

**To:** Pam Derby, Manager of Executive Search

**From:** Teddi Anderson, Project Consultant

**RE:** Salary review for General Manager, Stege Sanitary District

### **Summary**

The current salary for the General Manager for Stege Sanitation was reviewed. Based on the current salary of \$270,600 reviewing it against comparable agencies, applying industry standards and best practices, the salary is 5% below the average market salary and 8% behind market total compensation. Based on salary increase projections (aging) it is within the public sector compensation industry's recommended market range of +/- 10%.

### **Background and Methodology**

Stege Sanitation is an independent Special District of the State of California. The District has 10 employees and serves approx. 35,000 residents.

There are many factors that go into reviewing the elements of salary for General Managers and equivalent positions in local government, such as City Managers and County Administrators. As a common practice for these positions include a more formalized employment agreement upon placement, they also go beyond just salary to include other "perks" or economic adds of their employment. Additionally, not only are these contracts are available upon public records request they are often fully displayed on agency websites.

Salaries and related perks are the driving factor in attracting and retaining quality talent in an organization and savvy executive level candidates may look at the current incumbent's employment agreement before making a decision to apply. Candidates and employees may also expect that the previous incumbents pay is available to them upon hire, promotion or achievable through established pay strategies.

The common elements included in these employment agreements include the annual salary, and any additional "perks" or economic adds offered as part of an employment agreement. They include, but are not limited to:

- Additional contribution and match to a 401 (or similar)
  - Typically detailed as a % of their salary or lump sum amount
- Performance/merit-based bonus or lump sum payment
  - This can be in addition to COLA or similar annual increase offered to other staff
- Car, phone allowances
  - Typically in the form of a lump sum or in some cases, although becoming less common, due to ease of administration and IRS regulations, is full use of an agency vehicle and reimbursement for all related expenses
- Higher accrual levels or front-loaded leave banks
  - This helps account for previously scheduled trips OR allows for their previous tenure and related accruals

- Administrative leave bank, separate from but in addition to traditional vacation, sick leave and holiday leave accruals
- Health Insurance premium portion/subsidy
  - Some agencies may contribute a greater portion of premiums, as a % or lump sum for these executive level positions.
- Severance
  - Although not typically quantified in a candidates decision regarding “take home pay”, it is important to them and a potential cost to the agency.
- Upon hire
  - Relocation

All of these elements above, and any others offered, are considered a total compensation package for executives and also help quantify the total cost of a position for budgeting purposes.

### **Methodology**

I first reviewed the comparable agency data for total compensation using the following agencies, close both geographically and in services provided. The number of agencies reviewed depends on many factors but using 5-7 solid comparables is a best practice. The more comparables you have the less the variance in the average if/when one agency changes pay and conversely, the smaller number of comparables, the more dynamic the change.

- West Bay Sanitary District
- Castro Valley Sanitary District
- Mt. View Sanitary District
- Napa Sanitation District
- East Palo Alto Sanitary District
- Ross Valley Sanitary District

As part of the analysis, I obtained employment agreements, salary ranges (if applicable) and other related executive incentives or perks for their General Manager positions. This data was translated into a table for a visual representation (below).

### **Market**

Market average is typically defined as the average of salaries and/or total compensation for “like” positions. Depending on the agencies pay philosophy, population served, size of budget, scope of duties and span of control (FTE), these factors can all contribute to their established market pay. Of course, CPI and other variables such as budget are also significant factors to consider when establishing pay. Although many organizations still focus on size of organization and population served to determine their “best comparables” many organizations and survey

data shows that an established market driven philosophy establishes pay based on the position requirements, not the volume of work or size of staff.

As new pay equity laws are enacted it becomes more critical for agencies to understand their risk as it relates to compensation as a whole, including established pay ranges , range placement, range penetration, established pay ranges, and last, but not least, internal equity and compression.

When agencies review market or ranges, having a desired market rate or hiring range is helpful when determining risk to the organization around pay equity. Hiring ranges are typically not the entire range but a portion of it that encompasses the market average. A common philosophy and best practice as it relates to market competitiveness is allowing for a +/- 10% variation to the market average. This also translates to a 20% spread between the min and the max of the hiring range. For example, if the average market rate is \$200,000 then an appropriate, yet competitive hiring range would be \$180,000-\$220,000. Maintaining market average pay philosophy can also reduce risk to an organization regarding complaints or lawsuits regarding pay equity.

Likewise, but outside the scope of this memo, having a +/- 10% variance between employee pay whom are in the same position takes into account individuality, as it relates to tenure, experience, skills etc. For purposes of this memo and analysis, internal equity and compression was not reviewed.

Additional factors like turnover or hard to fill positions can impact both market and hiring pay and ranges, as well as related compensation practices and philosophies. A benefit of an established market and hiring range is to allow for variables in candidate qualifications, experience, tenure, and pay philosophy guidelines. Agencies vary as to their pay philosophy and how they calculate market, and one size does not fit all.

Affordability of market can be a reasonable obstacle. Not everyone can afford the market rate and if so, it is imperative to know how competitive your pay will be in a specific industry or geographical area. This market rate you determine will likely impact the quality of candidates you attract. Agencies will supplement salaries with other economic adds to increase the overall total compensation package, as we see in most employment contracts.

The following table represents the common quantifiable elements of total compensation data. You will see a wide range in population, budget and FTE. Additionally, many agencies offer economic adds such as deferred compensation contribution, car allowances etc., which is a common practice for executives.

Where current data was unavailable for 2024, a 5% average aging factor was added for comparable data. This is also standard practice to both review against current or projected market but also for budgeting purposes. Per your request, I also included whether the current or previous incumbent holds a P.E.

Agency	Position	Year of Hire	Annual Salary	Salary Effective	Other pay (def comp, vehicle)	Sal with adds	Aged 5% per year if data was not current	Population Served (if not listed, used geo area mentioned)	# FTE's	Budget	Def Comp	Car Allowance	PE? Yes/No
West Bay Sanitary District	GM	2010	\$ 250,932	2024	\$ -	\$ 250,932	\$ 250,932	55000	24	31MM	-	\$ -	No
Castro Valley Sanitary District	GM	2021	\$ 280,602	2024	\$ -	\$ 280,602	\$ 280,602	66440	23	14MM	-	\$ -	No
Mt. View Sanitary District	GM	2019	\$ 300,342	2024	\$ -	\$ 300,342	\$ 300,342	22000	505	11MM	-	\$ -	No
Ross Valley Sanitary District	GM	2018	\$ 309,552	2024	\$ 1,200	\$ 310,752	\$ 310,752	49000	30	55MM	-	\$ 1,200	No
Napa Sanitation District	GM	2024	\$ 284,482	2023	\$ 14,224	\$ 298,706	\$ 313,641	83000	53	42MM	5%	\$ -	No
East Palo Alto Sanitary District	GM	2018	\$ 282,438	2022	\$ 4,800	\$ 287,238	\$ 315,962	30000	15	17MM	-	\$ 4,800	Yes
			\$ 284,725			AVG	295,372						
Stege	GM	2024	\$ 270,600	2024	\$ 1,440	\$ 272,040	\$ 272,040	35000	10	9.5MM	1440	\$ -	Yes
		<b>Salary only Variance</b>					<b>-5%</b>						
						<b>Total Comp Variance</b>	<b>-8%</b>						

**Conclusion/Recommendation**

Based on the current analysis, and industry best practice, the current pay is just within the recommended market range of within 10% of average. Although they are within the 10% guideline, if it is budgetarily feasible to consider moving the hiring pay range to be closer to the average, it could help to attract more qualified candidates.