



January 7, 2011

Mr. David Rudat, General Manager
Mr. Jovan Grogan, Assistant General Manager
Canyon Lake Property Owners Association
31512 Railroad Canyon Road
Canyon Lake, CA 92587

MANAGEMENT COMPENSATION STUDY

Dear Mr. Rudat and Mr. Grogan:

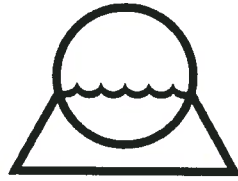
The Canyon Lake Property Owners Association (CLPOA) Board of Directors approved a Compensation Study of its senior management positions. The analysis has been administered by Creative Management Solutions, Inc., an independent management consulting firm.

Our Study Report provides a market total compensation analysis of CLPOA management classifications and recommendations related to the Association's organization design at the management level. Please contact us at (714) 281-7300 or barrycms@adelphia.net if you should have any questions in reviewing this Report.

Sincerely,

Barry C. Newton

Barry C. Newton, CCP and Managing Director
Creative Management Solutions, Inc. (CMS)



ORGANIZATION OF STUDY REPORT:

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A. STUDY BACKGROUND

The Canyon Lake Property Owners Association (CLPOA) was formed in 1968 as a master-planned development community. The Association provides a range of extensive amenities, including a major lake and golf course, 16 parks and beaches, an equestrian facility, a little league baseball facility, a tennis center, swimming facility, senior facility, recreation programs and classes, two restaurants, basketball courts, a campground for recreational vehicles, and central community lodge with meeting and banquet rooms. The CLPOA coordinates streets and facilities maintenance, landscaping, and custodial services, and performs a variety of customer service and administrative functions. The Association is essentially supported by property owner assessments and user fees. CLPOA's operating budget for Fiscal Year 2010-2011 is approximately \$12 million and the Association has a staff of 53 full-time, 32 part-time, and 5 seasonal employees.

This study focuses on six specific positions, which the Association refers to as part of its senior management group. These positions are as follows:

- General Manager
- Assistant General Manager
- Chief Financial Officer
- Operations Manager
- Planning and Compliance Manager
- Human Resources Manager

The Hospitality and Activities Manager was not studied at this time since the position is not actively filled by an active incumbent. Secondary Corporate administrative and staff positions were not part of this review.

The Association has undergone a number of recent staffing changes at the management level. During this period of transition, questions have been raised about management total compensation practices, and whether the types of compensation and benefit programs and levels of employer contributions are appropriate. Moreover, concerns have been expressed about the structure of the organization and internal reporting relationships and whether the Association has the appropriate number and types of management positions. The major questions can be summarized below:

- Are the compensation and benefit practices both externally competitive and internally equitable when comparisons are made with similar job classifications and related types of industry and service organizations?
- Are the management level jobs properly classified based on the scope of responsibility, level of specialized knowledge, reporting relationships, and number of employees supervised?

- Should changes be introduced in the job titles based on the job content and market practices? Based on the position responsibilities, are these Managers or Directors?

In order to conduct an independent assessment of these design questions, the Association engaged the services of Creative Management Solutions, Inc. (CMS), an independent management consulting firm, and known hereafter as “CMS” or the “Consultant” in this Report. CMS has conducted organizational analysis and compensation studies for over 150 client organizations in the not-for-profit, private, and public sector organizations over the past 20 years. The firm has previously administered the National HOA/POA Compensation and Benefits Survey and completed analyses for Leisure World (Orange County), Professional Community Management, and a number of other homeowners associations and private property management companies. In the past, Mr. Newton has served on the Board of Directors for two major homeowners associations.

B. STUDY METHODOLOGY AND LABOR MARKET DEFINITION

I. Overview

CMS used a number of widely accepted organizational planning and data analysis methods to design the study elements and to achieve greater validity and acceptability of the study findings and results. The Consultant initially spoke with the acting General Manager and Assistant General Manager in order to discuss the study goals, staffing history, and the current organization structure, as well as pay and benefits practices.

As part of the organizational analysis, the Consultant prepared a study introduction announcement, followed by a position description questionnaire, and transmittal letter instructions. The staff was asked to provide information related to the essential job functions and qualifications associated with regular departmental positions. During this process, the Consultant explained the purpose of the study and addressed inquiries pertaining to the completion of the questionnaires and how to provide information concerning the jobs.

The Consultant reviewed corresponding report documents and budget records, as well as prior job descriptions, and organization charts, as well as the organization structures of benchmark agencies, including job titling practices, to obtain greater insights into the manner in which work has and can be organized and the rationale for the division of labor.

The Consultant interviewed management employees to obtain more detailed information about the work requirements and the nature of the supervision provided. The Consultant considered the span of supervisory control and job content of the management and support positions.

I. Overview (continued)

The Consultant has reviewed the job titling methodology, considered career paths, and evaluated emerging market practices in job titling and job design for the other labor market organizations as part of the study.

The preliminary results of the analysis have been presented in the Executive Recommendations of this report. It will be followed by a Study Findings Section when the Main Report is presented. On Page 5, the job evaluation factors that were used in the classification study analysis are shown for reference purposes.

II. Job Evaluation Comparisons

The Consultant has established benchmarking comparison factors to achieve greater consistency in the evaluation of the classifications:

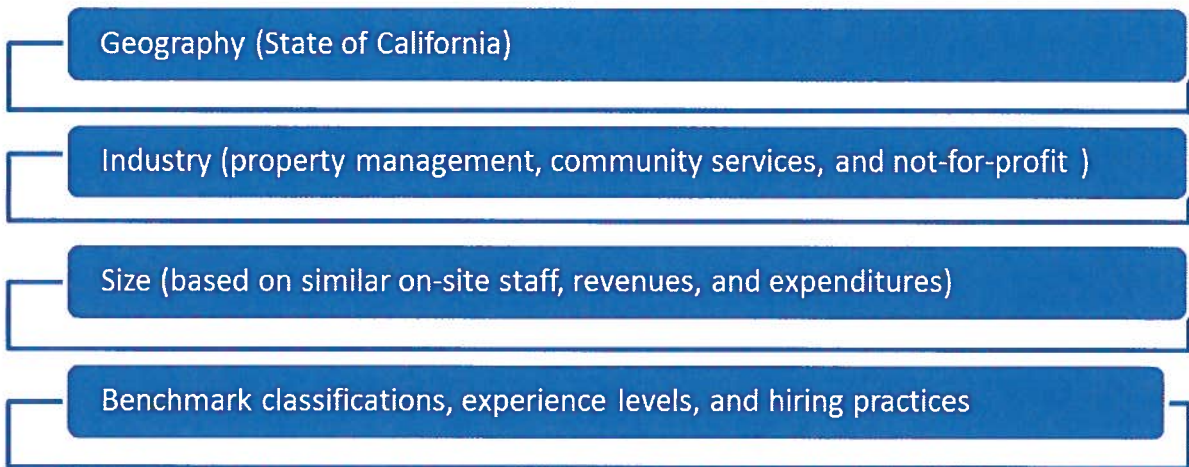
SUMMARY OF BENCHMARK JOB COMPARISON FACTORS

1. **Impact of Job In Relation To Organizational Success:** encompasses the nature and importance of the work performed by the job in relation to the mission of the Association and its departments, and the initiatives of the Board of Directors.
2. **Scope of Responsibility:** considers the impact and diversity of job functions, programs, contracts, and services that are performed directly, or through the work of other employees. Also considers the budgetary accountabilities of the job.
3. **Decision-Making Authority:** assesses the ability of the position to make decisions that have major policy, program, and departmental impacts. Considers internal reporting relationships within the Association and the types of direction received from management level positions in making decisions. Also considers the potential financial, political and human impact of errors in judgment.
4. **Breadth and Depth of Knowledge and Skills:** evaluates the breadth and depth of required education, experience, training and certification that are required to perform the essential functions of the job. Mental demands and abilities are considered as well as the recognition that particular jobs will require specialized expertise or unusual competencies that are highly valued internally, or in the marketplace.
5. **Nature and Extent of Interpersonal Communications:** analyzes the purpose, frequency and level of interpersonal interactions that are required, both internally and externally. Considers the purpose and nature of interpersonal relationships, and how they are initiated, the types of coaching, counseling or guidance that is provided or received, and how relationships are maintained, and how the job must influence other persons to take action. Examples of job-related communications include interfaces with the Board, committees, members, staff, consultants, contractors, vendors, auditors, consultants, and governmental officials.
6. **Breadth and Difficulty of Supervision Exercised and Received:** considers the number of employees supervised, the nature of supervision provided, and the classification level of jobs that are supervised. Also assesses technical direction that may be provided to other departmental representatives or staff when these persons are not directly supervised by this job. Further considers the type of direction received from the General Manager and Board representatives.

III. Labor Market Definition

The Consultant evaluated compensation and benefits data for the seven management benchmark job classifications using a direct market sampling of similar organizations based on CLPOA’s organizational profile. Multiple survey resources are used to improve the validity of the survey findings and to increase possible job matches.

The data has been normalized to account for the following selection criteria:



The Direct Labor Market survey organizations are summarized below:

Hidden Valley Lake Association	Sun Lakes Country Club
Lake Almanor Country Club	Sunnymead Ranch
Lake of the Pines Association	Tahoe Keys Property Owners Association
Town of Mammoth Lakes	Woodbridge Village Association
City of Big Bear Lake	City of Shasta Lake
City of Desert Hot Springs	City of South Lake Tahoe

At the Board's request, the Consultant also considered the compensation practices of other associations having considerably smaller operating budgets, including Lake Wildwood Association.

For back-up reference purposes, the Consultant used three published and widely recognized industry surveys for additional property management and not-for-profit sector comparisons:

- | |
|------------------------------------------------------------------------|
| • Economic Research Institute Survey (ERI) |
| • Employers Group Management and Executive Compensation Surveys |
| • Executive Compensation Service (Towers Watson Data Services) |

The **Economic Research Institute (ERI) Salary Assessor Survey** reports competitive wage, salary, and incentive survey data throughout California that is updated on a quarterly basis. The Economic Research Institute survey database includes over 5,800 benchmark jobs and the companion Geographic Assessor provides prevailing rate comparisons for 8,300 North American locations and 12 million employers.

The **Employers Group** represents one of the largest California-based compensation and benefits survey databases for private and not-for-profit sector benchmark job comparisons. The Employers Group conducts 14 published compensation and benefit surveys for about 1,000 benchmark job classifications.

Towers-Watson was created through the merger of Watson Wyatt Data Services and Towers Perrin Benefits Consulting Services. Towers-Watson operates in 100 countries, and conducts compensation and benefits surveys involving 27,000 employers and 8 million employees. Similar to the ERI and Employers Group Surveys, job comparisons can be made for employers having comparable budget size, in related property management sectors, adjusted to local prevailing rates for Canyon Lake.

Given accepted compensation standards used by professional consultants and federal audit agencies, the survey findings section is based upon an averaging of the published data and direct comparator organizations within the surrounding area. The direct labor market survey organizational data has been weighted at 75% and the published survey data for property management and not-for-profit service industries has been weighted at 25% in determining the survey average.

The Consultant used the survey mean or median based upon the number of valid comparisons. The frequency rate of specific benefit practices was also analyzed in presenting the findings and recommendations. For some of the more specialized benefit practices, such as auto allowances, the Consultant also referenced the California Public Agencies Compensation Survey (CalPACS) for benefit comparison purposes. Mr. Newton is the Administrator of the CalPACS compensation and benefits database for

120 participating community services, special district, and governmental entity member organizations in Southern California.

When base salary and incentive pay are combined for comparisons, this is known as total cash compensation. Any market incentive bonuses that are reported were paid out in the most recent year (2009) given that 2010 paid bonus data is not yet available and were not typically provided by not-for-profit organizations in 2009.

The Consultant modified the market data in some cases for job and salary comparisons, using survey quartiles, to account for differences in the responsibilities and experience requirements, as compared with the CLPOA jobs.

The Consultant has also considered CLPOA's total compensation practices in provide the CLPOA Board with a more complete perspective of the Association's competitive positioning and areas of variance based on market practices.

