Midpeninsula Regional Open Space District

R-25-18
Meeting 25-03
January 22, 2025

AGENDA ITEM 10

AGENDA ITEM

Amendments to Board Policy 2.03, *Employee Compensation Guiding Principles*

GENERAL MANAGER'S RECOMMENDATION

Adopt the amendments to Board Policy 2.03, *Employee Compensation Guiding Principles*, also referred to as the "compensation philosophy," provided as Attachment 1 to this item, as unanimously supported by the Action Plan and Budget Committee.

COMMITTEE	**MEMBERS**
☒ Action Plan & Budget	☒ Ward 1 – Craig Gleason
☐ Legislative, Funding & Public Affairs	☐ Ward 2 – Yoriko Kishimoto
☐ Planning & Natural Resources	☐ Ward 3 – Jed Cyr
☐ Real Property	☒ Ward 4 – Curt Riffle
☐ Ad-Hoc Committee	☒ Ward 5 – Karen Holman
	☐ Ward 6 – Margaret MacNiven
	☐ Ward 7 – Zoe Kersteen-Tucker

COMMITTEE ACTION

Date: December 10, 2024
Action: Unanimous vote to forward the proposed policy revisions to the full Board of Directors for consideration of approval.
Item: Additional Information and Analysis for, and Recommended Amendments to, the Compensation Philosophy

COMMENTS

The Action Plan and Budget Committee unanimously voted to forward the policy revisions to the full Board as presented in Attachments 1 and 2 and suggested holding an annual benefits faire or similar session(s) to remind employees of the available benefits. Human Resources will be scheduling a periodic faire, presentation, or other benefits forum for employees that will supplement the onboarding benefits presentation provided to employees during the time of hire.

Attachments
1. Proposed Amendments to Board Policy 2.03 – *Employee Compensation Guiding Principles*
2. Action Plan and Budget Committee Report (R-24-145) titled Additional Information and Analysis for, and Recommended Amendments to, the Compensation Philosophy
3. Draft Minutes of the Action Plan and Budget Committee for meeting R-24-145.

Midpeninsula Regional Open Space District

Board Policy Manual

Employee Compensation Guiding Principles	Policy 2.03 Chapter 2 – District Personnel & Board Support
Effective Date: 3/11/2015	Revised Date: 01/22/2025 (proposed)
Prior Versions: Not Applicable	
Attachments: A - Excerpt from Meyers Milias Brown Act	

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, 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 plus ten percent of the comparator agencies. Regarding the employee benefits part of compensation, it is the intent of the Board of Directors to 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 Board acknowledges the importance of giving the General Manager flexibility in achieving internal alignment within the organization on compensation recommendations, yet still remaining competitive. To that end, the Board grants the General Manager authority to adjust base wages for a classification or classifications to allow for appropriate internal alignment between classifications so long as those wages are not below median plus ten percent of the comparator agencies.

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.

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

ACTION PLAN AND BUDGET COMMITTEE MEETING

R-24-145
December 10, 2024

AGENDA ITEM 2

AGENDA ITEM

Additional Information and Analysis for, and Recommended Amendments to, the Compensation Philosophy

GENERAL MANAGER'S RECOMMENDATIONS

1. Receive additional information and analysis relevant to and about Board Policy 2.03 *Employee Compensation Guiding Principles*, also referred to as the "compensation philosophy."

2. Review and affirm, with any changes requested by the Action Plan and Budget Committee, that the recommended amendments to Board Policy 2.03 *Employee Compensation Guiding Principles* are ready to be forwarded to the full Board of Directors for consideration.

SUMMARY

This report presents additional information and analysis pertaining to potential updates to the Midpeninsula Regional Open Space District's (District) compensation philosophy and associated comparator agencies. The intent is to provide the Action Plan and Budget Committee (ABC) an opportunity to review the information and affirm, with any requested changes, that the recommended amendments to Board Policy 2.03 *Employee Compensation Guiding Principles* are ready to be forwarded to the full Board of Directors for consideration.

DISCUSSION

Background

The District's mission is to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education. On the coastside, this mission is expanded to include the preservation of agricultural lands of significance, protection of rural character, and encouragement of agricultural use of land resources. The District relies on a dedicated professional staff to fulfill this mission and recognizes the importance of offering competitive compensation and benefits to attract and retain top talent.

Since adopting its initial compensation philosophy in 2015, the District has implemented a comprehensive strategy that includes regular market analysis, cost-of-living adjustments, and adherence to legal standards. This strategy aims to reflect the value of employee contributions while also considering the financial responsibilities inherent in public sector employment.

To ensure competitive and equitable compensation, the District regularly reviews market data and industry benchmarks. This includes considering the cost of living in the Bay Area, which the District recognizes as one of the most dynamic and high-cost regions in the country. Salary surveys of comparable public sector agencies help maintain competitive pay that keeps pace with inflation and living costs.

The District is committed to equitable pay practices, ensuring that employees in similar roles with comparable experience are compensated fairly based on the comparable public sector labor market. Transparency in compensation practices fosters trust and helps employees understand how their pay is determined. The District adheres to federal, state, and local minimum wage laws, which may be higher in high-cost areas, and complies with regulations regarding overtime pay and other labor standards to avoid legal issues and ensure fair treatment of employees.

In addition to base wages, the District offers a comprehensive benefits package to support employees' overall wellbeing, including retirement plans, health programs, and flexible work options. The classification system is designed to meet the District's program and project delivery service expectations, and the District invests in employee development and career growth to retain talent and encourage high performance.

While striving to meet employee compensation expectations, the District must balance this with its fiscal responsibilities and scrutiny as a local government public entity. Ultimately, the goal is to create a supportive and rewarding work environment where all employees can thrive. The District appreciates all employees and their hard work and dedication to the mission. The District believes that competitive wages combined with comprehensive benefits provide a holistic approach to supporting employees' professional and personal lives.

On September 25, 2024, the Board received an informational presentation on the District's Compensation Philosophy (R-24-120, minutes) with several exploratory options for updating and amending the comparable agencies list and agency-wide compensation target. During the presentation, the Board asked several questions and directed staff to present additional information and a recommendation to the Action Plan and Budget Committee (ABC) prior to returning to the full Board with a final recommendation.

Additionally, the Compensation Philosophy informational presentation was presented to District staff during an All Staff Meeting on October 2, 2024. Additional questions were raised by staff during this presentation.

The intent of this report is to remind the ABC of what was presented at the September 25, 2024 Board meeting, share additional information collected and analyzed based on questions from the Board and staff, and affirm, with any requested changes requested by the ABC, that the recommended amendments to Board Policy 2.03 *Employee Compensation Guiding Principles* are ready to be forwarded to the full Board of Directors for consideration.

