Midpeninsula Regional Open Space District

R-15-13
Meeting No. 15-01
January 14, 2015

STUDY SESSION ITEM 1

AGENDA ITEM

Development of Employee Compensation Guiding Principles

GENERAL MANAGER'S RECOMMENDATION

Review and discuss the Action Plan and Budget Committee's work on developing an Employee Compensation Guiding Principles Board Policy and direct the General Manager to revise the policy as necessary and return to the Board of Directors at a future regular meeting for consideration of adoption of the policy.

SUMMARY

In March 2014, during final review and acceptance of the Fiscal Year (FY) 2013-14 Compensation Study prepared by Koff & Associates, the Board of Directors (Board) directed the Action Plan and Budget Committee (ABC) to develop Employee Compensation Guiding Principles for full Board consideration during FY2014-15. On October 7 and 31, November 18, and December 10, 2014, the ABC worked on developing such guiding principles by discussing and providing feedback on the provisions of the General Manager's recommended draft Employee Compensation Guiding Principles Board Policy. Additionally, at the November 18 meeting, the ABC was presented the results of staff's preliminary cost analysis of the potential cost implications of the draft policy, followed by the presentation of additional cost analysis results at the December 10 meeting. Based on the cost analysis results, the General Manager prepared alternative policy language for the Committee's consideration related to employee benefits. Following the December 10 meeting, the ABC directed the General Manager to bring the draft policy to the full Board for review and discussion.

The ABC recommends to the full Board the policy as currently drafted, except for Principle 6 regarding the definition of competitive compensation. The ABC recommends Option C in Principle 6. However, the ABC would like the full Board to be able to see and discuss all three options in Principle 6 (A, B, and C), to understand the cost implications of each, and if in agreement with the ABC's selection of Option C, to consider wording revisions if necessary to make the intent of Option C clearer. The preliminary cost estimate for implementing salary and benefits decisions based on the ABC's recommendation is approximately $460,000 per year more than current salary and benefit costs based on current staffing levels. This estimate assumes, by way of example, a benefits package value enhancement of $150 per month per employee. With anticipated significant growth in the number of District employees in the coming decade, this cost impact could increase to $685,000 per year by 2025 (in today's dollars). Options A and B in Principle 6 are estimated to cost much more than Option C – a range from $675,000 to $995,000 per year based on current staffing levels and increasing to $1,000,000 to

$1,480,000 over the next decade based on anticipated growth in the number of District employees. According to the District Controller, the District's financial model can afford and sustain the cost increases of any of the options, although at varying levels of trade-off in being able to add additional employees to accomplish the District's Mission, including Measure AA projects. The precise trade-off between enhanced compensation and the number of future employees cannot be calculated until a more detailed salary and benefits analysis could be completed, in addition to completion of the Financial and Organizational Sustainability Model Study.

Adoption of an Employee Compensation Guiding Principles Board Policy is not in itself an action that sets employee compensation. Instead, the principles in the policy would help guide the General Manager's consideration of changes to the District's Classification and Compensation Plan in the future, with any recommended changes requiring Board approval at that time. The principles would also help guide labor negotiations and the consideration of changes to employee benefits, which would also be approved by the Board at that time.

DISCUSSION

Background

On March 26, 2014, the Board accepted the organization-wide 2013-2014 Compensation Study prepared by Koff & Associates. Prior to this acceptance, during the March 12, 2014 study session to review the compensation study data, the Board directed the Action Plan and Budget Committee (ABC) 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 study (R-14-17). The stated purpose for developing such Guiding Principles was to bring clarity to the Board's employee compensation philosophy and minimize process and implementation inconsistencies from study to 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 versus benefits
- Future compensation studies – when, how, consistency with previous studies, consistency of comparator agencies
- Focused compensation reviews vs. organization-wide studies

In preparation for the ABC's work, staff considered these potential topics and researched how/if other elected boards or councils have chosen to publicly develop their compensation policy in response to specific circumstances confronting the agency, such as dire financial challenges, heightened public scrutiny of public employee salaries and benefits (particularly pensions), or employee recruitment or retention challenges affecting the agencies' service delivery. During this research, staff learned that although formally adopted Employee Compensation Guiding Principles are neither unique nor commonplace for public agencies, at this point in the District's history development of such principles may help the Board set unrepresented employee compensation and develop bargaining proposals and consider employee bargaining proposals related to compensation. In addition, staff also learned that it is important for guiding principles to be flexible; certain principles may be more important at some times and less important at others.

Summary of ABC Meetings

The minutes from each of the ABC's meetings are provided in Attachment 1.

10/7/14 ABC Meeting
At their first meeting, the ABC discussed the *process* for developing guiding principles, the *structure* of the guiding principle document, potential *elements* that could be addressed in guiding principles along with *analysis* of these elements, and *specific language* for each element recommended by the General Manager as a starting point for the ABC. The ABC acknowledged that a Board policy document would be the appropriate *structure*, that the *process* would likely entail multiple ABC meetings in which the members reviewed, discussed, and provided direction on draft policy language recommended by the General Manager, and that *elements* such as an introduction/purpose statement, public accountability, affordability, flexibility, legality, competitiveness, and future compensation studies were appropriate to address in the policy. The ABC provided numerous wording changes to draft principles and directed the General Manager to return to a future ABC meeting for continuing discussion of the policy, particularly related to the definition of competitiveness.

