



Midpeninsula Regional
Open Space District

R-14-17
Meeting 14-08
March 12, 2014

STUDY SESSION ITEM 1

AGENDA ITEM

Data Gathering Results of the District's 2013-14 Compensation Study Update

GENERAL MANAGER'S RECOMMENDATIONS

A handwritten signature in black ink, appearing to be "G.M.", written over the end of the "GENERAL MANAGER'S RECOMMENDATIONS" header.

1. Receive an update on the process and results of the data gathering phase of the District's 2013-14 Compensation Study Update; and
2. Direct the Action Plan and Budget Committee to develop Employee Compensation Guiding Principles for full Board consideration during Fiscal Year 2014-15 and prior to Board consideration of implementation of any compensation changes based on the results of the 2013-14 Compensation Study Update.

SUMMARY

The current Memorandum of Agreement with the District Field Employees Association, as amended by a Side Letter of Agreement dated November 27, 2013, requires the District to complete a Compensation Study Update by March 31, 2014. At its meeting of November 13, 2013, the Board of Directors approved the study consultant's (Koff & Associates) recommendation of twelve (12) comparator agencies, and added two additional comparator agencies for a total of fourteen (14) (R-13-97). Koff & Associates now has completed the data gathering phase of the study. The purpose of this study session is for the Board to receive an update on the process undertaken in gathering the compensation data from the comparator agencies for the District's 36 benchmark classifications, including the substantial review and comment process engaged with employees, and to receive a summary of the data gathering results. This update is intended to provide an opportunity for the Board to ask questions of project staff and Koff & Associates to understand the study prior to finalization of the study report. The report will be finalized and brought to the Board for consideration of acceptance at the March 26, 2014 Board meeting. Any implementation of compensation changes based on data results in the final report will be evaluated subsequent to July 1, 2014. During this evaluation period, the General Manager recommends the Action Plan and Budget Committee develop Employee Compensation Guiding Principles for full Board consideration during Fiscal Year (FY) 2014-15 and prior to Board consideration of implementation of any compensation changes based on the results of the 2013-14 Compensation Study Update.

DISCUSSION

The current Memorandum of Agreement (MOA) with the District Field Employees Association (FEA), as amended by a Side Letter of Agreement dated November 27, 2013, requires the District to complete a compensation survey update. To begin the process for the new study, a Compensation Study Committee comprised of management and FEA representatives met four times to discuss potential factors for consideration when selecting comparator agencies and benchmark positions. The Committee prepared a memorandum summarizing its recommendations to the General Manager who then forwarded it to Koff & Associates (Consultant), and directed the Consultant to review the comparator agencies from the 2010 study and recommend any changes for the 2013 update. At the November 13, 2013 Board meeting, the Board approved the 12 comparator agencies recommended by the Consultant, and also added the Santa Clara County Open Space Authority and the Santa Clara Valley Water District as comparators.

Koff & Associates conducted the compensation survey update in November and December 2013 using 36 District positions as benchmark classifications. The salary and benefits benchmarking is now complete. Employees received the preliminary data results in mid-January, organized in three data sheets (top monthly salary, benefits, and total monthly compensation) showing comparison data from the benchmark classifications in the comparator agencies. Employees were provided the opportunity to review and comment on the preliminary data, particularly whether the benchmark positions in the comparator agencies were accurate comparisons, from the employee's perspective, to their own position. Project staff and Koff & Associates held meetings on January 22 with both FEA and Non-Represented staff to hear and respond to questions about the study. Following a three week review period for employees, written comments were received from 54 employees about their specific benchmark comparisons, and 36 general comments/questions were received. Koff & Associates and the project team provided responses to the general questions on February 28 (Attachment 1), including longer responses to two of the more prominent questions – “Cost of Labor, Labor Market Geographic Adjustor, and Cost of Living,” and “Salary and Total Compensation.”

Koff & Associates also responded to employee comments about their benchmark comparisons, conducted additional research and data gathering as necessary, and revised benchmark comparisons as warranted. A summary of the data results for the 36 benchmarked classifications is provided in Attachment 2. There are 15 other positions that were not benchmarked, but which tier off benchmarked positions based on internal alignment factors. The existing internal alignment relationships between positions will be included in the final compensation study update report.

