

**Monitoring Report:
Compensation and Benefits (Policy 2.3)
Monitoring Period: FY 2023 (Oct 1st 2022- Sep 30th 2023)**

Finance Committee Meeting Review Date: Nov 3rd, 2023

Board of Directors Meeting Review Date: Nov 16th 2023

| |
|--|
| INFORMATION TYPE |
| Monitoring |
| RECOMMENDED ACTION(S) |
| <p>That the Board review this monitoring report and consider accepting it as:</p> <ul style="list-style-type: none"> (A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations. (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO’s stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance. (C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation 2. For policy items x.x.x – the interpretation is not reasonable 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance 4. For policy items x.x.x – the Board acknowledges and accepts the CEO’s stated non-compliance and the proposed dates for compliance |
| PRIOR RELEVANT BOARD ACTIONS & POLICIES |
| <p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ul style="list-style-type: none"> 1. CEO sends Monitoring Report to all board members 2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps) |

ISSUE SUMMARY

TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in October and was submitted in November. The monitoring period for this report is FY 2023 (October 1st 2022- September 30th, 2023. The monitoring period for policies 2.3.6-2.3.8 (labor negotiations) starts earlier. These policies were new in 2022 and have never been monitored before. The negotiation in 2021/2022 were the first to use these expectations.

I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.

CEO’s Signature



Date

October 25, 2023

ATTACHMENTS

- 1. Monitoring report for Compensation and Benefits (Policy 2.3)

Table of Contents

| POLICY TITLE: COMPENSATION AND BENEFITS | Page# | Comp. |
|--|---|-------|
| <p>2.3 With respect to employment, compensation and benefits, the CEO shall not cause or allow jeopardy to the agency’s fiscal integrity or public image.</p> <p>Further, without limiting the scope of the above statement by the following list, the CEO shall not:</p> |  | 5 |
| 2.3.1. Operate without a compensation and benefits program that attracts and retains highly qualified employees. |  | 6 |
| 2.3.1.1 Offer a benefits program that does not include health insurance. |  | 7 |
| 2.3.2 Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed. |  | 8 |
| 2.3.3 Change the CEO’s own paid compensation and benefits, except to make his or her benefits consistent with a package for all other non-unionized employees, without Board approval. |  | 9 |
| 2.3.4 Operate without a robust, impartial, and transparent process for determining employee compensation. |  | 10 |
| 2.3.4.1 Allow compensation for agency employees (union and non- union), suppliers, or contracted employees to be less than a “living wage”, as defined by ordinance of the City of Ann Arbor. |  | 11 |
| <p>2.3.5 Establish or change retirement benefits so as to cause unpredictable or inequitable situations, including those that:</p> <p>A. Incur unfunded liabilities.</p> <p>B. Provide less than some basic level of benefits to all full-time employees.</p> <p>C. Treat the CEO differently from other senior employees.</p> |  | 12 |
| 2.3.6 Formally initiate bargaining of a new collective agreement prior to the board having established goals for the negotiation. |  | 13 |
| <p>2.3.6.1 Let the board be without material that supports an informed deliberation about goals for negotiations, including but not limited to, clearly articulated information in the following areas:</p> <ul style="list-style-type: none"> • Finance • Operations |  | 14 |

| | | |
|--|---|----|
| <ul style="list-style-type: none"> • Relevant transit industry data, geographic comparators, trends in terms and conditions of employment | | |
| <p>2.3.7 Let the board be uninformed of the current status of labor negotiations including, but not limited to, changes in the anticipated timeline for tentative agreement.</p> |  | 15 |
| <p>2.3.8 Request approval of a tentative collective agreement from the final bargaining phases without providing information that demonstrates how the proposed agreement:</p> <ul style="list-style-type: none"> • Aligns with Board-established goals for negotiations. • Supports the Board’s policies. |  | 16 |



Fully Compliant



Partially Compliant



Non-Compliant

Preliminary CEO Interpretations and Evidence

POLICY 2.3

With respect to employment, compensation and benefits, the CEO shall not cause or allow jeopardy to the agency’s fiscal integrity or public image.

Further, without limiting the scope of the above statement by the following list, the CEO shall not:

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance of this policy will be demonstrated when all lower-level policies are compliant

Rationale

The Board has fully interpreted this policy in the sub-policies below

Evidence

Source of Data: Lower-level policies

Date of Data Review: 10/24/23 as verified by Corporate Strategy & Performance Officer

Data:

All lower-level policies are compliant

POLICY 2.3.1

Operate without a compensation and benefits program that attracts and retains highly qualified employees.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when

- A. **Attracting:** More than 73% of all employment offers are accepted
- B. **Retaining:** Not more than 20% of all employees participating in an exit interview identify compensation and benefits as the basis for voluntary separation.