10/31/18 ABC Meeting
At the second ABC meeting the discussion focused on different approaches to achieving competitiveness when looking at salaries and benefits as two different but important parts of compensation. Staff explained, and cited a specific example of, the challenge related to implementing a total compensation approach whereby adjustments to salary are intended to compensate for benefits that are low or high. This approach makes it difficult to achieve internal alignment of salaries amongst work groups, departments, or the whole organization. Instead, an approach that looks at salary and benefits separately, yet strives to ensure each is competitive, can also result in competitive total compensation. Staff also explained challenges associated with accurately quantifying and comparing benefit package values between comparators.

Another discussion point in this ABC meeting was that it is acceptable within compensation study best practices that a range of plus or minus five percent from the target salary goal is considered 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 target salary goal of comparator agencies while maintaining internal alignment. Finally, the ABC discussed whether median top-range salary is the appropriate target salary goal. When they reviewed staff's input about the normal practice of the plus or minus five percent, the ABC acknowledged its importance but expressed interest in a target salary goal that would not have any employee's top-range salary be below median of comparators. The discussion evolved toward evaluating whether a target salary goal of the 55th percentile, plus or minus five percent, would better capture the ABC's interest. The ABC directed the General Manager to return to a future ABC meeting to continue this discussion, as well as for the ABC to understand preliminary cost implications of not having any employee's top-range salary, or benefits package value, be below median of comparators. The staff report for this second ABC meeting, provided as Attachment 2, contains more detail about the numerous topics addressed during this meeting.

11/18/14 and 12/10/14 ABC Meetings
At the third and fourth meetings, the ABC primarily focused on the General Manager's recommended policy language for the definition of competitive salary and competitive benefits, as well as the preliminary cost estimate. The ABC directed the General Manager to bring the policy to the full Board for discussion, stating that the ABC recommends to the full Board the policy as currently drafted, except for Principle 6 regarding the definition of competitive compensation. The ABC recommends Option C in Principle 6. However, the ABC would like the full Board to be able to see and discuss all three options in Principle 6 (A, B, and C), to understand the cost implications of each, and if in agreement with the ABC's selection of Option C, to consider wording revisions if necessary to make the intent of Option C clearer. A summary of the draft policy provisions and explanation of the cost implications is provided later in this report.

At the December 10, 2014, meeting the ABC also requested the General Manager provide an analysis of employee recruitment and retention. Based on research completed by the District's Human Resources Division within the timeframe allowed for preparing this staff report, the data suggest the District's recruitment efforts have been very competitive and successful and that retention of employees has also been very successful. For the small number of employees that have chosen to leave employment with the District, Human Resources' staff did not find information that suggests that employee compensation was a main reason for their decision. A summary of the Human Resources Division's research is provided in Attachment 3.

Public and Employee Input
During the process undertaken by the ABC, members of the public, as well as employees, have had the option to address the ABC during the public input time of the meetings, as well as provide any written public/employee comments. The ABC did not receive any input from members of the public. They did hear comments directly from numerous unrepresented and FEA represented employees, as well as received written comments directly. At the outset of the ABC's work on this topic, the General Manager did not recommend that the process entail specific engagement with members of the public or employees, or surveys of these groups. Employee compensation decisions are management's responsibility under direction from the Board and subject to meet and confer requirements with represented labor unions as necessary. It is the Board's prerogative to provide compensation policy guidance to the General Manager that a Board majority deems best achieves the District's mission in service and accountability to the public.

<u>Policy Summary by Provision</u>

The draft Employee Compensation Guiding Principles Board Policy is provided as Attachment 4. A summary of each provision is provided below, along with key points discussed by the ABC in developing the specific language of each provision.

- *Purpose statement:* This statement addresses the importance of high-quality employees in fulfilling the mission of the District and that compensation is one important tool amongst several to deliver consistent, high quality service from represented and unrepresented employees on behalf of the public. This statement also addresses the value of having clear and transparent compensation principles for employees and the public to understand the Board's philosophy, and the importance of the Board retaining flexibility in compensation decisions.

- *Principle 1, re: Public Accountability:* The Board of Directors is accountable to the public and is thus constantly tasked with aligning its policy decisions with the priorities of the public. In recent years, public sector compensation, particularly the considerable value of a defined benefit pension system, has received increased public scrutiny. The importance of public visibility and accountability has also been elevated with the passage of Measure AA.

- *Principle 2, re: Affordability/Sustainability:* The District's compensation practices are critical to its short and long term fiscal health and all compensation adjustments must be made within this context. The Board is challenged with providing the staffing resources needed to most effectively and efficiently fulfill its mission in the present, while ensuring adequate financial resources are available in the future.

- *Principle 3, re: Flexibility:* This principle states that the Board retains the flexibility in compensation decisions to respond to changes impacting the District's ability to attract and retain high-quality employees.

