

# Heber City Corporation and Heber Light & Power Benefit Comparison

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Per Resolution 2014-13, adopted by the Heber City Council on July 17, 2014, I have been asked to review all Heber Light & Power (HL&P) financial, budgetary and personnel policies as to provide suggestions for cost savings, internal financial controls, compliance with House Bill #17 and equity between City Employees and HL&P employees and to make a report to HL&P Management, its Board of Directors and the City Council on my findings. The purpose of this specific report is to focus primarily on the differences between HL&P and Heber City Corporation (HCC) personnel policies as it relates to employee benefits and other allowances and/or bonuses offered by either employer that may not be detailed in the respective personnel policies.

With that said, because both entities are public in nature, I believe it is important that an equitable balance be struck between the employer, employee and citizen owners by providing a quality service at a reasonable price for the service performed and a fair wage and benefit package for those who perform services. Because Heber City has a 75% ownership interest in HL&P, I would expect that there would more similarities than differences in wage and benefit philosophies adopted/approved by the elected officials that oversee the policies adopted by both organizations.

Before I begin the comparison, I would note that my opinion is that Heber Light and Power and Heber City employees provide quality and professional services to their respective customer bases. No comments made in this report are intended to discredit/criticize individual employees, management or elected officials who have, or have had, involvement in either company. I would note that HL&P management is not bound by Resolution 2014-13, but have been very helpful in providing information and answering questions that I have asked to gain greater insight into the specific application of policies.

Note that HL&P Personnel Policy excerpts will be italicized and Heber City Corporation HCC Personnel Policy excerpts will be shown in red text. Below are items of significance or interest:

## **Review of Personnel Policies**

**HL&P Section 3:** Because implementation of House Bill #17 is of interest, I would note that the HL&P Personnel Policy already follows Utah's Government Records Access and Management Act (GRAMA) as it relates to disclosure of employee information that is deemed private.

**HL&P Section 6:** Indicates that "*Exempt Managers are subject to all of the provisions of this Employee Handbook except as specifically modified by Section 20.*" The specific provisions which are applicable for HL&P management will be identified in the insurance, vacation and sick leave policies.

## **Incentives**

### ***HL&P Section 8.2 – Incentive Awards***

***Incentive Awards:*** *The General Manager shall administer the incentive award program as approved by the Board. Incentives are at the General Manager's discretion and may be granted for any or all of the following: exceptional customer service, personal sacrifice on behalf of the Company, outstanding personal or team achievement, and other similar types of actions.*

***Incentive Program for Discovery of Hazardous Conditions, Tampering, or Theft of Power: 1.*** *Discovery of Hazardous or Unsafe Conditions. All Employees are expected to recognize hazardous and other unsafe conditions with Company facilities and shall immediately report such conditions to dispatch and a Supervisor. The Employee shall remain at the location until a Supervisor arrives. Members of the public will be warned that a dangerous condition exists and they are not to approach the facility. If the attempts to approach the facility, the Employee will explain that a dangerous situation exists but will not attempt to physically restrain the public. \$50 award*

***2. Discovery of Tampering, Theft and Unsafe Conditions. All Employees are responsible for being on the look-out for tampering with Company facilities and for evidence of theft of power. An Employee who discovers such tampering or theft including meters turned upside down, evidence of by-passing the meter, meter jaws jumpered etc. will receive an award for every occurrence reported as follow:***

***a. Evidence of Theft. If an Employee sees evidence of a theft such as a broken seal, he/she will report the condition to his/her Supervisor and resume his/her normal duties unless directed otherwise. No award***

***b. Obvious Theft. If the Employee discovers obvious theft, such as the meter inverted in the socket, he/she will notify the dispatcher or his/her Supervisor and remain near the scene where he/she can observe the situation until a Supervisor arrives. All contact with the customer at the location will be avoided. \$25 award***

***c. Dangerous Situation. If the obvious theft includes a dangerous situation such as an open meter face, use of jumpers, etc. the Employee will notify the dispatcher or Supervisor and return to the location of the meter until a Supervisor arrives. Members of the public will be warned that a dangerous condition exists and they are not to approach the meter. If the customer attempts to approach the meter, the Employee will explain that a dangerous situation exists but will not attempt to physically restrain the customer. \$50 award***

3. *The General Manager will review each case to ensure that a confirmed case of meter tampering, power diversion or theft of electric service exists before the incentive is paid to the Employee.*

### **HCC 13.29 – Instant Award Policy**

The Mayor shall be granted the authority to award \$100 bonuses to employees who have represented the City well through the performance of their duties. The bonuses can be granted based on written or verbal feedback/compliments from the public, elected officials, supervisors or other City employees. The Mayor shall have sole discretion in the granting of the bonuses, but it is anticipated that recognized employees will have exhibited superior customer service skills, exemplary performance of duties and/or going the extra mile to make sure a job is completed properly. This award is to be presented in City Council meeting if the employee agrees to allow for formal recognition of the employee. Notice of the award will also be published in the City Newsletter if desired by the employee.

Observation: Each organization has the ability to award employees for superior performance, but because neither organization uses the award frequently, a separate budget is not established in either entity.

### ***Compensatory Time – (Comptime)***

#### ***HL&P Section 8.3 - Overtime***

3. *In place of an overtime payment, a Permanent Employee may request compensatory time off (Comptime). If the Supervisor approves the Comptime, the Permanent Employee shall be entitled to one and one-half (1 1/2) hours' time off for each one (1) hour of overtime worked. The Comptime must be used within the Calendar Year that it is earned. For such Comptime awarded, the maximum number of hours that can be earned in a Calendar Year shall be twenty-four (24) hours.*

### **HCC 13.9 – Overtime**

J. Employees have the option of either receiving pay or compensatory time for any overtime worked. An employee must indicate which choice they prefer when time sheets are turned in for each pay period applicable. Employees may not change the option once the time sheet has been submitted.

K. Employees may accrue compensatory time not to exceed 80 hours. If compensatory time is not taken within 60 days of being earned, the employee is to be paid at the current rate received by such employee.

