



STATE OF WASHINGTON - KING COUNTY

111600
City of Seattle, City Clerk

-s.

No. **ORDIANCE IN**

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:ORD 119705 IN FUL

was published on

11/02/99

The amount of the fee charged for the foregoing publication is the sum of \$ _____, which amount has been paid in full.

R. Patterson

Subscribed and sworn to before me on

11/02/99

McDivariz

Notary Public for the State of Washington,
residing in Seattle

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City of Seattle

ORDINANCE 118778

AN ORDINANCE adding a new Seattle Municipal Code Section 4.20.090, Manager and Strategic Advisor Compensation Plan, and repealing Seattle Municipal Code Section 4.20.080, Manager and Strategic Advisor Compensation Plan, and Seattle Municipal Code Section 4.20.085, Manager and Strategic Advisor Compensation Plan.

WHEREAS the Mayor and Strategic Advisor Compensation Program was established in 1978 with the understanding that the program would be reviewed periodically and amended as necessary;

WHEREAS the City, continuing with its tradition of reviewing the program and making necessary amendments to the program as needed and requested by program participants;

WHEREAS the Mayor and Strategic Advisor Compensation Program has been reviewed and approved by the Mayor and Strategic Advisor Compensation Program Review Committee and the Mayor and Strategic Advisor Compensation Program Review Committee has recommended that the program be amended as follows:

NEW PROVISIONS

SECTION 4.20.090 BY THE CITY OF SEATTLE AS FOLLOWS:

A. There is established a Manager and Strategic Advisor Compensation Program. The Mayor and Strategic Advisor shall be appointed to implement and administer the Manager and Strategic Advisor Compensation Program. The Mayor and Strategic Advisor shall determine the salary schedule and any other matters relating to the program that are approved by the Mayor and Strategic Advisor Compensation Program Review Committee.

B. The salary schedule for the Manager and Strategic Advisor shall be established by the Mayor and Strategic Advisor Compensation Program Review Committee. The salary schedule shall be subject to the approval of the Mayor and Strategic Advisor Compensation Program Review Committee. The Mayor and Strategic Advisor shall determine the salary schedule and any other matters relating to the program that are approved by the Mayor and Strategic Advisor Compensation Program Review Committee.

C. The Personnel Director will establish the personnel program guidelines for the Manager and Strategic Advisor Compensation Program. The personnel program guidelines shall be subject to the approval of the Mayor and Strategic Advisor Compensation Program Review Committee.

Section 2. A total of each Department's annual spending for 1978 and 1979 for the Manager and Strategic Advisor Program is hereby established as follows: \$100,000 for 1978 and \$100,000 for 1979. This total shall be subject to the approval of the Mayor and Strategic Advisor Compensation Program Review Committee.

Section 3. Any acts made consistent with the ordinance and prior to the effective date of this ordinance are hereby ratified and confirmed.

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after the approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Section 5. Passed by the City Council the 11th day of October, 1978, and signed by me in open session in authentication of its passage this 11th day of October, 1978.

SUB DONALDSON, President of the City Council. Approved by me this 19th day of October, 1978.

TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Mattha Choe

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO:

PRESIDENT'S SIGNATURE

C S. 20.28

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