- *Principle 4, re: Legality:* This principle refers to the California Meyers Milias Brown Act (MMBA) to determine what, if any, factors the law identifies related to determining appropriate compensation through labor negotiations in local public agencies, and provides a point-in-time excerpt from the law as an attachment to the policy.

- *Principle 5, re: Flexibility:* This principle conveys that the Board understands that different work groups of employees, such as represented or unrepresented, field or office, may have different levels of interest in different types of benefits, and that these differences should be considered when conducting a benefits analysis. For example, work time and place flexibility may be more highly valued by some employees than others.

- *Principle 6, re: Competitiveness:* This principle conveys the ABC's recommendation that salary and benefits should both, and independently, be competitive in order to achieve competitive total compensation. The ABC reviewed and understands the importance of achieving internal alignment of salaries within work groups, departments, or the whole organization. Raising salaries to make up for lower benefits, or lowering salaries to make up for higher benefits can be detrimental to internal alignment. Additionally, the ABC reviewed and understands that compensation, whether for salaries or benefit package values, within a plus or minus five percent of the target value is considered competitive in the labor market and that this range of flexibility is important to maintaining internal alignment. Therefore, the central question discussed by the ABC in developing this principle was at what level to set the target value for top-range salary and for benefits package value, understanding some employees' compensation may be placed below or above the value by up to five percent, yet still achieve competitiveness. The ABC has developed three options for the full Board's review and discussion, and recommends Option C:

  Option A (55/55): The target value for both top- range salary and benefits package value is median to 55th percentile of comparator agencies, plus or minus five percent, with no employee's top-range salary below median or above 60th percentile. The Board retains its decision-making flexibility as provided in the policy and also determines the core benefits that would be valuated and compared.

Option B (55/50): The target value for top- range salary is median to 55th percentile of comparator agencies, plus or minus five percent, with no employee's top-range salary below median or above 60th percentile. The target value for benefits package value is median, plus or minus five percent, with no employee's benefits package value below 45th percentile or above 55th percentile. The Board retains its decision-making flexibility as provided in the policy and also determines the core benefits that would be valuated and compared.

Option C: The target value for top- range salary is median to 55th percentile of comparator agencies, plus or minus five percent, with no employee's top-range salary below median or above 60th percentile. For benefits, no specific target value is indicated, but the principle states it is the Board's intent to provide a benefits package that helps attract and retain quality employees.

The preliminary estimates of the different cost implications of these three options are described in the Cost Implications section of this report.

- *Principle 7, re: Competitiveness:* This principle establishes that the Board of Directors also considers one-time and individual monetary benefits and non-monetary benefits as factors in remaining competitive within the District's labor market. One-time and individual monetary benefits are payments that accrue to qualifying/participating individuals, such as merit increases, longevity pay, tuition reimbursement, tax benefits from 457 deferral plans, etc.. Non-monetary benefits are considerations such as meaningfulness of the District's mission, job-stability, future of the organization and professional growth opportunity, organizational culture, work environment, recognition of quality work, etc..

- *Principle 8, re: Competitiveness:* The high Cost of Living in the Bay Area is an ongoing challenge for public sector employee recruitment and retention. The Bay Area's higher cost of labor reflects in part the higher cost of living, but public agencies (and even private sector companies) are financially challenged to provide salaries that meet the cost of living, particularly related to housing costs. Principle 8 in the policy acknowledges this challenge, states that the policy's other principles that relate to maintaining competitive compensation within the District's labor market help to partially address the Cost of Living challenges, and states that the District is willing to explore innovative ideas to improve this regional challenge.

- *Principle 9, re: Compensation Studies:* This final principle is intended to bring clarity to when and why future compensation studies may be performed, that they are at the General Manager's discretion, and that consistency of benchmark comparator agencies is important.

Cost Implications

Staff has conducted a preliminary cost estimate of the potential implications of the Employee Compensation Guiding Principles Board Policy, showing the difference between Options A, B, and C in Principle 6, based on current staffing levels as well as increased staffing levels in the future. Data used to calculate the costs are based on Koff & Associates' 2013-14 MROSD Compensation Study data. *Although staff is confident that these preliminary cost estimates represent the order of magnitude cost impact that could be expected if/when future employee compensation decisions are guided by this policy,* staff cannot precisely calculate the cost at this time due to the following reasons:

- Precise salary costing requires a position by position salary range placement decision, which entails complex management decisions such as internal alignment, Y-rating, or salary increases or reductions, before precisely knowing the cost difference between current salary placement and recommended salary placement. The preliminary estimate assumes that everyone is at top range salary, no one's salary is reduced, and salaries that exceed the recommended placement are Y-rated (meaning their salary remains status quo until the new range catches up to them).
- Current data does not reflect the 3% cost of living adjustment received by District employees on July 1, 2014. Nor does it reflect changes in salaries or benefits other comparator agencies have made since the current study was completed in January 2014.
- Precise benefits costing would require a comprehensive benefits package analysis, which entails assessing limitations of adjusting benefits differently for different classifications of employees.
- A benefits package analysis will also entail Board direction and/or management decisions about what benefits should be compared with comparator agencies; those decisions cannot be made until the details of the benefits are analyzed.
- Future growth in the number of District employees is not precisely known at this time. The District has grown by 50% over the last ten years, which includes a major recessionary period. The preliminary estimate assumes this same growth rate over the next ten years. There are currently 124.55 full-time equivalent budgeted positions, of which 112.5 receive benefits. The preliminary cost estimate for increased staffing levels ten years from now is based on 187 full-time equivalents, of which 169 receive benefits.

