

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

JUNE 25, 2015

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular business meeting on Thursday, June 25, 2015, at 7:00 PM in Council Chambers at the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard.

Board Members present: John A. Young, Chair; Michael M. Hughes, P.E., Vice Chair; Heather Payne, Secretary; Terri Buckner; Stephen (Steve) Dear; Quinton Harper; and David (Dave) Moreau. Board Members absent: Ruchir Vora and Amy Witsil.

OWASA staff present: Ed Kerwin; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Andrea Orbich; Ruth Rouse; Todd Taylor; Stephen Winters; and Robert Epting, Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, and Kristin Blank-White, University of North Carolina at Chapel Hill; John Dorward, Executive Director of the Inter-Faith Council for Social Service; Robert Morgan, Carrboro resident; Travis Myren, Deputy Orange County Manager; Jeff Masten and Carol Rosenfeld, Durham residents.

There being a quorum present, Chair John Young called the meeting to order.

* * * * *

MOTIONS ACTED UPON

1. Heather Payne made a motion to approve the Minutes of the May 28, 2015 Public Hearing and Meeting of the Board of Directors as amended on page 3 to read Petitions and Requests, “Mr. Tony Blake, White Cross Volunteer Fire Department, and Mr. Bill Waddell, Orange Grove Volunteer Fire Department, petitioned the Board regarding the feasibility of using OWASA water installing fire hydrants on Highway 54 West in Orange County to improve firefighting capabilities in that area.” Second by Quinton Harper and unanimously approved.
2. Heather Payne made a motion to approve the Minutes of the June 11, 2015 Meeting of the Board of Directors; second by Terri Buckner and unanimously approved.
3. Heather Payne made a motion to approve the updated Schedule of Employee Classification and Compensation, increasing each pay grade by 3%, and that the Schedule remain in effect until further modification by the Board of Directors; second by Michael Hughes and unanimously approved.

4. Heather Payne made a motion to approve increasing the base pay of any employee who would be paid less than the minimum of the newly established pay ranges to the minimum of the pay range; second by Terri Buckner and unanimously approved.
5. Terri Buckner made a motion to approve increasing the base pay by \$1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.
6. Terri Buckner made a motion to approve a one-time pay increase of \$1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.
7. Heather Payne made a motion to approve a merit increase of 3% for employees receiving a performance review rating of "Successful," and a merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Dave Moreau; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed.
8. Heather Payne made a motion to approve a one-time merit increase of 3% for employees receiving a performance review rating of "Successful," and a one-time merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Michael Hughes; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed.
9. Terri Buckner made a motion to approve a merit increase of 1.5%, plus a \$1,000 one-time bonus for employees receiving a performance review rating of "Successful" and a merit increase of 3%, plus a \$2,000 one-time bonus, for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.
10. Terri Buckner made a motion that the adjustments in Motions 3 and 4 be effective November 2, 2015; second by Dave Moreau and unanimously approved.

* * * * *

ANNOUNCEMENTS

Conflict Of Interest

John Young said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time. There were none.

Robert Morgan Appointed

Mr. Young announced that on June 16, 2015, the Carrboro Board of Aldermen appointed Robert Morgan to the OWASA Board of Directors. Mr. Morgan's term is July 1, 2015 through June 30, 2018.

Amy Witsil and Steve Dear

On behalf of the Board of Directors, Mr. Young acknowledged and thanked Amy Witsil and Steve Dear for their service on the OWASA Board. Their terms will expire on June 30, 2015.

New Board Member Orientation

Mr. Young said that a new Board Member Orientation meeting is scheduled for Wednesday, July 1, 2015 at 2:00 PM in the OWASA Board Room for Jeff Danner and Robert Morgan.

Travis Myren

Ed Kerwin introduced Travis Myren, Orange County's new Deputy County Manager.

Scope of Work for the Employee Total Compensation Study

Mr. Kerwin recommended that in the July 9th Work Session agenda item on Scope of Work for the Employee Total Compensation Study (Study), the first step be to establish the Board's compensation philosophy rather than seeking to define the scope of work for the entire Study. With this step completed, the Board and staff will be able to identify strategies and specific work tasks to include in the scope of work to meet the Board's expectations for the Study. Mr. Kerwin noted that John Anzivino, Springsted's Project Manager, will be in attendance at the meeting.

The Board supported staff's recommendation.

PETITIONS AND REQUESTS

John Young asked for petitions and requests from the public, Board and staff; there were none.

ITEM ONE: MINUTES

Heather Payne made a motion to approve the Minutes of the May 28, 2015 Public Hearing and Meeting of the Board of Directors as amended on page 3 to read Petitions and Requests, "Mr. Tony Blake, White Cross Volunteer Fire Department, and Mr. Bill Waddell, Orange Grove Volunteer Fire Department, petitioned the Board regarding the feasibility of using OWASA water installing fire hydrants on Highway 54 West in Orange County to improve firefighting capabilities in that area." Second by Quinton Harper and unanimously approved. Please see Motion No. 1 above.

