



Midpeninsula Regional
Open Space District

ACTION PLAN & BUDGET COMMITTEE

R-14-143
November 18, 2014

AGENDA ITEM 4

AGENDA ITEM

Development of Employee Compensation Guiding Principles

GENERAL MANAGER'S RECOMMENDATION

Complete discussion and development of Employee Compensation Guiding Principles for recommendation to the full Board of Directors.

SUMMARY

In March 2014, during the Board of Directors' final review and acceptance of the Fiscal Year (FY) 2013-14 Compensation Study prepared by Koff & Associates, the Board directed the Action Plan and Budget Committee (ABC) to develop Employee Compensation Guiding Principles for full Board consideration during FY2014-15. On October 7 and 31, 2014, the ABC worked on developing such guiding principles by discussing and providing feedback on the provisions of the General Manager's recommended draft Employee Compensation Guiding Principles Board Policy. Following the October 31 meeting, the ABC directed the General Manager to revise the draft policy based on their most recent discussion and return to the ABC for final consideration of the policy before forwarding for full Board review in a future Study Session.

DISCUSSION

Background

On October 7 and 31, 2014, the ABC discussed and provided feedback on the General Manager's recommended draft Employee Compensation Guiding Principles Board Policy. The approved minutes from the October 31 meeting are provided as Attachment 1. Based on the ABC's feedback, staff has edited the draft policy (showing the changes), provided as Attachment 2, for further discussion and direction from the Committee.

Policy Revisions

Most revisions to the draft policy from the first ABC meeting on October 7, 2014, were affirmed by the ABC at the October 31 meeting. The following additional revisions have been made for the ABC's further consideration, based on the discussion from October 31:

- *Introduction/Purpose statement:* This statement was revised to add “or situations” following the word “negotiations” to be clear that the policy does not pertain only to compensation decisions that are negotiated.
- *Competitiveness:* The ABC deliberated in depth about whether to define “competitive” as median of top-range salary of comparator agencies and median of benefits package value of comparator agencies. Staff explained the importance of the General Manager needing flexibility with a range of plus or minus five percent from median (or whatever is defined as the competitive target percentile) to achieve internal alignment within work groups, departments, or the whole organization, emphasizing that it is impractical to expect that every classification’s compensation could be set at a precise target percentile of comparator agencies while maintaining internal alignment. Additionally, compensation within a plus or minus five percent range is still considered competitive within the labor market, especially when one-time and individual monetary benefits and non-monetary benefits are considered. However, the ABC suggested a compensation philosophy in which no employee’s salary should be below median, unless under the Board’s decision-making flexibility provided in the policy. The General Manager’s recommended approach to this desired outcome is to define “competitive” at the median to 55th percentile of comparator agencies, plus or minus five percent, with no employee’s salary below median or above 60th percentile unless under the Board’s decision-making flexibility as provided in the policy. With median to 55th percentile as the target, it is more practical to maintain appropriate internal alignment while not having any employee’s compensation be below median, nor above the 60th percentile, unless under the Board’s decision-making flexibility as provided in the policy.

Discussion Points:

1. Cost-Implications of 55th Percentile Salary: Due to numerous complexities involved in this type of analysis, staff’s cost estimate is very preliminary, and based on numerous assumptions. The difference in annual salary costs (plus retirement) between Koff & Associates’ recommended salary range placements based on a 55th percentile market placement goal compared to a median market placement goal is approximately \$125,000 per year with the current workforce. This assumes all employees are at top step salary, and no one’s salary is reduced or Y-rated.

A precise calculation of the fiscal impact is not known at this time due to the following reasons:

- A position by position analysis is necessary to determine the cost variance between current salary placement and recommended salary placement for a median guideline and a median to 55th percentile guideline;
- Current data does not reflect the 3% cost of living adjustment received by District employees on July 1, 2014. Nor does it reflect changes in salaries or benefits other comparator agencies have made since the current study was completed in January 2014.

It is important to emphasize that this cost estimate is based on current staffing levels, so it does not include the cost impact related to increased staffing levels in the future.

