



To: Tina Yoke, Chief Operating Officer, Valley Water

From: Alyssa Thompson, Senior Project Manager, Koff & Associates

Date: June 10, 2020

Re: Classification and Compensation Study – Assistant Chief Executive Officer

Introduction

In May 2020, Koff & Associates (K&A) conducted a classification and compensation study for a newly proposed classification of Assistant Chief Executive Officer.

The goals and objectives of the study were to:

- Prepare a new classification specification for Assistant Chief Executive Officer that recognizes the scope and level of the work performed and the appropriate qualifications, including knowledge, skills and other requirements that are job-related and meet legal guidelines;
- Assist Valley Water in developing competitive pay for the Assistant Chief Executive Officer based upon external market data and internal alignment considerations;
- Ensure that the salary recommendations are fiscally responsible and meet the needs of Valley Water with regards to recruitment and retention of qualified staff; and
- Provide sufficient documentation to allow Valley Water to integrate the new classification in Valley Water's overall classification and compensation system.

Study Methodology

K&A reviewed Valley Water's current classification specifications for:

- Chief Executive Officer
- Chief of External Affairs
- Chief Operating Officer
- Deputy Operating Officer

K&A also collected and reviewed classification specifications and compensation data from the following 12 agencies in Valley Water's established labor market:

1. Alameda County Water District

2. City of Palo Alto
3. City of San Jose
4. City of Sunnyvale
5. Contra Costa Water District
6. East Bay Municipal Utility District
7. Marin Municipal Water District
8. Metropolitan Water District of Southern California
9. San Diego County Water Authority
10. San Francisco Public Utilities Commission
11. Sonoma County Water Agency
12. Zone 7 Water Agency

Assistant Chief Executive Officer Classification Specification

The new Assistant Chief Executive Officer classification specification was developed based on the information gathered from the Chief Operating Officer and review of Valley Water's current classification specifications and the classification specifications of similar positions gathered from the agencies in Valley Water's labor market.

The new classification specification provides:

- A written summary documenting the work performed; and
- Documentation of requirements and qualifications to assist in the recruitment and selection process.

Assistant Chief Executive Officer Compensation Study

In addition to creating a new classification specification, K&A also conducted a market compensation study for the Assistant Chief Executive Officer. Compensation (top monthly [maximum] base salary) data was collected in May 2020 from the 12 comparator agencies in Valley Water's labor market (listed above), through websites, conversations with human resources, accounting and/or finance personnel at each comparator agency and careful review of agency documentation such as classification descriptions, organization charts and other documents.

K&A believes that the data collection step is the most critical for maintaining the overall credibility of any study. K&A relied on the newly created Assistant Chief Executive Officer classification specification as the foundation for the external market comparison.

When K&A researches and collects data from the comparator agencies to identify possible matches, K&A does not match based on job titles, which can be misleading. K&A analyzes classification specifications and apply the following whole job analysis factors to determine comparability:

- Definition and typical job functions;

- Distinguishing characteristics;
- Level within a class series (i.e. entry, experienced, journey, specialist, lead, etc.);
- Reporting relationship structure (for example, manages through lower-level staff);
- Education and experience requirements;
- Knowledge, abilities, and skills required to perform the work;
- The scope and complexity of the work;
- Independence of action/responsibility;
- The authority delegated to make decisions and take action;
- The responsibility for the work of others, program administration, and for budget dollars;
- Problem solving/ingenuity;
- Contacts with others (both inside and outside of the organization);
- Consequences of action and decisions; and
- Working conditions.

K&A requires that there is approximately 70% similarity, based on evaluation of the whole job analysis factors, between Valley Water's classification and the comparator agency's classification to be included in the market analysis.

Market Results

The top monthly (maximum) base salary data spreadsheet shows the top of the salary range and/or control point salaries for the recommended comparable classification at each comparator agency. In addition to salary data, K&A also reported the effective date of the salary and if known, the next scheduled salary adjustment (date and % increase).

