

Orange Water and Sewer Authority
Meeting of the Board of Directors
December 14, 2017

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in a work session on Thursday, December 14, 2017, at 6:00 p.m. in OWASA's Community Room, 400 Jones Ferry Road, Carrboro.

Board Members present: Robert Morgan (Chair), Heather Payne (Vice Chair), Yinka Ayankoya (Secretary), Jeff Danner, Ray DuBose, Barbara Foushee, John N. Morris and John A. Young.
Board Member absent: Ruchir Vora.

OWASA staff present: Mary Darr, Robert Epting, Esq., (Epting and Hackney), Stephanie Glasgow, Randy Horton, Ed Kerwin, Andrea Orbich, Ruth Rouse, Kelly Satterfield, Todd Taylor, Stephen Winters and Richard Wyatt.

Others present: Margaret Holton (UNC Water, Sewer and Reclaimed Water Coordinator).

Motions

1. Heather Payne made a motion to approve the Minutes of the October 26, 2017 Meeting of the Board of Directors; second by Barbara Foushee and unanimously approved.
2. Heather Payne made a motion to approve the Minutes of the October 26, 2017 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter; second by Barbara Foushee and unanimously approved.
3. Heather Payne made a motion to approve the Minutes of the November 9, 2017 Work Session of the Board of Directors; second by Barbara Foushee and unanimously approved.
4. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopts the Resolution Updating the Pay Administration Guidelines with the following stipulations:
 - strike the last paragraph of the Individual Movement Through the Range Based on Performance, of the Pay Administration Guidelines;
 - that General Counsel and staff will re-word the language of the Pay Administration Guidelines clarifying that the Board of Directors will make a decision each year regarding merit increases;
 - specify that “Meets Expectations” category receive salary increase one-times the annual merit increase; specify that “Exceeds Expectations” category receive a salary increase of one and one-half times the annual merit increase; and “Exceptional” category receive a salary increase of two times the annual merit increase;

- and that the percentage of employees that may qualify for “Exceptional” be increased to 15% and that the total of “Exceptional” and “Exceeds Expectations” should not exceed 40% of the organization.

(Motion by John Young, second by Heather Payne and unanimously approved.)

5. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopts the Resolution to Amend the Schedule of Employee Classification and Authorized Compensation to Reclassify the Public Affairs Administrator Position to a Communications and Community Relations Officer Position. (Motion by Jeff Danner, second by Barbara Foushee and unanimously approved.)

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Announcements

Robert Morgan asked if any Board Member knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight to disclose the same at this time; none were disclosed.

John Young said the Natural Resources and Technical Services (NRTS) Committee met on December 5, 2017, to discuss two topics: potential biogas-to-energy project and drought planning. The NRTS Committee and other Board Members agreed to recommend to the Board that as part of the February 2018 update of the Energy Management Plan, OWASA should not invest money for consultants for the design and detailed study of biogas-to-energy options. Mr. Young said that it is important to note that this recommendation will result in missing one of the Board’s Energy Management program goals. Under item seven, the NRTS Committee and staff will recommend that the NRTS Committee and staff continue work to improve the Drought Response Operating Protocol (DROP) which could lead to a new draft for the Board’s consideration.

Barbara Foushee said the Human Resources (HR) Committee met on November 16, 2017, to discuss employee compensation strategies for the performance period of October 1, 2017 through September 30, 2018, retiree health benefits for new hires, and deferred compensation (457) plan. The HR Committee’s recommendation on Alternative Compensation Strategies is included in item four of tonight’s agenda for discussion. The HR Committee requested additional information on retiree health benefits for new hires and the deferred compensation plan which will be discussed again in early 2018.

John Morris commented that he has visited the OWASA Mitigation Tract, and that OWASA’s forestry management plan for the Mitigation Tract is on target. He also noted the Nature Conservancy has a similar project underway on public lands in Western North Carolina.

Item One: Minutes

Heather Payne made a motion to approve the Minutes of the October 26, 2017 Meeting of the Board of Directors; second by Barbara Foushee and unanimously approved. Please see Motion 1 above.

Item Two: Minutes

Heather Payne made a motion to approve the Minutes of the October 26, 2017 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter; second by Barbara Foushee and unanimously approved. Please see Motion 2 above.

Item Three: Minutes

Heather Payne made a motion to approve the Minutes of the November 9, 2017 Work Session of the Board of Directors; second by Barbara Foushee and unanimously approved. Please see Motion 3 above.

