Draft #1

Ad Hoc Committee on the Board of Supervisors Compensation Report

Summary of Report of the Ad Hoc Committee on Board of Supervisors Compensation (Scenario A)

RECOMMENDATIONS

1) Adjust the Board of Supervisors' base salary by 7% spread over two years. This represents an increase of close to 18% over June 1, 2013 base salary levels when taking into account the Board's temporary voluntary waiver of 2.75%. Make no other salary adjustment until July 1, 2018 except taking any proportional reduction to correspond to any general salary reduction under the "share the pain" principle.

2) Eliminate either the car allowance ($7,200 per year) or the per-mile reimbursement allowance. No other peer county provides both allowances. If the Board chooses to eliminate the per-mileage reimbursement, we believe that an exception can be made for out-of-Bay Area travel. A Countywide policy should be reviewed on this issue.

3) Establish an ongoing salary review committee, very much like this Ad Hoc Committee, to review future elected official salary adjustments. This Committee ought to review and consider adopting a review methodology that includes quantifying annual compensation and factoring in cost of living differentials if peer county review is undertaken.

FISCAL IMPACT

(Staff will identify the fiscal impact once the Committee determines its final recommendations.)

EXECUTIVE SUMMARY

This Committee has worked to quantify annual compensation as opposed to limiting its review to just base salary data. (The Committee's analysis has taken in consideration that some counties are more or less generous with benefits than Contra Costa County.) In addition, we have worked to correct the external influence of geographic differences in cost of living between Contra Costa and its peer counties. This, too, has been taken into consideration in comparing compensation among peer counties.

This Committee has met 8 times and has reviewed over 500 pages of documentation. (Agendas, Record of Action notes, and background materials are all available at:

http://64.166.146.155/agenda_publish.cfm?

Attachment A to this Summary Report shows our calculation of Adjusted Annual Compensation for peer counties and a cost of living adjustment factor for those counties. (This is further explained on page XXX in the body of the report).

Attachment B to this Summary Report shows the Total Annual Compensation, COL Adjusted from the figures found on Attachment A, and ranked by average and incremental percentile comparisons for peer counties.

Attachment C to this Summary Report shows the implementation of the proposed salary in increments. This shows the incremental salary percentage against base salary and how it impacts Annual Total Payroll Costs.

Scenario B

1) Adjust the Board of Supervisors' base salary by 7% spread over three years. This represents an increase of close to 18% over June 1, 2013 base salary levels when taking into account the Board's temporary voluntary waiver of 2.75%. Make no other salary adjustment until July 1, 2019 except taking any proportional reduction to correspond to any general salary reduction under the "share the pain" principle.

Scenario C

1) Adjust the Board of Supervisors' base salary by 12% spread over three years. This represents an increase of close to 23% over the June 1, 2013 base salary levels when taking into account the Board's temporary voluntary waiver of 2.75%. Make no other salary adjustment until July 1, 2019 except taking any proportional reduction to correspond to any general salary reduction under the "share the pain" principle.

Scenario D

1) Adjust the Board of Supervisors' base salary by 12% spread over four years. This represents an increase of close to 23% over the June 1, 2013 base salary levels when taking into account the Board's temporary voluntary waiver of 2.75%. Make no other salary adjustment until July 1, 2020 except taking any proportional reduction to correspond to any general salary reduction under the "share the pain" principle.

BACKGROUND

The County Administrator invited the following organizations to nominate a member to the Ad Hoc Committee on Board of Supervisors Compensation: East Bay Leadership Council (Rick Wise, selected as Chair); Contra Costa Taxpayers' Association (Margaret Eychner, selected as Vice Chair); Contra Costa Civil Grand Jury Member (Michael Moore, selected as Secretary); Central Labor Council of Contra Costa County (Margaret Hanlon-Gradie); and Contra Costa Human Services Alliance (Stuart McCullough). This Committee met on April 9, April 16, April 23, May 7, May 12, May 28, June 11, and June 18, 2015.

A more detailed discussion on the progression towards this final recommendation follows in the remainder of this report to the Board.

This Committee was asked to (a) review the compensation of the Board of Supervisors; (b) recommend any adjustment to the compensation; (c) recommend a methodology and process by which any future increases would occur; and (d) prepare recommendations in time for consideration by the Board of Supervisors at its July 7, 2015 meeting.