2. Cost-Implications of Median to 55th Percentile Benefits: A precise calculation of this cost is not known at this time because a comprehensive benefits package analysis would be necessary to determine what changes, and related costs, would be required to bring benefits to at least median value. However, as an order of magnitude estimate based on the benefits analysis contained in the 2013-14 Compensation Study by Koff & Associates, an addition of an estimated \$300 in benefit enhancements could be required to bring the value of the employee benefits package to a range of median to 55th percentile. This amounts to an annual cost increase of approximately \$430,000. This cost estimate is based on current staffing levels, so does not include the cost impact related to increased staffing levels in the future.

FISCAL IMPACT

If the ABC recommends to the full Board, and the full Board adopts, an Employee Compensation Guiding Principles policy that sets the compensation target at the median to 55th percentile, it is estimated that changes to employee compensation to meet this target could cost as much as \$125,000 in salaries (plus retirement) and \$430,000 to in benefit costs annually, based on current staffing levels. The precise fiscal impact in the short term will be unknown until a detailed review and analysis of a final recommended salary schedule and where each employee sits in his/her salary range, as well as a comprehensive benefits package analysis, can be completed.

ALTERNATIVES

The ABC may wish to consider the following alternatives:

1. Choose to establish different market placement goals for salary and benefits. For example, salary placement within median to 55th percentile, plus or minus five percent, with no one's salary below median or above 60th percentile, while maintaining benefits at median, plus or minus five percent;
2. Delay a decision on this matter until a comprehensive position by position cost analysis and benefits analysis can be completed. With current staff workloads, these analyses are estimated to take two to three months to complete.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not subject to the California Environmental Quality Act (CEQA).

NEXT STEPS

Following the ABC's discussion and input at the November 18th meeting, and unless directed otherwise by the ABC, the General Manager recommends that staff finalize revisions to the draft policy and bring the policy to a Board study session in December, followed by final Board adoption of the guiding principles in January.

Following development of these principles, the General Manager will complete review and analysis of the 2013-14 Compensation Study results and bring forth any proposed compensation recommendations to the Board for consideration in the future, which may be during the FY2015-16 budget process or following labor negotiations.

Attachments

1. Approved Minutes from October 31, 2014 ABC meeting
2. Revised Draft Employee Compensation Guiding Principles

Responsible Department Head:

Stephen E. Abbors, General Manager

Prepared by:

Kevin S. Woodhouse, Assistant General Manager



Midpeninsula Regional
Open Space District

**SPECIAL MEETING
ACTION PLAN AND BUDGET COMMITTEE**

Administrative Office – Board Room
330 Distel Circle
Los Altos, CA 94022

October 31, 2014

APPROVED MINUTES*

I. ROLL CALL

Director Kishimoto called the Special Meeting to order at 2:03 p.m.

Members Present: Yoriko Kishimoto, Curt Riffle, and Pete Siemens

Members Absent: None

Staff Present: General Manager Steve Abbors, Assistant General Manager Ana Ruiz, Assistant General Manager Kevin Woodhouse, Administrative Services Manager Kate Drayson, Human Resources Supervisor Candice Basnight, and District Clerk Jennifer Woodworth

II. ORAL COMMUNICATIONS

There were none.

III. ADOPTION OF AGENDA

Motion: Director Siemens moved, and Director Riffle seconded the motion to adopt the agenda.

VOTE: 3-0-0

IV. COMMITTEE BUSINESS

1. Approve the Minutes from the October 7, 2014 meeting.

Motion: Director Riffle moved, and Director Siemens seconded the motion to approve the minutes.

VOTE: 3-0-0

2. Development of Employee Compensation Guiding Principles (R-14-135)

Assistant General Manager Kevin Woodhouse summarized edits to the draft Employee Compensation Guiding Principles policy made since the October 7, 2014 Committee meeting.

Mr. Woodhouse provided an example illustrating the difficulty of using salary increases to make up the difference between salary and total compensation when taking benefit levels into account.

Director Siemens questioned the exclusion of the Social Security benefit from the provided example because whether the District pays into Social Security may affect the amount the District would pay into CalPERS for retirement benefits and therefore affects total staff compensation.

Director Riffle suggested inclusion to the phrase “or situation” to the end of the policy’s purpose statement. The Committee agreed to this change by consensus.

Director Riffle suggested numbering the guiding principles in the policy. The Committee agreed to this change by consensus.