Observation: HL&P allows for a maximum of 24 hours of comptime per year that must be used in the same calendar year as earned. Heber City allows accrual up to a maximum of 80 hours of comptime that must be used within 60 days or paid out. Although the policies are different, I doubt either have significant economic impacts on their respective organizations.

### **HL&P Section 8 – On Call**

2. *Compensation. The Employee will be compensated for each On Call period at a rate of \$300 per week. In addition, if the Employee is required to respond to a call, the Employee is paid time and a half for each hour in excess of 3 hours worked during the On Call Period.*

### **HCC 13.18 – On-Call Policy- Public Works/Animal Control**

C. *Compensation for this position will be the average hourly wage of a maintenance worker for the Public Works Department and the average hourly wage of an animal control officer for an 8 hour period. The on-call person shall be compensated for a minimum of 2 hours overtime for each time he/she is called out. Compensation for the monitoring of the City culinary water system on weekends and holidays is included in the weekly on-call compensation amount.*

Observation – Based on the hourly wage of Linemen, the \$300 compensation for being on call is similar to the 8 hours of compensation provided to HCC employees. Only call-out hours worked in excess of 3 hours are eligible for additional compensation at HL&P. Heber City employees are required to inspect water facilities on weekends as part of their compensation, but are compensated at an overtime rate for call-out hours.

### **Compensation In-lieu of Health Insurance Benefits**

#### **HL&P Section 8 – Compensation In-lieu of Health Insurance Benefits**

*For Employees hired before January 1, 2014:*

*When Permanent Employees of the Company are covered under a health insurance policy from other sources (proof of insurance must be provided) and when the Permanent Employee has elected not to participate in the Company health insurance plan, the Company will pay, through payroll, to the Permanent Employee the premium normally paid to the insurance carrier for the coverage equal to the amount paid for a family premium. When premium rates are increased or decreased by the insurance carrier, compensation in-lieu of benefits shall be adjusted by an equal amount. A Permanent Employee enrolled in the Company's health insurance plan at the single or the double rate shall receive an in-lieu of payment for the difference between the single or double rate and the current family rate as has been historically provided.*

*For Employees hired after January 1, 2014:*

*When Permanent Employees of the Company are covered under a health insurance policy from other sources (proof of insurance must be provided), and when the Permanent Employee has elected not to participate in the Company health insurance plan, the Company will pay, through payroll, to the Permanent Employee 50% of the premium normally paid to the insurance carrier for the coverage for which the Permanent Employee is eligible. When premium rates are increased or decreased by the insurance carrier, compensation in-lieu of benefits shall be adjusted by an equal amount.*

### ***Section 9 - Group Health Insurance:***

*1. General. The Company offers all of its Permanent Employees group medical, dental, and vision insurance. The nature and extent of this coverage is set forth in the group health insurance policy or policies. Enrollment cards and a detailed schedule of benefits will be provided to the Permanent Employee upon employment.*

*2. Medical. The Company pays 100% of the cost of the group medical for Permanent Full-Time Employees and their spouses and dependent children subject to the age and other limits of the policy. The Company and Permanent Part-Time Employees each pay 50% of the cost of the group medical for Permanent Part-Time Employees and their spouses and dependent children subject to the age and other limits of the policy.*

*3. Vision and Dental. The Company pays 100% of the cost of the vision and dental coverage for Permanent Fulltime Employees and their spouses and dependent children subject to the age and other limits of the policy. The Company and Permanent Part-Time Employees each pay 50% of the cost of the group vision and dental insurance for Permanent Part-Time Employees and their spouses and dependent children subject to the age and other limits of the policy.*

#### *4. Retirement Medical Benefits.*

##### *a. For employees hired before July 1, 2011:*

*If a Permanent Employee, in Good-Standing, retires with 25 years or more service to the Company, the Company shall provide medical, dental and vision insurance for the retiree, but not his/her spouse or dependent children. The insurance provided shall be the same insurance provided to current Permanent Employees, but only coverage for the retiree, and may be periodically changed as the insurance provided current Permanent Employees changes. The Company will pay the costs of the retiree's medical insurance for five years from the Permanent Employee's retirement date, or until the retiree reaches his/her sixty-fifth birthday, whichever occurs first. In the event a retiring Permanent Employee works for 30 years or more, the Company will pay the retiree's medical insurance for the longer of five years or until the retiree reaches age sixty-five.*

##### *b. For employees hired after July 1, 2011:*

*If a Permanent Employee, in Good-Standing, retires with 25 years or more service to the Company, the Company shall provide medical, dental and vision insurance for the retiree, but not his/her spouse or dependent children. The insurance provided shall be the same insurance provided to current Permanent Employees, but only coverage for the retiree, and may be periodically changed as the insurance provided current Permanent Employees changes. The Company will pay the costs of the retiree's medical insurance for five years from the Permanent Employee's retirement date, or until the retiree reaches his/her sixty-fifth birthday, whichever occurs first.*

- c. *Any Employee who retires from the Company and subsequently obtains employment through another employer and receives medical benefits, or the equivalent of medical benefits, through that subsequent employer will no longer be eligible for any medical benefits provided by the Company.*

**Section 20 - Group Health Insurance:**

1. *This paragraph only applies to Exempt Managers who became Exempt Managers on or before January 1, 2014, and replaces Section 9, ¶ 4.a-b, Retirement Medical Benefits.*

*Retirement Medical Benefits. When an Exempt Manager retires in good standing with 25 years or more service to the Company, the Company shall provide medical, dental and vision insurance for the retiree and spouse until the retiree's sixty-fifth birthday. The insurance provided shall be the same insurance provided to current Exempt Managers and may be periodically changed as the insurance provided current Exempt Managers changes.*

**HCC 13.26 - Insurance**

A. **Group Health/Dental/Vision and Accident Insurance:** All full-time classified and exempt employees are eligible for participation in the City's Group Health/Dental/Vision and Accident Insurance plan. Annually Heber City will determine the premium percentage that will be paid by the City and the employee for health, dental and vision insurance.

