

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Meeting: 10:15 a.m., Thursday, October 27, 2005
Glenn S. Dumke Auditorium

Debra S. Farar, Chair
Herbert L. Carter, Vice Chair
Roberta Achtenberg
Jeffrey L. Bleich
Moctesuma Esparza
William Hauck
Raymond W. Holdsworth
A. Robert Linscheid

Discussion Items

1. Executive Compensation, *Action*

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation

Presentation By

Debra S. Farar, Chair
Committee on University and Faculty Personnel

Roberta Achtenberg
Vice Chair, Board of Trustees

William Hauck
Member, Board of Trustees

Charles B. Reed, Chancellor

Summary

Recommendations for executive compensation, including benefits, will be presented.

Background

The trustees recognize compensation for presidents and system executives as a key element in the California State University's (CSU) success. The ability to offer a competitive compensation program is critical to the CSU's ability to recruit and retain key executives who are competent and visionary leaders. Higher education in California shares in a national system that has a very limited pool of qualified executives, and not only do we compete with these key institutions for new executives, but CSU executives are under pressure to consider highly competitive offers from these same institutions.

The executive compensation policy for campus presidents and system executives has the primary objective of providing a total compensation program, which recognizes individual performance and experience and addresses the need to maintain a competitive market position. When compensation levels are set for these executives, the mission, scope, size, complexity and programs of each campus are taken into consideration as well as system and national policy leadership. Merit assessments according to stated criteria are also essential ingredients as are recruitment and retention experience and regional cost-of-living differentials. The policy establishes the target for the average cash compensation for presidents as being approximately the mean for comparable positions in the 20 California Postsecondary Education Commission (CPEC) comparison

institutions, the same group used for faculty salary studies. Also, the trustees always are sensitive to comparable levels of reward at campus and system levels of the University of California.

At the January 1997 Board of Trustees' meeting, the trustees established a Blue Ribbon Committee to review the status of CSU executive compensation, including the executive compensation policy, and develop a long term strategy for program improvement with recommendations to be presented to the Board for consideration. CSU executive pay continued to fall further behind the competitive market. The trustees' Blue Ribbon Committee Report, presented at the September 1997 Board of Trustees' meeting, noted that CSU's executive compensation policy was adequate, but the goal of establishing the average presidential compensation target as being approximately the mean for comparable positions in the CPEC comparison group was not being met and continued to fall further behind. The Committee recommended that presidential salaries be adjusted as part of a three-year plan to bring executive salaries in line with those of the CPEC comparison group. Additionally, the Committee considered it critically important that system executive salaries be appropriately adjusted. The Board adopted these recommendations. The first phase was implemented September 1997, the second phase September 1998 and the third phase September 1999.

However, while these adjustments were helpful at the time, the average CSU presidential salary continued to lag the CPEC comparison group. Concerned about increasing presidential salary lags, the trustees established an Ad Hoc Committee on Executive Compensation in October 2002 to review the CSU's executive compensation policy and practices. The Committee met in December 2002 to discuss executive compensation concerns and the challenges of recruiting presidents in difficult budget environments, but at that time no course of action was adopted due to fiscal challenges.

Another ad hoc committee was formed in 2004 to review CSU employee compensation and compensation market lags for all employees; it continues to meet to consider compensation issues.

Mercer, Human Resource Consulting, a consulting group that has conducted CSU presidential compensation surveys at the request of CPEC since 1995, noted in its January 2005 report that the average CSU presidential salary of \$217,751 lags behind the average \$325,502 CPEC comparison group salary by 49.5%. While it is recognized that it would be extraordinarily difficult to take remedial action to narrow the 49.5% salary lag in a single action, it is nonetheless critical that steps be taken to begin to address this serious salary lag. The competitiveness of the CSU's executive compensation program is being seriously eroded. The CSU Trustees cognizant of the 13.1% lag in faculty salaries as reported by CPEC, approved a 3.5% compensation increase in the 2005/06 budget and implemented through collective bargaining.

The recommended average executive salary increase of 13.7% is the same ratio to the 49.5% salary lag as the 3.5% is to the 13.1% faculty salary lag. Therefore, in accordance with the principles of

the trustees' executive compensation policy, the following actions are recommended for trustee approval, effective July 1, 2005:

CSU EXECUTIVE SALARIES

| <u>Campus</u> | <u>President</u> | <u>Salary</u> | |
|------------------|--------------------------|----------------|---------------------|
| | | <u>Current</u> | <u>July 1, 2005</u> |
| Bakersfield | Horace Mitchell | \$220,008 | \$249,048 |
| Channel Islands | Richard R. Rush | \$203,376 | \$231,624 |
| Chico | Paul J. Zingg | \$205,008 | \$237,756 |
| Dominguez Hills | James E. Lyons, Sr. | \$213,600 | \$241,788 |
| East Bay | Norma S. Rees | \$207,888 | \$235,332 |
| Fresno | John D. Welty | \$224,232 | \$253,836 |
| Fullerton | Milton A. Gordon | \$207,924 | \$255,024 |
| Humboldt | Rollin C. Richmond | \$230,016 | \$260,376 |
| Long Beach | Robert C. Maxson | \$245,484 | \$277,896 |
| Los Angeles | James M. Rosser | \$239,316 | \$270,906 |
| Maritime Academy | William B. Eisenhardt | \$188,124 | \$220,116 |
| Monterey Bay | Diane Cordero de Noriega | \$207,108 | \$220,116 |
| Northridge | Jolene Koester | \$207,444 | \$255,024 |
| Pomona | J. Michael Ortiz | \$205,008 | \$237,756 |
| Sacramento | Alexander Gonzalez | \$221,004 | \$255,024 |
| San Bernardino | Albert K. Karnig | \$206,304 | \$237,072 |
| San Diego | Stephen L. Weber | \$231,216 | \$261,744 |
| San Francisco | Robert A. Corrigan | \$230,688 | \$261,144 |
| San Jose | Don W. Kassing | \$230,004 | \$255,024 |
| San Luis Obispo | Warren J. Baker | \$253,440 | \$286,896 |
| San Marcos | Karen S. Haynes | \$203,376 | \$230,232 |
| Sonoma | Ruben Armiñana | \$223,452 | \$252,948 |
| Stanislaus | Hamid Shirvani | \$230,004 | \$237,072 |

System Officers

| | | | |
|--|-------------------|------------------------|------------------------|
| Chancellor | Charles B. Reed | \$316,692 ¹ | \$362,500 ¹ |
| Executive Vice Chancellor, & Chief Academic Officer | Vacant | \$239,160 | n/a |
| Executive Vice Chancellor & Chief Financial Officer | Richard P. West | \$239,160 | 280,056 |
| Vice Chancellor, Human Resources | Jackie R. McClain | \$209,520 | 246,186 |

¹ \$30,000 CSU Foundation supplement since appointment

| | | | |
|---|-------------------|-----------|---------|
| Vice Chancellor University Advancement | Vacant | \$220,000 | n/a |
| General Counsel | Christine Helwick | \$195,672 | 230,002 |

Where available, university presidents are required to live in official university provided residences. CSU provides official residences at Dominguez Hills, Fresno, Fullerton, Long Beach, Maritime Academy, Monterey Bay, Northridge, Pomona, San Diego and San Jose. Where official residences are not available, the Board of Trustees provides CSU presidents assistance with their housing in recognition of their broad responsibilities for institutional advancement and development. The presidents' residences are used for university business including an executive office, university meetings, university-related entertainment, social functions and fund raising.

Housing assistance has been reassessed this year in view of equity, housing maintenance costs and services, real estate market changes, and housing market relationships. The last comprehensive change was made in summer 2000. Subsequent adjustments were made when new presidents were appointed. California's housing market has exploded since 2000 with a median housing price increase of 116.3% from June 2000 to June 2005. In Stanislaus country the increase has been as high as 160.9%. In recognition of the increased housing costs and house maintenance and service costs, the following general fund two-tiered housing allowance adjustments are being recommended for adoption, effective July 1, 2005.

Annual Housing Allowances

| <u>Housing Tier</u> | <u>July 1, 2005</u> |
|----------------------------|----------------------------|
| Tier I | |
| Bakersfield | \$50,000 |
| Chico | \$50,000 |
| Humboldt | \$50,000 |
| San Bernardino | \$50,000 |
| Stanislaus | \$50,000 |
| Tier II | |
| Channel Islands | \$60,000 |
| East Bay | \$60,000 |
| Los Angeles | \$60,000 |
| Sacramento | \$60,000 |
| San Luis Obispo | \$60,000 |
| San Francisco | \$60,000 |
| San Marcos | \$60,000 |
| Sonoma | \$60,000 |

In addition, the housing allowance for the interim president of CSU Monterey Bay is set at \$36,804, effective June 10, 2005. The permanent president will occupy university owned housing.

At the September 1998 Board of Trustees' meeting, the Trustees adopted a resolution that provided presidents the option of receiving a \$750 per month automobile allowance in lieu of a university vehicle to support university related business travel requirements. That same allowance also is provided to Executive Vice Chancellor and Chief Financial Officer West and Vice Chancellor of Human Resources McClain. In recognition of the taxability of the allowance and increased automobile costs, it is recommended that effective November 1, 2005, the allowance be increased to \$1,000 per month for eligible executives and additionally, that the allowance includes General Counsel Christine Helwick.

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of The California State University, that the CSU executive salaries table in Agenda Item 1 of the October 27, 2005, meeting of the Committee on University and Faculty Personnel, be approved for implementation effective July 1, 2005; and be it further

RESOLVED, that the annual housing allowance levels recommended in Agenda Item 1 of the October 27, 2005, meeting of the Committee on University and Faculty Personnel, be approved for implementation effective July 1, 2005, and be it further

RESOLVED, that the automobile allowance for presidents, the executive vice chancellor and chief financial officer, the vice chancellor of human resources and the general counsel be set at the monthly rate of \$1,000, effective November 1, 2005.