

STEERING COMMITTEE

Agenda Report

File #: 2021-1801

Agenda Date: 8/25/2021

Agenda Item No: 3.

FROM: John B. Withers, Board Chairman

SUBJECT:

GENERAL MANAGER'S COMPENSATION AND BENEFITS

BOARD CHAIR'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve a performance-based non-base building lump sum merit payment of 2.5% for the General Manager based on Fiscal Year 2020/2021 job performance, as authorized in Resolution No. OCSD 19-12.

BACKGROUND

The General Manager of the Orange County Sanitation District (OC San) 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 third year of a three-year employment contract. In September 2019, OC San's Board of Directors 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 2020/2021 in closed session in June and July 2021 and recommends that the Board of Directors approve a non-base building lump sum merit payment in the amount of 2.5% for the General Manager.

RELEVANT STANDARDS

- Offer competitive compensation and benefits

- Maintain positive employer-employee relations
- Cultivate a highly qualified, well-trained, and diverse workforce
- Comply with OC San 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 81st percentile, slightly above OC San's targeted 75th percentile for its overall market position. Therefore, the Steering Committee recommends a one-time lump sum merit payment of 2.5% rather than a base-building salary increase to avoid outpacing the comparison agencies. The merit payment is intended to recognize the General Manager's excellent performance over the past fiscal year during the pandemic crisis and to help retain OC San's top executive.

Fiscal Year 2021/2022 salary increases for OC San's Executive Management and Managers took effect in July 2021 as approved by the Board of Directors in September 2019. With these increases, the General Manager's salary would be 8.4% above his highest paid direct reports for FY 2021/2022.

PROPOSED SOLUTION

Approve a performance-based non-base building lump sum merit payment of 2.5% for the General Manager based on Fiscal Year 2020/2021 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 annually 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 and salary compaction issues between General Manager and Executives (direct reports).

PRIOR COMMITTEE/BOARD ACTIONS

June & July 2021 - Steering Committee reviewed the General Manager's performance evaluation in closed session.

September 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 six (6) agreements with various other public agencies, including agreement for the construction of the Headquarters Complex with the City of Fountain Valley
- Maintaining OC San's AAA credit ratings
- Achieving the service level goal of no more than 2.3 spills per 100 miles with three (3) sewer spills equating to 0.26 per 100 miles this year
- Maintaining 100% compliance with its ocean discharge permit over a continuous eight-year period (a first for OC San)
- Updating the Asset Management Plan with asset inventory, condition, and performance; and an updated implementation plan
- Executing a contingency biosolids disposal agreement for emergencies
- Maintaining focus on preparedness, contingency planning, rules and regulations, and healthy working relationships internally and externally to lead the agency during the pandemic crisis and recovery
- Engaged with the Board to develop the strategic plan update to ensure that the General Manager's goals align with the Board's policy direction and priorities
- Maintaining major projects on track, including Headquarters Complex, GWRS Expansion projects, Plant No. 1 Headworks Rehabilitation, and Seal Beach Force Main Replacement
- Preparing and submitting the Cal/OSHA Voluntary Protection Program (VPP) safety application, with eligibility achieved based on OC San's accident rate below the industry benchmark

CEQA

N/A

FINANCIAL CONSIDERATIONS

This item has been budgeted.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) 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 (eff. 7/1/19)