Compensation Committee Report To Board

Summary: The Compensation proposes a set of budgeting principles so that, as resources are available, we develop a wage structure such that:

- Direct Care compensation increases as the principle focus of future budgeting and strategic planning to the extent sustainable.
- There is a tiered system of wages such that more experienced staff are compensated for the continuity and leadership they provide. We recommend three tiers each for direct care staff and leadership team with each tier eventually earning about 10% more than the one above it.
- Housemates and sleep shifts have traditionally been paid minimum wage and can continue to, except to reward longevity.
- Admin and executive salaries stay competitive with the market.
- Raises below $.50/hour often do more harm than good. When raises will be below that level, it is better to bank resources against a better wage or consider enhancements to benefits.

With regard to benefits, the primary interest of employees expressed in survey prioritized:
- Participation by Imagine in dependent health benefits
- A retirement program

Purpose/History of the committee: The compensation committee was established by the board to insure that the two top budgetary priorities: replacing spent reserves and improving direct care pay were planned for. A secondary purpose was to replace individual judgements of worth with equitable, transparent standards for compensation The committee met from April-October, 2021. The membership was Greg Gonzalez, board member; Mark Tracy, board member; Doug Pascover, Executive Director, Patty Lopez, Human Resources Manager; Julie Ross/Charlie Miller, Director of Services; Dan Dahl, Facilitator; David Robles, Facilitator; and Dina Sanchez, Direct Care staff.

During the course of meeting, the committee compared wages and salaries at Imagine with the median pay for similar jobs in Santa Cruz County and conducted a poll of employees. Discussions included pay equity (similar pay for similar contribution,) sustainability and the principle that direct care staff should always be paid better.

During the time the committee met, the California State Legislature passed a plan to adjust vendor funding along similar lines through three planned rate increases over five years. The first two rate adjustments are meant to bring vendor rates partly into line with a study conducted over the past three years and released in 2019 as updated and the third and final adjustment is to include a 10% outcomes-based increase.

The first rate adjustment by statute goes into effect April 1. 2022 and should produce income by July. The compensation committee recommends that the budget year beginning July 1 be the target date to begin compensation improvements. A best good-faith projection of the value of that rate increase is about $2.50/hour ($30k/month) some of which may be needed to bring Imagine's budget back into balance.

Determining market rates: The committee compared Imagine's wages and salaries to the Countywide averages (as of May 2019) for similar sounding positions and determined that, apart from the Human Resources Manager, Executive Director and Office Manager (no longer an existing position,) our current salaries and wages are roughly in line with, or just above, the median. Amazingly, the 50th percentile for home care workers is $.07/hour above minimum wage. This represents a good starting place, since improvements to compensation should make Imagine attractive to available workers at all levels of the agency.

Determining sustainable wage increases: The committee proposes an algorithm for determining what is available for improvements to compensation. When budgeting, recent actuals and budget projections are to be calculated to determine an honest estimate of the projected surplus. When the budget projects a deficit or a surplus of 2% or less, raises will not be included in the following year's budget. When the surplus exceeds 2% until it reaches 5%, half of the projected surplus above 2% will be allocated for compensation increases. When the surplus exceeds 5%, three fourths of the projected surplus above 5% will be added to 1.5% of projected revenues .

To give three examples, assume that Imagine has a projected budget of $6,000,000 and provides 12,000 hours of service per month.

Case 1, the budget projects a surplus of $100,000 for the year. This is a surplus of 1.7% of budgeted revenue so no raises will be given during the budget year, and $100,000 would be added to cash reserves.

Case 2, the budget anticipates a surplus of $300,000 for the year. This is a surplus of 5% Half of the difference between $300,000 (5%) and 120,000 (2%,) or $90,000 will be available for compensation increases. If Imagine bills (as now) about 12,000 hours of direct care per month, deducting for payroll taxes and workers' compensation, this will support a $.50/hour raise for all direct care staff if applied evenly. In this case, cash reserves could be increased by $210,000 during the year or less if other priorities were also funded.

Case 3, the budget projects a surplus of $500,000. This is a surplus of just over 8%. In addition to the $90,000 available for the surplus through 5%, three-fourths of the additional $200,000, or $150,000 would be added. This would increase wages for the following year by $240,000, worth about $1.40 in actual wage increase if distributed equally and exclusively to direct care staff. In this case, $260,000 would be added to cash reserves during the year, or used for other priorities.

At a point in the distant future where Imagine has 6 months of expenses available on hand, the above algorithm could be adjusted in favor of saving less and compensating better.

Recommendation for initial allocation of available raises.

The Compensation Committee felt unanimously that all employees of Imagine should be better compensated to the extent possible. Nonetheless, there were priorities for the first available funds. Some of these are functional, and those are comparatively small. The others had to do with equity.

One primary concern is that longtime employees at every level of the agency provide leadership to colleagues for which they are not currently compensated. Another current inequity comes from the fact that some employees are paid the same rate while sleeping, often in rooms rented for them by Imagine or the Housing Authority, as employees providing various care activities. Furthermore, an employee doing sleep shifts has the opportunity to wake up and go to another job. The compensation committee felt strongly that awake shifts should receive higher pay than sleep shifts, as was the case before the rising minimum wage swamped the differential.

For clarity's sake, we do not anticipate fully funding the below from the next rate increase. Through the budgeting process, once we know available funding, we recommend beginning construction of a compensation structure as below. Recommendations for the pathway follow..

Once the structure below is fully funded, we anticipate raising a baseline which will allow all Imagine employees to enjoy better compensation. In the meantime, baseline will remain at minimum wage ($15 beginning January 1)

This is our proposed final wage structure.

Direct care:
Housemate/Sleep Shift: Pays the Imagine baseline. ($15/hour until this structure is in place.) Housemates with 6+ years experience at Imagine to be paid as HSSI and those with 10+ years as HSSII.

Home Support Specialist I (HSSI:) Imagine baseline plus 10%. SLS caregiver working during active hours. Goal is to pay $16.50 once the structure is fully funded.

Home Support Specialist II (HSSII:) HSSI plus 10% (18.15/hr once fully funded). SLS caregiver during active hours with 2-8 years with Imagine or 4-10 years total caregiving experience.

Home Support Specialist III (HSSIII:) HSSII plus 10% ($20/hr once fully funded) SLS caregiver during active hours with more than 8 years at Imagine or more than 10 years total caregiving experience.

Crisis Care Responder (CCR:) Provides up to 8 hours per day coverage with any client in need at any time on assigned days. Paid at HHSII +$4. CCR must be trained on and familiar to at least half of SLS clients. Experience not compensated.

Available premia:

In addition to the compensation that goes with the title/position, when we have fully funded plan;
$2/hour for Lead Staff
$2/hour for awake overnight staff
$2/hour for emergency coverage (Lead Staff on pager)
Premia can be additive (e.g. a Lead Staff with 5 years at Imagine on pager covering an overnight awake shift would be paid under the fully funded version of this plan $24.15 during those hours of service ($18.15 + 3*$2)

Additionally (low cost item,) the stipend that Lead Staff has been $100/week for being on call. This rate was set during the Rienhardt era and has not changed. We recommend increasing to $250.

Facilitators:

Facilitator I (FI) Salaried exempt equivalent to 40 hour week at double Imagine baseline. ($5200/month as of January 1.)

Facilitator II (FII) Facilitators with 4 or more years of experience. 10% above Facilitator I ($5700/month.)

Admin Staff, other positions.: To maintain the lean administrative format which empowers us to focus new funding on direct care staff, it is necessary to maintain long continuity in the few administrative positions. The Compensation Committee recommends maintaining those positions at or above the County median and not below the equivalent seniority title of the appropriate salaried exempt or hourly equivalent, as appropriate. A long-lasting but temporary exception can be made for the Executive Director and HR (where the local medians are far above Imagine's level.)

The Pathway: Because Imagine is not currently able to implement the above plan, the committee recommends using new funds from the April 1 increase to first insure a 2% surplus and with any excess, prioritize the following:

1) Fund the HHSII title to the degree prudently possible.
2) If possible once HHSI is funded, fully fund FII position.
3) If possible after FII is funded, fund the expanded premiums.

Other notes:

1. Based on staff surveys, employees are pretty happy with their benefits, the main areas staff prioritized for expansion:
  1.1. Imagine participation in health benefits for dependents, and
  1.2. A retirement program with Imagine matching..
2. All members present agreed that raises less than $.50/hour are demoralizing. When the budget allows trivial raises, consider banking towards a more substantial raise the following

year, bonuses or expanded benefits such as participation in health benefits for dependents, retirement fund matching or the like.

3. As mentioned above, should the funding increases planned in current statute all take place, the third and final increase will include a small but significant outcome-based funding component under which agencies that produce good outcomes as measured receive more funding than similar agencies. Depending on the development of that system, Imagine should consider how to pass that additional funding along to staff.

4. There is a very opaque plan in development based on the enacted budget to provide $1/hour wage enhancements to staff based on experience and certain skills.