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[EmployersCouncil.org](http://EmployersCouncil.org)

**DATE:** January 15, 2019  
**TO:** Utah Transit Authority Advisory Committee  
**FROM:** Kimberly Barton, CCP, SPHR, SHRM-SCP  
Compensation and HR Consultant  
**RE:** Compensation –Market Pricing Approach to Setting Pay

**Overview:**

Market pricing compensation is a combination of art and science. Market pricing is the process of analyzing external salary survey data to establish the worth of jobs, as represented by the data. Using this method, an organization's jobs are matched to survey job descriptions to determine the best survey job matches, and then pay data are extracted from the salary surveys. The organization then uses the survey pay data information to determine the "target" market pay range for its jobs.

**Following a Consistent Process:**

The five-step process outlined below should provide the organization with realistic expectations of what the job is being paid in the market and allow for an informed decision when setting the target pay range for the job.

**Step 1 - Understand the Job:** Review the organization's job description. Focus on the essential functions, core duties and responsibilities of job, along with required knowledge, skills, and abilities.

**Step 2 – Review Survey Descriptions:** Review the salary survey job descriptions to identify possible matches to the organization's job. Consider survey jobs that might be similar in breadth, depth, impact, span of control, effort, working conditions, and/or scope of duties. If there are no "good" matches identified in the salary surveys for the whole job, then an alternate, yet commonly-used approach is to market price the major functions/ components of the job.

**Step 3 – Extract Survey Data:** Once the match is identified, the pay data are extracted from the salary surveys for the job. Consider the geography, industry, organization size, annual revenue, operating budget, etc, when selecting the pay data from the survey.

**Step 4 – Determine Market Value:** Once all data is extracted and brought to a common date, then calculate the average of the median rates from each survey to determine the estimated market value or "market target." Each market target has a range of competitiveness defined as 15% below the market target and 15% above the market target.

**Step 5 - Set pay for employee.**

Attached find resources to consider as you are determining the market pay range for the Board of Trustee Members.



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### **Market Pricing Approach for Member of Board of Trustees:**

Based on the information provided to Employers Council (EC) by UTA and EC's review of Section 17B-2a-808.1 of Utah Senate Bill 136 relating to the large public transit district's board of trustees powers and duties, the Board of Trustee's position may include the following duties:

- Directs/approves outward-facing business affairs
- Determines/approves strategic objectives and resource allocations
- Represents organization interests to external stakeholders
- Develops/maintains/strengthens relationships with external stakeholders
- Develops/approves brand identity and external communication plans
- Oversees strategic development including interaction with community and community leaders

EC reviewed the survey job descriptions with UTA and did not identify a "good" match for the "whole" job in the compensation surveys.

EC recommends breaking the job down into groupings based on major functions/ components in order to market price this job.

For example, the major functions/ components of the job could include the following:

- ❖ Strategic Planning and Development
- ❖ Organizational Oversight and Leadership
- ❖ Government Relations & Public Relations



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Next, EC reviewed survey job descriptions to identify matches to the above functions/components. Here are potential matches by component:

The major core functions/ components of the job include the following:	Survey Name / Survey Job Code	Survey Job Description
<b>Strategic Planning and Development</b>	2018 TWDS General Industry MMPS Survey - U.S. ACD010-M4	Develops the organization's strategic plan(s) to ensure its continued successful growth and profitability. Conducts environmental scans, organizational positioning analyses and other studies. Coordinates input from all major business units to facilitate the integration of individual business unit plans with the corporate plan. May conduct or facilitate periodic reviews of achievements and performance vs. strategic plans.  Provides leadership and direction through Senior Managers and Managers. Has accountability for the performance and results of: A large, strategically important discipline in an extremely large market; and/or. Related disciplines or a medium-sized function in a large market or medium-sized division; and/or. A medium-sized discipline or department in a major region. Adapts and executes functional or departmental business plans and contributes to the development of functional or departmental strategies. Decisions are guided by functional or major operational segment strategies and priorities.
<b>Organizational Oversight and Leadership</b>	2018 EC Utah Benchmark Compensation Survey 16901	This is the top level position in an organization. Reports to the Board of Directors. As CEO, directs the development and implementation of long and short-range strategic objectives, operating business plans, policies, budgets and programs for optimum return on shareholder investments. Ensures organizational growth for operation, human resource and financial performance is achieved. Reviews progress reports and financial statements on current status, revises business objectives and plans accordingly. This position leads the entire organization consisting of numerous departments or divisions of the business. May also be titled President or Chairman of the Board.
<b>Government Relations and Public Relations</b>	2018 TWDS General Industry MMPS Survey - U.S. ACA070-M4	Develops and maintains policies and programs to ensure organizational awareness of government legislation and/or regulatory issues that affect the organization and respond to same. Ensures that the organization's interests are represented and protected in legislative proceedings and in the development of market rules and procedures. Prepares and organizes forums and gatherings with government officials to exchange ideas and information on business activities and potential legislation that may affect the organization. Acts as a resource on regulatory matters with regard to product changes.  Provides leadership and direction through Senior Managers and Managers. Has accountability for the performance and results of: A large, strategically important discipline in an extremely large market; and/or. Related disciplines or a medium-sized function in a large market or medium-sized division; and/or. A medium-sized discipline or department in a major region. Adapts and executes functional or departmental business plans and contributes to the development of functional or departmental strategies. Decisions are guided by functional or major operational segment strategies and priorities.

