

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
BOARD OF DIRECTORS
REGULAR BOARD MEETING
September 25, 2018**

The Board of Directors of the Habersham Electric Membership Corporation met at the office of the corporation in Clarkesville, Georgia, September 25, 2018. The meeting was called to order by Chairman Jeff Ferguson at 3:00 pm.

Brad Hicks provided a safety briefing including procedures to follow in case of an emergency.

The invocation was given by David Wall.

Those present were:

Billy Cantrell	Jeff Ferguson	Jeff Herrin
Dustin Hulsey	Frank McCrackin	Kenneth McEntire
Dan Thurmond	David Wall	Rick Wood

Also, present were Bradley Hicks, President/CEO; Kelly Wilkins, VP Finance/Administration; Jim Cox, VP Engineering and Operations; Glenn Purcell, VP Technology and Services; Janney Sanders, Attorney; and Carolyn Helton, Executive Assistant.

There were no additions or deletions to the Agenda.

Carolyn Helton left the meeting at this time.

The following Cooperative Updates were provided:

- 1) Kerri Arnold with the Newport Group, entered the meeting at this time and provided the Compensation Study Results Summary.
 - a. Mrs. Arnold provided a summary of the scope of the compensation study and job description update process.
 - b. Mrs. Arnold reviewed the process implementation used which included on-site meetings with the Leadership Team to discuss Total Rewards Philosophy, identify the competitive market for Habersham EMC, and On-Site and field visits for detailed job description reviews.
 - c. Mrs. Arnold reviewed the approach which was to actively support the strategic goals while ensuring market competitiveness and fiscal responsibility and ensuring employees were paid in relation to their responsibility and contributions.
 - d. Mrs. Arnold shared that the labor market approach included comparisons to industries similar in revenue, consumers served, and workforce size.
 - e. Mrs. Arnold presented the pay structure design which was formed based on Market Pricing Analysis resulting in a single pay structure for all positions, entry level to Vice President. The CEO analysis is completed separately.
 - f. Mrs. Arnold indicated that the current pay rates at HEMC in terms of competitiveness were "Competitive" for staff level jobs and "Low" for management level jobs.
 - g. Mrs. Arnold provided recommendations for pay adjustments to address employees who were below the minimum in their pay grade and for those under 85% compared to their market rate. The total amount of adjustments to bring employees with these results to 85% of their current market rate should not exceed of \$116,597 increase in current salaries.
 - h. Mrs. Arnold's recommendations also included the implementation of a compensation strategy which would include annual adjustments to the pay structure and reviews of the overall structure every three years and properly evaluating new roles for placement in the structure.

- 2) Gail Welborn provided a presentation on the ONE Workforce Benefits.
- a. Mrs. Welborn provided a review of the Total Rewards Package provided to HEMC employees.
 - b. Mrs. Welborn provided a summary of the differences in benefit levels provided based on hire date and eligibility criteria.
 - c. Mrs. Welborn presented the ONE Workforce initiative which would align benefits across the cooperative workforce, reducing differences in benefit levels offered.
 - The same cost-share arrangement for health care would be provided to all employees.
 - Going forward, retiree insurance allowances would be provided for the retiree only and not for dependents and all allowances would be provided through a Health Reimbursement Arrangements to keep funds available for intended purposes, healthcare costs during retirement.
 - All employees would receive a pension plan with the same benefit factor. Employees hired before 7/1/04 would remain in the same plan and all employees hired after that date would be in one plan with comparable benefits.
 - To offset the costs of the pension benefit, all employees would be offered the same 401K.
 - A floating holiday would be provided to all employees effective January 2019.
 - A Paid time off accrual would be made effective January 2019 combining vacation and personal leave into the same account.
 - Paid time off will be capped beginning 2020.
 - Use of other leave was also presented.
 - Beginning in 2019, HEMC will increase the coverage on spouse life insurance provided by the cooperative.
 - Beginning in 2019, HEMC will increase the weekly maximum amount on the Short-Term Disability policy provided by the cooperative.
 - Recommendations were also made for some health and wellness benefits and other employee perks.
 - d. Mrs. Welborn reviewed the overall impact of the changes and shared that the overall additional investment into the Total Reward Package would be \$150,000 beginning in 2019.
 - e. Mrs. Welborn shared that the changes also reduces the risk of compliance issues with retirement plan testing, would be a positive impact on recruitment efforts, and should positively impact the workforce by bringing the entire workforce together in the ONE Workforce initiative and eliminating so many different groups of employees and benefit factors.

Carolyn Helton re-entered the meeting.

- 3) Glenn Purcell provided the following report on the Cleveland Office:
- a. Cleveland office isn't meeting RUS requirements based on lack of ADA compliance.
 - b. HEMC has experience maintenance issues over the years including staff having to use neighboring facilities for restrooms and recently closing the facility due to water damage.
 - c. Business transactions have significantly declined over the past three years.
 - d. Cleveland Kiosk has seen a 32% increase over four years.
 - e. Provided an option to relocate the office. However, if the office is relocated, additional expenses will be incurred including another Member Services Representative. The annual increase in cost to maintain office in Cleveland is \$77,377.
 - f. Glenn made the recommendation to close the Cleveland office and move personnel to the Clarkesville office based on the compliance issues, staffing issues and the actual cost per transaction. Billy Cantrell

and Dustin Hulsey expressed their concerns with closing the office. Brad expressed his concerns about closing the office, but also emphasized his concerns with adequate staffing and the costs to the membership to continue operating from Cleveland Office and further stated that if the Board decided to leave the office open, we would have to relocate due to all of the aforementioned issues.

- 4) Operations
 - a. SAIDI – 23.21 for August resulting in 173 outages affecting 6,476 members with year-to-date at 119.58 resulting in 1,066 outages.
 - b. New construction requests for August were 24 for a year-to-date of 192.
 - c. No lost time accidents were reported for August.
- 5) Financial Ratios (YTD)
 - a. TIER 5.52
 - b. OTIER 5.15
 - c. Equity 42.3%
 - d. Net margins were \$1,372,886 for month of August resulting in 22.4% margins as % of operating revenue.
 - e. Accounts billed to date are 34,861.
- 6) Trailwave Update – Pless and Leaf Substations construction is complete and closing documentation has been submitted. The primary focus is completing the drops and home installations. As this phase of the project winds down, drop progress is slowing as crews are leaving for other jobs. HEMC is assuming responsibility of the home installs due to poor performance of the contractor.
- 7) 2018 Public Service Commission Rate Survey was discussed and it was noted that Habersham EMC remains competitive.
- 8) Strategic Plan for 2019-2021 was presented for review. The plan highlighted plans for the next three years and the budget will reflect those components.
- 9) The 2018 Load Forecast was presented – there were no identified need to be aggressive on projected growth.
- 10) The following board policies were presented for review:
 - a. Board – Code of Ethics
 - b. Board – Conflict of Interest
 - c. Board – Directors Qualifications
 - d. Board – Information Security
 - e. Board – Non-Discrimination
 - f. Board – Policy Formation and Approval Process
 - g. Board – Responsibilities
- 11) 2017 IRS Form 990 Review and Submission - it was modified as requested.
- 12) 2019-2011 Vegetation Management Contract- Davey Tree has been terminated due to poor performance and McAllister Tree has been awarded the contract for up to four more years and a not-to-exceed budget of \$10 million.
- 13.) Board of Director District Review – the districts were reviewed and no changes were recommended. It will be reviewed annually for potential changes in the districts.

Jim Cox, Glenn Purcell and Kelly Wilkins left at this time.

Motion was made by Frank McCrackin and seconded by David Wall to approve the following consent items:

- 1) Inventory of Work Orders and Special Equipment.
- 2) Consumer Accounting-Applications for Memberships and Withdrawals of Memberships; Delinquent Report
- 3) Draft of Minutes – August 28, 2018
- 4) Directors/Attorney's Per Diem Report
- 5) Calendars – October, November, December 2018

Motion carried.

The following Cooperative Update was provided by Brad Hicks, President/CEO:

- 1) CEO Summary Report
 - a. Staffing Update was provided noting that Tony Adams had accepted the Director, Information Technology position. Additional positions are currently posted and interviews will be conducted over the next few weeks.

- b. Commitment to Zero Contacts – Currently there is a 99% participation from employees. CEO Hicks noted that only one employee had not signed the commitment to zero contacts.
- c. Rick Wood left the meeting at this time.
- d. Real Estate – An appraisal of the old headquarters was completed in June and are working with NGN as they evaluate the facility.
- e. NGN Audit Update
 - A further discussion regarding the internal audit of NGN conducted by HEMC took place.
 - Based on the results of the NGN internal audit, CEO Hicks reviewed the 2016 IRS Form 990 for NGN and for GCC, raising further concerns related to the findings from the internal audit and costs allocations. He further stated that all of the information presented were public documents obtained from GuideStar and were not considered confidential information.
 - CEO Hicks pointed out that the GCC 2016 IRS Form 990 reported eight employees on Form W-3 when HEMC was told that GCC had no employees raising the question why would NGN employees be paid by both NGN and GCC.
 - CEO Hicks further stated that the only reason this was being addressed with the Board since it involved GCC was because of the findings from the internal audit and the concern that HEMC was subsidizing GCC through the discrepancies.
 - CEO Hicks stated for the record that he did not have confidence in the CEO's management of NGN and expressed his concerns of how this could impact HEMC and the membership.
 - CEO Hicks responded to questions about how HEMC moves forward and he suggested this be discussed in executive session, at which time he asked for advice from the General Council who agreed with CEO Hicks that the discussion be moved to executive session.
- e. HEMC 2019 budget process is underway. A draft will be presented at the November Board Meeting and will be seeking approval at the December Board Meeting.
- f. O&M Survey corrective action plan is underway.
- g. More frequent EMC Managers' Meetings were conducted due to Vogtle.
- h. CEO Performance Timeline – CEO Hicks will be providing the Board of Directors his self-appraisal at the November meeting, giving the Directors adequate time to complete the CEO appraisal by the January meeting.

The following items were presented for Board Action and a motion was made by Kenneth McEntire and seconded by Dustin Hulsey to approve the following resolutions. Motion carried.

- 1) Resolution – Compensation Update and Strategy Adoption
- 2) Resolutions – ONE Workforce Benefits
- 3) 2019-2021 Strategic Plan
- 4) Resolution – 2018 Official Load Forecast
- 5) Resolution – 2017 IRS Form 990 Review and Submission
- 6) Resolution – Vegetation Management Contract with McAllister Tree Services
- 7) Resolution – Board Policies
 - a. Board – Code of Ethics Policy
 - b. Board – Conflict of Interest Policy
 - c. Board – Directors Qualifications
 - d. Board – Information Security Policy
 - e. Board – Non-Discrimination Policy
 - f. Board – Policy – Formation and Approval Process Policy
 - g. Board – Responsibilities Policy
- 8) Resolution – Cleveland Office Closing – a motion was made by Kenneth McEntire and seconded by Jeff Herrin to table this item for further evaluation. Motion carried.
- 9) Federated Rural Electric Insurance Delegate – a motion was made by Dan Thurmond and seconded by Jeff Herrin that Brad Hicks be the designated Federated Rural Electric Insurance voting delegate at the NRECA Region 2 & 3 Meeting. Motion carried.

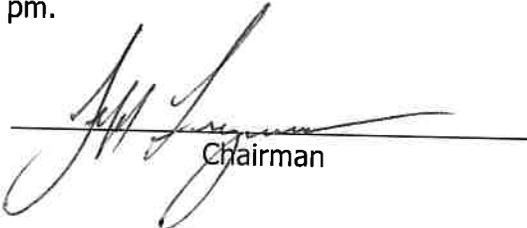
The Board went into Executive Session at this time to discuss legal issues, Vogtle update and personnel. The recommendation made on how HEMC moves forward regarding the NGN internal audit gained unanimous consensus and direction was given to the NGN Board Members representing HEMC to vote on behalf of the HEMC Board at the next NGN Board Meeting.

Information items were presented per the agenda.

There were no reports from Directors.

The meeting was adjourned at 7:45 pm.


Secretary


Chairman