IV. Elements of Total Compensation Compared

The elements of total compensation that were compared are summarized below:

Elements of Total Compensation	Programs and practices
A. Salaries	Base Salary Rates and Pay Ranges, if provided
B. Proposed Merit Increases	Planned Merit Increases for FY2010-11, if any
C. Short-Term Incentive Payments	Planned Bonus Compensation for FY2010-11, if any
D. Sum A+B+C = Cash Compensation	
E. Benefits Practices	Health and Welfare, Paid Time Off, Long-Term Contributions, and Perquisites
Total Compensation (A+ D+E)	

V. Elements of Total Compensation Compared (continued)

The benefits practices can be further delineated by program element. CLPOA's practices are competitive with the market, although areas where specific improvements are needed are highlighted and presented in the findings section of the report.

Health and Welfare	Paid Time Off and Categories	Long-Term Contributions	Perquisites
Health Insurance	Vacation	Retirement	Auto Allowance
Dental Insurance	Holidays	Deferred Compensation	Cell Phone Allowance
Orthodontia Insurance	Sick Leave	Severance Benefits	Professional and Educational Reimbursement
Vision Insurance			Entertainment Allowances and additional Perquisites
Life Insurance			
Long-Term Disability Insurance			

C. EXECUTIVE SUMMARY OF KEY STUDY RECOMMENDATIONS

1. The new **Management Salary Ranges** should be approved as presented in this Report. These pay grades were established based upon the job descriptions, job evaluation factors, and prevailing market rates that were part of the study.
2. The Senior Management grouping should be separated into **executive and administrative management classifications**. There are differences in these types of jobs when considering the scope of responsibility, budget accountabilities, and employees supervised. The General Manager, Assistant General Manager, Director of Finance, and Director of Operations should be executive level jobs. The Human Resources Administrator and Planning and Compliance Manager should be administrative management classifications.
3. A new **Performance Evaluation and Goal Setting Plan** should be designed and implemented for executive and administrative management employees in 2011. The current performance appraisal plan is too subjective and the plan is not tactically aligned with the strategic goals of the CLPOA. CLPOA's salary increases and incentive compensation should be tied to organizational financial performance and operational measures in order to reward management effectiveness while reducing the opportunity for bias.

D. EVALUATION OF CLPOA COMPENSATION PRACTICES

A. Base Salary and Range Rate Comparisons

The market survey data has shown that the salary rates for the Association’s positions are competitive and in line with prevailing market rates. There are some exceptions. For example, the prior Chief Financial Officer’s salary rate was relatively high. The prior incumbent’s pay rate was close to the proposed new salary range maximum rates.

Internal equity can be significantly improved through the creation of a new management pay structure consisting of eight ranges, including a designated General Manager range. The range rates would be aligned with prevailing market rates.

The new pay structure creates proper distinctions in the pay grades for executive and administrative management classifications. These distinctions are apparent in reviewing the market data below. It would also be possible in the future to draw additional distinctions in the classes of benefits for executive and administrative management positions.

CLPOA Proposed Job Classification Benchmark Job Title	Adjusted Market Average Salary Weighted Direct Labor Market and Supplemental	CLPOA Salary Rate	CLPOA versus Adjusted Market Average Salary Rate
Executive:			
General Manager	\$165,807	Mgmt. Company	New job
Assistant General Manager	\$140,454	Mgmt. Company	New job
Director of Finance	\$124,228	Vacant	New job
Director of Operations	\$110,828	\$122,192	+10.25%
Administrative:			
Planning and Compliance Manager	\$70,983	\$74,044	+4.31%
Human Resources Administrator	\$58,286	\$66,950	+14.86%

B. Incentive Compensation

1. Merit, General, and Equity Increases

CLPOA's practices: The CLPOA does not have an industry-recognized practice for providing base pay increases and equity adjustments. The CLPOA did not previously use a merit, equity, or promotional pay index but did review cost-of-living adjustment data to determine the amounts of increases to provide employees.

Market Practices: A majority of the not-for-profit organizations suspended merit increases during 2009. About half of the not-for-profit organizations have planned base pay increases for 2010 typically equal to 3.0% or less. Over one-half of the public agencies have no planned pay increases for FY2010-2011 and a number of public agencies have instituted furloughs and salary reductions.

Conclusions: Merit increases would not be considered before FY2011-2012 with the exception of funding already approved by the Board. Additional increases should not be adopted prior to the beginning of the new fiscal year (FY2011-2012). Future structure adjustments should be timed to coincide with this budget period.

The CLPOA needs to distinguish promotional, reclassification, and equity increases in the Personnel Policies. It is also important to establish a pay increase index that can be used to adjust the pay structures on an annual basis, such as the All Urban Wage Earners Index or Employer Group Salary and Budgets Survey and to determine average merit increase rates for comparable service sector industries. In addition, a market compensation analysis of the salary rates for all of the management job classifications should be conducted on a triennial basis.

2. Bonus Compensation

CLPOA's practices: The CLPOA's bonus compensation for the management positions has varied substantially by position over the past four years. In some years, management employees have received several percent and other years have received awards of over 10%. Funding for the plan and the target percentages have been largely discretionary.

Market Practices: Within the property management industry, bonus incentive compensation tends to represent a modes percentage of total compensation and is often based upon the attainment of strategic Board goals and department goals. Moreover, payments are directly influenced by budgetary compliance, which would affect the size of the bonus pool. Bonus payments were largely suspended in the marketplace in 2009 and 2010 given economic conditions.

Bonus compensation is accounted for separately from base salary and not incorporated into continuing direct compensation. Bonus compensation is often contingent upon the achievement of specific measures or goals and is variable.

Conclusions: An incentive bonus plan should be considered only after the current performance management plan is refined during 2011 so that the performance goals, outcomes, and value to the organization, and its clients, are transparent. This would require that the current performance management plan be refined during 2011. Budgeting for bonus payments should be directly tied to budget compliance, department goal attainment, and individual goal attainment. The guidelines for the program should be approved in advance by the Board of Directors.

Job Classification	Employment Category	Incentive Rate As Maximum % of Employee Base Salary
General Manager	Executive Management	10.0%
Assistant General Manager	Executive Management	7.5%
Director	Executive Management	5.0%
Manager	Administrative Management	3.0%

C. Health and Welfare Contributions

These insurance benefits are typically provided to regular full-time employees in both general and management classifications, whether or not they have been negotiated or financed through a risk pool or provided directly to employees through group insurance carrier insurance plan.

1. Health Insurance and Cafeteria Insurance

CLPOA's Practices: For senior management positions, the CLPOA covers 100% of individual and family coverage insurance benefits. The CLPOA has a practice of providing \$100 per pay period for 24 pay periods to eligible employees who waive their group health and welfare benefits.

