



Midpeninsula Regional  
Open Space District

## ACTION PLAN & BUDGET COMMITTEE

R-14-135  
October 31, 2014

## AGENDA ITEM 2

### AGENDA ITEM

Development of Employee Compensation Guiding Principles

### GENERAL MANAGER'S RECOMMENDATION

Continue discussion and development of Employee Compensation Guiding Principles.

### 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, 2014, the ABC began work 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. The ABC directed the General Manager to revise the draft policy and return to the ABC for further discussion and consideration of the policy.

### DISCUSSION

#### Background

On October 7, 2014, the ABC discussed and provided feedback on the General Manager's recommended draft Employee Compensation Guiding Principles Board Policy. The draft minutes for this 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

- *Introduction/Purpose statement:* This statement was revised to clearly state that the Employee Compensation Guiding Principles are intended by the Board to apply to unrepresented employees, as well as represented employees.
- *Public Accountability, Affordability, and Flexibility:* Wording for the three guiding principles related to each of these topics was approved by the ABC.

- *Legality:* The ABC approved this legality provision, which refers to the California Meyers Miliias Brown Act (MMBA). However, it was suggested that the policy should attach an excerpt from the MMBA. The revision to this provision provides for such an attachment, with the limitation that it is a “point-in-time” reference to the excerpt, should the law change in the future.
- *Flexibility related to benefits between different employee groups:* A new provision has been added that acknowledges that there may be differences in the appropriateness of certain benefits between different groups of employees.
- *Competitiveness:* There are three provisions in the draft policy that address competitiveness -- salaries and benefits, one-time and non-monetary compensation, and the Cost of Living. The ABC did not provide final direction to staff on these provisions, proposing instead to continue discussing them at the next meeting. Based on ABC discussion, staff has drafted revisions to these provisions as follows:

*Salaries and benefits:* This provision has been restated to emphasize that both forms of compensation, salary and benefits, are key factors comprising competitive compensation. Additionally, this provision clarifies that when comparing to benchmark agencies, the *median* salary of the comparator agencies is considered competitive, plus or minus five percent, utilizing “top-range” salary when comparing classifications. On the benefits side, the *median* benefits package value is considered competitive, plus or minus five percent, utilizing comparisons of select core benefits as determined by the Board of Directors. 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).

*Discussion Points:*

1. There are two approaches to consider regarding providing median total compensation. The first is to evaluate salaries and benefits separately and provide the median salary and the median benefits. The second approach combines salaries and benefits and takes the median of the combined total, increasing salaries to offset below median benefits, or vice versa, so that the total compensation is competitive. These approaches employ a difference in philosophy, as well as a difference in the ability to implement. The latter is a philosophy that if benefits are low or high compared to median, then as long as salary is adjusted to balance out the difference in benefits so that the total compensation is at median, then total compensation is competitive. However, adjusting salary levels depending on whether benefit levels are high or low presents a significant implementation challenge to maintaining compensation alignment within a department and throughout the organization. Striving for competitiveness of salaries in addition to competitiveness of benefits is a philosophy whereby salaries and benefits would both be evaluated, but separately, and achieving median in both would result in competitive total compensation.

2. Benefit package values can be difficult to quantify, making it difficult to accurately compare with benchmark agencies due to differences between retirement plans or insurance plans. Regarding these two categories of benefits, there are often legal or contractual limitations which constrain an agency's options for its employees, such as the California Public Employee Pension Reform Act of 2012 or contract options within the CalPERS health system. Also, there are Board-established policies related to job duties and retirement plans that require consideration when comparing benefit values, such as whether it is accurate to compare the District's miscellaneous employees' retirement plan to public safety retirement benefits. Another challenge in comparing benefits is with organizations whose retirement packages include Social Security in addition to CalPERS, as the salary compensation data does not reflect the employee social security contribution, thus artificially inflating the total compensation amount. Furthermore, for benefits that accrue during retirement, including retiree health benefits, there are complexities and assumptions related to individual employee facts, actuarial analysis, and how Social Security and CalPERS affect each other in retirement that would need to be analyzed in detail in order to accurately compare the benefit value.

Due to these many variables, the General Manager's recommendation in the draft policy is for the policy language to focus on the high-level goal of achieving a competitive benefits package value. Staff's rigorous analysis of benefits and the detailed discussions about that information would be performed in the context of labor negotiations, or periodically as necessary, and guided by the Board's direction as to what constitutes accurate benefits comparisons.

