



Midpeninsula Regional
Open Space District

R-14-66
Meeting 14-09
March 26, 2014

AGENDA ITEM 3

AGENDA ITEM

Acceptance of the District's 2013-14 Compensation Study Report

GENERAL MANAGER'S RECOMMENDATION

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Accept the District's 2013-14 Compensation Study Report prepared by Koff & Associates.

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). In a Study Session on March 12, 2014, the Board of Directors received an update on the process and results of the data gathering phase of the study and directed 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 study (R-14-17). The narrative portion of the final study report is provided as Attachment 1. The background data sheets for each classification, as well as other appendices, can be obtained electronically through the District's website or upon request from the District, and were provided electronically to the Board of Directors. The final study report explains the study process, market compensation findings, internal salary relationships, and implementation factors and options. Although the final report discusses implementation options and provides a potential salary range schedule and placements, it emphasizes that market survey data is just one tool in evaluating future compensation decisions. Following acceptance of the final study report, the Action Plan and Budget Committee will begin work during the summer of 2014 to develop Employee Compensation Guiding Principles. Following development of these principles, the Board will consider any compensation implementation recommendations to be made by the General Manager.

DISCUSSION

The staff report for the March 12, 2014, Study Session "Data Gathering Results of the District's 2013-14 Compensation Study Update," provides detailed information about the process for this study and the data gathering results (Attachment 2). In summary, 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 2.8 percent below the median of comparators. These 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. Although the results generally suggest that District salaries are currently more in alignment with market comparisons than several years ago, an accurate and conclusive comparison to the old study cannot be made because the two studies utilized very different sets of comparator agencies. The results of this study will help inform any compensation change recommendations the General Manager may bring to the Board in the future, combined with the previous studies’ results, internal salary relationship factors, affordability, accountability to the public, and organizational management needs, including quality employee recruitment and retention goals and other employee compensation guiding principles to be adopted by the Board.

The development of employee compensation guiding principles, which the Board referred to the Action Plan and Budget Committee as a work item for summer 2014, is intended to bring clarity to the Board’s employee compensation philosophy and minimize process and philosophy inconsistencies between this compensation study and any future study. As presented to the Board at the March 12, 2014 Study Session, potential topics to be addressed in the guiding principles may include:

- Purpose of competitive compensation, such as recruitment and retention of high-quality employees
- Accountability to the public
- Definition of “competitive” compensation
- Non-compensatory benefits of District employment
- Salary vs. benefits
- Future compensation studies – when, how, consistency with previous studies, consistency of comparator agencies
- Focused compensation reviews vs. organization-wide studies

Koff & Associates provided in the final report an analysis of market salary data and the District’s existing internal salary relationships in order to develop a potential salary range schedule and salary range placements for all District classifications (provided in Appendices III and IV to the Final Report). This analysis and potential implementation option will be informative to the General Manager’s evaluation of implementation options, but does not necessarily include all the organizational management factors that will need to be considered before any implementation decisions, as mentioned above.

FISCAL IMPACT

There is no fiscal impact related to acceptance of the 2013-14 Compensation Study Report. 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).

NEXT STEP

During summer 2014, the Action Plan and Budget Committee will begin developing Employee Compensation Guiding Principles, 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.

Attachments:

1. Narrative section of 2013-14 Compensation Study Report
2. March 12, 2014, Study Session report

Prepared by:

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KOFF & ASSOCIATES, INC.
Human Resource Consulting Since 1984

**FINAL REPORT
Of The
COMPENSATION STUDY**

For The

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

March 2014

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**FINAL REPORT
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BACKGROUND

The Midpeninsula Regional Open Space District (MROSD) contracted with Koff & Associates, Inc. to conduct a comprehensive compensation study. Compensation findings, internal salary relationships, and implementation factors and options are discussed in this report.

This compensation review process was precipitated by:

- The requirement to update the total compensation study conducted in 2010-11, pursuant to an obligation set forth in the July 1, 2012-June 30, 2015 Memorandum of Agreement with the District Field Employees Association, as amended by a Side Letter of Agreement dated November 27, 2013.
- The interest of management and the Board of Directors that employees should be recognized for the level and scope of work performed and that they are paid on a fair and competitive basis that allows MROSD to recruit and retain a high-quality staff;
- The interest to ensure that internal relationships of salaries are based upon objective analysis including both quantitative and qualitative factors, resulting in equity across the District.

