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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[Signature]
EXECUTIVE SECRETARY

February 28, 1995

To: Board of Directors (Organization and Personnel Committee--Action)
From: General Manager
Subject: Board's Management Team Evaluation Incentive Program

Report

During February 1994, the Board approved the establishment of a pay for performance incentive plan for unrepresented managers and authorized funding for fiscal year 1993/1994 of \$155,200. In July of 1994, the Board reauthorized the program at the same level of funding.

The unrepresented managers group is comprised of 36 budgeted positions. It is down from the previous 38 positions due to the General Manager's department reorganization. The group includes Assistant Division Head and above with the exception of the three department heads, the General Manager, General Counsel and Auditor.

Experience with administering this plan during the first year, indicates that it can be an effective management tool to reward managers for performance. However, an important management principle embedded in the successful use of such a plan is that the amount of the incentive payment should provide the ability to distribute the funds with a "just noticeable difference". Sufficient monies should be available to adequately distinguish between a manager who performs at the level of "meeting" expectations and one who performs at an "outstanding" level.

This is particularly telling in this fiscal year with the high level of accomplishments, ranging from the Bay/Delta Framework Agreement, State Water Contract resolution, to the sale of the Sunset Property and the development of innovative administrative tools such as the reengineering of the treasury operations, yielding a higher return on Metropolitan's investment portfolio to the early retirement program, designed not only to save money but to

also provide the opportunity to increase our diversity efforts.

To provide that "just noticeable difference", the General Manager recommends that the Board authorize and control the implementation of the increase. The recommended increase in the funding for the program would be as follows:

Performance Evaluation Rating	Recommended Increase
Meets	\$0
Exceeds	\$77,600
Outstanding	\$77,600

The increase would only go into effect based on the Board of Directors' evaluation of the management team's performance for fiscal year 1994/95. The Board would need to rate the managers as "exceeds" or as "outstanding" for the incentive funding to be increased. Each rating factor would be worth an additional \$77,600. The evaluation would be based on the accomplishment of the management team in relationship to the General Manager Priorities for fiscal year 1994/95.

Recommendation

It is therefore recommended that the Incentive Payment Plan for unrepresented managers be increased up to an additional \$155,200 for the 1994/95 fiscal year based on the Board of Directors' evaluation of the overall accomplishment of the management team.


John R. Wodraska