May 21, 2019

REVIEW & ANALYSIS OF THE KOFF & ASSOCIATES APRIL 2019 TOTAL COMPENSATION STUDY

COUNTY OF MENDOCINO

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Background

In October 2017, the Mendocino County Board of Supervisors approved a contract for $100,000 with Koff & Associates to carry out a review of compensation for county employees. The term of the contract was for five months with an expected final report due in the summer of 2018. In the spring of 2018, Human Resources reported to the Board of Supervisors that the process had been delayed and that more time was needed. Human Resources returned to the Board of Supervisors again in September 2018 and requested a nine month extension on the Koff & Associates contract. The Board decided to add in a benefits review (something they did not require for their own salary review). The Board extended the contract to June 2019 and increased it by $25,000. A five month project ended up taking a year and a half and costing the County $25,000 more than originally planned.

While the Koff Study was going on, Human Resources completed and the Board of Supervisors approved compensation increases for numerous positions including department heads, elected officials, the CEO, and numerous managers without taking into account employee benefits. There seems to be a double standard between front line County staff and upper management.

The draft Total Compensation Study was released April 25, 2019. This is a review and analysis of the report.

Summary

After significant delays, Koff & Associates released its ‘Total Compensation Study Draft Report’ of Mendocino County employees in April 2019. The title of the report is not accurate. It is not a total compensation study, but a selective compensation study. The benefit categories reviewed are not comprehensive. Including the selective review of benefits was added mid-way through the review process, marking a change from the County’s practice regarding wage reviews. The most recent compensation reviews and compensation adjustments associated with reclassifications have strictly focused on wage comparisons. And there is a good reason for this. Trying to compare benefits across jurisdictions is always problematic. Trying to do a fair comparison that encompasses the wide range of benefits offered, the multiple levels of benefits provided, benefits that only cover certain employees or are utilized unevenly, is a nearly impossible task. That is why focusing on the wage comparison portion of the report and using that information to guide County compensation is warranted in this instance.

The general assessment of County employees is that Mendocino County benefits are on average the same or inferior to the average benefits offered by the other jurisdictions used in the review. That Mendocino County has to pay more in some instances for inferior benefits does not make those benefits better.

In many instances the report looks at benefits received by a small minority of employees or benefit levels that no employee receives as the basis for comparison. It leaves out significant benefits and does not explore the actual quality of the benefits themselves. As the report’s authors admit, they leave out numerous important benefits in the comparison when they could easily have been included, such benefits as retiree healthcare, paid sick days, sick day cash out, tuition reimbursements, certification stipends, longevity stipends, pay for opting out of health coverage and more.

There are several errors in the benefit analysis. The classic formulas for the City of Santa Rosa, El Dorado, Humboldt, Napa and Nevada Counties are misstated which skews the comparisons. Many of the counties have multiple retirement benefit tiers so doing an accurate comparison is difficult. All new employees hired would receive the PEPRA formula so there is no particular advantage in the base formula. What is certainly relevant is if the Employer or Employee pays more of the contribution, whether there is a COLA on the retirement benefits and if employees also receive Social Security. This study includes some but not all of these criteria.

The report's authors seem to have left off uniform, boot and tool reimbursements from its review despite stating that they would include "any additional other benefits not captured above available to all in the class such as uniform allowance." (P. 11)

Because of the general problems described in trying to create an accurate and fair 'total' compensation comparison and the errors and missing data, we recommend that the County focus strictly on the salary comparison data as it reviews strategies for bringing wages for Mendocino County employees to the market rate of other similarly situated jurisdictions. This will improve recruitment and retention, greatly enhance employee morale, reduce overall training costs and reduce the losses experienced by the County because of short-staffing.

Review & Analysis

1. Comparing Benefits across Jurisdictions is Always Problematic.

Why do most counties focus strictly on salary when they analyze staff compensation? Because it is notoriously difficult to do a fair and balanced comparison of the wide range of benefits which county employees receive over jurisdictions that have very different circumstances. It's hard to compare 'apples to apples' when looking at health and pension plans. Is a health plan better because it is more expensive? How do you weigh different employee premium contributions, copays, coinsurance, deductibles and out of pocket maximums when comparing health plans? What weight do you give retiree health benefits or COLAs for retirement? Is it fair to leave them out of the assessment all together? For all these reasons, sticking to a direct comparison of wage rates is the best approach.

2. **How the Report Will Be Used Should Guide Its Structure and the Data Reviewed.**

At the beginning of the report, three reasons are outlined as the impetus for the report: "the concern…that employees should be recognized for the level and scope of work performed and that they are paid on a fair and competitive basis that allows the County to recruit and retain high-quality staff"; "the desire to have a compensation plan that can meet the needs of the County"; and "the desire to ensure that internal relationships of salaries are based upon objective, non-quantitative evaluation factors, resulting in equity across the County."

For recruitment purposes, what a 'classic' employee receives for retirement should not influence the wage rate for newly hired employees, since the new employee will not be eligible for the classic pension benefit. Should a single employee's wage comparison with other jurisdictions be impacted because

Mendocino County's family health premiums are high? Candidates for employment who are looking at Mendocino County don't care what has been offered to long-term employees. They want to know how the wages match up against other similar counties.

If the focus is attracting new employees, it makes sense to focus on entry level wages and new employee benefits. If the goal is to retain long term employees, then reviewing the average benefits offered, or grandfathered benefits makes some sense. Generally, determining the average benefit received would be the most useful metric, but one that can be hard to calculate.