STUDY PROCESS

Benchmarking Classifications

Thirty six (36) classifications were selected in order to collect compensation data within the defined labor market. Survey classes that had the most consistent and useful survey data were used as “benchmarks” in building the compensation plan. Benchmark classes are those classes that are tied directly to market salary data during the salary setting process. These classes are used as a means of anchoring the District’s overall

compensation plan to the market. Other job classifications not surveyed would be aligned on the proposed compensation plan using internal equity principals.

Survey or benchmark classifications included classes that are reasonably well known, and clearly and concisely described. They are commonly used classes such that other like classes may readily be found in other agencies in order to ensure that sufficient compensation data will be compiled.

These survey classifications included:

- Accountant
- Accounting Technician
- Administrative Assistant
- Administrative Services Manager
- Area Superintendent
- Assistant General Counsel II
- Community Outreach Specialist
- District Clerk
- Docent Program Manager
- Equipment Mechanic/Operator
- Executive Assistant
- GIS Administrator
- GIS Technician
- Human Resources Analyst
- Human Resources Supervisor
- Human Resources Technician
- Information Technology Administrator
- Information Technology Technician
- Maintenance, Construction, & Resources Supervisor
- Management Analyst II
- Media Communications Supervisor
- Natural Resources Manager
- Open Space Technician
- Operations Manager
- Planner III
- Planning Manager
- Public Affairs Manager
- Public Affairs Specialist
- Ranger
- Real Property Manager
- Real Property Specialist
- Resource Management Specialist
- Supervising Ranger
- Training and Safety Specialist
- Volunteer Program Manager
- Web Administrator

When we contact the comparator agencies to identify possible matches for each of the benchmarked classifications, there is an assumption that we will not be able to find comparators that are 100% equivalent to the classifications at MROSD. Therefore, we do not just go by job titles, which can often be misleading, but we analyze each class description before we consider it as a comparator. Our methodology is to analyze each class description according to the factors listed on page 5 and we require that a position's "likeness" be at approximately 70% of the matched position to be included.

When we do not find an appropriate match with one class, we often use "brackets" which can be functional or represent a span in scope of responsibility. A functional bracket means that the job of one classification at MROSD is performed by two classifications at a comparator agency. A "bracket" representing a span in scope means that the comparator agency has one class that is "bigger" in scope and responsibility and one position that is "smaller," where MROSD's class falls in the middle.

In all, of the thirty-six (36) benchmarked classifications identified, we were able to collect sufficient data from the comparator agencies on all thirty-six (36) of the classifications.

Benchmarking Comparator Agencies

The second, most important step in conducting a market salary study is the determination of appropriate agencies for comparison.

In considering the selection of valid agencies for salary comparator purposes, a number of factors should be taken into consideration:

- 1. Organizational type and structure** – We generally recommend that agencies of a similar size, providing similar services to that of MROSD be used as comparators. However, the District provides unique and specialized services that are offered in other geographic vicinities but not always housed within a special district entity. Accordingly there were a number of larger entities that were chosen because of the provision of open space services. The other comparators chosen were comprised of seven (7) counties, two (2) municipalities, and seven (5) special districts. (For this total, Riverside and Sonoma were considered part of the County system.)

When it comes to the more technical types of classes, such as those specializing in Open Space or Resource Management, the size of an organization is not as critical, as these classes perform fairly similar work due to its technical nature regardless of the size of the organization.

The difference in size of organization becomes more important when comparing classes at the management level. The scope of work and responsibility for management becomes much larger as an organization grows. Factors such as management of a large staff, consequence of error, the political nature of the job, and its visibility all grow with larger organizations. For example, it may not be appropriate to compare an Administrative Services Department Manager position at a special district with a staff of approximately 110 employees with a City or County Administration Director position at a large agency in charge of multiple divisions, each with a large staff and with several managerial and supervisory levels reporting to that position. In this case, we often look to the next lower and/or other classifications as a compromise.