B. **COBRA Continuation of Group Health Plan:** Employees of Heber City covered by the city group health plan have a right to choose COBRA continuation coverage if he/she loses group health coverage because of a reduction in hours of employment, retirement, or the voluntary or involuntary termination of employment (for reasons other than gross misconduct on the employee's part).

The spouse of an employee covered by Heber City's group health plan, has the right to choose COBRA continuation coverage for said spouse if he/she loses group health coverage under the group health plan for any of the following reasons:

1. The death of the spouse;
2. A voluntary or involuntary termination of spouse's employment (for reasons other than gross misconduct);
3. Reduction in spouse's hours of employment;
4. Divorce or legal separation from spouse; or
5. Spouse becomes entitled to Medicare or Medicaid.

In the case of a dependent child of an employee covered by the group health plan, he or she has the right to COBRA continuation coverage if group health coverage under the group health plan is lost for any of the following reasons:

1. The death of a parent;
2. The voluntary or involuntary termination of a parent's employment (for reasons other than gross misconduct);
3. Reduction in a parent's hours of employment with Heber City;
4. Parental divorce or legal separation;

5. A parent becomes entitled to Medicare or Medicaid; or
6. The dependent ceases to be a “dependent child” under the group health plan.

The employee or family member has the responsibility to inform the personnel department of a divorce, legal separation, or a child losing dependent status under the group health plan. Heber City has the responsibility to notify the plan administrator of the employee’s death, termination of employment or reduction in hours, or Medicare entitlement.

When the personnel department is notified that one of these events has happened, the same will in turn notify the employee that he/she has the right to choose COBRA continuation coverage. He/she has at least sixty (60) days from the date he/she would lose coverage because of one of the events described above to inform the personnel department that he/she wants COBRA continuation coverage.

If the employee does not choose COBRA continuation coverage, the group health insurance coverage will end.

If the employee chooses COBRA continuation coverage, the City will offer coverage which, as of the time coverage is being provided, is identical to the coverage provided under the plan to similarly situated employees or family members. Employees may be afforded the opportunity to maintain COBRA continuation coverage for 18 (eighteen) to 36 (thirty-six) months depending on the loss of coverage event. However, COBRA continuation coverage may be cut short for any of the following reasons:

1. Heber City no longer provides group health coverage to any of its employees;
2. The premium for COBRA continuation coverage is not paid;
3. The employee becomes covered under another group health plan;
4. The employee becomes entitled for Medicare or Medicaid;
5. The employee was divorced from a covered employee and subsequently remarries and is covered under the new spouse's group health plan.

The employee does not have to show that he/she is insurable to choose COBRA continuation coverage. However, **the COBRA participant is obligated to pay the health plan premium.** For qualified COBRA participants receiving the 11-month disability extension, the COBRA premium for those additional months will increase to 150% of the plan's total cost of coverage. No dental or life insurance coverage is included. Upon exhaustion of the COBRA continuation coverage period, the employee will be allowed to enroll in an individual conversion health plan provided by the carrier of the group health plan.

C. Continuation of Group Health Plan through COBRA Continuation Coverage—Retired Employees - Insurance Coverage for Early Retirement.

1. Any City employee who has 25 years of service and is eligible for retirement, or is 60-61 years of age with 20 years of service, or is 62-64 years of age with 10 years of service and retires before reaching age 65 shall, upon request, receive health insurance coverage as follows:

a. Remain on the group insurance plan as a COBRA participant with regular group health benefits until exhausting COBRA continuation coverage at which point the retiree may enroll in an individual conversion health plan as provided by the carrier of the group health plan. Similarly, if the employee retires prior to age 60, group benefits will be available for a maximum of 18 months with the option to enroll in an individual conversion policy upon exhaustion of COBRA continuation coverage or until the employee becomes eligible for insurance benefits through a new employer. After the COBRA period, the City will provide premium assistance up to an additional 42

months provided the retired employee does not become eligible for insurance benefits through a new employer or turn age 65. The premium assistance will be paid directly to the retired employee and will be taxed as wages.

b. The premium paid on behalf of the retired employee by the City is the amount equal to the contribution made for a single actively employed individual.

c. The retiree would then be responsible to pay any additional amount required for spouse, or for dependent coverage if applicable.

2. The premium of this coverage shall be paid by the employee except as described in Section 1-13-26(A).

Observation: While both organizations provide health, dental and vision insurance to employees, HL&P offers a Traditional and a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). HL&P provides a family insurance allowance (based on the Traditional plan) to all employees hired before January 2014 and pays 100% of the insurance premiums for full-time employees and prorates premiums for those who work more than 20 hours per week on a part-time basis. Any difference in cost between the Traditional family plan and a single or double plan an employee may choose, is paid to the employee. HCC offers only a HDHP with a HSA where employees are required to pay approximately 13.3% of health insurance premiums (including HSA contributions) and 15% of dental and vision care premiums for the program for which they are eligible. HCC prorates their premium participation for employees that work 30 or more hours, but less than 40. Heber City has chosen to offer only an HDHP with an HSA for the following reasons:

- Lower premium costs
- Allows the employee to build up the HSA balance by being a good consumer – rewards low utilization
- Allows the employee to contribute tax exempt monies to the HSA which lowers the employee/employer FICA taxes
- Typically results in lower utilization and lower premium renewal increases

(See Exhibit 1 – Health, Dental and Vision Care Comparison)

For those who choose not to take insurance (in-lieu) and can prove that they have insurance coverage from a spouse, HL&P will pay 100% of the premium in-lieu to the employee for family coverage if hired before January 1, 2014. For employees hired after January 1, 2014, the employee is paid 50% of the premium for which they are eligible for. Provided an employee provides proof of insurance coverage, HCC pays 50% of the premium in-lieu for the insurance coverage the employee is eligible for. The HCC In-Lieu Policy is not incorporated into the Personnel Policy and should be added. (See Exhibit 2 – In Lieu Compensation – For Those Who Do Not Take Insurance)

For post-retirement benefits, HL&P offers different plans based on whether you are in management and if you were hired or promoted before or after July 1, 2011. Heber City offers the same plans to all employees which allows employees to retire with a maximum of five years of health insurance coverage assistance based on age and years of service. (See Exhibit 3 – Retirement Medical Benefits Summary)

With regard to health insurance continuation beyond the COBRA period, PEHP (HL&P provider) is the only health insurance provider that I am aware of that will allow a retired employee to stay on the



sponsor's health insurance policy. Also, after the 18 month COBRA period, the premium increases from 102% of the entity premium to 130%. For this reason HCC does not guarantee the retired employee the ability to stay on the health insurance plan after the COBRA period. Otherwise, it inhibits the entity from obtaining bids from other insurance providers. To understand current monthly costs of providing insurance continuation, see Exhibit 4. To understand existing obligations to retired employees, see Exhibit 5.

