

FALLBROOK HEALTHCARE DISTRICT COMPENSATION POLICY FOR EXECUTIVE AND KEY EMPLOYEES

1. Policy and Purposes

It is the policy of Fallbrook Healthcare District (“District”) that all compensation paid by the District is reasonable, based upon a review of comparability information, sustainable, and is administered transparently. This policy provides a procedure for the review and approval of the compensation of the executive director or top management official and any and all key employees (as defined below) of the District (“Compensated Individuals”) consistent with applicable federal and state law.

2. Procedure for Approval of Compensation

A. General. The District Board of Directors (“Governing Body”) shall annually review and approve the compensation (defined below) of Compensated Individuals.

B. Specific Requirements. The Governing Body reviewing and approving compensation for Compensated Individuals shall satisfy the following requirements or procedures:

- (1) **Approval by Persons without a Conflict of Interest.** Compensation shall be reviewed and approved by the Governing Body, provided that persons with a conflict of interest with respect to the compensation arrangement at issue are not involved. Members of the Governing Body do not have a conflict of interest if they (a) are not benefitting from or participating in the compensation arrangement; (b) are not in an employment relationship subject to the direction or control of any person benefitting from or participating in the compensation arrangement; (c) do not receive compensation or other payments subject to the approval of any person benefitting from or participating in the compensation arrangement, except any payment or compensation authorized by statute (Cal. Health & Safety Code §32103, Gov’t Code §§ 53200, et seq.); (d) have no material financial interest affected by the compensation arrangement; and (e) do not approve a transaction providing economic benefits to any person participating in the compensation arrangement, who in turn has or will approve a transaction providing economic benefits to the member.
- (2) **Use of Comparability Data.** In its review and approval of compensation, the Governing Body shall review and use data and surveys of comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated Districts or agencies which are of similar size, composition, and in close proximity to the District.

- (2) **Recording Compensation Deliberations.** The Governing Body shall contemporaneously document and maintain records with respect to the deliberations and decisions regarding the compensation arrangement. (Form 990, Part VI, Line 15, 2009 Instructions.).
- (3) **Open and Public Action.** In taking action on salary adjustment or salary setting for Compensated individuals, the Board shall take all such actions at an open and public meeting of the Board, during the Open Session portion of such a meeting. Board action shall follow an oral report of the recommended action presented by the Board finance committee or other Board committee as designated by the Board President (SB 1436).

Compensation. For purposes of this policy, “Compensation shall include salary, salary schedules, and any compensation paid in the form of fringe benefits including health and welfare benefits, deferred compensation, if applicable, and any retirement or pension contributions.

Key employee. For purposes of this policy, a current **key employee** is an **employee** of the District who meets both of the following tests, applied in the following order:

1. **\$100,000 Test:** Receives **reportable compensation** from the District in excess of \$100,000 for the **calendar year** ending with or within the District’s **tax year**.

2. **Responsibility Test:** At any time during the calendar year ending with or within the District’s **tax year**:

- a. Has responsibilities, powers, or influence over the District as a whole that is similar to those of officers, directors, or trustees;
- b. Manages a discrete segment or activity of the District that represents 10% or more of the activities, assets, income, or expenses of the District, as compared to the District as a whole; or
- c. Has or shares authority to control or determine 10% or more of the District’s capital expenditures, operating budget, or compensation for **employees**.