Compensation Philosophy

In March of 2015, the Board adopted the *Employee Compensation Guiding Principles* (R-15-43, minutes) (Attachment 1) and established a philosophy to maintain "competitive compensation" as a tool to attract and retain high-quality employees. Key elements of the policy include:

- The Board of Directors shall consider salary and benefits as key factors comprising competitive compensation.
- 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.
- Regarding the employee benefits part of compensation, it is the intent of the Board of Directors to provide a benefits package, when combined with salary, that helps attract and retain quality employees over the long term.

Since being established, this policy has served as a guide for the General Manager's employee compensation recommendations.

Using Median versus Mean/Average of Comparable Agency Salaries

As noted above, the District's compensation philosophy has based the top-range of its salaries to the median of the comparable agencies. One of the questions previously raised relates to the use of median versus mean. The median and mean (or average) are both measures of central tendency used to summarize a set of compensation data, but they are calculated differently and can tell different stories about the data.

Mean: The mean is calculated by adding up all the values in a dataset and then dividing by the number of values. The mean is sensitive to outliers (extremely high or low values).

> **Example:**
> For the dataset [10, 20, 30, 40, 50], the mean is (10 + 20 + 30 + 40 + 50) / 5 = 30.
>
> High Outlier: If the dataset is [10, 20, 30, 40, 1000], the mean becomes (10 + 20 + 30 + 40 + 1000) / 5 = 220, which does not accurately represent the central tendency of the data.
>
> Low Outlier: If the dataset is [1, 10, 20, 30, 40], the mean becomes (1+10 + 20 + 30 + 40) / 5 = 20.2, which does not accurately represent the central tendency of the data.

Median: The median is the middle value in a dataset when it is ordered from smallest to largest. If there is an even number of values, the median is the average of the two middle numbers. The median is not affected by outliers. It provides a better measure of central tendency when the data includes extreme values.

> **Example:**
> For the dataset [10, 20, 30, 40, 50], the median is 30.
>
> High Outlier: If the dataset is [10, 20, 30, 40, 1000], the median is still 30.

Low Outlier: If the dataset is [1, 20, 30, 40, 50], the median is still 30.

Median Continues to be Recommended for Compensation Decisions: Compensation data often includes outlier comparators that pay very high or very low in relation to most comparators. The median is not skewed by these outliers and provides a more accurate representation of the typical salary. The median ensures that the compensation decision reflects the central tendency of the majority of comparators, rather than being influenced by a few extreme values. Using the median can help in making fairer compensation decisions, as it avoids the distortion that can occur with the mean. The median also provides a clearer and more straightforward measure of central tendency.

In summary, while both the mean and median are useful, using the median is recommended because it provides a more accurate and fair representation of the typical salary, especially in the presence of outliers.

Living Wage

The Living Wage Calculator was originally created in 2003 by Amy Glasmeier and Tracey Farrigan at the Massachusetts Institute of Technology to more comprehensively estimate the employment earnings – or the living wage – that a full-time worker requires to cover or support the costs of their basic needs where they live. The calculator features geographically specific costs for food, health care, housing, transportation, other basic needs, and taxes at the county, metro, and state levels.

Based on the total compensation package paid by the District, including contributions to healthcare and the CalPERS retirement package, the District is confident that all full-time employees are earning well over the Bay Area hourly living wage as individual workers.

Use of Personal Consumption Expenditures (PCE) Price Index versus Consumer Price Index (CPI)

The Consumer Price Index (CPI) is the most widely used measure of inflation. CPI is one tool organizations often use as a guide in making economic decisions, such as annual base wage adjustments.

The Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people pay for goods and services in the United States. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. It is similar to the Bureau of Labor Statistics' consumer price index for urban consumers. The two indexes, which have their own purposes and uses, are constructed differently, resulting in different inflation rates. There are four main reasons for this difference:

- Formulas: the growth in the two indices from one time period (month, quarter, year) are computed using substantively different formulas;
- Weights: they apply different weights to their consumption categories;
- Scope: they measure the prices of somewhat different consumer items and who purchases them;

- Other reasons: A grab bag of other differences, including different price data for what is conceptually the same product. For example, both CPI and PCE measure the price of airfare, but CPI calculates it using a fixed basket of air routes, while PCE calculates it using data on airline passenger revenues and passenger miles traveled. Also, the two incorporate different patterns of seasonal adjustment.

The following chart has been presented to staff and the Board before, but this version compares PCE to CPI to see how the District has kept up to pace with its annual Base Wage Adjustments (BWA) overtime. The chart shows PCE (12-month span, February to February) along with BWA and Consumer Price Index per the All-Urban Consumers (CPI-U) data for the San Francisco-Oakland-Hayward, California (12-month span, February to February). Over the past 13 years, the District's BWA (increases) have exceeded both the CPI and PCE. Moreover, the CPI-U over the last 13 years has more closely reflected the BWA as compared to PCE, which has been lower. Therefore, continuing to use CPI-U versus PCE to inform the District's future BWA is recommended.

July 1	BWA	CPI-U - Feb	PCE - Feb
2012	3.0%	3.0%	1.7%
2013	3.0%	2.4%	1.1%
2014	3.0%	2.4%	2.0%
2015	3.0%	2.5%	3.9%
2016	3.0%	3.0%	3.0%
2017	3.0%	3.4%	2.0%
2018	3.0%	3.6%	3.1%
2019	3.0%	3.5%	1.3%
2020	3.0%	2.9%	3.4%
2021	3.0%	1.6%	-0.8%
2022	3.0%	5.2%	7.3%
11.2022	4.0%	-	-
2023	3.0%	5.3%	2.8%
2024	3.0%	2.4%	2.1%
TOTAL	43.0%	41.2%	32.9%
Compounded	52.6%	49.9%	47.4%

Base Wage Adjustment (BWA)
CPI-U, San Francisco-Oakland-Hayward, CA (CPI)
Personal Consumption Expenditures Price Index (PCE)

Compensation Studies and Comparator Agency Analysis

A Compensation Study is the process of thoroughly reviewing comparator agencies' compensation (salary and benefits) for the same or similar classifications (positions) to ensure that the District's compensation remains consistent with best practices, and more specifically confirm that District compensation is externally competitive based on a comparable public sector labor market. In the recent Compensation Studies completed (also referred to as Salary Surveys), both salary and benefits data were gathered and reviewed for comparison, however, the primary focus has been the salaries to confirm that salaries for District classifications meet the definition of competitive salary as detailed in the current compensation philosophy.

For compensation studies to be effective, it is essential to select the most suitable comparators to ensure that the data collected is accurate, relevant and useful.

