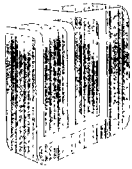


FEB -8 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[Handwritten Signature]
EXECUTIVE SECRETARY

January 20, 1994

(Executive Committee--Information)

To: Board of Directors (Organization & Personnel Committee--Action)

From: General Manager

Subject: Incentive Payment Plan for Unrepresented Employees

Report

The District's current method of compensation for senior management is in need of revision in order to tie compensation more closely to performance. In the past, the management compensation plan has consisted of merit and cost-of-living increases. However, the majority of the managers in this group are at the top of the salary range and are no longer eligible for merit increases.

In the long-term, both the merit and cost-of-living portions of the current system need to be replaced. However, in the short term, it is recommended that the cost-of-living portion be replaced by an incentive payment system.

The incentive system should be constructed so that both District-wide and individual performance can be measured and rewarded. Over the last six months, considerable effort has been expended on the part of the management team to focus on team work and shared goals. Therefore, it is important that the group be measured and rewarded on its ability to achieve the District's highest priority objectives; however, it is also important to reward those outstanding individuals who contribute greatly to the District.

One of the most important shared goals is demonstration of District values (see attachment 1). Demonstration of these values is believed to be so important that it is proposed that satisfactory performance in this area be a prerequisite to any incentive payment.

This program would be in place only for this fiscal year (1993-94), and would be replaced by a more extensive overhaul of the compensation system that would include

development of a revised rating form, use of a bi-annual salary survey to adjust salary ranges, and review and revision of salary grades. Both merit increases and one-time incentive payments would be included in the new program. It is hoped that this program would be in place for senior management in 1994-95.

Pay-for-performance proposal

The major features of the interim program are as follows:

1. One-time incentive payment for fiscal year 1993-94
2. Eligible staff (38 people)
All Division managers, Sr. Assistant, Assistant and Associate Division Managers
Executive Secretary, executive staff assistants and legislative representative
Assistant Auditor and Assistant General Counsel
Assistant General Managers
3. An incentive pool of \$168,750 (equivalent in value to 3.4% of the base salaries of the group above) would be established to fund the program.
4. 50% of the fund would be disbursed based on performance against District objectives and 50% on performance against individual goals (see attachment 2).
5. The District goals have been presented to the Board by the General Manager and performance against those goals would be evaluated by the Board. Individual goals would be developed by the employee and the employee's manager. The immediate manager would evaluate performance against these goals and that evaluation would be reviewed for consistency by the General Manager. The Auditor and General Counsel would review the performance of their assistants and consult with the General Manager to ensure consistency of evaluation.
6. Satisfactory performance against MWD values serves as a prerequisite to participation in the program.
7. Individuals whose performance was "below expectations" or "unsatisfactory" would not receive an incentive payment. If the Board rated the management team as "below expectations" or "unsatisfactory," that portion of the incentive fund allocated to meeting District objectives would not be distributed.

The program objectives are to have a system that rewards both team and individual performance and that ensures equity across the group. This interim program does not address issues of salary compaction caused by continuing escalation in base salaries of classifications lower than the group. The effects of this program, if it were done on a continuing basis, are detailed in Attachment 3.

Board Committee Assignment

This letter is referred for information to:

The Executive Committee because of its authority related to policies and procedures to be considered by the Board, pursuant to Administrative Code Section 2417(e).

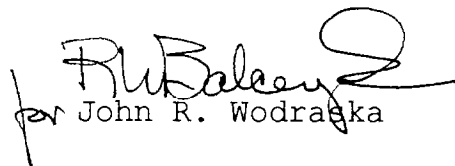
This letter is referred for action to:

The Organization and Personnel committee for action because of its authority to study, advise and make recommendations with regard to relations between the District and its employees, including all matters affecting wages, hours, pension plans, and other employee benefits, and other terms and conditions of employment, pursuant to Administrative Code Section 2471(c).

Recommendation

ORGANIZATION AND PERSONNEL COMMITTEE FOR ACTION.

