

**INTERNAL MONITORING REPORT**  
**Submitted November 8, 2012**  
**By Craig Heimbichner, Superintendent/CEO**

**POLICY # 2.7 COMPENSATION AND BENEFITS**

**Policy Language:**

**The CEO shall not cause or allow jeopardy to financial integrity or to public image with respect to employment, compensation and benefits.**

**Further without limiting the scope of the foregoing by the enumeration, the CEO shall not:**

- 1. Change the CEO's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees and the norm for other similar positions of authority.**

**Reasonable Interpretation and Justification:**

*The Global Executive Constraints specify that the CEO shall not allow any practice or decision that is unlawful or in violation of commonly accepted business and professional ethics. Policy #2.7 is a specific limitation under the broader Policy #2.0.*

*As per the Board adopted Policy Governance Manual, the CEO is the only employee hired directly by the Governing Board. Policy #2.7 prohibits the CEO from altering his/her personal compensation package without Governing Board approval. This policy also requires that CEO benefits fall within the guidelines for similar administrative positions in the area and standards of the industry.*

**Data Directly Addressing the Interpretation:**

*The CEO is one of three management positions in the organization covered by actual or potential multi-year contracts. The two additional positions are Chief Business Official (CBO) and Chief Academic Officer (CAO). Adopted salary schedules do not apply to contracted positions and, therefore, these management positions do not receive annual step and/or column salary increases. Any change in compensation is determined by the Governing Board. Due to budget reductions there were no changes to compensation for the CBO or CAO positions for 2009-2010, 2010-2011, or 2011-2012. The CEO salary was reduced following the retirement of the former CEO, and no raise in compensation has occurred this year.*

*The health benefit cap and retirement benefits are the same for the CEO as for any certificated employee in HCS. CEO benefits align with those provided to other employees in the organization.*

## **2. Promise or imply permanent or guaranteed employment.**

### **Reasonable Interpretation and Justification:**

*Permanent or guaranteed employment is interpreted to mean employment that is continual, assured and irrevocable. This limitation prohibits the CEO from implying or promising lasting employment to any staff member. The interpretation of “permanent” for this policy section differs from the meaning of “permanent” as defined in the Bargaining Agreement with CSEA Chapter #804 where the term is used to differentiate between permanent and probationary employment status.*

### **Data Directly Addressing the Interpretation:**

*The following documents were reviewed in relation to the above policy:*

*Employee Handbook—This handbook applies to all HCS employees unless superseded by bargaining unit agreements or long term contracts. Page 3 of the Employee Handbook clearly defines and outlines “at will” employment at HCS.*

*HCEA Agreement—Article VIII, Employment Status states “HCS is an at-will employer. HCS reserves the right to modify or terminate the employment relationship through the progressive discipline process. Nothing in this Agreement creates, or is intended to create, a promise or representation of continued employment or guaranteed terms and conditions of employment for any employee. Further, there is no agreement, express or implied, written or verbal, between the employee and HCS for any specific period of employment, for continuing or long-term employment, or for guaranteed terms and conditions of employment.”*

*CSEA Agreement—Article 3.1, Employee Service Type states that probationary employees may be released during the first 9 months of employment with or without cause. After completion of the probationary period, employees may only be released for cause. In addition, Article 15 outlines layoff procedures.*

*No employees are guaranteed perpetual or irrevocable employment under current policies or procedures.*

## **3. Establish current compensation and benefits that deviate materially from the geographical or professional market for skills employed.**

### **Reasonable Interpretation and Justification:**

*Selection and retention of highly qualified staff are top priorities at HCS. In order to attract highly qualified personnel HCS must be competitive with surrounding school districts in terms of compensation and benefits. Knowledge of current salary schedules and standards of the industry are required in order to determine appropriate salary ranges for specific job descriptions.*

#### **Data Directly Addressing the Interpretation:**

*HCS has several policies and procedures in place to ensure that employees are paid salaries comparable to those of surrounding districts. Human Resources staff routinely utilizes compensation data provided by the Placer County Office of Education and Western Placer Unified School District. Additional information may be obtained from other districts as necessary. Salaries and benefits are compared to like jobs with like responsibilities in similar school settings.*

*Although revenue for 2012-2013 has been affected by enrollment and state funding, step, column, and longevity increases as per adopted salary schedules were applied this year. In addition, the salary schedules for certificated bargaining unit members allow for additional compensation based upon years of service and educational units earned. Calendar days for some positions have been reduced as well as some positions eliminated completely. The prognosis for increased revenue is still in question. Efforts will continue to provide competitive compensation as budget constraints allow in order to maintain the fiscal integrity of HCS.*

- 4. Create obligations over a longer term than revenues can be safely projected.**

#### **Reasonable Interpretation and Justification:**

*Fiscal responsibility requires long term revenue projections. Annual uncertainty regarding student enrollment at HCS requires conservative revenue projections. State budget issues and the overall economy directly impact school funding. These impacts can change drastically from year to year with little or no warning or predictability.*

#### **Data Directly Addressing the Interpretation:**

*HCS has a clearly developed process for annual budget development. The budget adoption calendar with specific timelines is prepared by the CBO. Input is solicited via the Budget Advisory Committee which represents all stakeholders in the school. Administration develops the proposed budget document which must then be adopted by the Governing Board.*

*Legal requirements also include the adoption of long term budget projections which must be submitted for review to the Placer County Office of Education and the Western Placer Unified School District. Throughout the school year, revisions to the adopted budget are brought to the Governing Board as part of the budget approval process. Due to the addition of the second charter school, budget reporting is done for each school separately.*

5. Establish or change pension benefits so as to cause unpredictable or inequitable situations, including those that:
  - a. Incur unfunded liabilities.
  - b. Provide less than some basic level of benefits to all full time employees.

**Reasonable Interpretation and Justification:**

*Any change in employee benefits impacts the HCS budget. Employee compensation and benefits are the largest expenditure for HCS, therefore clear processes and procedures for changes must be in place. Employee compensation and benefit increases must also be projected over time so as to determine any long term liabilities.*

**Data Directly Addressing the Interpretation:**

*The CBO confirmed that HCS does not have any unfunded liabilities. In addition, the HCS Benefits Committee meets annually with our insurance brokers to review current benefit levels and projected benefit costs. HCS has a negotiated cap on health benefits allowing for the computation of total benefit cost to the organization.*

*Other HCS paid employee benefits include sick leave, extended sick leave, catastrophic leave, retiree benefits, and the Employee Assistance Program. Additionally, an employee has the option to purchase Pre-paid Legal Services, AFLAC, and Flexible Spending Accounts for medical and dependent care reimbursements.*

6. Deviate from sound negotiation strategies with bargaining units.

**Reasonable Interpretation and Justification:**

*HCS has two bargaining units. HCEA represents certificated personnel and CSEA represents classified employees. Productive negotiations require clear two-way communication, reliance on factual data and specific fiscal guidelines, and honest conversation. Timelines must be adhered to and follow through on negotiated agreements is a must.*

**Data Directly Addressing the Interpretation:**

*Negotiations with both bargaining units are held on an annual basis. HCS is represented at the bargaining table by the CEO and Director of Human Resources. Additional input and direction are provided by the Program Decision Team, CBO, CAO and other confidential employees as required. Compensation and benefits are a focal point of the negotiation process.*

*Negotiations have been amicable and productive. Additional meetings are held throughout the year as required to handle routine issues. Current multi-year bargaining agreements are in place with both HCEA and CSEA.*

**Based upon the above information, I report compliance with Policy #2.7.**