

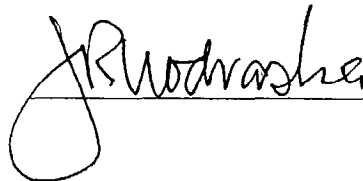
**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

January 14, 1997

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

From: General Manager



Subject: Unrepresented Managers' Compensation

RECOMMENDATION(S)

It is recommended that effective February 23, 1997, the Employer-Paid Member Contributions to the Public Employees' Retirement System (PERS) for unrepresented managers be increased from 4 percent to 7 percent.

It is also recommended that effective June 29, 1997, the current salary structure for unrepresented managers be modified by expanding the salary ranges by 2.75 percent below the current bottom step and 2.75 percent above the top step. It is further recommended that the new salary ranges for unrepresented managers no longer contain step increments as set forth in Administrative Code Section 6500, Hourly Pay Rate Schedule. (See Attachment A)

EXECUTIVE SUMMARY

The current salary structure for unrepresented managers is comprised of a ten-step salary range with step placements in increments of approximately 2.75 percent. The proposed modification of the current structure will remove existing step increments within the salary range, and eliminate restrictions imposed by these step increments, thereby allowing the General Manager to administer salary adjustments with more flexibility. The unrepresented managers would receive salary adjustments solely based on merit.

The required employee contribution to PERS is 7 percent. Metropolitan currently pays 4 percent of the required 7 percent for its unrepresented managers. The recommended increase would provide fully-paid PERS contributions for Metropolitan's senior managers.

DETAILED REPORT

It is my fundamental belief that Metropolitan's compensation package for its executives must remain competitive and flexible so as to attract and retain the most highly qualified executives that can support our organization's business plans and strategic goals. While it is important that our executive compensation program remain focused on awarding merit increases based solely on the individual performance of each manager, the compensation band must be broad enough to accommodate entry level salaries to attract aspiring new managers yet provide some growth for experienced managers who seek career development opportunities within the organization.

Metropolitan's unrepresented managers have not received an across-the-board increase to their base salaries since June 1992. While an incentive pay plan (Pay for Performance) was implemented for senior management in 1993, and in 1994 an additional 10th step of approximately 2.75 percent was added to the top end of their salary structure, salary compaction between senior managers and their highest paid subordinates has become an increasing issue. As employees in the Management and Professional, Supervisory Management, Confidential, and General bargaining units have been granted across-the-board increases since 1992, the traditional span of 12 to 15 percent between managers and their highest paid subordinates has greatly diminished over the last several years. (See Attachments B & C)

The proposed 2.75 percent addition to the top of the existing salary ranges for unrepresented managers will help alleviate salary compaction problems associated with their highest paid subordinates. Subordinate managers in classifications represented by the Management and Professional Employees Association (MAPA) received an increase of 2 percent effective 12/29/96; the MAPA contract also provides for an additional 3 percent to base salaries effective 1/1/99. Therefore, as contractual salary increases are implemented in accordance with the newly-negotiated MAPA contract, the salary differential will be such that a Pr. Engineer (branch manager) will be paid 2.26% more than the Associate Director of Water Quality (assistant division manager), and an Engineering Program Manager (branch manager) will be paid at approximately the same level as an Assistant Chief Engineer (assistant division chief). (See Attachment D) Further, while pay for performance incentives and other executive perquisites provide additional means of compensation, salary compaction may impact Metropolitan's ability to recruit and retain highly qualified managers or cause salary inequities relating to internal reporting relationships in terms of scope of responsibility. There is no immediate cost impact in implementing this proposal for this fiscal year (1996-97) as there is no across-the-board increase. All employees in unrepresented classifications will remain at their currently hourly rate; any salary adjustment will be addressed during the annual merit reviews during fiscal year 1997-98.

Concurrently broadening the salary structure and eliminating step increments within the range will also allow for more flexibility in recruitment and salary administration activities. For example, as the new salary ranges have no pre-established step increments of approximately 2.75%, an individual can be placed *at any dollar amount* within the salary range. In addition, a new employee can now be placed at a lower salary rate, thereby providing potential long term cost savings to Metropolitan based on future recruitments or promotions to the senior management level.

Providing additional employer-paid PERS contributions for unrepresented managers increases the amount the employer contributes on behalf of the employee, thereby providing the employee with additional tax-deferred dollars and increasing take-home pay. This is a common approach used by most of our member agencies to provide additional compensation. A survey of our 27 member agencies revealed that of the 23 member agencies who have contracted for retirement benefits through PERS, all but two agencies provide fully-paid PERS for their unrepresented managers. Fully-paid PERS is a key tool in helping Metropolitan remain competitive in the recruitment and retainment of highly qualified senior management staff. The cost to provide this benefit for the balance of fiscal year 1996-97 is \$43,792, or 1 percent of the annual \$4,379,232 unrepresented payroll.