Market Practices: About one-half of the direct labor market agencies have their management employees enrolled on a HMO or PPO plan in which the employer typically pays from 90% to 100% of employee premium expenses. About half of the remaining survey organizations offer a cafeteria plan for general and management employees, which provide a fixed employer contribution, regardless of the number of dependents covered.

Many of the on-site management property associations have historically paid for the full cost of the medical, dental, and vision insurance benefits for their management employees. Given the increasing cost of health insurance in particular, these market practices should continue to be monitored since CLPOA non-management employees are expected to contribute 80% of the premium costs for family coverage. A number of organizations have adopted cafeteria payment plans to limit total employer costs while providing employees with the flexibility to select insurance options that best meet individual and family needs.

Many employers are now expecting employees to contribute toward the cost of their health, dental, and vision benefits. In the smallest organizations, employers may cover only the premium cost for the employee, and non-management employees may be required to contribute up to 50% of the premium costs for medical and dental insurance coverage.

Conclusions: The health insurance plan options and employer payments are competitive with prevailing market practices and no changes are recommended. Compensation for these benefits should not be added to base salary. As long as the employer contribution rates appear to be reasonable, the schedule of benefit providers is convenient, and a competitive broker analysis is conducted every several years, then the current plan practices are appropriate. Employer and employee cost sharing would not be necessary given comparisons with similar types of organizations, in which employers are electing to pay for this coverage.

2. Dental Insurance

CLPOA's Practices: The CLPOA currently pays for the full cost of dental insurance benefits for its senior management employees.

Market Practices: About two-thirds of the survey organizations sponsor and provide group dental insurance coverage for their general and management employees. The CLPOA provides the same benefits to these management employees as with other employees of the organization, which is common in not-for-profit organizations.

Conclusions: No changes are recommended in the current dental insurance plan benefits. Compensation for these benefits should not be added to base salary.

3. Vision Insurance

CLPOA's Practices: The CLPOA currently pays for the full cost of vision insurance benefits for its senior management employees.

Market Practices: About one-half of the survey organizations sponsor group vision as well as group dental insurance benefits through their HMO/PPO group carrier or cafeteria coverage, or offer such benefits through self-insurance. The CLPOA provides the same benefits to these management employees as with other employees of the organization, which is common in not-for-profit organizations. For those agencies that contribute separately for dental insurance coverage, the median employer monthly contribution rate is \$25 for management employees.

Conclusions: No changes are recommended in the current vision insurance plan benefits. Compensation for these benefits should not be added to base salary.

4. Life and Accidental Death and Dismemberment Insurance

CLPOA's Practices: The CLPOA presently offers and pays for a combined life and accidental death/dismemberment insurance policy for its senior managers. The policy provides insurance of twice an employee's annual earnings, up to a maximum of \$200,000. As per the policy documents, Individual coverage amounts are also subject to age and medical history.

Market Practices: A majority of the survey organizations are providing \$50,000 of group life insurance coverage for management positions and coverage equal to one times annual salary for their top executive. Market employers typically pay for the group premium cost of one times annual salary for life insurance policy benefit for management employees. In larger organizations, the median life insurance value for the General Manager is about \$200,000 (equivalent to annual salary, based on the example of a General Manager) or equal to two times annual salary.

Conclusions: It is recommended that the schedule of life insurance benefits be two times annual salary for the General Manager and one times annual salary for the remaining management positions. All employees should be covered by a group policy rather be reimbursed for individual plan participation at potentially higher costs to the employer. The additional monthly premium cost for the coverage is negligible and this level of benefit would be minimally adequate for management employees. Only management employees who would otherwise not qualify for group life insurance benefits should receive consideration for individual plan participation based on a broker's recommended carrier. Compensation for these benefits should *not* be added to employee base salary.

5. Long-Term Disability Insurance

CLPOA's Practices: The employer currently pays for the full cost of the long-term disability insurance plan for senior management employees and the employee pays for the cost of the Short-Term Disability Insurance plan for non-work related accidents, injuries, and disabling conditions. Plan eligibility for CLPOA for full-time employees occurs on the first of the month following ninety-days (90) days of employment. Work related injuries are covered by Workers' Compensation. The CLPOA also offers an optional employee-paid short-term disability insurance plan. Participating employees finance these premiums through payroll deductions.

Market Practices: The direct labor market survey results have shown that only half of the organizations pay for long-term disability insurance benefits, and nearly all of these entities are public employers. Property management associations may sponsor a long-term disability plan but the premium cost is typically borne by the employee.

Conclusions: No changes are recommended in the current plan benefits.

D. Paid Time Off

The CLPOA presently provides for a combined employer paid vacation, sick leave, and holiday benefits for its management employees as part of its Paid Time Off plan. Some employers combine vacation and sick leave into a single bank of hours of hours for paid time off. Management employees are typically encouraged to use their earned paid time off and it is accounted for separately from base salary. Unused time paid in cash is subject to ordinary income tax rates.

1. Vacation Leave and Comprehensive Annual Leave

CLPOA’s Practices: CLPOA management employees currently accrue paid-time off at the following maximum annual rates:

Years of Service with CLPOA	Annual Hours Accrued (currently includes holidays- 80 hours annually)	Maximum Accrual Allowed
Up to 5 years of service	224 hours	448 hours
After five years of service and up to 10 years of service	264 hours	528 hours
After 10 years of service	304 hours	608 hours
After 15 or more years of service	344 hours	688 hours

Market Practices: In the marketplace, the level of employee benefits is typically graduated by years of service with the employer. There are typically four to five break points in the benefits accrual schedule (one year, four years, eight years, and 15 years). Two weeks are often provided the first year of service, three weeks are often provided for fewer than five years, and four weeks are often provided by the 10th year of service. Providing 25 or more days of service is typically deferred until the 15th year of service.

The marketplace typically excludes holidays from the PTO plan. Employers often want employees to observe set holidays when business offices will be closed. Management employees are typically encouraged to use their earned paid time off and it is accounted for separately from base salary. Unused time paid in cash is subject to ordinary income tax rates with the exception of a carryover allowance of 80 hours to 240 hours per year. Providing for a greater carryover allowance increases the employer’s liability for future payments to employees who terminate. However, some employers, particularly in local government organizations, allow for greater carryover so that it can be used for catastrophic leave in the absence of a long-term disability insurance plan.