### ***Section 9 – Retirement***

*2. 401K/457: The Company provides a deferred compensation plan created in accordance with the Internal Revenue code Section 401K or 457. The Company contributes an amount equal to 1.33% of the Permanent Employee's wages to the 401K plan, and the Permanent Employee may make contributions to either Plan.*

#### **HCC – No similar policy.**

Observation: HCC had a similar benefit until the 2009-10 fiscal year when this benefit was eliminated due to budget constraints. Because retirement rates continue to escalate, no discussion has been held to determine if this benefit should be reinstated for HCC employees.

*3. Purchase Policy: In an effort to reward those Permanent Employees who have served the Company for twenty-five years or more and who are members of the Utah Public Employee's Non-contributory System, the Company may participate with the Permanent Employee in the purchase of up to five (5) years of future retirement credit. All guidelines of the retirement plan must be followed. The Permanent Employee must actually retire from service and cannot be rehired into another Position by the Company.*

#### **HCC – No similar policy.**

Observation: HCC has no similar policy and the HL&P policy allows management discretion as to when the policy is used. Failure to have such a policy does not preclude the City from considering offering this benefit on a case by case basis if the City Council felt this practice should be considered. In using the URS Service Purchase Estimate Calculator, the cost of purchasing five (5) years of service for a 60 year old employee who averaged \$80,000 in wages during their last three years of service is approximately \$210,342. I assume this policy would be used by management to reward a dedicated employee or motivate an employee to retire and it is unlikely that five years of future retirement credit would be purchased.

*4. Retirement Allowance: A Permanent Employee, in Good-Standing, shall receive at the time of Retirement from the Company a one-time payment equal to 1% of the Employee's final month of base salary for each full year of service, not to exceed thirty years. Base salary means the Employee's monthly salary at their then current Hourly Rate.*

#### **HCC – No similar policy.**

Observation: The cost of this benefit would range from \$1,250 to \$3,750 plus taxes for an employee making \$50,000 to \$150,000 per year. My understanding is that this policy replaced the HL&P practice of providing a gift to retiring employees. Heber City has had an unwritten practice of

buying a retirement gift equivalent to approximately \$10 per year for every year the employee worked for the City.

**Section 10 – Paid Leave**

*1. Annual Leave (Vacation Time).*

*a. Permanent Employees. All Permanent Full-Time Employees will accrue Annual Leave as follows:*

<i>Years of Service</i>	<i>Service Time/Performance</i>
<i>0-5</i>	<i>.83 days per month/10 days per year</i>
<i>After 5-20</i>	<i>10 days per year plus 1 day per year for each year completed after 5 years up to a total of 20 days</i>
<i>20+</i>	<i>2.083 days per month/25 days per year</i>

**Section 20 – Paid Leave (Management)**

*Annual Leave (Vacation Time).*

*a. Exempt Managers. All Exempt Managers will accrue Annual Leave as follows:*

<i>Years of Service</i>	<i>Service Time/Performance</i>
<i>0-4</i>	<i>15 days per year</i>
<i>After 4-9</i>	<i>20 days per year</i>
<i>After 9-19</i>	<i>25 days per year</i>
<i>20 and above</i>	<i>30 days per year</i>

**HCC Section 13.13 - Vacation**

**B.** Vacation credits for classified and full-time exempt service employees shall accrue as follows:

<b>YEARS OF SERVICE</b>	<b>ACCRUAL RATE</b>
Hire date - 5 years	.83 days per month (10 days) - 3.08 hrs./pay period
5 - 10 years	1.25 days per month (15 days) - 4.62 hrs./pay period
10 years and over	1.67 days per month (20 days) - 6.16 hrs./pay period

Observation: Based on the above policies, over a 30 year period, employees of each entity would accrue the following amounts of vacation:

- Heber City 525 Days
- Heber Light & Power (Non-management) 555 Days
- Heber Light & Power (Management) 740 Days

With regard to vacation carry over, HL&P non-management employees can carry over only the amount of vacation/annual leave that they accrue in the calendar year. HL&P management have no restriction on the amount of annual leave/vacation that can be carried over and these hours can be used as an early retirement vehicle or paid out at their hourly rate upon retirement. HCC requires one-half of vacation hours earned in each year to be used. Maximum carry over hours for HCC employees is 240 hours on the employee's anniversary date.

**Section 10 – Sick Leave**

*c. Accrual & Conversion. Sick Leave may accrue to a maximum of 190 days. Upon termination in Good-Standing, the Company will compensate a Permanent Employee with five or more years' service at their current Hourly Rate for unused Sick Leave for seventy five percent of unused Sick Leave credit up to a maximum of 142.5 days. When a Permanent Employee terminates in Good-Standing with less than 5 years of Company service, unused Sick Leave will be paid on a pro-rata basis for the Calendar Year in which the Employee terminates.*

*Employees hired on or after July 1, 2011, Sick Leave will convert, upon their terminating employment in Good-Standing, based on the following schedule:*

- Less than 5 years of service – no payout*
- 5 to 10 years of service - 25% of total accrued sick leave*
- 11 to 24 years of service – 50% of total accrued sick leave*
- 25 years or more of service – 75% of total accrued sick leave*

**Section 20 - Sick Leave.**

*a. Accrual & Conversion. Exempt Employees may accrue sick leave to a maximum of 190 days. Upon termination in Good-Standing, the Company will compensate the Exempt Employee at their salary for unused Sick Leave.*

**HCC – Section 13.14 – Sick Leave**

**B.** A full-time employee shall be entitled to one (1) working day for each month full-time service or major fraction thereof of actual service accumulated. There shall be no maximum limit on the amount of sick leave accrual.

