MINUTES OF THE WEST VIRGINIA ENTERPRISE RESOURCE PLANNING BOARD
November 2, 2015

In Accordance with Chapter 12, Article 6D, Section 1, of the West Virginia Code, a meeting of the West Virginia Enterprise Resource Planning Board (WV ERP) was held on November 2, 2015, in the Governor's Cabinet and Conference Room, Building 1, Suite 10, Capitol Complex, Charleston, West Virginia. Due notice was given of the meeting and filed with the Secretary of State for publication in the State Register. The meeting was chaired by Governor Earl Ray Tomblin, and called to order at 10:00 a.m.

I. Call to Order and Roll Call of Members

A silent roll call was taken with a quorum present consisting of the following Board Members:

Earl Ray Tomblin - Governor
Glen B. Gainer III – State Auditor
John Perdue – State Treasurer

Also in attendance were:

Josh Stowers – Treasurer's Office
Charlie Lorensen –Governor's Office
Jason Pizatella – Governor's Office
Todd Childers, ERP Planning Board
Fred Thomas, ERP Planning Board
Rick Pickens, ERP Planning Board
Randy Meek, ISG
Tom Augustine, CGI
Mike Clair – CGI
Mike McKown, State Budget Office
Lisa Hopkins, WVSAO
Lora Dyer, WVSAO
Andrea Bower, WVSAO
Nancy Pennington, WVSAO
Ross Taylor, Administration

II. Approval of Minutes of August 5, 2015 Meeting

Governor Tomblin made a Motion to approve the Minutes of the August 5, 2015, Enterprise Resource Planning Board meeting. The Auditor moved and the Treasurer seconded, and the Motion carried unanimously.

III. New Business

Governor Tomblin entertained a Motion to delay Wave 2 of the Phase D Human Resources/Payroll Time and Leave Management. Treasurer Perdue provided the Governor and Auditor with a copy of Resolution #10. The Resolution will delay the project conversion to biweekly pay for Wave 2 employees. This will allow time to address these concerns until further notice for the other employees who remain in the semimonthly pay status. The Board directed the PMO and the Project Team to minimalize any costs associated with addressing the concerns to extend, if possible.

Governor Tomblin acknowledged the Motion made by the Treasurer and invited a second on the matter. Auditor Gainer offered a "conditional" second.

The Auditor stated that he had some things he would like to address in regard to the Motion before the vote. He stated that he would second under that condition.

The Treasurer asked him to continue.

The Auditor stated the following on the record: This issue has been played out in the press, it's been played out upstairs. A lot has been said about whether or not the Board utilized proper methodology in converting to biweekly pay. He stated that he believed the forum did utilize the proper methodology and that he believed the Board showed; and, that the record showed, that extreme caution was used in making the decision and that in fact, the first decision was to stay with semimonthly. The Auditor remarked that it may have been forgotten but that was what was worked on. He asked the following question to make sure he addressed the issue correctly: "Mr. Treasurer, when you sent us your letter, was your concern concerning the .0064 issue, or was it the 27th pay issue?"

The Treasurer responded: "My concerns were about both in a way because I felt that many concerns had been raised by the Legislature and state employees and I just thought we should take a stronger look at this and that's why I'm in favor of this delay."

The Auditor responded to the Treasurer's statement: "At the time you submitted your letter of concern, the 27th pay issue had not been raised by the Legislature, which is why I'm somewhat confused by your letter. But to me, it's disheartening that this issue has been raised to the level of the political nature that it's in. I'm proud of our public employees, I stand with our public employees. They're the ones that plow our roads in the winter time, they're the social workers that go in and remove kids from bad situations in the middle of the night, they're the police officers that protect us in our homes and to play political games with pay I believe is beyond any pale of correct politics.

But, that being said, when we made this Motion and moved to biweekly pay it was our intention to make sure every employee was paid for every hour worked and every day worked. We talked about the 27th pay...for over a year we talked about the 27th pay. This Board, as did our Steering Committee, as did our work groups...we talked about this 27th

pay. In fact, there's been a lot of issues raised about EPICS. EPICS utilized the 260 work day, 2,080, or 1,950 or 1,820 work hours in determining when we made payout of all public employees for overtime purposes. We've always used the 260 workday. What our precedent has been that we have always utilized that, so when this Board made the decision to move to biweekly pay, why would we not have used the same hourly rate for public employees that we have always used. What we always have done. Now, let me go through the timeline because I think this is important that the press and everybody hear this correctly.

On May 9, 2012, the Steering Committee met for the first time to discuss payroll standardization. They met again on April 12, 2012, and finally on May 17, 2012. The Steering Committee, which is made up of representation from the Legislature, all interested stakeholders, and including representatives of our collective offices. They made the recommendation to us based on what they were provided and the information they had gathered themselves and from our consultants that they recommended to us to move to biweekly pay.

