



REVISED
EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MAY 19, 2005

SUBJECT: POSITION AUTHORIZATION AND COMPENSATION POLICY

ACTION: ADOPT PROPOSED CHANGES TO POLICY

RECOMMENDATION

- A. Adopt the revised Position Authorization and Compensation Policy (see Attachment A).
- B. Adopt the non-contract salary schedule revised to reflect inflationary increases (see Attachment B).

ISSUES

At the February 2004 meeting the Board adopted the Position Authorization and Compensation Policy. While the adopted policy has provided staff with general guidance for managing employee salaries and classifications, it has created some time constraints when trying to move ahead with routine salary offers. By modifying the policy, the Board will retain overall control of the salary schedule, annual budget approval of wages and benefits and individual approval for all salary offers in excess of salary range midpoint plus 10%, or in excess of \$125,000 per year.

DISCUSSION

The proposed revisions to the policy include the following:

- The MTA Board of Directors will approve, on an annual basis, the budgeted number of positions and salary range midpoint plus 10% benefit costs for each summary MTA classifications by department Strategic Business Unit. Any salary offers that exceed the midpoint of the range plus 10% must be brought to the Board for approval.

This report will be presented to the Board for approval with adoption of the fiscal year budget. It will identify the midpoint of each salary plus 10%, by summary classification, authorized for each Strategic Business Unit. This guide will be used by management when hiring new staff. The current Human Resources Policy #HR 3-8 Compensation states that "...the salary of any new employee will normally be established between the minimum and midpoint of the salary range." HR 3-8 will be amended to include Board approval for all salary offers exceeding the midpoint plus 10%.

- The Board of Directors will approve, on an annual basis, the total budgeted salaries and benefits for each union/non-contract group.

This is a new element of the policy. In addition to the number of positions approved by the Board in the report discussed above, the Board will approve the budgeted salaries and benefits for each non-represented and represented group at the time of budget adoption. This report will act as the controlling point for management when monitoring the budget. The quarterly financial report will include a discussion of labor variances.

- The MTA Board of Directors will approve, on an annual basis, the non-represented employee salary schedule including any inflationary increases.

The non-represented salary schedule listing each individual classification will be presented to the Board for approval on an annual basis with any approved inflationary increases.

The MTA Board of Directors will approve all non-represented position upgrades reclassifications that result in salary increases for incumbents, not included in the approved fiscal year budget. *If the salary of the incumbent is increased subsequent to the reclassification for any reason other than inflationary increase or performance based compensation, Board approval will be required.*

Previously, all position reclassifications required Board approval. This change will require that all position reclassifications that result in a salary increase for an incumbent be brought individually to the Board for approval. Reclassifications that result in salary decreases or no salary change will be approved by the CEO.

- The Board of Directors will approve all salary offers in excess of \$125,000 and/or any special benefit arrangements that deviate from existing policies.

This change will require that all salary offers for new hires or internal promotions in excess of \$125,000, be brought individually to the Board for approval. The \$125,000 ceiling may be increased each year to keep pace with inflation.

POLICY IMPLICATIONS

The policy will continue to ensure that Metro's non-represented compensation program is internally equitable, externally competitive, in alignment with Metro's five year strategic plan, flexible to adapt to a changing work environment, affordable and in compliance with all federal and state employment laws.

OPTIONS

The board could choose not to adopt the proposed changes to the policy. Staff does not recommend this option as the past year's experience has shown difficulty to attract qualified candidates in certain hard-to-fill positions and to fill vacancies on an expedited basis.

FINANCIAL IMPACT

The changes to the policy will not have direct financial impact on Metro at this time. However, there is the potential for future impacts based on board decisions to either approve or not to approve salaries in excess of \$125,000, special benefit arrangements, and reclassifications with salary increases for the incumbents.

NEXT STEPS

Staff will revise internal human resources policies to implement policy changes.

Attachments

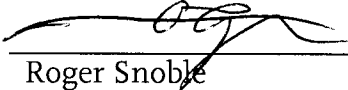
- A. Proposed Non-Represented Employee Compensation Policy
- B. FY06 Non-Contract Employee Salary Schedule

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ATTACHMENT A
LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

POSITION AUTHORIZATION AND COMPENSATION POLICY

Purpose

In order to support its vision, mission, core values and strategic goals, **Metro** must attract and retain high quality employees whose experience, knowledge and skills are valued and rewarded through an effective compensation program. To be effective to **Metro**, its non-represented employees and the public, **Metro** must have a total compensation program of both pay and benefits that is internally equitable, externally competitive, in alignment with organizational values, flexible to adapt to a changing work environment, legally compliant, and fiscally responsible to the public it serves.

