



OFFICIAL MINUTES OF:

Meeting of:	Compensation Committee Meeting
Date:	November 17, 2014
Time:	9:00 a.m.

MEMBERS PRESENT:

Joseph Kimball, Chairman
Robert Andrade
Bruce Campbell
Vincent Mesolella
Angelo Rotella

MEMBERS ABSENT:

Michael DiChiro

STAFF AND GUESTS PRESENT:

Raymond Marshall, NBC Executive Director
Laurie Horridge, NBC
Cecille Antonelli, NBC
Karen Musumeci, NBC
Jennifer Harrington, NBC
Richard Bernier, NBC

Joanne Maceroni, NBC
Diane Buerger, NBC

1. Call to Order

Recognizing that a quorum was present Committee Chairman Kimball called the November 17, 2014 Compensation Committee Meeting to order at 9:15 a.m.

2. Items for Action

- A.** Sheehan Bill Requirements
- B.** NBC's Existing Practice
- C.** Preliminary Data Collection & Analysis
- D.** Next Steps

Commissioner Kimball stated that the first item for action is the Sheehan Bill Requirements. Executive Director Raymond Marshall passed out a packet of documents to each of the Committee Members, and advised that the agenda reflects a call for Executive Session. It was posted just in

case the Committee reached a point where they wanted to go into Executive Session. Mr. Marshall also advised the Committee that Executive Session will be noticed on each subsequent Compensation Committee agenda because of the possibility of discussions that would fall under the provisions for Executive Session.

Mr. Marshall introduced Cecille Antonelli, NBC Human Resources Manager, Diane Buerger, NBC Labor Relations Manager, Joanne Maceroni, Government Affairs Manager, Laurie Horridge, Director of Executive Affairs and Jennifer Harrington, Chief Legal Counsel to the Committee and stated that these are the people involved in administering the non-union personnel programs that NBC presently has in place.

Mr. Marshall advised that Joanne Maceroni will be reviewing the Sheehan Bill Provisions with the Committee.

Ms. Maceroni directed the Committee's attention to the first packet labeled Item A. She advised that one of the items included in this packet is a copy of the Quasi-Public Corporations Accountability & Transparency Act (a.k.a. the Sheehan Bill) and that attached to the front page of the bill is a separate page which contains the language in the Sheehan bill that relates to Executive Compensation.

Ms. Maceroni stated that the first requirement that the Sheehan bill talks about with regard to executive compensation is the formation or establishment of an executive compensation committee comprised solely of board members. NBC already had an ad hoc Compensation Committee. NBC Chairman Mesolella has converted the ad hoc Compensation Committee into a standing Committee so we have already complied with the bill in this regard.

The Compensation Committee has to recommend to the Board of Commissioners a compensation package for the executive and senior management of the corporation. The compensation of the Executive Officer, which in this case would be the NBC's Executive Director, shall be based on a comprehensive and objective analysis of comparable compensation of similar officers of state government, quasi-publics, other utilities and private sector employees who have similar functions or responsibilities. It allows the committee to retain a consultant to assist in the comparability study and the one thing it does note is that when calculating compensation the committee shall consider the value of the retirement plan in the overall package.

With regard to the study the NBC has retained the services of The Employers Association. The Employers Association originally set up the existing program for our non-union employees and this program has been in place at the NBC for at least a dozen years.

The Sheehan bill also requires that a clear written job description and a clear written expectation of job performance for the Executive Director and Senior Management must be prepared. The NBC already has this in place. You can find copies of these job descriptions as part of Item B in your package. The Committee shall conduct the job performance review of the Executive Officer (again Executive Director) at least annually. This is presently done by the NBC Chairman as outlined in our Non-Union Salary Administration Program Manual a copy of which is included in Item B. The Committee shall negotiate the employment contract of the Executive Director which shall be approved by the full board during an open meeting. This is presently done by the NBC Chairman in accordance with our established practices. Mr. Marshall will be discussing in more detail what our existing practices are.

Lastly, just a reminder, that the requirements of the act shall take effect as of January 1, 2015. Ms. Maceroni stated that she didn't know how hard and fast of a date that is. This matter was originally discussed at last month's Board meeting. The bill does not address recourse if everything is not complete

as of January 1. She noted that most of the things that we are required to do are already in place at NBC and felt as long as we are working toward it by January 1st, we should be ok.

