

BOARD OF DIRECTORS REPORT



To: RTD Board of Directors
From: General Manager Oversight and Performance Management Committee, Director Busck, Chair
Date: May 26, 2010
Subject: **Board Policy on the Evaluation Process for the General Manager's Annual Performance Review**

Date:
GM
Board Meeting Date: July 20, 2010
ACTION DISCUSSION INFO
X

RECOMMENDED ACTION

It is recommended by the General Manager Oversight and Performance Management Committee that the Board of Directors adopts a policy (guidelines) for the process to perform an annual evaluation of the General Manager performance that is inclusive of feedback from all Board members and the process is transparent to the public.

BACKGROUND

In March, 2010, the State Auditors completed their audit of the executive compensation practices at RTD. While much of this work centered on past practices with the former General Manager, a number of recommendations were provided that this current Board would like to integrate into their ongoing role of oversight for the General Manager position. Recommendation number 3 of this audit identified four areas where the Board could strengthen our annual performance evaluation of the General Manager:

- a. Establish performance standards and accompanying evaluation factors that are comprehensive and highlight the core competencies and skill sets required to perform the job.
- b. Define a metric for each performance standard and evaluation factor to ensure consistent application of the rating criteria.
- c. Provide the written performance evaluation to the General Manager annually and maintain a copy in the General Manager's personnel file.
- d. Use the annual performance evaluation as the basis for determining increases in the General Manager's base salary.

The current General Manager's contract does not offer any pay tied into performance or bonus opportunity. It is a base salary with the opportunity for up to 5% merit increase based on performance. The Board policy on the goal setting process defines how goals will be set each year that will be used in the evaluation process.

The purpose of this policy is to establish the process whereby the General Manager will be given his/her annual performance evaluation that will include his/her performance on both core and task goals. It is to also adopt a process for the General Manager annual review that is consistent with the process used by the agency on all salaried employee evaluations.

DISCUSSION

The RTD Human Resources department uses a common form for all salaried employees to establish the annual goals by which the employee is evaluated and rated at the end of the year. This form is called the

“Salaried Employees Performance Appraisal form” and is updated as applicable by Human Resources. This will be the same form that the General Manager will use for his/her annual review.

Recommended General Manager Evaluation Process:

The evaluation component for the General Manager will have two components: Quarterly GM Activities Report and the Annual Performance Evaluation.

1. On a quarterly basis, or as determined by the General Manager and GM Oversight and Performance Management Committee, the General Manager will submit a summary of his/her activities and progress to the Board members. The General Manager will provide an online form for feedback which includes a block to rate his/her performance as meet expectations, exceed expectations or need improvement. The form will also contain a space for comments by the Board members. The Board members will use this feedback online form to provide feedback to the General Manager and to allow for a quarterly Board recalibration of the GM's activities if necessary. Additionally, this form will be used to provide to the GM Oversight & Performance Management Committee their respective GM feedback. Within ten days of receipt of these quarterly reports, Board members will complete this online feedback form and submit to the Executive Manager of the Board Office who will be responsible for maintaining a copy in the General Manager's personnel file and submitting a copy to the General Manager.
2. On or before November 1 of the given year, the General Manager will work with the Chair of the General Manager Oversight and Performance Management Committee to fill in the Salaried Employees Performance Appraisal form of the core and task goals that were identified in the goal setting process. The General Manager will provide his/her self –assessment of how he actually performed in terms of achieved goals, not achieved goals or exceeded goals. This assessment will be accompanied with supporting documents of achievement based in the assessment.
3. The GM Oversight and Performance Management Committee will facilitate a meeting with the full Board to review these achievements and to obtain feedback from the full Board on their assessment. Board members will be asked to complete an evaluation form indicating their concurrence or disagreement on these areas of performance. The goal is to provide an opportunity for each Board member to provide his/her input to the evaluation of the General Manager.
4. Based on the performance review and if a majority of the Board feels that the General Manager has achieved or exceeded in his/her performance, relevant to the Board-approved core competencies and/or task goals, the General Manager Oversight and Performance Committee may provide a recommendation to the Chair for a merit increase (for performance) of up to 5% or as specified in the General Manager's contract. Consistent with good performance by the General Manager, increases in the General Manager's pay is at the discretion of the Board and may be dependent upon such conditions as the financial/budgetary condition of the agency for the given year, and whether other agency salaried employees are afforded an increase for the year in question.
5. The General Manager Oversight and Performance Management Committee will have the Chief Financial Officer (CFO) to validate all calculations pertaining to the General Manager's compensation. The CFO will obtain an independent review of cost data to determine what impact, if any, the recommended merit will have on the total compensation package. As recommended by the State Auditor findings, the CFO will use an ongoing tally or similar sheet to indicate annual changes to the General Manager's compensation.

6. The General Manager Oversight and Performance Committee will also review any relevant benchmarking data to validate the compensation of the General Manager is competitive and fair based on its compensation philosophy. If benchmarking data indicate that the General Manager's compensation is not competitive and is unfair based on the organization's compensation philosophy, the Board may adjust the General Manager's salary if his/her performance achieves or exceeds expectations, relevant to the Board-approved core competencies and/or task goals. The same conditions outlined in Paragraph 4 above apply, with regard to the financial/budgetary condition of the agency for the given year and whether other agency salaried employees are afforded an increase for the year in question.
7. The Board Chair and the Chair of the General Manager Oversight and Performance Management Committee will meet with the General Manager to give him his/her composite review that will include results from steps 1-4 above. This review must be signed by the Chair and the General Manager and performed before December 31st or as specified in the General Manager's contract. A copy will be retained in the General Manager's personnel file.
8. The Board Chair will use the performance evaluation along with the cost validation from the CFO to approve the appropriate salary (merit) increase. Any increase in salary should be effective January 1 of the year following the performance review or as specified in the General Manager's contract.
9. The Chair of the General Manager Oversight and Performance Management will provide an annual status update of changes to the General Manager's compensation or contract in the first public regular Board meeting following the completion of the evaluation process.
10. In January of each year, the Executive Manager to the RTD Board of Directors will publish a calendar of events, timelines and names of the persons responsible associated with the tasks identified in items 1-9. This information will be used to schedule appropriate meeting and trigger action required to meet the agreed upon timelines for completion of the General Manager Evaluation process.

Please see attachment 1 for a high level depiction of this process.

FINANCIAL IMPACT

The financial impact will be based on terms in the General Manager's contract.

ALTERNATIVES

1. Accept this recommended action for the General Manager evaluation process identified above. This will satisfy the recommendation provided by the state auditors for a formal process for annually evaluating the General Manager's performance in a consistent and transparent manner.
2. Do not accept this recommended action. Revise a new process that is ad hoc and performed in an inconsistent manner.
3. Do nothing. Accept the risk and consequences of not complying with the State Auditor's recommendation for a clear and transparent process.

Prepared by: Phil Washington, General Manager, for GM Oversight and Performance Management Committee

Related Policies: Board Policy on Goal Setting Process for the General Manager

Sample Timeline of General Manager Evaluation Process

Note: This is an annual repetitive and iterative process

