

REPORT

**DATE ISSUED:** September 24, 2008

**REPORT NO:** HCR 08-112

**ATTENTION:** Members of the San Diego Housing Commission  
For the Agenda of October 31, 2008

**SUBJECT:** Action Setting Interim Compensation Package Executive Vice President and Chief Operating Officer of Housing Commission pending Approval of formal Written Employment Contract

**REQUESTED ACTION:**

Actions establishing and ratifying Executive Vice President and Chief Operating Officer of the San Diego Housing Commission compensation package as previously approved by the former President and Chief Executive Officer (CEO) of the Commission.

**COMMITTEE RECOMMENDATION:**

That the San Diego Housing Commission take all actions necessary to implement these actions including:

1. The compensation package set forth in this report be approved and ratified by the Board of Commissioners;
2. Establish a bonus for Carrol Vaughan for her exemplary service as the Interim President and Chief Executive Officer of the San Diego Housing Commission for the period from January 15, 2008 through September 19, 2008 when the new President and Chief Executive Officer assumed his duties;
3. Direct that an action item concerning an employment contract for the Chief Operating Officer be brought to the Board of Commissioners at the earliest possible time after the performance audit of the San Diego Housing Commission has been satisfactorily completed

**BACKGROUND:**

On January 15, 2008, Ms. Elizabeth C. Morris resigned as the President and Chief Executive of the San Diego Housing Commission. At that time a national wide search for her replacement was undertaken at the request of the Chair of the Housing Authority of the City of San Diego, Councilmember Scott Peters. From January 15, 2008 through September 18, 2008, Ms. Carrol Vaughan has acted as the Interim President and Chief Executive Officer of the San Diego Housing Commission, as appointed by the Housing Authority.

On July 29, 2008, Mr. Rick C. Gentry was appointed as the new President and Chief Executive Officer of the San Diego Housing Commission, to be effective September 19, 2008. His base compensation was established at the sum of \$240,000 per year for this position.

During the time that Ms. Vaughan has acted as the Interim President and Chief Executive Officer, from January 15, 2008 through September 18, 2008, she has performed two separate jobs, that of Interim President and Chief Executive Officer and that of Executive Vice President and Chief Operating Officer at her old compensation level as Executive Vice President and Chief Operating Officer. During this almost eight and one half month period the Commission has saved the cost of the former President's

September 24, 2008

Action Setting Interim Compensation Package for COO

Page 2

salary by Ms. Vaughan serving in both capacities. This savings in base salary for the Commission has been over \$119,000.00, plus benefits. The Ad Hoc Committee is appreciative of Ms. Vaughan's exemplary work during a crucial time in the Commission existence, including the transition out of public housing. The Board values her long term contributions to the Commission.

An Ad Hoc Committee of the Commission of the San Diego Housing Commission reviewed the goals established for the Housing Commission for the fiscal year 2008 with Ms. Vaughan and on August 15, 2008, the Board met in closed session to complete Ms. Vaughan's performance evaluation. Her performance was rated outstanding by the full board.

The Ad Hoc Committee recommends the award to Ms. Vaughan of a total bonus for her exemplary performance from January 15, 2008 through September 18, 2008 when the new President and Chief Executive Officer assumed his new position. The Chair, with the support of Ms. Jennifer Adams Brooks, recommend that Ms. Vaughan be granted a total performance bonus in the amount of Twenty Thousand and No/100 Dollars (\$20,000.00) for her work during the transition. The Commission saved more than \$119,000 in base salary plus benefits during the time that Ms. Vaughan occupied the two separate positions. The funding for the proposed increase in compensation and bonus and funding of the employer funding of the 457 Plan is contained within the Housing Authority approved budget and is available for the purposes of giving Ms. Vaughan a much deserved increase in compensation. It is recommended that the bonus be paid forthwith.

While the timing of the approval of a contract for Ms. Vaughan may not be appropriate, at this time, the Ad Hoc Committee wants to ensure that the position of the Executive Vice President and Chief Operating Officer continues to be occupied by Ms. Vaughan for the foreseeable future to provide stability to the operations of the Commission, at a minimum, while the new President and Chief Executive Officer assumes his new role at the Commission, provided that her outstanding work continues. For that reason, the Chair and Ms. Adams Brooks are recommending that a formal contract for Ms. Vaughan with compensation more in line with her experience and value to the Commission be brought forward to the Commission after the completion of a successful performance audit that is scheduled to be completed during FY 09. Such a contract might allow for Ms. Vaughan to be evaluated annually directly by the Board of Commissioners. Further, her salary and bonuses, if any, could be established by the Board. The general terms of her contract could be in line with the verbiage recently approved by the Housing Authority for the Chief Executive Officer of the Commission. One benefit of retaining local talent is the savings to the Commission in the recruitment costs and benefits that are properly awarded to persons coming from outside the community.