Rationale

This is reasonable because

- A. Whereas a job posting provides a compensation range, an acceptance letter includes both compensation and benefits specifics. With this letter, a candidate may choose to accept the job offer based on pay and benefits. Although there are other factors that may result in candidates declining offers, this is the first time the candidate will have access to specific compensation and benefits details. The industry average for employment acceptance rates in FY23 (monitoring period) was 73%. Setting our target above this number reflects our desire to attract more candidates than the industry average.
- B. During exit interviews, the agency is able to capture reasons for voluntary separation. Involuntary separations are often not based on compensation and benefits and are addressed in the treatment of staff policy (2.2). Based on industry trends about 20% of workers in non-union positions will leave for compensation and benefits related reasons. Setting our targets at this threshold is realistic in relation to existing job markets and expectations. Note: Compensation and benefits for union workers is addressed in the contract (2.3.6 -2.3.8) and is hence not part of this policy interpretation.

See CEO Note on highly qualified employees on page 17.

Evidence

Source of Data: Internal employee data

Date of Data Review: 10/24/2023 as verified by Manager of Human Resources

Data:

| | Target | Monitoring period performance | Target achieved Y/N |
|--|--------|-------------------------------|---------------------|
| A. Offer acceptance rate | >73% | 77% | Y |
| B. Voluntary separation based on compensation and benefits | <20% | 0% | Y |

POLICY 2.3.1.1

Offer a benefits program that does not include health insurance.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when all full and/or part-time employees (union and non-union) who have been with the agency for more than 90 days and are without any other form of health insurance, are offered benefits packages that include some level of health insurance coverage.

Rationale

This interpretation is reasonable because it covers all employees and gives employees the flexibility to opt out if they are already covered.(e.g., through their spouse’s insurance). A 90-day waiting period is the standard waiting period as regulated by the US department of Labor.

See CEO Notes on page 17.

Evidence

Source of Data: Employee Health Plan Enrollment

Date of Data Review: 08/31/2023 as verified by Manager of Human Resources.

Data:

The table below shows how all employees were accounted for.

| Total Employees | Enrolled in a Health Plan | Voluntarily Waived Health Plan* | In Waiting Period |
|-----------------|---------------------------|---------------------------------|-------------------|
| 290 | 239 | 35 | 16 |

* all employees that decline coverage with the agency must show proof of other health insurance coverage.

POLICY 2.3.2

Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance will be demonstrated when the salaries for non-union staff positions are benchmarked against similar positions in the region and transit industry.

Rationale

Benchmarking against regional and industry is reasonable as those are the labor markets in which we need to remain competitive.

Evidence

Source of Data: Compensation and Benefits Packages

Date of Data Review: 09/19/2023 as verified by Manager of Human Resources

Data:

A review of current compensation and benefits packages indicate that there is no material deviation from current geographic and professional markets. The process of determining compensation is detailed in policy 2.3.4.

POLICY 2.3.3

Change the CEO’s own paid compensation and benefits, except to make his or her benefits consistent with a package for all other non-unionized employees, without Board approval.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when compensation and benefits available only to the CEO (i.e., salary or benefits) are adjusted only by act of the Board of Directors. This policy does not address agency-wide benefits (agency-wide dental plans), which the CEO can modify for the good of the organization (e.g., cost efficient)

Rationale

These interpretations are reasonable because the policy is self-explanatory and requires little additional clarification. Further, this is reasonable because it clearly identifies the only mechanism by which CEO compensation can be adjusted (i.e., by the Board). However, the CEO needs to latitude to adjust benefits for the sake of the organization (a Means) even if those benefits also apply to themselves.

Evidence

Source of Data: AAATA salary and benefits review

Date of Data Review: 09/19/2023 as verified by Manager of Human Resources

The CEO did not change his own compensation or benefits in FY 23.

POLICY 2.3.4

Operate without a robust, impartial, and transparent process for determining employee compensation.

Degree of Compliance: Compliant

Interpretation

I interpret “compensation” to mean wages and salary; but not benefits which are addressed elsewhere in this policy.

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when AAATA uses an objective, transparent process from a third-party source for determining staff wages. The process must create internal equity between AAATA positions (impartial), be documented in advance (transparent) and is used consistently (robust).

Rationale

This is reasonable because such a process removes arbitrary considerations from the act of determining compensation for each position. It also determines the range of compensation for each role based on the value created by the position and ensures similar roles are treated in a similar fashion, regardless of the individual in the position.

Evidence

Source of Data: Human Resource Documents

Date of Data Review: 09/19/2023 as verified by Manager of Human Resources

Data:

During the monitoring period, AAATA determined compensation for all positions based on an outside process developed by Korn Ferry, a reputable outside firm specializing in compensation structures. All positions at the AAATA are covered by this process, except for the CEO whose compensation is determined by the Board of Directors.

