

“Just and reasonable” Worksheet

Consideration of a change in the Employment Agreement between the Conservancy and its
Executive Director

*This purpose of this document is only to assist in determining that the Conservancy
Executive Director compensation meets “just and reasonable” standards.*

January 18, 2018

The Board or an authorized committee of the Board is required to determine that changes to a chief executive officer’s compensation are “just and reasonable.” See excerpt from California Government Code, Section 12586(g):

The board of directors of a charitable corporation or unincorporated association, or an authorized committee of the board, and the trustee or trustees of a charitable trust shall review and approve the compensation, including benefits, of the president or chief executive officer and the treasurer or chief financial officer to assure that it is just and reasonable. This review and approval shall occur initially upon the hiring of the officer, whenever the term of employment, if any, of the officer is renewed or extended, and whenever the officer’s compensation is modified. Separate review and approval shall not be required if a modification of compensation extends to substantially all employees.

There are four sources used to help determine if the CEO’s compensation meets a “just and reasonable” standard in this worksheet:

- Excerpts from *Association Compensation & Benefits Study, 2016 - 2017 Edition*, American Society of Association Executives. This is the most current study available from ASAE. It is the primary resource for non-profit organization compensation administration.
- City and County of Sacramento (for comparable positions or relevant for other reasons).
- Levels of compensation for previous jobs held by the Executive Director in Sacramento (this was requested by a previous Conservancy Board) and helps meet “community standards” test.
- Levels of compensation for California Department of Food and Agriculture Marketing Branch compensation survey for 2017. We believe this is the best analog for comparison purposes, although there are some differences, especially in duties, assets and risk management.

1. Association Compensation & Benefits Study, 2016-2017 Edition

The most prevalent of the non-profit organization compensation studies comes from the American Society of Association Executives in Washington, D.C. Its extensive surveys are commonly used in compensation administration by non-profit organizations throughout the United States. In the table below, please find excerpts from the Study that may be helpful.

¹ From: *Association Compensation & Benefits Study, 2016-2017 Edition*. American Society of Association Executives. Washington, D.C.

**Relevant Excerpts from
 Association Compensation & Benefits Study, 2016 - 2017 Edition***

Non-profit organization comparators by type	Median (\$)	Average (\$)	Source
CEO Base Salary by Total Budget (\$1,000,000 to \$4,999,999) for <i>trade associations</i> (not membership organizations)	196,000	203,896	Table 1.1
CEO Base Salary and Total Compensation by Total Budget (\$1,000,000 to \$4,999,999) for <i>professional associations</i> (not membership organizations)	164,400	182,360	Table 1.1
CEO Base Salary by Total Budget (\$1,000,000 to \$4,999,999) for <i>Other types of non-profit organizations</i> (neither trade nor membership organizations)	210,000	196,471	Table 1.1
CEO Base Salary Summary Data by Select Metropolitan Area-Sacramento	158,000	228,870	Table 1.6
CEO Base Salary by Total Annual Budget, \$1,000,000 to \$4,999,999 (most number of reported samples)	180,137	192,725	Table 1.6

*Compensation includes only base compensation. The Conservancy does not provide other cash compensation or deferred compensation benefits. Note that in previous years, the Conservancy's budget exceeds the \$1,000,000 to \$4,999,999 range. In multiple years, it fit into the ASAE study's \$10,000,000 to \$24,999,999 category. CEO Total Compensation in that category is \$351,005 for the median and \$375,658 for the mean.

Non-tabled data includes the following:

- A majority (72.1%) provided merit increases averaging 3.0 percent in the current year. (page 28) down from 4.0 percent last year.
- Most organizations (86.7%) guarantee an annual salary review for the CEO on an annual basis. (Page 30)
- Executive committees most commonly review CEO performance (41%) followed by boards of directors (29.1%)

2. Job Description & Salary Schedule, City of Sacramento, County of Sacramento

Prior Conservancy Board of Director discussions noted that the Conservancy Executive Director position would likely fit into the City of Sacramento's Deputy City Manager compensation classification. The City no longer lists a Deputy City Manager job position, so the Director of Public Works and Assistant City Manager classifications have been used as substitutes, even though they are considered at a rank below a Deputy City Manager. Also added is the County of Sacramento since it has multiple similar positions. These are updated below. Source:

"Government Compensation in California," Controller's Office, State of California, January 2018. *Important note:* these listings are for positions that include a CalPERS or similar benefit package. The Conservancy does not participate in CalPERS or any other defined benefit pension plan.

Classification	2016 Wages*
Director of Public Works, City	\$228,939
Assistant City Manager, City	\$200,833
Chief Deputy County Executive, County	\$221,901**
Director of Community Development, County	\$203,950

*does not include CalPERS or other pension benefits or health care costs, etc.

**other Chief Deputy County Executive listings include \$215,808 and \$215,406.

3. Levels of compensation for previous jobs held in Sacramento.

In a prior Board discussion on appropriate compensation for the Executive Director, Board members asked that in trying to meet the "community standard" test, one comparator should be the CEO's previous positions and the level of pay set by those employers for his successor(s). The following represents the CEO's previous employers and what each pays its CEO/Executive Director. The information provided is for the most recent compensation report available.

