

HL&P – Proposed Company Changes

From: Heidi Franco, Member of Heber City Council and HL&P Board of Directors

June 24, 2014

Please consider these items in order to cut company expenses and put savings toward paying off our increasing unfunded liabilities, future capital needs, and current bond debt payments. This is the personal opinion of Heidi Franco only.

1- Motion to change By-laws to start immediate enforcement of H.B. 17. (Not wait until upcoming enforcement in May 2015.)

-Then all Utah State Laws and standards, as well as City ordinances will apply to HL&P, such as personnel policies, budget disclosures, salaries, etc.

2- Change Employee Handbook, Section 3 'Requests for Information' to remove confidentiality of salaries by taking out "All other requests will require an Employee signed and dated release." (*This section basically says all salary requests are confidential unless employee signs a release. This should be removed because no other government employee has this.)

3- Other changes to the Employee Handbook starting in next Fiscal Year:

A. No more unlimited vacation accruals for Exempt Managers in Section 20, 1b. Allow a standard number of hours accrued, and then it turns to 'use it or lose it.'

B. Reduce accrued amounts of sick leave for Exempt Managers in Section 20, 2a; from 190 days to standard number of hours.

C. Reduce sick leave payout for 'permanent employees' on pg. 27, Section 10, 'Leave' 2c.

-Currently employees that accrue 190 days of sick leave with 25 years of service, can receive 1140 hours (75%) paid out in lump sum at termination.

(*All of these things will reduce vacation and sick leave payouts for resigning, retiring or terminated employees according to pg. 27, Section 10.2c 'Leave.' Remember that HL&P currently owes **\$523,259** in **unfunded 'termination** benefits' from pg. 26 in the FY 2013 Financial Statements.)

D. Require employees to pay standard co-pays for their Medical, Dental, and Vision insurance. Currently the Company pays 100% of all insurance premiums. That currently ranges from \$529.42 up to \$1482.34 a month for 22 employees.

E. Remove the vehicle stipend for exempt managers in Section 11.1.iv., 'Reimbursement for Expenses-Travel Expenses'. (*Vehicle stipends/allowances range from \$290 to 850 per month for 6 managers.)

F. Change Section 11.2, 'Reimbursement for Expenses-Travel Expenses' allowing unlimited travel expenses to 'The Company reimburses Employees \$15 per diem for breakfast and lunch, \$25 per diem for dinner' for the cost of meals for work-related travel' in first sentence.

-Handbook currently allows reimbursement for unlimited cost of lodging, meals and incidental expenses for work-related travel.

G. Remove Section 11.4 ‘Reimbursement for Expenses-Travel Expenses, pg. 33, ‘Advance Payments for Expenses. Remove sentence ‘Upon request and approval of an exempt manager the company may advance payments for expenses on a case-by-case basis.’

-No advance payments should be given or else Company should make legitimate payments anyway.

H. Amend Section 11.1 ‘Reimbursement for Expenses – Approved Educational Assistance’ currently guarantees 100% financial assistance for education. Some electrical certification is required and needed, yet where do we draw the line? Right now only the General Manager approves it.

The Handbook could be changed to: ‘The Company may give financial assistance to permanent employees enrolled in approved educational programs....’ Next sentence amend, ‘To this end, the Company may award up to 100% of the tuition and book fees.....’

In 11.2 **amend** ‘To obtain the education assistance, the permanent employee must obtain the general Manager and Board of Directors’ approval during the regular FY budget process before starting coursework in the next FY and agree in writing to remain with the Company following completion of the coursework for at least one (1) year (or more) or agree to repay the Company for tuition and book fees paid by the Company.’

I. In Section 11, ‘Travel Expenses’ **remove** part ‘ii(2)’ where employees who carpool when traveling ‘out of local area’ can receive reimbursement based on the ‘combined airfare for all employees’ in the carpool. Section ii(1) already allows employee reimbursement per the current federal mileage rate.

J. Remove the entire ‘Severance’ pay paragraph in Section 20, ‘Group Health Insurance’ 1; pg. 64. That way when employees leave they can receive their accrued vacation and sick leave only—not an **additional** lump sum severance pay of 3-6 months’ salary.

K. Remove/change in Section 9.4, ‘Retirement Allowance’ on pg. 24 of Employee Handbook, Section 9.4 ‘Benefits-Retirement Allowance.’

-Employees already receive vacation and sick leave accruals. Should employees who retire receive **another** lump sum of 1% of current monthly salary multiplied by each full year of service, not to exceed thirty years? Employees currently can receive this lump sum in a payroll check with taxes withheld, a 401K contribution, or a gift card.

L. Remove all employee ‘pay advances’ requests. Currently the Handbook allows pay advances with the ‘approval of the General Manager’ in Section 8, ‘Pay Advances’ pg. 20.

M. Change the ‘Long Term Care’ insurance; to require employees to pay a standard co-pay deduction to receive this insurance. Currently HL&P pays 100% of this premium.

N. Remove/change current employees Birthday Bonus of \$20.

O. Consider changes to the Section 8 ‘Compensation In-lieu of Health Insurance Benefits.’ Currently employees with double-coverage of insurance can elect to receive a payment in lieu in for total amount of insurance premiums or at 50% depending on when hired. According to Benefit information currently received no employees are receiving the compensation in lieu at this time.

Board has authority to change these benefits because of:

Section 8, pg. 21 “Amendments and Modifications: Economic conditions or other factors may require modification or termination of the benefits described in this section of the Employee Handbook. Such

modification or termination could reduce the employee's pay or could result in the Employee contributing to the cost of some or all of the benefits."

-includes comp time, overtime, travel time, final paycheck payouts, cost of living and incentive awards.

Section 9, pg. 24: "Amendments and Modifications: Economic conditions or other factors may require modification or termination of the benefits described in this section of the Employee Handbook. Such modification or termination could reduce the employee's pay or could result in the Employee contributing to the cost of some or all of the benefits."

-includes health, vision, dental, life insurance, accidental death & disability, long-term care, and retirement benefits.

4- Prevent future bonuses by passing resolution/adding to By-Laws that no employee can receive a bonus above regular performance evaluation increases, 'incentive awards,' and/or COLA increase. Also consider the 'incentive award' budget—(this Director is not aware of that budget currently) and ensure its usefulness, past history and total cost.

5- Board needs to **monitor** all monthly payroll information along with our regular financial warrants, plus the check registry and quarterly bank statements. Board needs to ensure strong internal financial controls. (*Update--did receive an *outline* of internal financial controls at Board Meeting on June 25, 2014.)

6- Current Board should make insurance claim for the \$238,000 in lost/spent moneys because of alleged fraud case against Mr. Furness. Previous 2013 Board did not make claim.

7- Motion to **amend** the FY 2014 Budget to include initial payment of the unfunded OPEB liability amount which we should be paying this year according to amortization schedule.