POLICY 2.3.4.1

Allow compensation for agency employees (union and non-union), suppliers, or contracted employees to be less than a “living wage”, as defined by ordinance of the City of Ann Arbor.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be determined when all direct employees (full or part time) of the AAATA, and employees of our suppliers and contractors are paid an hourly wage at or above the living wage as defined by the City of Ann Arbor. Suppliers with contracts under \$10,000 annually, 5 for-profit employees, or 20 non-profit employees are exempt (Source: Living Wage Declaration Poster for 2021-2020, available at www.a2gov.org).

Rationale

This is reasonable as it covers all individuals who work directly or indirectly for the AAATA and follows the outside ordinance called for in the policy.

Evidence

Source of Data: AAATA wages and contractor wages

Date of Data Review: 10/24/2023 as verified by Manager of Human Resources and the Manager of Purchasing

Data:

Ann Arbor’s current living wage (2023) is a minimum of \$16.52/hour with health care and \$17.73/hour without health care. During the monitoring period the lowest hourly rate paid to any AAATA regular staff was \$21.74 during training, and then \$25.50 following the training period, well above the minimum.

A review of AAATA contracts with suppliers indicate that all employees covered under this ordinance were paid at or above the living wage.

POLICY 2.3.5

Establish or change retirement benefits so as to cause unpredictable or inequitable situations, including those that:

- A. Incur unfunded liabilities.
- B. Provide less than some basic level of benefits to all full-time employees.
- C. Treat the CEO differently from other senior employees.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when, if retirement benefits are created or altered, they must meet the following criteria:

- A. The AAATA will provide only a defined-contribution pension/retirement benefit program.
- B. All eligible employees working in full-time positions participate in the defined contribution (pension) program.
- C. The CEO does not allow the creation of any post-employment benefit that applies only to themselves (aside from what the Board allows in the CEO’s contract).

Rationale

This interpretation is reasonable because

- A. A define-contribution program facilitates an affordable organization contribution to employee retirement benefits without incurring unaffordable future liabilities.
- B. Participation of all eligible employees in the pension plan ensures equity in provision. Eligibility is determined after completing the standard waiting period as stipulated by the US department of labor (not less than 90 days).
- C. CEO compensation and benefits are determined only by the Board.

Evidence

Source of Data: AAATA retirement benefits

Date of Data Review: 08/31/2023 as verified by Manager of Human Resources

Data:

- A. During the monitoring period there was a defined contribution pension program.
- B. The table below illustrates the breakdown of employee participation in the program. All employees were either enrolled in the pension program or in the standard waiting period.

| Total employees | Enrolled in Pension | In waiting period |
|-----------------|---------------------|-------------------|
| 290 | 254 | 36 |

C. CEO Benefits

Other than provisions in the Board-approved 2020 CEO contract regarding a supplemental disability benefit and a separate deferred comp plan, the CEO only has the same benefits plans as all other non-unionized AAATA employees, including the Deputy CEOs. This did not change during the monitoring period.

POLICY 2.3.6

Formally initiate bargaining of a new collective agreement prior to the board having established goals for the negotiation.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when meeting minutes from a board meeting reflect that consensus on the general collective bargaining goals was reached prior to formal commencement of collective bargaining

Rationale

This interpretation is reasonable as the sequence of dates of the two events will confirm compliance with this policy.

NOTE: Compliance elements (Interpretation and evidence) of this policy and its sub policies will only go into the details permissible by the Open Meetings Act given that most of these discussions happened in closed session.

Evidence

Source of Data: Board meeting minutes

Date of Data Review: 09/14/23 as verified by Corporate Strategy and Performance Officer

Minutes from the AAATA board meeting on October 18, 2021 record that consensus on collective bargaining goals was achieved in a Closed Session meeting on that date. These minutes were approved by the board at the meeting on November 18, 2021. Negotiations began on December 7th 2021.

POLICY 2.3.6.1

Let the board be without material that supports an informed deliberation about goals for negotiations, including but not limited to, clearly articulated information in the following areas:

- Finance
- Operations
- Relevant transit industry data, geographic comparators, trends in terms and conditions of employment

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when staff provide a recommendation for objectives in negotiations to the Board for their consideration. Recommended objectives will be supported by financial, operational and relevant industry data.

Rationale

This interpretation is reasonable because providing broad goals, as opposed to strict requirements, is appropriate because a Board cannot legally dictate terms in a labor negotiation, and because staff need adequate delegated authority to bargain in good faith. Additionally, providing financial and operational information provides enough information, or avenues for additional information, for the Board to reach an informed consensus about overall goals for collective bargaining. Relevant industry data compare and contrast trends, conditions of similar transit agencies.