Mr. Marshall asked if the Committee members had any questions regarding Joanne's presentation.

Commissioner Andrade asked if there was a definition of Senior Management.

Mr. Marshall stated that based upon his reading of the bill there is no definition so we are assuming at NBC it will mean all of the Directors.

Commissioner Rotella asked Joanne if based on her experience with the legislature she could comment on what they had in mind with the creation of the Sheehan Bill.

Ms. Maceroni stated that she believes it came about because a few years ago they started calling in quasi-publics agencies to discuss what they do, what procedures and committees, etc. that they have in place. There are some quasi-publics that have nothing in place. It has been noted before by the General Assembly that we at the Bay Commission are on the upper echelon. We have everything in place that we need but that a lot of the other quasi-publics don't. Ms. Maceroni surmised that what they are trying to do with this legislation is to have everybody on the same playing field and playing by the same rules.

NBC Chairman Mesolella asked what happens if you don't comply with the bill.

Ms. Maceroni advised that as noted at one of the last Board meetings there is nothing in the Bill that says if you don't comply you will be fined, imprisoned, etc.

Ms. Maceroni stated that she believes this is why they created this bill so that every quasi-public knows what they have to do and can't claim that they weren't aware that a certain law applies to them. Now everyone knows what they have to do and even though there is no punishment if you don't comply, Ms. Maceroni surmised that there are going to be some groups out there looking at quasi-publics to make sure that the requirements of the bill are adhered to.

Commissioner Kimball stated that under 42-155-2 legislative findings number (4) says that quasi-public corporations manage significant public resources; however, the majority, are exempt from many kinds of public oversight, such as executive and legislative budgetary review required of state agencies and departments. Commissioner Kimball suggested that while this clearly didn't apply to NBC, he assumed that this lack of oversight by some quasi public's who manage significant public resources was the purpose behind the bill.

Chairman Mesolella stated that both the House and the Senate established Oversight Committees that are now standing Committees. What they did is, as you may recall during the debate surrounding the Separation of Powers, when they implemented Separation of Powers the General Assembly created the House and the Senate Oversight Committees. Representatives for these committees both House and Senate, Linda George for the Senate and CJ Donovan for the House, attend the NBC Board meetings on a regular basis and report back to the Committees.

Ms. Maceroni stated that NBC's Administration and Finance Department file quarterly financial statements with the Senate and House Fiscal offices. The NBC is constantly providing the General Assembly with information.

NBC Chairman Mesolella stated that both he and Mr. Marshall have testified before both the Senate and House Oversight Committees in the past.

Commissioner Kimball asked if the Auditor General has ever come in and examined the NBC.

Ms. Maceroni advised that we send our report to the Auditor General and in addition the Auditor General has to approve the auditor that the NBC selects so they do have involvement.

Ms. Maceroni stated that the other facet of this bill is that they want transparency. They want everyone to know what everybody is doing. And again, we post our Budget and we post our Annual Report on our website which is one of the requirements in the bill so we are already doing most of what this bill requires.

Commissioner Rotella asked Joanne if we take the Sheehan Bill in its entirety and take out NBC's policies and procedures as they now sit and laid them on top of the Sheehan Bill, are we missing anything?

Ms. Maceroni advised as far as what has to be posted on the website we have the majority, there may be one or two things that we have to add so she would say we are 98 percent in compliance with that. The Rules & Regulations Committee met last month. We already have most of the policies and procedures in place, we just need to formalize them with the Board which we are going to do in December so again we are way ahead of the curve.

Commissioner Kimball stated that there is also an item under legislative findings that says quasi-public corporations are governed by independent boards that serve a critical oversight function and there exists a need to strengthen the ability of board members to carry out this oversight role.

Mr. Marshall stated that he believes there are a couple of boards that the board members felt that they didn't have any role so that is part of what this bill is about. It is important that the board members are engaged and understand what is going on in the organizations that they are serving.

Commissioner Andrade asked Joanne regarding the Sheehan bill outline number (4) the employment contract they are saying that now that has to be with the Committee and not with the Chairman and it must be approved at a full board meeting. In what detail does that have to be presented in the open meeting, do you have to get into numbers or do you just say that there is a contract for three years....because it says during an open meeting.