- 2. Similarity of population, staff, and operational budgets** – These elements provide guidelines in relation to resources required (staff and funding) and available for the provision of services. Again, larger agencies were selected as comparators, even though they serve larger populations and have larger budgets.
- 3. Scope of services provided and geographic location** – Organizations providing the same services are ideal for comparators and most comparator agencies surveyed provide similar services to MROSD. As mentioned above, one of the challenges of

this study was to identify a sufficient number of comparator agencies within the geographic area that provide similar open space services. Because there were not a sufficient number of public agencies providing similar services within the Bay Area, we expanded our search to other agencies within the state of California due to the similarities in program areas to agencies in those areas.

When it comes to management and executive classifications, the types of services provided by an agency become less important, as each agency still needs administrative, financial, and in most cases operations and maintenance and program-related leadership classifications. At the management level, differences in size and scope of services are more critical when considering comparators, as explained above.

4. **Labor market** – In the reality that is today’s labor market, many agencies are in competition for the same pool of qualified employees. No longer do individuals necessarily live in the communities they serve. As mentioned above, the geographic labor market area, where MROSD may be recruiting from or losing employees to, was taken into consideration when selecting comparator organizations. Furthermore, by selecting employers within a geographic proximity to the District, the resulting labor market data generally reflects the region’s cost of living, housing costs, growth rate, and other demographic characteristics to the same extent as competing employers to the District. However, it was difficult to find a sufficient number of agencies that provide a similar scope of open space services within the immediate geographic region. It was necessary to look at agencies that were outside of the immediate labor market to get sufficient market data related to the technical specialties within MROSD. When this occurs we are able to apply geographic differentiators to adjust upward the compensation in those agencies that have a lower cost of labor.
5. **Compensation Philosophy** – Does the organization regularly conduct a market survey, and, once completed, how is this information applied? Many agencies pay to the median, some pay to the average, others may pay to a higher percentile. In addition, salary ranges may be set strictly upon market base salary values or may include the total value of salary and benefits when developing a compensation policy.

All of the above elements should be considered in selecting the group of comparator agencies. The District agreed on a list of comparator agencies and the following fourteen (14) agencies were used as comparators for the purposes of this market study:

- City of Palo Alto
- City of Walnut Creek
- County of Marin
- County of Sacramento
- County of San Mateo
- County of Santa Clara
- County of Santa Cruz
- East Bay Regional Park District
- Livermore Area Recreation & Park District

- Marin Municipal Water District
- Riverside County Regional Park & Open Space District
- Santa Clara County Open Space Authority
- Santa Clara Valley Water District
- Sonoma County Agricultural Preservation & Open Space District

<p>Data Collection</p>

Data was mostly collected in November and December of 2013 through websites, planned telephone conversations with human resources, accounting, and/or finance personnel at each comparator agency, and careful review of agency documentation of classification descriptions, memoranda of understanding, organization charts, and other documents. We updated the County of San Mateo, Livermore Area Recreation & Park District, and Santa Clara County Open Space Authority information in January 2014 due to a salary range increase that was published near that time.

We believe that the salary data collection step is the most critical for maintaining the overall credibility of any study. We rely very heavily on MROSD classification descriptions, as they are the foundation for our comparison. Personnel staff of the comparator agencies were interviewed by telephone, whenever possible, to understand their organizational structure and possible classification matches.

In identifying appropriate comparisons for MROSD's classifications, we use the same factors and criteria that we analyze when updating the District's classification plan structure and determining the proper allocation of each position during the classification study process. Factors that we consider include:

- 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.

All salary survey and benefit information can be found in Appendix II and a summary of the results can be found in Appendix I. For each surveyed class, there are three information pages:

- Market Base (Top Step) Salary Summary Data
- Benefit Detail (Monthly Equivalent Values)
- Monthly Total Compensation Cost Summary Data

Our analysis includes the mean (average) and median (midpoint) comparator data for each benchmarked classification (assuming we were able to identify at least four matches). In agreement with industry best practice, our firm recommends reviewing the median, rather than the average, when evaluating the data. The median is the exact midpoint of all the market data we collected, with 50% of market data below and 50% of market data above. We recommend using the median methodology as it is not skewed by extremely high or low salary values (unlike the mean).

MARKET COMPENSATION FINDINGS

As mentioned above, all of the compensation data can be found in Appendix II of this report. The market base compensation salary findings for each class surveyed are listed below, using the median results, arranged in descending order from the most positive percentile (above market) to the most negative (below market). The market base total compensation findings are also listed below. The percentile represents the difference between MROSD's current base salary/total compensation for each classification and the median base salary/total compensation of the comparator agencies.

