Monday, March 7, 2016 8 a.m.  BMU 205

Members Present: Deanna Jarquin, Michael Pratt, Vu Nguyen, Matt Zaleski, Nick Howell, Teddy Delorenzo

Members Absent: Andrew Roberts (excused), Drew Calandrella, Lori Hoffman

Others Present: David Buckley, Karen Bang (recording), Richard Lane, Nan Timmons, Curtis Sicheneder, Jamie Clyde, Susan Jennings, Leah Railey, Jon Slaughter, Shar Krater, Rhiannon Carmen, Thang Ho, Kristin Chelotti

I. CALL TO ORDER – The meeting was called to order at 8:03 a.m. by the Chair, Jarquin

II. AGENDA – No changes

III. ANNOUNCEMENTS – None

IV. PUBLIC OPINION – None

V. OPINION – None

VI. BUSINESS

A. Information Item: Compensation Study Presentation by Richard Lane – Buckley introduced Richard Lane of Human Resources Strategies, Inc., explaining this is the third time Lane has done our Compensation Study. Lane explained this was a Market pricing only study and he ranked from high to low, and then averaged. He said he doesn’t look at internal review, he does job evaluations; the reason why the job has value. He reviewed job descriptions and assigned points to all positions per Salary Administration Manual guidelines. He said each factor has a series of statements and each has a point score. He goes through all the factors, assign points, gets cluster of jobs and tells us these jobs are roughly the same as our jobs. Points are being reviewed and adjusted by AS management and Lane noted points compare positions, not people. Lane explained that positions were surveyed using the following: CSU Salary Schedule, AOA Survey, Economic Research Institute, Northern CA Center for Non-profit Management, NACUFS, NIRSA, City of Chico and Chico Unified School District. He said salary differentials are used, not cost of living differentials. Lane said he looked at three different levels of positions: “Substantially Similar” – CSU Salary Schedule only, “Similar” – all available sources and “Not Similar” – All except CSU Salary Schedule. Lane explained he next ran a regression analysis to develop market payline. He said if we want salaries to be at market, mid-point should fall in to mid-point. He identified clusters of jobs with similar points scores and developed salary ranges based upon predicted value of midpoint. A graph showing the Comparison of Current Midpoints to Predicted Market Rates was shown. Lane said they found that overall current midpoints are at 97.2% of market pay rates but current salaries are only at 92.3% using all data points. Overall current midpoints are at 95.7% of market pay rates but current salaries are only at 90.8% using just CSU data for Substantially Similar positions. He said we aren’t paying salaries to midpoint. Delorenzo asked what the benchmark is and he said 100%, with 90% to 110% being acceptable. He said they found Midpoint by employee grouping for Substantially Similar to be 97.3% of market pay rates but current salaries are only at 92.5% using all data. In addition, 88% of market pay rates but current salaries are only at 83.6% compared to CSU. Midpoint by employee grouping for Similar was found to be 97.9% of market pay rates but current salaries are only at 87%. Not Similar showed 100% of market pay rates but current salaries are only at 96.1%. Lane said he found that Substantially Similar market data generally is higher than other sources. Evaluation points do not fully reflect market pricing data because of inconsistent application of survey data. Lane said the same survey sources were not used for all positions surveyed. Using different data sets by employee category distorts relationship between points and market. Lane noted that possible reasons for changes include that a comp review hasn’t been done since 2007, economic recovery has increased market rates, used more survey data this time and used actual salary comparisons wherever possible rather than midpoint comparisons (more accurate reflection of market rates). Lane’s recommendations were as follows: Adjust pay grades – regression analysis supports 10% increase. Staff will bring recommendation to BOD for pay grade adjustment from 5% to 10%. Also slot “Substantially Similar” positions as appropriate. Other options to adjust salary would be Compa ratio, equity adjustment or in-range adjustment. Buckley said Lane had said the range based on the study could adjust at 10% to be within market. He noted that staff have been running scenarios that they think are affordable. Buckley said we need to get grades in line, and has to be
something we can afford. He said they are running scenarios of 5% to 8% as they are feeling 10% is not affordable. Lane explained a Compa Ratio: Calculated as the employee's current salary divided by the current market rate. Buckley said when Lane sent the original analysis showing 10% adjustment, he was following the same methodology as last time. Anyone above 100%, there was no adjustment made. Buckley said $400,000 is what the cost would be, which we couldn't afford. Lane said it could be adjusted variously in order to make it affordable. A few scenarios have been run and anyone who falls below the minimum of the range, their salaries need to be brought up. Delorenzo questioned if most adjustments are at the lower end or higher end and Lane said mostly at the lower end of salaries. Buckley said we have 15 grades and Grades 8 and lower are where they're seeing most of the potential adjustments. Buckley said we're losing staff, such as custodial, to CSUC mainly due to the fact that our cost of benefits are four to five times higher than CSU's benefits. He explained that the Education Code requires that we pay substantially similar salaries. Custodians, accountants, payroll, maintenance people, admin are truly substantially similar positions. Lane said he has just showed data, assuming that we want to be 100% of market; but every organization has their own compensation strategy, based on size, location, marketplace, benefits, etc. We're looking at 90% to 95%. Lane said there are a lot of different factors in looking at salary data, that's why they say between 90% to 110%. When you see jobs outside the ranges, those are red flags. Delorenzo questioned if the 2% salary increase on July 1 would be factored in and Buckley said we would take that into account. He said they could build this in to the budget so we can see the impact. Jarquin asked about timelines and Buckley said it’s on this Wednesday’s agenda; however, they may not be ready for recommendation at Wednesday’s meeting, but will after Spring Break. He said they have run all the different scenarios. Another scenario is recommend to the Board an adjustment in range of 5%, 8% or 10%. There would be roughly 20 employees below the minimum. All 20 of those move to the minimum. Then have to decide what to do next. Buckley said they could do Compa Ratio at 100% or 95%. Or not do that at all, and bring them to a minimum, then 2% would still be in play. If all employees get a 2% increase, that’s about $100,000. He explained that this fall the University did an equity adjustment that depending on the bargaining unit, if employees were with the University four years or more and in bottom 25% of range, they received an adjustment of 2 ½% to 4%. He said we are looking at that option. Buckley said the University was giving in-range progression increases for employees, and these weren’t considered general salary increases, but if an employee showed additional responsibility, increased skill, etc. for a 2% to 5% increase and more merit based. He said we would not be doing this. He noted we rarely re-class. He said they’re trying to figure out what options make sense for the AS. Buckley said $400,000 is excessive and although we want to recognize those employees that are underpaid, we can’t put ourselves out of business. Delorenzo asked if the cost seems unmanageable, could we do a phased plan of 5% this year for everyone, then maybe another 5% for category that we didn’t bring up like we had wanted to, in a two year timeline. Buckley said they could, but suggested adjusting range by 5% first year, then second year, another increase in order to phase in.

VII. ANNOUNCEMENTS – None

VIII. PUBLIC OPINION – None

IX. OPINION – None

X. ADJOURNMENT – The meeting was adjourned at 8:45 a.m. by the Chair, Jarquin.