Since 2013, compensation studies have been conducted using the District's current Board-approved list of 14 comparators agencies:

- City of Palo Alto
- City of Walnut Creek
- County of Marin
- County of Sacramento*
- County of San Mateo
- County of Santa Clara
- County of Santa Cruz*
- East Bay Regional Parks District
- Livermore Area Recreation and Parks District
- Marin Municipal Water District
- Riverside County Regional Park and Open Space District*
- Santa Clara Valley Open Space Authority
- Santa Clara Valley Water District
- Sonoma County Agriculture Preserve and Open Space District*

Of the 14 comparator agencies, four are considered outside the District's geographic area (*), resulting in cost of labor adjustments. A cost of labor adjustment is a percentage difference in wages obtained from the Economic Research Institute (ERI), for those comparator agencies that are located outside of the District's geographic area. ERI is a nationally recognized research firm (engaged in research, not marketing/sales) and has been collecting and analyzing data from thousands of salary surveys for over 30 years. Note: cost of labor adjustments vary by location with a different multiplier applied to each agency as appropriate based on local data for that agency. Please refer to Attachment 1 for more information. Cost of labor modifiers do change over time.

An initial comparator agency analysis was conducted by an outside human resources firm, Gallagher, who was selected through a competitive Request for Proposal (RFP) process. Gallagher evaluated several comparative indicators related to the District's demographics, financials, and scope of services to develop a list of potential updated comparator agencies. After review of all 28 agencies, their overall comparison score, and consideration of their location, 13 agencies were identified as top ranked comparator agencies based on a lower overall comparison score, indicating the comparator agency is more similar to the District (i.e., the lower the score, the closer the agency compares to the District) (Attachment 2).

- City of Mountain View
- City of Palo Alto
- City of San Jose
- City of Santa Cruz*
- County of Marin
- County of San Mateo
- County of Santa Clara
- East Bay Municipal Utility District
- East Bay Regional Park District
- Marin Municipal Water District
- Santa Clara Valley Open Space Authority
- Santa Clara Valley Water District
- Sonoma County Agriculture Preserve and Open Space District*

Of the 13 comparator agencies, two (2) are considered outside the District's geographic area (*), although they are both located with the nine (9) (plus Santa Cruz County) Bay Area Counties, resulting in a cost of labor adjustment.

During the September 25, 2024 board meeting, suggestions from the Board included adding the San Mateo County Transit District (SamTrans) and other special districts to the comparator analysis.

Gallagher was asked to update their analysis to also evaluate SamTrans, Santa Clara Valley Transit Authority (VTA), and any other suitable comparable special districts in the Bay Area (refer to Attachment 3). After a search of the local special districts in multiple bay area counties, no additional special districts within the geographic area were identified as suitable candidates for inclusion in the analysis. SamTrans ranked 25 of 30 and VTA ranked 28 or 30, both substantially lower than the top 13.

Additionally, Gallagher was asked to update the compensation survey they recently conducted (using the current compensation philosophy) for 12 sample classifications to include the next two highest ranking agencies on the list, Hayward Area Recreation District and City & County of San Francisco (both located within the geographic area) as noted below with one asterisk (*) for a total of 15 comparator agencies.

- City of Mountain View
- City of Palo Alto
- City/County of San Francisco (Park and Rec & PUC)*
- County of Marin
- County of San Mateo
- County of Santa Clara
- East Bay Municipal Utility District
- East Bay Regional Park District
- City of San Jose
- City of Santa Cruz**
- Hayward Area Recreation District*
- Marin Municipal Water District
- Santa Clara Valley Open Space Authority
- Santa Clara Valley Water District
- Sonoma County Agriculture Preserve and Open Space District**

Of the 15 comparator agencies, two (2) are considered outside the District's geographic area (**) although they are both located with the nine (9) (plus Santa Cruz County) Bay Area Counties, resulting in a cost of labor adjustment.

The number of classification matches for the 12 samples positions, and the net change from the current 14 comparator agencies, are listed in the chart below:

Current 14 Agencies	Proposed 13 Agencies (5 removed, 4 added)	Net Change from 14 to 13	Proposed 15 Agencies (5 removed, 6 added)	Net Change from 14 to 15
14	13	-1	15	1
14	13	-1	15	1
11	11	0	11	0
12	11	-1	12	0
12	12	0	14	2
13	11	-2	14	1
10	10	0	10	0
12	12	0	14	2
7	10	3	10	3
12	11	-1	12	0
11	11	0	12	1
6	5	-1	6	0

By including Hayward Area Recreation District and City/County of San Francisco, the percentage above or below median shifts from an average of 0.8% above median (i.e., District average salaries for the 12 sample classifications are 0.8% above the median of current comparator agencies) to 0.4% above the median.

	% Above or Below		
	Current 14 Agencies	Proposed 13 Agencies (5 removed, 4 added)	Proposed 15 Agencies (5 removed, 6 added)
AVERAGE	2.0%	0.8%	0.4%

As shared in the September 25, 2024 Board report and presentation, based on this sample survey, updating the comparator agencies only without any changes to the compensation philosophy, is not likely to result in meaningful base wage increases to classifications throughout the organization. This remains true with the inclusion of Hayward Area Recreation District and City and County of San Francisco (includes Parks and Recreation & PUC), the next two highest ranking agencies on the list (both located within the geographic area).

Gallagher recommends using the same group of comparators for all classifications within an organization for compensation surveys because each of the District's service areas are part of one organization. The comparator agencies should be selected to ensure the District is competitive in retaining and recruiting talent. Each comparator agency operates under their own unique compensation philosophy and utilizing a different mix of comparators within the District will likely produce inconsistent results. The reality is that some agencies opt to be a market leader in pay practices and their inclusion (or not) as a comparator for some benchmarks and not others can be advantageous (or not). The result is inconsistent data and a perception of inequity and unfairness. A different mix of agencies also blurs the logic of internal relationships that are likely observed when surveying the same agencies for all benchmark positions. Consistency is key.

Utilizing a consistent group of comparators that represents the District's competitive labor market for the entire workforce also provides cost effectiveness by reducing the need to continually seek out and negotiate new data sources every time the District seeks updated market data.

Finally, when data is collected from the same sources over time, it becomes easier to compare results across different periods. This perspective provides value by identifying trends in the labor market and the District's relative competitiveness.

Compensation Philosophy Analysis

Gallagher used the compensation surveys conducted in 2022-2024 to provide statistical data representing various market positions to evaluate the District's philosophy for employee compensation. As a reminder, the 2022–2024 compensation surveys evaluated 52 positions within the Office, Supervisory, and Management (OSM), Field Employee Association (FEA), and Midpeninsula Ranger Peace Officer Association (MRPOA) classifications. When conducting a comprehensive compensation survey, not all classifications on the salary plan are studied, rather "benchmark classifications" are normally chosen to reflect a spectrum of classification levels. In addition, those that are selected normally include classes that are most likely to be found in other similar agencies, and therefore provide a sufficient valid sample for analysis. These classifications are used as a means of anchoring the District's overall compensation plan to the market. Other job classifications not surveyed are aligned using internal equity principals.