In summary, the data show that three positions have top-range salaries that are greater than 5 percent *below* the median of comparator agencies, while 10 positions are greater than 5 percent *above* the median of comparator agencies. According to Koff & Associates, the +/-5 percent guideline is standard practice when conducting compensation studies. As Koff stated in the final 2011 Classification and Compensation Study for the District, “A salary within 5 percent of the market median is considered to be competitive in the labor market for salary survey purposes because of the differences in compensation policy and actual scope of the position and its requirements.” Based on top-range salary, the average of all 36 benchmarked positions is 1.8% above the median of comparators. When adding in the value of benefits, called “total compensation,” the average of all 36 benchmarked positions is 2.9 percent below the median of

comparators, with 13 positions greater than 5 percent *below* the median of comparator agencies, and 2 positions greater than 5 percent *above* the median of comparator agencies. The data show that the value of District benefits is competitive on average, but slightly below median of comparators.

The data results are very different from the 2011 study, which showed the average for top-range salary of all benchmarked positions at 5.3 percent below the median of comparators. However, an accurate comparison to the old study cannot be made because it utilized a very different set of comparator agencies. In order to normalize approaches to any future compensation studies, and to meaningfully evaluate the results of this study from an organizational management perspective, the General Manager recommends that the Board direct the Action Plan and Budget Committee to develop Employee Compensation Guiding Principles for full Board consideration during FY2014-15 and prior to Board consideration of implementation of any compensation changes based on the results of the 2013-14 Compensation Study Update. Such Guiding Principles could help bring clarity to the Board's employee compensation philosophy and minimize process and philosophy inconsistencies between this compensation study and any future study.

The President of Koff & Associates, Katie Kaneko, will be available at the study session to explain the compensation study update process and results in more detail and answer questions from the Board.

FISCAL IMPACT

There is no fiscal impact related to completion of the Compensation Study Update. The fiscal impact of General Manager recommendations for compensation changes based on the study results, if or when any changes are recommended, will be analyzed and reported to the Board of Directors at the time of any recommendations.

PUBLIC NOTICE

Notice was provided pursuant to the Brown Act. No additional notice is necessary.

CEQA COMPLIANCE

No compliance is required as this action is not a project under the California Environmental Quality Act (CEQA).

ALTERNATIVES

The Board may wish to consider the following alternatives:

1. Receive the update on the process and results of the data gathering phase of the District's 2013-14 Compensation Study Update, but do not pursue at this time development of Employee Compensation Guiding Principles; or
2. Direct the follow-up development of Employee Compensation Guiding Principles to a committee other than the Action Plan and Budget committee, create an ad-hoc committee, or direct this work to return first to the full Board;

3. Direct the General Manager to complete the final report for the Compensation Study Update, but do not require that the final report be brought back to the Board for acceptance.

NEXT STEP

Koff & Associates will prepare the final report presenting the findings of the Compensation Survey Update, which will be submitted to the Board for acceptance on March 26, 2014. If the Board approves Part 2 of the General Manager's recommendation, the Action Plan and Budget Committee would begin developing Employee Compensation Guiding Principles during summer 2014, for subsequent consideration by the full Board and prior to Board consideration of implementation of any compensation changes based on the results of the 2013-14 Compensation Study Update.

Attachments:

1. Responses to General Questions from Employees
2. Summary of Compensation Survey Update Results

Prepared by:

Kevin S. Woodhouse, Assistant General Manager

Compensation Study Questions from Staff Meetings on January 22, 2014

Administrative Office

1. How was the cost of living increase calculated?
Response: In this study, cost of *labor* was used to adjust for salary differences in geographic locations outside of the SF Bay Area. The cost of labor adjusters were calculated by the Economic Research Institute (www.eri.com) and reflect, amongst other factors, the cost of living. More information is provided following these questions about cost of living and cost of labor as it pertains to this compensation study update.
2. How recent is the geographic adjuster data – is this economic data current?
Response: The geographic adjuster data comes from the Economic Research Institute and is updated quarterly.
3. The survey uses salary data from 2009 for Santa Cruz while others were 2013.
Response: The most recent salary data from Santa Cruz is from 2009 because they haven't had an increase since then.
4. Can we see the job descriptions for the benchmark positions in each agency?
Response: Job descriptions were provided to staff on January 30, 2014 as requested.
5. We gave detailed information about Administrative Assistant duties in the last study, can we update our duties to include IAFS data entry?
Response: HR reviewed the Administrative Assistant position job description as part of the IAFS staffing analysis in 2013 and determined that the IAFS data entry is within the scope of the job description.
6. How do we know how other agencies derive top step? What is their process?
Response: Most agencies determine the top step to be the highest level of payment for a given job classification. Where agencies in our comparator list vary from this standard process, Koff has noted this in the data.
7. How is educational or degree attainment taken into consideration between agencies?
Response: Educational attainment is included in the job descriptions in comparator agencies and is considered when Koff evaluates appropriate benchmark positions.
8. How is educational incentive pay that would affect salary accounted for in comparing other positions?
Response: Educational incentive pay is generally classified as a benefit and not part of base salary.
9. Cost of living and cost of labor – are different – which are we looking at for this comparison?
Response: The Cost of Labor was used in this study to adjust between different geographic locations. More information is provided following these questions about cost of living and cost of labor as it pertains to this compensation study update.
10. What is the exact geographic area we are looking at for cost of labor/living?
Response: We are looking at the labor cost in the greater bay area. An economic adjuster was applied to the four agencies that are considered outside of the District's labor market to account for labor market geographic difference.
11. Concerns that calculations are not done accurately.
Response: We have requested clarification on calculations that were questioned.

12. What measurement is used to determine likeness of position? 70%? 60%?

Response: The benchmark positions should be a 70% match in terms of like responsibilities, skills, knowledge and educational requirements.

13. How are soft skills/hard skills captured in the data?

Response: Koff looks at the whole position and several factors, including:

- Education and experience requirements;
- Knowledge, abilities, and skills required to perform the work;
- The scope and complexity of the work;
- The authority delegated to make decisions and take action;
- The responsibility for the work of others, program administration, and for budget dollars;
- Problem solving/ingenuity;
- Contacts with others (both inside and outside of the organization);
- Consequences of action and decisions; and
- Working conditions.

Koff does not allocate points to each area (quantitative approach), but takes more of a qualitative approach to analyzing the factors above for all positions in comparison to the District's. The threshold for a match is approximately a 70% likeness in terms of all of the factors above.

14. Can we see the list of all benchmarked positions?

Response: This information was provided to staff on January 30, 2014

15. Can retiree benefits be quantified?

Response: It is difficult to quantify retiree benefits because these benefits are granted in the future and not in the present like compensation, and many agencies' benefits include numerous variables based on years of service and labor group and so vary widely from employee to employee. Retiree health benefits are not reflected in the benefits comparator sheets will be included in the appendices of the final report.

16. Comparator agencies – are we looking at full time regular positions or contractors?

Response: This compensation study looks at permanent full time positions in other agencies, not contractors.

Field Office

1. Retiree health is not included in benefits?

Response: See the response to Question #15.

2. Ranger classification: "unknown" listed for increases for East Bay Regional Park District and County of Sacramento – do we have info on when the contracts end? Can't they put that date if they have it?

Response: Koff did not gather contract expiration dates. These dates are not typically included in compensation surveys.

3. Amounts that employer pays of employee portion of retirement contributions – is that in the data?

Response: Yes, that amount is reflected in the retirement benefits data.

4. Does County of Sacramento pay only Social Security? Verify, do they have a pension system?

Response: Yes, Sacramento offers a retirement benefit (Sacramento County Employee's Retirement System). However, the County does not pay the employee contribution which is why there is no value reported.

5. Ranger – Sonoma lists a contractor position – explain.

Response: The Park Ranger II is not a contract position. The footnote is stating that the classification is not allocated to the Open Space District, but is a classification used in the County. We

did this for all benchmark classifications. If we did not find an appropriate match at the District, then we looked to the broader County for a match. The District and County have the same compensation practices and benefits. Additionally, the District classifications belong to County bargaining units.

6. Follow up to previous question: Are the benefits the same for the County and the Agricultural District?

Response: Yes.

7. When was 50% of median set as the level of compensation for the District?

Response: As part of the 2010 Classification and Compensation study, the board directed that District salaries be set at the median of comparator agencies for top-range salary data.

8. What will happen to the 3% COLA currently scheduled for July 1, 2014?

Response: The District is contractually bound to give a 3% COLA to FEA classifications on July 1, 2014. Any changes to this COLA would be subject to meet and confer.

