COMPENSATION POLICY

(Board Approved December 12, 2016; REVISED: June 25, 2026)

EMPLOYEE COMPENSATION POLICY

1. Purpose

The purpose of this policy is to define the compensation philosophy of Redwood Coast Energy Authority (hereinafter RCEA) for regular employees, including the methodology used to determine salary ranges and salary changes.

This policy addresses:

- Statement of Compensation Policy
- Basis for Determination of Salary and Salary Changes
- Annual Cost of Living Adjustments
- Labor Market Surveys (Five-Year Benchmarking)
- Internal Alignment
- Review of Performance and Salary
- Procedures

Other topics, such as performance evaluations, employee classifications, and employee benefits are addressed in separate policies.

2. Definitions

a. Cost of Living Adjustment (COLA)

An annual, RCEA-wide (including the Executive Director) salary range adjustment based primarily on movements in the local area Consumer Price Index (CPI), RCEA fiscal capacity, and any Board-approved considerations regarding maintaining competitive compensation.

b. Labor Market Agencies

The Authority recognizes one labor market for all of its regular positions. The market includes:

1. City of Eureka
2. Clean Energy Alliance
3. Humboldt Bay Municipal Water District
4. Marin Clean Energy
5. Orange County Power Authority
6. Peninsula Clean Energy Authority
7. Pioneer Clean Energy

8. Silicon Valley Clean Energy Authority
9. Sonoma Clean Power Authority
10. Valley Clean Energy Alliance

The Board may modify this list at any scheduled regular meeting.

c. Benchmark Classification

A classification that is representative and comparable across surveyed agencies. Benchmark positions are the basis for establishing internal alignment and family relationships. The Executive Director determines the benchmark classifications to be used during each labor-market survey.

d. Labor Market Survey (Five-Year Benchmarking)

A comprehensive survey of benchmark positions within the established labor market, performed once every five (5) years, with the initial survey conducted no earlier than five (5) fiscal years after the effective date of this policy. Survey results will be shared publicly with the Board of Directors before salary range changes are adopted.

e. Merit Increase

A performance-based salary increase awarded to employees whose performance meets or exceeds established criteria for their classification.

f. Internal Alignment

Refers to how job roles and salary ranges compare to one another across the organization to ensure they are organized fairly and consistently based on responsibilities and level of work.

3. Statement of Policy

To attract and retain qualified employees, RCEA maintains compensation practices that are:

- Competitive within the relevant labor market
- Fiscally responsible
- Designed to reward strong performance
- Free from discrimination based on (but not limited to) race, creed, national origin, color, marital status, age, sex or sexual identity, or disability

Basis for Determination of Salary and Salary Changes

a. Annual Cost of Living Adjustments

Each year, staff will prepare for the Board to review:

- Local area CPI
- Economic conditions
- Budget capacity
- Comparability with labor-market trends

Based on this review, the Board may adopt a salary range cost of living adjustment (COLA) for all employee classes.

b. Five-Year Labor Market Survey

Every five (5) years, RCEA will conduct a comprehensive labor-market survey of benchmark classifications across the identified Labor Market Agencies.
Survey outcomes may result in:

- Adjustments to salary ranges
- Revisions to benchmark classifications
- Realignment of internal salary relationships

Identified Labor Market Agencies that are outside of the RCEA regional area will have a cost of labor differential applied to normalize salaries for a more accurate comparison. The cost of labor reflects differences in pay practices of a geographic area (which is different than cost of living which reflects differences in consumer costs of a geographic area). Cost of labor differentials are based on differences in the supply and demand of labor as compared to that of RCEA. The differentials are based on data from the Economic Research Institute (ERI).

The Board may choose to adjust ranges without adjusting individual salaries or may apply adjustments selectively.

e. Internal Alignment

Each job classification has a minimum and maximum salary range established based on:

- External labor market data
- Internal job-to-job relationships
- Organizational structure

Internal alignment will be reviewed on a periodic basis to ensure that the relative positioning of job classifications and salary ranges remain consistent with organizational structure, duties, and responsibilities. The review shall include a comparison of job classifications and salary ranges across the organization, taking into account the relative level of responsibility, oversight, and scope of work. The purpose of the review is to confirm that pay levels remain appropriate and consistently structured.

