

FINAL REPORT

TOTAL COMPENSATION STUDY

FOR THE

KENSINGTON POLICE PROTECTION
AND
COMMUNITY SERVICES DISTRICT

October 2010

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October 1, 2010

Mr. Bill Wright
Board of Directors
Kensington Police Protection and Community Services District
217 Arlington Avenue
Kensington, CA 94707

Dear Mr. Wright:

Koff & Associates, Inc. is pleased to present the total compensation final report for the study of the Police Officer and Police Sergeant classifications at the Kensington Police Protection and Community Services District. This report documents the total compensation study process and findings.

We would like to thank you, Chuck Toombs, Officer Eric Stegman, Detective Keith Barrow, and Chief Greg Harman for your assistance and cooperation, without which this study could not have been brought to its successful completion. We created a compensation report that will help the District bring its compensation program into an externally competitive and internally equitable status.

We will be glad to answer any questions or clarify any points as you are implementing the findings. It was a pleasure working with the District and we look forward to future opportunities to provide you with professional assistance.

Very truly yours,

Georg S. Krammer
Chief Executive Officer

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BACKGROUND

In June 2010, the Kensington Police Protection and Community Services District contracted with Koff & Associates, Inc. to conduct a comprehensive total compensation study for two of the District's classifications: Police Officer and Police Sergeant. All compensation findings are documented in this report.

This compensation review process was precipitated by:

- Discussions and agreement between the District's Board of Directors and Police Officer Association that a compensation study should be conducted in order to ensure that the District was appropriately benchmarked to its labor market; and
- The agreement that employees should be recognized for the level and scope of work performed and that they be paid on a fair and competitive basis that allows the District to recruit and retain a high-quality staff.

STUDY PROCESS

Benchmarking Classifications

The study included two (2) classifications to externally review: Police Officer and Police Sergeant. When we contact the comparator agencies to identify possible matches for each of the benchmarked classifications, there is an assumption that we will not be able to find comparators that are 100% equivalent to the classifications at the District. Therefore, we do not just go by job titles, which can often be misleading, but we analyze each class description before we consider it as a match. Our methodology is to analyze each class description according to various factors and we require that a position's "likeness" be at approximately 70% of the matched position to be included. Factors that we consider include:

- Education and experience requirements;
- Knowledge and skill required to perform the work;

- The scope and complexity of the work;
- The authority delegated to make decisions and take action;
- The responsibility for the work of others, program administration, and budget dollars;
- Problem solving/ingenuity;
- Contacts with others (both inside and outside of the organization);
- Consequences of action and decisions; and
- Working conditions.

These factors were used in determining appropriate external market comparisons as well as providing the basis for the findings and recommendations outlined in this report.

Benchmarking Comparator Agencies

The second, most important step in conducting a market salary study is the determination of appropriate agencies for comparison.

In considering the selection of valid agencies for salary comparator purposes, a number of factors were taken into consideration:

1. **Organizational type and structure** – We generally recommend that agencies of a similar size, providing similar services to that of the District be used as comparators. Typically, we start by identifying similar agencies that surround the District and are competing with it over the labor pool within the geographic vicinity.

The District is a unique agency and therefore, we included some agencies that are larger than the District but within the local geographic vicinity because other agencies that are in the immediate vicinity represent its true labor market, i.e., agencies with which the District is competing for qualified workers. For example, we included the Cities of Albany and El Cerrito.

When it comes to the more technical types of classes, the size of an organization is not as critical as these classes perform fairly similar work due to its technical nature.

2. **Similarity of population served, District staff, and operational budgets** – These elements provide guidelines in relation to resources (staff and funding) required and available for the provision of agency services. This was a critical factor for this project as we tried to identify agencies that serve similar communities to that of Kensington.
3. **Scope of services provided** – Agencies providing the same services are ideal for comparators. Again, since the District is a unique agency, we included agencies that provide larger scope of services but are within the local geographic area and provide police protection services.
4. **Labor market** – In the reality that is today's labor market, many agencies are in competition for the same pool of qualified employees. No longer do individuals necessarily live in the

communities they serve. As mentioned above, typically, the geographic labor market area, where the District may be recruiting from or losing employees to would be taken into consideration when selecting potential comparator organizations.

