

- **Board of Directors**
Executive Committee

April 9, 2002 Board Meeting

12-2

Subject

Chief Executive Officer Evaluation and Compensation Recommendation

Description

On March 26, 2002, the Executive Committee reviewed and approved a performance rating and compensation recommendation for the Chief Executive Officer (see attached).

In the evaluation by the Executive Committee, it was determined the Chief Executive Officer (CEO) performed at an “above expectations” level and has earned the full support of the Board. It is also the recommendation of the Executive Committee to award the CEO a new flat-rate annual salary of \$275,000 effective April 9, 2002.

Further, it is the recommendation of the Executive Committee to award the CEO a pay-for-performance payment of \$20,000 effective July 1, 2002. Moreover, the recommendation of the Executive Committee is that the CEO shall remain eligible for annual incentive payments for performance.

Finally, as part of developing the 2002/03 Business Plan and budget, the Executive Committee will establish a new evaluation process to incorporate specific benchmarks for measuring the accomplishments of the CEO on agreed upon goals and objectives. This new process will be similar to the way in which Fortune 1000 companies evaluate their respective CEOs.

At this time the Board may approve, reject, or modify the Executive Committee’s recommendation.

Policy

Department Head Evaluation and Compensation

Board Options/Fiscal Impacts

Option #1

Approve as recommended by Executive Committee

Fiscal Impact: \$60,000 salary increase and \$20,000 pay-for-performance for the Chief Executive Officer.

Option #2

Modify recommendation of Executive Committee

Option #3

Reject recommendation of Executive Committee

Committee Recommendation

Option #1



3-27-02

Phillip J. Pace
Chairman of the Board

Date

Attachment 1 - Performance Rating and Compensation Recommendation CEO

March 26, 2002

PERFORMANCE RATING AND COMPENSATION RECOMMENDATION

Department Head Name:	Ronald R. Gastelum
Title:	Chief Executive Officer
Recommended Evaluation Rating:	Above expectations
Recommended compensation and Pay-for-Performance Payment:	Flat rate of \$275,000 Effective April 9, 2002 \$20,000 pay-for-performance Effective July 1, 2002

Committee's Findings:

In the evaluation by the Executive Committee, it was determined the Chief Executive Officer performed at an "above expectations" level and has earned the full support of the Board. It is also the recommendation of the Executive Committee to award the Chief Executive Officer a \$60,000 increase in his flat rate salary to \$275,000 effective April 9, 2002 and a pay-for-performance payment of \$20,000 effective July 1, 2002. While this new rate falls below his traditional industry peers, if the CEO continues to improve his performance as in past years, he shall remain eligible for annual pay-for-performance awards.

Recommendation Approved by:



3-27-02

Phillip J. Pace
Chairman of the Board

Date