The compensation philosophy analysis presented on September 25, 2024 included changes that would occur if the compensation philosophy moved to the 60th, 65th, and 70th percentile as well as to median plus 5%, 10%, and 15%. Gallagher was asked to update their analysis to also include 75th, 80th, 85th, 90th and 100th percentiles.

The following chart illustrates the average of the 52 "benchmark" positions as a percent above or below the current comparable agency list as compared to various potential compensation targets that are under study:

Average percent above or below the comparable agency list based on various potential compensation targets that are under study:

		Percentile								
Philosophy	**Median of Comparator (CURRENT)**	**60th**	**65th**	**70th**	**75th**	**80th**	**85th**	**90th**	**95th**	**100th**
% above or below (Average)	3.3%	1.0%	-0.3%	-1.5%	-2.8%	-4.8%	-7.1%	-9.3%	-12.1%	-15.2%

		Median Plus		
Philosophy	**Median of Comparators (CURRENT)**	**5%**	**10%**	**15%**
% above or below (Average)	3.3%	-1.6%	-6.4%	-11.3%

General Manager's Recommendation
Based on a review of the current compensation philosophy and an evaluation of potential options for enhancing District recruitment and retention, the General Manager recommends the following:

- When comparing to benchmark agencies using "top-range salary", define a competitive salary as median plus 10 percent.

- Set the District's updated comparator agencies list to encompass the following 15 agencies.

  - County of Santa Clara
  - Santa Clara Valley Water District
  - County of Marin
  - County of Sonoma
  - City of Palo Alto
  - County of San Mateo
  - City of Mountain View
  - Marin Municipal Water District
  - Santa Clara Valley Open Space Authority
  - East Bay Municipal Utility District
  - City of San Jose
  - City of Santa Cruz
  - East Bay Regional Park District
  - Hayward Area Recreation District*
  - City and County of San Francisco (Park and Rec & PUC)*

- Capture the proposed changes within Board Policy 2.03 *Employee Compensation Guiding Principles* as shown in Attachment 3, including eliminating the 60th percentile cap and the practice of Y-Rating employees (Y-rating involves not applying any base wage adjustments to an employee until comparable agency salaries have caught up and the employee's salary again falls within the appropriate salary range, which typically happens over a few years).

Implementation

It is important to note that any change in the District's compensation philosophy will not result in an automatic increase to an individual employee's compensation. Instead, Gallagher will be asked to complete new compensation surveys using the updated, Board-approved comparators and new compensation philosophy target. Gallagher will be able to conduct rapid compensation surveys for all benchmark positions within three (3) months given the upfront work conducted between 2022 and 2024 to confirm matches for positions during the recent salary surveys. The new compensation survey results will then be used to determine if a classification needs to be reassigned to a new salary range in the classification and compensation plan. How these changes apply to individual employees are explained in the following two outcomes:

- When the salary survey shows compensation is **at or above the new compensation philosophy target** – no equity adjustment is needed, and no Y-rating will be made to an individual employee. Instead, active employees will continue to be eligible for all applicable pay practices (base wage adjustments, merit increases, longevity, etc.)

- When the salary survey shows compensation is **below the new compensation philosophy target** – an equity adjustment will be applied to the classification (the classification will be assigned a new salary range, e.g.., move from range 30 to range 32).

Individual employees will be moved to the step in the new range closest to, but not less than, their current hourly rate. Employees continue to be eligible for all other applicable pay practices (base wage adjustments & merit increases). If an employee who is currently eligible for longevity pay (which equals 1% or 2%, depending on years of service, of the annual wage provided as a lump sum) is moved from step 10 to a lower step in the new range, they will be eligible for merit increases (which are normally 2.5% to 5% for employees who meet performance standards) until they reach step 10 of the new range. They will not be eligible for longevity pay until after they reach step 10 in the new range.

Pending review and affirmation from the ABC, staff intends to present the General Manager's recommendations with any requested changes from the ABC to the full Board on January 25, 2025. If the Board approves the changes to the comparators and/or compensation philosophy, the timeline and next steps include:

February through early April
Gallagher conducts new compensation surveys for 52 "benchmark" classifications.

Through end of April
Human Resources will review and analyze the Gallagher results and revise the District's classification and compensation plan, accordingly, to prepare for its approval by the Board.

June
The Board considers the applicable changes to the classification and compensation plan, with salary changes becoming effective the pay period that includes July 1, 2025.

FISCAL IMPACT

There is no direct fiscal impact on receiving this information, until such time as the Board decides to implement a change to the compensation philosophy and/or the comparator agencies. That said, the impact of the recommended median plus 10 percent compensation philosophy presented in this report was calculated to have the following estimated fiscal impact on salary cost at the high end, once all salaries reach the new top-step (dollars based on 2024 pay rates). Given that the increases will be incremental, depending on where salaries fall within their new ranges, the total cost to Fiscal Year 2025-26 (FY26), which is the first fiscal year when these changes would become effective, would be less than the amount shown below.

Philosophy	10% above median
%	-7.7%
$	$2,009K

The information presented in this report was shared and discussed with the Controller, who did not raise a specific concern regarding the fiscal and monetary information at this point. The Controller has vetted the specific General Manager's recommendations in the 30-year cash flow model to ensure affordability.

PRIOR BOARD AND COMMITTEE REVIEW

- **September 25, 2024**: Board Received a Compensation Philosophy Informational Presentation (R-24-120, minutes)

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

The Compensation Philosophy informational presentation was presented to District staff during an All Staff Meeting on October 2, 2024. The main themes in the questions and comments raised by staff revolved around balancing fair, equitable pay and benefits with the realities of market conditions, local living costs, and workforce needs as summarized by the following key concerns:

1. Equity and Fair Compensation: Questions about whether the compensation structure is equitable, and how compensation compares to regional norms, particularly in areas with high housing costs (e.g., San Francisco, East Bay).
2. Cost of Living and Housing: Questions about whether compensation adjustments consider local living costs, particularly the high cost of housing in certain areas, and how these compares to general inflation metrics like the Consumer Price Index (CPI).
3. Labor Market Dynamics: Inquiries about whether pay scales reflect the actual demand and small pool for specialized positions (e.g., field biology) and how the District is effectively competing in the job market to attract and retain talent.