Item Four: Discuss Compensation Strategies for Employee Performance Rating Period
October 1, 2017 through September 30, 2018 and Future Years

Stephanie Glasgow provided an update on the Human Resources (HR) Committee's recommendation regarding "pay for performance" compensation strategies for employees. The Committee's recommendation included providing:

- Salary increases for the top three performance categories of "Exceptional," "Exceeds Expectations" and "Meets Expectations";
- Employees in the top three performance categories receive a salary increase of at least 2.9% above cost of living;
- An increase in the percentage of employees eligible to receive a performance rating higher than "Meets Expectations" from a maximum of 15% to 35%.

John Young said he generally supports the HR Committee's recommendation but suggested that the Board consider: striking the last paragraph of the Individual Movement Through the Range Based on Performance, of the Pay Administration Guidelines on page 4.5 of the agenda material; keep merit increases for "Exceptional" at two-times merit; and increase "Exceptional" performance allocation to 15% of the organization instead of 10%.

After Board discussion, John Young made a motion to adopt the Resolution Updating the Pay Administration Guidelines with the following stipulations:

- strike the last paragraph of the Individual Movement Through the Range Based on Performance, of the Pay Administration Guidelines;
- that General Counsel and staff will re-word the language of the Pay Administration Guidelines clarifying that the Board of Directors will make a decision each year regarding merit increases;

- specify that “Meets Expectations” category receive salary increase one-times the annual merit increase; specify that “Exceeds Expectations” category receive a salary increase of one and one-half times the annual merit increase; and “Exceptional” category receive a salary increase of two times the annual merit increase;
- and that the percentage of employees that may qualify for “Exceptional” be increased to 15% and that the total of “Exceptional” and “Exceeds Expectations” should not exceed 40% of the organization.

Second by Heather Payne and unanimously approved. Please see Motion 4 above.

Item Five: Position Reclassification for the New Strategic Communications Officer Position

After discussion the Board agreed to re-name the position to Communications and Community Relations Officer instead of Strategic Communications Officer.

Jeff Danner made a motion to approve the Resolution to Amend the Schedule of Employee Classification and Authorized Compensation to Reclassify the Public Affairs Administrator Position to Communications and Community Relations Officer; second by Barbara Foushee and unanimously approved. Please see Motion 5 above.

Ed Kerwin said he would distribute the draft recruitment plan and draft job announcement to the Board for review.

Item Six: Analysis of New State Law’s Impact on OWASA’s Service Availability Fees

Stephen Winters provided the Board an update on the new State House Bill 436/Session Law 2017-138 regarding System Development Fees that establishes new guidelines on the way water and sewer utilities calculate one-time fees for new connections. The new law requires the use of one of three calculation methods and defines a process for implementation. Staff recommends OWASA use the Buy-In Method for calculating the new System Development Fees and suggested that implementation be incorporated into OWASA’s budget process in the spring.

The Board agreed with the recommendation and requested that this item be schedule on a future consent agenda in early 2018.

Item Seven: Review Board Work Schedule

John Young, Chair of the Natural Resources and Technical Service (NRTS) Committee, requested that the NRTS Committee and staff continue work to improve the Drought Response Operating Protocol (DROP) which could lead to a new draft for the Board’s consideration; the Board agreed.

John Morris suggested that the information Todd Taylor provided on sediment management pertaining to water pipe breaks be included in the Key Performance Indicators discussion on January 11, 2018; the Board agreed.

The Board agreed to add to the January 25, 2018 consent agenda an item on OWASA's use of the Buy-In Method for calculating the new System Development Fees and that staff will draft communications for the Board Chair to send local governments regarding this item.

Item Eight: Executive Director Will Summarize the Key Staff Action Items from the Work Session

Ed Kerwin said items for staff follow-up are:

- Incorporate approved changes to the Pay Administration Guidelines, e-mail changes to the Board and invite feedback.
- E-mail the Board the draft recruitment plan and draft job announcement for the new Communications and Community Relations Officer position and invite feedback.
- Add System Development Fees to the consent agenda for the January 25, 2018 and draft communications for the Board Chair to send local governments regarding this item.
- Sediment management pertaining to water pipe breaks will be included in the Key Performance Indicators discussion on January 11, 2018.
- Schedule Natural Resources and Technical Services Committee meeting to discuss Drought Response Operating Protocol.
- Schedule Human Resources Committee meeting to discuss retiree health insurance for new hires and 457 deferred compensation.

Item Nine: Closed Session

Without objection, the Board convened in a Closed Session for two purposes: to discuss potential litigation and to discuss a personnel matter.

The Board work session was adjourned at 8:30 p.m.

