

# A G E N D A

## COMPENSATION COMMITTEE

MEETING OF  
WEDNESDAY, MAY 16, 2018, AT 1:30 P.M.  
BOARDROOM - GATEWAY

1. MEETING CALLED TO ORDER: Chair Steve Roath.
2. ROLL CALL: Roath, Birdsall, Brown, Kelso
3. APPROVAL OF REPORT OF April 5, 2018 (Attachment)
4. RESIDENTS' FORUM
5. STAFF REPORTS
  - a. March 2018 ECI
  - b. Variable compensation tool prototype
6. NEXT MEETING: To Be Determined
7. ADJOURN or RECESS

If an executive session is necessary, it will be announced during the regular meeting. Executive session topics are restricted to legal, personnel, and third-party contract matters.

Attachments as Noted

cc: GRF Board

COMPENSATION COMMITTEE REPORT  
MEETING OF  
WEDNESDAY, APRIL 5, 2018, AT 1:30 PM

A regular meeting of the Compensation Committee was convened by Chair Steve Roath, at 1:30 PM, in the Board Room at the Gateway complex.

Call to Order

Present, in addition to the Chair, were Committee members Birdsall and Brown; member Kelso attended via speaker phone. Also in attendance were Tim O'Keefe, CEO of GRF; Anthony W. Grafals, General Counsel and Director of Confidential Services; Rick Chakoff, Chief Financial Officer; and Judith Perkins, Sr. Manager Human Resources.

Attendance

The report of the Committee's meeting held on March 21, 2018 was reviewed and approved by the Committee as presented.

Report of  
March 21, 2018  
Approved

Resident Ken Haley was in attendance, and offered no remarks. Board President Geri Pyle joined the meeting as Old Business item 5 a) was presented.

Residents'  
Forum

As requested at the March 21, 2018 meeting, Grafals presented a Summary Report detailing his review of potential alternate indices for determining the percentage increase for the base wage adjustment funding. After a motion duly made, seconded and discussed, the Committee voted unanimously to recommend to the Board of Directors that the Board approve use of the Employment Cost Index (ECI) for private industry, in the San Francisco Bay Area, for the 12 month period ending March (available in late April/early May).

Old Business:  
a) Alternate  
Indices

Grafals then presented bar charts, also requested at the March 21, 2018 meeting, depicting the relative position of GRF wages for current positions within current and market wage bands. These or similar charts could be a useful tool for assessing the status of GRF pay ranges as compared to external market ranges.

b) Relative  
position of GRF  
jobs within  
market bands

In discussing the Compensation Management Structure (CMS), the appropriate positioning of individuals within their CMS range came up. The Committee agreed to defer to a future meeting a discussion of the relative placement of individual wages within the assigned band, as well as potential funding mechanisms to move individuals as appropriate within the bands. In addition, staff was asked to develop an estimate of the amount needed to move current employees to the mid-range of their market bands (i.e., 1.05% of the external market midpoint), for discussion by the Committee.

c)  
Compensation  
Management  
Structure

A motion was duly made, seconded and discussed regarding additional funding for appropriate movement of wages within the CMS bands. The Committee voted unanimously to recommend to the Board of Directors that a second funding pool for market adjustments to current wages, in addition to the base wage adjustment pool,

Compensation Committee  
April 5, 2018

be included in the 2019 budget.

Following a third motion duly made, seconded and discussed, the Committee voted 3-1 (Brown) to recommend to the Board of Directors that the 2019 budget include \$60,000 to fund the market adjustment pool. The Committee agreed that they hoped the Board of Directors would incorporate these recommendations in the Budget Principles used by Staff to develop the annual budget.

The Committee also briefly discussed the State-mandated increases in the minimum wage (\$1.00/hour increase effective 1/1/2019, and \$1.00/hour each year thereafter to \$15.00/hour) and the impact this has on recruiting, retention, and general employee wages; the duties and skill requirements for Custodian/AV Techs; the general description and duties of fitness trainers. No actions were needed or taken on these topics.

The next meeting of the Compensation Committee will be at 1:30 p.m. on Wednesday, May 16, 2018, in the Board Room at the Gateway Administration Building.

Next Meeting

The meeting was adjourned at 3:35 pm.

Recess or  
Adjournment

\_\_\_\_\_  
Steve Roath, Chair  
Compensation Committee

JP/m

Meeting Date: 5/16/2018

**SUMMARY REPORT  
GOLDEN RAIN FOUNDATION COMPENSATION COMMITTEE**

**REPORT PREPARED BY:** A GRAFALS, GENERAL COUNSEL, J PERKINS, SR. MANAGER HR

**REQUESTED ACTION/RECOMMENDATION:** NO ACTION REQUIRED

**BACKGROUND:**

At the April 5, 2018, meeting of the Compensation Committee, a motion passed unanimously to recommend to the Board of Directors that for the 2019 budget year, the Employment Cost Index (ECI) for private industry, in the San Francisco Bay Area, for the 12 month period ending March, be used to determine the base wage adjustment funding.

On April 27, 2018, the Bureau of Labor Statistics (BLS) released the March 2018 results. For private industry in the San Francisco Bay Area (San Jose-San Francisco-Oakland), the March 2018 percent change over the previous 12 months is 4.9. Table 13 from the BLS News Release is attached.