Salary Cost Estimate (Annual):	Year 1 (Current Workforce)	Year 10 (Estimated Future Workforce)
	$255,000	$380,000

All three options in Principle 6 set the target top range salary within the range of median to 55th percentile, with no one's top range salary below median nor above 60th percentile. The difference in annual salary costs between Koff & Associates' recommended salary range placements between median and 55th percentile and no one below median, compared to salary range placements between 45th percentile and median is approximately $255,000 per year with the current workforce. This assumes all employees are at top-range salary, no one's salary is reduced, and salaries that exceed the recommended placement are Y-rated. This cost impact could grow to $380,000 per year based on an estimated growth rate of 50% of employees over the next 10 years (slightly less depending on how many positions were Y-rated initially and how many years it takes for salary ranges to catch up to the Y-rated salaries).

Benefits Cost Estimate (Annual):	Year 1 (Current Workforce)	Year 10 (Estimated Future Workforce)
Option A:	\$500,000 - \$740,000	\$750,000 - \$1,100,000
Option B:	\$420,000 - \$610,000	\$625,000-\$915,000
Option C:	\$205,000	\$305,000

Option A in Principle 6 sets the target benefits package value within the range of median to 55th percentile, with no one's benefits package value below median nor above 60th percentile. Option B sets the target benefits package value within the range of 45th percentile to median, with no one's benefits package value below 45th percentile nor above 55th percentile. Option C does not specify a target value for benefits. However, just as an example for cost estimate purposes, a \$150 increase in benefits value per employee per month was estimated. The estimated cost to raise the current benefits package value to median to 55th percentile range (Option A) would range from approximately \$500,000 to \$740,000 per year with the current workforce. This cost impact could grow to a range from approximately \$750,000 to \$1,100,000 per year (in today's dollars) based on an estimated growth rate of 50% of employees over the next 10 years. The estimated cost to raise the current benefits package value to 45th to median range (Option B) would range from approximately \$420,000 to \$610,000 per year with the current workforce. This cost impact could grow to a range from approximately \$625,000 to \$915,000 per year (in today's dollars) based on an estimated growth rate of 50% of employees over the next 10 years. The estimated cost to increase the current benefits package value by \$150 per employee per month would be approximately \$205,000 per year. This cost impact could grow to approximately \$305,000 per year (in today's dollars) based on an estimated growth rate of 50% of employees over the next 10 years.

FISCAL IMPACT

Total Annual Cost Estimate:	Year 1 (Current Workforce)	Year 10 (Estimated Future Workforce)
Top-Range Salary & Benefits Option A:	\$755,000 - \$995,000	\$1,130,000 - \$1,480,000
Top-Range Salary & Benefits Option B:	\$675,000 - \$865,000	\$1,000,000-\$1,295,000
Top-Range Salary & Benefits Option C:	\$460,000	\$685,000

If the full Board adopts the ABC's recommended Employee Compensation Guiding Principles policy, setting the compensation target for top-range salary at median to 55th percentile of comparator agencies and not specifying a target value for benefits, it is estimated that potential changes to employee compensation could cost approximately \$460,000 more than current salary and benefit costs based on current staffing levels. With anticipated significant growth in the number of District employees in the coming decade, this cost impact could increase to \$685,000 per year by 2025 (in today's dollars). The precise fiscal impact in the short term will be unknown until a detailed review and analysis of a final recommended salary schedule and where each employee sits in his/her salary range, as well as a comprehensive benefits package analysis, can be completed.

According to the District Controller, the District's financial model can afford and sustain the cost increases of any of the options, although at varying levels of trade-off in being able to add additional employees to accomplish the District's Mission, including Measure AA projects. Option C is the most affordable and sustainable option, at the expense of being able to add four to seven additional employees that could otherwise be hired to accomplish the District's Mission, including Measure AA projects. Option B translates to an approximately seven to thirteen additional employee trade-off; Option A, an approximately seven to fourteen employee trade-off. The impact, particularly for Options A and B, would be to lengthen the time required to complete Measure AA projects. The precise trade-off between enhanced compensation and the number of future employees cannot be calculated until a more detailed salary and benefits analysis could be completed, in addition to completion of the Financial and Organizational Sustainability Model Study.