The presentation for the December 10, 2024 Action Plan and Budget Committee meeting was previewed with District Staff during an All Staff Meeting on November 21, 2024. The main themes in the questions and comments raised by staff are summarized as follows:

1. Living Wage Factors and Analysis: Questions about the factors that establish a living wage and the datasets (e.g., MIT data) used to calculate it.
2. Statistical Measures for Salary Comparisons: Further discussion and explanation on using median versus mean to address salary outliers.
3. Longevity Eligibility and Policy Considerations: Questions and explanations regarding longevity pay when an employee at top step moves to a lower step within a new salary range. Explanation included information on the ability for the employee to increase their base salary pay based on how many additional steps are added to their salary range, and the ability to become eligible again for longevity pay once they reach top step.
4. Negotiation and Implementation Processes: Question about the timing and process for implementing changes across different staff groups (e.g., POA and FEA). Changes for represented staff require a meet-and-confer process.

CEQA COMPLIANCE

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

NEXT STEPS

Following this presentation to the ABC, staff will collate ABC input on the General Manager's recommendation. Staff will present the General Manger's final recommendations, with any input from the ABC, on January 25, 2025.

Attachment(s)

1. Economic Research Institute, Inc. Geographic Assessor, Comparison List – Cost of Labor dated August 12, 2024
2. Gallagher Comparator Agency Analysis 01.23.24
3. Gallagher Comparator Agency Analysis 10.09.24
4. Proposed changes to Board Policy 2.03 Employee Compensation Guiding Principles

Responsible Department Head:
Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services
Candice Basnight, Human Resources Manager

Prepared by/Contact person:
Rebecca Wolfe, Human Resources Supervisor

ERI's Geographic Assessor ®
Comparison List - Labor
Data as of: 8/12/2024

Salary Structure Percentages

Comparison Cities vs. Los Altos, California	75,00	100,000	150,000	175,000
Boulder, Colorado	85.4	84.6	83.5	83.4
Riverside, California	84.1	83.0	82.5	82.6
Corte Madera, California	98.6	97.7	95.7	94.9
Livermore, California	93.6	93.1	91.6	91.0
San Mateo, California	101.3	100.1	98.6	98.0
San Rafael, California	98.9	98.1	96.2	95.3
Walnut Creek, California	95.9	95.2	93.5	92.9
Sacramento, California	86.7	85.4	84.2	84.0
Mountain View, California	100.7	100.5	100.6	100.6
Santa Cruz, California	88.2	86.5	84.7	84.4
Santa Rosa, California	90.3	88.4	86.0	85.3
San Jose, California	100.5	100.5	100.5	100.6
Palo Alto, California	100.5	100.6	100.6	100.6
Oakland, California	95.9	94.7	93.0	92.4
San Francisco, California	101.9	100.5	99.0	98.4

All Values in United States Dollars
1 United States Dollar = 1 United States Dollars

ATTACHMENT 2

January 23, 2024

COMPARATOR AGENCY ANALYSIS FOR TOTAL COMPENSATION STUDY

Midpeninsula Regional Open Space District

Katie Kaneko, Managing Director

Gallagher

Insurance | Risk Management | Consulting

Formerly Koff & Associates

ATTACHMENT 2

Gallagher

Insurance | Risk Management | Consulting

Gallagher evaluated several comparative indicators related to Midpeninsula Regional Open Space District ('District') demographics, financials, and scope of services to develop a list of potential agencies for the compensation study. The methodology and specific criteria used in the analysis follows.

1. Organizational type and structure: Gallagher generally recommends that agencies of a similar size and structure providing similar services to that of the District be used as comparators.

   Note: Because technical job classifications perform similar work across agencies, organizational size is not critical. The difference in size of an organization becomes more important when comparing management classes. Factors such as management of a large staff, consequence of error, the political nature of the job and its visibility all increase with organizational size. When it is difficult to find agencies that are similar in size, a good balance of smaller and larger agencies is used instead.

2. Staff, and operational budgets, and scope of services and population: Staff and operational budget size determine the amount of resources available for the agencies to provide services, and population size accounts for the ratio of resources to constituents served. Organizations providing the same services are ideal for comparison; therefore, most comparator agencies included provide similar services to the District. Specifically, Gallagher focused on whether agencies provide the following:

   - Ranger Services
   - Visitor Services
   - Natural Resources
   - Real Property Management
   - Grants Management
   - Planning
   - Public Affairs

3. Geographic location and Labor market: Today's labor market reality is that many agencies are in competition for the same pool of qualified employees because large portions of the workforce don't live in the communities they serve, are accustomed to lengthy commutes, and are more likely to consider changing jobs in a larger geographic area than in the past. Therefore, the geographic labor market area where the District may be recruiting from or losing employees to, is taken into consideration when selecting comparator organizations.

The comparator agency analysis includes specific data for each proposed agency:

1. Geographic Proximity
2. Open Space Acreage
3. Full-Time Equivalent (FTE)
4. Agency Financials (Expenditures)
5. Cost of Living
6. Services provided

ATTACHMENT 2

Gallagher

Insurance | Risk Management | Consulting

Each potential comparator is ranked based on the overall similarity to the District, and the Recommended List of Comparators represents a summary of the rankings for each of the following data factors listed above. The top ranked agencies are those agencies that were identified as being most similar in profile to the District.

This analysis is intended to assist the District in choosing the comparator group. However, the District should reflect on other factors that apply to their labor market that could potentially override these quantitative considerations. Other factors that are often considered are recruitment, retention, and/or alignment of operations. For example, are there Districts or agencies that don't rank as well but are consistently recruiting your employees?

The District has indicated that having a local comparator group is important to help mitigate cost of labor factors. District management report the application of a cost of labor modifier to out of area comparators has reduced staff confidence that the compensation data is truly representative of their work. In our assessment, maintaining a comparator group of only local agencies should be sufficient to provide enough relevant data points for a robust market comparison. With this approach, the recommendation to remove the four out of area agencies that ranked in the top twelve and replacing them with the next highest ranked local agencies will provide sufficient market data. Taking this approach, the District's Recommended List of Comparators would be as follows:

- County of Santa Clara
- Santa Clara Valley Water District
- County of Marin
- County of Sonoma
- City of Palo Alto
- County of San Mateo
- City of Mountain View
- Marin Municipal Water District
- Santa Clara Valley Open Space Authority
- East Bay Municipal Utility District
- City of San Jose
- City of Santa Cruz
- East Bay Regional Park District

ATTACHMENT 2

Arthur J. Gallagher (UK) Limited is authorised and
regulated by the Financial Conduct Authority.
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25 Walbrook, London EC4N 8AW.
Registered in England and Wales.
Company Number: 1193013.
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Gallagher

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Proposed List of Comparators
Total Compensation Study
Midpeninsula Regional Open Space District