Internal alignment shall be reviewed before any salary range changes are recommended to the Board of Directors.

f. **Merit**

Merit-based salary changes reflect:

- Competence in performing assigned duties
- Achievement of job objectives
- Sustained performance

Merit increases are based on satisfactory or better performance as documented through the Authority's performance evaluation process and are not automatic or guaranteed. Merit increases, where applicable, shall only be granted on an annual basis. Evaluations shall be reviewed and approved according to the Performance Evaluation Policy.

3. Salary Administration Guidelines

a. New Hire / Initial Hire

- Hiring normally occurs at the minimum of the salary range.
- Directors may appoint up to 5% above minimum with Executive Director approval.
- The Executive Director may authorize appointments up to the mid-point for candidates with exceptional qualifications or recruitment challenges.
- The Board of Directors, with the recommendation of the Executive Director, may authorize appointments above the midpoint for candidates with exceptional qualifications or recruitment challenges.
- Upon successful completion of the first 12-month probationary period of employment, employees may receive a merit increase of 5%.

b. Merit Increases

Employees may receive up to a 5% merit increase annually, not to exceed the maximum of the salary range.

Merit increases while on leave:

- Protected Leave: If a merit increase or other compensation adjustment would otherwise be granted based on performance and timing, such increase shall be proactively reviewed and approved during the leave period to ensure the employee is not disadvantaged due to the use of protected leave.
    - When an employee has not worked a sufficient portion of the evaluation

period prior to the commencement of leave to permit a meaningful assessment of performance, any related merit increase may be deferred until the employee returns to active work status and has worked a sufficient period to allow for an equitable evaluation. In such cases, any merit increase shall be prospective and effective upon completion of the evaluation.

- Personal Leave of Absence: When an employee is on personal leave, RCEA may defer the performance evaluation and associated merit increase until the employee returns to active service and has completed a sufficient portion of the evaluation period.

Merit increases generally become effective upon the employee's return to work or on a revised evaluation anniversary date. RECA reserves the right to determine whether a merit increase will be granted, deferred, prorated, or denied based on operational needs, length and type of leave, performance considerations, and compliance with applicable law.

c. Compensation Adjustments

Adjustments may occur following either:

- Annual COLA
- Five-year labor market survey

The Board may approve adjustments to the salary range alone, or selective adjustments for certain employees or classifications.

d. Promotion

Promoted employees will be moved to the closest step of the new range, that is at least 5% above their current wage. If the adjustment to the new range would result in an increase of more than 5% above the employee's current salary, the employee will be placed at the first step of the range

Promoted employees will begin a 12-month probationary period and may receive a 5% merit increase based on successful completion.

e. Out of Class Pay (including Certified Skill Assignments)

The Executive Director, or designee, may temporarily assign an employee to perform work normally performed by another employee at a different level or salary. An employee temporarily assigned to perform work of a lower paid employee shall not have their salary reduced, and an employee temporarily assigned to perform work of a higher paid employee shall receive compensation equal to the lowest salary step for that position that would provide for an increase in pay for all time spent in the acting position in excess of four (4) consecutive work weeks and continuing only until such time as the employee is returned to their original job duties.

Out-of-class assignments may include duties requiring the use of professional licenses or certifications that are not required for the employee’s regular classification, including but not limited to electrician or mechanical trade credentials.

During Certified Skill Assignments, out-of-class pay will be determined on a case-by-case basis, commensurate with the level, scope, and duration of the duties assigned. The out-of-class adjustment may be structured as either a temporary salary increase, or a temporary stipend or differential.

All out-of-class assignments will be documented, including duration of the assignment, duties assigned, and approved compensation adjustment and approved by the Executive Director, or designee.