3. Employees receive a wide range of benefits.

County employees receive a wide range of different benefits depending on when they started with the County, the classifications that they are in and their family situation. Some employees have single health coverage; others take family coverage, while others waive coverage all together. Most jurisdictions have multiple health benefit options that cost different amounts. Currently more senior employees have better retirement benefits. You almost have to do an employee by employee analysis to get a full comparison. This is obviously impractical, once again suggesting sticking to a comparison that looks solely at wage rates.

4. **Using the Top Level of Benefits Does Not Always Give an Accurate or Useful Comparison.**

Only 35% of Mendocino County employees in the SEIU bargaining unit receive classic retirement benefits, 56% receive the PEPRA formula and 9% are Extra Help and receive no retirement benefits. The Board of Supervisors decided not to provide COLA benefits to PEPRA retirees significantly reducing their future retirement income.

The average monthly Employer Payment for Health Coverage for Mendocino County employees in the SEIU bargaining unit is $720.96 per month (or $654.31 if you factor in Extra Help employees), not the $2,375 used in the study. It's disingenuous to use that figure because the County does not pay that for any current employee in the SEIU bargaining unit. Mendocino shouldn't reduce the market wage rate based on money it is not spending for benefits employees cannot afford.

5. Errors and Exclusions

There are several errors and missing data in the benefit analysis. The classic formula for the City of Santa Rosa, and the Counties of El Dorado, Humboldt, Napa and Nevada are misstated which skews the comparisons.[i] When you factor in these different formulas and the enhanced formula cost outlined by the report's author (pg. 9) the percentages change.

Jurisdiction	**Classic Formula used by Koff**	**Tier 1 Retirement Formula-Misc. (Classic)**
City of Santa Rosa	2.5%@55	3%@60
County of El Dorado	2%@60	2%@55
County of Humboldt	2%@55	2.7%@55
County of Napa	2%@60	2.5%@55
County of Nevada	2%@60	2.7%@55
County of Sutter	2%@60	2%@57

The report's authors left off uniform, boot and tool reimbursements from the review despite stating that they would include "any additional other benefits not captured above available to all in the class such as uniform allowance." (P. 11) For instance, in Mendocino County, Road Maintenance Workers and Road Maintenance Supervisors receive a $325/year boot reimbursement and $100 reflective clothing reimbursement. Heavy Equipment Mechanics receive $325/year tool reimbursement allowance and a $225/year boot reimbursement. This was supposed to be factored into the comparison but was not.

6. Health Plan Quality and Availability Vary Dramatically

Mendocino County has always had a problem with providing affordable health coverage for its employees because of the small number of health plan options and limited number of available hospitals in the County. While Mendocino may pay more for coverage, it does not mean that the coverage is of equal quality. Mendocino County coverage has higher employee premium payments, higher copayments/coinsurance, higher deductibles, fewer in-network doctors and higher out of pocket maximums. For example, an employee in Sonoma County can receive full family medical coverage with no deductions for monthly premiums for less than half of the cost that Mendocino pays. In addition, the Mendocino County would pay nearly $5,000 from their paychecks annually in premium payments for the coverage. Because of these healthcare market disadvantages, the County cannot compete with other counties with more options and lower costs. All the more reason that the County needs to compete based on salary.

7. Other Benefits Not Included

The Report recognizes that there are numerous other benefits provided by public employers in the comparator pool that are not looked at because they "are usage-based and cannot be quantified on an individual employee basis." (Pg. 11) But there are other benefits that are quantifiable that have not been included in the report such as retiree health benefits, Longevity stipends, and COLAs for retirement benefits for PEPRA members.

The fact that usage-based benefits are difficult to quantify is another reason that trying to do a benefit-based analysis is problematic. Usage-based benefits like tuition reimbursement, paid educational leave, paid sick leave, sick leave cash out, housing allowances/housing assistance programs, bilingual stipends, health plan opt out stipends, and compensation for certifications/licenses are valuable benefits that can have a real impact on recruitment and retention.

Conclusion.

Doing a total compensation review of such a varied workforce (380 different classifications) across significantly different jurisdictions is a difficult endeavor. There are so many different factors that need to be reviewed and compared in assessing a particular benefit program, that doing a head-to-head comparison is particularly complex and time consuming.

There is also the issue of equal treatment. County employees expect to be held to the same standards and the same review as top management. When different criteria and different parameters are used, they become understandably concerned.

Because of the general problems described in trying to create an accurate and fair 'total' compensation comparison and the errors and missing data that we have pointed out, we believe that the report is flawed and recommend that the County focus solely on the salary comparison data as it reviews strategies for bringing wages for Mendocino County employees to the market rate of other similarly situated jurisdictions. This will improve recruitment and retention, greatly enhance employee morale, reduce overall training costs and reduce the losses experienced by the County because of short-staffing.

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[i] City of Santa Rosa pension formula for misc. employees hired before 7/8/12 is 3%@60, El Dorado County pension formula for misc. employees hired before 10/5/12 is 2%@55, Humboldt County pension formula for misc. employees hired effective 6/4/2006 is 2.7%@55 (changed to 2%@55 later), Napa County pension formula for employees hired before 10/29/11 is 2.5%@55, Nevada County pension formula for employees hired before 7/1/12 is 2.7%@55, Sutter County pension formula for employees hired before 11/16/11 is 2%@57.