**H.** Upon retirement or termination, accumulated sick leave will be paid at the current pay rate, for one quarter of the accumulated hours if the employee has been employed by Heber City for at least five (5) years. If the employee has been employed by Heber City for at least ten (10) years or more, 50% of the accumulated sick leave hours will be paid at the employee's current pay rate.

Observation: HL&P and HCC both accrue sick leave at the same rate of one day (8 hours) per month. During a 30 year period, an employee will accrue 360 days of sick leave. The maximum amount of

payout at retirement provided to non-management HL&P employees is 190 days at 75%, or 142.5 days. For HL&P exempt managers, they receive 100% payout for any unused sick leave not to exceed 190 days. Per HCC policy, employees have no maximum accrual and can sell up to 24 hours of sick leave per year per the Sick Leave Incentive Policy at their current salary provided they have 480 hours/60 days of sick leave accrued. Assuming no sick leave is used, the maximum HCC payout over a 30 year period is 217.5 days. (25 years X 3 days + 285 days X 50%). Although HL&P payout is at a higher percentage, an employee of HCC could potentially receive more paid sick leave over the term of their employment than an HL&P employee because of the HL&P 190 day maximum accrual. Assuming HCC employees use the Sick Leave Incentive Policy, both entities have a maximum payout at retirement of 142.5 days, (excluding HL&P exempt managers) but the HL&P policy will likely end up paying out more at retirement because the HCC worst case scenario assumes no sick leave use during a 30 year career.

### **HCC Section 13.15 – Sick Leave Incentive Policy**

A. It is recognized by the Heber City Mayor and Council that there is a direct benefit to Heber City when employees are able to minimize the use of sick leave. It is the desire of the Mayor and Council to encourage the appropriate use of sick leave benefits and reward employees who minimize the use of this benefit. Pursuant to that desire, all employees who have accrued 480 hours of sick leave shall be paid (upon the employees written consent) annually on the first payroll of December, twenty-five percent (25%) of unused sick leave for the previous twelve-month period ending November 30 or nearest pay period following November 30. The remaining 75% of unused sick leave during the previous twelve-month period shall be added to the previous year's accumulated total. The calculation of this incentive shall provide that any sick leave used shall be considered as coming from the current twelve-month period and not from accrued sick leave. If an employee has accumulated over 600 hours of sick leave, they may be paid (upon the employee's written consent) for 24 hours of sick leave regardless of hours used.

B. Sick leave benefits are intended solely to provide income protection in the event of illness or injury. This benefit may be used in addition to vacation and funeral leave in the event of the death of an immediate family member up to the maximum of three days or for extended family and friends up to a maximum of one day. No other use is permitted in addition to illness or injury.

HL&P – No similar policy

Observation: This HCC policy is intended to reward employees for minimizing the use of sick leave and encourage employees to accrue enough sick hours to carry them through the 90 day waiting period to become eligible for long term disability if they become disabled due to accident or illness. Based on a December payout, it can serve as a Christmas Bonus for those eligible and it ultimately reduces the lump sum payout that the City would make at retirement.

### **Section 10 – Bereavement Leave**

#### **5. Bereavement Leave.**

*a. When a death occurs within the Immediate Family, Employees may be granted a maximum of three (3) days of bereavement leave with pay.*

*b. Bereavement leave may be taken during the first six months of employment.*

**HCC Section 13.20 – Bereavement Leave**

A. It is the policy of Heber City to grant funeral leave to employees who suffer the loss of a member of the immediate family.

B. The immediate family shall include any of the following persons:

Husband	Mother	Step-Mother	Son-in-law
Wife	Father	Step-Father	Father-in-law
Son	Step-Son	Sister-in-law	Mother-in-law
Daughter	Step-Daughter	Brother-in-law	Grandparents
Brother	Step-Brother	Daughter-in-law	Grandchildren
Sister	Step-Sister		

C. In the event of death in any of these instances, the employee will be paid the regular base pay for scheduled work time not to exceed five days or 40 hours. If additional time off beyond this allowance is required regular vacation or sick leave must be used. (See 1-12-16(B))

D. Time off under this policy will not count as time worked in computation of overtime for that week.

Observation: The HCC policy provides for 16 more hours of bereavement leave than the HL&P policy. The HL&P definition of immediate family is found in the back of the HL&P policy and is similar to the HCC definition.

**Section 10 - Holiday Leave.**

a. The following days have been designated by the Company to be paid Holidays:

<i>New Year's Day</i>	<i>January 1st</i>
<i>Martin Luther King Day</i>	<i>3rd Monday in January</i>
<i>Presidents Day</i>	<i>3rd Monday in February</i>
<i>Memorial Day</i>	<i>Last Monday of May</i>
<i>Independence Day</i>	<i>July 4th</i>
<i>Pioneer Day.</i>	<i>July 24th</i>
<i>Wasatch County Fair ½ Day</i>	<i>Friday before 1st weekend in August.</i>
<i>Labor Day</i>	<i>1st Monday in September</i>
<i>Columbus Day</i>	<i>2nd Monday of October</i>
<i>Veteran's Day</i>	<i>November 11th</i>
<i>Thanksgiving Day</i>	<i>4th Thursday of November</i>
<i>Day After Thanksgiving Day</i>	<i>4th Friday of November</i>
<i>Christmas Day</i>	<i>December 25th</i>
<i>Day after Christmas Day</i>	<i>December 26th</i>

**Section 13.12 Holidays**

A. Employees of Heber City shall receive 104 hours of holiday pay per year with pay. Because employees work various work schedules, the City Council will adopt a holiday schedule on an annual

basis that takes into consideration the varying schedules. Below is a list of holidays that will typically be observed by the City:

New Years	January 1 <sup>st</sup>
Civil Rights Day	3 <sup>rd</sup> Monday in January
Lincoln-Washington Birthday	3 <sup>rd</sup> Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4 <sup>th</sup>
Pioneer Day	July 24 <sup>th</sup>
Labor Day	1 <sup>st</sup> Monday in September
Columbus Day	2 <sup>nd</sup> Monday in October (Office)
	Deer Hunt Mon. (Employee Option)
OR	
Veteran's Day	November 11
Thanksgiving Day	4 <sup>th</sup> Thursday in November
Day after Thanksgiving	Friday after Thanksgiving
Christmas Eve Day	December 24 <sup>th</sup>
Christmas	December 25 <sup>th</sup>

Observation: HL&P provides an additional 4 hours of holiday pay per year which is related to the ½ day off granted during Fair Days. HCC traded a similar ½ holiday about twenty years ago to have the entire Christmas Eve Day off which was a ½ day holiday at the time.