It is very important to consider the average years of industry experience of CLPOA management employees in establishing paid time off policies. A highly experienced workforce is typically an older workforce and these employees would be less likely forfeit significant paid time off with their current employers to work for the CLPOA.

Conclusions: No change is recommended in the current PTO plan with the exception of separating holiday pay accrual rates from the PTO category.

2. Employer Paid Holidays

CLPOA's Practices: The CLPOA provides the equivalent of 10 paid holidays for its management employees as part of its paid time off practices.

Market Practices: The median and the average number of paid holidays in the market survey was 10 days; there are typically 10 paid holidays for property management associations and 12 paid holidays provided by local governments. The holidays are frequently administered separately from vacation and sick leave within a paid time off plan. However, these benefits still fall within the category of paid time off and are accrued based on active service with the organization.

Conclusions: No change is recommended in the current employer-paid holiday schedule except that holidays should be accounted separately from vacation and sick time.

E. Long-Term Employer Contributions

1. Retirement and Deferred Compensation Plans

CLPOA's Practices: All regular full-time employees, including management employees, are eligible to participate in the 401(k) plan and can contribute up to 16% of current annual base pay, notwithstanding the IRS catch-up provisions for qualified employees who are 50 years of age and older. The CLPOA does not provide a defined contribution pension plan. Eligibility for the plan begins the first day of each plan year. The CLPOA currently provides a matching contribution to this plan, up to a maximum of 4% of employee base pay.

Market Practices: Employer sponsorship of retirement plans in not-for-profit organizations for the top executive is often provided in the form of a 403(b) and for public sector entities, a 457(b) savings plan. Under the 457(b) savings plans, the employee can elect to contribute up to \$16,500 in accordance with IRS standards that were revised in December of 2009. By contrast, qualified 403(b) plans are typically designed to allow an employer to provide a matching dollar or percentage of salary contribution which is equivalent to about 2% to 8% of employee salary. The 403(b) plan is subject to a salary discrimination test so that is not top heavy (unfairly benefits highly compensated employees) and the IRS establishes income limits each year.

Public sector organizations, such as cities, typically provide membership in the Public Employees Retirement System (PERS). Cities pay for the employer share of PERS and all or a portion of the Member's share of PERS is increasingly paid by employees with the median contribution rate by employees reported as being 3.5% of salary in CalPACS for FY2010-2011. The CLPOA is not a public employer and is not eligible to participate in PERS.

Conclusions: It is important for CLPOA to provide a long-term savings and retention tool for its management team. Given unusual market conditions, many other not-for-profit organizations have elected to not make employer contributions to employee savings and deferred compensation plans during 2009 and 2010. However, it has been general practice to reinstitute matching employer contributions as soon as business conditions improve. It is advised that a matching contribution equivalent of up to 4% of employee salary be provided for management employees, subject to the IRS plan contribution limits in effect during 2011 to assure that expenses are tax qualified.

2. Severance Benefits

CLPOA's Practices: The Association does not have a formal severance policy for its executive and management positions. Instead, this position's severance would be addressed within this position's employment contract. The General Manager and Assistant General Manager are presently employed separately by a management company.

Market Practices: The typical salary continuation period for the General Manager classification would be for a period of 90 days to six months based on the survey responses. The direct labor market survey data showed that severance benefits tend to be negotiated on a case-by-case basis, particularly at the top executive level.

The all industry norms for severance policies for top executive employees also range from 90 days to six months, depending upon the employment contract. Employers are far more likely to provide a severance allowance for this position than other management positions within the organization.

When considering executive management positions (including the Assistant General Manager and Directors), if service is counted in the severance benefit determination, it would often be based at the rate of two weeks per year of service up to 90 days. A standard of one week per year of service would be considered for the remaining management positions, up to a limit of 90 days.

Conclusions: Consideration should be given to the establishment of a severance policy for CLPOA executive and management employees, within the schedule of paid benefits contingent upon the pay grade level and years of full-time service with CLPOA. The General Manager's severance payment should require the successful completion of the introductory period and be six months in duration, with the ability to disallow these benefits for gross misconduct on behalf of the employee.

F. Perquisites and Reimbursements

1. Auto Allowance, Vehicle Provided, Mileage Reimbursement

CLPOA's Practices: Previously, an auto allowance had been provided to the General Manager in an amount equal to \$600 per month. Currently, monthly auto allowances are not provided to the general manager, assistant general manager, directors or managers.

Market Practices: For the top executive in the direct labor market and published surveys, the mode for auto allowances paid was \$600 per month. This amount varies by survey source between \$500 and \$700 per month for organizations in comparable industries and of comparable size. About two thirds of the survey organizations either provided an auto or a monthly allowance for the top executive. About two-thirds of these organizations either provided mileage reimbursement or assigned a vehicle for business use to the other management positions using IRS tax reimbursement standards.

For positions that frequently used an auto for business purposes, such as a Public Works Director, an auto might be assigned in order to respond to service requests or to attend business meetings. It is far more common to provide an auto allowance to department directors in local government than for on-site property management associations. The CLPOA average for the management positions is \$250 per month for selected positions and the average rate for cities in Southern California is about \$300 per month, as reported in the California Public Agencies Compensation Survey (CalPACS).

Considering property management operations, the assignment of a vehicle or an allowance should be based on actual business use. Positions that require frequent travel to Association Board and committee meetings in the evening or are subject to being recalled to work to address problems involving field maintenance, operations, and enforcement, should be assigned a vehicle or should receive a monthly allowance. Based on the current organizational structure, the General Manager would receive a monthly allowance of \$600 and the Assistant General Manager and Director of Operations would receive an allowance of \$300 per month.

Conclusions: It is recommended that an allowance of \$600 per month be provided to the General Manager and an allowance of \$300 per month be provided to the Assistant General Manager, Director of Operations and Planning and Compliance Manager. The remaining positions should receive mileage reimbursement using the IRS standards in effect each tax year. Alternatively, the General Manager should be given the option of assigning a vehicle to the Director of Operations and Planning and Compliance Manager if one is regularly available, in lieu of the monthly allowance for business use.