3. In considering and implementing the results of a compensation study, the General Manger recommends the Board acknowledge that a range of plus or minus five percent from median remains competitive yet allows necessary flexibility to achieve internal alignment within work groups, departments, or the whole organization. It is impractical to expect that every classification's compensation could be set at the precise median of comparator agencies while maintaining internal alignment.

*One-time, individual, and non-monetary compensation:* The ABC acknowledged that one-time monetary compensation (such as lump sum merit or longevity pay), individual monetary compensation (such as tuition reimbursement, deferred compensation, and flexible spending), and non-monetary compensation (such as meaningfulness of the District's mission, job-stability, professional growth opportunities and organizational future, organizational culture, work environment, employee recognition, or flexible scheduling) are factors in competitiveness. However, it was recommended by staff that the policy language not attempt to delineate all of these types of compensation, therefore the revised draft policy deletes the parenthetical lists.

*Cost of Living:* The ABC has not specifically discussed this provision yet. It remains unchanged from the October 7<sup>th</sup> draft policy, pending ABC review.

- *Future Compensation Studies:* Based on the ABC's comments about this provision, several specific revisions have been made, as well as rephrasing to make the intent of this provision clearer. The sub-provision concerning the competitiveness of a plus or minus five percent range when comparing salaries and benefits with comparator agencies has been moved into the earlier provision that defines competitive compensation.

## **FISCAL IMPACT**

There is no fiscal impact directly related to the Committee's work on developing Employee Compensation Guiding Principles. Any anticipated or known future fiscal impacts that could result from guiding principles that may be eventually recommended by the Committee for the full Board's consideration will be analyzed as part of that recommendation.

## **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 October 31 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 November, followed by final Board adoption of the guiding principles in December.

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. Draft Minutes from October 7, 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 7, 2014**

**DRAFT MINUTES**

**I. ROLL CALL**

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

**Members Present:** Yoriko Kishimoto and Curt Riffle

**Members Absent:** Pete Siemens

**Staff Present:** Assistant General Manager Ana Ruiz, Assistant General Manager Kevin Woodhouse, General Counsel Sheryl Schaffner, Human Resources Supervisor Candice Basnight, and District Clerk Jennifer Woodworth

**II. ORAL COMMUNICATIONS**

There were none.

**III. ADOPTION OF AGENDA**

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

**VOTE: 2-0-0** (Director Siemens absent)

**IV. COMMITTEE BUSINESS**

**1. Approve the Minutes from the following meetings:**

**November 12, 2013**

**February 4, 2014**

**February 6, 2014**

**February 11, 2014**

Director Siemens arrived at 2:04 p.m.

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

**VOTE: 3-0-0**

**2. Development of Employee Compensation Guiding Principles (R-14-125)**

Human Resources Supervisor Candice Basnight presented the staff report summarizing the General Manager's recommendation explaining that the recommendation is meant to act as a starting point for the District's development of compensation guiding principles. Ms. Basnight also provided background and contextual information regarding the guiding principles and topics of discussion by the Committee.

Public comment opened at 2:36 p.m.

Alex Hapke, Secretary of the Field Employees Association, provided comments related to the exclusion of total compensation, which includes benefits, from discussion in the draft employee compensation guiding principles. Mr. Hapke requested the Committee and the Board include discussion of total compensation as they develop the employee compensation guiding principles as are included in examples provided by staff.

Anthony Correa, member of the Field Employees Association, spoke urging the use of total compensation, including possible study of "public safety benefits," as part of a compensation study and requested the Board respond to Mr. Hapke's comments at a future meeting.

Public comment closed at 2:41 p.m.

Director Riffle inquired when the discussion related to employee benefits will be addressed.

Mr. Woodhouse explained that the draft employee compensation guiding principles does not prohibit a future discussion of employee benefits. Due to the various factors that are involved in employee benefits, it makes it difficult to compare to other public agencies.

Director Siemens provided comments regarding specific language in the draft policy and suggested median salary be defined including the method for calculating median salary for comparator agencies in the policy. Director Siemens also requested that flexibility be built into the policy to prevent the District from being locked into use of median salary.

Director Riffle provided comments regarding the difference between represented and unrepresented employees stressing the importance of both sets of employees are treated with fairness and consistency without creating a divide between the two groups while also taking into account the appropriateness of benefits as applies to each position.