We as an ERP Board met on May 30, 2012, and began the discussion. We recessed that meeting until June 6, 2012, to allow for time for your Chief of Staff at that time to go back and consult with other stakeholders on this issue. And in fact, on June 6, 2012, we met and we as a Board voted to stay with semimonthly pay. One thing happened shortly thereafter in that we delayed this entire project by one year, which gave us and the Steering Committee time to revisit this issue. And in fact, and I want to read just to make sure I do not misquote anybody, but the Steering Committee, and this was a statement made in the Steering Committee by the Senate's representative, the Senator that represented the Senate at that time on the Steering Committee went on record to state that he did not agree with the decision of this Board because he believed it was going to be a more costly option in the long run and it would not provide standardization that would be helpful to state agencies. That comment was seconded by the Higher Ed representative at the meeting and they asked us to continue to restudy this biweekly pay, and we did, and the Steering Committee did.

It was not until April 25, 2013, that this Board reversed our decision from semimonthly to biweekly. And so we made this decision on April 25, 2013. We have a standardization work group which included representatives once again from the Legislature and all interested stakeholders that met and worked on the standardization of biweekly pay. How to handle the 27th pay issue. All of those things were covered in those meetings. On October 3rd they finished their work on the standardization procedures. In that meeting the Legislative Auditor herself received the final report and on October 7th sent an email back stating that it all looked good. Now that was the direction we had from our stakeholders and the Legislative Auditor at that time.

What changed between October 7, 2003, when we began the standardization and moved to biweekly pay to today? Nothing other than the political change in the Legislature and that's why I say this issue has become political in nature. Because the Legislative Auditor herself two years ago, after fully vetting this issue, was comfortable with the decision that we had made. And, I believe we as a Board were comfortable with the decision we had made. This is another situation, as far as I'm concerned, where we are chasing pennies with dollars.

I've provided you with two charts. I want to show you two charts, I put big ones up here so the audience can see. The Legislative Auditor raised issues to the Legislature Post-Audit Committee that we would be in violation of statute §6-7-1 and §12-3-13. I've run the numbers. I've run our methodology as we've stated it and I've run the methodology based on the recommendation of the Legislative Auditor. Both in 2020 employees will see more money in their paycheck both ways. We're talking about a four cents an hour difference between the two methodologies. In addition, in 2020 this has zero impact on the State's budget. It's not until Fiscal Year 2023 where we see what we're going to have to appropriate a 27th pay.

Let me tell you something...we're going to have to appropriate a 27th pay in 2020 anyway if we stay on biweekly pay because we're going to have a 27th pay in 2023.

But even...and this is why I asked you the question Mr. Treasurer...if you look at this chart right here, under our methodology when we converted our employees we understood because timing is everything, that employees on their W-2 during that year of conversion would see, and this is based on a $27,990 employee, the employee would see $179.40 less reflected on their W-2 at the end of the year. However, the next four running 26-pay years they would see 100% of their salaries on their W-2's and then in 2020, they would receive a 27th pay that would increase their W-2 by $1,076.58. Using the methodology as shown to us by the Legislative Auditor, that first year of conversion would not be $179.40 less on the W-2, it would be $234.75 reflected less on the W-2. And then the next four running years it would be $95.79 less reflected on the W-2. I don't know how that is not in conflict with 6-7-1? And at the end of the year they're going to see $977.06 more reflected on their W-2 and the difference between our conversion method and their conversion method is $359.15 compared to $897.18.

Now, the third and final option, and I believe it's the only other legal option available to this Board, would be to do a stub pay if we do believe that calendar year believes something...I don't believe that it does. I believe that when we moved to biweekly we went to a running 26-pay cycle, and that we made the decision to pay employees for everyday worked. The only other option that we could adopt right now without the Legislature specifically giving us a different methodology would be option three. Where we would stub pay we're saying that the calendar year means something. We would stub pay employees $179.40. This year, those that have been converted and we would pay them and they would receive their $27,990, paid out over 26 equal payments and then when we get to year 2020, we would take that salary and divide it by 27 or lower their hourly rate for every hour worked that year. I believe the methodology we adopted and that methodology are the only two that are currently legal under labor law as its written today.

So, as we make this decision to delay, which is going to cost us money, it's just a matter of how much money, that is going to cost us money that we need to remember that we're going to expend money and we're making that decision to do so. And I'm not inclined... I don't believe we did anything wrong. I believe we're being asked to chase pennies with dollars and it's real dollars that it's going to cost taxpayers of the State if we delay. I'll be honest with you, we were either wrong two years ago when everybody signed off and was in agreement, or we're wrong today. I think we were right two years ago and I think we're right today with the methodology we've adopted. That's just my position. I think we were right. But with that, I did second the Treasurer's Motion."

Governor Tomblin stated the following: "The question before the Board is to the Motion to delay Wave 2. All those in favor of the Motion will say "Aye"."

Treasurer responded: "Aye".

The Governor: "Those opposed "No" (no one responded). The Aye's have it."

IV. Adjournment

As there was no further business before the Board and the Chairman moved to adjourn the meeting. The Treasurer seconded, and the Motion carried unanimously. The meeting adjourned at 10:20 a.m.

Prepared by:

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State Auditor Glen B. Gainer III
Board Secretary

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Governor Earl Ray Tomblin, Chair