

- **Board of Directors**
Executive Committee

May 17, 2000 Board Meeting

6F

Subject

Performance Evaluation Policy for Department Heads and Other Direct Reports to the Board of Directors

Description

The Ad Hoc Committee to Develop Compensation Policy is recommending a new Performance Evaluation Policy which establishes the guidelines and defines the process for evaluating all direct reports to the Board of Directors including the three (3) department heads: General Manager, General Counsel, and General Auditor. This process also fulfills the Board's commitment in the recently adopted Board Governance Principles to produce assurances that performance of direct reports to the Board would be measured against organizational expectations and executive limitations.

In late December 1999, the Ad Hoc Committee to Develop Compensation Policy was formed to review and recommend an evaluation process for the department heads and other direct reports to the Board of Directors. The Committee met on March 28, 2000 to review several performance evaluation policies and processes currently used by various agencies such as Association of California Water Agencies (ACWA), City of Santa Ana, City of San Fernando, Inland Empire Utilities Agency, City of Anaheim, Las Virgenes Municipal Water District, City of Pasadena, Three Valleys Municipal Water District, City of Burbank, Municipal Water District of Orange County, City of Glendale, and City of Compton. The Committee decided to utilize the format currently used by ACWA with minor modifications to fit Metropolitan Water District's (MWD) needs.

The MWD Performance Evaluation Policy (**Attachment 1**) will be based upon how each direct report to the Board of Directors supports the accomplishment of MWD's goals. Since MWD's goals are approved by the Board and are directly supported by MWD's budget priorities, these goals provide the foundation for evaluating the performance of department heads as well as other direct reports to the Board. Thus, this evaluation process will focus on developing specific objectives central to MWD's Board approved goals. The process will be as follows:

1. Prior to the beginning of each fiscal year, each direct report should take MWD's goals and develop a comprehensive work plan (Annual Business Plan) specifying objectives to support those goals, consistent with the responsibilities and activities of each direct report's area of responsibility. The objectives will define, in a broad sense, how the goals will be met. This process will also define the role each direct report will play in meeting the objectives. Goals and objectives must be measurable. Each Annual Business Plan will be reviewed and approved by the Committee who has oversight of the performance and activities of each direct report.
2. Performance evaluations will be based on how goals and objectives were met in support of the stated objectives and hence the overall MWD goals. Direct reports will be responsible for identifying strategies and tactics (the "how" and "what") each will specifically implement to support the objectives and meet the goals.
3. The evaluation form will be used for each department head and other direct reports to the Board. Specific goals and objectives unique to each department based on the Annual Business Plan will be delineated.
4. Annual Business Plans for each direct report will be prepared and presented to the Board in June, prior to the beginning of each fiscal year (FY July 1-June 30). Each business plan will be reviewed and updated on a semi-annual basis by the assigned Committee for each direct report.

5. Personal goals and development targets may be identified.
6. The performance ratings of each direct report will be reviewed accordingly: General Manager by the Executive Committee, General Counsel by the Legal & Claims Committee, and the General Auditor by the Special Audit Committee.
7. Thirty (30) days prior to the performance evaluation review, each Committee member will receive a performance evaluation packet and will be required to independently complete a performance evaluation for each department head or direct report. A separate self-evaluation will also be required of each department head or direct report.
8. The members of the respective Committees and each department head or direct report will then convene to discuss the overall performance evaluation in order to reach consensus regarding the overall performance rating for each department head or direct report. Additionally, any salary or merit increase and/or incentive pay (bonus) will also be considered at that time.
9. Subsequent to each of the Committees reaching consensus on the overall performance evaluation rating and associated salary increase and/or incentive pay, each Committee will submit their recommendation to the Executive Committee who will then make a final recommendation to the Board for approval; at which time, the Board may approve, reject, or modify the Executive Committee's recommendation.

Policy

New

Board Options/Fiscal Impacts

Option #1

Adopt recommendation of the Ad Hoc Committee to Develop Compensation Policy

Fiscal Impact: None

Board Recommendation

Adopt MWD Performance Evaluation Policy for Department Heads and Other Direct Reports to the Board of Directors


James Blake, Chair
Ad Hoc Committee to Develop
Compensation Policy

4/19/2000
Date

Attachment 1



***The Metropolitan
Water District
of Southern California***

MWD Mission

MWD Goals

Department Objectives

Staff Strategies/Tactics



MWD Performance Evaluation Policy

MWD's Performance Evaluation Policy is based upon how direct reports to the Board of Directors support the accomplishment of MWD's goals. MWD's goals are approved by the Board and are directly supported by MWD's budget priorities. These goals will provide the foundation for evaluating performance of department heads and other direct reports to the Board.

This Performance Evaluation Policy establishes the guidelines and defines the process on how performance evaluation review will be conducted for each department head as well as other direct reports to the Board.

The evaluation process will focus on developing objectives central to MWD's Board approved goals and proceed in the following manner.

1. Prior to the beginning of each fiscal year, each direct report should take MWD's goals and develop a comprehensive work plan (Annual Business Plan) specifying objectives to support those goals, consistent with the responsibilities and activities of each direct report's area of responsibility. The objectives will define, in a broad sense, how the goals will be met. This process will also define the role each direct report will play in meeting the objectives. Goals and objectives must be measurable. Each Annual Business Plan will be reviewed and approved by the Committee who has oversight of the performance and activities of each direct report.
2. Performance evaluations will be based on how goals and objectives were met in support of the stated objectives and hence the overall MWD goals. Direct reports will be responsible for identifying strategies and tactics (the "how" and "what") each will specifically implement to support the objectives and meet the goals.
3. This evaluation form will be used for each department head and other direct reports to the Board. Specific goals and objectives unique to each department based on the Annual Business Plan will be delineated in Category IV—Attainment of Direct Report Approved Goals.
4. Annual Business Plans for each direct report will be prepared and presented to the Board in June, prior to the beginning of each fiscal year (FY July 1-June 30). Each business plan will be reviewed and updated on a semi-annual basis by the assigned Committee for each direct report.
5. Personal goals and development targets may be identified in Category V—Leadership.