Based on the 2018 salary budget for GRF operations-budgeted employees, and applying the ECI index of 4.9%, the estimated wage increase cost for non-represented employees is \$255,000. The estimated wage increase cost for represented employees is \$122,000, for a total wage increase cost of \$377,000 (all numbers are rounded by the nearest \$1000).

Also at the April 5, 2018, meeting of the Compensation Committee, a motion passed unanimously to recommend to the Board of Directors that for the 2019 budget year, a market adjustment funding pool be established to allow for market adjustments to wages for non-represented employees funded by the GRF operations budget. A third motion, passed 3-1, recommended \$60,000 to fund market adjustments in 2019. This increases the non-represented employee wage increase cost to \$315,000, and the overall total to \$437,000.

**ATTACHMENTS:** BLS New Release, 4/27/18, page 21, Table 13.

<b>CRITERIA</b>	<b>Project:</b>
<b>Financial Impact</b>	<p>Base wage adjustment cost, non-represented: \$255,000  Base wage adjustment cost, represented: \$122,000  Total base wage adjustment cost: \$377,000</p> <p>Market adjustment pool as recommended: \$60,000  Base wage + market adjustment, non-represented: \$315,000  Total wage adjustment cost: \$437,000</p>
<b>Operational Efficiencies</b>	<p>Base wage adjustment allows GRF employees to maintain relative position within market.</p> <p>Market adjustment funding allows GRF managers to adjust wages as needed to reflect employee skills/value to the organization.</p>
<b>Dependencies</b>	Requires Board of Directors approval of ECI index, market adjustment fund, and recommended funding of market adjustment pool.
<b>Subsequent Actions</b>	Dependent on Committee action
<b>Alternatives/Options</b>	Use a different index; change market adjustment funding
<b>Time-Frame</b>	Recommendations are presented to Board of Directors at June or July 2018 meetings
<b>Advantages/Benefits</b>	Maintaining market parity in wages is a critical component in attracting and retaining effective employees
<b>Disadvantages/Risks</b>	Increases difficulty in attracting and retaining effective employees; can decrease current employee engagement and morale

Meeting Date: 5/16/2018

**SUMMARY REPORT  
GOLDEN RAIN FOUNDATION COMPENSATION COMMITTEE**

REPORT PREPARED BY: A GRAFALS, GENERAL COUNSEL, J PERKINS, SR. MANAGER HR

REQUESTED ACTION/RECOMMENDATION: NO ACTION REQUIRED

**BACKGROUND:**

At the April 5, 2018, meeting of the Compensation Committee, member Carl Brown volunteered to develop a software program that could possible assist staff in developing appropriate ranges for various positions at the Foundation. On May 8, Brown emailed a users' manual and the url, login and password to a trial copy of the program.

<b>CRITERIA</b>	Project:
Financial Impact	None
Operational Efficiencies	<u>Undetermined</u>
Dependencies	Undetermined
Subsequent Actions	<u>Undetermined</u>
Alternatives/Options	<u>Undetermined</u>
Time-Frame	<u>Undetermined</u>
Advantages/Benefits	<u>Undetermined</u>
Disadvantages/Risks	<u>Undetermined</u>

## TESTING RESULTS

### BACKGROUND:

This program was developed with the intention of assisting staff in determining an appropriate wage for each employee, within their band, and taking into consideration performance metrics, skills, seniority, etc., in keeping with the Foundation's Compensation Philosophy which speaks to competitive and above mid-point wages. The Compensation Management System (CMS) currently uses 0.9 of the market average to set the floor for a given position, and 1.2 of the market average or the 75<sup>th</sup> percentile, to set the cap.

For several years, wage increases did not match cost of living, which had the effect of moving employees lower in their respective bands, and if a particular segment of the market accelerated faster, employees in that segment could fall below the CMS wage floor.

The software is intended to help establish appropriate 'target' wages for various positions, which in turn will influence wage adjustments for those positions. In order to be effective, the system used must be accurate, easy to implement, administer, and maintain. It should also enable 'what if' scenarios, so that various changes and approaches can be trialed for effectiveness. In addition, because this system will deal with employee-specific information, it must protect employee privacy.

### TRIAL

Tony Grafals tested the software via the portal/login/password supplied by Brown. Grafals did this using the users' manual, a first trial of the required ease of use and understanding. The program appears functional, although without access to the underlying formulas there is no simple way to vouch for the accuracy of the calculations. In addition, there is no way to reconcile the program with our actual payroll data, or to make other changes that might be needed to comply with future Board directives.

### RESULTS

The trial was successful insofar as it could be checked without access to the underlying formulas, assumptions, and datasets. However, staff is able to do the same type of work using existing spreadsheets and actual payroll records, which provides a higher level of confidence in the accuracy. In addition, staff can currently download subsets of data into existing spreadsheet templates, which are easily manipulated for analysis, 'what if' scenarios, etc.

Staff also needs to be able to alter the formulas used in order to conform with changes required by future Boards, and need the ability to reconcile the data we use with actual payroll data. This is easily done with the current spreadsheets, but cannot be done using the proposed software system. And, there are concerns about using a one-off tool that has no internal resources for support, changes, etc.