

***The Contract and Evaluation:
The Board/CEO Partnership for Student Success***

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Potential Components of Compensation for the CEO Contract

Note: Executive compensation has always been a sensitive issue, and none of the components listed below should be considered as ways to avoid the public scrutiny of CEO compensation. Using any of these components should always be fully disclosed as part of the approval of a CEO contract in an open session of a Board meeting. The components listed below are provided to give Boards various options to address specific goals in executive compensation and should never be considered as a means of hiding the pay of a CEO.

Base Salary: The base salary for community college CEOs is generally determined by surveying institutions of similar size and complexity. Depending on the size and complexity of the college or system, the survey may be done regionally, state-wide or nationally. The peer group for a college of 4,000 students in a rural area may be the nearest dozen colleges in the same state, but a large system of several colleges in a metropolitan area may require a survey of similar districts in metropolitan areas across the country. Base salaries should also reflect all the components of compensation. If multiple components are used, then base salary would tend to be lower. If the Board prefers to put most or all of the compensation in the base salary, then it would tend to be higher.

Moving and/or Relocation Allowance: It is not uncommon for Boards to cover the moving expenses of a new CEO. This can be done with a flat amount, a not-to-exceed amount, or a reimbursement. Even if the reimbursement method is used, it is advisable to place a limit on the expense. Some districts prefer to have bids from more than one moving company to ensure that the costs are reasonable.

Automobile or Automobile Allowance: Providing ground transportation, or reimbursement for ground transportation, is a common component of a CEO contract. Although some districts prefer to provide the actual vehicle, an auto allowance is increasingly common. The amount of the allowance can be dependent on the size and scope of the service area and the amount of travel expected of the CEO. There are also standard auto allowances computed by national organizations which can be helpful.

Executive or Expense Allowance: If Boards expect CEOs to be active in the community, they may want to consider an expense or executive allowance. The amount of such an allowance is

very dependent on the expectations of the Board, and the complexity of the community. If an allowance is used, there must also be a clear understanding of what expenses are reimbursable and which are expected to be covered by the allowance. Any record-keeping required must also be made explicit in the contract.

Housing Allowance: Although providing homes for community college presidents is extremely rare, Boards will occasionally provide CEOs with housing allowances. These are most often provided in areas where housing costs are extremely high or in the cases where the Board expects the CEO to use her/his home for district and foundation functions on a regular basis. Housing allowance levels vary depending on the rest of the compensation package, the cost of housing in the area, and the amount of activity expected.

Deferred Compensation: College or system contribution to a tax deferred account on behalf of the CEO is a commonly used component of compensation. This form of contribution obviously has IRS implications and those should be carefully researched to ensure that limits are observed.

Performance-based Compensation: An increasing number of public higher education institutions and organizations are tying a portion of the CEO compensation to performance. Generally, an agreed-upon amount or percent of base salary is awarded upon the successful completion of specific agreed-upon goals at the end of the contract year. Although some of these programs award the performance compensation on a sliding scale depending on how much of the goals are accomplished, most often the performance compensation is an all-or-nothing allocation only awarded if the Board agrees that the CEO has accomplished the agreed-upon goals.