### **Section 11 - Travel Expenses:**

#### *1. Transportation Expenses:*

*a. When considering the mode of travel (car versus airline), the Employee shall use the option which creates the greatest advantage to fulfilling the needs of the Company.*

*b. Use of Personal Vehicle Travel Policy: Use of personal vehicle for Company Business Travel will be compensated to the Employee as follows:*

#### *Employees (other than Exempt Managers):*

*i. For "local area travel" the employee will be reimbursed for use of their personal vehicle at the Current Federal Mileage Rate for each mile driven. Reimbursement will be made to the Employee upon submittal of a Company Expense Reimbursement Form as outlined in the Company's Expense Reimbursement Procedure. Local area travel is defined as the Heber Valley, surrounding area, and Wasatch Front (including Utah, Salt Lake, Davis and Weber Counties).*

*ii. For "out of local area travel" the employee will be reimbursed at the lessor of either:*

*(1) The Current Federal Mileage Rate for each mile driven in their personal vehicle. Reimbursement will be made to the Employee upon submittal of a Company Expense Reimbursement Form as outlined in the Company's Expense Reimbursement Procedure.*

*(2) The equivalent standard airfare based on economy class for travel dates not to exceed one business day before and after the business event. To claim mileage expense the employee must submit documentation of the equivalent airfare expense attached to the expense reimbursement request. If*

*more than one employee is traveling in the personal vehicle the combined airfare for all employee's traveling in a single vehicle may be used to compute the minimum airfare allowance.*

*iii. Exceptions due to extenuating circumstances must be approved by the Department Head before the Business Event and travel expense is incurred.*

*Exempt Managers:*

*iv. Exempt Managers receiving a monthly vehicle stipend will not be reimbursed travel expense for the use of a personal vehicle for local area travel. Local area travel is defined as the Heber Valley, surrounding area, and Wasatch Front (including Utah, Salt Lake, Davis and Weber Counties).*

*v. For "out of local area travel" Exempt Managers will be reimbursed at the lesser of either:*

*(1) The Current Federal Mileage Rate for each mile driven in their personal vehicle. Reimbursement will be made to the employee upon submittal of a Company Expense Reimbursement Form as outlined in the Company's Expense Reimbursement Procedure.*

*(2) The equivalent standard airfare based on economy class for travel dates not to exceed one business day before and after the business event. To claim mileage expense the employee must submit documentation of the equivalent airfare expense attached to the expense reimbursement request. If more than one employee is traveling in the personal vehicle the combined airfare for all employee's traveling in a single vehicle may be used to compute the minimum airfare allowance.*

*vi. Exceptions due to extenuating circumstances must be approved by the General Manager before the business event and travel expense is incurred.*

*2. Food and Lodging Expenses Related to Travel: The Company reimburses Employees for the actual cost of lodging, meals and incidental expenses for work-related travel or as per the Federal per diem rates. Per diem will not be paid to an Employee for any lodging and/or meal expenses paid for or included in the conference/seminar registration fees. In no event shall the Company reimburse the Employee for excessive travel related expenses or alcoholic beverages.*

*3. Spouses and Family Members: An Employee may be accompanied by a spouse or family member on approved Company business trips, but the Company will not pay any of the costs incurred by the spouse or be responsible for any liability associated therewith.*

## **HCC Section 14.2 – Travel Reimbursement**

**A.** Travel expenses must be included in the annual budget for each department anticipating travel, as part of the budget process. Any trip which is not anticipated and reported in the budget must have the approval of the City Manager, regardless of the amount of travel account in the department's budget.

**B.** After an employee completes a Travel Reimbursement Form for authorized travel by private vehicle, he/she will be reimbursed at rates not to exceed those approved by the City Council. The employee(s) will be reimbursed for all other travel expenses (i.e., room and board) after presenting proof of such expenses to the accounting clerk. Proof should be in the form of expense receipts.

C. All travel expenditures should be recorded and receipts collected. These receipts must be submitted to the accounting clerk at the end of each trip along with the employee's record of expenditures. Claims for travel pay not supported by an approved travel request and corresponding expense receipts will not be paid.

D. Mileage allowance shall be paid per the IRS approved reimbursement rate when using a privately owned vehicle (POV) when a City vehicle is not available. If using a POV and a City vehicle is available, the rate for mileage will be half of the IRS approved reimbursement rate.

Per diem will be paid for travel at the following rates unless meals are provided through the training, convention or conference registration. If an employee's special (medical or religious related) dietary needs cannot be accommodated by the training, convention or conference, per diem will be paid to the employee for those meals that are provided in the registration:

E. Per Diem will be paid at the U.S. General Services Administration (G.S.A.) rate. The rates can be found at GSA.gov - Per Diem Rates and Meals & Incidental Expenses Breakdown (M&IE). For training that does not require overnight travel, only per diem for lunch will be provided.

F. Partners may accompany elected and appointed officials and other regular full-time, permanent and part-time employees on City-assigned trips requiring overnight lodging and the City will pay the additional lodging and conference meal costs for the partner providing:

1. transportation is by City vehicle or the employee's private passenger car (air fares and other transportation costs will not be paid for spouses);

2. the trip destination is within the State of Utah. Employees using City-owned vehicles for travel are not permitted to allow spouses or others not employed by Heber City to operate City vehicles.