The average (mean), median (midpoint) and 60th percentile of the comparator agencies, as well as the % above or below Valley Water is compared to the average, median and 60th percentile are reported on the base salary market survey data spreadsheets.

The mean is the sum of the comparator agencies' salaries/total compensation divided by the number of matches. The median is the midpoint of all data with 50% of data points below and 50% of data points above. The 60th percentile is the point with 60% of data points below and 40% of data points above.

In analyzing the data collected from the comparator agencies, K&A identified only one comparator agency with a classification comparable to Valley Water's Assistant Chief Executive Officer. In order to calculate the market mean, median and 60th percentile, K&A requires a minimum of four comparator agencies with a comparable classification(s) to the Assistant Chief Executive Officer. The reason for requiring at least four matches is so that no one classification has undue influence on the calculations.

Due to an insufficient number of agencies with a comparable classification, K&A reviewed and applied internal alignment principles to make an appropriate salary range recommendation.

Internal Alignment

When analyzing internal relationships between Valley Water's classifications, the whole job analysis factors are used to make internal salary alignment recommendations. Where it is difficult to ascertain internal relationships due to unique qualifications and responsibilities, reliance can be placed on past internal relationships. In addition, there are standard human resources practices that are commonly applied, when making salary recommendations based upon internal relationships. For example, a common differential between a Chief Executive Officer and Assistant Chief Executive Officer ranges from 10% to 15%.

Furthermore, K&A reviewed the current alignment between Valley Water's Chief Executive Officer and Chief Operating Officer (note: The Assistant Chief Executive Officer reports to the Chief Executive Officer and supervises two Chief Operating Officer positions). The Chief Executive Officer salary range maximum is approximately 25% above the Chief Operating Officer salary range maximum.

Based on the market review and internal alignment principles, K&A recommends that the Assistant Chief Executive Officer be placed 10% below the Chief Executive Officer with a salary range of \$25,784.54 (minimum) - \$27,718.38 (midpoint) - \$29,652.22 (maximum)¹. This results in approximately a 14% difference in maximum salaries when compared to the COO (Note: The % difference in minimum salaries is 22% and the % difference in midpoint salaries is 17%).

The recommendation to place the Assistant Chief Executive Officer 10% below the Chief Executive Officer is based on the Assistant Chief Executive Officer's responsibilities for oversight of the Water Utility and Watershed divisions, as well as to provide leadership in the planning, development and implementation of short- and long-term capital improvement and mega-projects worth approximately \$5.0 billion.

The compensation findings and recommendations presented in this memorandum are meant to be a tool for Valley Water to create and implement an equitable compensation plan for the Assistant Chief Executive Officer. Compensation strategies are designed to attract and retain excellent staff. However, financial realities and Valley Water's expectations may also come into play when determining appropriate compensation philosophies and strategies. This study and the recommendations provide Valley Water with an instrument to make future compensation decisions.

Conclusion

In summary, K&A created a new classification specification for Assistant Chief Executive Officer. The new classification specification serves as a general description of the work performed and provides a framework of the expectations of the position. Classification specifications are not

¹ The recommended salary range for the Assistant Chief Executive Officer is based on the salary ranges effective June 29, 2020.

static, unchanging entities and should be reviewed on a regular, on-going basis and may be amended or revised as required.

K&A was not able to find a sufficient number of agencies within Valley Water's established labor market with a comparable classification(s). Thus, the recommendation, based on market review and practices, as well as review the current internal alignment relationships, is to establish the following salary range for the Assistant Chief Executive Officer: **\$25,784.54 (minimum) - \$27,718.38 (midpoint) - \$29,652.22 (maximum).**

We want to thank Valley Water for the time and cooperation in bringing this study to a successful conclusion. It has been a pleasure working with the Valley Water on this critical project. Please do not hesitate to contact us if we can provide any additional information or clarification regarding this study.

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