2. Education and Professional Membership Reimbursement

CLPOA's Practices: The CLPOA does not have a formal education reimbursement and professional membership annual allowance. Educational and training needs are considered on a case-by-case basis for the General Manager by the Board. In turn, the General Manager considers expenses and professional membership reimbursement for management. The CLPOA has a practice to provide incentive compensation for each professional certification attained and recognized by the CAI and CACM, such as the Certified Community Association Manager and Professional Community Association Manager.

In addition, the CLPOA has an Education Assistance Program for regular full-time employees with one or more years of service. Such employees may be reimbursed for a portion of the education costs of tuition, including registration, books and lab fees, for courses taken at a recognized institution. All courses must be pre-approved by supervisors, department managers, and the General Manager, and be successfully completed.

Market Practices: Very few direct labor market survey organizations reported a formal educational reimbursement plan for management with an annual cap and approval for specific types of education and employee development. Instead, education and conference expenses are typically reviewed on a case-by case basis, including educational fees, books and on-line resources, and travel, lodging, and meal expenses.

The Board typically reviews and approves proposed expenses for the General Manager. In turn, the General Manager authorizes reasonable expenses for job-related training and professional memberships based on demonstrated need and available budgetary resources. For organizations that provide annual caps per position, the distinctions are typically \$2,500 per year or \$5,000 per year based on level of management. Reimbursement is typically based on satisfactory completion of coursework or certification, or the equivalent of at least a "C" grade or higher.

It is uncommon to provide a continuing educational incentive for management non-safety employees who acquire advanced education or certification within this industry for the CCAM, CAI, or similar types of designations. Certification pay and license pay tends to be limited to other industries such as a Distribution Operator, and the Professional Engineer license. Moreover, employers who provide such dispensation usually tie it to a position requirement, and do not fold it into the employee's base salary.

Conclusions: The CLPOA should discontinue its practice of providing separate and continuing incentive compensation for membership in professional associations.

3. Cell Phone and Technology Allowances

CLPOA's practices: Previously, the CLPOA paid for the actual cost for cell phone and data text expenses incurred on behalf of the General Manager. Additionally, the CLPOA has a practice of providing senior managers with the option of (1) a monthly reimbursement of \$65 for cell phone and data text expenses or (2) a company-paid cell phone with voice and data text services for business related use.

Market Practices: About one-half of the survey organizations reimbursed management employees for business cell and text charges. About one quarter of the survey organizations provided a monthly allowance of approximately \$70 for use. Another quarter of the survey organizations provided a cell phone to specific management positions for business use and paid all business charges with the employee to reimburse the organization for personal charges. Technology allowances are not typically incorporated into base salary.

Conclusions: No change is recommended in other perquisites or special allowances practices for the General Manager and other CLPOA management employees.

4. Other Perquisites and Entertainment Allowances

CLPOA's practices: CLPOA does not have a special monthly allowance for entertainment purposes or home office expenses. Management employees are subject to normal usage fees for CLPOA facilities and services. CLPOA management employees are not assessed annual membership fees to use the golf course or other facilities.

Market Practices: Three quarters of the direct labor market survey organizations reported that there was no cash allowance or recognized reimbursement plan for entertainment expenses for executive employees. Only one of the direct labor market survey organizations reported an entertainment allowance of \$250 per month for the top executive for entertainment purposes. None of the direct labor market survey organizations were providing special dispensation for home offices and home utilities. Entertainment allowances are not typically included in base salary.

One of the property owner organizations has a policy of allowing executive use of pool and tennis facilities when these facilities are not being used by members. It is common to grant golf course access for management employees, who would typically pay for green fees and incidental expenses. As with other association amenities, access to golf course services would typically be provided at times that did not conflict with member use.

Conclusions: No change is recommended in other perquisites or special allowances practices for the General Manager and other CLPOA management

E. SUMMARY OF ORGANIZATION DESIGN AND CLASSIFICATION FINDINGS

There are several significant improvements that are needed in the allocation of the functions between the department heads, most notably for the current Chief Financial Officer and the Operations Manager. The level of authority of the Chief Financial Officer classification had been enlarged beyond its industry job scope. The needs of the Association should be centered upon effective accounting and budgeting with reliance on professional reserve studies and independent audits. The scope of responsibility of the Operations Manager is too large. Although the decision-making authority and diversity of functions is consistent with a director level job, the recreational and environmental management functions need to be transferred to another position with the organization.

1. General Manager: The job title is appropriate and consistent with industry practices for similar positions within this industry. The span of control and number of direct reports is somewhat larger than industry norms when considering the number of Association employees. Many organizations would create an Assistant General Manager and/or Director of Administrative Services and/ or Director of Operations position as second in command.

2. Assistant General Manager: This position does not currently have a clear job definition. The employee shares day-to-day oversight responsibilities for the Association with the General Manager job and should have a job definition that includes oversight of Community Relations and the oversight of the Planning and Compliance Manager and recreational programs. Thus, the new job definition would typically include distinct areas of line supervision and assume administrative responsibilities for specific types of contracts, programs, and reporting, including environmental management.

3. Chief Financial Officer: This position is now vacant and was carrying a job title that is commonly associated with larger private sector companies. The scope of decision-making responsibilities had previously been enlarged so that the position had the characteristics of a Chief Operating Officer, also a more common model in a for-profit enterprise. The types of budgeting, finance and accounting functions performed by this position would be typically associated with a Director of Finance, even when information technology services are part of the accountabilities of this department, given their limited usage at CLPOA.

4. Operations Manager: The breadth of programs and services managed, and the number of employees supervised, would be commonly associated with a Director level classification within industry. At present, the position has accountability for most of the recreational and building and facilities services, including lake services, the Golf Course, and course maintenance, the Equestrian Center, and the Campground. Public works or maintenance functions are also part of this job's accountabilities, including streets and drainage, buildings and facilities, and landscape and custodial maintenance. This position should be redesigned as a "Director of Operations". The responsibilities of this position should be focused upon facility operations and maintenance services for the community, including the golf course, lake, pool, buildings, and facilities, landscape, roads, and related infrastructure, while providing adequate training and development opportunities for staff, and providing continuing oversight of contract personnel.

5. Planning and Compliance Manager: Although the term "Code Enforcement Manager" or "Community Preservation Manager" is traditionally a better known descriptor for the work of the "Compliance Manager", the current scope of responsibilities is consistent with a manager, with reporting administrators and direct accountability for Community Patrol, Marine Patrol, and Appeals. As long as this job is not enlarged to include community relations functions, the current job title and middle-management level is consistent with market norms.