Observation: Both policies provide for mileage and meal reimbursements at IRS rates. The HCC policy encourages employees to use HCC pool vehicles when available and reimburses at half the IRS rate if a pool vehicle is available and the employee chooses to use their personal vehicle. The HL&P policy provides more flexibility to employees for "out of local travel area" and provides for mileage reimbursement to exempt managers that are provided car allowances when they leave the local travel area. HCC policy does not define an "out of local travel area" and HCC provides no mileage reimbursement to managers (for travel within the State of Utah) who are provided car allowances.

### **Section 20 Severance:**

An Exempt Manager who is terminated without cause shall receive severance of a minimum of three (3) month's salary but not to exceed six (6) months' salary at their Hourly Rate at the time of termination. Payment shall be made as a lump sum payment and shall not provide for continuation of benefits. Severance pay will not be paid if the Exempt Manager voluntarily resigns, is discharged for cause, or retires

### **Section 13.27 – Termination and Severance Pay for At-Will Employees**



A. In the event a full-time at-will employee is terminated by the City Council or the City Manager, the employee shall receive a lump sum cash payment equal to ninety (90) calendar days aggregate salary. However in the event an employee is terminated because of a conviction of any illegal act, or gross incompetency, then the City shall have no obligation to pay the designated aggregate severance amount.

B. In the event the City at any time reduces the salary or other financial benefits of an at-will employee in a greater percentage than an applicable across-the-board reduction for all City employees, or in the event an at-will employee resigns following a suggestion, whether formal or informal, by the City Council or City Manager that he/she resign, then the at-will employee may, at his/her option, be deemed to be terminated at the date of such reduction or such suggestion and shall be entitled to the severance pay provision.

Observation: The HL&P policy allows for severance pay up to six months, while the HCC policy limits severance to 90 days (3) months. The HCC policy allows the employee to deem themselves terminated and seek severance pay if certain circumstances exist.

The following topics are benefit related, but are not detailed in the Personnel Policy of either entity.

**Auto Allowance:**

HL&P provides a monthly auto allowance to the General Manager (\$800), (5) Exempt Department Heads (\$700) and the Business Office Manager (\$400). All allowances are taxed as wages.

HCC provides a monthly auto allowance to the City Manager and City Engineer (\$450). The City uses a reportable system and taxes the portion of the allowance that is not supported by documented business travel. Some HCC department heads/managers that are required to respond in emergency situations are required to take a City vehicle home and are taxed for being allowed to use the vehicle to commute to work.

Observation: In most cases, auto allowances are part of the negotiated compensation for the position. Some positions, by nature, require more business travel than others. To determine the appropriateness of car allowances, it should probably be looked at with the wage of the position and what constitutes fair compensation for the duties performed.

**Cell Phone Allowance:**

HL&P provides all employees \$50 towards their cell phone each month either through a payment to Verizon or through a payroll distribution depending on the employee election.

HCC provides employer paid cell phones/plans to those positions which they deem most appropriate to efficiently conduct business for the City. Non-management positions which work in an office setting with phone access are not provided cell phones by the City.

Observation: Because both entities are required to respond in emergency situations, the need for additional communication capabilities is important. Both entities also have varying degrees of access to radios to communicate within and outside of their respective organizations. Both entities need to determine that the needs of the organization are being met with the policies that they have adopted.

**Bonuses:**

The approved 2014 Fiscal Year Operating Policies for HL&P fund a 5% merit pool based on management salaries, a 5% bonus opportunity for the General Manager and a Christmas Bonus Program for 10% of the employee's monthly regular salary for all employees.

It is my understanding that the 5% merit pool (bonus) based on management salaries (which is \$40,000+) has historically been distributed by the HL&P General Manager to management staff only. I do not know if the award of management bonuses is tied to profitability, attained goals or the discretion of the General Manager.

I assume the HL&P Board of Directors determine what percent of the 5% bonus the General Manager is awarded. Once again, I do not know what factors the Board considers when they grant any bonus to the General Manager. Lastly, it is my understanding that all management bonuses are granted during the first pay period of January for the prior year's performance.

With regard to HL&P Christmas Bonuses, based on the wage report posted on the HL&P website, the average monthly employee wage is \$6,591, which would result in an average Christmas Bonus award of \$659 per employee.

HCC has historically granted Christmas Bonuses to employees and Board Members. The last (net) bonus awarded by the Heber City Council in December 2013, was as follows:

Full-time employees	\$350	
Part-time/Seasonal employees	\$150	
Part-time < 10 hours week	\$ 75	
City Council	\$250	
City Boards	\$ 75	\$

**Summary:**

This cursory review was intended to compare those benefits which have the most significant financial impacts on both organizations. It does not attempt to compare every section of each policy, especially those policies that do not have financial implications. I am sure some will feel like some important components have been overlooked, which they may have.

It think is fair to say, that on the whole, HL&P management/employees have a richer benefit package than HCC, but HCC does have some policies that are superior to HL&P policy. I understand that some would prefer that this comparison not be done, but since I was given this task, I would hope that those who review the report might find something of value as they objectively review the information as we try to maintain an equitable balance between two organizations with similar ownership, dedicated employees and the citizens they serve. Otherwise, our time has been wasted.

EXHIBIT 1

Heber City and Heber Light & Power  
 Health, Dental and Vision Care Comparison  
 Aug-14

