

**MINUTES OF THE HUMAN RESOURCES COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
December 18, 2018**

A Human Resources Committee Meeting of The Water Works Board of the City of Birmingham was held on Tuesday, December 18, 2018 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following HR Committee Members were present: Directors Ronald A. Mims, and Brenda J. Dickerson. The following Non-Committee Members were also in attendance: Directors William “Butch” Burbage, Tommy J. Alexander, and William R. Muhammad.

Inasmuch as two of the Committee members were present, a quorum was in attendance.

The meeting was also attended by: Michael Johnson, Interim General Manager; TM “Sonny” Jones, Assistant General Manager; Grace Amison, Executive Assistant to the Board of Directors; Vanessa Washington, Executive Assistant to Michael Johnson; George Anderson, Rick Jackson, Paul Lloyd, Barry Williams, and BWWB Security, Board Employees; Dorian Kendrick, Agency 54; Mark Parnell, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC.; Brian Ruggs, ARCADIS; Andrea Lewis, Human Capital Services; Brenda Harrington, Suzanne Higgins Dedman, and Charles Wilkinson, Human Resource Management, Inc; and Isaac Ballard, Retiree.

Interim General Manager Michael Johnson called the meeting to order at 9:01 a.m. Following, George Anderson, I.T. Manager, opened the meeting with prayer. IGM Johnson stated the information on the agenda is for the board members to understand the documents before them. He stated that the items on the agenda would be reviewed and then, they will be discussed in more detail at the next meeting for decisions on moving forward. Director Muhammad stated that staff has been determining when meetings are needed/scheduled as oppose to board members. He indicated clarification is needed on whether the Committee can determine the need for meetings. Per IGM Johnson, staff notifies the Committee and coordinates with the Committee on items for discussion and scheduling meetings. Therefore, the Committee makes the final decision if the meeting is scheduled.

Next, IGM Michael Johnson turned the meeting over to Paul Lloyd, HR Manager to introduce the first item on the agenda which requested the Committee to hear a presentation on the Compensation Services Project, as set forth in agenda item one. Mr. Lloyd indicated that the board approved the Compensation Services Project which Human Capital Services (HCS) and Human Resource Management (HRM) partnered together to perform. Their purpose was to give an update on its status and timeline, introduce recommendations, and discuss the next steps. Following, there was an introduction of the speakers from each company. Then, Ms. Andrea Lewis, HCS began the discussion on the first four out of ten stages of the Compensation Services Project. Ms. Andrea Lewis stated the first phase consisted of planning and launching the project. She indicated meeting with the Management and Executive Team to help determine who needed to be part of the evaluations was the first step. In Phase Two, job evaluations were conducted to be all inclusive. Per Ms. Andrea Lewis, phase three consisted of updating the job descriptions and phase four

consisted of the FLSA exemption status evaluation for finalizing and reclassifying positions. Then, Ms. Andrea Lewis concluded her presentation.

Following, Suzanne Dedman, HRM, presented information on phases five through nine. Ms. Deadman gave an overview on the market pay study, the various surveys used and considerations such as industry, organization size, and geography. She stated that to account for organizations in different geographies, they scaled the information from those organizations to Birmingham whenever a 5% difference in the cost of labor was identified. Next, Ms. Dedman reviewed internal and external equity overlap within BWWB's exempt and non-exempt positions. She indicated that the overlapping creates issues between supervisory and lower level jobs. Then, she discussed the market index and market practices. Director Clark entered the meeting at 9:42 a.m. Per Ms. Dedman, COLA and merit is not a prevalent market practice. Brenda Harrington, HRM, interjected to explain that they recommend a top of range lump sum merit payment. Director Lewis entered the meeting at 9:46 a.m. Ms. Harrington stated that a merit is a performance-based adjustment, therefore, the higher the performance, the higher the percentage. Following, Director Muhammad asked whether any disparity study had ever been performed for fairness to women and people of color. Paul Lloyd answered no. Then, there was discussion on BWWB's step plan and the merit system. Director Lewis expressed her concerns on performance review evaluations for rating employees and her view on performance-based raises. Following, Ms. Dedman discussed the proposed new pay structure. She indicated that the compa-ratio for BWWB for the new proposed pay structure is 104%. Dr. Dickerson inquired whether longevity pay was included and stated that 104% is inaccurate. Ms. Dedman stated the comparison is for base salary which is accurate. However, per Mr. Harrington, there is the base pay and total cash comp. The longevity is built in total cash comp, which HRM has not reached that point in the project yet. She explained that total compensation will consist of the incentives (longevity, merit, and COLA). Director Burbage asked about a break point between non-exempt and exempt employees. Next, Director Clark stated that longevity and overtime needs to be factored in to see BWWB in comparison to the market. Chairman Alexander left the meeting at 10:18 a.m. Per Mr. Lloyd, total cash compensation does not include overtime. Director Clark stated that they would like to see what is happening with BWWB's overtime. Chairman Alexander returned at 10:21 a.m. Following, Director Lewis clarified that HCS and HRM were not being asked for the overtime of other companies nor to compare overtime to other companies. Per Director Muhammad, BWWB's information needs to come from Paul Lloyd, which Director Burbage agreed. BWWB's overtime cannot be compared to the Salary Survey nor the base information from HCS and HRM. Dr. Dickerson stated she does not want to compare the overtime information. The purpose is to see BWWB's actuals. Next, Director Burbage pointed out that there is no step plan in the recommended new pay structure. Some of the board members expressed concern with BWWB being compared to the City of Birmingham salaries and other city salaries, instead of water systems in the survey. Ms. Harrington stated that some jobs are not water specific only. Director Lewis stated she wants to see the numbers comparing BWWB to water systems only. Then, Mr. Wilkinson explained that adjustments were made for geographical differences. Ms. Dedman continued the presentation. Following, Dr. Dickerson inquired as the time frame for receiving requested information on overtime, longevity pay, and COLA from Mr. Lloyd. Mr. Lloyd stated he would provide the information by the end of the week. Dr. Muhammad expressed concerns with Internal Equity issues. Following, Ms. Dedman explained that the next steps of the Compensation Services Project are to finalize salary recommendations, evaluate and make recommendations for