Evidence

Source of Data: Board meeting minutes

Date of Data Review: 09/14/23 as verified by Corporate Strategy & Performance Officer

Data: A review of approved meeting minutes confirms that the Board went into Closed Sessions to discuss labor negotiations strategies on 11/18/2021, 12/16/2021 and 03/17/22. During those meetings, staff provided financial, operation and relevant industry information to help the Board make an informed decision. A review of presentation material provided by the CEO in closed session confirms the presentations included this information.

POLICY 2.3.7

Let the board be uninformed of the current status of labor negotiations including, but not limited to, changes in the anticipated timeline for tentative agreement.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance will be accomplished when staff provide monthly updates to the Board during Board meetings concerning the progress of the negotiations and any anticipated changes to the previously discussed process expectations to include timelines. It should be noted that some of these discussions will occur in closed session in accordance with the Open Meetings Act.

Rationale

This is reasonable because staff are able to engage the full Board during a Board meeting. Having discussions in closed sessions to discuss collective bargaining is permissible under the Open Meetings Act.

Evidence

Source of Data: Board meeting minutes

Date of Data Review: 09/14/23 as verified by Corporate Strategy and Performance Officer

Data:

A review of approved meeting minutes confirms that the Board went into Closed Sessions to discuss labor negotiations strategies on 11/18/2021, 12/16/2021 and 03/17/22. The Board meeting in January 2022 was cancelled for weather reasons and no update was provided. The Governance Committee proposed the February Board meeting agenda be updated to accommodate key issues not discussed in the January Board meeting. Hence, there was no discussion on labor negotiations in February. Discussions resumed in March.

During those meetings staff provided general updates on the status of negotiations, and implications for the timelines. A review of presentation material provided by the CEO confirms the presentations included this information.

POLICY 2.3.8

Request approval of a tentative collective agreement from the final bargaining phases without providing information that demonstrates how the proposed agreement:

- Aligns with Board-established goals for negotiations.
- Supports the Board’s policies.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when a formal tentative agreement (TA) between the AAATA and a union is presented to the Board for approval. The presented material must summarize how

- A. The TA compares with the goals established by consensus as part of policy 2.3.6 above, and
- B. Information about how the TA impacts compliance with Ends and Executive Limitations policies. Evidence will be in the form of a written briefing and action item included in a board meeting packet.

Rationale

The interpretation is reasonable as it only clarifies an already-clear policy.

Evidence

Source of Data: Board meeting minutes

Date of Data Review: 09/14/23 as verified by Corporate Strategy & Performance Officer

Data:

A review of the March 2022 Board meeting minutes found that staff provided the Board with a formal Tentative Agreement (TA). A review of presentation material provided by the CEO indicates that the Board reviewed the TA in light of its goals, Ends and Executive Limitations. Following the closed session, the Board voted to approve the Agreement and it passed unanimously.

| Policy Trendlines | | | | |
|-------------------|--------|-------|-------|-------|
| Policy | FY 20 | FY 21 | FY 22 | FY23 |
| 2.3 | Yellow | Green | Green | Green |
| 2.3.1 | Green | Green | Green | Green |
| 2.3.1.1 | Green | Green | Green | Green |
| 2.3.2 | Orange | Green | Green | Green |
| 2.3.3 | Green | Green | Green | Green |
| 2.3.4 | Orange | Green | Green | Green |
| 2.3.4.1 | Green | Green | Green | Green |
| 2.3.5 | Green | Green | Green | Green |
| 2.3.6 | | | | Green |
| 2.3.6.1 | | | | Green |
| 2.3.7 | | | | Green |
| 2.3.8 | | | | Green |

| LEGEND | |
|--------|-------------------------------|
| Red | Policy is not compliant |
| Yellow | Policy is partially compliant |
| Green | Policy is compliant |

CEO Notes:

1. The CEO notes that policy 2.3.1 and 2.3.1.1. are not part of the original John Carver’s policy. Additionally, he finds 2.3.1 prescriptive and hence difficult to provide interpretation and evidence for attracting or retaining ‘highly qualified employees’.
2. CEO recommends that the Board review policy 2.3.4 as they it addresses elements of policy 2.3.2 and could therefore be a potential sub-policy of 2.3.2.

Board's Conclusion on Monitoring Report

Board's conclusion after monitoring the report.

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

- (A) a reasonable interpretation for **all** policy items and that the evidence demonstrates compliance with the interpretations.
- (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance.
- (C)
 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation
 2. For policy items x.x.x – the interpretation is not reasonable
 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance
 4. For policy items x.x.x – the Board acknowledges and accepts the CEO's stated non-compliance and the proposed dates for compliance

Board Notes: (If Applicable)

The Board accepted the monitoring report for Compensation & Benefits (2.3) as (A) Compliant.