

BOARD REPORT
August 12, 2020

TOPIC/AGENDA ITEM:

Executive Compensation Comparability Study

ISSUES INVOLVED/FISCAL IMPLICATIONS (IF ANY):

The California Nonprofit Integrity Act of 2004 mandates that the Board of Directors (“Board”) review comparable executive compensation packages for educational executives (Chief Executive Officer or equivalent) upon any of the following events: (1) initially upon hiring the educational executive; or (2) whenever the executive’s term of employment is renewed or extended; or (3) whenever the executive’s compensation is modified, unless the modification extends to substantially all employees in the organization (see Government Code §12586(g)).

In connection with the Board’s review of the John Muir Charter Schools (“JMCS”) Chief Executive Officer’s employment agreement, the Board must meet this due diligence requirement by reviewing and adopting a comparability study.

This review is essential in order to protect JMCS (as a corporation) and the Board from IRS sanctions for “excess benefit transactions” and to establish a rebuttable presumption that the executive’s compensation is reasonable. Thus, the Board must meet the criteria set out by the IRS for conducting this review prior to any of the above changes in employment occurring. This review must occur without the participation of any individuals who possesses a conflict of interest. Under the IRS regulations, any employees under the supervision of the Chief Executive Officer are automatically conflicted and must recuse themselves from any participation whatsoever in any aspect of this process.

Accordingly, staff has produced a compensation comparability study (attached) for the Board’s review.

BOARD CHAIR’S RECOMMENDATION:

Based upon the above requirements, it is my recommendation that the Board review and accept the staff report reflecting comparable compensation.

John Muir Charter Schools Governing Board
Summary of Compensation and Benefits Survey Data for
Chief Executive Officer

August 2020

Prior to Board action to approve any decisions regarding executive compensation (including approval of base salary increases, incentive compensation, bonuses, etc.), the Board must first exercise due diligence (review of comparable compensation practices) to ensure compliance with IRS restrictions on excess compensation for nonprofit executives, including the Chief Executive Officer (“CEO”) of John Muir Charter School. The Board’s review and approval of the executive compensation must occur: initially upon hiring the executive; whenever the term of employment, if any, is renewed or extended; and whenever the officer’s compensation is modified.

In reviewing the reasonableness of compensation for nonprofit executives, the IRS considers “compensation” broadly and will look at the value of salary, as well as non-fixed compensation (incentive compensation/bonuses), and benefits. If the IRS determines compensation is not reasonable, severe consequences may result.

The following is a summary of findings, subsequent to a review and comparison of a sampling of total compensation levels received by public school leaders in Northern California. Compensation figures are from the State Controller’s Office for the 2018 calendar year (the most recent available). Student enrollment figures are from the California Department of Education for the 2019-20 school year. The CEO of John Muir Charter School oversees one charter school in Nevada County with a total population of 739 students. Based on these facts, this study compared salary packages of similarly situated public school leaders. The four charter schools and two traditional public schools surveyed in this summary have an average population of 710 students.

Of the schools sampled, the average total compensation package (base salary plus other compensation) for school leaders is approximately \$162,000. The average base salary is approximately \$137,000. The range of a base salary is \$120,601 to \$152,875.

Leroy Green Academy	778 Students
Principal	
Total Compensation Package	\$168,543
Base Salary	\$147,428
Other compensation (benefits and retirement)	\$21,115
Natomas Pacific Pathways Prep Middle School	514 Students
Principal	
Total Compensation Package	\$164,261
Base Salary	\$120,601
Other Compensation (benefits and retirement)	\$43,661
Yav Pem Suab Academy	466 Students
Superintendent	
Total Compensation Package	\$177,673
Base Salary	\$152,875
Other Compensation (benefits and retirement)	\$24,798
Creative Connections Art Academy	716 Students
Principal	
Total Compensation Package	\$171,034
Base Salary	\$148,371
Other compensation (benefits and retirement)	\$22,663
Natomas Middle School	756 Students
Principal	
Total Compensation Package	\$145,209
Base Salary	\$126,436
Other compensation (benefits and retirement)	\$18,773
Heron Elementary School	1,040 Students
Principal	
Total Compensation Package	\$147,285
Base Salary	\$126,264
Other compensation (benefits and retirement)	\$21,021