

**EUGENE WATER & ELECTRIC BOARD
SPECIAL BOARD MEETING
EWEB BOARD ROOM
500 EAST 4TH AVENUE
JUNE 21, 2016
5:30 P.M.**

Commissioners Present: John Simpson, President; Dick Helgeson, Vice President and James Manning, Commissioner. Commissioner Steve Mital participated telephonically.

Absent: Commissioner John Brown

President Simpson convened the June 21, 2016 Special Session at 5:30 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

There was no public input.

GENERAL BUSINESS ITEMS

New General Manager Contract Approval

Lena Kostopoulos, Human Resources Manager, stated that while crafting the employment agreement she met with Frank Lawson and was in dialog with General Counsel Eric DeFreest. The intent was to model the new agreement after the previous General Manager's agreement. She explained that the contract does not contain any extraordinary terms and conditions and that it is in alignment with the Board's direction to negotiate up to \$260,000 total annual compensation which is within the salary parameters of comparator utilities. The agreement provides that Mr. Lawson will defer \$10,000 of contribution by EWEB to his deferred compensation account to be vested over period of time. This strategy is intended to be an inducement for retention. The vacation entitlement follows the same accrual schedule as the remainder of employees except that the balance of the workforce has a limit of 240 hours per year. The General Manager's agreement requires Mr. Lawson to use a minimum of 80 hours per year. As long as he does so, he may roll over any unused vacation hours to the next year. With regard to notice provisions, Ms. Kostopoulos noted that the Board may choose to restrict the use of vacation at the end of his term.

General Counsel, Eric DeFreest stated that he believes the process went very well and there is nothing out of the ordinary contained in the agreement.

Mr. Lawson agreed that the process went well. He called attention to the contract period which is through 2028; during the interview process the Board inquired about his commitment to EWEB, to which he indicated that period of time.

Commissioner Manning motioned to approve the contract.

Commissioner Mital proposed to amend the contract such that total annual compensation for Frank Lawson, as General Manager, including deferred compensation which may not be vested until a later point in time, not exceed \$250,000.

President Simpson read Commissioner Brown's following statement into the record:
"I'm 100% in favor of the hiring of Mr. Lawson and the accompanying employment agreement. I believe he will lead this utility into the next chapter of EWEB's operations with the vision and leadership needed to ensure EWEB continues to be affordable, reliable and responsible in all of its actions. Thank you all for assisting in this process. Frank, welcome to your new position as General Manager.
Respectfully, John H Brown, Wards 4 & 5 EWEB Board of Commissioners"

Vice President Helgeson seconded the motion proposed by Commissioner Mital for the purpose of discussion.

Board Discussion on Proposed Amendment:

- In response to President Simpson's request for clarification, Ms. Kostopoulos explained that the agreement provides for a \$250,000 base salary and a \$10,000 annual deposit, paid by EWEB, to a deferred compensation account which has a vesting schedule. At the end of one year, the vested amount available to Mr. Lawson would be \$252,000. The deferred compensation becomes fully vested at the 5 year mark at which time Mr. Lawson would have accumulated \$50,000 plus interest in the account. Prior to 5 years, Mr. Lawson may access increments of the deferred compensation, within the parameters of the plan and IRS guidelines. Ms. Kostopoulos referred to page two of the General Manager's employment agreement which contains the vesting schedule.
- Commissioner Mital clarified the purpose of his motion by recalling the goal to compensate this position at approximately average that of peer utilities which is about \$250,000. The pay range was established in anticipation of the possibility of making an offer to an experienced General Manager who may require a salary up to \$300,000. He expressed confidence in Mr. Lawson to lead EWEB, but due to not having prior experience as a General Manager, does not believe Mr. Lawson should be paid more than EWEB's last General Manager who had six years' experience in the role. It is appropriate send this signal to staff and to the community.
- The Board directed staff and the recruiter to work within a salary range. Experience as a General Manager was a minor factor in the selection. It is hard to support the amendment for the reasons stated.

- Proposed salary is within the guidance given by the Board. General agreement with the purpose of the amendment with regard to salary comparability. Concerned about making changes in the moment; looking forward to completing the process this evening.
- Mr. Lawson has the training, skills and capacity to do the job. The stated salary range is acceptable, and the proposed salary is still at the lower end of the range. Timing is not right; any changes should have been done before negotiation.
- With regard to timing, concerns must be expressed in public session. Do not have a sense of urgency to complete the contract tonight. Compensation should be at lowest end of the range.
- In response to an inquiry about salary comparators, Ms. Kostopoulos replied that the last salary survey was from 2014-2015; the Board decided to forgo the salary study that would have normally been done in February 2016. Salary for General Managers in the comparator group was averaging 3 percent growth over 2015 and then EWEB used 1.57 CPIU multiplier to maintain the market position; this takes salary to a base rate which is at the median; approximately \$260,000.

Commissioner Mital proposed an amendment to the proposed amendment, given that one commissioner whose experience and wisdom is valued by the Board is not party to this discussion. Motion to table this discussion until all 5 commissioners are available to discuss. The motion failed due to lack of a second.

President Simpson called for the question, on the amendment only, to limit the compensation cap to \$250,000. The motion failed 3-1 (Mital in favor, Brown absent)

Board Discussion on Original Employment Agreement:

- Appreciate the opportunity to select a great individual as well as the process the Board engaged in to take action on the official designation of EWEB's new general manager; the Board is delighted with the selection.
- Commissioner Mital clarified that his proposed amendments in no way should be construed as a lack of confidence in Mr. Lawson; he is the best person for the job of all the candidates who submitted applications. Very happy that we have him and his vision for the utility, the direction that he wants to take it and for the renewed focus on customer value. Very much looking forward to working with Frank. It was out of obligation as a publicly elected official that this issue was raised, but do not want it to unfavorably color the start of a beautiful relationship.

President Simpson called for all those in favor of the General Manager's agreement as provided to the Board in its entirety, on this day June 21, 2016.
Approved unanimously 4-0 (Brown absent)

Interim General Manager, Dave Churchman clarified that he supports the timing; for purposes of clarity the exact timing in EWEB's payroll system begins on Sunday, June 26, 2016.

President Simpson motioned that Mr. Lawson formally become the General Manager at 12:01 am on Sunday June 26, 2016. Approved unanimously 4-0 (Brown absent)

President Simpson adjourned the Special Session at 6:13 p.m.

Assistant Secretary

President