The Board of Directors is responsible for approving a position authorization and compensation policy. The Chief Executive Officer is responsible for ensuring that the policy is converted to an action plan, budgeted and implemented by staff, and in compliance with the Board's established policy. The Human Resources Department is responsible for developing detailed policies and procedures for action by **managers**.

If a conflict occurs between this policy and the collective bargaining unit agreement, the collective bargaining unit agreement shall prevail.

Policy

- The Board of Directors will approve, on an annual basis, the budgeted number of positions and **salary range midpoint plus 10%** for summary **Metro** classifications, by **Strategic Business Unit**. Any salary offers that exceed the midpoint of the range plus 10% must be brought to the Board for approval.
- The Board of Directors will approve on an annual basis, the total budgeted salaries and benefits for each union/non-contract group;
- The Board of Directors will approve any increases to the number of positions occurring during the fiscal year that exceed budgeted authority.
- The Board of Directors will approve, on an annual basis, the non-represented employee salary schedule **including inflationary increases**.
- The Board of Directors will approve all new non-represented classifications created during any fiscal year.

- The Board of Directors will approve all non-represented position reclassifications **that result in salary increases for the incumbent** . If the salary for the incumbent is increased subsequent to the reclassification for any reason other than inflationary increase or performance based compensation, Board approval will be required.
- The Board of Directors will approve **all salary offers in excess of \$125,000 and/or** any special benefit arrangements that deviate from existing policies.
- **Metro's** compensation system will support and reinforce its organizational values of safety, employees, fiscal responsibility, integrity, innovation, customer satisfaction and teamwork.
- Open, two-way communication will be encouraged for full understanding, support and administration of the system, and its underlying philosophy.
- **Metro's** total compensation program includes base salary and benefits. Its strategy is to ensure external competitiveness by establishing pay levels that relate to practices in **Metro's** competitive labor markets.
- **Metro's** compensation system and pay structure support organizational flexibility and encourage employees to develop competencies and skills that will enable them to grow within the organization.
- **Metro** will reward individual performance with base pay increases, contingent upon affordability, administered through an effective performance management system.
- Salary ranges are sufficiently broad to allow flexibility so that merit pay increases respond to superior employee performance and external market pressures.
- Individual salary levels within a pay grade will be based on an employee's experience, knowledge, skills and contributions.
- **Metro** will regularly assess changes in the labor market to ensure that total compensation remains competitive.

**ATTACHMENT B
FY06 NON-CONTRACT EMPLOYEE SALARY SCHEDULE**

Pay Grade	Minimum	Midpoint	Maximum
H1A	\$ 22,247.42	\$ 27,809.81	\$ 33,372.20
H1B	\$ 23,861.34	\$ 29,826.68	\$ 35,792.02
H1C	\$ 25,795.07	\$ 32,244.37	\$ 38,693.67
H1D	\$ 27,944.12	\$ 34,931.75	\$ 41,919.38
H1E	\$ 30,417.24	\$ 38,022.09	\$ 45,626.93
H1F	\$ 33,321.03	\$ 41,650.75	\$ 49,980.48
H1G	\$ 36,653.34	\$ 45,816.68	\$ 54,980.02
H1H	\$ 40,414.19	\$ 50,517.74	\$ 60,621.29
H1I	\$ 43,330.77	\$ 54,162.39	\$ 64,994.02
H1J	\$ 46,673.74	\$ 58,341.11	\$ 70,008.48
H1K	\$ 50,440.99	\$ 63,050.70	\$ 75,660.42
H1L	\$ 54,847.83	\$ 68,559.79	\$ 82,271.75
H1M	\$ 59,898.54	\$ 74,872.64	\$ 89,846.74
H1N	\$ 65,727.43	\$ 82,159.82	\$ 98,592.21
H1O	\$ 72,411.25	\$ 90,515.13	\$ 108,619.00
H1P	\$ 80,090.71	\$ 100,114.46	\$ 120,138.20
H1Q	\$ 88,979.02	\$ 111,224.31	\$ 133,469.60
H1S	\$ 102,655.80	\$ 128,318.68	\$ 153,981.57
H1T	\$ 106,693.81	\$ 133,367.26	\$ 160,040.71
HAA	\$ 113,488.49	\$ 141,861.15	\$ 170,233.80
HBB	\$ 120,477.19	\$ 150,595.95	\$ 180,714.72
HCC	\$ 125,363.16	\$ 156,774.20	\$ 188,185.24
HDD	\$ 201,520.95	\$ 245,854.81	\$ 290,188.67
HFF	\$ 243,574.65	\$ 297,161.38	\$ 350,748.11