PERSONNEL AND BENEFITS

Monday July 23,2018 at 7:30 a.m.
Memorandum

Members Present: Chair Barb Lamb, Committee Member Mike Shaver. Others in attendance were Utility Director Drew Williams, Controller Cindy Sheeks and Administrative Assistant Maggie Crediford.

Mr. Ford was absent.

Ms. Lamb called the meeting to order at 7:38 a.m.

PUBLIC COMMENT
There was no one from the public present at the meeting.

APPROVAL OF MEETING MEMOARANDUM
Mr. Shaver asked that the minutes from the June meeting be adjusted to reflect that he had asked that the performance management and pay policy not be approved in his absence. The meeting minutes use the word discussed. It was decided that the Committee would wait to approve the June minutes until Mr. Ford could be present since Mr. Shaver was absent from the June meeting.

SAFETY UPDATE
Mr. Williams stated that there have been no loss time accidents to report. The plant Staff has continued with their monthly safety training schedule and that the annual plant inspections are continuing as needed.

PERFORMANCE MANAGEMENT AND PAY POLICY
Mr. Williams presented the Committee with a chart showing a STEP Approach for employees below the midpoint of their salary ranges to advance them to the midpoint. The chart showed how an employee at the minimum of a pay range would move to the midpoint within three years. Ms. Lamb stated that the chart assumes a 2.8% COLA pay increase. She said that 2.8% is based on the CPIW Index, which is the standard used across the Midwest. The 2.8% COLA suggestion is based on data from June. She also suggested that if this was the standard that the Committee decides to use, it needs to also be the Index used each year moving forward so that there is consistency. I wouldn’t make sense to use this index this year and then use a different one in future years. She stated when the City of Carmel hires employees they hire them in at the minimum of the range. She stated that she was not sure that Mr. Williams wants to hire all new hires in at the bottom of the ranges. She asked him to explain what would happen if someone was

hired above the minimum what would happen the next year. Mr. Williams stated that in the past the Utility has not just hired people in at the minimum of their range. They have brought people in higher than the minimum or first step of their range based on their level of experience and education level. In these instances, employees would get to the midpoint of the range or higher in a shorter time frame. Ms. Lamb stated that the Committee needs to decide what the COLA recommendation will be to the Board for 2019.

Ms. Lamb made a motion to recommend the use of a 2.8% COLA increase for 2019. The motion was seconded by Mr. Shaver and passed.

Mr. Williams presented a spreadsheet showing what salaries would look like with the proposed 2.8% COLA and a 2% Merit Pool, which is up for discussion. Historically the Utility has given Merit increases only. Last year the Board approved a COLA increase as well. The chart shows each position with the 2018 rates, what the ranges would be assuming the 2.8% COLA and a 2% Merit increase for 2019. There are still four employees that are under the Midpoint of their range and would need extra money on top of the 2.8%COLA and 2% Merit to get to the next step of their position. Mr. Shaver asked about the Field Operations Technician position which has three employees below the midpoint of their ranges. He asked Mr. Williams to explain the process when someone is hired in. He asked if there is an equation for determining starting pay for a person coming in with experience in the field and how that relates to what someone is making who has been with TriCo for several years. Ms. Lamb stated that she and Mr. Williams met and discussed putting parameters around the hiring rates. Ms. Lamb said that in the past salary offers have been the sole discretion of the Utility Manager. She suggested that moving forward the Utility Manager be given the ability to hire at his discretion up to the midpoint of a range, and that anyone hired over the midpoint of a range would need the approval of the Personnel and Benefits Committee. Mr. Shaver asked if that would address his concerns regarding having a group of people that have worked for the Utility for 8-12 years making the same as or less than someone who is hired on externally with 3-5 years of experience. Mr. Williams stated that when making offers for employment he takes into consideration the number of years of experience they have, if they have a related degree, and what they are making at their current job.

Ms. Lamb made a motion that the Utility Director be allowed to offer a potential employee up to the 50th percentile of a range at his own discretion and if he wants to hire someone in above the 50th percentile of a pay range that would need to be approved by the Personnel and Benefits Committee.