6. Human Resources Manager: The current position is not fully performing the functions of a Human Resources Manager given that much of the content of the position is focused upon administrative responsibilities that relate to employment, benefits, and personnel records management. The current functions are associated with a Human Resources Administrator. At present, the General Manager is functioning as the Chief Human Resources Officer of the organization as related to employee relations and sensitive organization design matters.

Current Organization Design



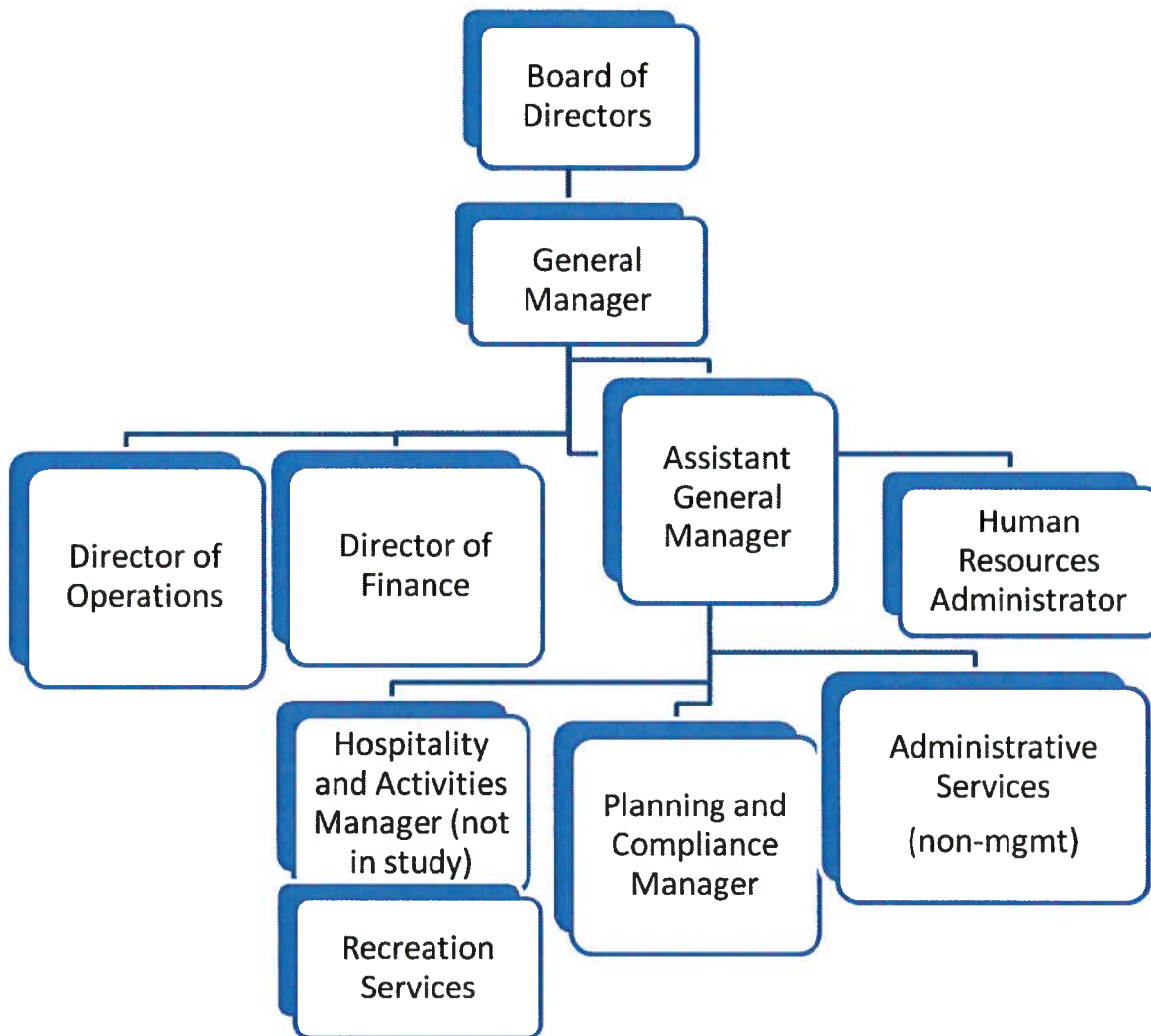
Management Classifications Studied

Current Classification	Status:
General Manager	FT Equivalent
Assistant General Manager	FT Equivalent
Chief Financial Officer	FT Equivalent
Operations Manager	FT Equivalent
Planning and Compliance Manager	FT Equivalent
Community Relations Manager	FT Equivalent
Human Resources Administrator	FT Equivalent

Total = 7 full-time equivalent positions. (Legal Counsel/consultants not depicted).

Lower level administrative positions, such as the Corporate Administrator, Corporate Relations Administrator, Hospitality and Activities Manager, and Member Services Administrator, were not part of this management level study.

Proposed Organization Design



Proposed Classification	Status:
General Manager	FT Equivalent
Assistant General Manager	FT Equivalent
Director of Finance	FT Equivalent
Director of Operations	FT Equivalent
Planning and Compliance Manager	FT Equivalent
Human Resources Administrator	FT Equivalent

F. CLASSIFICATION STUDY FINDINGS

General Manager

This position works under the broad direction of the Board of Directors, and establishes strategic goals, work plans, and budget plans that are consistent with the mission of the CLPOA and its governing CC&Rs (Covenants, Codes, and Requirements). This position leads the management team and works closely with City representatives, other governmental entities, community groups, and volunteer groups within the Association. This position provides direction to the Assistant General Manager, Director of Operations, Human Resources Administrator, and Corporate Administrator.

This position is appropriately classified. Changes have been recommended in the allocation of responsibilities to a proposed Assistant General Manager to improve organizational effectiveness and internal communications. The new span of control provides enhanced opportunities for the General Manager to work directly with the Board and committees to meet the strategic needs of the organization.

Assistant General Manager

This proposed new position would work under the direction of the General Manager and plan, direct, and oversee compliance, community relations, and recreational programs and services. This position would plan, organize, and manage special projects and studies related to administrative services. The employee would act as General Manager during absences and participate as a member of the Executive Management Team.