ALTERNATIVES

The Board may wish to consider the following alternatives:

1. Final wording changes to specific principles as may be suggested and discussed by Board members and supported by a majority of the Board;

2. Due to the potential fiscal impact of Principle 6, the Board may choose to delay a decision on this matter until a comprehensive position by position salary range analysis and benefits analysis can be completed and the Financial and Operational Sustainability Model Study is complete. With current staff workloads, position by position salary range analysis and benefits analysis are estimated to take two to three months to complete.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

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

NEXT STEPS

Following the Board's discussion and input at the January 14th study session, and unless directed otherwise by the Board, the General Manager recommends that staff finalize revisions to the draft policy and bring the policy to a regular Board meeting in February for consideration of adoption.

Following approval 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. ABC meeting minutes from October 7 and 31, November 18, and December 10, 2014
2. Staff report for October 31 ABC meeting
3. Summary of MROSD Recruitment and Retention Analysis
4. Draft Employee Compensation Guiding Principles Board Policy

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

APPROVED 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.

*Approved by the Action Plan & Budget Committee on October 31, 2014

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, member 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.

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

SPECIAL MEETING
ACTION PLAN AND BUDGET COMMITTEE
Administrative Office – Board Room
330 Distel Circle
Los Altos, CA 94022

October 31, 2014

APPROVED MINUTES*

I. ROLL CALL

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

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

Members Absent: None

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

II. ORAL COMMUNICATIONS

There were none.

III. ADOPTION OF AGENDA

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

VOTE: 3-0-0

IV. COMMITTEE BUSINESS

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

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

VOTE: 3-0-0

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

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

*Approved by the Action Plan & Budget Committee on November 12, 2014

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

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

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

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

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

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

Public comment opened at 10:26 p.m.

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

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

Tina Hugg provided comments regarding the difference between cost of living and cost of labor. Ms. Hugg stated that the cost of living has rapidly escalated in the District and local areas. The cost of living has risen much faster than the ability of individuals living in the area can absorb the costs, and recognition of this challenge by the Committee and Board would be appreciated.

Public comment closed at 10:34 a.m.

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

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

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

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

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

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

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

V. ADJOURNMENT

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

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Jennifer Woodworth, CMC
District Clerk

Midpeninsula Regional
Open Space District

ACTION PLAN AND BUDGET COMMITTEE
Administrative Office – Board Room
330 Distel Circle
Los Altos, CA 94022

November 18, 2014

APPROVED MINUTES*

I. ROLL CALL

Director Kishimoto called the Special Meeting to order at 2:04 p.m.

Members Present: Yoriko Kishimoto and Curt Riffle

Members Absent: Pete Siemens

Staff Present: General Manager Steve Abbors, General Counsel Sheryl Schaffner, District Controller Mike Foster, Assistant General Manager Ana Ruiz, Assistant General Manager Kevin Woodhouse, Administrative Services Manager Kate Drayson, Real Property Manager Mike Williams, Natural Resources Manager Kirk Lenington, Public Affairs Manager Shelly Lewis, Planning Manager Jane Mark, Operations Manager Michael Newburn, and District Clerk Jennifer Woodworth

II. ORAL COMMUNICATIONS

No speakers present.

III. ADOPTION OF AGENDA

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

VOTE: 2-0-0

IV. COMMITTEE BUSINESS

1. Approve the Minutes from the November 12, 2014 meeting.

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

VOTE: 2-0-0

*Approved by the Action Plan and Budget Committee on December 10, 2014

2. Review Proposed District Fund Balance Policy & Capitalization Policy (R-14-141)

District Controller Mike Foster provided a brief summary of the proposed Fund Balance Policy including the various components of the District's fund balance, specific reserved funds and amounts, committed funds, assigned funds, and unassigned funds. Mr. Foster explained that if approved by the Committee, the draft policy will be forwarded to the Board of Directors at its November 25, 2014 meeting.

Directors Riffle and Kishimoto expressed concerns regarding using specified numbers in the policy because they will require updating the policy each year.

Mr. Foster explained that the numbers can reflect the initial amount of the funds.

Director Kishimoto requested the fund amounts be removed from the Board policy and be adopted separately for the upcoming budget year and be amended, as necessary, as part of the annual budget.

Accountant Andrew Taylor provided information on the proposed revisions to the Capital Expenditures and Depreciable Fixed Assets board policy explaining the changes were recommended by the District's auditor to better reflect the District's assets and annual budget.

Public comment opened at 2:30 p.m.

No speakers present.

Public comment closed at 2:30 p.m.

Motion: Director Riffle moved, and Director Kishimoto seconded the motion to recommend approval by the full Board of Directors of the proposed new District Fund Balance Policy and revisions to the Capital Expenditures and Depreciable Fixed Assets Board Policy. The numbers will be stricken from the "Committed Funds" portion of the Fund Balance Policy, and initial balances for the reserve funds as written in the proposed policy are recommended for separate approval.

VOTE: 2-0-0

3. Review Proposed Format Changes to District Budget and Action Plan Documents

Administrative Services Manager Kate Drayson described the proposed new format for District Budget and Action Plan documents. Ms. Drayson explained that as the District's financial operations become more complicated it will be helpful for the Board to adopt a standalone budget document rather than the current budget documents, which are a part of a Board report. Ms. Drayson outlined the various sections of the proposed budget document and described the format for Department Budgets and Workplans as well as detailed project pages.