On the face of it, if one only looks at base salary for members of the respective boards of supervisors in the nine Bay Area counties, the Contra Costa County Board of Supervisors' salary appears to be well below average (see Attachment "A"). However, early on, this Committee concluded that such a review (whether comparing Bay Area salaries or that of the Urban Counties in the State) should be based on total compensation, not just on base salary data. Our review indicated that the benefits accruing to members of the Board in Contra Costa County are more generous than those of many of the peer counties. While quantifying total compensation is not a precise science, we believed that looking at total compensation for comparable counties merited further investigation.

To start our review, the Committee identified five guiding principles in our pursuit of a salary review.

1) The salary must be fair and equitable.

2) Salary should be high enough to attract good candidates and not be should not be a barrier to service.

3) A process should be designed to de-politicize the salary setting effort.

4) The salary setting mechanism should be designed to "share the pain" when budget considerations require reductions.

5) Any major adjustment in salary should be phased in over time.

<u>Compensation Model</u>

During our first two meetings, the Committee debated whether Members of the Board should receive a salary with benefits like County employees or simply receive only a salary. In addition, the question arose as to whether the office of County Supervisor should be considered as full- or part-time. Additionally, there were discussions about pegging the Board's salary to another position, like that of Superior Court Judge, State legislator, or a County executive.

If one considers a member of the Board as being like an employee, i.e. granted a salary with benefits, this places the Board Member into a potential conflict of interest (i.e. giving themselves benefits that they have bargained with employee labor groups). Conversely, it was argued that by having the same benefits as their employees, Board Members would understand how it feels to live within those benefits. Concerning full- versus part-time status, given that the complex day-to-day operations of the County are vested with the County Administrator, nonetheless, the position of member of the Board of

Supervisors is a complex and challenging job. The Committee, therefore, considers the elected office of County Supervisor/Board of Supervisors Member to be full-time.

We also discussed the merits of having members of the Board receive only a salary with no added benefits. However, we did not find a model for treating a Member of the Board as having only a salary. Regarding the option of pegging the salary to another position, e.g., a Superior Court Judge, we concluded that pegging the salary to an arbitrary position, such as Superior Court Judge, did not make sense, as there is no nexus in job responsibilities.

There was a general discussion about retaining Board Members. It was felt that although the position is full-time, there was not consensus that the salary should be designed to attract a career politician. While the Committee acknowledged that special knowledge, some gained while serving, is required for Board Members, the consensus of the Committee was that the election cycle is designed to address issues of retention and, likewise, of job performance. The Committee consensus was to determine a salary for the position and its job description, rather than to address performance and retention.

<u>Who Should Determine the Board's Compensation?</u>

The Committee recommends that a Salary Commission be established to address future salary adjustments (up or down). While there are relatively few examples of Salary Commissions in the field of Boards of Supervisors, we note that the San Francisco model addressed our five guiding principles, including: setting a fair and equitable salary; addressing salary levels to attract good candidates; removing the salary setting process from the political agenda; providing that the Board "share the pain" during downturns in the county budget; and allowing for incremental adjustments when warranted.

A further investigation identified the following salary commissions: San Francisco (set by charter amendment November 5, 2002); the California Citizens' Compensation Commission (established by Proposition 112, June 1990 statewide ballot); and that of Multnomah County, Oregon (established by Charter Amendment in 1984).

In the California examples, there were statutory provisions for giving the salary commission actual salary setting authority, something that apparently is not available in Contra Costa County. The Contra Costa County Board of Supervisors could legislate that authority to an independent commission but it cannot bind its successors to uphold that authority into perpetuity. Nevertheless, Committee members believe that the advantage of an impartial review of Board compensation will provide sufficient incentive to maintain the practice.

It should be noted that the two California Salary Commissions have granted pay increases and also pay decreases during hard times. We also note that several counties, including those with Salary Commissions, include a Cost of Living adjustment periodically. We make no recommendations on this aspect as it is not currently granted to employee bargaining units.