Director Siemens suggested listing core benefits in the policy, which would be the same for all District employees. Miscellaneous benefits which are not utilized by all District employees, such as uniform allowances or tuition reimbursement, would not be listed in the policy. Listing core benefits would prevent benefits from being applied differently to various employee groups.

Mr. Woodhouse explained the difficulties associated with listing core benefits in a Board policy because core benefits are discussed as part of labor negotiations.

Public comment opened at 10:26 a.m.

Alex Hapke, member of the Field Employees Association, inquired if the Committee had responses to any of the written comments he submitted at the last Committee meeting. Mr. Hapke also requested information on when employees would be Y-rated when within +/-5% of the median. Finally, Mr. Hapke thanked Director Siemens for his comments regarding payment of Social Security benefits by various comparator agencies.

Casey Hiatt provided comments regarding a letter submitted by members of the District’s Planning Department’s and regarding employee retention. Ms. Hiatt stated that the District has a history of hiring excellent staff, which also makes them in high demand to other employers in the public and private sector. High costs of living in the District make it difficult for employees to live and work in the District without looking for employment elsewhere.

Tina Hugg provided comments regarding the difference between cost of living and cost of labor. Ms. Hugg explained that the cost of living can fluctuate wildly in the District in a short time period, and acknowledgement of this by the Committee and Board would be appreciated.

Public comment closed at 10:34 a.m.

Director Kishimoto provided comments regarding the high cost of living in the Bay Area, and suggested there may exist other innovations, such as District-owned employee housing or providing housing allowances to all District employees instead of limiting this benefit to Board appointees.

Director Riffle provided comments regarding use of median salary as a benchmark stating that this may not be the benchmark to use in order to allow the District to continue to attract exceptional staff.

General Manager Steve Abbors provided comments regarding potentially using median salary as a floor for compensation or increased examination of the cost of living in the area.

Director Siemens suggested removal of +/-5% as an applicator of the median. Director Siemens also provided comments regarding increased revenue to the District from increased property taxes are not necessarily a positive change because District employees are also paying these increased property taxes and suggested the District pay above the median, perhaps up to 25% above.

Director Kishimoto expressed her concerns regarding using 25% above the median as a benchmark due to fact that this may lead to continuing increasing salaries and prefers use of the policy's flexibility clause to remain competitive as an employer.

Director Riffle suggested that this discussion should be held by the full Board of Directors. Director Riffle stated that the goal of the District should be to endeavor to pay above the median and not below. Director Riffle suggested the District also look at surrounding factors in the economy to determine if salaries should be above the median in any given year.

The Committee directed staff to return to the Committee with additional information regarding the implications of the changes the Committee had suggested. Those suggestions being defining a competitive salary as 55% of the median +/-5% and that no employee be paid below the median salary. The item will be agendaized for the November 18, 2014 Action Plan and Budget Committee meeting.

V. ADJOURNMENT

Director Kishimoto adjourned the special meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 11:30 a.m.

Jennifer Woodworth, CMC
District Clerk

Midpeninsula Regional Open Space District

Board Policy Manual

Employee Compensation Guiding Principles	Policy # Chapter 2 – District Personnel & Board Support
Effective Date:	Revised Date:
Prior Versions:	

Purpose:

The District’s Board of Directors values high-quality employees dedicated to fulfilling the mission of the District in service to the public. Competitive compensation is one important tool to attract and retain high-quality employees. By clearly setting forth Employee Compensation Guiding Principles in this policy, the District’s Board of Directors is establishing its compensation philosophy for represented and unrepresented employees, through a transparent and public process, to guide the General Manager’s employee compensation recommendations into the future. These guiding principles are flexible. Factors may prove to be more or less important in particular negotiations or situations.