It is recommended that the Incentive Payment Plan for Unrepresented Employees as described in this letter be approved and that up to \$168,750 be authorized to be used as incentive payments for fiscal year 1993/94.


for John R. Wodraeka

JEM:sm
Attachments

VALUES

In our pursuit of “Excellence” as responsible stewards we are committed to the following values:

INTEGRITY

We will conduct ourselves in an:

- Honest
- Forthright
- Fair
- Considerate
- and Trustworthy

manner so as to demonstrate professionalism and ethical business practices.

OPEN COMMUNICATION

We will communicate in an open, timely, candid and shared manner, recognizing the value of diverse points of view. We will strive for continual improvement of all communication processes to inform, empower, build trust, create shared expectations and enable personal growth.

STEWARDSHIP

We will be responsible for our actions and are accountable to the public and each other for providing service and value by demonstrating stewardship of:

- The public’s health and safety
- The public’s funds
- Our natural environment
- Our workforce resources
- Our region’s water sources

DIVERSITY

We value the differences that are derived from diverse backgrounds, experience, and cultures of the communities we serve, and we commit to

actively seek and integrate that diversity into all levels of our workforce to ensure that our activities are based on creative viewpoints and are responsive and acceptable to the people.

TEAMWORK

We value team work as a core philosophy in all of our activities. Teamwork requires:

- Mutual respect and trust
- Participation of all individuals
- Sharing knowledge and information
- Support for one another

We will be successful as a Team when we are successful as individuals and we will be successful as individuals when we Succeed as a Team.

LEADERSHIP

We value leaders and leadership skills. All employees can be role models to inspire and motivate others. We will foster an environment that encourages and develops leaders and leadership skills. We do this by:

- Being positive role models
- “Walking the talk”
- Encouraging an environment of openness
- Encouraging and rewarding leadership
- Supporting innovation/removing barriers
- Fostering teamwork
- Setting clear goals, objectives and expectations
- Encouraging open, honest and timely feedback

Leadership is an integral part of the role of every employee.

We will continue to pursue excellence by self-assessment and continuous improvement.

FUND DISBURSEMENT

FUND IS BASED ON 3.4% OF TOTAL SALARIES AND WOULD RANGE
FROM \$0 TO \$168,750

DISTRICT-WIDE PORTION OF THE FUND

- BOARD WOULD DETERMINE SIZE OF DISTRICT-WIDE PORTION OF FUND BASED ON PERFORMANCE AGAINST DISTRICT GOALS

<u>RATING</u>	<u>PERCENT</u>	<u>DOLLARS</u>
OUTSTANDING	125%	\$93,750
EXCEEDS EXPECTATIONS	100%	\$75,000
MEETS EXPECTATIONS	75%	\$56,250
BELOW EXPECTATIONS	0%	\$ 0

- DISBURSED EQUALLY TO INDIVIDUALS AS A FIXED DOLLAR AMOUNT (RANGING FROM \$0 TO \$2,500)

INDIVIDUAL PERFORMANCE PORTION OF THE FUND

- FUNDS DISBURSED TO INDIVIDUALS AS A PERCENT OF SALARY, BASED ON INDIVIDUAL PERFORMANCE

<u>RATING</u>	<u>APPROXIMATE %</u> ^{1/}
OUTSTANDING	2.5%
EXCEEDS EXPECTATIONS	1.8
MEETS EXPECTATIONS	1.0
BELOW EXPECTATIONS	0

^{1/} Percent payments in the individual portion would be adjusted to insure that fund was not exceeded

**PAY-FOR-PERFORMANCE
5-YEAR IMPACT ANALYSIS**

1. Assume pay-for-performance:
 - a. Only applies to unrepresented employees
 - b. Cost-of-living for all other employee groups is 2.75% per year

2. Each year salary grades for the unrepresented employees would drop one grade in relationship to other employee groups.

For example, a Division Manager at salary grade 68, step 9 (\$52.79/hr., \$110,200/yr.) would be at the equivalent of salary grade 63, step 9 (\$46.15/hr., \$96,400/yr.) in 5 years, all in today's equivalent. This would imply the need for a \$13,800 incentive payment to prevent salary inequities.

3. To prevent this compaction problem from occurring, either all groups would need to be placed on a pay-for-performance, or an overall salary survey/adjustment needs to be made for the senior management group every 2 years.