ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

AGENDA
WORK SESSION OF THE OWASA BOARD OF DIRECTORS
THURSDAY, OCTOBER 13, 2016, 6:00 P.M.
OWASA COMMUNITY ROOM

The Board of Directors appreciates and invites the public to attend and observe its meetings. For the Board's Work Session, public comments are invited on only items appearing on this agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within a four minute time frame allowed each speaker.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - 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.

b. Announcements by Board Members
   - Update on the October 11, 2016 Human Resources Committee (Robert Morgan)

c. Announcements by Staff

REGULAR AGENDA

Discussion

1. Discussion of OWASA's Capital Improvements Program Investment Practices (Mary Darr)
2. Discussion of Alternative Employee Compensation Strategies (Robert Morgan/Stephanie Glasgow)
3. Review Board Work Schedule (John Young/Ed Kerwin)
   a. Request(s) by Board Committees, Board Members and Staff
      - September 13, 2016, Executive Committee Meeting Summary
   b. October 27, 2016 Board Meeting
   c. November 10, 2016 Work Session
   d. 12 Month Board Meeting Schedule
   e. Pending Key Staff Action Items

Summary of Work Session Items

4. Executive Director will summarize the key staff action items from the Work Session

CLOSED SESSION

5. The Board of Directors will convene in a Closed Session for the Purpose of Discussing a Personnel Matter (Robert Morgan)

Agenda Item 1:

Discussion of OWASA's Capital Improvements Program (CIP) Investment Practices

Purpose:

Receive the Board's guidance on the *OWASA Capital Improvements Program Investment Practices*.

Background:

- The review of our CIP investment practices as part of the budget development process is included in Strategic Initiative 3 of the *OWASA Strategic Plan* adopted on June 9, 2016.
- At the January 28, 2016 Board meeting, the Board of Directors discussed the *Draft OWASA Asset Management Program Report,* CIP investment practices, and service level targets. Staff incorporated the Board's feedback into the *Final OWASA Asset Management Program Report* dated March 2016.
- At the February 25, 2016 Board meeting, the Board requested a summary document of OWASA's CIP investment practices.
- Staff has prepared the attached *OWASA Capital Improvements Program Investment Practices* as requested by the Board.

Action Requested:

Discuss the *OWASA Capital Improvements Program Investment Practices* and provide guidance to staff as desired.

Information:

- *OWASA Capital Improvements Program Investment Practices*

ORANGE WATER AND SEWER AUTHORITY
CAPITAL IMPROVEMENTS PROGRAM INVESTMENT PRACTICES
OCTOBER 5, 2016

PURPOSE

This document provides a high level summary of: 1) the asset management tools and practices staff uses to develop and execute the Capital Improvements Program (CIP), and 2) the approval and oversight functions the Board of Directors (Board) has with respect to the CIP. The review of our CIP investment practices as part of the budget development process is included in Strategic Initiative 3 of the *OWASA Strategic Plan* adopted on June 9, 2016.

BACKGROUND

OWASA owns, operates, and maintains a complex system of assets distributed across our service area. Comprehensive asset management is essential to the sustainable operation of the water, sewer, and reclaimed water systems serving the Carrboro-Chapel Hill community. Capital investments are an integral part of OWASA's asset management practices, which are documented in the *Asset Management Program Report*.

OWASA's CIP investment practices were developed over several years utilizing industry best practices. These practices and the associated tools are periodically updated, refined and improved as part of OWASA's commitment to continuous improvement.

The Board's oversight and governance of the CIP, represented schematically (in red) in the attached Figure 1 - Capital Investment Cycle, are an integral part of the CIP's development and execution. The Board reviews and approves the Five-Year Capital Improvements Program and budget; adopts policies and guidelines applicable to the execution of CIP projects; and reviews trends, levels of service and performance. These practices help ensure that OWASA is making the right investment at the right time to sustain the community's infrastructure.

CAPITAL IMPROVEMENTS PROGRAM INVESTMENT PRACTICES

CIP Development and Approval

CIP investment practices and the associated tools are a key component of the asset management program, as documented in OWASA's *Asset Management Program Report.* This report is a living document that is updated annually and summarizes our comprehensive asset management program.

Capital project needs are identified by hydraulic models, risk/prioritization models, OWASA's Energy Management Program, master planning studies, condition assessment, staff observations, regulatory or contractual requirements, repair and maintenance work order evaluation, community feedback, and strategic planning. After CIP projects are identified, a staff team prioritizes projects using a weighted criteria model. In addition to the results of this project prioritization, staff accounts for project interrelationships, coordination with other entities

(Towns, DOT, etc.), project implementation considerations, and other external schedule constraints when programming projects into the CIP.

OWASA's *Capital Improvements Program* is updated annually and summarizes planned capital investments for a 5-year period. For long-term financial planning purposes, the CIP extends out 15-years to include projects outside of the five year window. As part of the annual budget approval process, the Board reviews the draft CIP document in March and afterwards holds a public hearing to receive customer feedback. The Board reviews and approves the Final CIP document in June and concurrently establishes funds for projects identified for the first fiscal year of the Program.

CIP Execution and Reporting

Executed CIP projects comply with several Board-adopted policies and documents pertaining to community engagement, procurement, minority business participation, and financial management and reporting. This guidance ensures that staff is acting in accordance with the Board's goals and objectives, as well as applicable regulations (e.g., Board review and award of formal construction contracts exceeding $500,000).

Throughout the year, staff reports to the Board on various aspects of CIP program execution, including the Semiannual CIP Status Report (which includes both program metrics and project-specific budget and schedule variance information), quarterly reports on CIP expenditures and projections, and reports on significant changes to projects (including notification of design contract awards above $300,000 and notification of new and urgent CIP projects with estimated costs over $500,000). Decisions and feedback are received from the Board and incorporated into the CIP. Evaluations of projects are also solicited from impacted customers as part of the community engagement plans. Staff reviews customer feedback and improves processes accordingly.

Level of Service Evaluation and Process Improvement

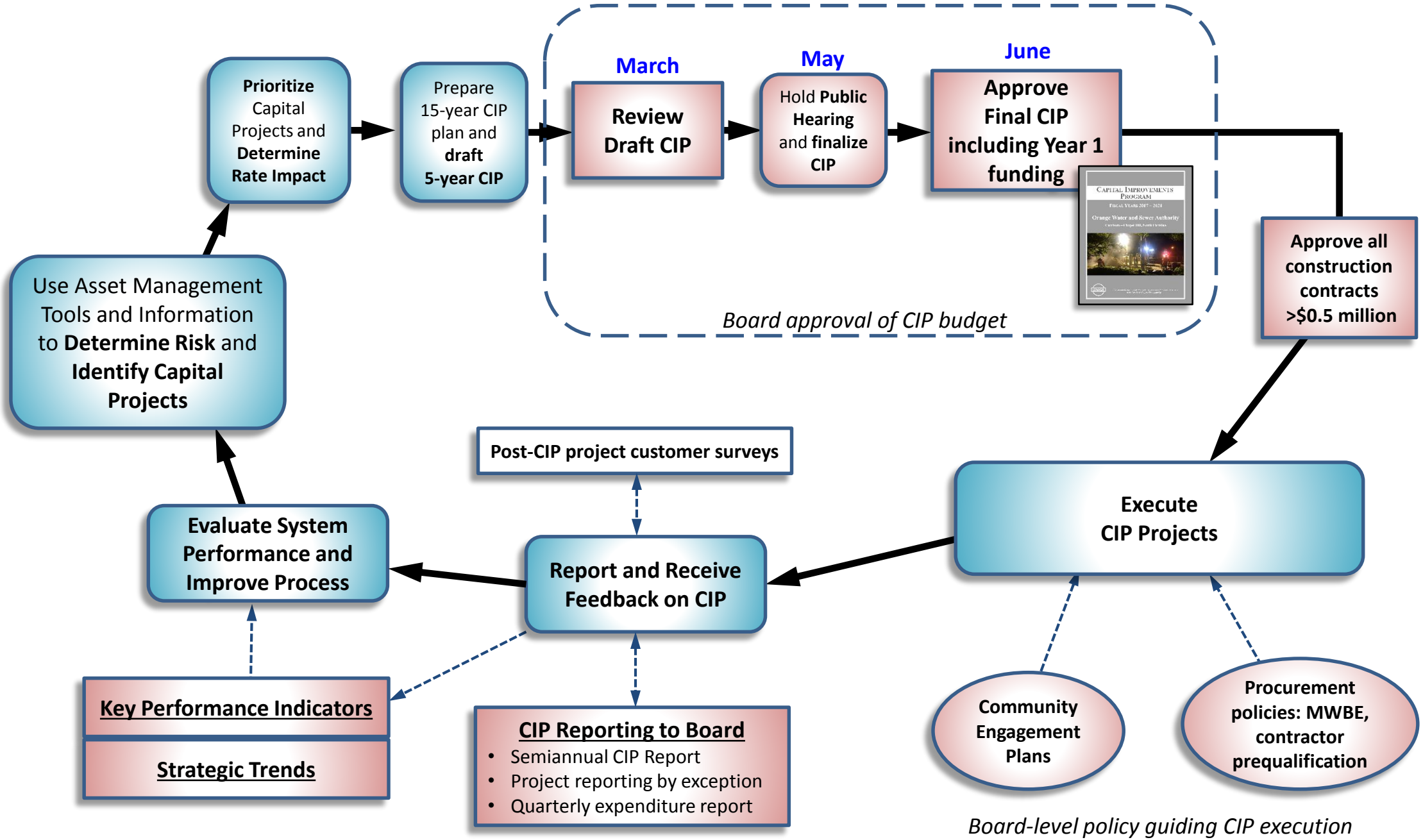
The Board receives a monthly summary of *Key Indicators and Performance Measurements* and an *Annual Review and Update of Strategic Trends and Utility Planning Issues* report every October, both of which include OWASA's levels of service identified in our *Asset Management Program* report. Levels of service are OWASA's stated commitment to provide water, wastewater, and reclaimed water service at specific levels of quality and reliability. The long-term effectiveness of OWASA's CIP and operation and maintenance programs can be assessed by comparing OWASA's historical performance to the service level goals. Staff routinely investigates any unusual or unacceptable performance trends and determines if CIP investments need to be adjusted.