Attachment 1 to this report is a summary of compensation of executives in the public arena. The position that is most closely associated with the work done by Ms. Vaughan is that of the Chief Operating Officer of the Los Angeles City Housing Authority, whose base compensation is \$190,000 per year, plus performance bonuses of up to 15% of base salary. This report recommends that Ms. Vaughan's base salary, not including an automobile allowance of \$9600, be established at the sum of \$152,984.00 per annum, which is the top of the pay range previously approved by the Housing Authority for the period beginning July 1, 2008. In addition to this amount, Ms. Vaughan should be paid her car allowance of \$9600 per year. In addition to these amounts, she should also be paid all other benefits normally granted to executives of the San Diego Housing Commission. The Board previously authorized the full funding of the former Chief Executive Officer of the Commission 457 Plan since about the year 1999. (See

HCR-01-033, Item 105; most recently see Discussion in HCR 07-90 report of “full funding of a deferred compensation plan”... includes funding for CEO compensation adjustment based on past fiscal years.”)

As the Board may recall, Ms. Vaughan had given written notice of resignation of her position as COO of the Commission at the end of the 2006 and this was to be effective in early 2007. The situation was of concern to the Board. The former CEO with the knowledge and support of the Board, offered Ms. Vaughan a compensation package in hopes to entice her to stay that included an employer funding of her 457 Plan in the amount of \$10,000 per year for the calendar year 2007 and 2008 provided that her services to the Commission continued to be of high quality. This employer funding was less than that previously funded to the former CEO as previously approved by the San Diego Housing Commission Board and documented in reports back to 2000 for the period commencing in 1999.

As a result of this offer by the former CEO, Ms. Vaughan, to the delight of the Housing Commission Board, elected to rescind her notice of resignation in 2007 and was available to so expertly fill the position of Interim President and CEO during the transition. The minimal additional compensation paid to the COO in the funding of the 457 Plan in 2007 and 2008, has proven to be a very astute business decision that has resulted in the Commission having a very cost effective bridge between the former CEO and the new CEO.

This report seeks full Board official ratification of the former CEO’s grant of this additional funding of the 457 Plan through calendar year 2008. It should be noted that the former CEO was granted the authority, in the personnel policies of the Commission, to make the award of the additional compensation under the authority levels approved by this Board and the Housing Authority. (See Personnel policies Section 102.102, giving the President and CEO the power to appoint all personnel. See also Section 102.101 giving the CEO the responsibility “for the implementation of these Personnel Policies.” Section 102.104 D. of the Personnel Policies provides, in subsection 1, as follows:

“Executive and Management Service employees shall be eligible for a salary review each July 1, based upon performance, as determined by performance evaluation and job related criteria to be determined by the President and Chief Executive Officer. Special pay equity adjustments, pay differentials, merit pay and recognition awards will be determined by the President and Chief Executive Officer in accordance with approved budget constraints.”

Further, in calendar year 2009, it is recommended that the employer funding of Ms. Vaughan’s 457 Plan continue at the current level until action is taken on a formal contract for her. The normal funding of a 457 Plan for a Management Employee of the Commission, as referenced in Mr. Gentry’s contract, would be two and one half (2.5%) percent of the base salary provided that the employee made a contribution of at least one and one half (1.5%) of salary. In this case, the Commission’s normal contribution at 2.5% of base salary (\$144,632.00 for FY 2008) would have been \$3,616.00. This means that the additional contribution by the Housing Commission for Ms. Vaughan for 2007 and 2008 was and will be approximately \$6384.00 for each year.

Even with the proposed additional employer funding of the 457 (\$6,384.00), the additional salary of proposed of \$8353.00, retroactive to July 1, 2008, the total adjusted compensation to Ms. Vaughan, without automobile allowance would be \$159,368.00. This is more than thirty thousand dollars less than

the COO of the Los Angeles Housing Authority receives for similar work. See the salary schedule attached, Attachment 1.

