



Santa Clara Valley Water District

File No.: 20-0737

Agenda Date: 9/22/2020

Item No.: 10.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Adopt Resolution Approving the Amended Compensation Plan for Unrepresented Employees in the Executive Service (July 1, 2018 through June 30, 2022).

RECOMMENDATION:

- A. Receive information pertaining to the August 2019 CalPERS findings temporary upgrade pay reported as special compensation; and
- B. Adopt the Resolution APPROVING THE AMENDED COMPENSATION PLAN FOR UNREPRESENTED EMPLOYEES IN THE EXECUTIVE SERVICE - (JULY 1, 2018 THROUGH JUNE 30, 2022).

SUMMARY:

This item pertains to information on a recently completed CalPERS Office of Audit Services on Valley Water's practices of reporting temporary upgrade pay as special compensation. Government Code (GC) section 20636 and California Code of Regulation (CCR) 571 and 571.1 provide that in order for compensation to be reportable to CalPERS, the compensation must meet the definition of "Compensation Earnable."

In August 2019, CalPERS conducted an audit of our practices pertaining to the reporting of temporary upgrade pay as special compensation. Valley Water was one of 60 agencies selected to participate in the audit. The object of the review was to determine if these public agencies had policies and/or procedures specific to special compensation that was duly approved and adopted by the governing body; and to determine that the special compensation was allowable and accurate and report to CalPERS during the period it was "earned" versus when it was "paid" to the employee by the agency.

Valley Water's audit was limited to a review of a sample of employee records for period January 1, 2017 through March 28, 2019. CalPERS requested the records of 6 individuals that were employed by Valley Water during this time.

The audit found that Valley Water does not meet the requirement of having a policy for unrepresented employees in the Executive Service (Unclassified) with language specific to special compensation that has been duly approved and adopted by the governing body. The audit also pointed to inaccuracies special to the reporting to CalPERS of temporary upgrade pay as special compensation.

All six (6) sample employees had retroactive adjustments for temporary upgrade pay that were reported to CalPERS incorrectly. Three (3) employees had retroactive temporary upgrade pay reported entirely as special compensation versus reporting both retroactive regular pay and retroactive temporary upgrade pay. Three (3) employees had temporary upgrade pay reported as special compensation for the period it was “paid” versus when the temporary upgrade pay was “earned.”

On May 22, 2018, through Resolution 18-25-1, the Board approved the Salary Structure and Compensation Plan for Unrepresented Employees in the Executive Service - Effective the First Pay Period of Fiscal Year 2019. Following above-referenced CalPERS audit, staff worked with District Counsel’s office to amend the aforementioned Compensation Plan for Unrepresented Employees in the Executive Service - Effective the First Pay Period of Fiscal Year 2019 to include language specific to temporary upgrade pay. Staff has also made adjustments in the reporting practices of temporary upgrade pay as special compensation, focusing on retroactive adjustments and reporting the special compensation as “earned” versus “paid.” In addition, staff has updated the previous “Temporary Promotion” and “Out of Class” policies and replaced them with a new “Temporary Assignment” policy. The focus of the new policy is to streamline the process of assigning higher-level work to employees and to ensure the policy meets the guidelines and requirements of the Public Employees’ Retirement Law (PERL). Approving the Amended Compensation Plan through adoption of the resolution will incorporate all of the above changes.

The results of this audit have been used to improve our processes to ensure that all temporary upgrade pay report as special compensation is reported to CalPERS timely and accurately and within the requirements of the law.

FINANCIAL IMPACT:

There is no financial impact relevant to this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Resolution and Amended Compensation Plan

Attachment 2: CalPERS Temporary Upgrade Pay Review

UNCLASSIFIED MANAGER:

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