Attachments

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§ 6500. Hourly Pay Rate Schedule.

(a) Effective July 1, 1996 July 1, 1997, the hourly pay rate (as that term is defined in subdivision (i) of Section 6200) schedule of positions occupied by management and confidential not in an appropriate unit recognized pursuant to Section 6108 employees shall be as follows:

Grade	Range	Title	Positions	
			Authorized	Total
58	\$32.60-41.47	* Executive Secretary	1	1
	\$31.74-42.59			
	(\$68,069-86,258)			
	(\$66,019-88,587)			
60	\$34.40-43.75	** Asst. Auditor	1	1
	\$33.47-44.94			
	(\$71,552-91,000)			
	(\$69,618-93,475)			
62	\$36.28-46.15	* Prin. Legislative Representative	2	2
	\$35.32-47.41			
	(\$75,462-95,992)			
	(\$73,466-98,613)			
63	\$37.23-47.41	*** Sr. Asst. Dir. Public Affairs	0	1
	\$36.28-48.71			
	(\$77,736-98,613)	* Asst. Dir. of Human Resources		
	\$75,462-101,317)			
65	\$39.33-50.01	* Assoc. Director of Water Quality	1	1
	\$38.25-51.36			
	(\$82,121-104,021)			
	(\$79,560-106,829)			
	\$104,021(FR)	* Auditor	1	1
68	\$42.59-54.24	* Director of Public Affairs	1	
	\$41.47-55.73	* Director of Water Quality	1	
	(\$88,928-112,819)	* Director of Human Resources	1	
	(\$86,258-115,918)	* Director of Environmental Compliance	1	
		* Asst. Chief Engineer	4	

		* Asst. Chief of Operations	3	
		* Asst. Chief of Planning and Resources	4	
		* Asst. Chief Financial Officer	2	
		* Exec. Asst. for Strategic Policy Development	1	18
71	\$46.15-58.86 \$44.94-60.45 (\$96,361-122,429) (\$93,475-125,736)	*** Exec. Asst. to General Manager	4	
		* Exec. Legislative Rep.	1	5
74	\$50.01-63.82 \$48.71-65.60 (\$104,421-132,746) (\$101,317-136,448)	* Chief Engineer	1	
		* Chief Financial Officer	1	
		* Chief of Planning and Resources	1	
		* Chief of Operations	1	4
76	\$52.79-67.40 \$51.36-69.24 (\$109,803-140,192) (\$106,829-144,019)	* Asst. General Counsel	1	1
80	\$58.86-75.11 \$57.26-77.18 (\$122,429-156,229) (\$119,101-160,534)	*** Deputy General Manager	2	2
	\$164,383(FR)**	* General Counsel	1	1
	\$183,000(FR)**	* General Manager	1	1
		TOTAL		39

() = Shows approximate annual salary range for convenience, Board approved rates are hourly