It is the Ad Hoc Committee's recommendation that this interim adjustment in compensation be made immediately and that Ms. Vaughan's compensation be reevaluated upon the completion of the performance audits. Even with the adjustments recommended in this report, Ms. Vaughan's based compensation, as adjusted will be approximately \$70,000 per year less than the new Chief Executive Officer and approximately \$30,000 less than the Chief Operating Officer of the Housing Authority of the County of Los Angeles, not including bonuses. Moreover, executives for public agencies in other counties of California are receiving base incomes in excess of \$300,000 per annum, according to communications with Mr. Roberts of Roberts Consulting during the CEO recruitment. In order to keep employees of Ms. Vaughan's experience employed by the San Diego Housing Commission, adjustments will have to be made in the compensation being paid to them. The Commission is in the process of undertaking a compensation and classification study soon to help deal with these issues at the agency.

**RECOMMENDATIONS OF AD HOC COMMITTEE:**

1. Increase Ms. Vaughan's base salary without automobile allowance to \$152, 984.00, the upper level of the Housing Authority approved ceiling for Ms. Vaughan's position, retroactive to July 1, 2008 from the existing \$144,632.00;
2. Grant Ms. Vaughan a cumulative performance bonus of \$20,000 for her exemplary work as the Interim Chief Executive Officer through September 18, 2008;
3. Confirm and ratify the employer funding of the 457 Plan for Ms. Vaughan
4. in the amount of \$10,000 per year for calendar years 2007, 2008 and through
5. the time that her compensation is again addressed in 2009 by the Board of
6. Commissioners;
7. Grant and confirm to Ms. Vaughan all other Management Benefits received by other management employees of the Commission; and,
8. Approve and ratify an automobile allowance of \$9,600 per year is confirmed and continued. In accordance with new SDHC procedures, this allowance shall be added to the base compensation referenced above and paid throughout the year.

**FISCAL CONSIDERATIONS:**

There are adequate funds to fund increase in compensation in the approved Housing Authority budget, since the Housing Authority granted the Commission authority to amend its budget to fund the new CEO's contract and there are unutilized funds for the former CEO's contract within the approved budget. No further action by the Housing Authority will be needed to effectuate the recommendations. The recommendations are well within the limit of authority of the San Diego Housing Commission Board of Commissioners.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

The Housing Authority approved the Employment Agreement with the new President and Chief Executive Officer on July 29, 2008.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:**

Roberts Consulting did a nationwide search for the new President and CEO of the Commission which generated information concerning the salary ranges for executives and the Housing Commission has created a matrix as attached showing compensation levels for high level public officials.

**ENVIRONMENTAL REVIEW:**

This action is not a "project" within the meaning of CEQA and it is either excluded and/or exempt from review under the provisions of NEPA.

Respectfully submitted,

*Sal Salas*

Sal Salas  
Chair San Diego Housing Commission  
Member of Ad Hoc Committee

Approved by,

*Jennifer Adams-Brooks*

Jennifer Adams-Brooks  
Member of Ad Hoc Committee

Attachment: Compensation Survey

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).

**Chief Operating Officer/Executive  
Salary Survey Summary  
July 2008**

Agency	Comparable Position	Salary	Comments
SD Workforce Partnership	Chief Executive Officer	\$170,000	<i>Salary of current incumbent</i>
SD Data Processing Corp.	Chief Executive Officer	\$230,000	<i>Received lump sum 9/07</i>
SD Economic Dev. Corp	Chief Operating Officer	\$150,000	<i>Base Salary Only</i>
City of San Diego	Chief Operating Officer	\$250,860	<i>Base Salary Only</i>
City of San Diego	Deputy Chief Operating Officer	\$162,552	<i>Base Salary Only</i>
County of San Diego	Deputy Chief Admin. Officer	\$153,920 - \$237,120	<i>Did not respond. Obtained data from website.</i>
San Bernardino Housing Commission	Assistant Executive Director	\$128,797 - \$156,553	
Centre City Dev. Corp.	President/COO	\$191,000 - \$255,000	
Centre City Dev. Corp.	CFO	\$135,000 - \$182,000	
Centre City Dev. Corp.	VP Real Estate	\$129,000 - \$173,000	
Southeast Economic Dev. Corp.	President	\$149,000 - \$185,000	<i>Would provide range only</i>
LA City Housing Department	General Manager	\$212,929.60	
LA City Housing Department	Executive Officer	\$183,643.20	
LA City Housing Department	Asst. General Manager	\$164,756.80	
LA City Housing Authority	Chief Operating Officer	\$190,000	<i>Position eligible for 0-15% pay for performance bonus annually</i>

Updated: 7/7/08