As part of our commitment to continuous improvement, staff reviews and evaluates the CIP process, tools, water, wastewater and reclaimed water system performance, expenditures, etc. and makes improvements to the practices in advance of the next capital investment cycle.

SUMMARY

OWASA uses comprehensive asset management together with Board oversight and community engagement to determine the level of capital investment in the community's infrastructure needed to provide reliable and high quality water, wastewater and reclaimed water services to our customers.

Figure 1 – The Capital Investment Cycle



Agenda Item 2:

Discussion of Alternative Employee Compensation Strategies

Purpose:

Board discussion of alternative employee compensation strategies and to provide guidance to the Human Resources Committee and/or staff, as determined by the Board.

Background:

On May 12, 2016, the Board considered the proposed scope of work for Phase 2 of the Employee Total Compensation Study with the consultant and decided to put the work on hold. The Board directed the Human Resources Committee to work with staff to prepare for a Board discussion of compensation alternatives in the fall of 2016.

On August 31, 2016, the Human Resources (HR) Committee met with staff to prepare for a full Board discussion of compensation alternatives at the October 13, 2016 Work Session

As agreed in the August 31, 2016 HR Committee meeting, Ed Kerwin emailed the Board on September 13, 2016 the Draft Outline for Board Discussion of Compensation Alternatives. No questions or suggestions were provided by Board members on the draft outline.

Outline for Board Discussion of Compensation Alternatives:

Robert Morgan will facilitate the Board's discussion.

1. Background – if desired, Stephanie Glasgow will provide an overview of Board/staff action from completion of the Employee Classification and Pay Study in January 2013 to the August 31, 2016 Human Resources (HR) Committee meeting.

2. Tonight's objective – does the Board agree that tonight's objective is for Board and staff to discuss employee total compensation to begin to seek consensus on these high-level questions:
    1) Where are we?
    2) What are the key opportunities to improve?
    3) What will success look like in the future?

NOTE: It is understood that consensus tonight on all three of these questions may not occur. For the October 13th discussion, staff suggest that we seek a common understanding of where we are (question #1). This will be the foundation for high-level discussion on our key opportunities to improve and to define what success will look like in the future.

3. Where are we? – review the information prepared for August 31st HR Committee meeting:
    a) Pay ranges and actual pay
    b) Annual salary percentage relative to range mid-point by years of service
    c) Movement through the salary range
    d) Salary range comparisons
    e) Benefits as percentage of gross pay
    f) Components of total compensation
    g) Attrition

    Review additional information on employee benefits as requested on August 31st by the HR Committee:
    h) Supplemental retirement/457 deferred compensation
    i) Retiree health insurance
    j) Health insurance
    k) Other benefits

    Question: Is additional data required by a majority of the Board to understand and agree on "where are we"? If so, what is needed?

4. Open discussion

    At the August 31st meeting, HR Committee members suggested that the Board consider:
    - Market-based compensation or compensation with differentiating emphasis on social equity?
    - Invest in total compensation (including benefits) above market median to ensure attraction and retention of best-in-class employees?
    - Career path development and employee training
    - Where in market do we want to compete for our job classifications?
    - Study complete package of employee benefits
    - Do bonuses fit into compensation package?
    - Advancement to mid-point of salary range
    - Broader bands and pay ranges

5. Wrap-up/Next steps

    - Summarize key actions from tonight's discussion
    - Seek agreement on next steps to possibly include new guidance to HR Committee and staff
    - Evaluate effectiveness of tonight's meeting (if desired and time permitting)

Information Provided:

Figure 1. Pay Ranges and Actual Pay (page 2.4)
Figure 2. Annual Salary Percentage Relative to Mid-point by Years of Service (page 2.5)
Figure 3. Movement through the Salary Range (page 2.6)
Figure 4. Salary Range Comparison – Utility Mechanic I (page 2.7)
Figure 5. Salary Range Comparison – Customer Service Representative (page 2.7)
Figure 6. Salary Range Comparison – Treatment Plant Operator (page 2.8)
Figure 7. Salary Range Comparison – Maintenance Supervisor (page 2.8)
Figure 8. Salary Range Comparison – Water Supply and Treatment Manager (page 2.9)
Figure 9. Salary Range Comparison – Director of Finance and Customer Service (page 2.9)
Figure 10. Benefits as Percentage of Gross Pay (page 2.10)
Figure 11. Components of Total Compensation (page 2.11)
Figure 12. Total Compensation for Selected Salary Grades (page 2.12)
Figure 13. OWASA Attrition Statistics (page 2.13)
Figure 14. Attrition Statistics Comparison with Area Entities (page 2.13)
Figure 15. Board Approved Salary Increases Since 2012 (page 2.14)
Figure 16. Salary Range Comparison (page 2.15-16)
Figure 17. Benefit Brochure (page 2.17-18)

Attachment 1. January 10, 2013 Board resolution approving Pay Administration Guidelines (page 2.19)
Attachment 2. Agenda Material from June 13, 2013 regarding Retiree Health Insurance (page 2.21)
Attachment 3. July 1, 2013 Board resolution eliminating Service Pay for employees (page 2.44)
Attachment 4. Agenda Material from June 12, 2014 regarding 457 Deferred Compensation (page 2.46)
Attachment 5. Agenda Material from January 14, 2016 regarding Health Insurance (page 2.52)
Attachment 6. Draft Employee Total Compensation Philosophy (page 2.57)

