



Orange County Sanitation District

Administration Building
10844 Ellis Avenue
Fountain Valley, CA 92708
(714) 593-7433

BOARD OF DIRECTORS

Agenda Report

File #: 2020-1223

Agenda Date: 8/26/2020

Agenda Item No: 9.

FROM: David Shawver, Board Chairman

SUBJECT:

GENERAL MANAGER'S COMPENSATION AND BENEFITS

BOARD CHAIR'S RECOMMENDATION

RECOMMENDATION:

Approve a performance-based merit increase of 2.5% for the General Manager based on Fiscal Year 2019/2020 job performance, as authorized in Resolution No. OCSD 19-12.

BACKGROUND

The General Manager of the Orange County Sanitation District (Sanitation District) is employed on an At-Will basis and serves at the pleasure of the Board of Directors.

According to Section 6 of the General Manager's At-Will Employment Agreement, the "District's Steering Committee shall meet with the General Manager in August of each year during the term of this Agreement to review and evaluate his performance over the prior year. The Steering Committee shall make its recommendation(s) to the Board concerning adjustment to the compensation and/or benefits paid or provided to the General Manager, to be effective in July of the year of the review."

The General Manager is in the second year of a three year employment contract. In September 2019, the Sanitation District's Board adopted Resolution No. OCSD 19-12 entitled, "A Resolution of the Board of Directors of the Orange County Sanitation District approving salary increases and salary range adjustments for the General Manager for Fiscal Year 2019/2020, Fiscal Year 2020/2021, and Fiscal Year 2021/2022". The resolution authorizes the Board Chairperson to implement a 3% salary range adjustment and corresponding salary increase for each year of the contract years annually and allows for up to a 2.5% merit increase annually based on job performance as determined by the Board of Directors.

The Steering Committee reviewed the General Manager's job performance for Fiscal Year 2019/2020 in closed session in June 2020 and recommends that the Board approve the maximum amount of 2.5% for the General Manager's merit increase.

RELEVANT STANDARDS

- Offer competitive compensation and benefits
- Maintain positive employer-employee relations

- Cultivate a highly qualified, well-trained, and diverse workforce
- Comply with OCSD Policy (Policy 6.1 Appraisal of Performance) and the General Manager's At-Will Employment Agreement

PROBLEM

The General Manager's current salary market position is at the 67th percentile, below the Sanitation District's targeted 75th percentile for its overall market position. Also, salary market position for the General Manager could deteriorate if his salary were to remain static while comparison agencies provide increases. This potentially could put the Sanitation District at risk for retention of critical executive staff.

Additionally, compaction and internal alignment issues could arise if the General Manager's salary were to remain unchanged as other positions' salaries increase. Fiscal Year 2020/2021 salary increases for the Sanitation District's Executive Management and Managers took effect in July 2020 as approved by the Board in September 2019.

PROPOSED SOLUTION

Approve a performance-based merit increase of 2.5% for the General Manager based on Fiscal Year 2019/2020 job performance, as authorized in Resolution No. OCSD 19-12.

TIMING CONCERNS

In accordance with the General Manager's At-Will Employment Agreement, the Steering Committee shall meet with the General Manager every August to review and evaluate his performance over the prior year. The Steering Committee then reports out on the General Manager's performance evaluation and recommends for the Board's consideration any adjustment to compensation. The Board makes the final determination on the compensation payable to the General Manager, which becomes effective retroactively to the first pay period in July.

RAMIFICATIONS OF NOT TAKING ACTION

- Potential retention issue of highly skilled and experienced executive staff.
- Salary compaction issues between General Manager and Executives (direct reports).

PRIOR COMMITTEE/BOARD ACTIONS

July 2020 - Steering Committee and Board of Directors reviewed the General Manager's performance evaluation in closed session.

June 2020 - Steering Committee reviewed the General Manager's performance evaluation in closed session.

August 2019 - Board of Directors adopted Resolution No. OCSD 19-12, specifying annual salary range adjustments, corresponding salary increases, and maximum merit increase for the General Manager for Fiscal Years 2019/2020, 2020/2021, and 2021/2022.

ADDITIONAL INFORMATION

The agency's accomplishments during the past year include the following:

- Continuing to operate at a high level of organizational performance during the COVID-19 pandemic
- Achieving successful negotiation and implementation of nine (9) agreements with various other public agencies
- Maintaining the Sanitation District's AAA credit ratings
- Achieving the service level goal with no sewer spills this year
- Maintaining 100% compliance with its ocean discharge permit over a continuous seven-year period (a first for the Sanitation District)
- Having no sewer spills in the past year
- Achieving completion of six (6) safety improvement construction projects
- Meeting milestones to support the final expansion of the Groundwater Replenishment System (GWRS)
- Partnering with other organizations to address potential impacts of emerging contaminants
- Completing the development of an Asset Management Plan
- Preparing a new two-year strategic plan
- Developing a physical security plan
- Submitting development plans for the new Headquarters for city review

CEQA

N/A

FINANCIAL CONSIDERATIONS

This item has been budgeted.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- Resolution No. OCSD 19-12
- General Manager Salary Schedules (FY 2019/2020 to FY 2021/2022)
- At-Will Employment Agreement, James D. Herberg (Effective 7/1/19)