ITEM TWO: MINUTES

Heather Payne made a motion to approve the Minutes of the June 11, 2015 Work Session of the Board of Directors, second by Terri Buckner and unanimously approved. Please see Motion No. 2 above.

ITEM THREE: BASELINE ASSESSMENT OF ENERGY USE AND MANAGEMENT EFFORTS AND POTENTIAL GOALS AND OBJECTIVES FOR THE ENERGY MANAGEMENT PLAN

Patrick Davis, Sustainability Manager, provided a presentation about OWASA's past energy use, energy efficiency improvements in recent years and possible goals for the energy management plan. Energy management is a priority in the Board's Strategic Plan.

The Board supported the draft objectives for the plan, which are: reduce use of purchased electricity by 35% by calendar year 2020 compared to the 2010 baseline; reduce use of purchased natural gas by 5% by calendar year 2020; and beneficially use all wastewater treatment plant biogas by 2022, provided the preferred strategy is expected to have a positive payback within the expected useful life of the required equipment. Staff will work to evaluate strategies to achieve the draft objectives, will continue to inform customers and other stakeholders and will receive comments as OWASA's energy management plan is developed in coming months.

ITEM FOUR: 12-MONTH PROGRESS REPORT ON AFFORDABILITY OUTREACH PILOT PROJECT

Steve Dear, Chair of the Board's Community Engagement Committee, said the Committee recommends that our affordability outreach efforts no longer be considered a pilot project, but be supported as an ongoing permanent program.

Patrick Davis, Sustainability Manager, provided a presentation on this project, which is a key strategic theme for the Board of Directors.

John Dorward, Executive Director of the Inter-Faith Council for Social Service, expressed appreciation from the community to the Board and staff for their work to improve water and sewer service affordability in the community.

Terri Buckner thanked John Dorward for his assistance in obtaining a new logo for the Care to Share program.

The Board agreed with the Committee's recommendation and requested that staff continue to work with partner agencies to develop a proposed plan including an evaluation of resource needs and strategies to implement a permanent affordability outreach program.

ITEM FIVE: REVIEW INFORMATION AND OPTIONS FOR EMPLOYEE MERIT PAY FOR FISCAL YEAR 2016

John Young lead the discussion by suggesting the Board discuss the following questions:

- Leadership team and other employees in “higher” pay scales – does the Board want to increase competition in the labor market or trim back to reduce operating expenses and pass the savings back to customers?
- Lower pay scale employees – does the Board want to view compensation above and beyond the labor market to achieve a more socially equitable outcome and increase operating expenses and pass that on to customers?
- Does the Board want to implement a one-time adjustment rather than permanent increases in salaries?
- Should the Board continue the current compensation policy or proceed with a different approach?

Terri Buckner said there should be a distinction between salary structure and merit and that she prefers a flat pay increase for all employees. Ms. Buckner had no preference on a one-time adjustment or permanent increase in salaries.

Michael Hughes agreed with Ms. Buckner about separating cost of living and merit for employees and said the pay scales should be increased by the same percentage. He agreed with the same percentage for cost of living, but said that merit increases should be percentage-based and should be a one-time adjustment for employees who are successful or exceptional. Mr. Hughes said he would entertain a different approach on the compensation policy.

Heather Payne said the Board should adhere to the current policy and guidelines the Board approved until a new policy is adopted by the Board.

Dave Moreau said pay scales should be adjusted proportionally including cost of living, and OWASA should distribute merit pay as a one-time adjustment.

Steve Dear said he could support any of the suggestions but feels the Board needs to establish a compensation philosophy.

Quinton Harper said he prefers separating wage and merit increases as well as a one-time adjustment.

Mr. Young said that the pay scales should be adjusted for cost of labor, that he supports a percentage increase for all employees, a one-time adjustment is preferred, and that he supports the current Board policy.

Heather Payne made a motion to approve the updated Schedule of Employee Classification and Compensation, increasing each pay grade by 3%, and that the Schedule remain in effect until

further modification by the Board of Directors; second by Michael Hughes and unanimously approved. Please see Motion No. 3 above.

Heather Payne made a motion to approve increasing the base pay of any employee who would be paid less than the minimum of the newly established pay ranges to the minimum of the pay range; second by Terri Buckner and unanimously approved. Please see Motion No. 4 above.

Terri Buckner made a motion to approve increasing the base pay by \$1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 5 above.

Terri Buckner made a motion to approve a one-time pay increase of \$1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 6 above.

Dave Moreau made a motion to approve a cost of labor increase of 2.5% to all employees receiving a performance review rating of "Successful" or "Exceptional," plus a one-time pay increase of \$1,500 for employees receiving a performance review rating of "Successful," and a one-time pay increase of \$3,000 for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; there was no second and the motion failed.