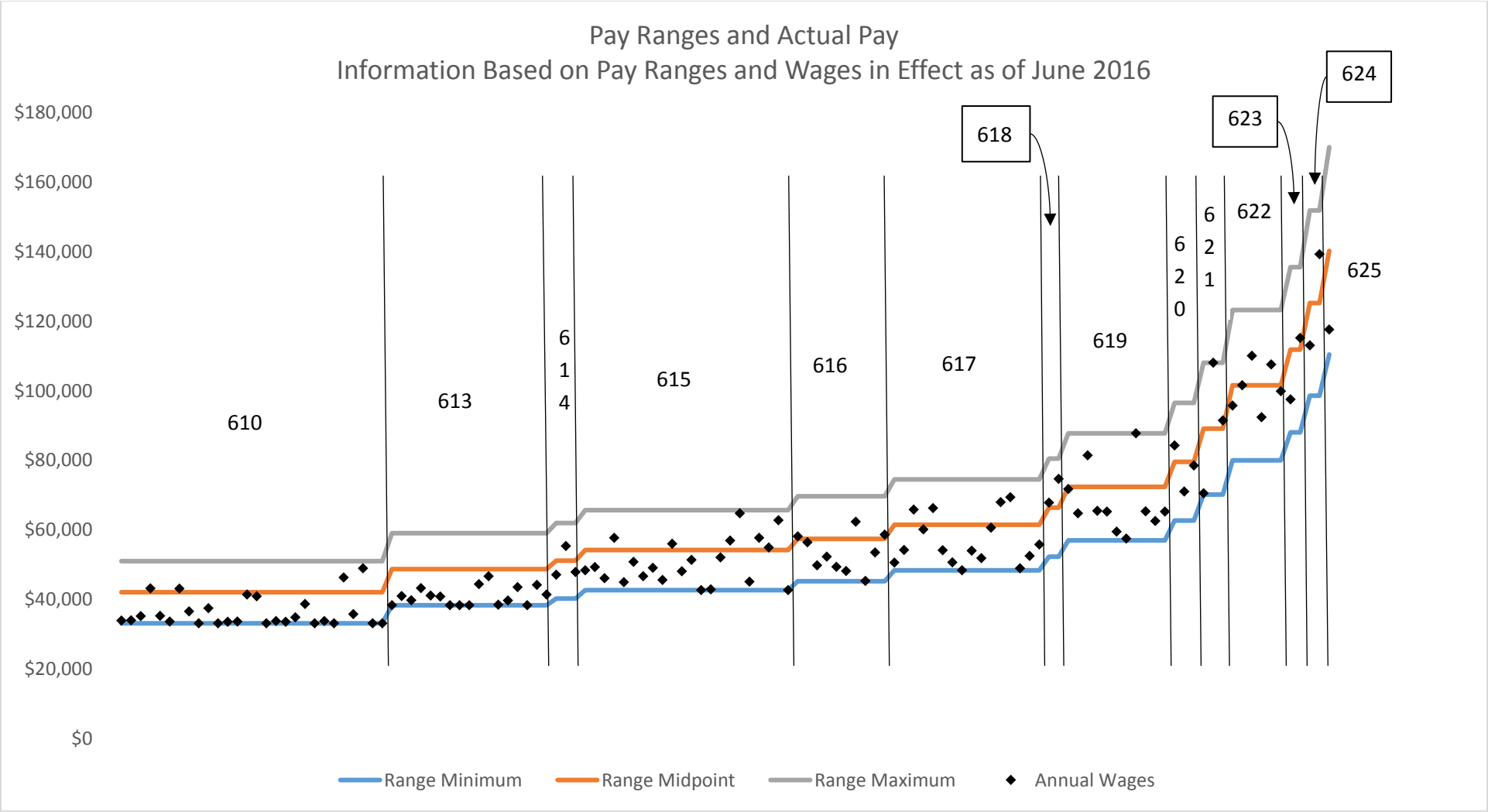


Figure 1

- Graph shows each employee's salary's position with their respective pay range.
- The salary of 70% of employees is below the midpoint of their pay range.

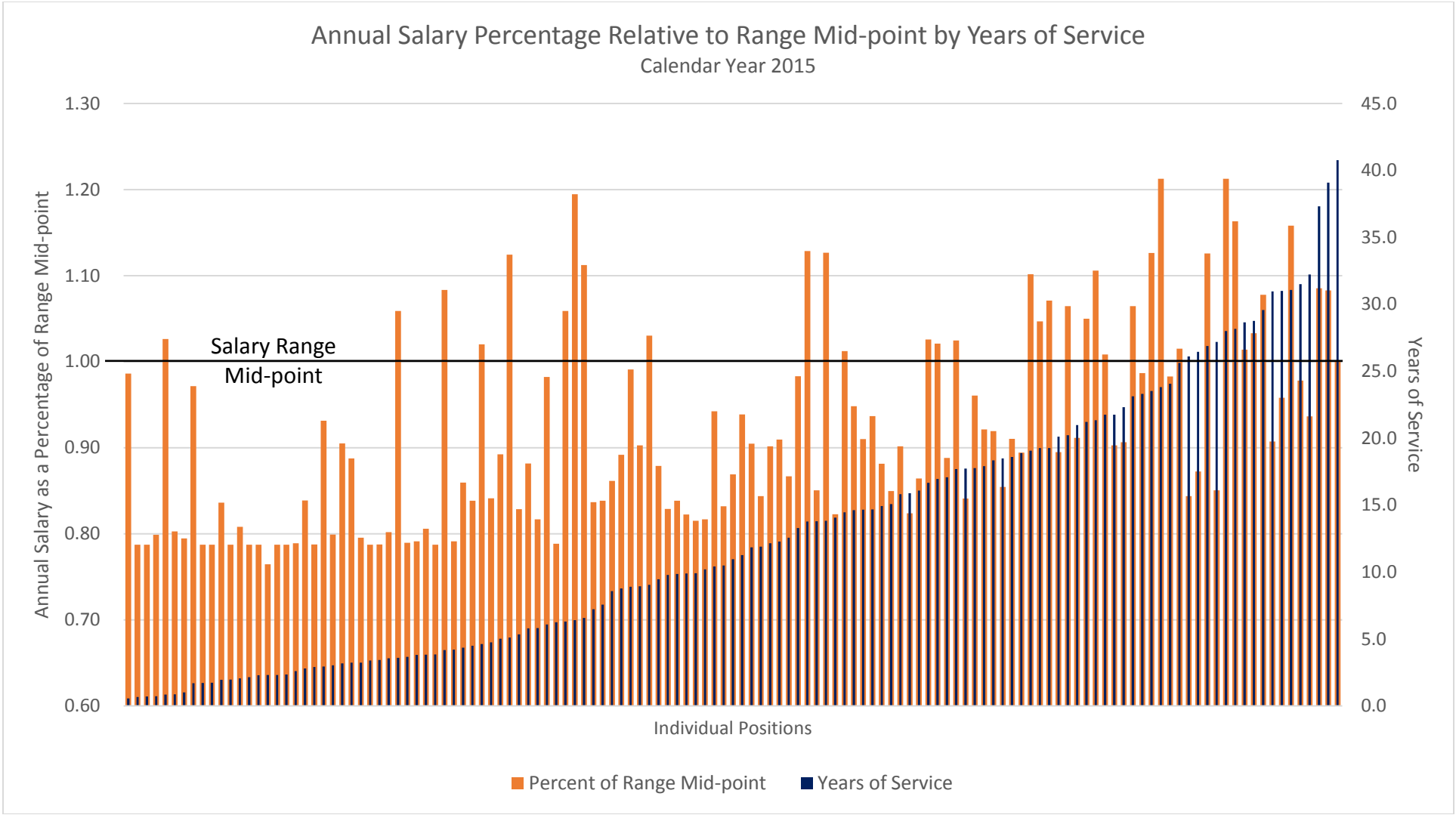


Figure 2

- Graph shows each employee's salary's as a percentage of their respective pay range.
- Years of service is not the determining factor in where an employee's salary falls within their pay range.