<u>Elements of Compensation for Comparison</u>

We began our research by agreeing that we would use the nine Bay Area Counties as the basis for any comparison and, that we would try to quantify total compensation for any such comparison. Early on, by using size and complexity, we agreed to compare Contra Costa to Alameda and San Mateo Counties[1] (see Chart “H”). We arrived at this conclusion after reviewing population, budget, number of employees, and general complexity of service, such as having a county hospital, of the nine Bay Area Counties. Over several meetings, staff worked to quantify total compensation for each of the three counties. It appeared to us that Contra Costa was more generous with its benefits granted to Board Members than the other two counties, but the other two counties had significantly higher base salaries. The Committee determined that total contribution to pension by the County was not a true measure of employee benefit because a county’s contribution rate is heavily influenced by the general health of a county’s retirement system. County retirement systems that have higher levels of unfunded accrued actuarial liabilities and/or who carry pension debt will necessarily have higher contribution rates. Higher contribution rates do not necessarily translate to better employee retirement benefits.

Pension issues were difficult to compare. The Committee chose to use only a county’s contribution to the Normal Basic rate plus COLA. In Contra Costa, that figure is 14.99% for General Tier 3 w/o POB. (Actual retirement contribution by the County is 36%, which includes payment for Pension Obligation Bonds, and for paying down unfunded liabilities.)

To determine "Total Estimated Annual Compensation", staff added to the "Annual Base Salary" the following elements of compensation:

- County Pension Contribution Based on Normal Cost Only
- County Health/Dental Contribution for Kaiser Single Coverage
- Pension enhancement/Deferred Compensation
- Auto allowance
- Other (in Contra Costa County, this is professional development allowance)

It should be noted that statutory benefits, e.g., unemployment insurance, workers compensation, social security and Medicare were excluded from Total Estimated Annual Compensation. In addition, as noted previously, only the County’s contribution to the normal cost of the pension (14.99%) was included for comparison purposes (even though actual retirement costs are 36% of salary) and again for comparison purposes, only Kaiser Single Coverage plus Dental contributions were used for County Health/Dental. (For actual total salary impact on the County Budget, see attachment XXX.)

At our second meeting, the Committee asked staff to quantify any additional income available to the Board to try to determine total compensation. Specifically, staff was asked to quantify stipends for the various boards and commissions assigned to Board Members. California Form 806 (Agency Report of Public Official Appointments), which is to be filed yearly, showed the Board assignments and the yearly reimbursement if all meetings are attended. According to the latest filing for Contra Costa County (2-10-15), Board Members average a maximum yearly stipend of $7,500 (see Attachment x). The following is

[1] *During our review of Board salaries, we noted that the 7% adjustment for the Board effective 6/1/15 is on top of a restoration of the 2.75% voluntary reduction that was taken by the Board, which is not the case for any other group or bargaining unit. The current effective increase over the Board’s actual June 1, 2013 salary amounts to a 9.75% increase. This is factored into the Committee’s recommendation.*

the total available for each Board Member assuming they attend every meeting in 2015: Gioia, $3,600; Andersen, $7,800; Piepho, $7,440; Mitchoff, $9,300; and Glover, $9,240. It should also be noted that these assignments can rotate yearly.

A review of similar Form 806 for peer counties does not provide complete data. It is evident that urban counties are likely to have more boards and commissions than other peer counties. For example, in addition to many local boards and commissions, the Bay Area has several "regional" boards including ABAG (Association of Bay Area Counties); BAAQMD (Bar Area Air Quality Management District); BCDC (Bay Conservation and Development Commission); MTC (Metropolitan Transportation Commission); etc. The Committee considers the stipends for Members of the Board to be significant. However, the Committee chose to exclude stipends from the compensation review because precise data was not readily available from the peer counties.

<u>Adjusting Compensation for Geographic Differences in Cost of Living: Expanding the Peer County Base</u>

The Committee also considered simpler salary setting methodologies such as taking the nine Bay Area counties, disregarding out the lowest and highest salaries, and setting the Board's salary at the average of the remaining salaries or, alternatively, summing the two highest and two lowest salaries and dividing by four. A quick calculation indicated that the current base salary for the Board was almost 16% below the average of the nine Bay Area counties. This begged the question before the Committee, how do we quantify total compensation for peer counties and what does it really mean in terms of this County's compensation?

At our third meeting, staff had found a similar salary review ad hoc committee effort that was just concluded in Santa Barbara County. This effort was directed by the County HR staff and included six members of the public. That Committee identified nine peer counties for review. After eliminating the highest and lowest salary counties, seven peer counties remained for comparison. That Committee then factored in the difference in the cost of living between Santa Barbara County and its seven peers using a Cost of Living Composite Index from RelocationEssentials.com, a private entity. (See Attachment x)

The Cost of Living Composite Index at RelocationEssentials.com represents the differences in the price of goods and services for the subject market(s). The Composite Index is made up of six universally accepted major categories. The six categories, shown with their percentage representation are: Food & Groceries (16%), Housing (28%), Utilities (8%), Transportation (10%), Health Care (5%), and Miscellaneous (33%).