Classification	% above or below Top Monthly Median	% above or below Total Comp Median
Accountant	13.0%	4.6%
Accounting Technician	11.1%	7.3%
Executive Assistant	8.2%	3.0%
Web Administrator	7.7%	15.1%
Human Resources Technician	6.7%	-0.5%
Planner III	6.7%	0.2%
Public Affairs Manager	6.7%	2.6%
Media Communications Supervisor	6.6%	-2.3%
Public Affairs Specialist	5.3%	-1.1%
Real Property Manager	5.1%	3.0%
Maintenance, Construction, and Resource Supervisor	4.1%	-15.7%
Administrative Assistant	4.3%	-1.3%
Docent Program Manager	3.3%	3.5%
Ranger	3.2%	-8.5%
Management Analyst II	3.0%	2.9%
Information Technology Technician	1.9%	-5.2%
Information Technology Administrator	1.8%	-0.1%
Training And Safety Specialist	1.8%	3.4%
Operations Manager	1.6%	-1.7%
GIS Administrator	1.1%	-3.3%
Real Property Specialist	0.8%	-2.3%
Administrative Services Manager	0.8%	-5.8%
Resource Management Specialist II	0.4%	-8.5%
Open Space Technician	0.1%	-9.9%
Area Superintendent	-0.1%	-10.0%
Natural Resources Manager	-0.9%	-4.4%
Human Resources Supervisor	-1.1%	1.6%
Volunteer Program Manager	-1.1%	-3.7%
District Clerk	-1.3%	-7.7%
GIS Technician	-1.5%	0.6%
Supervising Ranger	-2.0%	-17.1%
Planning Manager	-5.0%	-9.3%
Equipment Mechanic/Operator	-5.3%	-6.5%
Community Outreach Specialist	-6.6%	-5.5%

Assistant General Counsel II	-16.7%	-20.3%
Human Resources Analyst	Proposed	Proposed

Market *base salary* results show that out of thirty-six (36) benchmarked classifications twenty (24) are paid above the market median. Fourteen (14) classes are paid above the market median by 5% or less, eight (8) classes are paid above the market median by more than 5% and less than 10%, and two (2) classes are paid above the market by more than 10% and less than 20%.

Of the 36 benchmarked classifications, eleven (11) are paid below the market median. Eight (8) classes are paid below the market by 5% or less, two (2) classes are paid below the market by more than 5% and less than 10%, and one (1) class is paid below the market by more than 10% and less than 20%.

Generally, we consider a classification falling within 5% of the median to be competitive in the labor market for salary survey purposes because of the differences in compensation policy and actual scope of work and position requirements. However, when considering implementation options, MROSD could adopt a closer standard.

Market *total compensation* results show that twelve (12) of the benchmarked classifications are paid above the market median. Ten (10) classes are paid above the market by less than 5%, one (1) class is paid above the market by more than 5% and less than 10%, and one class is paid above the market by more than 10%.

Twenty-three (23) benchmarked classifications are paid below the market median. Ten (10) classes are paid below the market median by less than 5%, nine (9) classes are paid below the market by more than 5% and less than 10%, three (3) classes are paid below the market by more than 10% and less than 20%, and one (1) class is paid below the market by more than 20%.

Overall, these differences between market base salaries and total compensation indicate that MROSD's benefits package, in terms of cost, is less than that of the market. Further analysis indicates that, on average, classifications are 1.8% above the market median for base salaries, while that figure changes to 2.8% below market based on total compensation, which is a 4.6% difference on average.

There are a couple of reasons for the difference between base salaries and total compensation.

- Five (5) comparator agencies pay a greater amount for medical, dental, vision, employee assistance, life, and disability insurances compared to MROSD.
- Nine (9) of the comparator agencies have richer retirement contributions with six (6) of the comparators participating in both Social Security and enhanced PERS retirement programs.