Ms. Horridge, Director of Executive Affairs, stated that she believes if you actually get into numbers, as far as negotiating is concerned you would want to go into executive session to discuss that portion of it, but you would come out of executive session and go back into open session, back on the record to state your findings so that it is ultimately all on the record.

Ms. Harrington, Chief Legal Counsel, stated that when we get to the Open Meeting portion that is when the contract has already been negotiated and that's just being approved by the Board.

Commissioner Kimball asked if there is any need to change the way we are operating now in terms of the Chairman acting on behalf of the Compensation Committee.

Ms. Horridge stated that she believes the point of the legislation is that, the decision regarding executive compensation shouldn't be in the hands of one person unless the Board determines otherwise. The bill doesn't say the Committee couldn't delegate that authority to the Chairman, the bill doesn't really address

that particular point. What they are saying is they want quasi-public agencies to have a standing Compensation Committee so that the Board members are involved.

Commissioner Kimball stated that the way NBC handles issues is a much more efficient way to operate.

Commissioner Andrade stated that the Chairman could still perform the evaluation as he has in the past and then bring his recommendation to the Compensation Committee and the Board for approval.

NBC Chairman Mesolella stated that this has been NBC's practice anyway. The Chairman stated that he didn't ever remember not being in compliance in what has now become statute. We have had an ad hoc Committee on Compensation the only difference now is that it is a standing committee.

Commissioner Rotella stated that he believed everyone had come to the conclusion in the last few minutes that, if they took our plan and adopted that as the Sheehan Bill, they would have ended up with the same situation. He went on to state that he thinks we are in good shape, but again believes we may need to memorialize a few items to ensure we are in full compliance. He believes we are in good shape as far as our procedures that we have been following. We are following the procedures that they are looking for.

NBC Chairman stated that the bill states that regarding executive compensation that you can employ a consultant. Does that imply that you could not employ a consultant before?

Ms. Horridge stated that she does not believe that is what it means. Her guess is that other quasi-public agencies have not been as proactive as we have been in doing that. We do that every few years, we ask for a market analysis. She highly doubted that the majority of other quasi-publics out there had done that.

Commissioner Kimball stated that this is just a good business practice.

Mr. Marshall stated that he would like to quickly go through Item B. It starts off with The National Position Evaluation Plan. That was used as the basis for NBC's program as recommended by The Employers Association of which we are a member. They helped us put this plan together in the 2000-2001 after we broke away from the State in July 1999 and this approach is a standard practice that is used in the compensation profession.

Mr. Marshall explained that the next item shows all the non-union positions by pay grade. Our internal committee graded all the positions, and this is something that they seem to be looking for in the Sheehan Bill. In particular they are looking at senior management. There are about 100 or so different non-union positions that all have grades. They were all evaluated under this program I first showed you. Every position has a job description which is called for in the Sheehan Bill. They all have pay ranges, everyone has an annual evaluation. There are job descriptions for all the Directors are provided for you in case you care to look at those and to show that we are in compliance with the bill's provisions.

Mr. Marshall continued to explain that the next Sheehan bill item after the job descriptions, details how everyone is evaluated, including the Executive Director. The Chairman evaluates the Executive Director, the Executive Director evaluates the Division Directors, and then it cascades down. The review items include communication ability, leadership, management skills, professionalism, teamwork, technical skills. Everyone is rated on a scale of one through five, one meaning you should probably look for another job, and five, meaning you walk on water. We have been doing this since 2002. That is the first year we employed that practice.

All of our non-union people are on a pay for performance plan. There are no COLA's or step increases for non-union people, it's all pay for performance.

Another item that is included in the package is a blank At-Will agreement. Every non-union employee has one. The Executive Director signs all At-Will agreements. Included in the package immediately after that, is the agreement that I had when I was the Deputy Director. The Directors' At-Will contracts were enhanced over the standard agreements and I also sign those. The Executive Director's contract is signed by the Chairman.

Mr. Marshall went on to explain that we have contracts in place right now, we have job descriptions, we have a documented system, we have employment contracts, and we have performance reviews, all of which you have copies of in the packet provided to you. Mr. Marshall opined that after listening to the committee's discussion earlier, it was obvious that the committee was aware of all this, but we just wanted to make sure that members had the supporting documentation.