This position would provide line direction to staff performing a number of important Association services, including the Planning and Compliance Manager, Member Services Administrator, and Recreational Services Coordinators, Food and Beverage Administrator, Pool Coordinator, and Recreational Services, Golf and Tennis Pros, and Instructional Services, and contractors. This position would be able to provide broad administrative and policy oversight in meeting Association needs.

Director of Finance

This job was formerly classified as a Chief Financial Officer and had assumed broad authority for other functions and practices that were not related to the core competencies of the job, or provided adequate checks and balances related to administrative and financial policies and operations.

The newly proposed position would plan, manage, and direct finance, accounting, and information services functions of the Association, including accounts payable, accounts receivable, billing, general accounting, budgeting, and management information services; work with the General Manager, Board, and Finance Committees to review and report upon the Association's financial position. This position would oversee departmental staff and financial reporting and coordinate financial and operational audits and participate as a member of the Executive Management Team.

This position would supervise the Accounts Receivable Administrator, Accounts Payable Administrator, Network Administrator, and IT contractor.

Director of Operations

This job was formerly classified as Operations Manager yet had assumed responsibility for a broad range of administrative, recreational services, and community services functions that were not related to the core competencies of the job definition. This position should be classified as a Director based on the scope of operations and decision-making authority. However, the job description has been redesigned to improve efficiency in the completion and administration of projects and services for the Association as a whole.

This position will report to the General Manager and will plan, manage, and direct overall maintenance and operations services associated with the lake, campground, stables, buildings and facilities, streets and sanitation, landscaping, and custodial care. The employee will work with the General Manager to establish and review the effectiveness of maintenance; oversee departmental staff, contractors, and special projects. The employee will also participate as a member of the Executive Management Team and provide direction to the Campground Coordinator, Equestrian Coordinator, Lake Coordinator, Operations Administrator, Technician Coordinator, Special Project Coordinator, and various contractors.

Community Relations Manager

The Community Relations Manager is currently responsible for providing senior-level professional support to the General Manager and Assistant General Manager related to legislative analysis, member communications, public information, and special projects. The position is engaged in community outreach efforts and publicity events and meetings for various service clubs, schools, and civic organizations. This position has written text for annual reports, the website, and media outlets.

These types of functions overlap with those of an Assistant General Manager and the management activities could be incorporated within that job classification. Moreover, the staff support functions related to media events and communications could be administered by other staff positions that are currently part of this department.

Human Resources Administrator

This position has been classified as a Human Resources Administrator. The job analysis evaluated all of these responsibilities in conjunction with industry standards for a Human Resources Administrator or Human Resources Manager. Employee relations and risk management are current handled by the General Manager and would typically be allocated to the Human Resources Manager. These responsibilities should be restructured accordingly in the future.

This position should still report to the General Manager. The responsibilities of the position should include the ability to plan, coordinate, and administer the Association's human resources programs, services, and functions, including employment, compensation, benefits, personnel records, employee communications, and workplace safety. This position should provide work direction to the Human Resources Assistant.

Planning and Compliance Manager

The single new Planning and Compliance Manager should work under the direction of the Assistant General Manager and the position should be able to plan, manage, and coordinate the daily activities and operations of the Planning, Compliance, Escrow and Hearing Services, Community Patrol, and Marine Patrol divisions. This employee would also enforce community codes and standards related to property use. The employee would provide oversight of the Planning and Compliance Committee Administrator, Planning and Compliance Inspectors, Planning and Compliance Clerks, and Planning and Compliance Hearing Services Escrow Coordinator.

**CANYON LAKE PROPERTY OWNERS ASSOCIATION
MANAGEMENT PAY STRUCTURE
Effective October 1, 2010**

Pay Grade	Job Classifications	Payment Schedule	Range		Range		Range		Range	
			Minimum	25th Percentile	Midpoint	75th Percentile	Maximum			
M1	Human Resources Administrator	Annual	\$52,174	\$56,087	\$60,000	\$63,913	\$67,826			
		Monthly	\$4,348	\$4,674	\$5,000	\$5,326	\$5,652			
		Bi-weekly	\$2,007	\$2,157	\$2,308	\$2,458	\$2,609			
M2	Planning and Compliance Manager	Annual	\$60,000	\$64,500	\$69,000	\$73,500	\$78,000			
		Monthly	\$5,000	\$5,375	\$5,750	\$6,125	\$6,500			
		Bi-weekly	\$2,308	\$2,481	\$2,654	\$2,827	\$3,000			
M3	No current positions	Annual	\$69,000	\$74,175	\$79,350	\$84,525	\$89,700			
		Monthly	\$5,750	\$6,181	\$6,613	\$7,044	\$7,475			
		Bi-weekly	\$2,654	\$2,853	\$3,052	\$3,251	\$3,450			
M4	No current positions	Annual	\$79,350	\$85,301	\$91,253	\$97,204	\$103,155			
		Monthly	\$6,613	\$7,108	\$7,604	\$8,100	\$8,596			
		Bi-weekly	\$3,052	\$3,281	\$3,510	\$3,739	\$3,968			
M5	Director of Operations	Annual	\$95,220	\$102,362	\$109,503	\$116,645	\$123,786			
		Monthly	\$7,935	\$8,530	\$9,125	\$9,720	\$10,316			
		Bi-weekly	\$3,662	\$3,937	\$4,212	\$4,486	\$4,761			
M6	Director of Finance	Annual	\$109,503	\$117,716	\$125,928	\$134,141	\$142,354			
		Monthly	\$9,125	\$9,810	\$10,494	\$11,178	\$11,863			
		Bi-weekly	\$4,212	\$4,528	\$4,843	\$5,159	\$5,475			
M7	Assistant General Manager	Annual	\$123,191	\$132,430	\$141,670	\$150,909	\$160,148			
		Monthly	\$10,266	\$11,036	\$11,806	\$12,576	\$13,346			
		Bi-weekly	\$4,738	\$5,093	\$5,449	\$5,804	\$6,160			
M8	General Manager (Contract)	Annual	\$144,180	\$154,994	\$165,807	\$176,621	\$187,434			
		Monthly	\$12,015	\$12,916	\$13,817	\$14,718	\$15,620			
		Bi-weekly	\$5,545	\$5,961	\$6,377	\$6,793	\$7,209			

Number of Grades = 8
Uniform Range Spread = 30%
General Manager set to market rate at midpoint
Variable Grade Differential for line of best fit