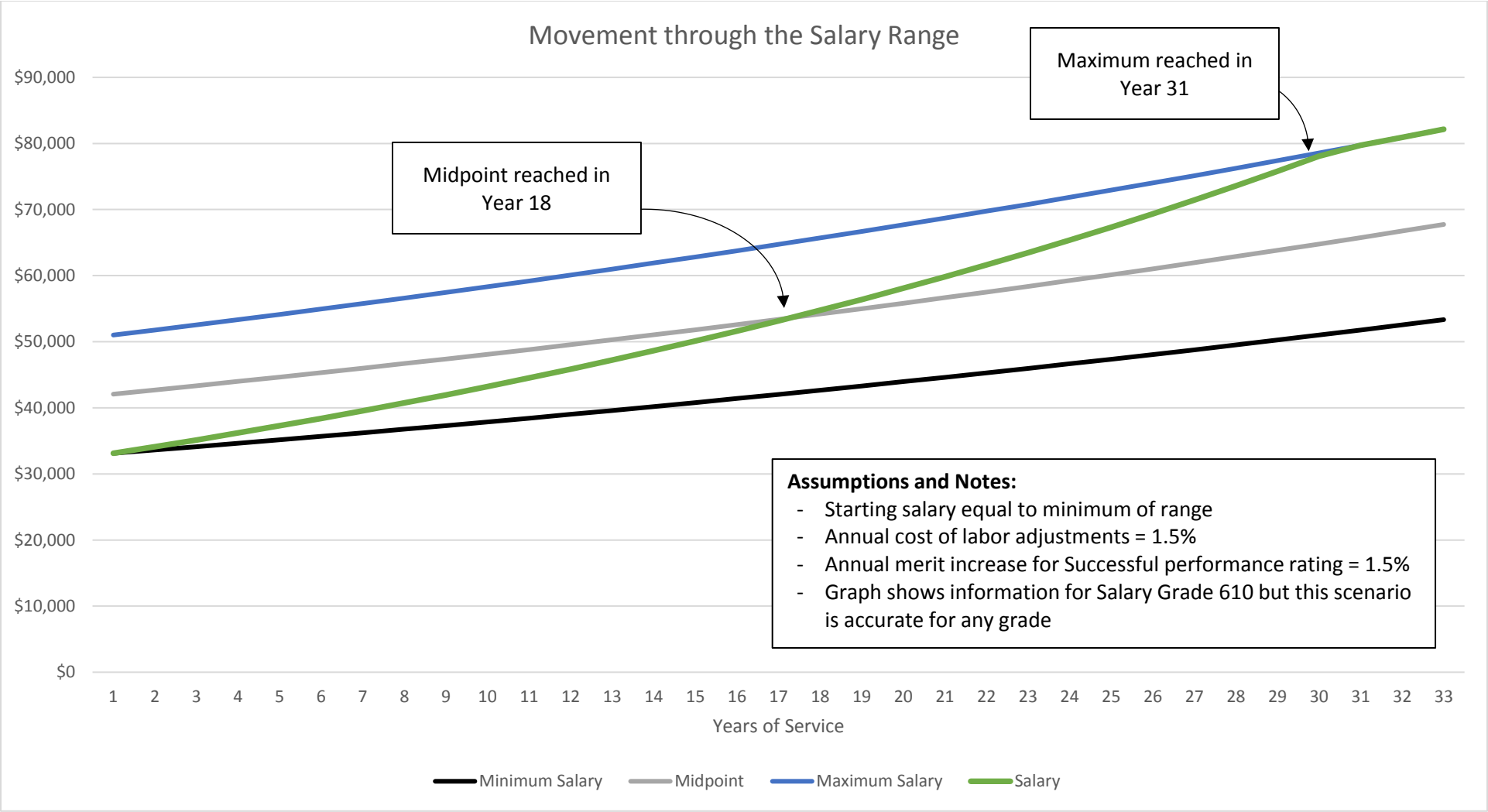


Figure 3

- Based on the assumptions noted, an employee receiving Successful performance ratings each year would reach the midpoint of their salary range in 18 years.

Figures 4-9 are graphical presentations of the pay ranges of six representative examples from the information in Figure 16. OWASA's pay range is compared to the pay ranges of similar positions at benchmark organizations.

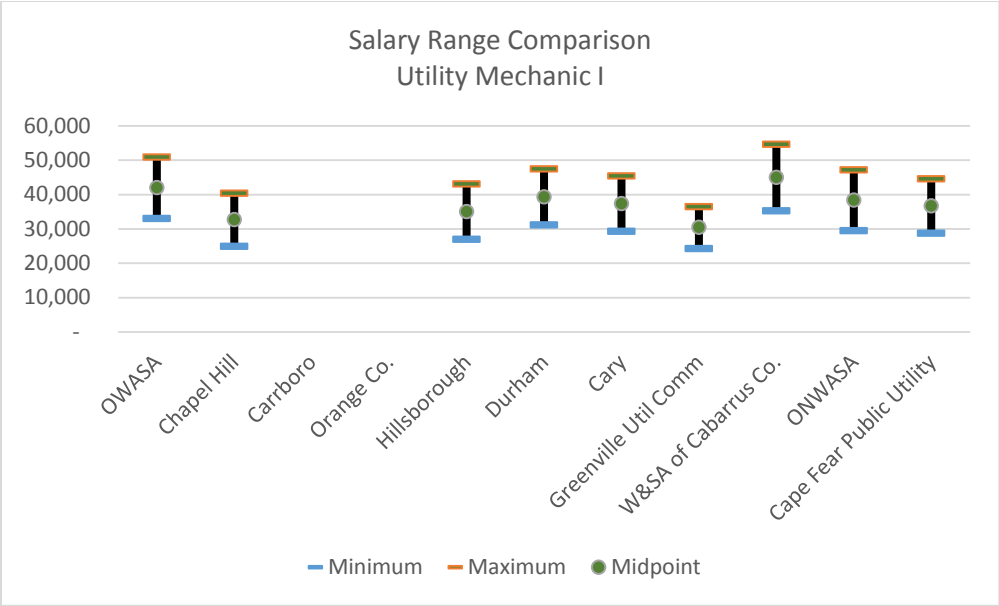


Figure 4

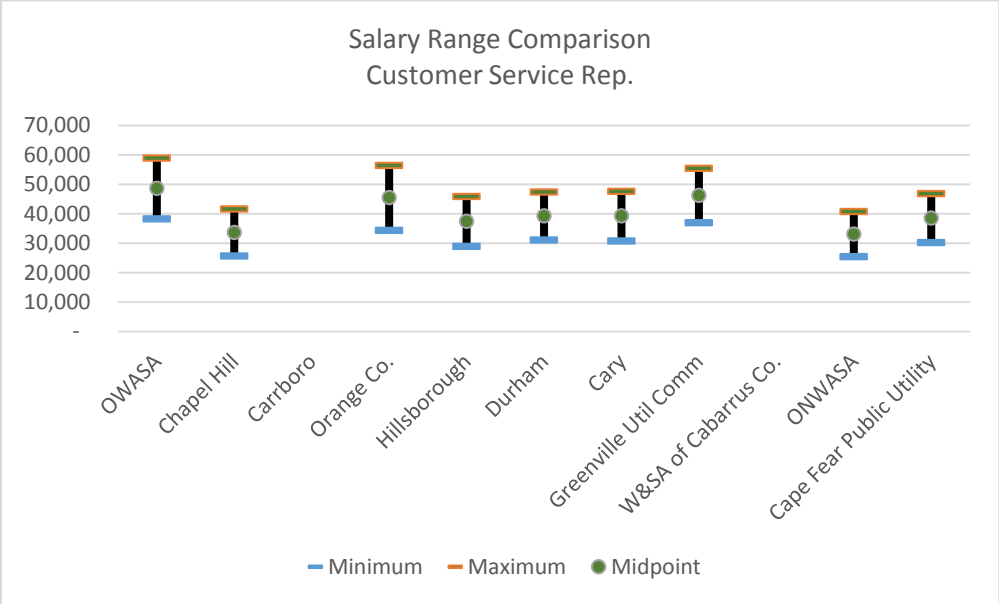


Figure 5

Figures 4-9 are graphical presentations of the pay ranges of six representative examples from the information in Figure 16. OWASA's pay range is compared to the pay ranges of similar positions at benchmark organizations.

