



## MEMORANDUM

TO: SLDMWA Finance and Administration Committee

FROM: Pablo Arroyave, Chief Operating Officer

DATE: January 11, 2021

RE: Changes to Proposed FY22 Operations & Maintenance (O&M) and Activity Budget Based on Salary Survey

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### BACKGROUND

The Authority's three (3) step salary structure was established mid-1998. Since the time of establishment, there have been no changes to the salary structure. For all employees except at-will employees, new employees start at Step I (15% below maximum salary). After successful completion of a probationary period (currently 12-months), the employee moves to Step II (5% increase over Step I and 10% below Step III), after 2 years of satisfactory performance at Step II and having met all of the criteria for the critical skills of the job classification, employees graduate to Step III, or the maximum salary of the job classification. Step III (maximum) salaries are based on "average mean maximum" salaries from salary survey results. Any employee on written warning may be ineligible for step increases and/or promotion.

Annual salary adjustments are based on recommendations by both the Finance and Administration Committee and the Board of Directors. Salary adjustment recommendations are also based on different factors which include:

- Salary surveys conducted every three (3) years of a pre-designated list of member and/or like agencies;
- A significant increase or decrease in job scope or responsibilities which may warrant a change in job classification;
- The Pacific Cities-West Consumer Price Index, during the intervening years;
- The economic condition of the Authority and its member agencies; or
- Satisfactory job performance.

This year, by recommendation of the Finance and Administration Committee and the Board of Directors, a salary survey was conducted by a professional consultant as opposed to an in-house survey. A placeholder of 3% was included in the draft FY 2022 Operations & Maintenance (O&M) and Activity budget for salary adjustments.

## **RECOMMENDATION**

Staff recommends the Finance and Administration Committee recommend to the Board that the \$306,444.88 equivalent to a 3% increase be included in the FY 22 O&M and Activity budgets as already drafted, but that this amount be redistributed in accordance with Committee guidance. Distribution of the \$306,444.88 will be discussed with the Committee and will take into account the results of the salary survey, the Pacific Cities-West Consumer Price Index, and other relevant factors.

In addition, staff seeks direction to move from the current three (3) step salary structure to a multi-year implementation of a five (5) step salary structure in order to maintain equity within the current labor market and to maintain the morale of existing employees.

## **ANALYSIS**

The Authority solicited consultants for a professional salary survey through the RFP process in March, 2020. Koff and Associates was selected as the consultant for the professional salary survey.

Koff and Associates conducted a professional salary survey using a “cost of labor only” factor. Benefits were not included in this survey, as an in-house benefit survey was conducted among the member agencies during the summer of 2019 and recommended benefit enhancements<sup>1</sup> were approved by the Board of Directors in September, 2019. The benefit enhancements approved in September included the addition of both the Martin Luther King, Jr. Day holiday and a floating holiday; an increase to the employee continuing education benefit from \$1,000 per year to \$3,000 per year; as well as a reorganization of the vacation accrual schedule which allowed employees to earn vacation time at a faster schedule than the schedule that was currently being used.

The salary survey focused on the monthly payments to 39 different positions. For a small number of positions, the survey indicated that the positions are currently paid at higher than market rate. However, these positions are crucial positions for which added incentives were required to recruit. For the majority of other positions included in the salary survey, the results indicated that the positions are currently paid below market rate, in some cases, more than 50% below market rate. It should be noted that the salary survey methodology focused on the top monthly salaries for each benchmark classification.

As noted in the recommendation above, for FY 22, staff recommends that the \$306,444.88 equivalent to a 3% increase be included in the FY 22 O&M and Activity budgets as already drafted, and that this amount be redistributed in accordance with Committee guidance.<sup>2</sup> If the

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<sup>1</sup> Memo to Board of Directors, September 5, 2019

<sup>2</sup> Note: Board action on Executive Compensation is expected to be agendaized for February 2021.

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Committee, and ultimately, the Board, agree with moving to a 5-step salary structure, that will also provide flexibility in FY 23 and beyond to provide greater increases to employees in below-market positions.