9. Rangers are under in benefits by 10% - will the District implement the study based on total compensation?

Response: The compensation study provides data on salary, benefits, and total compensation. More information is provided following these questions about factors to be considered in looking at top-range salary comparisons versus total compensation comparisons.

10. Equipment Mechanic Operator – we found a comparable position at both Santa Cruz and Riverside. Why difference in treatment?

Response: Koff's responses to detailed questions on matches for individual benchmark comparisons will be provided directly to those employees.

11. Where is the uniform allowance – salary or benefits?

Response: Uniform allowance is included under benefits.

12. Next salary increase?

Response: If the next salary increase for a comparator agency was known and contractually obligated at the time of this study Koff included this information.

13. What date was the data for County of Santa Clara, and the Open Space Authority?

Response: The most recent information has been included in the updated position data sheets.

14. Did Riverside help?

Response: Riverside was able to provide comparator positions to a majority of District positions, particularly some of the more unique positions which had few comparators. The compensation data from Riverside varied by position and was not consistently above or below the District's salaries. A geographic salary adjustment was added to the Riverside data.

15. List of benchmarked positions?

Response: This information was provided to staff on January 30.

16. Can we discuss the results of the compensation study with management?

Response: If implementation of the compensation study results affects FEA salaries or benefits, management and the FEA will meet and confer over these changes.

17. Was it always 5% difference between Open Space Technician / Lead Open Space Technician – why? When was it changed?

Response: The difference between OST and Lead OST is closer to 10%. This alignment was established in the last Compensation Study.

18. Equipment Mechanic Operator – if compensation is 3% below median, will there be a 3% increase?

Response: Implementation of the Compensation Study results is unknown at this time.

19. Cost of living vs. cost of labor.

Response: More details provided below.

20. How does the unemployment rate factor in to the cost of labor?

Response: More details provided below.

Cost of Labor, Labor Market Geographic Adjustor, and Cost of Living

Numerous questions continue to be raised about the distinction between “cost of living” and “cost of labor,” and the extent to which the “labor market geographic adjustor” is reflective of geographic cost of living differences.

As was explained during the 2011 compensation study, and again during this study in November, 2013, during the selection of the Comparator Agencies and subsequent Board approval, one of the challenges for the District is identifying a sufficient number of comparator agencies within the geographic area that provide similar open space services. Consequently, the study had to expand to other agencies within California. While the County of Sacramento and the Riverside County Regional Park and Open Space District remain as comparators, more greater Bay Area agencies were added for this study -- County of Santa Cruz, Livermore Area Recreation and Park District, Marin Municipal Water District, Santa Clara County Open Space Authority, and Santa Clara Valley Water District. Even with these greater Bay Area agency additions, Riverside and Sacramento counties remained essential as comparators for the study to achieve a sufficient number of benchmark classification matches. Of the fourteen comparator agencies as approved by the Board for this study, four are considered outside the District’s labor market, resulting in cost of labor adjustments as follows:

- Riverside County Regional Park and Open Space District – 13.2%
- Sonoma County Agricultural Preservation and Open Space District – 12.3%
- County of Santa Cruz – 8.7%
- County of Sacramento – 9.8%

These labor market adjustors are from the Economic Research Institute (<http://www.erieri.com/>).

However, numerous comments have suggested that these labor market adjustors do not make up for the cost of living differences, particularly the cost of housing, between these different geographic areas. This is generally true. Prevailing pay rates in the Bay Area’s labor market do not compensate employees for their cost of living. Prevailing pay rates are designed to pay employees a competitive salary for the particular jobs they perform and the specific skill/capability sets that they offer to the organization. And by basing pay scales on local prevailing pay rates, an employer is reflecting local cost of living, including cost of housing, *to the same extent as all other employers in the area*. In other words, while the cost of labor is only generally reflective of the region’s cost of living, employment/unemployment rates, housing costs, growth rate, and other demographic characteristics, it is precisely reflective of

the extent to which other agencies that compete with the District's talent pool are compensating their employees for their cost of living.