Due to the fact that MROSD's benefits package is less than that of the market, we will base our salary recommendations on top monthly salary and recommend that MROSD address benefits separately. Total compensation is a culmination of many factors derived by a blending of different stakeholder perspectives. The Board's perspective is reflected by the determination of a District market compensation philosophy. The employee viewpoint is incorporated through the meet and confer process by the communication of preferred total compensation components. It is the role of management to balance the need to attract and retain a quality workforce with the fiscal responsibility. Until the stakeholders are able to articulate their different perspectives, so that the District can evaluate and determine the best course of action related to total compensation, we are recommending no changes to benefits at this time.

Additional Benefits Information

The District requested the collection of additional benefits information, from the comparator agencies, specifically retiree health, pay differentials, part time benefits, retirement formulas, longevity, housing programs, and budget strategies. The results of our findings could not be quantified in our benefits data spreadsheets but can be found in Appendix IV of this report.

INTERNAL SALARY RELATIONSHIPS

Building from the salary levels established for identified benchmark classes, internal salary relationships were developed and consistently applied in order to develop potential specific salaries to be considered for all non-benchmark classes. Appendix IV presents proposed salary range placements for MROSD that factor in the current internal salary relationship guidelines. This proposal is just one option for MROSD's consideration.

While analyzing internal relationships, the same factors were considered that we used in previously constructing MROSD'S classification plan, allocating positions to specific classifications within the plan, and comparing MROSD's current classifications to the labor market during this compensation study.

In addition, when considering an appropriate salary range level, there are certain standard human resources practices that are normally applied, as follows:

- As mentioned above, a salary within 5% of the market average or 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. However, a closer standard can be adopted by an agency.
- Certain internal percentages are often applied. Those that are the most common are:

- ❖ The differential between a trainee and experienced class in a series (I/II or Trainee/Experienced) is generally 10% to 15%;
- ❖ A lead or advanced journey-level (III or Senior-level) position is generally placed 10% to 15% above the next lower experienced level; and
- ❖ A full supervisory position is normally placed at least 10% to 25% above the highest level supervised, depending upon the breadth and scope of supervision.

We can also make internal equity adjustments between classifications such as Manager and/or Supervisor, especially within one department.

- When a market or internal equity adjustment is granted to one class in a series, the other classes in the series are also adjusted accordingly to maintain internal equity.

Internal equity between certain levels of classification is a fundamental factor to be considered when making salary decisions. When conducting a market compensation survey, results can often show that certain classifications that are aligned with each other are not the same in the outside labor market. However, as an organization, careful consideration needs to be given to these alignments because they represent internal value of classifications within job families, as well as across the organization.

There were sixteen (16) classifications that were not benchmarked for the study. For all classifications that were not benchmarked, internal alignments with other classifications will need to be considered, either in the same class series or those classifications that have similar scope of work, level of responsibility, and knowledge, skills, and abilities that are of high value to MROSD. Where it is difficult to ascertain internal relationships due to unique qualifications and responsibilities, reliance can be placed on past internal relationships. It is important for MROSD management to carefully review these internal relationships and determine if they are still appropriate given the current market data.

It is important to analyze market data and internal relationships within class series as well as across the organization, and make adjustments to salary range placements as necessary based in the needs of the organization.

MROSD may want to make other internal equity adjustments as it implements a compensation strategy. This market survey is only a tool to be used by MROSD to determine market indexing and salary determination. Detailed information regarding each class' current salary and the percentage difference to the market median is found in Appendix I of this report.

IMPLEMENTATION FACTORS AND OPTIONS

Pay Philosophy

MROSD has many options regarding what type of compensation plan it wants to implement. This decision will be based on what the District's pay philosophy is, at which level it desires to pay its employees compared to the market, whether it is going to consider additional alternative compensation programs, and how great the competition is with other agencies over recruitment of a highly-qualified workforce.

Another consideration will be the cost of MROSD's pay philosophy. Bringing all employees to the market median would denote an increase of MROSD's payroll expenses and may not be feasible to accomplish with one immediate adjustment.

Monthly Salary Plan

The current MROSD salary structure consists of 10 steps that are 2.5% apart from each other. This is an effective salary structure. Appendix III contains a proposed salary schedule, should MROSD choose to implement a compensation plan that maintains this salary structure.

