



BUDGET & FINANCE COMMITTEE

Friday November 2, 2018 at 7:30 a.m.

Memorandum

Members Present: Committee Chair Jane Merrill, Committee members Michael McDonald and Carl Mills. Others in attendance were Board members Barb Lamb, Michael Shaver and Chuck Ford, Attorney Anne Poindexter, Utility Director Andrew Williams, Superintendent Scot Watkins, Engineering Manager Wes Merkle, and IT Indianapolis consultant Dalton Bishop.

Ms. Merrill called the meeting to order at 7:34 a.m.

PUBLIC COMMENT

There were no public comments.

IT UPDATE

Mr. Williams stated that since the last meeting Staff has reached out to two other firms for quotes on similar proposals to compare rates. Quotes were received from Rook, Alien Vault and SocSoter. A memo was provided to the Committee members outlining the services and quotes from each firm. Mr. Bishop from IT Indianapolis addressed the Committee. He assisted Mr. Watkins with the evaluation of the services and quotes provided. Mr. Bishop provided members with an overview of why updated IT security is needed. He explained that after reviewing the three providers the recommendation would be to choose the proposal from Alien Vault. Mr. Williams stated the proposals that are being presented are from network security firms. IT Indianapolis is the IT provider for TriCo, they are the ones who set up the system and run desktop support. The next step would be layering the two services together to meet the needs of the Utility.

Mr. McDonald asked if Alien Vault would be onsite in the event of an incident or if they are providing IT Indianapolis with the tools to do incident response. Mr. Bishop stated that Alien Vault provides the tools to make sure that the software is catching the latest threats. The hands on is outsourced to IT Indianapolis. Mr. McDonald asked if the Committee decides to go with Rook would ITI still be involved. Mr. Bishop said they would. Mr. Williams stated that Rook would respond to a threat with the package they presented. Mr. Bishop stated that with Alien Vault and SocSoter, IT Indianapolis would be notified in the event a threat is detected and IT Indianapolis staff would respond to the threat. Mr. McDonald stated that threats are evolving and tools that were effective last year will be outdated. He stated that he would not want to enter a long-term contract with any of the vendors at this point. He feels a short-term contract would be the best way to evaluate the services provided. Mr. Watkins stated that all the proposals in front of the Committee are for one-year contracts. Mr. McDonald stated that he believes there would be value if

there is an incident, Rook would come in and deal with that incident rather than handling it internally.

Ms. Merrill asked for a list of Alien Vaults other clients in the area. Mr. Watkins stated that Rook was the preferred provider originally by Staff. The Board had asked for additional quotes to see if there were costs that could be saved, which is the reason Staff went out and looked for additional quotes. Mr. McDonald stated that as a Board member when it comes to accountability and responsibility, if there is a breach again, he would like to be able to say that the Utility has an expert dealing with the incident response as opposed to adding the tools and handling the threat internally. Mr. Bishop stated that he believes that any of the three options would be good for the Utility.

Mr. Ford stated that he would like to see all the accountability lie with one company over a cost saving measure. Mr. Mills agreed.

Mr. Mills recommended that the Staff ask Rook if the costs can be trimmed any further and recommend that Rook's proposal for IT security be accepted and if that doesn't work out to go with the second choice, Alien Vault. Mr. Mills agreed that the Staff should go with the proposal from Rook Securities.

FINANCIAL STATEMENTS AND INVESTMENTS

Mr. Williams stated that larger projects from 2018 are wrapping up. Expenditures will be slowing down. Improvements in Jackson's Grant and Lift Station 26 are wrapping up. Lift Station 4 is offline. He asked if the committee had any questions on the income statement. Ms. Merrill stated that according to the income statement, revenues are under projections for the year. Mr. Williams stated that commercial sales are down. Staff did reach out to Carmel Utilities who said their commercial sales are also down. Ms. Sheeks is going to reach out to some of the other surrounding communities to see where their commercial sales stand for the year. Ms. Merrill also noted that total expenses are down for the year. Mr. Williams stated that it is projected that expenses will come in just below budget for 2018. The net surplus will be \$1.9 million at the end of the year vs. the \$2.2 million after depreciation and amortization. Mr. Mills stated that the commercial estimate for 2018 was too high for the whole year.

2019 PROPOSED BUDGET

Mr. Williams stated that the proposed budget shows a 5% rate increase mid-year. Revenue has leveled off on the commercial side. There is a chance that the Utility can forgo the proposed 5% rate increase for 2019. Mr. Williams stated that the proposed Capital Budget will be going before the Capital and Construction Committee on November 5th. In that budget, there is a recommendation to raise the EDU fees 5% which is not a user rate increase. Mr. Williams stated that the total operating expenses for 2019 are projected to be \$5.13 million including employee wages. The approved budget for 2018 was \$5.12 million and we are trending a little less than that for the year.