It is also worth noting the more technical difference between cost of living and cost of labor when looking at a specific cost of a good or service, such as housing. While cost of living indexes are usually derived from the Consumer Price Index, which is a more prescriptive formula calculation based on prices of goods and services paid by consumers, the cost of labor is not a formulaic calculation. Instead, it is determined from comprehensive surveys of employers, which reflect supply and demand in the labor market. ERI is a leading source of this survey information, and states that their data "reflect inputs for 35,726,711 job incumbents, providing competitive benchmark comparisons for salary increase planning and staffing patterns in 12 million organizations." Therefore, while an economist can specify how the cost of housing factors into the CPI and cost of living calculation, the same economist would reply with a more theoretical and statistical answer about labor market supply and demand when answering how the cost of labor reflects the cost of housing.

Salary and Total Compensation

As part of the 2013-14 Compensation Survey Update, Koff & Associates has collected both top-range salary data and total compensation data (salary plus benefits) for 36 benchmark positions. The data results show the percentage variation for district benchmark positions above or below the median of the District's comparator agencies for both top range salary and total compensation. Because the total compensation data show more positions below median of comparators than the top-range salary data, numerous comments have been received from employees suggesting that implementation of any compensation changes as a result of this compensation survey update should be based on the total compensation data instead of the top-range salary data. However, there are numerous factors that management needs to consider from an organizational-wide perspective in this evaluation:

- Benefits are typically applied equally to all District employees, so there is limited control in individually adjusting benefits. This is particularly true of major cost benefits such as health insurance and retirement pensions with CalPERS. Salaries can be adjusted by individual classifications, while also keeping internal alignment concerns in mind. However, implementing compensation changes by adjusting salaries to make up for benefits that are lower than median could contort salary comparisons and internal salary alignment.
- Comparing benefit values between comparator agencies is more complex than comparing salaries. For example, numerous agencies participate in Social Security in addition to CalPERS for their pension benefit, yet how these two pension systems affect each other for one's pension calculation in retirement is too individualized to reflect as part of this study. In addition, for those that participate in Social Security, the mandatory 6.2% contribution from the employee's salary is not reflected in the salary comparison.
- District benefits remain competitive with comparator agencies. On average, District benefits are only slightly below the median.

These factors – maintaining uniformity of benefits while not upsetting internal alignment, challenges with comparing benefits between comparator agencies, and the competitiveness of current benefits – are important considerations when implementing compensation study results. Based on these factors, compensation changes following the last study were approved by the Board based on salary only, not total compensation.

**Midpeninsula Regional Open Space District
Results Summary
February 2014**

Classification	<u>Top-Step Salary</u> % above/below Median	<u>Total Compensation</u> % above/below Median
Accountant	13.0%	4.6%
Accounting Technician	11.1%	7.3%
Administrative Assistant	4.3%	-1.3%
Aministrative Services Manager	0.8%	-5.8%
Area Superintendent	-0.1%	-10.0%
Assistnt General Counsel II	-16.7%	-20.3%
Community Outreach Specialist	-6.6%	-5.5%
District Clerk	-1.3%	-7.7%
Docent Program Manager	3.3%	3.5%
Equipment Mechanic/Operator	-5.3%	-6.5%
Executive Assistant	8.2%	3.0%
Gis Administrator	1.1%	-3.3%
Gis Technician	-1.5%	0.6%
Human Resources Supervisor	-1.1%	1.6%
Human Resources Technician	6.7%	-0.5%
It Administrator	1.8%	-0.1%
It Technician	1.9%	-5.2%
Maint, Construction, & Rsrc Spv	4.5%	-9.6%
Management Analyst II	3.0%	2.9%
Media Communications Supervisor	6.6%	-2.3%
Natural Resources Manager	-0.9%	-4.4%
Open Space Technician	0.1%	-9.9%
Operations Manager	1.6%	-1.7%
Planner III	6.7%	0.2%
Planning Manager	-5.0%	-9.3%
Public Affairs Manager	6.7%	2.6%
Public Affairs Specialist	5.3%	-1.1%
Ranger	3.2%	-8.5%
Real Property Manager	5.1%	3.0%
Real Property Specialist	0.8%	-2.3%
Resource Management Specialist II	0.4%	-8.5%
Supervising Ranger	-2.0%	-17.1%
Training And Safety Specialist	1.8%	3.4%
Volunteer Program Manager	-1.1%	-3.7%
Web Administrator	7.7%	15.1%