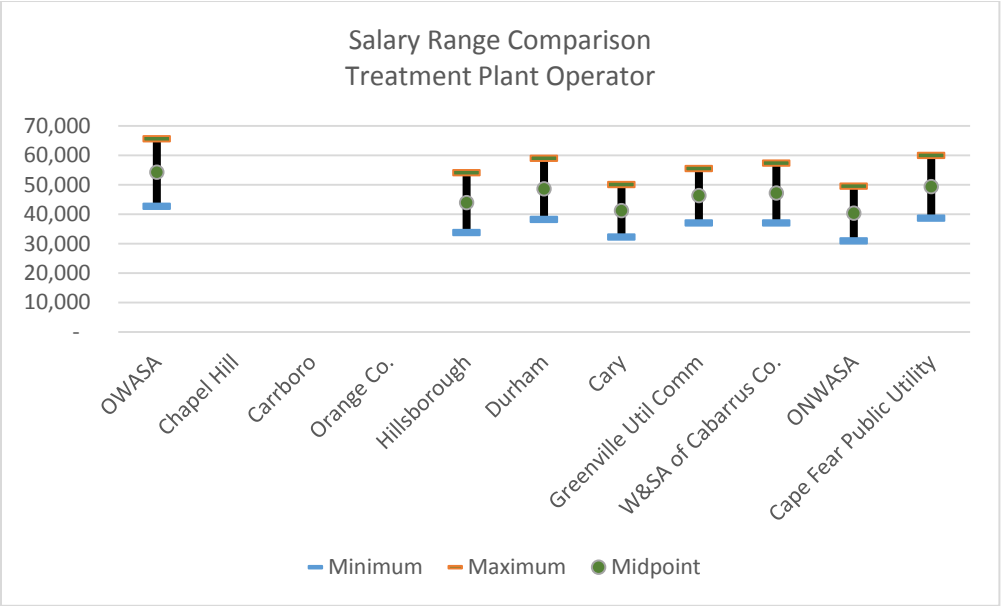


Figure 6

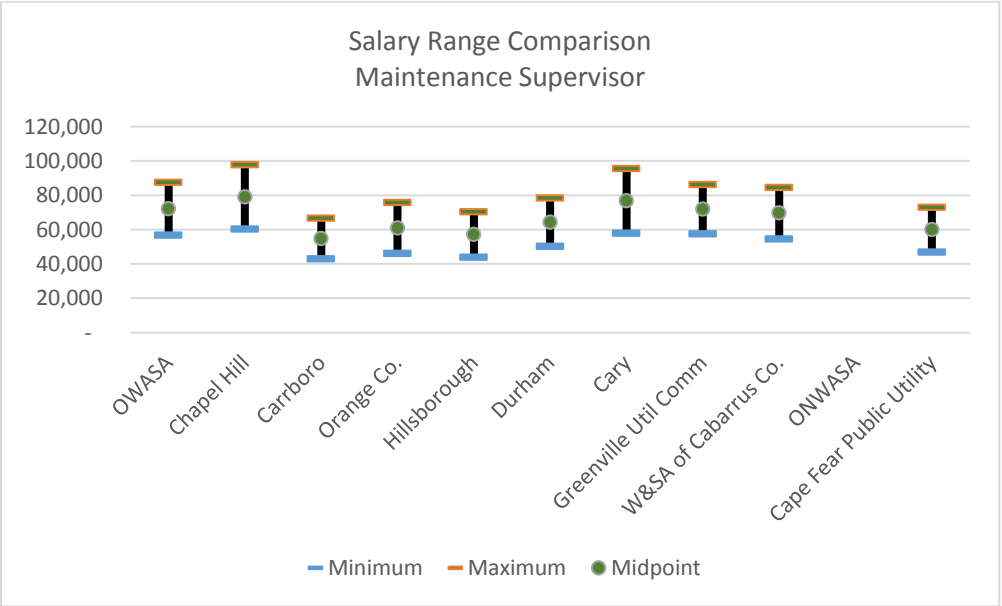


Figure 7

Figures 4-9 are graphical presentations of the pay ranges of six representative examples from the information in Figure 16. OWASA's pay range is compared to the pay ranges of similar positions at benchmark organizations.