Ranking	Comparator Agency	Overall Comparison Score	Recommendations
	Midpeninsula Regional Open Space District	6	
1	County of Santa Clara	43	
2	County of San Diego	55	out of area - not recommended
3	Santa Clara Valley Water District	55	
4	County of Marin	67	
5	County of Sonoma	72	
6	City of Palo Alto	75	
7	County of San Mateo	77	
8	City of Mountain View	79	
9	County of Boulder	80	out of area - not recommended
10	Marin Municipal Water District	81	
11	Santa Clara Valley Open Space Authority	84	
12	City of Boulder	85	out of area - not recommended
13	County of Riverside	85	out of area - not recommended
14	East Bay Municipal Utility District	89	bay area agency - recommended agency
15	City of San Jose	92	bay area agency - recommended agency
16	City of Santa Cruz	93	bay area agency - recommended agency
17	East Bay Regional Park District	96	bay area agency - recommended agency
18	County of Sacramento	98	
19	Hayward Area Recreation District	101	
20	City and County of San Francisco (Park and Rec & PUC)	104	
21	City of San Luis Obispo	104	
22	Livermore Area Recreation and Park District	104	
23	City of Santa Clara	105	
24	City of Walnut Creek	116	
25	San Mateo County Transit District	120	new addition to analysis, bay area agency.
26	Monterey Peninsula Regional Park District	121	
27	County of Santa Cruz	125	
28	Valley Transportation Agency	128	new addition to analysis, bay area agency.
29	Cordova Recreation and Park District	139	
30	Napa County Regional Park and Open Space District	142	

Top Ranked Comparator Agencies

Legend: A lower Overall Comparison Score indicates that the comparator agency is more similar to the Midpeninsula Regional Open Space District

Column A: Ranking based upon comparison score.
Column B: Agency Name
Column C: The Overall Criteria Comparison Score is equal to the sum of ranking for each criteria.

The Overall Comparison Score is comprised of the following criteria:

1- Geographic Proximity Comparison
2- Open Space Acreage
3- Full Time Equivalents Comparison
4- Agency Expenditure Comparison
5- Cost of Living Comparison
6 - Comparable Services

Midpeninsula Regional Open Space District

Board Policy Manual

Employee Compensation Guiding Principles	Policy 2.03 Chapter 2 – District Personnel & Board Support
Effective Date: 3/11/2015	Revised Date: ~~Not Applicable~~01/25/2025 (proposed)
Prior Versions: Not Applicable	
Attachments: A - Excerpt from Meyers Milias Brown Act	

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, 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~~plus ten percent 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.~~ Regarding the employee benefits part of compensation, it is the intent of the Board of Directors to 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 t~~The Board acknowledges ~~as~~ the importan~~ce~~~~t to give~~ of giving the General Manager flexibility in achieving internal alignment within the organization on compensation recommendations, yet still remaining competitive. To that end, the Board grants the General Manager authority to adjust base wages for a classification or classifications to allow for appropriate internal alignment between classifications so long as those wages are not below median plus ten percent of the comparator agencies.

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.

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.

ATTACHMENT 3

Midpeninsula Regional
Open Space District

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

ACTION PLAN AND BUDGET COMMITTEE

Administrative Office
5050 El Camino Real
Los Altos, CA 94022

Tuesday, December 10, 2024

DRAFT MINUTES

CALL TO ORDER

Chair Riffle called the meeting of the Action Plan and Budget Committee to order at 1:31 p.m.

ROLL CALL

Members present:	Craig Gleason, Karen Holman, Curt Riffle
Members absent:	None
Staff present:	General Manager Ana M. Ruiz, General Counsel Hilary Stevenson, Assistant General Manager Susanna Chan, Assistant General Manager Brian Malone, Chief Financial Officer/Director of Administrative Services Stefan Jaskulak, District Clerk/Assistant to the General Manager Maria Soria, Executive Assistant/Deputy District Clerk Stephanie Gross, Human Resources Manager Candice Basnight, and Human Resources Supervisor Rebecca Wolfe, and Controller Mike Foster

ADOPTION OF AGENDA

Motion: Director Holman moved, and Director Gleason seconded the motion to adopt the agenda.

ROLL CALL VOTE: 3-0-0

ORAL COMMUNICATIONS

District Clerk Maria Soria reported there were no public speakers for this item.

COMMITTEE BUSINESS

1. Approve the June 12, 2024 Action Plan and Budget Committee Meeting Minutes

Public comment opened at 1:32 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 1:32 p.m.

Motion: Director Gleason moved, and Director Holman seconded the motion to approve the June 12, 2024 Action Plan and Budget Committee meeting minutes.

ROLL CALL VOTE: 3-0-0

2. Additional Information and Analysis for, and Recommended Amendments to, the Compensation Philosophy (R-24-145)

Chief Financial Officer/Director of Administrative Services Stefan Jaskulak gave the staff presentation, noting that staff provided an informational presentation to the full Board of Directors (Board) on September 25, 2024, on the District's Compensation Philosophy, comparator agencies and potential updates to consider. At the September meeting, the Board asked several questions and directed staff to present additional information and a final recommendation to the Action Plan and Budget Committee prior to returning to the full Board. He then reviewed the benefits and optional programs provided to staff.

Chair Riffle noted there had been a previous request to ensure staff is made aware of all available benefits to them at least once per year and asked how staff is being informed of the benefits.

Mr. Jaskulak stated that there are periodic trainings or webinars on various benefits as well as the open enrollment period in the fall of every year.

General Manager Ana Ruiz added that the benefits list was also recently shared to all District staff and that the benefits are discussed during onboarding.

Human Resources (HR) Supervisor Rebecca Wolfe reaffirmed that a matrix is provided during the onboarding process, summarizing the benefits offered to new employees. She mentioned that staff is working on creating a more visually appealing and comprehensive brochure for staff. Additionally, she highlighted that pay stubs include certain benefits, reflecting both employee and District contributions to their benefits. She noted that additional solutions and options are being explored with the benefits broker and suggested that there may be a possibility of consolidating the information into a comprehensive one-page summary for staff.

Chair Riffle commented that he often underestimated the amount his employer contributed to his benefits and encouraged making sure that at least once a year staff is reinformed about their benefits.

Human Resources Manager Candice Basnight added that through the system where staff submits their timecard, there is a breakdown for every pay period showing how much the District is contributing to their benefits.

Chair Riffle noted that the District pays 45% of base wages for benefits and asked how the District compares to other agencies.

Mr. Jaskulak stated that the District is in alignment with other agencies and noted that the District does have some slightly greater benefits.

Director Gleason inquired whether there are any benefits that are underutilized, suggesting that they could be more widely publicized to increase participation.

Director Holman asked if personal leave includes maternity or paternity leave.

