



EXECUTIVE COMPENSATION REVIEW POLICY

This policy provides the procedure for establishing and modifying the compensation of the Executive Director (“ED”) of the University Preparation Charter School at CSU Channel Islands (“UPCS” or the “School”).

Purpose

By transparently following the requirements set out by this executive compensation review policy, the UPCS shall ensure fair and reasonable compensation of its ED while complying with the law to be best protected from potential penalties and sanctions related to excessive executive compensation and to avoid errors in the public meeting administrative process.

This policy is compliant with State and Federal regulations as set forth by the Internal Revenue Service and the California Nonprofit Integrity Act of 2004. Additionally, these procedures simultaneously comply with requirements for public meetings of local legislative bodies regarding executive compensation as set forth by the Ralph M. Brown Act.

Overview

Before any Board action to approve decisions regarding ED compensation, the Board must first exercise and record its due diligence to ensure compliance with legal requirements. The School’s compensation review process includes the following steps:

- (1) utilization of labor market data for comparable compensation analysis;
- (2) review of proposed compensation to determine whether proposed compensation is “just and reasonable” and;
- (3) a vote by the Board of Directors (or designated Compensation Committee), with recordkeeping of the procedure and vote outcome.

The Board’s review and approval of the ED compensation must occur initially upon hiring the executive; whenever the term of employment, if any, is renewed or extended; and whenever the

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officer's compensation is modified (including approval of base salary increases, incentive compensation, bonuses, etc.).

Conflicts of Interest

The School Board must follow all applicable conflict of interest laws and policies (under the California Corporations Code, Political Reform Act, etc.) and its members shall abstain from review, discussion, or voting on ED compensation if they identify a conflict as an interested party. The broad definition of "Interested Party" means anyone who is compensated by the nonprofit, a family member of anyone compensated by the nonprofit, and/or employees working for/under the ED whose salary is at issue.

Executive Compensation Procedural Steps

1. Obtain Validated Labor Market Comparable Compensation

The School has a legal obligation to present to its disinterested (non-conflicted) Board an accurate executive compensation comparability study. To comply with this requirement, a compensation survey sourced or prepared by an independent firm shall be utilized to demonstrate whether the proposed ED compensation is reasonable.

To help establish a market rate of "reasonableness," the survey shall include a summary or chart of compensation comparison. Appropriate comparators are salary, bonus structures, and benefits paid to EDs by similarly situated organizations (in terms of size, budget, location, and scope of responsibility) as proposed for the ED position under review. Examples of other sources for comparable data may include:

- Resent job postings of similar positions in the geographic area.
- Credible written employment offers made by competing organizations submitted to the potential or current ED.

2. The Board Reviews the Comparable Compensation

The Board must determine whether the proposed ED compensation is "just and reasonable." The review of ED compensation shall include bonuses and all benefits. The Board must examine and rely on data from at least three (3) comparable organizations to establish a rebuttable presumption of reasonableness.

3. Recordkeeping of the Board's Process and Decision Outcome

The proposed ED compensation is reviewed and approved by the Board of Directors, or by a Compensation Committee established by the Board of Directors. Adequate documentation must record:

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- (1) The terms of the transaction that was approved;
- (2) The date of approval;
- (3) The Board members who were present during debate on the transaction that was approved;
- (4) The Board members that voted on the transaction that was approved;
- (5) The comparability data obtained and relied upon by the authorized body;
- (6) How the data was obtained;
- (7) Any actions taken by anyone who is otherwise a member of the authorized body but who had a conflict of interest with respect to the transaction.

Required Brown Act Transparency

Beyond the steps to review the compensation study, please note that the Board's discussion and action regarding executive compensation must take place at a regular open meeting.

Under Section 54956(b) of the Government Code (the "Brown Act"), the Board of Directors **shall not call a special meeting** to consider the salaries, salary schedules, or compensation paid in the form of fringe benefits, of the Charter School's Executive Director.

Additionally, The Brown Act requires that immediately before the Board approves an executive's employment agreement, the Board must orally report the total compensation to be paid to that executive. As a final reminder, Compensation is not just the salary but includes bonuses, stipends, vacation pay, health benefits, life insurance, professional dues/training amounts, etc.

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