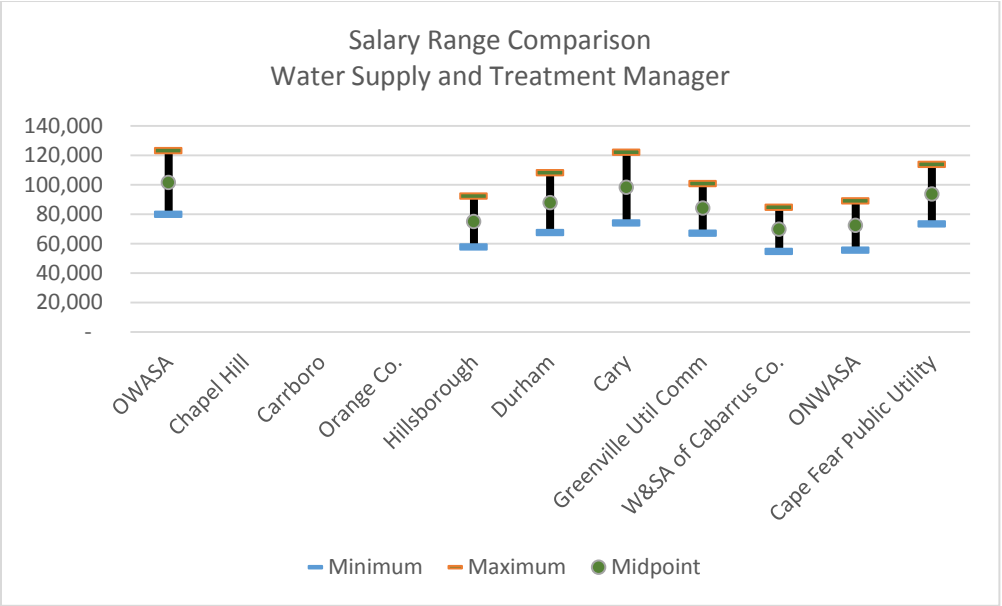


Figure 8

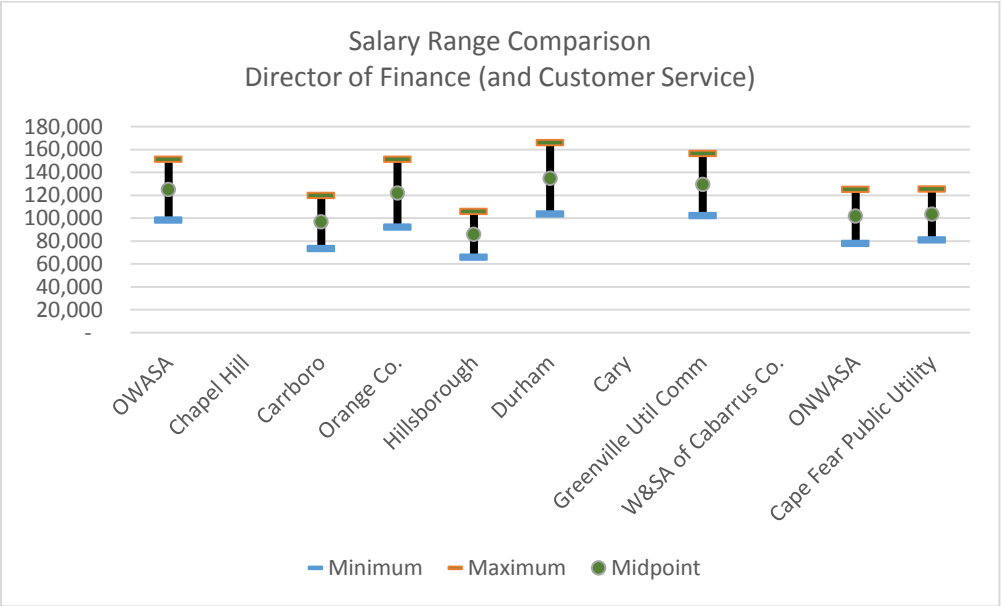


Figure 9

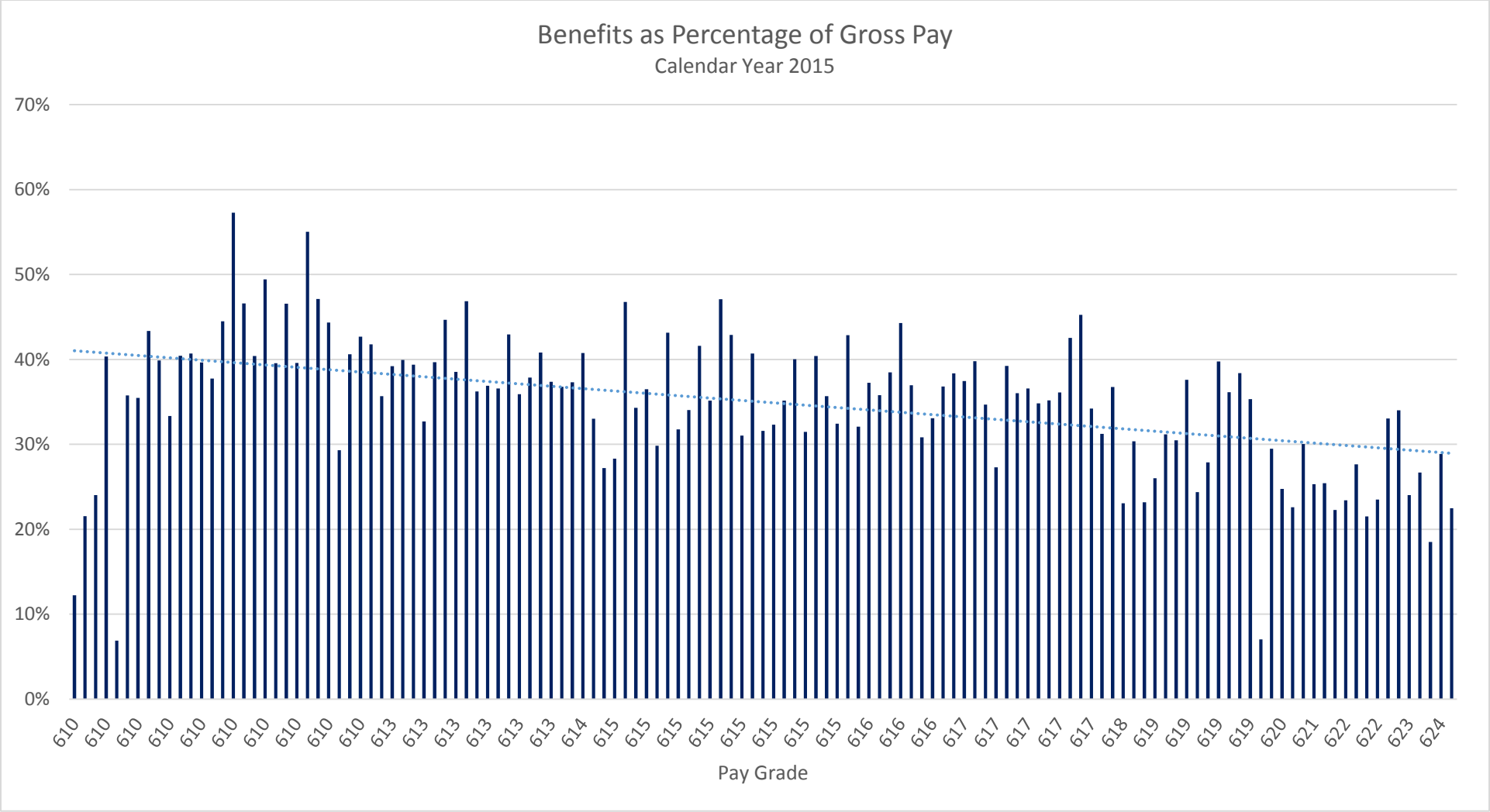


Figure 10

- As could be expected, benefits make up a higher percentage of gross pay for lower salaries vs. higher salaries.
- Information is based on calendar year 2015; some employees were employed less than a full year.

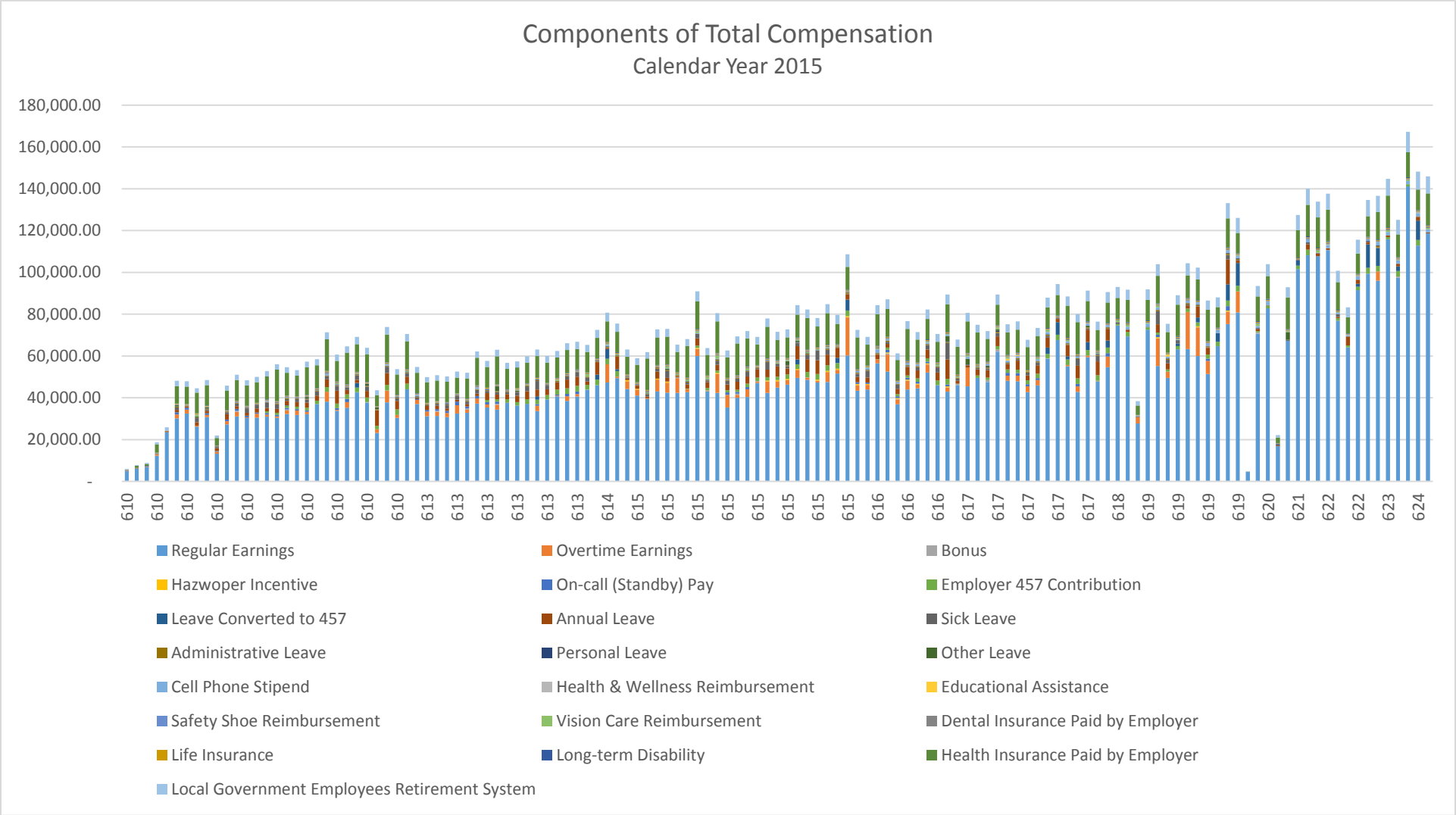


Figure 11

- This graphs shows the actual total compensation for each employee for calendar year 2015.
- Figures showing unusually low compensation represent employees who were worked less than a full year.