District Controller Mike Foster inquired where information would be included for staffing costs for Measure AA projects.

Ms. Drayson explained that departments will have detailed breakdowns of labor costs and staff time will be included as part of capital costs, excluding benefits.

Director Kishimoto inquired if additional information will be given to the Action Plan & Budget Committee.

Ms. Drayson explained that additional information may be presented to the Action Plan & Budget Committee if needed, which information will also be available to the public.

Director Riffle inquired as to the reasons for making changes to the current format.

Ms. Drayson explained that the proposed format changes will remove the necessity of staff inputting budget information in to duplicate documents but will allow for all information to be inputted and maintained in a single document.

Director Kishimoto suggested including the “Summary list of capital projects” and “MAA Projects summary” earlier in the budget document, such as directly after the General Manager’s transmittal letter.

General Manager Steve Abbors suggested staff can return with revised budget documents to address Committee member concerns.

Director Riffle stated that removing the details may be the way the Board should be headed as it moves towards a policy making body and away from the details of project implementation.

Public comment opened at 3:06 p.m.

No speakers present.

Public comment closed at 3:06 p.m.

No action taken by the Committee.

4. Employee Compensation Guiding Principles (R-14-143)

Assistant General Manager Kevin Woodhouse summarized previous discussions by the Action Plan & Budget Committee and corresponding revisions to the policy. Mr. Woodhouse provided information regarding the potential cost impact of increasing salaries and benefits from 50% to 55% of the median.

Director Kishimoto inquired as to why the cost for the benefits is so much more than the difference in salaries between 50% and 55% of the median.

Ms. Drayson explained that the difference is largely due to the cost range for individual positions.

Director Kishimoto inquired as to how staff determined the $300 per month cost for benefits.

Mr. Woodhouse explained that this amount was determined based on the average cost of bringing current employee benefits up to median.

Director Riffle inquired if it is included in the draft policy that total compensation, including salary and benefits, will be examined as part of determining staff compensation.

Mr. Woodhouse stated that this is included in item 6 of the draft policy.

Mr. Abbors stated that the Board will most likely want additional cost information before making a final decision, and the District Controller will need to include this information in his financial models.

Public comment opened at 3:40 p.m.

Gina Coony, Planner III, provided comments on the difficulty of this process. Ms. Coony expressed her confusion as to the goal of the proposed policy. Ms. Coony stated that the purpose of the policy should be to attract and retain staff in a transparent and consistent manner including benefits that can be offered to employees and increasing diversity among the workforce including age range.

Public comment closed at 3:44 p.m.

Director Kishimoto suggested that information be provided to the full Board of Directors regarding the cost of bringing benefits to the median and to 55% of the median.

Motion: Director Riffle moved, and Director Kishimoto seconded the motion forward the policy, as drafted, to the Board of Directors and recommends approval of the draft Employee Compensation Guiding Principles, with the exception of Item 6 of the policy. Staff is also directed to provide additional information related to the cost of bringing current benefits to 50% and current salary to 55% of the median and cost information to bring both salary and benefits to 55% of the median.

VOTE: 2-0-0

V. ADJOURNMENT

Director Kishimoto adjourned the special meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 3:58 p.m.

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Jennifer Woodworth, CMC
District Clerk

Midpeninsula Regional Open Space District

ACTION PLAN AND BUDGET COMMITTEE
Administrative Office – Board Room
330 Distel Circle
Los Altos, CA 94022

December 10, 2014

DRAFT MINUTES

I. ROLL CALL

Director Kishimoto called the Special Meeting to order at 5:31 p.m.

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

Members Absent: None

Staff Present: General Manager Steve Abbors, General Counsel Sheryl Schaffner, District Controller Mike Foster, Assistant General Manager Ana Ruiz, Assistant General Manager Kevin Woodhouse, Administrative Services Manager Kate Drayson, Real Property Manager Mike Williams, Natural Resources Manager Kirk Lenington, Public Affairs Manager Shelly Lewis, Planning Manager Jane Mark, Operations Manager Michael Newburn, and District Clerk Jennifer Woodworth

II. ORAL COMMUNICATIONS

No speakers present.

III. ADOPTION OF AGENDA

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

VOTE: 3-0-0

IV. COMMITTEE BUSINESS

1. Approve the Minutes from the November 18, 2014 meeting.

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

VOTE: 3-0-0

2. Employee Compensation Guiding Principles (R-14-157)

Assistant General Manager Kevin Woodhouse summarized previous direction provided by the Action Plan & Budget Committee and corresponding cost analysis completed by District staff. Mr. Woodhouse described three alternatives for Principle number 6 (Competitiveness) of the Employee Compensation Guiding Principles and provided cost analysis for each alternative describing the constraints of completing and applying the costs to all District staff. Mr. Woodhouse described the benefits and costs of Option C described in the staff report and addressed comments received from members prior to the Action Plan & Budget meeting. Finally, Mr. Woodhouse outlined proposed next steps for the process.