Mr. Jaskulak explained that everyone at the District is allocated 36 hours of personal leave, and maternity and paternity fall under the Family and Medical Leave Act (FMLA), which is a federal mandate.

General Counsel Hilary Stevenson stated that staff is currently updating the Personnel Polies & Procedures (PP&P), which apply to all employees, and that the FMLA benefit is described in detail in the PP&P and that there is also a California equivalent known as the California Family Rights Act. She stated that the District offers leaves that are more generous than what is required by the law. The updated PP&P will be presented to the Board in 2025, and at that time, the Board will have an opportunity to talk through those additional types of benefits.

Director Holman commented that even though these leaves are state and federally-mandated she suggested adding them to the list of benefits, as well as bereavement leave.

Ms. Ruiz stated that staff will review the PP&P and pull out any additional benefits that are not listed as part of the presentation to ensure they are captured and visible.

Mr. Jaskulak continued the presentation and reviewed the leave data as of March 2023 for the unrepresented classification. He explained that employees are offered 15 days of vacation, 12 holidays, and 36 hours of personal leave time per year. He indicated that the District's leave is consistent with other agencies. He also noted that the 36 hours of administrative leave is the base amount, and depending on the staff member’s position, whether they are exempt, and their involvement in extensive after-hours meetings and activities beyond the eight-hour work day, the administrative leave could be higher. For hourly employees, overtime is either paid or accrued. He then went on to explain using median versus mean/average, and the concept of living wage.

Chair Riffle mentioned that the Board received feedback from staff at the previous meeting and through Written Public Comment that housing is a significant issue and asked how the Living Wage Calculator considers housing and whether it is based only on being able to afford to rent housing.

Mr. Jaskulak replied that it is based on having basic access to housing, which therefore looks at rentals versus ownership as the starting point.

Ms. Ruiz added that the living wage calculation is done by geography, and it does take into account the unique circumstances for each area. She pointed out that housing in this area is very different compared to other regions, and this issue is a reality for every public agency in the Bay Area.

Mr. Jaskulak returned to the presentation and reviewed the use of Personal Consumption Expenditure (PCE) Price Index versus Consumer Price Index (CPI). As well as highlighted the base wage adjustment (BWA) versus the CPI versus the PCE. Over the past 13 years, the District's base wage adjustments have exceeded both the CPI and PCE. Moreover, the CPI-U over the last 13 years has more closely reflected the BWA as compared to PCE, which has been lower. Therefore, continuing to use CPI-U versus PCE to inform the District's future BWA is recommended.

Mr. Jaskulak then defined compensation studies as the process of thoroughly reviewing comparator agencies and compensation for the same or similar classifications of public sector positions, noting that the District does compete with the private sector. In order for the studies to be effective, it is important to collect data from suitable comparators. Since 2013, studies have been conducted using the Board-approved list of 14 comparator agencies. The initial comparative agency analysis was conducted looking at several indicators such as demographics, financials, and scope of services to develop the list. Of the 28 analyzed agencies, 13 were identified as the top ranked. As part of the process of reviewing the compensation philosophy, staff have been revisiting the comparator list. In September, the Board suggested including SamTrans and other special districts as part of the comparator evaluation process. This comparator evaluation ranks the suitability of agencies based on 6 criteria: geographic proximity, open space acreage, full time equivalents, agency expenditure, cost of living, and comparable services. As part of this process, staff recommends excluding agencies from the list that are not located within the region, namely County of San Diego, City of Boulder, and County of Riverside. Mr. Jaskulak then mentioned there was a request from staff to add the City and County of San Francisco, mainly Parks and Recreation/PUC. To include this agency, which ranks well, Hayward Area Recreational District should also be included since they are also a similar match with a slightly better score than San Francisco. Finally, SamTrans and Valley Transportation Agency were also evaluated but ranked low due to insufficient matches for the District's benchmark classifications.

Mr. Jaskulak stated that based on the comparator analysis and findings, Gallagher was asked to update the compensation survey they conducted for 12 sample classifications to include the proposed new comparator agency list, which includes Hayward Area Recreation District and City/County of San Francisco Parks and Recreation/PUC, for a total of 15 comparator agencies. He stated that using the original 13 proposed agencies to the proposed 15 agencies did not make a difference statistically. The numbers are tracking very closely.

Mr. Jaskulak then continued to review the Cost of Labor (COL) modifier. He explained that the COL is applied when an agency is located in a region where the cost of living differs from where the District is located. The COL data is provided by the Economic Research Institute (ERI), which has been conducting this type of analysis for 30 years. He provided an example of a position and how the COL is applied. Next, he reviewed the Compensation Philosophy Analysis options. Lastly, he reviewed the General Manager's recommendations for updating the comparator agencies list and for defining a competitive salary as median plus 10% of comparable agencies. Furthermore, he also noted the other proposed changes within Board Policy 2.03 *Employee Compensation Guiding Principles*, including eliminating the 60th percentile cap and eliminating the practice of Y-Rating existing employees.

Mr. Jaskulak stated that the recommended median plus 10% is estimated to results in a fiscal impact of $2M dollars in on salary costs and there will likely be a small cost associated with updating the comparator agencies. He noted that changing the compensation philosophy does not immediately result into an automatic increase to the individual employee compensation. Instead, if the recommendations are approved by the Board, Gallagher will be asked to complete new compensation surveys using the updated comparator list and the new compensation philosophy. Gallagher's work can be completed within the next three months. The new compensation survey results will then be used to determine if a classification needs to be reassigned to a new salary range in the classification and compensation plan. He noted that if the survey shows compensation is at or above the new target, no adjustment is needed, and no Y-rating will be made to an individual employee. Employees will continue to be eligible for all applicable pay practices. If the survey shows compensation is below the new target, then the appropriate adjustment is applied to the classification. Individual employees would move to a step in the new range closest to, but not less than, their current hourly rate. If an employee is currently eligible for longevity pay, or meritorious pay for at-will managers, the employee will be moved from step 10 to a lower step in the new range and will be eligible for annual merit increases until they reach step 10 (top step) of the new range. Employees will be eligible for longevity pay or meritorious pay once they reach step 10 in the new range.

Lastly, he reviewed the implementation schedule. Pending the affirmation of the ABC Committee, staff intends to present the General Manager's recommendation with any requested changes form the ABC Committee to the full Board on January 22, 2025. Pending Board approval, the next steps include having Gallagher conduct the new compensation surveys for 52 benchmark classifications from February through early April. Then through the end of April, Human Resources would review and analyze the Gallagher results and revise the District's classification and compensation plan accordingly. Lastly, in June, the Board would consider the applicable changes to the classification and compensation plan, with salary changes becoming effective the pay period that includes July 1, 2024.