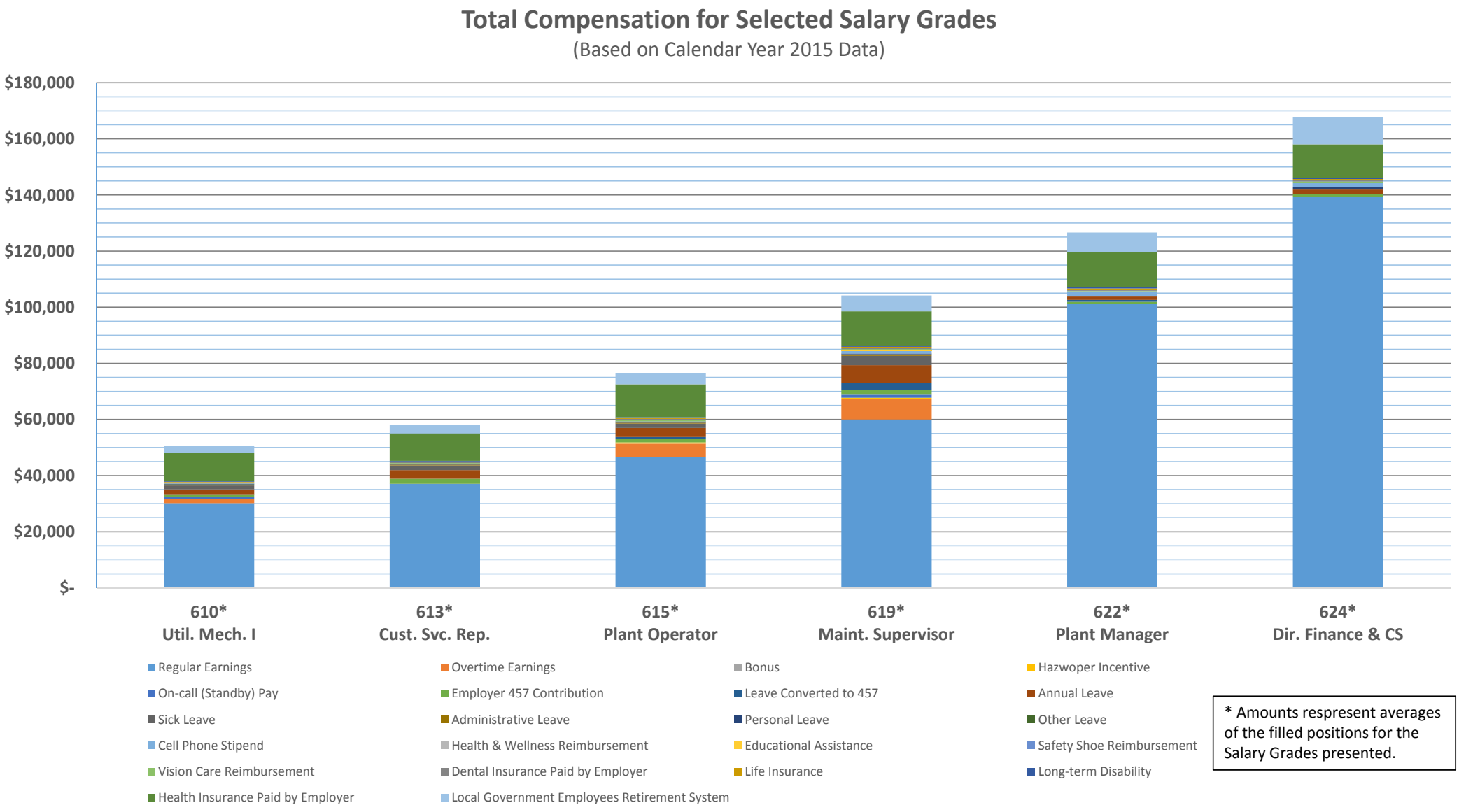

Total Compensation for Selected Salary Grades
(Based on Calendar Year 2015 Data)
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$-
610*
Util. Mech. I
613*
Cust. Svc. Rep.
615*
Plant Operator
619*
Maint. Supervisor
622*
Plant Manager
624*
Dir. Finance & CS
Regular Earnings
Overtime Earnings
Bonus
Hazwoper Incentive
On-call (Standby) Pay
Employer 457 Contribution
Leave Converted to 457
Annual Leave
Sick Leave
Administrative Leave
Personal Leave
Other Leave
Cell Phone Stipend
Health & Wellness Reimbursement
Educational Assistance
Safety Shoe Reimbursement
Vision Care Reimbursement
Dental Insurance Paid by Employer
Life Insurance
Long-term Disability
Health Insurance Paid by Employer
Local Government Employees Retirement System
* Amounts respresent averages of the filled positions for the Salary Grades presented.

Figure 12

OWASA Attrition Statistics				
Pay Grade	**FY13**	**FY14**	**FY15**	**FY16**
	(percent of total employees)			
610 - 613	5.9	6.7	4.5	4.3
614 - 616	3.7	2.2	0.7	1.5
617 - 619	2.2	2.2	0.0	0.0
620 - 622	0.7	0.7	0.7	1.5
623 - 625	0.0	1.5	0.0	0.0

Figure 13

Attrition Statistics Comparison with Area Entities									
Year	**OWASA**	**Town of Hillsborough**	**City of Durham**	**Greenville Utilities (calendar year)**	**Cape Fear Public Utility**	**Town of Chapel Hill**	**Orange County**	**Town of Cary (calendar year)**	**ONWASA**
	(numbers shown are percentages)								
FY16	7.3	12.6	11.6	2.63	1.3	9.0	10.16	6.9	20%
FY15	5.9	9.1	11.6	7.14	.9	Did not provide	13.04	5.5	12%
FY14	13.3	9.1	9.4	4.37	1.9	Did not provide	9.6	5.3	9%
FY13	12.5	8.0	10.4	3.91	1.3	Did not provide	12.43	5.6	12%
FY12	8.1	12.8	9.6	5.29	7.5	Did not provide	Did not provide	4.8	10%

Figure 14

Town of Carrboro did not respond. Water and Sewer Authority of Cabarrus County do not track this data.

Board Approved Salary Increases Since 2012		
Year	**Pay Increases**	**Salary Range Adjustments**
FY 2016	Merit - 3% for "**S**" and 6% for "**E**"	3%
FY 2015	Merit - 2% for "**S**" and 3% for "**E**"	1.5%
FY 2014	Cost of Labor - 1% ("**S**" and/or "**E**") Merit - 1.5% for "**S**" and 3% for "**E**"	1%
FY 2013	2.5%	No range movement
FY 2012	2.5%	2.1%

Figure 15

- The FY 2013 Employee Compensation and Classification Study included recommendations for maintaining our pay and classification structure.
- The Board has generally followed the recommendations of the study in determining annual cost of labor and merit increases.

Salary Range Comparison
August 2016

OWASA Position Salary Range	**Town of Carrboro** Position Salary Range	**Town of Hillsborough** Position Salary Range	**City of Durham** Position Salary Range	**Greenville Utilities Commission** Position Salary Range	**Water and Sewer Authority of Cabarrus County** Position Salary Range	**ONWSA** Position Salary Range	**Cape Fear Public Utility** Position Salary Range	**Town of Chapel Hill** Position Salary Range	**Orange County** Position Salary Range	**Town of Cary** Position Salary Range (Developmental, Market, Performance, High Performance categories within each grade)
Utility Mechanic I $33,124 - $51,012	N/A	Utility Maintenance Technician I $26,983 - $43,173	Field Services Representative $31,201 - $47,508	General Utility Worker $24,356 - $36,524	Utility Maintenance Technician $35,278 - $54,681	Line Tech I $29,529 - $47,247	Meter Reader & Construction Worker $28,790 - $44,625	Construction Worker I $24,979 - $40,465	N/A	Construction Worker I $29,328 - $45,468
Accounting Technician I $36,520 - $56,240	Accounting Technician $30,664 - $47,529	Accounting Technician $30,401 - $48,642	Accounting Technician $33,073 - $50,358	Accounting Technician I $32,947 - $49,441	N/A	Accounting Data Entry $29,529 - $47,247	Account Specialist $35,078 - $54,372	Accounting Technician I $30,680 - $49,701	Accounting Technician I $32,812 - $53,765	Accounting Technician $35,651 - $55,265
Customer Service Representative $38,345 - $59,051	N/A	Customer Service Representative $28,962 - $45,907	Customer Service Representative $31,201 - $47,508	Customer Contact Representative II $37,024 - $55,536	N/A	Customer Service Representative $25,509 - $40,814	Customer Service Representative $30,248 - $46,884	Customer Service Technician $25,728 - $41,679	Billing Technician $34,472 - $56,485	Customer Service Representative $30,804 - $47,736
Treatment Plant Operator $42,678 - $65,724	N/A	Water/Wastewater Plant Operator II $33,818 - $54,109	Water Quality Technician $38,220 - $59,064	WTP/WWTP Operator II $37,024 - $55,536	Water Treatment Plant Operator/Wastewater Treatment Plant Operator II $37,040 - $57,414	Water/WW Treatment Plant Operator $31,006 - $49,610	Water /WWT Control Operator $38,720 - $60,016	N/A	N/A	Wastewater System Technician II/ Water Service Technician II $32,344 - $50,128
Information Service Technical Specialist $45,239 - $69,669	IT Support $47,570 - $73,733	N/A	Technology Support Specialist $43,976 - $70,362	IT Support Specialist II $45,780 - $68,681	N/A	Desktop Administrator $35,893 - $57,429	IT Specialist $40,680 - $63,054	Information Tech Analyst $41,114 - $66,604	IT Help Desk – Administrator Specialist $36,219 - $59,346	Technology Support Technician $50,169 - $82,784
Engineering Technician $48,406 - $74,545	Engineering Technician $39,136 - $60,661	N/A	Engineering Technician $38,220 - $59,064	N/A	N/A	N/A	Engineering Technician $40,680 - $63,054	Engineering Technician-SR. $39,156 - $63,433	N/A	N/A
Financial Analyst $52,279 - $80,508	N/A	Financial Analyst $40,654 - $65,046	Financial Analyst $47,494 - $75,990	Financial Systems Analyst $42,390 - $63,585	N/A	N/A	Financial Analyst $60,390 - $93,605	Financial Systems Administrator $55,466 - $89,855	N/A	Financial Reporting Analyst $58,073 - $95,825
Public Affairs Administrator $52,279 - $80,508	N/A	Public Information Officer(P/T) $52,616 - $84,186	Public Affairs Specialist $40,718 - $65,149	Public Information Specialist $39,603 - $59,425	N/A	N/A	Chief Communications Officer $66,659 - $103,322	Director - Public Communications $85,405 - $138,355	N/A	N/A
Maintenance Supervisor $56,984 - $87,754	Fleet Maintenance Supervisor $43,147 - $66,878	Utility Maintenance Supervisor $44,072 - $70,515	Plant Maintenance Mechanic Supervisor $50,408 - $78,614	WTP/WWTP Chief of Maintenance $57,657 - $86,507	Electrical/Mechanical Maintenance Supervisor $54,728 - $84,828	N/A	Water Treatment Plant Maintenance Supervisor $47,177 - $73,124	N/A	Facilities Maintenance Supervisor $46,362 - $75,968	WTP Maintenance Supervisor $58,073 - $95,825
Network Administrator $56,984 - $87,754	N/A	N/A	Network Analyst $47,494 - $75,990	Network Analyst II $53,393 - $80,121	Network Administrator $57,466 - $89,069	Network Administrator $45,810 - $73,296	Network Administrator $60,390 - $93,605	Network Administrator $47,117 - $76,329	Network Analyst $53,764 - $88,099	Network Administrator $64,022 - $105,664
Engineering Manager (Systems Development & Capital Projects) $80,064 - $123,249	Capital Projects Manager $52,446 - $81,291	Town Engineer/Utilities Director $78,250 - $125,200	Civil Engineer Supervisor $75,080 - $120,128	N/A	N/A	Engineering Manager $53,031 - $84,849	Engineering Manager $73,580 - $114,049	CIP Project Manager $65,899 -$106,756	N/A	N/A
Water Supply and Treatment Manager $80,032 - $123,249	N/A	Water Plant Superintendent $57,743 - $92,389	Water/Wastewater Superintendent $67,640 - $108,224	WTP/WWTP Superintendent $67,267 - $100,900	Water Treatment Plant Supervisor/ORC $54,728 - $84,828	Water Production Superintendent $55,682 - $89,092	Water Resources Manager $73,580 - $114,049	N/A	N/A	Water Resources Manager $74,131 - $122,304

