



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Barofsky, McRae, Schlossberg, and Brown
FROM: Lena Kostopulos, Chief Workforce Officer and Kira Hutchens, HR Manager
DATE: March 27, 2023
SUBJECT: Board Consideration of a Merit Award for General Manager, Frank Lawson

Situation

As a term of GM Lawson's Amended Employment Agreement, executed in December 2019, the Board is required to consider a merit award following the General Manager's annual performance review, which occurred on March 21st.

The subject citation from the Amended Agreement specifically regarding the merit award follows:

Paragraph B.4

The Board has discretion to approve or not approve a merit award based upon the General Manager's prior calendar year's performance assessment and upon the average merit award issued to non-represented EWEB employees. The Board may implement any such award by increase to base salary or lump sum payment. The timing of merit award under this provision shall coincide with the timing of non-represented EWEB employee merit process. The effective date of any earned merit will be applied on the first pay period following Board authorization or as otherwise established by the Board.

Background

The following background information is intended only as context to support the Board in its decision-making.

EWEB Compensation Practices and GM Compensation Package Against Comparators

Per the Amended Employment Agreement, "...It is intended that the General Manager's salary shall be kept competitive with the public utility industry and comparative northwest power and water utilities with similar revenue and customer classes." GM Lawson's agreement does not stipulate any specific range or degree to which his compensation shall be "competitive" among regional utilities, leaving this to the discretion of the Board.

Further, the Agreement does not stipulate any interval at which GM Lawson's compensation should be evaluated to ensure the requirement pertaining to competitiveness is being satisfied. In the absence of governing language, the GM compensation package was evaluated in Q3, 2022, as part of a detailed job-by-job compensation study of all non-represented (MAPT) positions, which is conducted every three years.

Data Source and Comparator Group

Published survey data pertaining to GM salaries and compensation practices in the northwest is somewhat incomplete, and therefore not fully reliable. To appropriately evaluate GM Lawson's

compensation package, EWEB relied on comparator utility responses to public records requests for GM employment agreements and other detailed compensation information which would have been effect in July 2022.

The comparator group, used since 2009, included:

Central Lincoln PUD	EPUD
Chelan County PUD	Grant County PUD
City of Tacoma Utilities	Snohomish County PUD
Clark Public Utilities	SUB

Summarized Findings

Most comparator agreements require the annual evaluation of GM compensation to ensure competitiveness, whereas GM Lawson’s agreement requires a scheduled escalation adjustment, a minimum of 2% with a maximum of 4%, each January based on indices applied to the MAPT salary structure.

Comparator approaches to “other pay and benefits” vary widely with some providing the use of a vehicle or a vehicle allowance, additional paid time off, additional life insurance, executive tax-deferred savings plans, etc. In addition to his base salary, GM Lawson’s agreement includes an executive tax-deferred 401(a) savings plan, requiring an employer “pick-up” contribution of \$10,000 per year.

Most comparators do not provide pre-determined additional compensation, annual “bonuses”, or other incentives. However, some agreements include merit options similar to those outlined in GM Lawson’s agreement. Beyond the Board’s consideration of an annual merit award, there is no “bonus” component in GM Lawson’s agreement.

EWEB’s base GM salary in 2022 was \$355,967.47, exceeding the 2022 comparator group mean by 6.92%.

The following table lists each salary by utility, as of July 2022:

**General Manager
Comparator Data Breakdown as of Q3 2022**

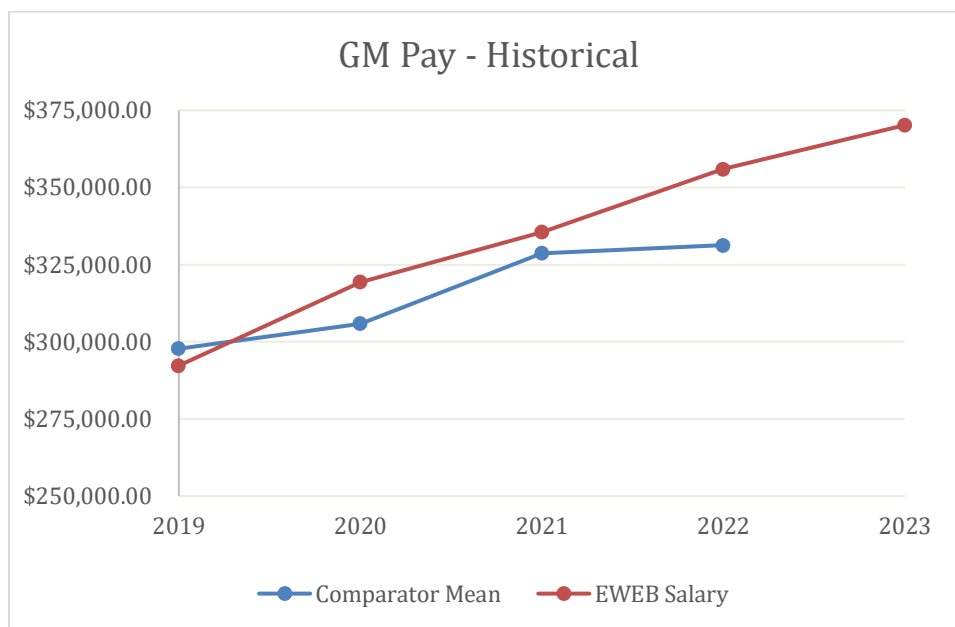
Title	Job Title	2022 Base Salary
EPUD	General Manager	\$ 240,000.00
Central Lincoln PUD	General Manager	\$ 258,000.00
Springfield Utility Board	General Manager	\$ 270,011.00
Clark Public Utilities	CEO/General Manager	\$ 292,000.00
Grant County PUD	CEO/General Manager	\$ 306,238.40
Chelan County PUD	General Manager	\$ 360,189.00
City of Tacoma Utilities	Director of Utilities	\$ 388,003.00
Snohomish County PUD	CEO/General Manager	\$ 536,135.76
Average Base		\$ 331,322.15
EWEB 2022 Base		\$ 355,967.47

EWEB vs Comparators: 6.92%

The table below illustrates GM Lawson’s base salary progression against the regional average, as well as corresponding salary adjustment details since 2019.

Historical Pay Data 2019-2023

Year	Comparator Mean	EWEB Salary	Gap	Notes
2019	\$297,748.38	\$292,285.00	-1.87%	
2020	\$305,875.00	\$319,373.00	4.23%	January 2020: Contractual Adjustment 2.42%
2021	\$328,736.57	\$335,533.49	2.03%	January 2021: Contractual Adjustment 2% May 2021: Performance increase 3%
2022	\$331,322.15	\$355,967.47	6.92%	January 2022: Contractual Adjustment 3% May 2022: Performance increase 3%
2023		\$370,206.17		January 2023: Contractual Adjustment 4%



The upward shift in EWEB’s salary position, ranking the 4th highest among comparators in 2022, may be due in part to regional GM turnover. Of the comparators listed above, only one GM has been in the position longer than GM Lawson. GM salary averages are influenced by the packages which are negotiated between utilities and their individual general managers, based on situational factors including the subject utility’s particular circumstances and the candidate’s qualifications. Another possible upward driver may be the result of Board decisions in 2021 and 2022 to add merit awards to GM Lawson’s base salary, rather than making these one-time, lump sum payments.

The MAPT compensation structure was adjusted upward by 4% in January. Consistent with the terms of his agreement, GM Lawson received the maximum 4% escalation adjustment, taking his current salary to \$370,206.17.

Comparator GM salary adjustments since July 2022 are unknown. It is reasonable to assume that

comparator GM salaries have escalated since then or will increase in 2023, likely narrowing the distance of EWEB's salary position against the comparator mean once again.

For the Board's reference, the average merit award issued to non-represented EWEB employees for the 2022 performance year was 2.18%.

Board Action

In accordance with the terms of GM Lawson's Amended Employment Agreement, it is requested that the Board engage in public deliberation in consideration of any merit award. In as much as the decision pertaining to an award is entirely at the Board's discretion, there is no associated recommendation.