*Not eligible for overtime

**Salary not adjusted during 1992/93 fiscal year

(FR) = Designates flat rate annual salary

***These positions were changed by authority of the General Manager, as orally reported to the Board of Directors.

Attachment B

**SALARY ADJUSTMENTS
FOR ALL UNITS
1992 - 1999**

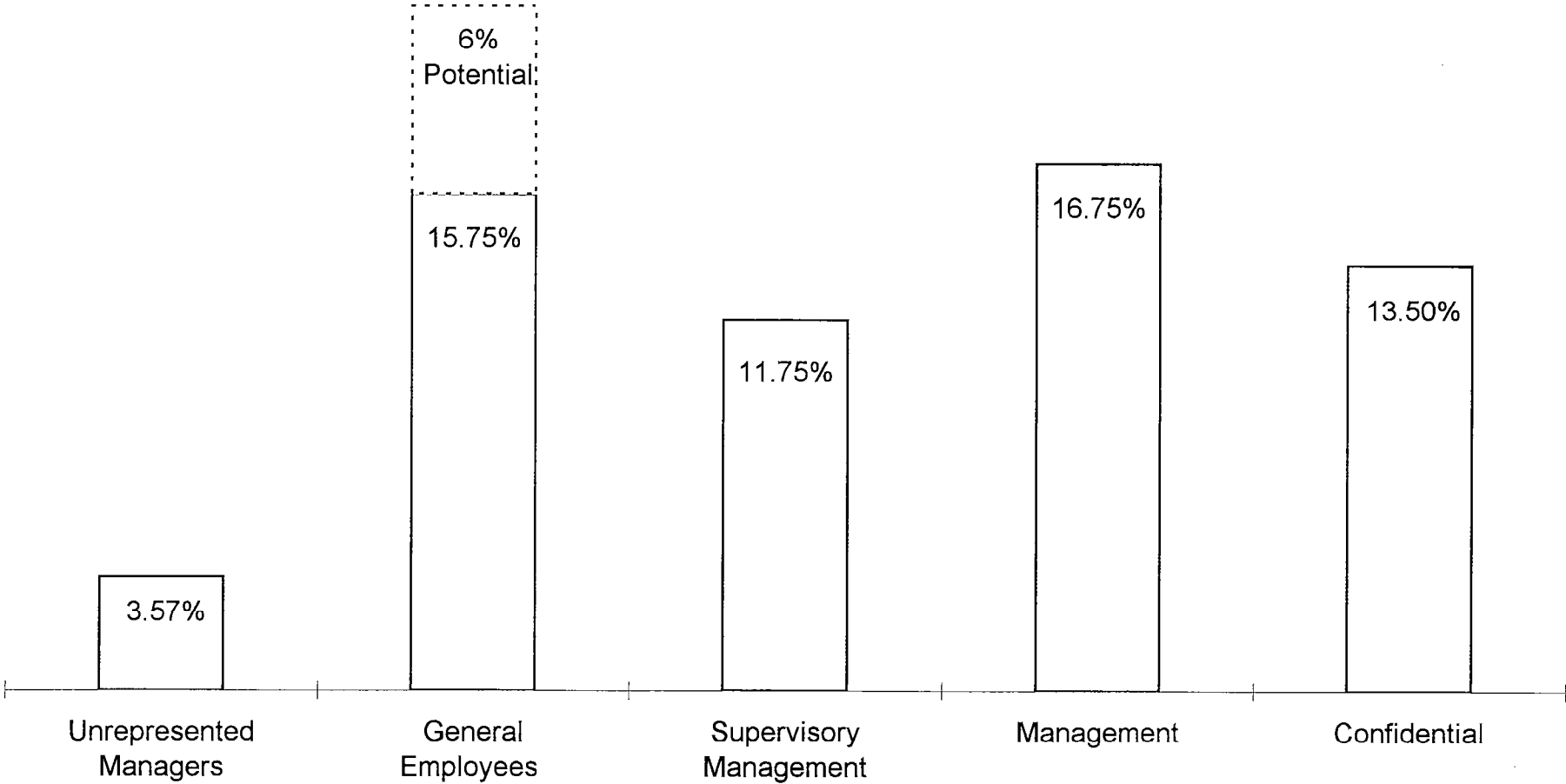
YEAR	UNIT	% INCREASE	EFFECTIVE DATE
1992	01, 03, 04, 05	3.57%	06/21/92
	02	5%	06/21/92
	02	2%	12/20/92
1993	03, 04, 05	3.43%	09/12/93
1994	02, 05	2.5%	06/19/94
	04	2.5%	07/03/94
	03	2.5%	07/17/94
1995	03, 04, 05	2.25%	07/02/95
1996	02	2.25%	01/01/96
	04, 05	2%	12/29/96
1998	02	50% of CPI - Minimum of 2% to a maximum 5%	*07/01/98
1999	02	50% of CPI - Minimum of 2% to a maximum 5%	*07/01/99
	04	3%	*01/01/99

- 01 --- Unrepresented Managers**
- 02 --- General Employees / AFSCME Local 1902**
- 03 --- Supervisory Management Association**
- 04 --- Management and Professional Employees Association**
- 05 --- Association of Confidential Employees**

* Negotiated increase in accordance with current Memorandum of Understanding.

Attachment C

**1992 - 1999
SALARY ADJUSTMENTS**



COMPARISON OF UNREPRESENTED CLASSIFICATION TO HIGHEST PAID SUBORDINATE

Unrepresented Classifications (01)	Top Step	Highest Paid Subordinate	Top Step	+2% MAPA increase effective 1/1/97 % Differential	+ 3% MAPA increase effective 1/1/99 % Differential
Assoc Dir of Water Quality	50.01	Pr Engineer	49.67	0.68%	-2.26%
Asst Auditor	43.75	Pr. Auditor	42.29	3.45%	0.44%
Asst Chief Engineer	54.24	Pr Engineer	49.67	9.19%	6.01%
Asst Chief Engineer	54.24	Engineering Program Mgr	52.42	3.48%	0.46%
Asst Chief Engineer	54.24	Pr Engineer	49.67	9.19%	6.01%
Asst Chief Financial Officer	54.24	Controller	49.67	9.19%	6.01%
Asst Chief Planning & Resource	54.24	Pr Engineer	49.67	9.19%	6.01%
Asst Chief of Operations	54.24	Pr Resource Specialist	48.36	12.16%	8.90%
Asst Chief of Operations	54.24	O & M Manager	48.36	12.16%	8.90%
Asst Dir of Human Resources	47.41	Manager Personnel Services	42.29	12.11%	8.84%
Asst General Counsel	67.40	Sr. Deputy General Counsel	63.03	6.48%	3.37%
Dir of Environmental Compl	54.24	Pr Engineer	49.67	9.19%	6.01%

Note: 2 & 3 percent increases applied to subordinate classifications only.