Salary Range Placements

Should MROSD choose to implement a compensation plan that combines the market data results and internal alignment factors, Appendix IV illustrates the proposed salary range placement for each classification based on our analysis of market data and internal relationships. This proposal is just one option for MROSD's consideration. Initially, each benchmark classification was placed into the salary range schedule closest to its market base salary median. We then internally aligned all non-benchmarked classifications within the market framework. The spreadsheet also includes our rationale for each proposed placement and the projected percentage change.

In the future, if MROSD decides to implement annual across-the-board Competitive Market Increases (CMIs), the salary schedule needs to be increased by the appropriate percentage and each individual salary range will move up with this adjustment. This will ensure that the internal salary relationships are preserved and the salary schedule remains structured and easily administered.

Options for Implementation

While MROSD may be interested in bringing all salaries to the market median, in most cases this goal may not be reached with a single adjustment. In this case, one option is to use a phased implementation approach. Normally, if the compensation implementation program must be carried over months or years, the classes that are farthest from the market median should receive the greatest equity increase (separate from any cost of

living increase). If a class falls within five percent (5%) of the market median, it would be logical to make no equity adjustment in the first round of changes. However, if a class is more than 5% (or in this case, more than 10%) below the market median, a higher percentage change may be initially warranted to begin minimizing the disparity.

For example, if the District decided to implement the proposed salary range placements over a three (3) year period, then the following guidelines could be applied for the initial increase of the three-year implementation plan:

Market Disparity	% Increase
0 to 4.99%	0 to 2.49%
5.0% to 10.39%	2.5% to 4.99%
10.4% to 12.99%	5.0% to 7.49%
13.0% to 19.99%	7.5% to 9.99%
20.0% and above	10.0%

The initial first year adjustment represents the adjustment needed in order provide a portion of the equity increase and to place the class into the closest step (but not below) where they are now. Subsequent increases would be spaced on a similar schedule (at annual intervals) based upon the remaining disparity after each adjustment.

Please note that typically, for those classes that had a market disparity of 0 to 4.99%, we recommend a 0% increase in the first year and an adjustment in the second year. Depending upon the District's financial situation, which will have to be reviewed before each further adjustment is made, all market disparity adjustments are intended to be completed by the third year. The District may also consider a similar implementation plan over a longer period of time, such as a five (5)-year implementation plan.

Another option is to move employees into the salary range that is recommended for each class based on this market study and to the step within the new range that is closest to their current compensation. If employees' current salaries are so far below market that their current compensation falls below even the bottom of the newly recommended range, then larger adjustments may need to be considered to move those employees at least to the bottom of the new salary range.

MROSD may spend additional time to go through a process of deliberation and decision-making as to what compensation philosophy it should implement to attract, motivate, and retain a high-quality workforce.

One implementation option for MROSD would be to Y-rate all employees that are at a salary above their current market salary range until the market numbers "catch up" with their current salary. This will result in no immediate loss of income, but will delay any future increases until the incumbent's salary is within the salary range.

Other options to "freezing" a class' salary in place until the market catches up are:

- “Grandfathering” of salary ranges: this means that the salary range for the classification is adjusted down to what the market numbers are. However, current incumbents would continue being paid at the current rate of pay (which would put them outside of the new and adjusted salary range for the class) until they leave MROSD or retire. Any new-hires would be paid within the newly established salary range.
- Single-incumbent classes: if a class only has one incumbent, an option would be to wait until the person leaves or retires from MROSD and then adjust the salary range for the class according to the market.

Another option, of course, is to actually reduce salaries down to where the market numbers are. However, from a legal as well as an employee relations perspective, it is highly questionable whether that really is a viable option. Legal representation for different agencies has various interpretations of the legality of reducing salaries.

USING MARKET DATA AND THIS REPORT AS A TOOL

We wish to reiterate that this report and our findings are meant to be a tool for MROSD to create and implement an equitable compensation plan. Compensation strategies are designed to attract and retain excellent staff. However, financial realities and MROSD’s expectations may also come into play when determining appropriate compensation philosophies and strategies. The collected data represents a market survey that will give MROSD an instrument to make future compensation decisions.

It has been a pleasure working with MROSD on this critical project. Please do not hesitate to contact us if we can provide any additional information or clarification regarding this report.

Respectfully Submitted,
Koff & Associates, Inc.



Katie Kaneko
President



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 "S. G. G.", is written over the end of the "GENERAL MANAGER'S RECOMMENDATIONS" heading.

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.