Previous employer	Position	Source	Annual reported Compensation
Sacramento Area Commerce and Trade Organization (renamed Greater Sacramento Area Economic Council)	Executive Director and CEO	IRS Form 990 (2016)	\$581,720 ²
Sacramento Metro Chamber of Commerce	Executive Director and CEO	IRS Form 990 (2014)	\$239,530 ³
California Rice Commission	Executive Director	Department of Food and Agriculture, State of California, (2014)	\$221,000

² The CEO's exact compensation could not be confirmed because he has not had enough time in the job to have a Form 990 filed. However, multiple reports in the Sacramento Bee state that Barry Broome's compensation exceeds the amount shown above in the table.

³ The Chamber's CEO could not be determined from IRS Form 990 filings for the current Executive Director/President. From published records, the prior CEO's compensation was \$239,530 in 2014. (Does not include interim CEO.)

4. Levels of compensation for similar type positions in Sacramento.

There are numerous jobs in Sacramento for farming related non-profit organizations. However, none are responsible for large land holdings as well as operating complex habitat conservation plans as does the Conservancy. There is excellent published data for these farming-related non-profit organizations through the California Department of Food and Agriculture's (CDFA) Marketing Branch. In the department's 2017 "Salary Summary," the following results were shown:

For organizations with annual budgets ranging from \$2,500,001 to \$7,500,000¹... the range of annual compensation was listed at \$155,000 to \$260,000. The average compensation for this group was \$204,809.³

The average salary adjustment for the prior year was shown by CDFA as 3.6 percent with the median at 4.0 percent.

The Conservancy's unique position. The Conservancy is caught between the public world and the private world. Unlike private companies, it doesn't have equity compensation programs, restricted stock awards and profit sharing programs, and unlike public employers, doesn't have such benefits as those offered by CalPERS (e.g., defined benefit pension plans and health care). The Conservancy also is comparatively small in terms of staff size, although in some years, its income has been substantially higher than the non-profit organizations in Northern California that have been used to make these comparisons.

In order to stay flexible and keep fixed costs at a minimum, the Conservancy has contracted out much of what other organizations would add staff for. This addresses "span of control" issues; whereas it would be easy to "staff up" to show a larger span of control, but this would likely not be in the best interest of the Conservancy. And unlike the very largest non-profits in the region, many employee benefit programs used by such organizations are impractical for small non-profits like the Conservancy due to relative high costs, administrative burden and compliance liabilities.

I look forward to continued service with the Conservancy, and am quite willing to respond to any questions that may arise.

¹ The next range was a budget of \$7,500,001 and higher. See attached schedule. The Conservancy has frequently had annual revenue in this range and higher. The average compensation for chief executives in this higher category was \$301,340 with a range of \$199,500 to \$456,248.

In this calculation, the Conservancy uses annual expenditures instead of revenue because annual Conservancy revenue is highly variable, largely unpredictable and mostly not influenced by management action. If revenue were to be used, the average annual revenue for the Conservancy is \$6,322,055.00.

³ Source: "2017 Salary Summary for Chief Executives of California Marketing Programs, California Department of Food and Agriculture."

2017 SALARY SUMMARY FOR CHIEF EXECUTIVES OF CALIFORNIA MARKETING PROGRAMS

Facts about This Summary

- This summary is based on current salary information collected by the CDFA Marketing Branch for full-time chief executives of California's boards, councils, and commissions. Part-time contractual management arrangements are not included.
- In categorizing the programs by budget size, the Marketing Branch does not intend to imply that the size of a program's budget is the only or most important criteria that should be considered in establishing a chief executive's salary. Other criteria such as experience of the manager, diversity of program activities, complexity and size of the industry, and the number of program employees should also be considered in chief executive salary deliberations.
- If a chief executive administers both a state and a federal program, the budgets of both programs have been added and treated as one program.
- Performance-based incentives have been incorporated into the salaries. However, very few programs routinely provide this type of compensation each year.
- Benefits have not been included in this salary summary since there does not appear to be a significant correlation between budget size and benefit packages. A typical benefits package includes vacation/sick leave, a retirement program, medical insurance, dental insurance, and vision insurance. Many programs also provide disability insurance, life insurance, and some form of auto arrangement (use of a company car or a monthly car allowance). In addition, some programs provide some level of funding toward health insurance coverage for the chief executive's family.
- For instances in which the chief executive position is currently vacant, the program's target salary for the incoming chief executive is used.

Results of This Year's Summary

- The average salary adjustment this past year for continuing chief executives was + 3.6%.
- The median salary adjustment this past year for continuing chief executives was + 4.0%.

Additional Information: Average salary and median salary information is presented below. One should exercise caution in referencing these figures because they can vary significantly from year to year depending upon such factors as program start-ups, program terminations, retirements of chief executives, and programs shifting from full-time employees to contracted management services. Percentage salary adjustment figures for continuing chief executives, as presented above, tend to provide a more stable and more accurate reflection of general salary trends.