Mr. Mills stated that he is more in favor of raising the EDU fees rather than user rates. He recommended not doing a 5% user rate increase in 2019. He stated that he would like input from the Capital and Construction Committee regarding raising the EDU fees in

2019. He would like to see a reduction in the projected commercial sales for 2019. He asked to hear from Ms. Lamb regarding the proposed increases in employee wages.

Ms. Lamb stated that the Utility has had open salary ranges. There was a top and a bottom of a range and how someone moves from the bottom to the top of the range could vary from person to person. Certain people were lagging at the bottom of that system and never advancing in their range. The system was an individual merit-based system. The Personnel and Benefits Committee is proposing for 2019 and forward to move to a Ten Step program where if someone is hired in at the bottom of a range, they will move up steadily over a period of ten years until they get to the top. The entire range is 28%, which is 5% broader than 2018. The Committee was a little unhappy with some of the assumptions the wage consultants made and felt it cut the top end off a little too much for some positions. To address this concern, the top end was increased by 5%. With the proposed system, employees with a competent performance rating would move up a step every year. The proposal also includes a COLA. Employees at the top of their ranges would only receive a COLA. Also, a change was made to create parity between the office and field level entry positions. The pay ranges for four entry level office positions have been made the same as the entry level field workers. With the COLA, Step increases and parity the total increase for 2019 is 4.41%. The "Gross Wages" line in the budget is shown as a 3.3% increase since other wage expenses, such as overtime and on call, pay is included in the total. Step increases will get smaller over a period of years because as employees reach the top of their range, they would only be eligible for COLA. In four to five years most current employees would be at the top of their ranges. Mr. Williams stated that a COLA increase would be at the Board's discretion each year. It is not a guaranteed increase. Ms. Lamb stated that the COLA used for 2019 was from the Midwest Consumer Price Index, July to July. The Committee's recommendation is that each year the COLA would be at the Board's discretion. Mr. Williams stated that from an HR perspective, the Step System would give employees a clear vision of what their next step would be. Mid-year and year-end written reviews would continue, as well as monthly manager-employee discussions.

Mr. McDonald asked how the parity adjustments line up to the salary surveys that were conducted. Mr. Williams stated that the difference is the WIS Study proposed (Billing Assistant position) a starting pay of \$17.22 with a max of \$22.00 per hour. This proposed adjustment has the starting pay for that position at \$20.00 which is essentially a \$3.00 difference per hour. Ms. Lamb stated that the WIS Study rated the pay rates for the office positions lower than the field positions. Part of the Committee believes that is a reflection of a gender bias in the market, and there is nothing inherently more valuable to what a field worker who is new at the job to what an office worker brings. Mr. McDonald asked if the proposal is in line with what the City of Carmel does. Ms. Lamb stated that when Mr. Ford brought up the equity issue she was not fully convinced. After looking at what is done at the City of Carmel, she realized that the entry level office and field positions have the same pay ranges, then the next level field worker and next level office position are also equal. Mr. Williams stated that the question became: do we lower the entry level field position's starting level pay or raise the office staff entry level pay. Ms. Lamb stated that the total cost for the first year of the salary parity would be \$4000. Mr. Shaver stated that

he is not opposed to the proposed salary increases and parity if they do not lead to user rate increases.

Mr. McDonald has concerns about people at the top of their Step developing the mindset that they do not need to perform because they will not get a pay increase. Mr. Mills stated that the big issue for him is: Is the Utility competitive, because they want to keep their employees. If this proposal is a way to achieve that, he would be comfortable with the proposals. He stated he was against tying the COLA to the CPI, but that aspect has been addressed. The Board needs the flexibility to decide the COLA. Mr. Shaver mentioned that Mr. Williams recommended to the P&B Committee to remove the Utility Director position from the step system. The Board has historically performed the Utility Director's review and determined the pay increase. There was discussion about removing the management staff from the Step system and who that would include, and how they would be evaluated. No decision was made.

Mr. Shaver asked the Committee to go into the budget process looking at items that are cost reducing and efficiency related. The only part of the organization, in his opinion, that is specifically committed to cost reduction is the Collections Department.

Mr. Mills had questions regarding the Consulting and Accounting Fees. Mr. Williams stated that Consulting would be used for security services. The \$50,000 was left there to cover those fees. It could be reassigned to Computer Expense. Mr. Mills asked as 2019 goes forward and the Study moves ahead on the Waste Water Treatment Plant Expansion, does the Utility have enough money budgeted to cover expenses for outside consultants? Mr. Merkle stated that those fees are covered in the Plant Expansion Budget. Mr. Mills stated that once the Capital Budget is approved, he would like to see a cash flow for 2019.

The meeting adjourned at 8:46 a.m.

Respectfully Submitted,



Andrew Williams
Utility Director