

Agenda Report

File #: 2019-593, **Version:** 1

FROM: David Shawver, Board Chairman

SUBJECT:

GENERAL MANAGER'S COMPENSATION AND BENEFITS

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Adopt 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", authorizing the Board Chair to implement increases consisting of a 3% salary range adjustment and corresponding salary increase annually and up to a 2.5% merit increase annually based on job performance as determined by the Board of Directors commencing in the first pay period of July 2019 for Fiscal Year 2019/2020.

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 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 Sanitation District's Board of Directors has taken action in recent years to attract and retain critical executive- and management-level employees, ensuring compensation and benefits are competitive with the labor market.

The General Manager's salary market position in 2016 was extremely low when compared to the Sanitation District's comparison agencies. Salary market position for the Sanitation District's General Manager was at the 7th percentile in 2016 compared with the Sanitation District's comparison agencies. Board actions in the past two (2) years have significantly improved this issue.

Salary increases and benefits package additions in the most recent employment contract have placed the Sanitation District's General Manager at the 68th percentile in salary as of July 2019.

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 68th percentile. The Sanitation District targets the 75th percentile for its overall market position and the General Manager's compensation currently falls below that mark. Additionally, salary market position for the General Manager could deteriorate if the salary range were to remain static while comparison agencies provide salary increases. This could potentially put the Sanitation District at risk for retention of executive staff.

Also, Fiscal Year 2019/2020 increases for the Sanitation District's executive management and managers are currently under consideration. Salary compaction and internal alignment issues could arise in the future if the General Manager's salary range were to remain unchanged as other positions' salaries increase.

PROPOSED SOLUTION

Adopt 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 proposed salary increases annually for three years consist of a 3% salary range adjustment and corresponding salary increase and up to a 2.5% merit increase each fiscal year based on job performance as determined by the Board of Directors. This is projected to move the General Manager's market position to the 75th percentile in salary by June 2022.

The Sanitation District is committed to maintaining a competitive compensation market position that attracts and retains top employment talent. It is the Sanitation District's philosophy to compensate employees competitively and equitably; understanding the relative market position assists with that determination.

RAMIFICATIONS OF NOT TAKING ACTION

Potential retention issue of highly skilled and experienced executive staff.

PRIOR COMMITTEE/BOARD ACTIONS

June 2019 - Steering Committee conducted the annual performance evaluation of the General Manager for Fiscal Year 2018/2019 in closed session.

July 2017 - Steering Committee conducted the annual performance evaluation of the General

Manager for Fiscal Year 2016/2017 in closed session. Resolution No. OCSD 16-29 included direction on adjustments to the compensation for Fiscal Year 2017/2018; no further Board action was needed to implement.

November 2016 - Approved Resolution No. OCSD 16-29, which authorized adjustments to the General Manager's compensation and benefits for Fiscal Year 2016/2017 and Fiscal Year 2017/2018, specifically a base building salary increase and a salary range adjustment of 8.0% in July 2016 and a base building salary increase and a salary range adjustment of 8% in July 2017, respectively.

ADDITIONAL INFORMATION

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

- Achieving successful negotiation and implementation of eleven agreements with various other public agencies
- Reaffirming the Sanitation District's AAA credit ratings
- Achieving the service level goal with only one sewer spill in over two years
- Maintaining 100% compliance with its ocean discharge permit over a continuous six-year period (a first for the Sanitation District)
- Addressing potential air quality permit violations
- Commissioning new dewatering facilities
- Making progress toward Cal OSHA VPP safety program certification

CEQA

N/A

FINANCIAL CONSIDERATIONS

The total salary cost increase is not to exceed \$99,340 for the three-year period. Compensation and benefits costs, including impacts to existing benefits, are not to exceed a total amount of \$111,202.

ATTACHMENT

The following attachment(s) are included in hard copy and may also be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- Resolution No. OCSD 19-12
- General Manager's Current & Proposed Salary Schedule
- General Manager's At-Will Employment Agreement