

Section	<b>HR-6 Human Resources</b>	Approval Date	<b>9/13/17</b>
Policy	<b>HR-6.5 Employee Compensation Policy</b>	Latest Revision	<b>8/28/19</b>

## HR-6.5 Employee Compensation Policy

### 6.5.1 Compensation Philosophy

It is the intention of the District to recruit and retain talented, results-driven employees to support the District’s mission, values and goals. A compensation program is necessary to provide each employee with fair and equitable compensation for the skills the employee brings to the District and the position in which they serve. In order to provide each employee with fair and equitable compensation, the District has developed a systematic method to establish and maintain a compensation program by defining the process and clarifying the role and responsibility of the General Manager in that process. Pursuant to California Government Code section 61051(d) and 61060(f), the General Manager has the responsibility to determine the compensation of employees subject to approval by the Board as given during the annual budget process.

### 6.5.2 Process

To ensure consistency in setting compensation, it is necessary to compare the District to other survey agencies in the appropriate labor market. In order to achieve that goal, the District will conduct a compensation survey with oversight and approval by the Personnel Committee at regular intervals (approximately every four years or sooner as deemed necessary or as directed by the Board). Following the methodology prescribed below, the standard process will consist of:

- Selection of a study lead (consultant, agency, staff member, etc.);
- Determination of classes to be surveyed (or all as required);
- Prepare survey criteria and contact survey agencies;
- Collect, analyze and determine comparability of survey data; and
- Present recommendations of study lead.
- Recommendations will be evaluated and implemented at the Board of Directors’ discretion, taking to account the District’s standard methodology criteria as outlined in section 6.5.3.

### 6.5.3 Survey Agencies

To ensure consistency from one compensation survey to another the District will utilize the following survey agencies:

Carmichael Water District  
Citrus Heights Water District  
City of Fairfield

Elk Grove Water District  
Fair Oaks Water District  
Placer County Water Agency

City of Folsom  
City of Roseville  
City of Vallejo  
El Dorado Irrigation District

Sacramento County  
Sacramento Suburban Water District  
South San Joaquin Irrigation District  
Stockton East Water District

#### 6.5.4 Methodology

- In order to maintain a fair and equitable compensation program, the District has established a standard methodology to be used in conducting compensation studies. Total compensation program includes: base salary; longevity and other specialized pay (such as, but not limited to auto allowance and incentives); District contribution towards health, dental, or vision insurance(s); and District payment of employee retirement or deferred compensation contribution. In addition, studies may include life insurance, short and long term disability, retirement formula, paid time off (holidays, vacation, sick and administrative leave) and training/educational programs. The total compensation program will be used when comparing the District's pay level to survey agencies as described below, which may include public and private sector when data is available. The intent of utilizing total compensation is to determine modifications other than salary which may be determined necessary.
- Survey agencies will include those providing similar services of similar size (number of employees, connections, population and budget) or otherwise deemed to be comparable within a radius identified based on position to the extent possible.
- Cost of living differences between surveyed agencies and the Sacramento Metropolitan Area will be evaluated to determine if significant wage differences require an adjustment to the data.
- Upon review of the survey results, the Board will determine the desirable labor market position of the top of the range. The target position will be at least equal to market median as calculated in the survey.

#### 6.5.5 Authority and Responsibility

The General Manager (or his/her designee) is responsible for preparing a compensation budget in accordance with this Policy, as well as all applicable District Policies, which will be included as part of the annual budget review process. The General Manager will have the authority to fix and alter employee compensation in accordance with the intent of this policy and within the budgetary guidelines approved by the Board of Directors.

The General Manager may change or alter the compensation budget during the year by either: 1) requesting the Board of Directors to authorize the General Manager to make such changes at budget adoption; or 2) submitting an amended compensation budget, explaining reasons and recommendations for the change, and receiving Board approval for the change.

The General Manager will have full operational authority to implement this policy up to the limits of the approved compensation budget, which includes:

- Determining staffing requirements, titles, positions, responsibilities and organization structure. All new positions require Board approval.
- Recommending pay/salary ranges and/or total compensation to the Board for approval

- Setting goals and conducting performance reviews.
- Establishing annual pay/salary adjustments, including annual merit increases and cost-of-living adjustments (COLA) in accordance with section 6.5.7 of this policy.
- Implementing and managing Board approved incentive pay programs.
- Creating programs for position upgrades and special assignments.
- Providing pay/salary and benefit benchmarking information and studies for Board review.

The General Manager will ensure the equitable and uniform implementation of this policy including reporting to the Board at least annually, typically during the budget process.

The Board of Directors is responsible for reviewing the compensation budget as part of the District's annual budget and has the authority to consider, amend as needed, and approve that budget.

### 6.5.6 Salary Ranges

The District has established pay ranges for the various job classifications of employees. In doing this, several factors were considered, including the prevailing rates for similar positions in other water districts, the level of responsibility, technical qualifications and the relative degree of interaction/decision-making. Employee salary ranges may be changed from time to time by the Board of Directors.

### 6.5.7 Step Increases

Each position at the District has a salary range. The low end of the range is designed to correspond to an apprentice level for the position. The high end of the range is designed to correspond to a journey level for the position. An employee progresses through the salary range based on their performance in the position.

When an employee is not at the top of their salary range, they are eligible for a step increase. The amount of the step increase is based on their performance the previous 12 months. Any step increase applied to an employee's salary increases the base salary amount for that employee.

Step increases are provided to eligible employees during the first full pay period in February. Those employees that are paid at the top of their salary range are not eligible for any salary step increases.

### 6.5.8 Anti-Spiking Policy Related to Salaries

The intent of the Board of Directors is to reduce the possibility of increasing the retirement liability of the District, as well as forbid the policy of spiking salaries for the purpose of increasing retirement. The Board of Directors recognizes the benefits of allowing the General Manager the authority to award step increases based on actual work performance and merit. The Board further desires to keep employee salaries at pace with inflation.

The assumptions used by CalPERS in calculating the actuarial projections in retirement costs includes a component related to the amount of increase in salary each employee will receive. The assumptions are based on the age of employee, and number of years of service. Each year, the actuarial valuation is

updated using actual salary costs, so the actuarial assumptions are not interdependent from year to year. The CalPERS table will be used to calculate the assumed base salary increase for each employee. This will form the proposed compensation budget, and will ensure that salary increases do not exceed those assumed by CalPERS

The General Manager has the authority to determine the specific advancement within the salary range for each employee, and to determine and award an Annual Cost of Living Adjustment (generally based on the CPI West index) under the condition that the total increase for all employees does not exceed the total assumed increase used by CalPERS. Upon Board approval of the budget, the General Manager has the authority to award a combination of merit and COLA increases within the total amount of the compensation budget. Should the total increase in payroll costs for recommended step increases exceed the estimated assumed merit increase used by CalPERS, the General Manager will obtain Board approval prior to implementation.

Any COLA awarded will be effective as of July 1<sup>st</sup> of the new fiscal year.

**Revision History:**

Revision Date	Description of Changes	Requested By
8/28/19	Added section 6.5.3 Survey Agencies and renumbered sections accordingly; changed Section 6.5.4 "average" to "median" in last bullet; and Section 6.5.8 moved paragraph 2 to 1, added last sentence in paragraph 2, and changed last sentence to reflect COLA effective date.	Donna Silva, Finance Director