Once the identified matches are determined to be a “good” match, at least a 70% match of the company’s job is reflected in the survey job, then the market data is extracted from the compensation surveys. This is done consistent with Step 3 identified outlined above and in greater detail in the appendix.



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The scope/data cut from the surveys selected should be consistent with the organization's compensation philosophy. UTA's compensation philosophy to pay at the average of the labor market which has been defined as transit, government, and not-for-profit employers within the Salt Lake City geographic market. Employer Council used the Economic Research Institute's Geographic Assessor to adjust the survey data to Salt Lake City, Utah.

The major core functions/ components of the job include the following:	Survey Name / Survey Job Code	Survey Scope/ Data Cut	Median Base Pay Rate (Aged)
<b>Strategic Planning and Development</b>	2018 TWDS General Industry MMPS Survey - U.S. ACD010-M4	Lower Mountain States	\$ 171,162
<b>Organizational Oversight and Leadership</b>	2018 EC Utah Benchmark Compensation Survey 16901	Utah	\$ 209,024
<b>Government Relations and Public Relations</b>	2018 TWDS General Industry MMPS Survey - U.S. ACA070-M4	Associations, Foundations, Education and Government / geographically adjusted to SLC	\$ 155,806
<b>Average of the 3 components</b>			<b>\$ 178,664</b>

Assuming the duties of the job are consistent with what is identified above, and the employees will spend equal amounts of their time in all three areas over the course of the year, the average is calculated and the target market pay would be \$178,664 plus or minus 15%.

Another point of reference for review is the compensation data from the surrounding Wasatch Front Counties and Salt Lake City.



## Pay Data for Wasatch Front Counties & Salt Lake City

Outside of the Mayor positions in Salt Lake City, other cities, and Salt Lake County, local entities in the Wasatch Front are governed by Commissioners or Council Members.

- Davis, Utah, and Weber counties each have three full time Commissioners, who besides base pay receive full time benefits.
- Salt Lake City and Salt Lake County have Council Members who are paid a salary which reflects part time hours (10 hours/week) and they receive full time benefits.
- Data pertaining to revenue size, employee size, service area should be reviewed in the context of the salaries provided.

Since job descriptions were not available from these entities, they are not included in EC's analysis but can be used as a reference.

It is important to remember that the breadth, depth, impact, span of control, effort, working conditions, and/or scope of duties should be considered.

