

AUG 19 1994



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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*[Signature]*  
EXECUTIVE SECRETARY

July 20, 1994

*To:* Board of Directors  
*From:* Chairman, Special Committee on Department Head Compensation  
*Subject:* Salary and Compensation

Report

The Board of Directors is responsible for establishing the salary and benefits for the three Department Heads: General Manager, General Counsel and Auditor. At the February 1994 meeting, the Board reestablished the Special Committee on Department Head Compensation (Committee) to interview and evaluate the performance of each of the Department Heads. Based on the performance appraisal, the Committee is required to make a recommendation to the Board on salary and other compensation. The changes being recommended would be effective on the start of the payroll period nearest July 1.

On May 18, June 28 and July 19, 1994, the Committee met to consider the performance as well as the compensation components to be recommended to the Board for the three Department Heads. The following is a summary of the recommended salary and benefit packages.

**General Manager**

The compensation package recommended for the General Manager consists of a base salary adjustment as well as certain benefits modifications.

Salary Rate

The General Manager's existing flat rate is \$179,000. The Committee recommends that effective July 3, 1994 (payroll period nearest July 1, 1994) the flat rate be increased by \$4,000 to \$183,000.

**cost: \$4,000**

**Disability Insurance**

Metropolitan to pay the remaining 2-year premium on an existing independent long-term disability policy for the General Manager at an annual cost not to exceed \$2,800. Metropolitan would pay the premium for the next two fiscal years (1994/95 and 1995/96 - at which time the policy is to be canceled).

**annual cost: \$2,800 per fiscal year**  
**total cost: \$5,600 for the two fiscal years**

**Life Insurance**

Metropolitan provides the General Manager with a current \$360,000 life insurance policy through the Group Insurance Program. It is recommended that the policy be amended to provide an additional \$240,000 of coverage. This brings the value of the life insurance death benefit to \$600,000.

**cost: \$500 per year**

**Accrued Leave Bank**

The General Manager may choose to receive payment for accrued leaves at his pay rate on an hour per hour basis, provided, however that the General Manager takes at least two weeks vacation per calendar year. Accrued leaves include annual, sick and personal leaves. Such may be cashed out in December of each calendar year. The General Manager must notify the Finance Division of the number of accrued hours to be cashed out.

**cost: The General Manager currently receives 100% payment when he uses annual, sick and personal leaves**

The cost of the salary and benefit package for the General Manager for fiscal year 1994/95 is \$7,300.

**General Counsel**

The compensation package recommended for the General Counsel provides a base adjustment as well as benefits modifications.

**Salary Rate**

The current salary rate for the General Counsel is \$149,100. The Committee recommends a two tiered adjustment to base. Effective July 3, 1994 the flat salary rate would be adjusted by a 5% increase to a flat rate of \$156,555. Effective January 1, 1995 the rate would be increased by an additional 5% to a rate of \$164,383.

**cost: \$11,369 for fiscal year 94/95**

**Payment of PERS Member Contributions**

Metropolitan would begin paying the General Counsel's PERS member contributions equaling 7% of his salary. This benefit is currently provided for the General Manager.

Note: A change in PERS law effective July 1, 1994, requires that if payment of member contributions is made on behalf of a member of a "group or class of employment", all other members of the group or class must receive an equal contribution. It is proposed that the General Counsel be provided this contribution as he is in the same group or class as the General Manager and the Auditor for PERS purposes (a Department Head reporting directly to the Board of Directors).

**cost: \$ 11,232 for fiscal year 94/95**

The cost of the salary and benefit component for the General Counsel for fiscal year 1994/95 is \$22,601.

**Auditor**

The Committee has made a recommendation regarding the Auditor's benefit package. Upon receipt of a performance report from the Special Audit Committee the Committee will evaluate the Auditor's salary rate.

**Payment of PERS Member Contributions**

Metropolitan would begin paying the Auditor's PERS member contributions equaling 7% of his salary.

Note: A change in PERS law effective July 1, 1994, requires that if payment of member contributions is made on behalf of a member of a "group or class of employment", all other members of the group or class

must receive an equal contribution. It is proposed that the Auditor be provided this contribution as he is in the same group or class as the General Manager and the General Counsel for PERS purposes (a Department Head reporting directly to the Board of Directors).

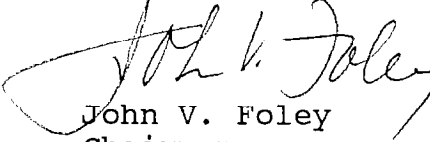
**cost: \$7,019 for fiscal year 1994/95\***

- \* The incremental cost for the benefit package proposed for the Auditor for fiscal year 1994/95 is \$4,512, as Metropolitan is currently obligated to pay a 2.5 percent PERS contribution (\$2,507 per year) on the Auditor's behalf since he is a pre-1981 employee.

#### Recommendations

The Special Committee on Department Head Compensation recommends Board approval of the following:

1. Effective July 3, 1994, the General Manager's contract be amended to include: 1) an annual salary at a flat rate of \$183,000, 2) Payment of a Disability Insurance premium not to exceed \$2,800 per fiscal year for two years, 3) Modification of the existing life insurance policy from \$360,000 to \$600,000 at a cost of \$500; and, 4) An accrued leave bank.
2. Effective July 3, 1994, the General Counsel's flat rate annual salary shall be \$156,555 with Metropolitan making the payment of the PERS member contribution. Effective January 1, 1995, the General Counsel's flat rate annual salary shall be increased by 5% to \$164,383.
3. Metropolitan is to pay the PERS member contribution for the Auditor.

  
John V. Foley  
Chairman