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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 19, 1998

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

From: Auditor

Submitted by: Michael W. Hondorp, Auditor

Izetta E. Birch, Director of Human
Resources

Michael W. Hondorp
Izetta E. Birch

Subject: Reclassify Salary Grade of Assistant Auditor Classification

RECOMMENDATION(S)

It is recommended that the classification of Assistant Auditor be moved to salary grade 65, effective with the payroll period beginning June 28, 1998, and that Administrative Code Section 6500 be amended as set forth in Attachments A and B.

EXECUTIVE SUMMARY

Based on a recently completed independent salary survey conducted for the audit management positions of Assistant Auditor and Principal Auditor, the Auditor is recommending that the salary grade for the position of Assistant Auditor be adjusted. The Auditor proposes to make such change effective with the first payroll period for fiscal 1998-99. Actual salary adjustment within the recommended salary grade will be made by the Auditor based on the performance of the incumbent. The unrepresented classification of Assistant Auditor is currently at salary grade 60 (annual range of \$69,618 - \$93,475); the Auditor seeks to place this classification at salary grade 65 (annual range of \$79,560 - \$106,829).

DETAILED REPORT

In June 1997, the Board of Directors approved a recommendation by the Special Committee on Department Head Compensation to increase the annual flat rate salary for the position of Auditor, a Board-appointed department head, by 11 percent. The Special Committee on Department Head Compensation recommendation was based on the Auditor's performance during fiscal 1996-97, and in consideration of other executive management salaries in the organization. In developing its recommendation, the Special Committee on Department Head Compensation considered input on the Auditor's salary grade from Special Audit Committee member Huntley after Director Huntley performed a salary evaluation in March 1997 at the request of then Special Audit Committee Chair Frahm.

In June and July 1997, the Auditor held discussions with Special Audit Committee Chair Grandsen and Director Huntley concerning the salary levels, as well as salary compaction between the positions of Assistant Auditor, an unrepresented assistant department head position, and Principal Auditor, a supervisory audit position represented by the Management and Professional Association bargaining unit. There currently exists a compaction issue between the Assistant Auditor and Principal Auditor classifications whereas the differential is only 6.3 percent. A traditional span between these two classes of 12 percent to 15 percent is generally deemed as appropriate for salary setting purposes. Director Huntley advocated, and Special Audit Committee Chair Grandsen concurred, that the salary levels of these two positions needed to be evaluated in light of the Board's action to increase the Auditor's flat rate annual salary. Special Audit Committee Chair Grandsen subsequently discussed this salary matter with Director of Human Resources Izetta Birch in early July and then instructed the Auditor to send her a letter requesting that an independent salary survey be conducted for the two classifications. The Auditor included the completion of the proposed salary survey for the Assistant Auditor and Principal Auditor positions in his work objectives for 1997-98. These objectives were approved by the Special Audit Committee on July 15, 1997.

The salary survey was conducted during early 1998 by the consulting firm of Ralph Andersen & Associates. Based on the results of the consultant's survey and related recommendations, a salary grade adjustment is warranted for the Assistant Auditor position from current grade 60 (\$69,618 - \$93,475) to grade 65 (\$79,560 - \$106,829). Since the survey found that the compensation level for the position of Principal Auditor was within one percent of the private sector average, no adjustment was recommended for that classification.

The proposed salary grade adjustment for the Assistant Auditor position would, at a maximum, result in an increase of about 14 percent over the current top-of-grade salary for the position; this percentage is consistent with the "under comparable market" percentage identified for the position by Ralph Andersen & Associates during its survey. If the Board ratifies the recommendation in this letter, the Auditor intends to adjust the base salary of the Assistant Auditor, effective June 28, 1998, although the base salary of the Assistant Auditor would not be increased by more than 8.4 percent at that time.

The salary grade revision being proposed addresses the compaction issue and also helps to ensure internal parity with other executive management or supervisory classifications in the organization. For example, the new Assistant Auditor salary grade would be equivalent to that for the Associate Director of Water Quality, whereas the Auditor's annual flat rate salary is equivalent to the top-of-grade salary for the Director of Water Quality. In order to perform his assigned duties and responsibilities, the Assistant Auditor is required to be a licensed California certified public accountant and the incumbent has extensive work experience at Metropolitan and in private industry.

