

STUDY SESSION

The HBPW Board of Directors met
April 23, 2018
at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave.
Holland, Michigan

Vice-Chair Haworth called the meeting to order at 4:01 p.m.

Members Present: Diane Haworth, Jim Storey, Sue Franz, Phil Miller, City Council Liaison Brian Lynn, and Ex Officio Members Bob Shilander, Keith Van Beek

Members Absent: Tim Hemingway

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Joel Davenport, Chuck Warren, John Van Uffelen, Becky Lehman, Jon Hofman, Amy Yost, Pete Hoffswell, Chris Van Dokkumburg, Ashley Kimble, Steve Bruinsma

18.158 **Communications from the Audience**

None

18.159 **Financial Review – March 2018**

For information only

**STUDY
SESSION
TOPICS**

18.160 **Customer Satisfaction Survey Results**

Frost Research Center at Hope College was contracted by HBPW in February 2018 to conduct a survey of business and residential customers regarding satisfaction with various aspects of their utility service and relationship with HBPW. This is the eighth consecutive year Frost Research Center has conducted this survey for HBPW. The survey resulted in overall satisfaction ratings achieved of 93% better than neutral for residential customers and 96% better than neutral for business customers.

Study Session topic. Presented for information only.

18.161 **Compensation Program Revisions**

Through its strategic planning process, the HBPW has identified Workforce as a critical organizational issue. Annually, the HBPW evaluates and adjusts its salary structures as part of its efforts to provide a rewarding and compelling workplace for utility professionals.

Every three years, the HBPW also retains the services of an external compensation consultant to review each of the utility's non-union job classifications and to provide current market-based salary data for comparison purposes.

During FY2017, the HBPW retained compensation consultant Jeff Rahmberg, of Rahmberg, Stover & Associates to perform a market analysis of 76 non-union utility job classifications.

** Red italics indicate information or discussion added during the meeting and/or action taken.*

Rahmberg has previously performed similar market analyses for the HBPW in 2008, 2011 and 2014.

The most recent market analysis found that on an overall basis, actual employee salary levels at HBPW were at 98.2% of the “broad employer market.” These findings indicate that, on aggregate, actual employee compensation at HBPW is market competitive.

However, the market analysis also noted that HBPW salary range maximums are at 83.5% of the “broad employer market.” Put simply, our legacy BP and BM salary structures generally constrain the HBPW from compensating above the broad market midpoint, regardless of the employee’s level of performance, education, or experience. This can create issues with both recruitment and retention.

Updated Salary Structures

As a result of this FY2017 market analysis and its findings, the HBPW is recommending replacing its legacy salary structures with updated salary structures that are more representative of current market data.

Existing structures would be replaced by a Professional Salary Scale (P Scale), a Management Salary Scale (M Scale) and a Director Salary Scale (D Scale). The levels in these scales are built around market midpoints. Allowable wage ranges are then established from 85% to 115% of the midpoint.

If these structures are approved, current employees will be transitioned to them as part of the HBPW’s fiscal year-end performance and compensation review process.

The scales would also become immediately effective for use in filling current utility staff vacancies (rather than hiring into the old scales, and then transitioning the new hires into the new scales within their first few months of employment). As of the date of this recommendation, the HBPW has five professional and/or managerial position vacancies.

Updated Performance Matrix

The recent market analysis also recommends updating the performance matrix used by the HBPW in awarding base wage adjustments to employees.

This performance matrix provides wage increase flexibility to management based upon an employee’s overall performance rating and the relationship of their current wage to the range midpoint. The HBPW recommends adopting the performance matrix proposed by the Rahmberg study.

Impact Upon Payroll

The HBPW has performed extensive analysis of the potential impact on payroll of adopting the proposed salary structures and performance matrix. Moving from the current compensation program to the proposed program has the potential to impact payroll in July 2018 by 1.5% to 1.9% more than if the HBPW continued using the current program.

Because of the way the performance matrix works, the overall impact of moving to the proposed program will not be immediate, but will occur over several annual performance review cycles. The overall impact is also dependent in large part upon individual employee performance levels.

Career Progression Program

The most recent market analysis noted that to assist in the retention of senior, experienced staff, the HBPW may wish to consider establishing promotional progression opportunities for certain disciplines. The report noted that it may be most effective to phase into career progression models by establishing a two-level structure which would provide an opportunity for an individual to earn a “Senior” designation in their job classification.

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Following considerable internal review and discussion, the HBPW recommends adopting the attached Technical Career Track program as part of this compensation recommendation.

Job Classification Revisions and Staffing Adjustments

The HBPW is recommending multiple staffing adjustments that will take place as part of these compensation program revisions. These adjustments will allow the HBPW to align its workforce with current utility needs and are requested to take effect immediately. The following adjustments will be incorporated into the proposed HBPW Job Classification Tables:

CLASSIFICATION BEING RETIRED	NEW CLASSIFICATION
Administrative Assistant – Business Services (BP-02)	Safety Program Coordinator (P-06)
Engineering Specialist (BP-08)	Electric System Engineer (P-13)
Administrative Assistant – Operations (BP-03)	Water/Wastewater Process Engineer (P-12)

These classification revisions have already been included in FY19 budget. Additional details regarding the new classifications are attached to this recommendation.

One additional recommended revision involves the HBPW's Facility Maintenance job classification. This is an hourly (union) job classification with one incumbent. The HBPW is recommending revisions to this job classification that are significant enough to warrant additional compensation. These revisions include more involvement in work coordination, planning, and contractor interaction. As a result, this position's wage range will be proposed to be increased.

Conclusion

HBPW management currently intends to bring the above items as formal recommendations to the May 2018 Board Meeting.

Accept for information and study the compensation and staffing program changes described below. Management's intent is to bring these items back to the Board in May for formal consideration and approval.

BOARD COMMENTS

None

ANNOUNCEMENTS

On May 17, the BPW will be holding a key accounts customer meeting.

Reminder: Next meeting is May 7, 2018

We received an engineering excellence award from American Council of Engineering Companies in Washington DC last week. Chris VanDokkumburg accepted on behalf of the BPW. This award was given to the BPW, HDR (Michigan), Progressive AE and Zachry Group for the Holland Energy Park.

ADJOURNMENT

The Board Meeting of April 23, 2018, adjourned at *7:02 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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