Mr. Marshall continued with another item, Resolution 2004- 11, our Non-Union Salary Administration Program Manual. It outlines what we do, why we do it and, who is responsible for what. Mr. Marshall stated that he wouldn't go through all the details, unless the Committee wanted him to but it was provided for their perusal. Mr. Marshall stated that we have followed this plan since it was originally adopted in 2002 and, as revised in 2004. The Resolution number verifies that.

Mr. Marshall noted that there is also a memo dated 2008 that is a result of the Chairman wanting to take a look at how the NBC was compensating non-union employees. That is when the ad hoc Compensation Committee was first initiated. We used The Employers Association for the project. They did a review of everything we were doing and confirmed it was a solid program. There were a few modifications that were made and it was approved by the Board in 2008. Mr. Marshall stated that for the last two years the Board approved the adjustments to the non-union salary range structure. The adjustment in 2012 calculated for us by The Employers Association, the one in 2013 was done internally.

Mr. Marshall stated that we have a longstanding program. Anytime modifications are made, either the Personnel, Finance, Compensation Committee or the Board is involved whether we change the pay grade on a position or the title of a position and certainly on the pay ranges. Any pay increases that are provided on a yearly basis to the non-union employees are all approved by the Board as part of the NBC Budget. We have provided information to the Committee to show what we have in place and the history. Mr. Marshall encouraged committee members to look through the materials over the next week or two, and call him or send him an e-mail with any questions.

Mr. Marshall advised as part of the work associated with the Sheehan bill where it talks about hiring a consultant we have retained The Employers Association. They know our program better than anyone and they are working on reviewing our current program. They are doing the salary market analysis for the Executive Director position that is, Item C in today's package. It is only preliminary right now. There are three items. For the first item (Narragansett Bay Commission Executive Director Market Analysis) The Employers Association used various surveys that are available to them within the industry. It is my understanding that they frequently use those standards when they work with other employers. Mr. Marshall advised that The Employers Association representatives were not available to be here today but indicated they would be available for the committee's next meeting to explain their analysis. They are all valid surveys it's just a matter of where one thinks the NBC fits best as an organization. The first item is pretty well established. The Employers Association just needs to explain it in more detail as well as the overall approach to compensation analysis.

Mr. Marshall explained that the next item which consists of two pages, is a list of a number of different utilities that are part of NACWA, the National Organization for Clean Water Agencies. Mr. Marshall advised that he had reached out to several NACWA members in 2007/2008 at the Chairman's request for the study mentioned earlier. We received about a dozen responses at that time so I just repeated that

process again in the last month or so. I have received 14 responses to date and I expect to receive a few more.

The top table lists every organization that has responded to date. The bottom table lists five or six organizations which are the most comparable to the Bay Commission. These tables are comprised of the data that NBC collected and sent to The Employers Association. The Employers Association selected the utilities that they felt were the best ones to compare with the NBC.

You will notice there is one page that contains only one column. The Employers Association took the information on the preceding page and applied some geographic adjustments to the figures based upon the cost of living in the different areas.

The Employers Association will be available next month to explain their methods, analysis and results when they meet with the Committee and Board.

The last piece of information is a market analysis of our pay grades 17 through 23 which are our Directors. The actual pay ranges that you see there are what they designate as actual pay ranges, minimum, mid-point, maximum. The Employers Association used their data from May of 2012. They plan to index it upward to reflect current levels. The NBC, as mentioned earlier, did an internal increase in 2013. The Employers Association preferred to use the ranges from 2012 which was the last time they were involved in the process. Mr. Marshall noted that there was no change in the pay ranges in 2014.

Mr. Marshall explained that The Employers Association is doing an analysis comparing several surveys they have access to with our Director ranges. He stated that the next step for the Employers Association will be to come up with new recommended ranges for the Committee to consider. He suggested that the new data is something the committee members might want to use in carrying out any responsibilities resulting from the Sheehan Bill. Mr. Marshall offered to contact The Employers Association if any members felt that they needed further information or if there were any pieces missing. Commissioner Rotella posed a question to the Human Resource Manager, Cecille Antonelli. He stated that because her department deals with this on a daily basis he wanted to know if she felt as though the Sheehan Bill and NBC's procedures are comparable.

Ms. Antonelli stated that she believes that everything we presently do at NBC is comparable to what is now outlined for quasi-public agencies in the Sheehan bill.

NBC Chairman Mesolella asked if the NBC needed to do anything, notify the Secretary of State, or send any type of formal notification documenting NBC's compliance with the provisions of the Sheehan Bill.

Ms. Maceroni stated that she is not aware of anything in the statute that requires that.

Mr. Marshall advised if the Committee felt as though they would like to take a formal vote or action once you have had the chance to review what we have provided you, we could put together a Resolution for the next meeting that stated that the Committee feels the NBC policies presently in place are in compliance with the Sheehan Bill. It would be a formal endorsement/vote on the record if you think that this is something that the Committee would like to do.

Commissioner Rotella suggested that at that time there could be a recommendation/motion from this sub-committee which could be ratified by the full Board.

Mr. Marshall stated that he could draft a memo and resolution for the consideration of Committee Chairman Kimball. In addition to the aforementioned resolution, Mr. Marshall suggested that the

Committee might also want to consider a resolution that approves any new salary ranges that The Employees Association recommends, if they agree with their recommendations. This will show a continued pattern of having the Committees and Board involved in how we administer our non-union compensation.

NBC Chairman Mesolella asked if the NBC's current procedures prior to the adoption of the Sheehan Bill are consistent with a past resolution that the Board passed or practices that we have implemented.

Mr. Marshall advised that the Board originally adopted this approach and has been involved in modifying it through the years. The original salary administration program was approved by the Board on June 19, 2002 and was modified on March 10, 2004, by action of the Board. We also did the study that the Chairman requested in 2007 and was approved in June of 2008. In addition whenever we have changed the salary ranges associated with the program it has always come before the Personnel Committee and then the full Board for approval.

Further Mr. Marshall advised that at the next meeting of the Compensation Committee Paul Martineau and Patti Damaddio of The Employers Association will be available to explain what they have done in relation to the Executive Director's salary analysis.

Mr. Marshall stated that he feels that the main thing is that the Committee and the Board are comfortable with that fact that our salary ranges are valid ranges.

Ms. Horridge stated that just to be clear the Compensation Committee's task is to actually recommend the Executive Director's compensation. As far as the senior management compensation she doesn't believe that this is a task for the Committee.

Mr. Marshall agreed, however he feels that the Committee has to confirm that there is an acceptable program in place for senior management.

NBC Chairman Mesolella stated that for purposes of the resolution that will be offered to the full Board it should say that we did a review of the Sheehan Bill, past practices are consistent already with the Sheehan Bill, but we will continue to make modifications as necessary.

Mr. Marshall advised that he believes one resolution can say we are in compliance, especially as it applies to our system and senior management. Another resolution can state that the pay ranges have been updated based upon the recommendation of The Employers Association. Those resolutions can probably be done in December as long as the Committee is comfortable with them. We will have them ready in December and if, after hearing from The Employers Association, the Committee is comfortable, they can be voted on and advanced to the full Board.

As far as the Executive Director's employment contract and compensation is concerned we can do that in January. We can have a Committee meeting and discussion in December and then in January the Committee, if they so choose, can bring the employment contract that has been agreed to, to the full Board.

Commissioner Andrade stated there does not appear to be a rush to get the performance evaluation done. He advised that if it is done annually it can be done any time next year.

Mr. Marshall stated that historically the Executive Director's evaluation has been done at the same time as the rest of the staff but that doesn't mean that it has to be. All non-union staff are evaluated in the April, May, June time period. Historically, the Chairman has evaluated the Executive Director around the

first of June but that does not mean it could not be done in January so that the Executive Director position would be reviewed in January of 2016 and 2017 and thereon.

Committee Chairman Kimball stated that if we go back to the statute itself, maybe in the resolution we make some type of comment indicating that the Bay Commission has adopted policies and procedures in place already in order to strengthen the ability of the Board members to carry out the oversight role.

The Committee was in agreement on the proposed resolutions.

There was no further discussion.

4. Other Business

There was no other business to report.

5. Adjournment

A motion to adjourn was made by Commissioner Rotella seconded by Commissioner Campbell and the Compensation Committee meeting adjourned at 10:05 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Raymond J. Marshall". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Raymond J. Marshall, P.E.

Executive Director/Secretary