



- **Board of Directors
Executive Committee**

August 2, 1999

9-5

Subject

Pay-for-Performance Plan for Unrepresented Managers

Description

Recommended Pay-for-Performance Plan for Unrepresented Managers for fiscal year 1999/00

Policy

Unrepresented Manager's Compensation

Board Options/Fiscal Impacts

Option #1

The General Manager recommends that in order to implement a pay-for-performance plan for the Unrepresented managers, a new rating period be established and commence July 1 and end December 31, 1999. The amount recommended to be available for the incentive plan is listed below.

Plan	Funding
Pay-for-Performance	\$155,200

Because of the anticipated overall performance rating of "Meets Expectations" for Unrepresented managers, the funding amount will not exceed \$155,200. However, some Unrepresented managers who have performed above that rating may be eligible to receive an additional stipend at the General Manager's discretion.

Therefore, 80 percent of the \$155,200 will be reserved for "meets expectations" and 20 percent will be reserved for special consideration. Unrepresented Managers who are on the payroll December 1, 1999 will be eligible to participate.

Additionally, the Pay-for-Performance program for all eligible employees will be reevaluated during this fiscal year to ensure consistency with the Board's Strategic Plan initiative and the General Manager's staff reorganization plan.

Option #2 No Pay-for-Performance for Unrepresented Managers for Fiscal Year 1999/00.

Staff Recommendation

Option #1

General Manager

Date

Attachment

Detailed Report

Since the inception of the Pay-for Performance plan in February 1994, the Board has assessed the overall accomplishment of the management team and evaluated their performance by using the following performance standards: “meets expectations”, “exceeds expectations”, or “outstanding”. At that point, the General Manager made individual evaluations and awarded the incentive pay. The Unrepresented Manager’s compensation package based upon the Board’s evaluation relative to the funding levels established in 1998 is summarized below:

Rating	Funding
Meets Expectations	\$155,200
Exceeds Expectations	\$349,200
Outstanding	\$543,200

At this time, the General Manager cannot evaluate the management staff according to the current plan for the following reasons:

- As the new General Manager, insufficient direct experience with the Unrepresented Managers precludes making a fair judgment of eligibility of award on an individual basis.
- A pro-rata award, regardless of merit, is not consistent with the intent of the existing plan.
- The structure of the plan is highly dependent upon the General Manager making personal evaluations of performance. These evaluations were not made by the previous General Manager or his acting replacements for fiscal year 19998/99.
- District staff is under considerable scrutiny by the Board and the public for perceived mismanagement resulting in project overruns and cost inefficiencies.

For these reasons, the General Manager has determined not to issue a pay-for-performance award for Fiscal Year 1998/99. However, over the next 6 months, the General Manager will evaluate all Unrepresented manager based upon support of the General Manager’s priorities and a savings of at least \$10 million as outlined in the Reorganization Plan submitted to the Board at the July meeting. On or before December 31, 1999, 80 percent of the award will be distributed to all participants and 20 percent, at the General Manager’s discretion and upon the recommendation of the Assistant General Manager, awarded to those who exceed competent standards.

During this fiscal year, the Competitive Action Team will analyze the Pay-for-Performance Program and recommend a plan that is consistent with the Board’s Strategic Plan and the General Manager’s staff reorganization plan. This process will ensure that objective award criteria is maintained.

This recommended Pay-for-Performance Program for Unrepresented managers does not meet the PERS standards/criteria for special compensation. Any monies received in this package will not be included in final retirement calculations, e.g., “PERSable” compensation.

History of Unrepresented Manager's Pay for Performance Plan

Background

In 1994, the Board approved a Pay-for-Performance Plan (Plan) for Unrepresented Managers. The Plan was funded at \$155,200.

In 1995, the Plan was modified to include up to an additional \$155,200 based on a rating by the Board of Directors for the management team. The allocation is summarized below:

Rating	Increase	Funding
Meets Expectations	No increase	\$155,200
Exceeds Expectations	Increase of \$77,600	\$232,800
Outstanding	Increase of \$77,600	\$310,400

In 1998, the Plan was modified again:

Rating	Total
Meets Expectations	\$155,200
Exceeds Expectations	\$349,200
Outstanding	\$543,200

The Board has rated the management team "exceeds expectations" for the last five years.

The Unrepresented managers have received no automatic cost of living adjustment since 1992. In 1994, a tenth step of approximately 2.75 percent was added; and, in 1997 an additional 2.75 percent was added to the range.