	UTA*	Davis County**	Utah County***	Weber County^	Salt Lake City	Salt Lake County^^
# Commissioners (or Council Members)	3	3	3	3	7	9
Average Pay	\$ 150,000	\$ 128,107	\$ 119,444	\$ 121,115	\$ 35,925	\$ 40,804
Average Pay if all commissioners/council members were Full Time	\$ 150,000	\$ 128,107	\$ 119,444	\$ 121,115	\$ 143,700	\$ 163,216
<i>Compensation classification</i>						
FT/PT	FT	FT	FT	FT	PT	PT
Benefits eligibility	FT	FT	FT	FT	FT	FT
Job Description/ List of Duties	Yes	No- As elected officials, duties are set by statute				
<i>County/City Demographics</i>						
Revenues	\$ 519,457,000	\$ 166,477,900	\$ 90,184,452	\$ 173,794,000	\$ 323,381,374	\$ 1,646,243,244
Employees	2,600	948	1,005	1,311	2,600	3,969
Service Area (sq mi)	1,400	634	2,144	659	110	807
<p>*Source: UTA Revenues based on 2019 Final Budget; Source for Headcount is Active Employee Count as of 1/1/2019; source for Service Area is "UTA FACT Sheet" published April 2017, accessible: <a href="https://www.rideuta.com/-/media/Files/About-UTA/Fact-Sheets/2017/History_FactSheet_April2017.ashx?la=en">https://www.rideuta.com/-/media/Files/About-UTA/Fact-Sheets/2017/History_FactSheet_April2017.ashx?la=en</a></p> <p>**Source: Davis County Revenue: Budget Final Page, Year 2018, as found: <a href="http://www.co.davis.ut.us/docs/librariesprovider1/default-document-library/2018-final-budget.pdf?sfvrsn=f4355f53_2">http://www.co.davis.ut.us/docs/librariesprovider1/default-document-library/2018-final-budget.pdf?sfvrsn=f4355f53_2</a>. Headcount source: Davis County Human Resources webpage, <a href="http://www.daviscountyutah.gov/human-resources">http://www.daviscountyutah.gov/human-resources</a>.</p> <p>***Source: 2018 Figures found in 2019 Utah County Tentative Budget <a href="http://www.utahcounty.gov/Dept/ClerkAud/Data/BudgetData/2019/2019TentativeBudgetMemo.pdf">http://www.utahcounty.gov/Dept/ClerkAud/Data/BudgetData/2019/2019TentativeBudgetMemo.pdf</a></p> <p>^Sources: Revenue from Weber County 2018 Final Budget accessible at <a href="http://www.webercountyutah.gov/Transparency/2018/Final%20Fund%20Budget%202018.pdf">www.webercountyutah.gov/Transparency/2018/Final%20Fund%20Budget%202018.pdf</a>. Weber County Employee Count retrievable at: <a href="http://www.webercountyutah.gov/HR/">www.webercountyutah.gov/HR/</a></p> <p>^^Source: 2019 Mayor Proposed Budget, accessible at: <a href="http://slco.org/uploadedFiles/depot/fMayor/mayor_finance/budget_documents/2019/2019PropBdgt.pdf">slco.org/uploadedFiles/depot/fMayor/mayor_finance/budget_documents/2019/2019PropBdgt.pdf</a></p>						

## **APPENDIX A**

### **Additional Information on Market Pricing**

Market pricing is the most common method of “valuing” jobs used today. The goal of the market pricing analysis (market study) is to gather accurate, current and valid information on what the market (other companies) is paying for jobs like your organization’s jobs. Using this method, an organization’s jobs are matched to survey job descriptions to determine the best survey job matches, and then pay data are extracted from the salary surveys. The organization then uses the survey pay data information to determine the “target” market pay range for its jobs.

If the data identified in the market study does not accurately reflect the job being done or the current rates of pay, then organizations can have difficulty attracting and retaining talent due to underpaying or may create a situation where they are inadvertently overpaying. In order to safeguard itself from either extreme, it is important to ensure a strong understanding of each job and to use multiple data sources to provide cross validation of the market data.

#### **Following a Consistent Process:**

The science part of market pricing requires that a consistent process is used when gathering, selecting, analyzing and ultimately presenting market data. The five-step process outlined below should provide the organization with realistic expectations of what the job is being paid and allow for an informed decision when setting the target pay range for the job.

**Step 1 - Understand the Job:** Review the organization’s job description. Focus on the essential functions, the core duties and responsibilities of job, along with the knowledge, skills, and abilities required.

**Step 2 – Review Survey Descriptions:** Review the salary survey job descriptions to identify possible matches to the organization’s job. The salary survey job descriptions tend to be broad and brief and are designed to capture the essence of a job.

In general, matching considers the whole of the job and a match is determined to be a “good” match when there is at least a 70% match of the essential functions of the company’s job to the essential functions identified in the salary survey job. In reviewing survey descriptions, consider survey jobs that might be similar in breadth, depth, impact, span of control, effort, working conditions, and/or scope of duties.

If there are no “good” matches identified in the salary surveys for the whole job, then an alternate, yet commonly-used, approach is to market price the major functions/ components of the job. An organization can then determine the target market rate by averaging the market pay rates for each job component.



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**Step 3 – Extract Survey Data:** Once the match is identified, the pay data are extracted from the salary surveys for the job. Consider the following when reviewing the data to extract:

- Scope/Data Cut - geography, industry, organization size, annual revenue, operating budget, etc.
- Statistic - median rate of pay (50% of respondents pay below this rate and 50% of the respondents pay above this rate). Note: Multiple measures of central tendency are included in the surveys, such as the average, median and weighted average. Employers Council recommends using the median rate.
- Effective date of the salary survey data in order to determine the age of the data. Surveys collect data that represents what was paid for jobs at some point in time in the past, this is known as the “effective date.” Each survey will have its own unique effective date. Therefore, all data must be brought forward to a common date, utilizing a prorated percentage of the average merit increase award in the competitive market. Aim to use data effective within 1 to 2 years of the date being used to determine the pay rate for the job.

