

Reading Municipal Light Department (RMLD) Board of Commissioners
General Manager Committee Minutes
Wednesday, December 7, 2016
General Manager's Conference Room

Start Time: 8:07 a.m.

End Time: 9:22 a.m.

Attendees:

Committee Members: Messrs. O'Rourke, Stempeck, and Talbot

RMLD Staff: Mses. O'Brien, Foti and Schultz

Call Meeting to Order

Chairman O'Rourke, Chair of the General Manager Committee, called the meeting to order at 8:07 a.m.

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Chairman O'Rourke stated that all board members received a packet from Ms. O'Brien and that the review process is the same as previous years: each member of the committee will give their summary of Ms. O'Brien's performance followed by the overall score. The scores of each committee member will then be combined with those of the commission members not on the committee.

Chairman O'Rourke continued, stating that there are two pieces to Ms. O'Brien's financial review: one is based on the CPI index, which is formulaic, and if Ms. O'Brien's performance is deemed to be extraordinary, there is an opportunity for further merit-based compensation.

Chairman O'Rourke thanked Ms. O'Brien for the substantial package of information that highlighted her many accomplishments over the last year. The documents included objectives and a summary of year-in-review, which together comprised a self-assessment, an e-mail from Ms. Foti compiling Ms. O'Brien's compensation history, Mr. Jaffari's review, which illustrated how employees are evaluated internally, and a MEAM survey for comparison of industry compensation (utilizing 2015 data because 2016 data hasn't been released yet). Chairman O'Rourke then asked Ms. O'Brien if she had any questions or comments.

Ms. O'Brien explained that the format she used for her self-assessment is mirrored by the Annual Report because the latter is culled from the former: she first lists her accomplishments in her review and then pares down the material to the major accomplishments for the Annual Report. Ms. O'Brien then sought clarification as to whether the format was what the Board wanted and asked if they had any recommendations for changes.

Mr. Stempeck answered that he likes the way it is and Chairman O'Rourke added that he thought the summary by category was good, but asked if there was any redundancy when creating the documents. Ms. O'Brien explained that she is trying to streamline this process. Chairman O'Rourke stated that, when listing accomplishments, more is better in terms of level of detail.

Mr. Stempeck extrapolated further, stating he likes the level of detail and then cited the 80/20 rule: Ms. O'Brien's major accomplishments probably comprise 80% of the bullet points but there are so many other things going on in that 20%. Therefore, it is illustrative and helpful to have that level of itemization.

Chairman O'Rourke suggested that, if easier, the summary could be combined with the objectives.

Ms. O'Brien explained that she was following the Board's request from her first year of her employment when she was asked to come up with a list of her cost savings. Ms. O'Brien then voiced her concerns that financial savings are beginning to transition from tangible savings to avoided costs. Therefore, as improvements are made and efficiency measures are implemented, savings become more difficult to quantify as has been done in the past.

Chairman O'Rourke replied that the supplements and narrative were helpful in identifying money saved. Every year since Ms. O'Brien's date of hire there have been substantial savings. The Board can have Ms. O'Brien provide an estimate or a narrative explaining what has been done to reduce costs and the impact.

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Mr. Stempeck added that making a list highlighting long-term cost savings would be sufficient. Additionally, the charter may change in the future, not only focusing on cost savings. Mr. Stempeck suggested identifying how programs improve processes without tracking actual money saved, since said improvements are inherently difficult to track.

Ms. O'Brien commented that there is only so much hard money that you can save as you make improvements and increase efficiency.

Chairman O'Rourke then presented his calculation for cost savings. For FY 16 avoidance savings were estimated to be \$1.7 million hard savings totaled \$835,000, adding that these are impressive figures. He then stated that he would lead off with his overview relative to his review of Ms. O'Brien, beginning with the fact that it was significant that the Audit had no findings: the Department is financially stable. Leadership and employee development were key, especially since one of the primary responsibilities of the General Manager is to develop people and to ensure that the right people are in the right jobs. Ms. O'Brien is doing a nice job giving more responsibility to key staff people. Chairman O'Rourke added that he is pleased with the progress being reported on the implementation of the reliability and organizational studies, and the focus on succession planning.

Chairman O'Rourke continued, stating that he is impressed by the heavy focus on rebuilding infrastructure, improving maintenance, and replacing equipment, and the team effort needed to do so. Having Ms. Parenteau in Integrated Resources is a very good move, it ties in customer service with community relations and renewable energy plans. Ms. O'Brien's responsiveness to all constituents, including the board, towns, CAB, the unions, and industry groups, was also lauded. There are lots of people to serve. Chairman O'Rourke also remarked that he was impressed by the completion of the Handbook and Terms and Conditions, automation GIS software, and lastly, cost savings and cost avoidance.

The score parameters have been reshaped: leadership was 10% and now accounts for 20%, the board is now only 5%. Chairman O'Rourke then stated that he has two minor comments: the self-assessment should be completed earlier and requested email updates to board members between board meetings interim feedback. In regards to the long-term 20-year plan: does it need more attention or is it tied to strategic plan?

Ms. O'Brien explained that short and long-term planning is done within each division and then comes together. Each division is reorganized and a road map is created. Talent assessment is conducted: do you have the right talent for the road map? Is career development helping to train employees for the road map? Job descriptions are currently being rewritten to match the road maps. The strategic plan is written in-house to get everyone on board. Ms. O'Brien then stated that she wishes to have a strategy meeting with the Board to determine the strategic plan.

Chairman O'Rourke clarified by stating that he was specifically referring to the 20-Year Reliability Plan mentioned in Ms. O'Brien's report, to which Ms. O'Brien replied yes, we have a technical roadmap for the next 20 years. Mr. Talbot then asked what will we have in 20 years and what is the technology goal.

Ms. O'Brien answered: solar, implementing grid modernization, smart meters for the 500 Club and superimposing that into a mesh network, integrating demand and outage, building the GIS system, incorporating the IVR system, building a new substation, and performing all required maintenance so at the end of 20 years RMLD will be on track for the next 20 years.

Chairman O'Rourke said that it sounds like we have 20-year plan, it just needs to be presented to the board.

Mr. Stempeck added that the 20-year plan needs to be reviewed since things change.

Ms. O'Brien explained that there are updates to the plan every year when the Capital Budget is developed. Mr. Jaffari presents the Plan with the Capital Budget. Chairman O'Rourke voiced his concern that the last strategic plan ended in 2012 or 2013. While we're doing all the right things the lack of a plan becomes a governance issue and we need to determine where we are going. Mr. Stempeck added that we have been so behind the times, with

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dysfunctions in many different areas and reliability issues, that there has needed to be a huge amount of catch up. Chairman O'Rourke clarified that this was not a criticism. Rather, a focus on the future will give guidance.

Ms. O'Brien replied that all the pieces are coming together to form a strategic plan and requested a meeting with the board. There will be a presentation from all managers.

Mr. Talbot asked how the long-term strategic plan will change the business and stated his opinion that we should be benefitting from solar and fiber.

Ms. O'Brien reiterated that this needs to be discussed in a January meeting. Currently, RMLD doesn't have the resources, people, or time to get into other businesses. However, the future can be discussed in a strategic meeting. Revenue augmentation will be brought up and it can be determined if we can handle other businesses right now, and if not, when we can.

Chairman O'Rourke paused the discussion to get back to the review.

Mr. Stempeck began by stating that Ms. O'Brien has been fiscally astute and met all criteria. RMLD performed exceptionally well, especially with energy procurement and the move to green power. Mr. Stempeck added that he is astounded that in an era of rising energy costs Ms. Parenteau and her department find ways to keep rates stable. Considering the lack of previous focus on maintenance in the last 20-years, Ms. O'Brien has done an exceptional job rebuilding reliability.

Mr. Stempeck continued onto employee relations. Ms. O'Brien has been successful in building engaged employees, hiring new people with the appropriate skills for new jobs and training existing employees. There is an emphasis on looking forward. Leadership is a function of what the system demands of you: the RMLD is complex: there are four towns served and many changes and market swings. Ms. O'Brien is adept at providing leadership during change. Developing and following the roadmap has been an above average performance.

Ms. O'Brien's relationship with the Board is transparent, nothing is being held back and difficulties are reported, and there are excellent discussions which are fruitful in terms of making everyone aware of where we are, where we want to be, and determining how we get there.

Mr. Stempeck then lauded Ms. O'Brien's outreach to the communities. An exceptional level of energy is needed to keep that many balls in the air and maintain good relations with the towns in the service territory. Furthermore, change doesn't happen overnight; it takes a sustainable effort to make change happen and the RMLD is well on the road to doing that. He is very pleased with the job Ms. O'Brien is doing. Mr. Stempeck encouraged Ms. O'Brien to keep up the good work.

Mr. Talbot agreed with Mr. Stempeck but added that his vision for the future includes big disruptive changes and capitalizing on risks. In terms of financials, he stated that he considered Ms. O'Brien to have earned a rating of A++, and that if he could, he would give a 110 out of 100 for reliability.

Ms. O'Brien said that RMLD applied for the Volkswagen grant as a result of an emissions lawsuit. Mr. Talbot replied that he feels that electric cars are going to be a huge source of load growth and potential revenue.

Mr. Talbot then addressed employee relations: Ms. O'Brien is on top of employee development and deserves a perfect score. Mr. Talbot then said that he wants RMLD to push beyond the careful and incremental.

Chairman O'Rourke asked if there were any questions.

Ms. O'Brien clarified that her objectives going forward are to provide additional updates, start her review process sooner, and develop a strategic plan. Additionally, Attorney Pollart has looked at Ms. O'Brien's contract and has

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some language recommendations. He will put anything that gets changed including the car addendum and will continue to look at the contract wording and present any language changes to the Board during the next policy review that he attends.

Chairman O'Rourke agreed that this was a good idea, since it is best to do any contract tweaking now. Chairman O'Rourke then summarized that the Committee has made a unanimous endorsement of Ms. O'Brien's performance and that he is overwhelmed with the amount of information presented and Ms. O'Brien's investment of personal time. Ms. O'Brien's scores from the Board are: Mr. Stempeck: 100, Chairman O'Rourke: 98.5, Mr. Pacino: 100, Mr. Hennessy: 97, Mr. Talbot: Mr. Talbot is not sure. He hasn't completed his review yet and will get his review form to Ms. Foti.

Chairman O'Rourke said that he would take a leap of faith that Ms. O'Brien's composite score is going to be greater than 95. With 0.6 CPI this means a 2.6% increase. For informational purposes, the unions negotiated 2 ¾% 2 ½% 2 ¼% raises over the next three years. The staff top performers received a 3.4% raise last year.

The salaries of managers of other towns' utilities should be considered: Reading has \$85 million in revenue, with a General Manager compensation of \$176,000; Braintree \$80 million revenue, compensation \$184,500; Taunton \$76 million revenue, compensation \$182,000; Holyoke \$69 million revenue, compensation \$188,000.

Ms. O'Brien commented that some of these figures are from 2014.

Chairman O'Rourke stated that Ms. O'Brien is currently at \$176,072. Last year there were two pieces to the review compensation: a 3% raise and 3% ICMA, approved by the Commissioners and validated by legal counsel. Chairman O'Rourke suggested that an \$185,000--\$186,000 range would be appropriate to get Ms. O'Brien to a comparable to the manager's salary of neighboring utilities.

Therefore, at the December Board meeting, the Committee will present for approval a 2.6 CPI increase, retroactive to July 1, and an additional increase for performance. A 6% increase would amount to \$186,600 and a 5% increase would total \$185,000. ICMA will follow suit with the union negotiations, with all employees going from 3 to 4%; the Board's recommendation is to give this to all staff.

Mr. Stempeck produced a graph of data that he plotted showing salary versus. size of utility for neighboring municipalities. Reading is the largest utility in terms of total revenue in any business. The manager's salary should be commensurate with the scale of the operation and as a function of the complexity of the system. Reading is far more complex than any of the other municipalities because there are four towns involved. RMLD needs to get the General Manager at least to a range that is comparable with other towns and over time even higher. Mr. Stempeck recommended a total raise of 6%.

Ms. O'Brien replied that she is cognizant that she is a public servant and that there are additional factors to consider when comparing other municipalities; such as RMLD's infrastructure and complexity. Chairman O'Rourke added that there are also many meetings and presentations due to the four towns and the CAB.

Chairman O'Rourke stated that RMLD doesn't want to lose critical talent. To summarize, the Board has reviewed Ms. O'Brien's performance and is highly satisfied. There were a few suggestions made for future goals for 2017, which will be memorialized at a future meeting. In the meantime, the numerical calculations for Ms. O'Brien's performance are as follows: Ms. O'Brien received a rating in excess of 95%; as a result her total merit increase will be 6%, made up of 2.6 CPI, plus an additional 3.4%, retroactive to July 1. The Committee will bring this and a request for a 4% ICMA match to the Board.

Chairman O'Rourke made a motion, seconded by Mr. Stempeck, to recommend that this be presented to the Board of Commissioners for approval.

Motion carried 3:0:0.