The labor market comparisons utilized by Ralph Andersen & Associates to conduct its salary survey included both public agencies and private sector accounting firms. The consultant also utilized the William M. Mercer private sector database, as well as data available from the Economic Research Institute (ERI). Due to difficulties encountered by the consultant in obtaining comparable position matches for both positions with the majority of public agencies surveyed (which included various large utilities and governmental units), the consultant placed more weight on the data available from other sources, particularly ERI. The consultant's survey report

indicated that the ERI data is updated quarterly, reflects numerous labor markets and employers in the Los Angeles region, and is available for a wide range of comparable positions.

Accordingly, Ralph Andersen & Associates recommended that the ERI private sector data be used in considering whether revised salary levels are warranted for the Assistant Auditor and Principal Auditor positions. The recommendation contained in this letter follows that advice and is in line with the consultant's findings as to current market salary comparisons for such positions, as well as recommended pay differentials between supervisors and the highest level subordinate positions.

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Attachments

Chapter 5

MANAGEMENT AND CONFIDENTIAL EMPLOYEES - GENERAL

Article		Sec.
1	Salaries	6500
2	Benefits	6520
3	Grievances	6540
4	Miscellaneous	6560

Article 1

SALARIES

- Sec.
- 6500. Hourly Pay Rate Schedule
 - 6501. Provisions Related to Classifications
 - 6502. Call-Back Pay
 - 6503. Shift Pay
 - 6504. Stand-by Pay
 - 6505. Diving Pay
 - 6506. Compensation for Extended Hours

§ 6500. Hourly Pay Rate Schedule.

(a) Effective July 1, 1996, 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
60	\$33.47-44.94 (\$69,618-93,475)	Asst. Auditor	1	1
63	\$36.28-48.71 (\$75,462-101,317)	*Sr. Asst. Dir. Public Affairs	0	0
65	\$38.25-51.36 (\$79,560-106,829)	<u>Asst. Auditor</u>	<u>1</u>	
		Assoc. Director of Water Quality	1	
		Prin. Legislative Representative	3	5

**Attachment A to Board Letter
Audit Department
May 19, 1998**

68	\$41.47-55.73	Director of Public Affairs	1	
	(\$86,258-115,918)	Director of Water Quality	1	
		Director of Human Resources	1	
		Dir. of Environmental Compliance	1	
		Asst. Chief Engineer	4	
		Asst. Chief of Operations	2	
		Asst. Chief of Planning and Resources	4	
		Asst. Chief Financial Officer	2	
		Exec. Asst. for Strategic Policy Development	1	
		Director of Business Development	1	18
	\$115,918(FR)	Auditor	1	1
71	\$44.94-60.45	*Exec. Asst. to General Manager	2	
	(\$93,475-125,736)	Exec. Legislative Rep.	1	3
74	\$48.71-65.60	Chief Engineer	1	
	(\$101,317-136,448)	Chief Financial Officer	1	
		Chief of Planning and Resources	1	
		Chief of Operations	1	
		Chief of Communications	1	
		Senior Executive Assistant to General Manager	1	6
76	\$51.36-69.24	Asst. General Counsel	1	1
	(\$106,829-144,019)			
80	\$57.26-77.18	*Deputy General Manager	2	2
	(\$119,101-160,534)			
	\$179,500(FR)	General Counsel	1	1
	\$196,400(FR)	General Manager	1	<u>1</u>
		TOTAL		38

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

None of the above positions are eligible for overtime

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

(FR) = Designates flat rate annual salary

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Article 1

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		Director of Water Quality	1	
		Director of Human Resources	1	
		Dir. of Environmental Compliance	1	
		Asst. Chief Engineer	4	

**Attachment B to Board Letter
Audit Department
May 19, 1998**

		Asst. Chief of Operations	2	
		Asst. Chief of Planning and Resources	4	
		Asst. Chief Financial Officer	2	
		Exec. Asst. for Strategic Policy Development	1	
		Director of Business Development	1	18
	\$115,918(FR)	Auditor	1	1
71	\$44.94-60.45	*Exec. Asst. to General Manager	2	
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