Guiding Principles:

1. As stewards of public funds, the District shall hold accountability to the public as a cornerstone value in maintaining competitive, fair, and equitable compensation for its employees for their high-quality and hard work in delivering excellent services to the public; ~~{public accountability}~~ ~~{Staff note: wording OK, per 10/7 ABC input}~~
2. Employee compensation decisions shall be considered in the context of short and long-term affordability, and shall not negatively impact the District’s ability to fulfill its mission with excellent service into the future; ~~{affordability}~~ ~~{Staff note: wording OK, per 10/7 ABC input}~~
- ~~2.3.~~ The Board of Directors shall always retain flexibility to address circumstances that may be negatively impacting the District’s ability to attract and retain high-quality employees and deliver excellent services to the public; ~~{flexibility}~~ ~~{Staff note: wording OK, per 10/7 ABC input}~~
- ~~3.4.~~ The Board will refer to the California Meyers Miliias Brown Act (MMBA) to determine what, if any, factors the law identifies related to determining appropriate compensation through labor negotiations in local public agencies. An excerpt from the MMBA, as of the effective date of this policy and subject to future changes in the MMBA, is provided as an Attachment to the policy to partially show factors in the law at

this time related to determining compensation, but is not intended to represent the full extent of the law. ~~{legality}~~

~~4.5.~~ The Board of Directors shall consider the appropriateness of certain benefits between different groups of employees.

~~5.6.~~ The Board of Directors shall consider salary and benefits as key factors comprising competitive compensation. Periodically, salaries and benefits may be evaluated in comparison to benchmark agencies that are determined through a combination of factors, typically including organizational type and structure, similarity of population, staff, and budget, scope of services provided and geographic location, labor market, and compensation philosophy. When comparing to benchmark agencies using “top-range salary”, a competitive salary is defined as the median to “median salary 55th percentile” of the comparator agencies, plus or minus five percent, with no employee’s top-range below median or above 60th percentile unless under the Board’s decision-making flexibility as provided in this policy. ~~utilizing comparisons of “top-range” salary when comparing classifications.~~ Similarly, when comparing to benchmark agencies, a competitive benefits package is defined as the “median to median 55th percentile benefits package” value, plus or minus five percent, utilizing comparisons of select core benefits as determined by the Board of Directors, with no employee’s benefits package value below median or above 60th percentile unless under the Board’s decision-making flexibility as provided in this policy.

~~Median is defined as the midpoint of the data collected, with 50% of the comparators below and 50% above (when there is an even number of comparators, the mid-point is half way between the two middle data points).~~

The plus or minus five percent from the median 55th percentile is a range that the Board acknowledges as important to give the General Manager flexibility in achieving internal alignment within the organization on compensation recommendations, yet still remaining competitive. ~~{competitiveness}~~

~~6.7.~~ The Board of Directors also considers one-time and individual monetary benefits and non-monetary benefits as factors in remaining competitive within the District’s labor market; ~~{competitiveness}~~

~~7.8.~~ The Board of Directors acknowledges that the high Cost of Living in the Bay Area is an ongoing challenge for public sector recruitment and retention. While the guiding principles above that relate to maintaining competitive compensation within the District’s labor market help to partially address the Cost of Living challenges, the District is willing to explore innovative ideas, alone or in concert with other public agencies, to improve this regional challenge. ~~{competitiveness}~~

~~8.9.~~ To determine competitive salaries and benefits in the District’s labor market in response to unforeseen, dramatic changes in the labor market or as new positions or work groups are established, and with the intent of managing potential “drift” of District

compensation, the General Manager may periodically direct that a compensation study be performed, organization-wide or for specific departments, work groups or classifications. When conducting a compensation study, benchmark comparator agencies will remain as consistent as possible from study to study.

Attachment 1: Meyers Milias Brown Act

The following is an excerpt from the Meyers Milias Brown Act and is intended to partially show factors in the law as of October 2014 related to determining compensation. This excerpt is not intended to represent the full extent of the law.

Excerpt from California Government Code section 3505.4:

- (1) State and federal laws that are applicable to the employer.
- (2) Local rules, regulations, or ordinances.
- (3) Stipulations of the parties.
- (4) The interests and welfare of the public and the financial ability of the public agency.
- (5) Comparison of the wages, hours, and conditions of employment of the employees involved in the factfinding proceeding with the wages, hours, and conditions of employment of other employees performing similar services in comparable public agencies.
- (6) The consumer price index for goods and services, commonly known as the cost of living.
- (7) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays, and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- (8) Any other facts, not confined to those specified in paragraphs (1) to (7), inclusive, which are normally or traditionally taken into consideration in making the findings and recommendations.