Heather Payne made a motion to approve a merit increase of 3% for employees receiving a performance review rating of "Successful," and a merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Dave Moreau; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed. Please see Motion No. 7 above.

Heather Payne made a motion to approve a one-time merit increase of 3% for employees receiving a performance review rating of "Successful," and a one-time merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Michael Hughes; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed. Please see Motion No. 8 above.

Terri Buckner made a motion to approve a merit increase of 1.5%, plus a \$1,000 one-time bonus, for employees receiving a performance review rating of "Successful" and a merit increase of 3%, plus a \$2,000 one-time bonus, for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 9 above.

Terri Buckner made a motion that the adjustments in Motions 3 and 4 be effective November 2, 2015; second by Dave Moreau and unanimously approved. Please see Motion No. 10 above.

The attached Resolution Updating the Schedule of Employee Classification and Authorized Compensation and Adjusting Affected Employees' Compensation to the Minimum of the Pay Range incorporates the actions approved in Motions No.'s 3, 4 and 11, and is included to represent the actions by the Board in resolution form.

After much discussion, the Board agreed to continue consideration of the amount and method for employee pay increases at a future meeting. The Board requested that the Executive Director communicate to all employees the Board's intention to provide pay increases for employees rated "Successful" or "Exceptional" in the October 2015 performance review, and that the amount and method for the pay increase is to be decided.

ITEM SIX: EXECUTIVE DIRECTOR WILL SUMMARIZE THE KEY ACTION ITEMS FROM THE BOARD MEETING AND NOTE SIGNIFICANT ITEMS FOR DISCUSSION AND/OR ACTION EXPECTED AT THE NEXT BOARD MEETING

Ed Kerwin summarized the meeting as follows:

- Staff will continue to evaluate strategies to achieve the draft objectives and continue to inform customers and other stakeholders on OWASA's energy management plan;
- Community Engagement Committee and staff will work to develop a proposed plan to move the affordability pilot project into an ongoing plan that includes an evaluation of resource needs and strategies for implementation;
- Executive Director will communicate to all employees the Board's intention to provide pay increases for employees rated "Successful" or "Exceptional" in the October 2015 performance review, and that the amount and method for the pay increase is to be decided;
- Staff will send the Board a Doodle poll to determine attendance at the Board's September 10th, September 24th and October 8th meetings and the information will be used to schedule the Board's continued discussion and possible action on Employee Pay for Fiscal Year 2016;
- July 9, 2015 Work Session will include the following:
 - o Jeff Danner, Chapel Hill appointee to the Board, will take the Oath of Office;
 - o Discuss and review the draft Scope of Work for the Employee Total Compensation Study regarding compensation philosophy;
 - o Revisit Board Members' suggestions regarding lake recreation activities; and
 - o Discuss priorities and work schedules for key initiatives.

Steve Dear expressed his appreciation and thanks to the Board and staff and gave a book, *Paris Sewer and Sewermen: Realities and Representations* by Donald Reid, as a parting gift.

ITEM SEVEN: WORK SESSION

Without objection, the Board of Directors convened in a Work Session in the First Floor Conference Room for the purpose of discussing the results of the 2015 Board Self-Assessment.

The Board agreed to continue discussing this topic on July 9, 2015.

The meeting was adjourned at 10:40 PM.

Respectfully submitted,

A handwritten signature in black ink that reads "Andrea Orbich". The signature is written in a cursive style with a large initial 'A'.

Andrea Orbich

Executive Assistant/Clerk to the Board

Attachments

**RESOLUTION UPDATING THE SCHEDULE OF EMPLOYEE CLASSIFICATION
AND AUTHORIZED COMPENSATION AND ADJUSTING AFFECTED EMPLOYEES'
COMPENSATION TO THE MINIMUM OF THE PAY RANGE**

WHEREAS, the Orange Water and Sewer Authority maintains a Schedule of Employee Classification and Authorized Compensation which provides the appropriate number of properly classified and compensated employees to efficiently and effectively fulfill the organization's duties and responsibilities; and

WHEREAS, the Board of Directors has determined that it is reasonable and prudent in achieving and maintaining competitiveness in the market to increase the pay ranges in the Schedule of Employee Classification and Authorized Compensation:

NOW THEREFORE, BE IT RESOLVED:

1. That the Board of Directors hereby approves the updated Schedule of Employee Classification and Compensation increasing each pay grade by 3% and it shall therefore remain in effect until further modification or revision by the Board of Directors.
2. That the Board of Directors hereby approves increasing the base pay of any employee who would be paid less than the minimum of the newly established pay ranges, to the minimum of the pay range after any applicable merit increase.
3. That the aforementioned pay range adjustments will be effective November 2, 2015.

Adopted this 25th day of June 2015.



John A. Young, Chair

ATTEST:



Heather Payne
Secretary