Director Siemens suggested that rather than using set percentages to calculate benefits for the policy to list core benefits that will be provided to all District staff. Director Siemens also suggested that the following language be removed from number 6 “with no employee’s top-range salary below median or above 60^{th} percentile unless under the Board’s decision-making flexibility as provided in this policy.”

Director Riffle inquired if analysis has been completed regarding increases to salary and benefit costs as compared to revenue growth.

District Controller Michael Foster explained that increases to salary and benefits would be affordable to the District, but in the future it could constrain future budget actions.

Director Kishimoto inquired regarding the current CalPERS PEPRA retirement formulas.

Mr. Woodhouse provided the current formulas for new and classic CalPERS employees and explained that District employees are currently paying the 8% employee contribution allowed under PEPRA.

General Manager Steve Abbors provided comments on Option C, which is the option recommended by staff, stating that Options A and B would limit the District’s ability to hire staff and complete projects funded by Measure AA.

Public comment opened at 6:24 p.m.

Alex Hapke quoted an article from *San Jose Mercury News* regarding the high cost of homes in the Bay Area compared to salaries.

Kristin Johnson provided comments regarding the high rental costs in the Bay Area and offered comments regarding availability of staff housing for field staff.

Grant Kern spoke in favor of adoption of the 55/55% option and tying implementation of the formula to District revenue to prevent salary and benefit costs from outpacing District revenues.

Ken Bolle provided comments regarding the savings District staff provide to the District and the high quality of work completed by staff.

Brennon McKibbin provided comments regarding the value of District staff and staff’s commitment to complete Measure AA projects.

Eric Stanton provided comments regarding the funding for completion of Measure AA projects as compared for funding of District staff salary and benefit costs. Mr. Stanton also provided comments regarding the Field Employee Association's support of Measure AA and sacrifices made by employees that they were told would help Measure AA pass, but now feel they should be supported by the Board and District.

Donald Marchesy provided comments regarding competitiveness as outlined in the draft Employee Compensation Guiding Principles and defined by the three options outlined in the staff report. Mr. Marchesy also provided comments regarding the high quality of work completed by District staff and its value.

Public comment closed at 6:38 p.m.

The Committee members provided comments on whether or not they should be setting general guidelines or strict policies regarding Employee Compensation Principles.

Director Riffle provided comments on the need for employee benefits to be "caught up." However, the "catch up" may be done gradually.

Mr. Abbors provided comments regarding the District's ability to retain staff and prevent overspending.

Director Kishimoto expressed her support for Option C with the inclusion of specific guidelines including not paying public safety benefits and salaries, do intend to raise benefits for staff to be at median or above, and direct staff to clarify core benefits

Motion: Director Riffle moved, and Director Siemens seconded the motion to forward to the Board the draft Employee Compensation Guiding Principles with all three options as outlined in the current draft policy, and the Committee recommends adoption of Option C with the understanding that the full Board would provide input on the wording of Option C. The Committee also directs staff to return with additional information regarding historical employee retention data.

VOTE: 3-0-0

V. ADJOURNMENT

Director Kishimoto adjourned the meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 7:03 p.m.

Jennifer Woodworth, CMC
District Clerk

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 Milias 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 7th 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.

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.

Jennifer Woodworth, CMC
District Clerk

Midpeninsula Regional Open Space District

Board Policy Manual

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

Purpose:

The District's Board of Directors values high-quality employees dedicated to fulfilling the mission of the District in service to the public. Competitive compensation is one important tool to attract and retain high-quality employees. By clearly setting forth Employee Compensation Guiding Principles in this policy, the District's Board of Directors is establishing its compensation philosophy for represented and unrepresented employees, through a transparent and public process ~~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 Milias 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.

Midpeninsula Regional
Open Space District

Memorandum

DATE: January 9, 2015

MEMO TO: Stephen E. Abbors, General Manager

FROM: Kevin S. Woodhouse, Assistant General Manager
Candice Basnight, Human Resources Supervisor

SUBJECT: MROSD Recruitment and Retention Analysis Summary

At an Action Plan and Budget Committee meeting on December 10, 2014, the Committee requested the General Manager provide an analysis of employee recruitment and retention for the January study session on the Employee Compensation Guiding Principles policy. Within the timeframe allowed between then and the release of the staff report for the study session, the District's Human Resources Division was able to perform a focused analysis on numerous years of data related to recruitment and retention. This memorandum summarizes the research findings. The conclusions of this research suggest the District's recruitment efforts have been very competitive and successful and that retention of employees has also been very successful. For the small number of employees that have chosen to leave employment with the District, Human Resources' staff did not find information that suggests that employee compensation was a main reason for their decision.

Scope of Research

The following information was compiled from automated databases as available and manual pulling of records:

1. Data on staff turnover from one pre-recession year, Fiscal Year 2006-07, and the last five years, FYs 2009-10 through FY 2013-14;
2. Data on district recruitments over the last five years, FYs 2009-10 through FY 2013-14;
3. Data on staff vacancy rates and turnover rates for one pre-recession year, Fiscal Year 2006-07, one mid-recession year, FY2009-10, and one post-recession year, FY 2013-14.