5. **Compensation Philosophy** – Does the agency regularly conduct a market survey, and once completed, how is this information applied? Many agencies pay to the average or median, others may pay to a higher percentile. In addition, salary ranges may be set strictly upon market base salary values or may include the total value of salary and benefits when developing a compensation policy.

There were also extensive discussions regarding the importance of cost of living, median home price, total Officer full-time equivalency, and total budget for police services when selecting comparator agencies to be included in the study. Based on all of these elements, the District agreed on the following twelve (12) agencies to be used as comparators for the purposes of this market study:

1. Broadmoor Police Protection District
2. City of Albany
3. City of Belmont
4. City of Benicia
5. City of Brisbane
6. City of El Cerrito
7. City of Hercules
8. City of Millbrae
9. City of Piedmont
10. Town of Fairfax
11. Town of San Anselmo
12. Twin Cities Police Authority

Benchmarking Benefit Data Collection

The last element requiring discussion prior to beginning a market survey is the specific benefit data that will be collected and analyzed. The following information was collected for each of the benchmarked classifications:

1. **Monthly Base Salary** – The top of the salary range. This was also factored into the total compensation costs. All figures are presented on a monthly basis.
2. **Employee Retirement** – This includes several figures, 1) the amount of the employee's State retirement (PERS) contribution that is contributed by each agency, 2) the amount of the agency's Social Security contribution, and 3) any alternative retirement plan, either private or public where the employee's contribution is made by the agency on behalf of the employee.

In addition to the amount of the employer paid member contribution of PERS, we collected information on enhanced PERS benefits. With the help of contract experts at CalPERS, we

were able to determine an average value that agencies have to pay for enhanced contract benefits, including formulas such as 3% at age 55 and 3% at age 50, as well as enhanced benefits such as one-year final compensation (12 highest paid consecutive months) and employer paid member contributions converted to pay rate during the final compensation period.

3. **Insurance** – This is the maximum amount paid by the agency for employees and dependents for a cafeteria or flexible benefit plan and/or health, dental, vision, life, long-term and short-term disability, and employee assistance insurance.
4. **Leave** – Other than sick leave, which is usage-based, the number of days off for which an agency is obligated.
 - **Vacation** – The number of vacation days available to all employees after five years of employment.
 - **Holidays** – The number of holidays (including floating) available to employees on an annual basis.
 - **Administrative/Personal Leave** – Administrative leave is normally the number of days available to management to reward for extraordinary effort (in lieu of overtime). Personal leave may be available to other groups of employees to augment vacation or other time off.
5. **Deferred Compensation** – We captured deferred compensation provided to all members of a classification with or without the requirement for an employee to provide a matching or minimum contribution.
6. **Other** – This category includes any additional benefits available to all in the class.

Please note that all of the above benefit elements are negotiated benefits provided to all members of each comparator class. As such, they represent an on-going cost for which an agency must budget. Other benefit costs, such as sick leave, tuition reimbursement, and reimbursable mileage are usage-based and cannot be quantified on an individual employee basis.

In addition to the above list of benefits, the District was also interested in gathering information on the following:

- **Post Retirement Health Benefits**: the amount an agency pays for retiree health benefits.
- **Education and POST Incentive Pay**: the amount an agency pays for advanced education degrees and POST certifications.
- **Special Assignment Pay**: the amount an agency pays for special assignments, such as Field Training Officer, Range Master, Investigator, K-9 unit, etc.
- **Shift Differential Pay**: the amount an agency pays for shift differentials.
- **Bilingual Pay**: the amount an agency pays for bilingual assignments.

