COMMISSION POLICY REGARDING THE CHIEF EXECUTIVE OFFICER’S
ANNUAL PERFORMANCE GOALS AND OBJECTIVES,
PERFORMANCE EVALUATION AND COMPENSATION REVIEW

Setting CEO Performance Goals and Objectives

The Port of Seattle is a public agency that competes with at least a dozen other U.S. ports and several foreign ports to recruit, hire, and retain a high-performing executive. As such, the Port of Seattle Commission recognizes that the position of Port Chief Executive Officer (CEO) commands a salary that exceeds the salary levels offered to many other high-level appointed/competitively selected civil servants in Washington State and King County. The Port CEO manages a nearly $1 billion enterprise, including an international airport, a diverse seaport, a $300 to 400 million annual capital construction budget, and public property valued at over $6 billion. Therefore, it is incumbent on the Commission to ensure that CEO’s Performance Goals and Objectives reflect expectations for high levels of performance to serve the best interests of King County.

To this end, the Port Commission and Port CEO have jointly developed an ambitious and comprehensive statement of expected CEO Performance Goals and Objectives for 2009. This process began in late 2008; the considerable turmoil in the economy and financial markets through the spring of 2009 resulted in several iterations to this document. The 2009 document includes three categories of performance goals:

I. Policy Goals. Goals and Objectives related to the achieving Port financial and budgetary annual performance goals and aligning budget priorities to the Port’s core mission.

II. Division Objectives. Goals and Objectives that demonstrate the CEO is holding his direct reporting managers accountable for division-level performance.

III. Tasks. Goals and Objectives related CEO-identified “stretch goals” for achieving the stated vision of being the “cleanest, greenest, most energy-efficient port in the nation”, and other CEO initiatives that require leadership engagement with the Commission (e.g. Century Agenda activities and federal legislative efforts).

CEO Performance and Salary Adjustment Guidance

The Commission underscores that salary-related decisions are directly linked to the CEO’s performance. The principle of linking salary decisions to performance is consistent with the Commission’s delegation of authority to the CEO as described in Resolution No. 3605: that the Commission and CEO will adopt and implement policies and practices that serve the best interests of the institution and the people of King County. It is also consistent with existing policies within the Port of Seattle that apply to all Port employees.

The Commission hereby describes the performance standards that will be the basis for rating the CEO’s performance. It further defines the relationship between the performance assessment and the salary percentage adjustment that may accompany the rating decision.
When reviewing the CEO’s annual performance against the Commission-approved CEO Goals and Objectives for the review period, the Commission will take the following approach to consider salary adjustments:

- **General Considerations.** Executive salary adjustment decisions involve both quantitative and qualitative assessments. The Commission recognizes that its own decisions may affect the CEO’s ability to accomplish specific goals, and this factor will be taken into consideration during performance evaluation and salary adjustment deliberations.

- **Policy Goals.** Accomplishing all the Policy Goals in light of the General Considerations noted above will reflect an outstanding level of performance. Accomplishing a majority of the Policy Goals will reflect an excellent level of performance. Accomplishing a minority of the Policy Goals will reflect a minimally acceptable level of performance.

- **Division Objectives.** Accomplishing all of the Division Objectives in light of the General Considerations noted above will reflect an outstanding level of performance. Accomplishing a majority of the Division Objectives will reflect an excellent level of performance. Accomplishing a minority of Division Objectives will reflect a minimally acceptable level of performance.

- **Tasks.** The Tasks are defined projects, typically Commission-led, that the CEO must implement. Some of these Tasks may take place over multiple years and therefore may not be completed within the CEO’s Goals and Objectives annual review cycle. Therefore, the Commission will evaluate the CEO’s efforts to ensure staff place sufficient priority on the Tasks and demonstrate progress consistent with Commission requirements.

The Commission will review annually the CEO’s cumulative performance across all three areas, as well as consider the achievement of specific performance goals and objectives within each category, and will rate the CEO’s overall performance as “outstanding,” “excellent,” or “minimally acceptable.” A simple majority of Commissioners will approve the evaluation of the CEO’s performance and the amount of the salary increase, which will be discussed and voted upon in open public session.

The CEO deserves to have the opportunity to earn the benefits of increased compensation when performance goals and objectives are achieved; conversely, there should be consequences for minimally acceptable levels of performance. Therefore:

- In the event that the Commission determines that the CEO has achieved a level of performance rated “outstanding,” there may be a corresponding salary increase equal to 7 to 10 percent of the prior year’s salary.

- In the event that the Commission determines that the CEO has achieved a level of performance rated “excellent,” there may be a corresponding salary increase equal to 3 to 6.9 percent of the prior year’s salary.

- In the event that the Commission determines that the CEO has achieved a level of performance rated “minimally acceptable,” there will be no salary increase.
In compliance with the Open Public Meetings Act and Executive Session, the Commission will discuss the performance rating and salary adjustment with the CEO in Executive Session. However, all Commission decisions related to the performance assessment and salary adjustment will be discussed in publicly noticed Commission meetings.

Future Approach

It is the Commission’s view that as of fiscal year 2010, the annual CEO Performance Goals and Objectives will be similarly structured to the fiscal year 2009 document to include the following categories of performance:

I. **Policy Goals.** Goals and Objectives related to the achieving the Port’s financial and budgetary annual performance goals and aligning budget priorities to the Port’s core mission.

II. **Division Objectives.** Goals and Objectives that demonstrate the CEO is holding his direct reporting managers accountable for division-level performance.

III. **Tasks.** Goals and Objectives related CEO-identified “stretch goals” for achieving the stated vision of being the “cleanest, greenest, most energy-efficient port in the nation”, and other CEO initiatives that require leadership engagement with the Commission (e.g. Century Agenda activities and federal legislative efforts).

The Commission will modify prior practices and will initiate a new process in fiscal year 2010 for defining the CEO’s Performance Goals and Objectives and conducting the CEO’s annual salary review. Henceforth, the CEO’s salary will be reviewed simultaneously with a review of the CEO’s performance against the Commission-approved annual Performance Goals and Objectives. Under this new system, the Commission and CEO will adhere to the following schedule for public meetings related to the CEO’s Performance Goals and Objectives and annual salary review:

- **November.** The CEO will prepare a draft of the CEO’s Performance Goals and Objectives in conjunction with the Commission’s public adoption of the budget for the upcoming fiscal year.
- **December.** The Commission will consult with the CEO and review the proposed Performance Goals and Objectives for the new fiscal (calendar) year.
- **January/February.** The Commission will evaluate the CEO’s performance for the prior fiscal year and determine salary adjustments, as appropriate, no later than late February of the new fiscal year.
- **February.** The Commission will simultaneously adopt the CEO’s Performance Goals and Objectives for the new fiscal year no later than February of the new fiscal year.
- **July/August.** The Commission and CEO will conduct a mid-year review of the CEO’s Performance Goals and Objectives in light of the mid-year Port financial performance against annual plan. This mid-year review allows both parties to identify any critical adjustments that may be required to achieve the annual business and financial plans.

Dated: September 22, 2009