incentive programs, and complete addendums for the recommended 2019 Salary Administration Plan (Phase 9). After asking for questions, Ms. Dedman concluded her presentation. IGM Johnson stated HRM would return in the month of January 2019 to present additional information at a HR Committee Meeting.

Next, Mr. Lloyd presented information for the second item on the agenda, which requested the Committee to hear an update on the Pension Review Project, as set forth in agenda item two. He gave an overview on the Pension Plan. Mr. Lloyd discussed working with Ultimate Software to review pension deductions for employees going back to 2008. Per Mr. Lloyd, the following was determined: (1) Employees that had too much deducted for the Employee Pension Contribution would be owed a refund (2) Employees that did not have enough employee pension contributions deducted would owe BWWB and (3) 70 employees (current and former) need further review due to having multiple rehire dates in the system. He stated that staff has been working with the benefits attorney, Bill Bryant, regarding the first group because interest must be paid on the excess pension contributions that BWWB has deducted and is required to pay back. Director Clark asked how BWWB reached this situation and ways of preventing these issues in the future. Director Burbage stated this is a coding issue involving the Ultimate Software and that the Ultimate staff are responsible for managing the codes. He explained that BWWB personnel has little activity on changing the codes in the system because Ultimate is a proprietary software. Director Clark stated she would like to discuss the hire and rehire employees' pension situation. After much discussion on the Ultimate Software and pension, the presentation was concluded.

Next, Barry Williams presented information on SAP Payroll Tentative Implementation Timeline. He stated a presentation will be made in January 2019 to the board that will provide detailed information on the SAP Payroll Module. He discussed the SAP Test Environment's feature and its benefits. Mr. Williams stated SAP will be able to provide the board with information and data on overtime statistics, time frame for preparing leaks, work orders, etc. Director Muhammad inquired about dashboards. Mr. Williams explained that dashboards are Executive Reports for extracting certain data from the system in real time for analysis of BWWB operations. Director Muhammad asked whether Directors could have access to the dash board. Per Mr. Williams, the answer is yes; however, it will cost additional money to purchase the licenses from SAP. As a result, Director Muhammad declined because he did not want to spend extra money. He indicated he would continue to receive the reports through requests from staff. Mr. Williams discussed phasing out Ultimate Software and implementing the SAP Payroll Module. However, he indicated that the Ultimate Software will still be accessed for historical data from 2008 to 2018. Mr. Williams clarified that the SAP Payroll would be implemented in phases.

Subsequently, discussion began on agenda item three under new business. Director Muhammad indicated the Innovation Award issue had been investigated; therefore, he is requesting the Committee to move the item to the full board. Director Lewis inquired about the investigation results. Attorney Mark Parnell explained that previously, the Innovation Award was tabled and pulled from the Agenda. However, the money went into the awardee's accounts before board approval. Mr. Ronald A. Mims made a motion to move the Innovation Award to the full Board. Dr. Brenda J. Dickerson seconded the motion. Thus, the item will be added to the agenda for the Thursday, December 20, 2018 board meeting. IGM Johnson stated that staff can send the award

documents to the board. Mr. Paul Lloyd explained that the Innovation Award Program awards employees for generating cost saving ideas or ideas for revenue generation. Director Burbage left the meeting at 11:32 a.m. Following, there was discussion about whether the General Manager has the power to withdraw items from the Agenda. Attorney Parnell stated that the General Manager usually talks to the Board before removing items off the Agenda. The by-laws states that the General Manager and Board members can add or remove items from the Agenda. He suggested that the board members revisit the by-laws for possible procedure/policy changes.

As there was no further business to be brought before the Committee, a motion to adjourn the meeting was duly made and seconded, and the meeting adjourned at 11:35 a.m.

_____/s/_____
George Munchus, Ph.D.
Director

_____/s/_____
Ronald A. Mims
Director

_____/s/_____
Brenda Dickerson, Ph.D.
Director

Mac Underwood
General Manager