The check the veracity of the data at RelocationEssentials.com, we compared the Median Household Income reported by RelocationEssentials.com with that of the U.S. Census for 2013 for the selected peer counties and found them to be consistent.

The Cost of Living Composite Index gave our Committee the tool (in theory) to make meaningful compensation comparisons between Contra Costa County and "peer" counties both within and outside the Bay Area. Clearly, there is a significant difference in the cost of living and, thus, the salaries between Contra Costa and San Mateo Counties, for example, even though both are Bay Area counties. After reviewing Santa Barbara's methodology, we chose to expand our peer county base. Using county population, unincorporated county population, and budget, and giving preference to the most comparable Bay Area counties, we selected the following counties as "peer counties" (See attachment x):

- Alameda (4 criteria)
- San Mateo (4 criteria)
- Sacramento (2 criteria)
- Fresno (2 criteria)
- Kern (2 criteria)
- Ventura (2 criteria)
- Sonoma (2 criteria)
- San Francisco (2 criteria)

Peer County Comparison

Adjusting the Total Estimated Annual Compensation for the peer counties by the Cost of Living Composite Index, we arrived at an "Adjusted Annual Compensation" for peer county comparison (see chart titled: "Contra Costa County Comparison of Total Compensation to Peer Counties", attached as ____________). We also gathered data to compare other elements of compensation that did not lend themselves to being included in Total Estimated Annual Compensation but are nonetheless significant elements. For example, we estimated what the annual retirement benefit would be for a board member in each county based on their pension benefit formula at a retirement age of 55 with eight years of service (two elective terms of office) at Contra Costa's salary plus cash benefits. Contra Costa is right at the average for peer counties.

Using the adjusted compensation for each peer county, we prepared scenarios that calculated average compensation and compensation calculated at the 25th, 37.5th, 50th (median), and 75th percentiles.

Guiding Principles for the Committee's Analysis and Recommendations

By the fourth meeting (May 7, 2015), the Committee established the following points of consensus:

1) The job of County Supervisor should be compensated as a full time job.

2) The salary should not be tied to a judge or any position not related or comparable to a County Supervisor.

3) The salary should not be tied to another County job classification.

4) An independent commission should review the Board's salary at regular intervals.

5) The Board's salary should b e based on the duties and responsibilities of the position rather than on performance of the official (performance to be decided by the electorate).

6) While salary is not the guiding factor for Supervisorial candidates, it should not be so low as to be a barrier to public service and should be high enough to attract good candidates.

7) The methodology for future salary setting should embody the leadership principles of sharing the pain during tough times.

8) The methodology for future salary setting should attempt to de-politicize the determination of Board compensation.

9) The following counties should be used for comparison, on the basis of general population, unincorporated area population, and budget: Alameda, San Mateo, Sacramento, Fresno, Kern, Ventura, Sonoma, and San Francisco.

10) Compensation for other counties should be corrected for geographical cost of living differences.

11) The following elements of compensation should be included; however this may change as the data is refined: base salary, county normal contribution to pension, estimated annual pension benefit at 55 with 8 years of service, county contribution to health/dental coverage, deferred compensation or like benefit, auto allowance, any other case benefit. Retiree health and life insurance will be excluded but may be considered on a qualitative basis.

12) A commission should review the Board's salary every three years.

13) No automatic salary escalator, such as CPI or general employee wage increase, should be applied between BOS salary reviews.

At the Committee's fifth meeting (May 12, 2015), the Committee added:

14) Compensation for other counties should be corrected for geographic cost of living differences.

15) The Board should be paid at a percentile of market commensurate with County employees, provided there is meaningful data available for such a comparison.

Points left to be decided included:

- On what factors should the compensation comparison be based: salary, salary plus cash benefits, or an estimate of total compensation (which may involve subjective assumptions?
- At what percent of median/percentile should the BOS salary/compensation be placed?
- Should any of the current cash benefits be eliminated and/or rolled into the base salary?
- Whatever the final outcome of the analysis, should the next adjustment be phased in over time or applied all at once? And if phased in, on what schedule?