**Step 4 – Determine Market Value:** Once all data is extracted and brought to a common date, then calculate the average of the median rates from each survey to determine the best estimate of the market value or "market target." Each market target has a range of competitiveness defined as 15% below the market target and 15% above the market target.

- 15% Below Market Target - Meets minimum requirements of the position;
- At Market Target - Fully competent, able to perform all aspects of job, experienced individual; and
- 15% Above Market Target - Long-term experienced professional who possesses well established skill sets and performance capabilities.

**Step 5: Set pay for employee.**

## Summary of [Transportation Governance and Funding Revisions \(1-10-19 bill draft\)](#)

Developed through the [State Transportation and Tax Review Task Force](#)

In 2018, [Senate Bill 136](#) modified governance of UTA, modified and authorized local option sales taxes for transportation, authorized state funding of transit, and enhanced the coordination of transportation, land use and economic development. It also created a new Task Force, which met throughout the interim period and produced follow up legislation, summarized here:

- Clarifies that [Transportation Reinvestment Zones \(TRZs\)](#) are not subject to LUDMA. (129)
- UTA modifications:
  - Repeals name change of UTA. (4446)
  - Changes name of the UTA local advisory *board* to local advisory *council*. (453)
  - Requires integration of public transit services provided by public and private transit providers, with oversight from UDOT. (525)
  - Allows public transit districts to exclude applicants for safety sensitive positions based on results of background checks. (571)
- Local option transportation sales taxes:
  - Creates a standard, more flexible list of allowable uses for the municipal portion of local option transportation sales taxes, including all roads, transit, active transportation, debt service, and corridor preservation (1570), and removes now-extraneous provisions.
  - Funds from the “3<sup>rd</sup> quarter” 0.25% local option may not be used for maintenance purposes. (1764, 1968)
  - Removes requirement that Salt Lake County expend 25% of their “3<sup>rd</sup> quarter” on corridor preservation. (1791)
  - Clarifies which projects funded by “3<sup>rd</sup> quarter” revenues must be part of Regional Transportation Plan. (1776)
  - Requires Salt Lake County, and “encourages” other counties that have imposed the “4<sup>th</sup> quarter” to establish a committee comprised of municipal and other officials to advise it on expenditure of the county share (0.05%), using criteria listed in the statute. (2383)
  - Removes 2022 sunset on cities’ ability to directly impose “4<sup>th</sup> quarter” if their county has not imposed by July 1, 2020. (2457; 2469)
  - Clarifies that the July 1, 2020 sunset on county imposition of the “4<sup>th</sup> quarter” applies only to the four counties entirely in the UTA district (Utah, Salt Lake, Davis, Weber). (2453, 2459)
- Annually adjusts the tax rate on CNG/LNG/hydrogen fuel by the CPI, beginning Jan. 1, 2020, consistent with the indexing of motor and diesel fuels, not to exceed 22.5 cents per gallon. (2681)
- UDOT modifications:
  - Requires the UDOT executive director to be a registered professional engineer. (3064)
  - Adjusts the establishment and roles of UDOT’s deputy directors, divisions, and region directors. (3084, 3092, 3135, 3192)
  - Establishes requirements for the road usage charge (RUC) program, open to alternative fuel vehicles, to begin on Jan. 1, 2020. (3273) 100% of the RUC revenues will go to UDOT. (3496)
- State transportation capital project funding:
  - Authorizes state Transportation Investment Fund (TIF) to be used for paved pedestrian or nonmotorized projects that mitigate traffic congestion and are part of an active transportation plan approved by UDOT (3996), and Transit Transportation Investment Fund (TTIF) for such projects that establish a connection to the public transit system (4029), pursuant to project prioritization process established by the Transportation Commission in consultation with UDOT and MPOs. (3426)
  - Provides that the 40% minimum non-state match for TTIF can be funding or other contributions to the costs of the project. (3447, 4031)
  - Renames Transportation Infrastructure Loan Fund to State Infrastructure Bank, a revolving loan fund for road, transit, or active transportation projects that are part of the state, MPO, or local plans. (4040, 4069). Requires Transportation Commission to establish a prioritization process for loans and assistance. (4103) Maximum loan term of 10 years. (4130)
- Effective date of May 14, 2019, and for tax provisions July 1, 2019. (4447)