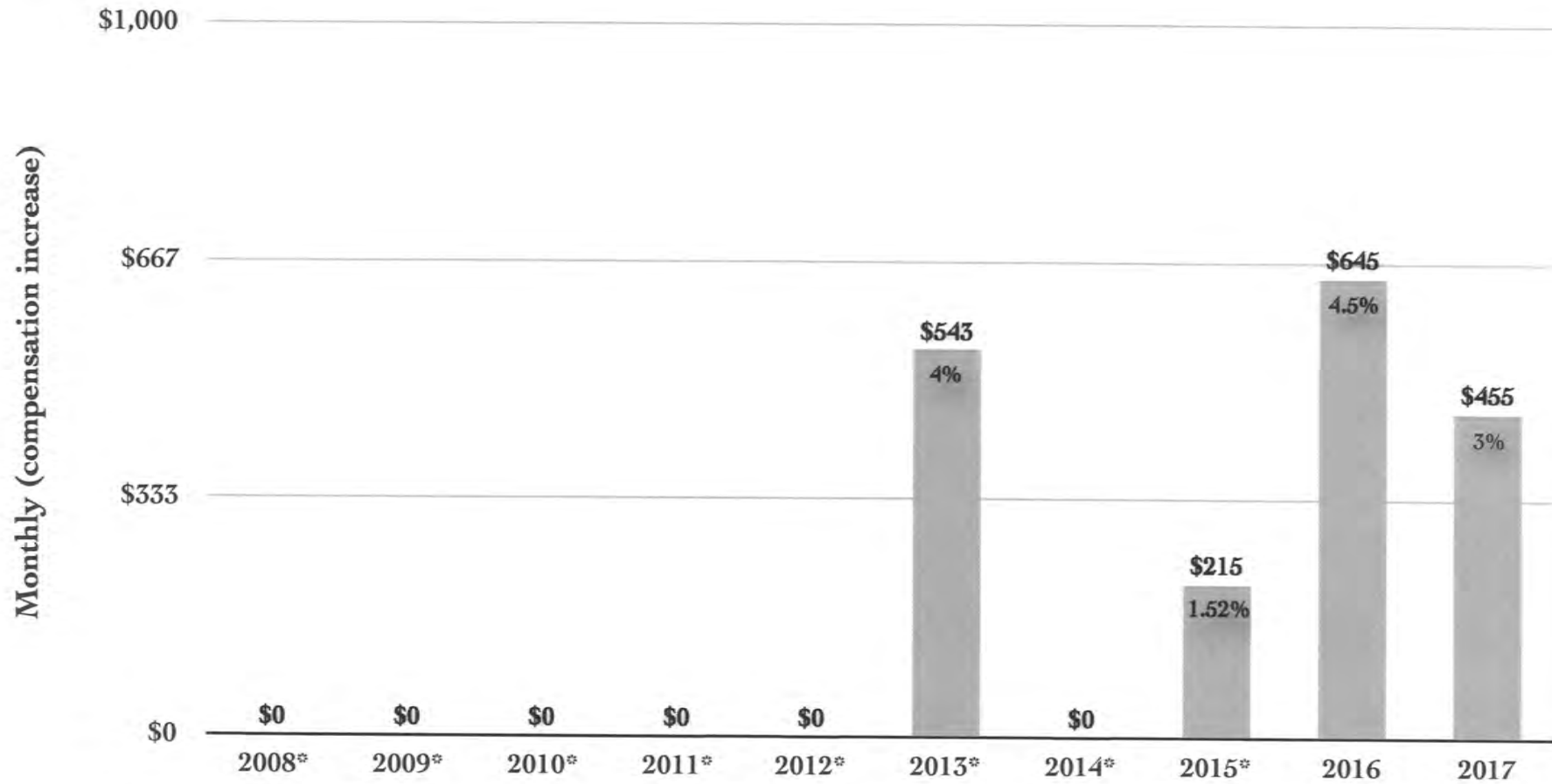
- The current average chief executive salary is **\$198,413**. This reflects a 0.12% decrease from last year's average salary of \$198,648.
- The current median chief executive salary is **\$170,000**. This reflects a 9.68% increase from last year's median salary of \$155,000.

Range of Each Program's Budgeted Expenditures	Number of Programs Within Range	Average Budgeted Expenditures Within Range	Chief Executive Salary Spectrum Within Range	Average Chief Executive Salary Within Range
up to \$2,500,000	9	\$1,324,043	\$82,160 to \$150,000	\$125,531
\$2,500,001 to \$7,500,000	6	\$5,729,564	\$155,721 to 260,000	\$204,809
\$7,500,001 and over	6	\$23,901,263	\$199,500 to \$456,248	\$301,340

Last Updated: 4-4-2017

10-Year Compensation Increase History 2008-2017

Conservancy Executive Director



* Executive Director requested no increase to compensation in this year.