Mr. Woodhouse explained that the draft policy will apply to all employees equally. Mr. Woodhouse also suggested that this type of conversation relates more to process for labor negotiations with represented and non-represented employees than an employee compensation philosophy.

Directors Siemens and Riffle suggested staff begin looking for methods of studying total compensation including benefits and providing that information to current and potential employees in addition to the salary information currently provided.

Action Plan & Budget Committee

Director Kishimoto stated that the District needs to look at total compensation in the future and look at the District's benefit package prior to the next round of negotiations in order to establish policy separate from the negotiation process.

Director Siemens suggested that benefits need to be considered in conjunction with salary to allow for possible adjustments to total compensation to reflect changes in either salary or benefits.

Director Siemens suggested removing the "+/- 5% of median" requirement from the draft policy.

Director Kishimoto stated that this guideline helps set expectations for staff and the public.

Director Siemens suggested in the alternative removing "and do not warrant changes."

The Committee members agreed to this change by consensus.

Director Kishimoto requested that language stating that the guidelines apply equally to represented and non-represented employees.

Director Kishimoto requested that language be included to address non-compensatory benefits, such as flexible scheduling and time and place of work.

General Counsel Sheryl Schaffner and District Labor Counsel Jack Hughes suggested that language directly related to types of compensation be excluded from the draft policy.

Director Siemens suggested including a reference to the Meyers-Milias-Brown Act fact-finding provisions in the policy.

Board members provided comments regarding comparison of benefits in addition to salary comparisons. Director Siemens suggested inclusion of specific "base benefits" or "core benefits" as benchmarks for total compensation with additional benefits, such as longevity pay, merit-based pay and tuition reimbursement, listed separately.

Director Kishimoto suggested inclusion of a new bullet point to address non-compensatory benefits. Director Siemens agreed that miscellaneous benefits should be addressed separately from "core benefits."

Committee members agreed that an additional Action Plan and Budget Committee meeting is needed to continue discussion regarding the draft employee compensation guiding principles draft board policy.

V. **ADJOURNMENT**

Director Kishimoto adjourned the special meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 4:05 p.m.

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Jennifer Woodworth, CMC  
District Clerk

## Midpeninsula Regional Open Space District

## Board Policy Manual

<b>Employee Compensation Guiding Principles</b>	<b>Policy # Chapter 2 – District Personnel &amp; Board Support</b>
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 ~~for employees and members of the public~~, 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.

**Guiding Principles:**

- 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]*
- 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]*
- 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]*
- The Board will refer to the California Meyers Miliias Brown Act (MMBA) to determine what, if any, ~~criteria-factors~~ the law identifies related to determining appropriate compensation through to be considered in labor negotiations in local public agencies ~~to determine appropriate compensation~~. 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]

- The Board of Directors shall consider the appropriateness of certain benefits between different groups of employees.
- The Board of Directors shall consider salary and benefits as key ~~yet different~~ factors comprising competitive compensation. Periodically, salaries and benefits may be evaluated in comparison to benchmark agencies ~~Within the District's labor market and within comparison to benchmark agencies (which 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, a competitive salary is defined as the "median salary" of the comparator agencies, plus or minus five percent, utilizing comparisons of "top-range" salary when comparing classifications. Similarly, when comparing to benchmark agencies, a competitive benefits package is defined as the "median benefits package" value, plus or minus five percent, utilizing comparisons of select core benefits as determined by the Board of Directors.s...]

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 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.  
[~~competition~~competitiveness]

- The Board of Directors also considers one-time and individual monetary benefits ~~(such as lump-sum merit or longevity pay, tuition reimbursement, deferred compensation plans or other pre-tax deferrals)~~ and non-monetary benefits ~~(such as meaningfulness of the District's mission, job stability, professional growth opportunities and organizational future, organizational culture, work environment, and work recognition)~~ as factors in remaining competitive within the District's labor market; [~~competitiveness~~competition]
- 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~~competition]
- 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 Board of Directors/General Manager may periodically direct the General Manager to conduct/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.;

- ~~Data results that fall within +/- 5% of median are considered competitive and do not warrant changes.~~
- ~~Competitiveness of benefits will be periodically evaluated and addressed, typically in the context of labor negotiations.~~

## 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.