MWD Performance Evaluation Process

6. The performance ratings of each direct report will be reviewed accordingly: General Manager by the Executive Committee, General Counsel by the Legal & Claims Committee, and the General Auditor by the Special Audit Committee.
7. Thirty (30) days prior to the performance evaluation review, each Committee member will receive a performance evaluation packet and will be required to independently complete a performance evaluation for each department head or direct report. A separate self-evaluation will also be required of each department head or direct report.
8. The members of the respective Committees and each department head or direct report will then convene to discuss the overall performance evaluation in order to reach consensus regarding the overall performance rating for each department head or direct report. Additionally, any salary or merit increase and/or incentive pay (bonus) will also be considered at that time.
9. Subsequent to each of the Committees reaching consensus on the overall performance evaluation rating and associated salary increase and/or incentive pay, each Committee will submit their recommendation to the Executive Committee who will then make final recommendations to the Board for approval; at which time, the Board may approve, reject, or modify the Committee's recommendation.

This process will accomplish the following:

- Make clear the relationship between each department head or direct report and the Board in meeting MWD's overall goals. This will help to reinforce the fact that we all play a direct role in MWD's success.
- Create a more specific and meaningful performance evaluation process to ensure direct reports to the Board will better understand what is expected of them.

EXAMPLE:

MWD Goal	Work with the Board of Directors, member agencies, and others to promote consensus around a CALFED solution for the Bay-Delta that will satisfy MWD needs.
Department Objective:	Develop and implement communications plans and strategies that educate/inform the Board of Directors, member agencies, and others about the CALFED solution, through the California Water Clearinghouse.
Strategies:	Monitor all aspects of the CALFED program.
Tactics:	Prepare and present monthly reports that provide updates on progress of the CALFED program to the Board.



Performance Evaluation Form

Name:
Title:

This form is designed to aid in the evaluation of each of the Department Heads and other direct reports to the Board of the Metropolitan Water District. The categories listed below include all of the broad areas of responsibility. Evaluators should base their evaluations on those factors over which the department head or direct report has control and, to the extent possible, base their judgements on objective information.

4-5 = Above Expectations	3 = Meets Expectations	1-2 = Below Expectations
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Category I. Working with the Board of Directors

1.	Provides timely and thorough information to the Board of Directors on matters of importance to MWD (e.g. content of organization at Board meetings).	1	2	3	4	5
2.	Provides a suitable environment for the Board to conduct its meetings (e.g. resources provided for meetings).	1	2	3	4	5
3.	Develops appropriate recommendations to the Board of Directors with supporting material (e.g. percentage of recommendations adopted).	1	2	3	4	5
4.	Is responsive to specific instructions and policies established including governance by the Board of Directors (e.g. directions given that are carried out).	1	2	3	4	5
5.	Utilizes current technology and appropriate mediums to better communicate with the Board.	1	2	3	4	5
6.	Is responsive to technical and administrative support needs and requests of the Board.	1	2	3	4	5
	Average Rating of Category I					

**Category II. Financial Management**

1.	Maintains sound working relationship with all Committees. Provides the Committees and Board of Directors with adequate information on fiscal objectives relative to the strategic objectives and Capital Investment Plan (CIP).	1	2	3	4	5
2.	Submits budgets which reflect the organization's current priorities and which keep Metropolitan on a sound financial footing (e.g. relationship between MWD goals and budget).	1	2	3	4	5
3.	Provides resources and leadership to assure sound fiscal control and implementation of adopted financial plans.	1	2	3	4	5
	Average Rating of Category II					

Category III. Member Agency Relations

1.	Provides programs to effectively and regularly update and inform member agencies regarding activities and policies affecting the water industry.	1	2	3	4	5
2.	Provides services and activities that meet the priorities and desires of the member agencies. (e.g. customer service, etc.).	1	2	3	4	5
3.	Maintains good communication system for all member agencies and sub-agencies.	1	2	3	4	5
	Average Rating of Category III					



**Category IV. Attainment of Direct Report Approved Goals
(Based on Annual Business Plan)**

1.	Goal No.1: <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
2.	Goal No. 2: <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
3.	Goal No. 3: <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
4.	Goal No. 4: <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
5.	Goal No. 5 <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
6.	Goal No. 6 <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5



MWD Performance Evaluation Process

7.	Goal No. 7 <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
8.	Goal No. 8 <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
9.	Goal No. 9 <u>Objective:</u> <u>Objective:</u>	1	2	3	4	5
Average Rating of Category IV						

Category V. Leadership

1.	Identifies and provides initiative and a problem-solving approach to issues confronting the organization.	1	2	3	4	5
2.	Effectively represents MWD's reputation and position within the water community.	1	2	3	4	5
Average Rating of Category V						



Summary Sheet

Category	Average Rating	Actual Weighting Per Category	Weighted Rating
Category I – Working with the Board of Directors			
Category II—Financial Management			
Category III – Member Agency Relations			
Category IV—Attainment of Department Head Approved Goals			
Category V – Leadership			
		100%	
Overall Rating (sum the 5 weighted ratings)			
Recommendation: (Compensation Award: e.g. incentive bonus and/or compensation adjustment)			

Comments:

Category/Number _____



Category/Number _____

Category/Number _____

Category/Number _____

Category/Number _____

Evaluator's Name:
Signature:
Date: