

**MINUTES OF THE HUMAN RESOURCES COMMITTEE MEETING  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
February 12, 2019**

A Human Resources Committee Meeting of The Water Works Board of the City of Birmingham was held on Tuesday, February 12, 2019 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 William “Butch” Burbage and Brenda J. Dickerson. The following Non-Committee Members were also in attendance: Directors Deborah Clark, Tommy J. Alexander, and William R. Muhammad.

Inasmuch as all 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, Joyce Dupree, Cherita King, Rhonda Lewis, Barry Williams, Ben Sorrell, Jeff Cochran, Derrick Maye, Geoff Goodwin, Alesia Price, and BWWB Security, Board Employees; Tommy Palladino, Agency 54; Mary Thompson, 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 Bill Bryant, Dominick Feld Hyde, P.C.

Dr. Brenda J. Dickerson called the meeting to order at 9:02 a.m. Following, George Anderson, I.T. Manager, opened the meeting with prayer. Dr. George Munchus arrived at 9:04 a.m.

Next, IGM Michael Johnson requested the Committee to approve minutes of July 17, 2018; September 18, 2018; November 15, 2018; and December 18, 2018, as set forth in agenda item one. Dr. Brenda J. Dickerson made a motion to approve said item. Dr. George Munchus seconded the motion, thus approved to move forward to the full Board.

Next, agenda item two requested the Committee to hear a presentation on the Compensations Services Project, as set forth in agenda item two. HR Manager Paul Lloyd gave a recap on the previous Compensation Services Project presentation. He indicated that the board would be updated with the results of the project to date. Dr. Dickerson asked Mr. Lloyd about a previous RFP for the project and the number of firms that submitted a proposal. Mr. Lloyd answered that staff reached out to four/five firms regionally. Per Mr. Lloyd, there was only one response, which was a joint proposal from Human Resources Management (HRM) and Human Capital Services, Inc. (HCS). Dr. Munchus inquired about the driving factor for this Project. IGM Johnson explained that a study should be conducted every three to five years to review wages and salaries to determine if the company is paying at a normal rate. A discussion ensued about the previous Compensation Services Study (*performed by Segal*) and the reason it was not adopted. Board members requested the previous Compensation Services Study for review. Director Clark indicated as historical data it would provide insight and it would be useful for comparison with the new study. IGM Johnson agreed to provide the requested information to the Board members. Then,

Charles Wilkinson (HRM) explained the role of Ms. Andrea Lewis (HCS) and his Senior Compensation Consultants. Further, Mr. Wilkinson briefed the board on the status of the project, which is nearing final observations, conclusions, and recommendations. He indicated that approvals are needed to amend the Salary Administration Plan which includes: plan document changes, new job grades/salary ranges, 2019 salary/job grade recommendations and approval of total cash compensation. The purpose of this meeting is to recommend and review those items and answer questions. Mr. Wilkinson stated that *Phase 9, Recommend Incentive Plan Programs* has been completed and that *Phase 10 is Project Hand Over & Training* which will be handled by Ms. Lewis. Mr. Wilkinson concluded his presentation.

Following, Suzanne Dedman, HRM, reviewed various compensation terms. Ms. Dedman clarified for Dr. Munchus where BWWB terms fit in with the compensation terminology. Next, Director Muhammad asked which variables were used to compare BWWB base salaries to the market survey. Ms. Dedman answered that the market data was scaled to Birmingham, Alabama and the geographic differentials was applied to peer data. Director Muhammad inquired whether BWWB's 623 jobs were matched. Ms. Dedman explained that jobs were compared using job titles. BWWB has 224 job titles and 634 positions. HRM was able to match 173 job titles. Dr. Munchus asked if the jobs were matched against water systems or other local industries. Ms. Dedman answered that 16 water utilities completed the survey. Brenda Harrington, HRM, interjected to add that the level of recruiting could range from recruiting locally for a low-level position up to recruiting at a national level for a General Manager for instance. Therefore, the data captured depends on the job in determining which scope you scale down to and the survey match. Director Clark asked if the job titles relate to the Dictionary of Occupational Titles (DOT), which Ms. Harrington answered they do not relate. Per Ms. Dedman they match based on job content not the job titles. Following, she discussed the amount of money BWWB spends on total compensation, which consists of base salary, which includes (*merit & COLA*), bonus (*longevity, employee of the month, innovative award*), and incentives (*HomeServe, Water Accountability*). Ms. Dedman indicated that most of the money BWWB spends is for base salary. Then, she turned the presentation over to Brenda Harrington.

Next, Ms. Harrington reviewed the recommended salary structure and pay increase process. She indicated that BWWB's two existing pay scales have small midpoint progression, which results in too many pay grades. Also, there is overlap between the exempt and non-exempt pay scales, which creates problems for promotion and too many grades the same width. Per Ms. Harrington, the point is to be market driven without creating issues of career regressions. She stated the recommendation is for the structure to be adjusted annually. Dr. Dickerson expressed concerns about the 289 jobs (approximately 40%) that have been downgraded and the negative affect on employees. However, Ms. Harrington stated jobs were not downgraded, they were appropriately graded based on the market data. The grades will go up, down, or stay the same. Dr. Dickerson asked what happens to the 289 employees who jobs are negatively affected and the 89 positions that increased. Then, Mr. Wilkinson stated they do not advocate decreasing pay. Generally, if an employee is at/above the maximum pay range, the pay increases are given in a lump sum cash payment instead of an increase to the base salary. This would allow employees to eventually return to the appropriate range by adjusting the ranges up. There was much discussion about downgrading employees' positions to align with the market rate and the negative effects. Several board members expressed concerns regarding the issue and indicated there is no interest in supporting the negative impact to the employees. Mr. Wilkinson clarified that the

recommendations are optional, and the Board members have control over the implementation. Director Clark stated viewing the previous compensation study could possibly help in determining the reason positions were graded too high and help in getting to the point of being appropriately graded. Then, Ms. Harrington indicated that the implementation decisions are normally phased in over time. However, it is important for BWB to get to a market rate driven structure to eliminate over grading and overpaying. According to Ms. Harrington, instead of cutting the employees pay, one option would be to offer top of range lump sum merits. Whereas, an employee would receive a lump sum performance-based payment, but it would not be added to their base, which is HRM's recommendation. There was also discussion on the recommendation from HRM to eliminate the Cost of Living Adjustment (COLA) and explained the cost of labor vs cost of living. Afterwards, Director Clark expressed concerns about meetings held with the employees regarding the survey. She indicated that board members should be updated before employees. In addition, per Director Clark, providing information to the employees before board approval creates anxiety with employees. IGM Michael Johnson stated employees received an overview of the process and the status of the survey based on questions asked. Employees were not given any information based on conclusion the Board may have drawn. They were only given general status information. Following, Director Clark expressed concerns about the Human Resources Department knowledge relative to the 289 positions that needed to be appropriately graded and staff not informing the Board of the issue. Ms. Harrington stated that no action was taken when the study was done in 2012. Then, Chairman Burbage stated management is not at fault, because it would have been the responsibility of the Board members during that time to implement the then study. Dr. Dickerson stated she is not sure the structure is right, and conveyed her concerns are for the 289 people inappropriately graded down and the 89 inappropriately graded up. Then, Dr. Munchus asked Mr. Lloyd to explain the cons of the HRIS and payroll system to be updated, and SAP's role in relation to implementing the study. Mr. Lloyd indicated he does not foresee there being a problem After much discussion on the Salary Administration Plan Recommendations pros and cons, the presentation from HRM was concluded. However, Dr. Munchus inquired about the reason for eliminating the salary increase for a Fundamentals of Engineering (FE) license, which AGM Sonny Jones explained the roles of a Professional Engineer (PE) vs (FE). Dr. Munchus stated he was not in favor of eliminating the (FE) incentive. Following, Dr. Munchus inquired about the recommendation to remove the 64 semester hours requirement of approved coursework under the Tuition Reimbursement Plan. Mr. Lloyd explained that a master's degree is usually under 64 semester hours; therefore, this change would remove the penalty. Director Muhammad asked Mr. Lloyd to provide a projection on the "Top of the Range Bonus". Mr. Lloyd agreed to provide the information and the next topic on the agenda was introduced.

Next, agenda item two requested the Committee to hear an update on the Pension Review Project, as set forth in agenda item three. HR Manager Paul Lloyd explained that the driving factor for this review is due to pension contributions being deducted from overtime for employees' dating back to 2008. Dr. Munchus inquired as to whether the employees had knowledge of the issue. Per HR Manager Paul Lloyd, the Employee Association had knowledge and brought the issue to Human Resources attention. He explained that employees hired after January 1, 2008 were having pension deducted from overtime for pension contributions. However, a change was implemented in 2008 to control pension plan costs. The change eliminated overtime being included in the final average calculations. Therefore, BWB did not want to withhold the 7% pension contribution from overtime. After analyzing the issue, staff worked to get the issue corrected. Almost eleven years of payroll data and approximately 95 earning codes were reviewed. In addition, 490 active

employees and 311 separated employees (*retirements, resignations, etc.*) were also reviewed. Per Mr. Lloyd, the following was derived from the review (*consists of active employees, retirees, and active employees with rehire dates*): (1) Employees that had too much deducted for the employee pension contribution that would be owed a refund. He indicated that the amount to be refunded would be processed through payroll, because it is subject to payroll taxes, and the interest on the money would be a separate payment; and (2) Employees that did not have enough in employee pension contribution deducted that would owe BWWB. Mr. Lloyd asked tax attorney, Bill Bryant, to speak to the group on the topic of employees that would owe BWWB for not enough pension contributions being deducted. Per Mr. Bryant, pension and qualified retirement plan documents must comply with the Internal Revenue Code and Treasury Regulations. BWWB pension plan states it will withhold 7% and will not withhold from overtime. He discussed bringing the pension plan into compliance per the Internal Revenue Service (IRS). There is an obligation to refund money to employees for the overpayment, which cannot come from the plan. The interest is not treated as wages. Regarding underpayment from the employees, Mr. Bryant stated the Board could recover the funds or contribute the money to the plan. Most employers would not opt to recover the funds. He spoke to the administrative costs and difficulty of collecting from former employees, but stated the decision is the Board's. Dr. Dickerson made a recommendation for the Board to pay for the underpayment of pension deduction contributions, instead of the employees. Dr. Munchus seconded the motion. Following, IGM Johnson stated a resolution was needed to be brought before the Board to approve repayment of excess pension contributions once the calculations have been performed. Per Mr. Lloyd, based on the calculation process, the payments are currently setup to be paid on February 21, 2019. Next, there was a discussion to place the resolution on the agenda for the February 28, 2019 board meeting.

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 10:54 a.m.

\_\_\_\_\_/s/\_\_\_\_\_  
William "Butch" Burbage, Jr., C.P.A.  
Chairman/President

\_\_\_\_\_/s/\_\_\_\_\_  
Brenda J. Dickerson, Ph.D.  
Second Vice Chair/Second Vice President

\_\_\_\_\_/s/\_\_\_\_\_  
George Munchus, Ph.D.  
Director

\_\_\_\_\_/s/\_\_\_\_\_  
Michael Johnson, C.P.A.  
Interim General Manager