Mr. Shaver asked how experience factors into the midpoint of a range. Ms. Lamb said stated with this proposal the Committee would be saying 3 years of internal experience is the midpoint. Mr. Shaver asked why employees are not currently getting to the midpoint of their ranges within three years. Mr. Williams stated that historically when employees were given pay increases if there were say a 2.5% merit pool, salary ranges were also adjusted 2.5% so an employee would never move up because the ranges were being adjusted at the same rate as pay was increased to prevent employees at the top of their ranges from being excluded from pay increases. Mr. Shaver suggested that the Utility should stop adjusting the top end of the ranges going forward. Ms. Lamb stated that the ranges represent the market and the market moves up. Mr. Shaver said that he feels the committee appears to be creating a system to correct one mathematical error. Ms. Lamb stated that they are creating a system to create equity within the organization. In the past by taking one pool and distributing it solely on Merit with no Cost of Living adjustments caused the external equity to be lost. There have been people stuck down at the bottom of their ranges without being able to move up and this proposal will fix that. Mr. Shaver stated he believes the inequity can be adjusted by not adjusting the top of the ranges. Ms. Lamb stated that if that is done, it would be at the expense of employees at the top end of their ranges. Mr. Shaver stated that he doesn't believe both ends of the ranges need adjusting. Ms. Lamb said that when the cost of living moves up if you leave the pay ranges the same it isn't right. Mr. Shaver stated that he is referring to the Merit increases not the Cost of Living. He agreed that the Cost of Living Adjustment should move everyone up but doesn't believe that the Merit pool should move up the higher end of the ranges that way if someone gets a cost of living increase and a Merit increase they could be moving up off the bottom of their range. Mr. Williams stated that if the top range is only adjusted by the Cost of Living it would help an employee not at the top of a range move to the next level but even with that the three employees below their midpoint now would need a slight adjustment to get them up to the midpoint. One year for some and two years for others would be needed to get them to the midpoint. Mr. Shaver asked how merit increases are decided and if everyone just gets one. Ms. Lamb said that merit increases come into play once an employee meets the midpoint of their range. If someone is in poor standing with the Utility they may not even be eligible for an increase STEP or Merit but would receive the Cost of Living increase. No increase other than the Cost of Living would be automatic to any employee. Mr. Shaver stated that he would like for it to be clear that if an employee is not meeting performance standards they may not be eligible for a Merit or STEP pay increase. He asked if someone is excluded from those increases would that be reflected in their performance reviews so that there is a clear reason why an increase was not given to that employee. Mr. Shaver stated that in theory an employee who performs their job would get a Cost of Living increase as well as a Merit increase, and new hires would be brought in at a lower rate than employees currently working here. Ms. Lamb stated that is how it should work with the proposed system. It hasn't been that way in the past because no system was in place. When hiring someone new Mr. Williams must assess the quality of a candidate's experience, his impression of them in an interview so there is not anything specific to say where he is going to put them other than to say it is not going to be above the midpoint without committee approval. Mr. Williams stated that the benefits package that the Utility offers adds to the quality of the job. Mr. Shaver stated that when there is a new hire brought on he would like the committee to know what pay rate they are being hired on at and how that rate compares to employees here already doing that job.

Ms. Lamb referred to her prior motion and asked Mr. Shaver if it would be acceptable if they approve the motion that the Utility Director be able to hire employees up to the midpoint of a range but must come to the Committee if he wants to hire anyone in above that range. Mr. Shaver agreed, and the motion passed.

Mr. Williams stated that there is language in the pay structure that states employees who are not in good standing or who are on probation may not be eligible for Merit or Cost of Living increases. Employees in this category may be on a probationary period where they meet with their supervisor daily or weekly to make sure they are making changes based on a performance plan. This probationary period can run from 30-90 days. Once they are off probation, the COLA increase would kick in. Ms. Lamb said that the COLA increase should be given, but not a step or Merit. Mr. Williams stated that in the past there was no COLA in place, so it only affected Merit increases.

Ms. Lamb directed to the Committee to look at the Merit pool. People getting a STEP increase are their own category, the people eligible for Merit increase which would be most of the employees. Mr. Shaver asked about the difference between the STEP and Merit increases. Mr. Williams stated that the STEP increase is for people below the midpoint to get them moved up to the midpoint of their ranges within 3 years and the Merit increase is for employees making at or above the midpoint in their pay range. Mr. Shaver asked if there is a genuine reason why the STEP and Merit increases are labeled differently. Ms. Lamb said it is because they are applied differently. The STEP Increase is a set amount, where a Merit Increase can vary depending on performance. Ms. Lamb explained that one of the key challenges with a Merit System is that Management needs to be able to explain how the money distribution occurs from that Merit Pool. Especially being in the public sector when salaries are public knowledge. The Merit Pool is set at a specific percentage then divided amongst the employees at different levels of Merit. One employee could end up getting a bigger portion of the percent than another employee based on performance, attitude and other criteria measured by their supervisors. Mr. Shaver asked if this method sets the table for Proximity Bias. Ms. Lamb said that if increases are truly based on merit than proximity would have nothing to do with it. Mr. Williams stated that in past years, if the Board gave a 2.7% Merit Pool to work with, he has given the employees a target for a competent performance review of 2%, holding back the extra .7% to be allocated amongst employees who are performing above that level. Ms. Lamb asked Mr. Williams if he meets with each manager to discuss the increases given to everyone. Mr. Williams confirmed that he does meet with the managers to discuss employee performance and merit allocation. Mr. Shaver suggested that the Budget and Finance Committee should set the percentages for the distribution of the Merit Pool.