Respectfully submitted by:



Andrea Orbich
Executive Assistant/Clerk to the Board

Attachments

Resolution Updating the Pay Administration Guidelines

Whereas, the Orange Water and Sewer Authority Pay Administration Guidelines provide a section titled "Individual Movement Through the Pay-Range Based on Performance;" and

Whereas, the Board has determined to revise the Pay Administration Guidelines to provide four rating categories for employees: "Exceptional," "Exceeds Expectations," "Meets Expectations" and "Below Expectations;" and

Whereas, the Board of Directors has determined to provide a salary increase to the top three categories; and

Whereas, up to 40% of the high-performing employees may be rated as "Exceptional" or "Exceeds Expectations" with no more than 15% in the "Exceptional" category; and

Whereas, employees rated as "Exceeds Expectations" or "Exceptional" earn a higher salary increase than employees rated as "Meets Expectations;" and

Whereas, it is the Board's desire for employees meeting the expectations of their position to move from the entry point to the mid-point of their pay range in approximately seven to nine years;

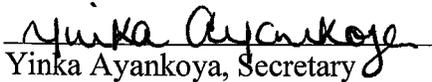
Now Therefore, Be It Resolved by the Orange Water and Sewer Authority Board of Directors:

1. That the Pay Administration Guidelines are amended to reflect a change to the section titled "Individual Movement Through the Pay-Range Based on Performance."
2. That the Pay Administration Guidelines are amended as provided in Attachment A and this amendment shall be effective upon adoption.
3. That assuming sufficient resources are deemed available, the Pay Administration Guidelines shall remain in effect until modified or replaced by subsequent action of the Board of Directors.

Adopted this 14th day of December 2017.


Robert Morgan, Chair

ATTEST:


Yinka Ayankoya, Secretary

Pay Administration Guidelines
Individual Movement Through the Range Based on Performance

Employees will move through the salary range for their position over time based on their performance. It is the Board's desire for employees meeting the expectations of their position to move from the entry point to the mid-point of their pay range in approximately seven to nine years. To accomplish this, annual merit increases for ratings of "Meets Expectations" and above should have increases no less than 2.9% more than the annual cost of labor adjustment (COLA), assuming sufficient resources are deemed available by the Board of Directors (Board).

This performance management system provides four levels of ratings:

- "Exceptional"
- "Exceeds Expectations"
- "Meets Expectations"
- "Below Expectations"

Employees receiving "Exceptional", "Exceeds Expectations" or "Meets Expectations" ratings will be eligible for a merit increase and a COLA increase. Employees rated as "Below Expectations" are not eligible for a salary increase unless they fall below the minimum of their pay-range; since employees must be paid within their pay-range, the increase would only be enough to bring their salary to the minimum.

The Schedule of Classification and Compensation pay-ranges shall increase by the same percentage as the COLA.

Board approved merit increase percentages are provided based on the performance rating received. "Meets Expectations" are eligible for one times (1x) the Board approved merit increase, "Exceeds Expectations" are eligible for 1.5 times (1.5x) the merit increase amount and "Exceptional" earns two times (2x) the merit increase amount, unless otherwise determined by the Board.

The merit pay increases are illustrated below:

Rating	COLA Increase	Merit Increase
"Exceptional"	1x	2x
"Exceeds Expectations"	1x	1.5x
"Meets Expectations"	1x	1x
"Below Expectations"	Not Applicable	Not Applicable

The OWASA executive team will ensure that the number of "Exceptional" and "Exceeds Expectations" does not exceed a total of 40% of the organization, with no more than 15% in the "Exceptional" category.

The Board will annually approve implementation of the COLA and merit increases. However, in any particular year, it may modify Pay Administration Guidelines if it deems that available resources or labor market conditions do not support implementation as prescribed by the Policy.

This Policy shall remain in effect until modified or replaced by action of the Board.

**Resolution to Amend the Schedule of Employee Classification and Authorized
Compensation to Reclassify the Public Affairs Administrator Position to a
Communications and Community Relations Officer Position**

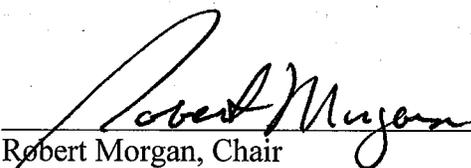
Whereas, the Executive Director has reviewed the duties, functions and responsibilities needed to lead and manage OWASA's strategic communications and community engagement program; and

Whereas, the Executive Director has determined that OWASA would be better served by reclassifying the Public Affairs Administrator position (Grade 618) to a Communications and Community Relations Officer position (Grade 620);

Now Therefore, Be It Resolved by the Orange Water and Sewer Authority Board of Directors:

1. That the Public Affairs Administrator position (Grade 618) is hereby reclassified to a Communications and Community Relations Officer position (Grade 620), and that the Schedule of Employee Classification and Authorized Compensation shall be amended to reflect this change effective upon adoption of this Resolution.

Adopted this 14th day of December 2017.



Robert Morgan, Chair

ATTEST:



Yinka Ayankoya, Secretary