- Vacation Accrual Rates: the number of vacation days available to a classification based on years of service.
- Opt-Out Allowance: the amount an agency pays to employees who opt out of health insurance coverage.
- Uniform Allowance: the amount an agency pays for uniforms (new, repair, and replacement).
- Longevity: program that provide all classifications with salary increases or lump-sum bonuses after a certain amount of years of services (usually 10, 15, 20, and/or 25 years).
- Sick Leave Cash-Out Policy: the agency's policy regarding sick leave cash out.
- Budget Driven Human Resources Strategies: the past, current, and future actions of the comparators in response to budgetary constraints (i.e. layoffs, changes in benefits, increase in benefits cost sharing, furloughs, etc.).

Appendix II contains the data we collected regarding the details of the above benefits.

Data Collection

Data was collected in September 2010 through websites, planned telephone conversations with human resources, accounting, and/or finance personnel at each comparator agency, and careful review of agency documentation of classification descriptions, memoranda of understanding, organization charts, and other documents.

We believe that the salary data collection step is the most critical for maintaining the overall credibility of any study. We rely very heavily on the District's classification descriptions, as they are the foundation for our comparison. Personnel staff of the comparator agencies was interviewed by telephone, whenever possible, to understand their organizational structure and possible classification matches.

All salary survey and benefit information can be found in Appendix I. For each surveyed class, there are three information pages:

- Market Base (Top Step) Salary Summary Data
- Benefit Detail (Monthly Equivalent Values)
- Monthly Total Compensation Cost Summary Data

Our analysis includes the average and median (midpoint) comparator data for each benchmarked classification.

MARKET TOTAL COMPENSATION FINDINGS

As mentioned above, all of the salary, benefits, and total compensation data for classifications can be found in Appendix I of this report. The market base salary and total compensation findings for each class surveyed are listed below. The percentage represents the difference between the District's current base salary and total compensation for each classification and the average and median of the comparator agencies.

Base Salaries and Total Compensation

Classification	Top Monthly Salary		Total Monthly Compensation	
	% Above or Below Average	% Above or Below Median	% Above or Below Average	% Above or Below Median
Police Officer	-5.7%	-4.9%	-1.3%	-2.5%
Police Sergeant	-10.7%	-10.5%	-5.6%	-6.7%

Market *base salary* results show that both classifications are paid below the market median. The Police Officer is approximately 5% below market and the Police Sergeant is slightly more than 10% below market. Market *total compensation* results again show that both classifications are paid below the market median. The Police Officer is paid less than 3% below the market and the Police Sergeant is paid less than 7% below the market.

We consider a classification falling within 5% of the market to be competitive in the labor market for salary survey purposes because of the differences in compensation policy and actual scope of work and position requirements. However, the District can adopt a closer standard.

Overall, these differences between market base salaries and total compensation indicate that the District's benefit package, in terms of cost, is slightly greater than that of the market. Upon further review, the District offers an employee who has completed 5 years of service 3 more days of vacation per year compared to eleven (11) of the 12 comparator agencies. In addition, the District offers employees a greater number of holidays compared to ten (10) of the 12 comparator agencies. In terms of all other benefits, such as the retirement benefits offered and health insurances paid, the District is comparable to the market. The differences in vacation accrual rate and holidays offered make the District's benefits package slightly greater than that of the market.

When benefits are greater than those of the comparator agencies, thereby bringing the District's total compensation package closer to the market compared to base salaries, we recommend basing compensation decisions on total compensation, not on base salaries.

Additional Benefits

Retiree Health Benefits:

The District pays for the premiums for retiree health benefits up to the Kaiser Health Maintenance Organization (HMO) rates. There does not seem to be a clear trend in what an agency is willing to pay for retirees for these benefits. The plans range from no coverage at all (i.e., the employee pays for all health care after retirement); to paying the minimum Public Employees Medical and Hospital Care Act (PEMHCA) contribution (currently \$105); to