Research Findings

Recruitments

During FYs 2009-10 through 2013-14, the District conducted 37 recruitments. The size of applicant pools ranged from 14 to 203 applicants; average size was 82 applicants. Out of these applicants, each recruitment resulted in a competitive interview pool ranging from 3 to 19 applicants interviewed; average was 7 applicants interviewed.

Turnover

The rate of employee turnover (number of employees that ended employment with the District voluntarily, involuntarily, or by retirement compared to the total number of employees) was:

FY 2006-07: 8.3%
FY 2009-10: 3.1%
FY 2013-14: 9.6%

During this research, Human Resources' staff received turnover rate information from four nearby public agencies. Their rates ranged from 7% to 10% for FY 2013-14. The District's rates appear to be consistent with these agencies.

During FY 2006-07 and FYs 2009-10 through 2013-14, 38 employees ended employment with the District. Of this total, 14 were involuntary or retirements. Of the remaining 24, based on Human Resource records from which details are confidential, the following breakdown generally characterizes the main voluntary reason for leaving:

Promotion:	4
Career Change:	3
Commute/proximity of work to home:	3
Hours (needed part-time hours):	2
Returned to School:	4
Other (moved out of area, didn't need to work, returned to previous agency job):	3
Personal Reasons:	5

Based on the available information, it is not possible to derive whether or not compensation was a factor in the 5 "personal reasons" cases, or a partial or minor factor in any of the other cases.

Conclusion

Based on the scope of the research Human Resources was able to complete during this timeframe, the District's turnover rate is consistent with rates experienced by other nearby public agencies. In addition, the District's recruitment efforts have been competitive and successful.

Additional research would be necessary to validate these results compared to additional other agencies' data.

Attachment 4

Midpeninsula Regional Open Space District

Board Policy Manual

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

Purpose:

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

Guiding Principles:

1. As stewards of public funds, the District shall hold accountability to the public as a cornerstone value in maintaining competitive, fair, and equitable compensation for its employees for their high-quality and hard work in delivering excellent services to the public;

2. Employee compensation decisions shall be considered in the context of short and long-term affordability, and shall not negatively impact the District's ability to fulfill its mission with excellent service into the future;

3. The Board of Directors shall always retain flexibility to address circumstances that may be negatively impacting the District's ability to attract and retain high-quality employees and deliver excellent services to the public;

4. The Board will refer to the California Meyers Milias Brown Act (MMBA) to determine what, if any, factors the law identifies related to determining appropriate compensation through labor negotiations in local public agencies. An excerpt from the MMBA, as of the effective date of this policy and subject to future changes in the MMBA, is provided

as an Attachment to the policy to partially show factors in the law at this time related to determining compensation, but is not intended to represent the full extent of the law.

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

6. The Board of Directors shall consider salary and benefits as key factors comprising competitive compensation. Periodically, salaries and benefits may be evaluated in comparison to benchmark agencies that are determined through a combination of factors, typically including organizational type and structure, similarity of population, staff, and budget, scope of services provided and geographic location, labor market, and compensation philosophy. When comparing to benchmark agencies using "top-range salary", a competitive salary is defined as median to 55th percentile of the comparator agencies, plus or minus five percent, with no employee's top-range salary below median or above 60th percentile unless under the Board's decision-making flexibility as provided in this policy. *[OPTIONS RE: BENEFITS-RELATED PRINCIPLE PRESENTED HERE FOR BOARD REVIEW; COMMITTEE RECOMMENDS OPTION C]:*

   Option A*: When comparing to benchmark agencies, a competitive benefits package is defined as median to 55th percentile benefits package value, plus or minus five percent, utilizing comparisons of select core benefits as determined by the Board of Directors, with no employee's benefits package value below median or above 60th percentile unless under the Board's decision-making flexibility as provided in this policy; OR*

   Option B*: When comparing to benchmark agencies, a competitive benefits package is defined as median benefits package value, plus or minus five percent, utilizing comparisons of select core benefits as determined by the Board of Directors, with no employee's benefits package value below 45th percentile or above 55th percentile unless under the Board's decision-making flexibility as provided in this policy; OR*

   Option C*: Regarding the employee benefits part of compensation, it is the intent of the Board of Directors to ~~maintain~~ provide a benefits package, when combined with salary, as well as other benefits described in Principle #7 below, that helps attract and retain quality employees over the long term.*

   The plus or minus five percent from the compensation target 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.

7. The Board of Directors also considers one-time and individual monetary benefits and non-monetary benefits as factors in remaining competitive within the District's labor market;

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

9. To determine competitive salaries and benefits in the District's labor market in response to unforeseen, dramatic changes in the labor market or as new positions or work groups are established, and with the intent of managing potential "drift" of District compensation, the General Manager may periodically direct that a compensation study be performed, organization-wide or for specific departments, work groups or classifications. When conducting a compensation study, benchmark comparator agencies will remain as consistent as possible from study to study.

Attachment 1: Meyers Milias Brown Act

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

Excerpt from California Government Code section 3505.4:

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