Mr. Williams stated that if TriCo moved to the Step System throughout all the pay ranges all the way to the top it would take a substantial amount of effort off the managers. But this does not take into account individual effort or performance.

Mr. Shaver restated that if the Merit Pool is going to be split into two sections, one for people performing satisfactory in their jobs and another smaller percent for people doing an exceptional job he would like those percentages to be set by the Budget and Finance Committee, not just decided by the Utility Director. There was discussion about how moving to a STEP System would compensate everyone equally without regard to job performance and how each system has its value. Mr. Shaver stated that he is uncomfortable if one person gets a big raise and another person gets substantially less when the criteria for the raise is subjective. He would feel more comfortable if the Merit Pool allocation percentages were set by the Budget and Finance Committee. He suggested employees with a competent rating get 80% of the Merit Pool and the other 20% be distributed for exceptional performance. Ms. Lamb stated that she believes employees with a competent review are at the midpoint and that portion of the Merit Pool should be 50%. Employees would need to achieve a more than competent review to receive money from the other 50% of the Merit Pool. Ms. Lamb stated that she feels there could be employees that get 0% Merit Increase if they are rated competent in their job performance. They would get Cost of Living, but if they are not performing above average they may not be entitled to a portion of the Merit Pool. She stated once an employee hits the market rate,what the market says a job is worth, then an employee needs to prove themselves to move beyond that rate. Mr. Shaver said that he understands giving someone who is exceptional more money, he is not comfortable giving someone marginal or below no raise at all. He said that if an employee receives a raise less than the amount allocated for a competent review he would expect that there would be marginal or less than satisfactory review for the employee to back up that decision. Ms. Lamb asked if all employees who receive a superior overall rating receive the same increase. Mr. Williams said that they do not. It is based on performance level. Mr. Williams agreed that he feels it would be a good idea for the Board to set the two percentages for raise distribution within the Merit Pool.

Ms. Lamb asked what the Committee would like to set the Merit Pool percentage at. Mr. Shaver stated that he is comfortable with the proposed 2% Merit Pool. Mr. Williams stated that he would like to see the Board not only approve the 2% Merit Pool but also approve the 80/20 split for the fund allocation. Setting 80% as the goal for a competent performance rating.

Ms. Lamb asked if the Committee would like to leave the top end of the ranges where they are now, or would they like to increase them by the proposed 15%. Mr. Williams explained that if the ranges are left where they are now there are employees that will be at the top of their range which would exclude them from being eligible from participating in the Merit Pool regardless of performance. If the ranges were raised up to 15% above the midpoint everyone would be back into their range except for one employee based on the rate that employee was hired on at. Ms. Lamb stated that if the ranges are raised 5% above their current ranges that this is a onetime adjustment and when employees get to the top of their ranges there will be no Merit Increases, only Cost of Living Increases moving forward. Mr. Shaver asked if the positions that were negatively affected by the salary study by having the top end of their range reduced could just be moved back to what they were before the study to remedy that? Ms. Lamb stated that she is not comfortable adjusting the top end of one or two positions but not all the positions. If there is an adjustment made it needs to be done across all positions. She said she would be comfortable discussing the percentage of an increase needed to get those positions top end of the range back to where it was before the study, but then all the positions would need to be adjusted by the same percentage. Mr. Shaver clarified that his suggestion is to adjust all the top end of the pay ranges back to what they were before the study was conducted. Mr. Williams said that he believes that Mr. Shaver is saying that the numbers the Utility thought were reasonable before, they should still be reasonable. Making that adjustment would allow everyone to be eligible for a pay raise. Mr. Williams said he would make a chart to present to Budget and Finance as well as the full Board showing the differences between raising the top end of each position to 15% and taking everyone's top end back to what it was before the salary study was conducted. Ms. Lamb said that the percentage between the midpoint and the maximum for each position needs to be the same. Ms. Lamb stated that she feels strongly that once this adjustment is made that anyone at the top of their range would only be eligible for a Cost of Living increase moving forward and would not be eligible for Merit increases.

The meeting adjourned at 8:55 a.m.

Respectfully submitted,

Andrew Williams

Andrew Williams
Utility Director