Entity	Coverage	Combined		"HSA" Contribution	Total Insurance Cost	Employer Participation	Employee Participation	Entity Annual Cost	Employee Annual Cost
		Monthly Premium	Monthly Premium						
<b>Heber City Corporation</b>									
	Family	\$ 1,348.50	\$ 166.67	\$ 1,515.17	\$ 1,312.94	\$ 202.23	\$ 15,755.28	\$ 2,426.76	
	2 Party	\$ 987.03	\$ 166.67	\$ 1,153.70	\$ 998.98	\$ 154.72	\$ 11,987.76	\$ 1,856.64	
	Single	\$ 497.79	\$ 83.33	\$ 581.12	\$ 502.81	\$ 78.31	\$ 6,033.72	\$ 939.72	
<b>Heber Light &amp; Power (Traditional)</b>									
	Family	\$ 1,593.36	\$ -	\$ 1,593.36	\$ 1,593.36	\$ -	\$ 19,120.32	\$ -	
	2 Party	\$ 1,170.30	\$ -	\$ 1,170.30	\$ 1,170.30	\$ -	\$ 14,043.60	\$ -	
	Single	\$ 581.76	\$ -	\$ 581.76	\$ 581.76	\$ -	\$ 6,981.12	\$ -	
<b>(Advantage Star)</b>									
	Family	\$ 1,284.30	\$ 208.33	\$ 1,492.63	\$ 1,492.63	\$ -	\$ 17,911.60	\$ -	
	2 Party	\$ 941.82	\$ 208.33	\$ 1,150.15	\$ 1,150.15	\$ -	\$ 13,801.84	\$ -	
	Single	\$ 471.38	\$ 104.17	\$ 575.55	\$ 575.55	\$ -	\$ 6,906.56	\$ -	

## EXHIBIT 2

Heber City and Heber Light & Power  
 Health, Dental and Vision Care Comparison  
 In Lieu Compensation - For Those Who Do Not Take Insurance  
 Aug-14

Entity	Coverage	Combined Monthly Premium	"HSA" Contribution	Total Insurance Cost	Monthly Employer Participation	Entity Annual Cost
<b>Heber City Corporation</b>						
	Family	\$ 1,348.50	\$ 166.67	\$ 1,515.17	\$ 656.47	\$ 7,877.64
	2 Party	\$ 987.03	\$ 166.67	\$ 1,153.70	\$ 499.49	\$ 5,993.88
	Single	\$ 497.79	\$ 83.33	\$ 581.12	\$ 251.41	\$ 3,016.86
<b>Heber Light &amp; Power</b>						
(Traditional)	Family	\$ 1,593.36	\$ -	\$ 1,593.36	\$ 1,593.36	\$ 19,120.32
	2 Party	\$ 1,170.30	\$ -	\$ 1,170.30	\$ 1,170.30	\$ 14,043.60
	Single	\$ 581.76	\$ -	\$ 581.76	\$ 581.76	\$ 6,981.12
(Advantage Star)	Family	\$ 1,284.30	\$ 208.33	\$ 1,492.63	\$ 1,492.63	\$ 17,911.60
	2 Party	\$ 941.82	\$ 208.33	\$ 1,150.15	\$ 1,150.15	\$ 13,801.84
	Single	\$ 471.38	\$ 104.17	\$ 575.55	\$ 575.55	\$ 6,906.56

Heber City employees receive 50% of employer contribution for program they are eligible  
 For HL&P Employees hired before Jan. 1, 2014, employees receive 100% full family premium  
 For HL&P Employees hired after Jan. 1, 2014, employees receive 50% of the premium for which they are eligible

**EXHIBIT 4**

Heber City and Heber Light & Power  
 Health, Dental and Vision Care Comparison  
 Retirement Benefits  
 Aug-14

Entity	Coverage	Combined Monthly Premium	"HSA" Contribution	Total Insurance Cost	Monthly Employer Participation	Entity Annual Cost
<b>Heber City Corporation</b>						
Single		\$ 437.30	\$ 83.33	\$ 520.63	\$ 451.39	\$ 5,416.68
<b>Heber Light &amp; Power</b>						
(Traditional) 2 Party		\$ 1,424.00	\$ -	\$ 1,424.00	\$ 1,424.00	\$ 17,088.00
Single		\$ 688.00	\$ -	\$ 688.00	\$ 688.00	\$ 8,256.00

HCC offers the equivalent of single health insurance coverage only and does not guarantee coverage through the City beyond the 18 month COBRA period. (5 year maximum)  
 HL&P Management are eligible for double coverage for health, dental and vision until age 65 on all insurance coverages if hired before July 1, 2011 (no maximum if hired before July 2011)  
 HL&P Non-Management are eligible for single coverage for health, dental and vision until age 65 (no maximum if hired before July 2011)  
 Premiums for HL&P represent health insurance premiums at 130% after the 18 month COBRA period

## EXHIBIT 5

Heber City and Heber Light & Power  
Retirement Medical Benefit Summary  
Retiree Obligations at Current Rates  
Aug-14

### Heber Light & Power

Coverage	Obligation Ends	Current Monthly Cost	Remaining Months	Total Obligation
Single	10-May-19	\$ 688.00	57	\$ 39,216.00
Single	8-Sep-20	\$ 688.00	73	\$ 50,224.00
2 Party	1-Nov-27	\$ 1,424.00	158	\$ 224,992.00
Total				<u>\$ 314,432.00</u>

### Heber City

Coverage	Obligation Ends	Current Monthly Cost	Remaining Months	Total Obligation
Single	28-Feb-16	451.39	18	\$ 8,125.02
Single	15-Apr-16	451.39	20	\$ 9,027.80
Total				<u>\$ 17,152.82</u>

The above rates do not take into consideration future premium increases.

EXHIBIT 5

**Retirement Medical Benefits Summary**

**Heber Light & Power**

<b>Employee Status</b>	<b>Years of Service</b>	<b>Benefit (medical, dental, vision)</b>	<b>Length of Benefit</b>
Regular employee hired prior to 07/01/2011	25	Retiree only	5 years or until age 65 whichever is shorter
	30		5 years or until age 65 whichever is longer
Regular employee hired after 07/01/2011	25	Retiree only	5 years or until age 65 or until eligible for insurance from another employer
Exempt Manager – became manager prior to 01/01/2014	25	Retiree and spouse	Until age 65
Exempt Manager – became manager after 01/01/2014	Same as regular employee	Same as regular employee	Same as regular employee

**Heber City Corporation**

<b>Employee Status</b>	<b>Years of Service</b>	<b>Benefit (medical)</b>	<b>Length of Benefit</b>
All employees	25	Retiree only	5 years or until age 65 or until eligible for insurance from another employer
Age 60-61	20	Retiree only	Until age 65 or until eligible for insurance from another employer
Age 62-64	10	Retiree only	Until age 65 or until eligible for insurance from another employer