Mr. Jaskulak noted that separately all employees will receive a 3% base wage adjustment on July 1st as previously approved by the Board. He added that there is a reopener with the Field Employee Association, and there will also be a discussion with the Peace Officer Association regarding the proposed changes to the compensation philosophy. He stated that the goal is to apply the same timeline for represented employees, however, due to the nature of the negotiation process, the timeline may not end up being the same if discussions are prolonged.

Director Gleason commented that at the last meeting, Ms. Basnight mentioned that some staff had left the District for lateral moves. He asked how frequently staff are leaving and whether salary is truly the primary factor influencing their decisions.

Ms. Basnight stated that recently, a Management Analyst chose to leave for a higher-paying position in a nearby city, despite preferring to stay with the District. While many employees leave for clear promotional opportunities, the most concerning departures are lateral moves, particularly when highly promotable individuals leave. She stated that strengthening the compensation philosophy could help make the District more competitive and improve retention.

Director Gleason asked if the median plus 10% would help retain staff.

Ms. Basnight concurred and stated that the Compensation Philosophy can help keep staff longer and attract other talent.

Director Holman asked about the implications of moving to median plus 10% as it pertains to the comparable agencies.

Mr. Jaskulak noted that the workforces of some comparator agencies are much larger, and unlike those agencies, the District is not trying to move the overall market trend but rather make adjustments sufficient to attract and retain employees. He also emphasized the District's unique single-mission focus, which draws people to work at the District.

Director Gleason suggested including the number of comparable positions within other agencies and municipalities when staff presents to the full Board.

Mr. Jaskulak agreed and will include the numbers when presenting to the full Board.

Chair Riffle asked the Controller Mike Foster to provide his input on the financial impact of the proposal.

Mr. Foster explained that all of the District's existing and long-term plans are included in his 30-year financial model, which is regularly updated as new information becomes available. He stated that the General Fund revenue is strong enough in the model to cover all anticipated expenses, even with conservative projections. However, since the estimated cost of the new staff facilities has increased higher than forecasted, it has now cut down the approximately $40M dollars potentially available in the General Fund. He stated that he has added the additional salary costs of $2M dollars to his model, allocating $1M dollars in the first year and $500,000 each of the following two years. His resulting projections are very balanced, however, there will be no extra money remaining in the General Fund. He noted that he is satisfied, and it is completely affordable. He also believes that increasing the maximum salary is important as having the expanded career ladders to help retain staff.

Chair Riffle asked when the career ladder adjustments will be implemented.

Mr. Jaskulak responded that staff has already started to examine the career ladder adjustments but emphasized the need to approach it in phases. The current phase is focusing on reviewing the compensation philosophy and comparators, with the goal of completing this by the beginning of the next fiscal year. After that, the team will then begin working on the career ladders. He explained that addressing the career ladders will take time because the organization has different career progression structures across various departments. Each department and job series will be reviewed to determine where and how career ladders can be added.

Chair Riffle asked for clarification regarding a question raised by staff about longevity benefits if they promote or reclassify from a top tier classification.

Mr. Jaskulak explained District practice for promotions and reclassifications. Employees are eligible for longevity pay when they have been with the District for 10 or more years and when they are at the top step of their salary range. Both requirements must be met to receive the longevity pay.

Ms. Ruiz noted that longevity does not affect the base wage. She explained that if a position shifts and additional salary steps are added, the employee will benefit from an increased annual base wage, which can improve their retirement formula. Eventually, when the employee reaches the top step again, their longevity pay formula will also increase based on their new top base wage.

Chair Riffle asked staff to provide their input to ensure his clarity on the proposed changes to the wording on Board Policy 2.03 *Employee Compensation Guiding Principals* - guiding principal number 6 - where it states "To that end, the Board grants the General Manager authority to adjust base wages for a classification or classifications to allow for appropriate internal alignment between classifications so long as those wages are not below median plus ten percent of the comparator agencies."

Ms. Wolfe clarified the intent of the language is to provide the General Manager with the authority to make salary adjustments when conducting studies. If market data shows that certain positions are too close together in a career ladder, the General Manager would have the ability to adjust salaries to maintain internal alignment and prevent compression, without reducing any salaries below the new compensation philosophy target. Currently, the General Manager has the authority to make adjustments within a 5% range, but this may not be enough depending on the market data. The proposed language would allow for more flexibility to make those adjustments without needing to return to the Board each time.

Ms. Ruiz referred back to longevity pay to add that longevity pay was introduced not only because of tenure but also as a way to recognize that once employees reach the top step of the salary range, there are no further steps for them to advance. After that point, the only potential increase they can expect is an annual base wage adjustment, which may or may not be granted by the Board. The purpose of longevity pay was to provide an incentive for employees to stay beyond their top step, and she wanted to clarify that the two factors of tenure and reaching the top step are key for eligibility of longevity pay.

Chair Riffle asked how the District can adjust to be more proactive with how it reviews its compensation.

Mr. Jaskulak suggested that salary surveys, which are now planned every three years for the entire organization, would help identify any issue areas. These regular surveys would provide alerts if compensation or benefits need adjustments, offering a cue to reevaluate the philosophy or make salary changes as needed.

Ms. Basnight shared that the District is tracking key metrics such as vacancy rates, retention, and other factors as required by law. She emphasized that the team is closely monitoring retention rates and using environmental scans to stay aware of trends. Furthermore, she believes that these efforts, combined with the upcoming addition of career ladders, will make a significant positive impact on staffing and retention.

Public comment opened at 2:56 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 2:56 p.m.

Director Gleason thanked staff for their efforts in considering and bringing forward these proposals. He expressed his belief that the pay philosophy is on track and that the current proposal is a positive step forward. He also expressed eagerness for the upcoming career ladders discussion, noting that if there are opportunities to simplify or expedite the process, it would be great.

Director Holman concurred with Director Gleason comments. She moved the General Manager's recommendation and added that the presentation to the full Board include the number of comparable positions in other agencies and municipalities as stated by Director Gleason's comments in the earlier discussion.

Mr. Jaskulak agreed to provide the information in the Board presentation.

Motion: Director Holman moved, and Director Gleason seconded the motion to affirm, with any changes requested by the Action Plan and Budget Committee, that the recommended amendments to Board Policy 2.03 *Employee Compensation Guiding Principles* are ready to be forwarded to the full Board of Directors. In addition, that the presentation to the full Board include the number of comparable positions in other agencies and municipalities

ROLL CALL VOTE: 3-0-0

Chair Riffle inquired of his colleagues if they had any coaching for staff when this item goes back to the full Board.

Director Holman suggested having the same staff available to answer questions from the Board when this item is presented to the full the Board.

ADJOURNMENT

Chair Riffle adjourned the meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 2:59 p.m.

Stephanie Gross, Deputy District Clerk
Maria Soria, District Clerk