Salary Range Comparison
August 2016

OWASA Position Salary Range	**Town of Carrboro** Position Salary Range	**Town of Hillsborough** Position Salary Range	**City of Durham** Position Salary Range	**Greenville Utilities Commission** Position Salary Range	**Water and Sewer Authority of Cabarrus County** Position Salary Range	**ONWSA** Position Salary Range	**Cape Fear Public Utility** Position Salary Range	**Town of Chapel Hill** Position Salary Range	**Orange County** Position Salary Range	**Town of Cary** Position Salary Range (Developmental, Market, Performance, High Performance categories within each grade)
Planning and Development Manager $80,032 - $123,249	Planning Administrator $57,821 - $89,623	Senior Planner $45,781 - $73,250	Planning Supervisor $55,397 - $88,635	N/A	N/A	N/A	N/A	Planning Manager $60,458 - $97,942	Planner III $59,347 - $97,244	Planning Manager $70,595 - $116,480
Director of Information Technology $88,064 - $135,617	Information & Technology Manager $70,282 - $108,937	N/A	Director of Technology Solutions – Chief Information Officer $103,895 - $166,233	Director of Information Technology $102,564 - $153,816	N/A	IT Director $55,682 - $89,092	Chief Information Officer $81,218 - $125,888	Director – Technology Solutions $85,405 - $138,355	IT Operations Manager $59,347 - $97,244	Chief Technology Officer $85,800 - $141,585
Director of Finance and Customer Service $98,631 - $151,892	Finance Director $73,796 - $114,385	Finance Director $66,288 - $106,061	Finance Director $103,895 - $166,233	Director of Financial Services and Accounting $102,564 - $153,816	N/A	Financial Operations Director $78,351 - $125,361	Customer Service Director/Deputy Finance Officer $81,218 - $125,888	N/A	Chief Financial Officer $92,559 - $151,667	Director of Finance NG (no grade)

- We selected benchmark organizations that meet at least one of the following criteria:
  - Compete with OWASA for employees
  - Employ similar positions
  - Are organizations similar to OWASA

Leave Summary

Annual Leave:

- 0-4 Years = 8 hours a month
- 5-9 Years = 10 hours a month
- 10-14 Years = 12 hours a month
- 15-19 Years = 14 hours a month
- 20+ Years = 18 hours a month

Sick Leave: 8 hrs earned per month

Personal Day: 8 hrs granted per year

Other Types of Leave:

- Bereavement
- Maternity/Paternity Leave
- FMLA
- Civil Leave

Paid Holidays:

- New Year's Day
- Martin Luther King Day
- Good Friday
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day (2)
- Christmas (3)

A public, non-profit agency providing water, sewer, and reclaimed water services to the Carrboro-Chapel Hill Community

OWASA

Orange Water
And
Sewer Authority

400 Jones Ferry Road
Carrboro, NC 27510
919-968-4421
www.owasa.org

Update 7/01/2016

This brochure is intended to be a summary. Please see the OWASA Administrative Guides and/or HR Policy for full explanation of benefits.

Orange Water and Sewer Authority

Benefits Summary



OWASA is a progressive water utility providing retail water and sewer services to the towns of Chapel Hill and Carrboro and to the University of North Carolina at Chapel Hill.

OWASA

Insurance & Disability

Life, Dependent Life and AD&D

No cost to employee

Benefit is equal to 2x annual salary with a $100,000 maximum

Dependent life insurance is $5,000

Long Term Disability

No cost to the employee

Available to employees after 6 months of employment

Benefit is equal to 60% of basic monthly compensation with a maximum of $3,500 per month

There is a 3 month waiting period before an employee is eligible to receive the benefit

Retirement

NC Local Government Retirement System

6% pre-tax deduction contributed by the employee each pay period. OWASA contributes 7.31%

Deferred Compensation Plan

Administered by Nationwide and ICMA

Contributions made by OWASA:

Years of Service	Biweekly Contribution
4-9	$40
10-14	$60
15-19	$80
20+	$100

Employees can contribute anytime

Other Benefits

Educational Reimbursement—$1,000 per fiscal year for the cost of books, tuition, and other fees

Referral Fee—$200 reward for recommending an outside candidate for a vacant position who is hired & passes 6 month probation

Safety Shoes—$125 per fiscal year for any employee required to wear safety shoes

Bonus Pay for Additional Certification—an employee can receive $500 for receiving a certification above what is required for their position

Bonus Pay for Additional Education—an employee can receive up to $1,500 for receiving a college degree above what is required for their position

Spot Bonus Program—an employee can receive up to $200 for making significant contributions to the success of the organization.

Health, Dental, & Wellness

BlueCross BlueShield Highlights

Health

Co-Payments:

$15—PCP/$30—Specialist

Deductibles:

$750—Individual (In-network)

$1,500—Family (In-network)

Coinsurance:100%

Pharmacy:

$10/$35/$50/25% coinsurance

Dental

$50 Deductible (2 cleanings not subject)

$1,000 Annual Maximum

OWASA Pays:

100% of Employee Only (medical/dental)

50% of Dependent Health Cost*

40% of Dependent Dental Cost*

*Including Domestic Partner Coverage

In-House Vision Program—Each employee is eligible for reimbursement up to $405 per fiscal year for exams, glasses, and contacts

Wellness Program—$100 reimbursement per fiscal year for approved healthy activity such as membership to a health club

Employee Assistance Program—The EAP provides confidential assistance for a wide variety of personal concerns.

RESOLUTION UPDATING THE SCHEDULE OF EMPLOYEE CLASSIFICATION AND AUTHORIZED COMPENSATION; ADJUSTING AFFECTED EMPLOYEES' COMPENSATION TO THE MINIMUM OF THE PAY RANGE; AUTHORIZING THAT THE INCUMBENT PART-TIME CUSTOMER SERVICE SPECIALIST BE PAID ABOVE THE MAXIMUM OF THE PAY RANGE UNTIL THE MARKET REACHES THE EMPLOYEE'S PRESENT PAY LEVEL; APPROVING THE PAY ADMINISTRATION GUIDELINES RECOMMENDED BY THE CONSULTING FIRM, THE WATERS CONSULTING GROUP; AND FURTHER EVALUATION OF LONGEVITY PAY AND RETIREMENT BENEFITS

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, OWASA engaged the services of The Waters Consulting Group (WCG) to conduct an Employee Classification and Compensation Study (Study) to ensure OWASA's compensation program achieves internal equity and external competitiveness in the market; and

WHEREAS, the Study recommends a new pay structure for all employees whereby approximately 35 employees whose pay falls below the new range minimums, those employees will receive pay adjustments effective November 5, 2012 to bring their compensation to the minimum of the new range; and

WHEREAS, because the incumbent Part-Time Customer Service Specialist's compensation is presently above the maximum of the new pay range for that position, this employee's pay will be frozen until market data establishes a higher maximum for the position; and

WHEREAS, in order to establish Pay Administration Guidelines for future hiring, promoting and retaining employees;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors hereby approves the updated Schedule of Employee Classification and Authorized Compensation, effective November 5, 2012 and shall thereafter remain in effect until further modification or revision by the Board of Directors. In taking this action, the Board of Directors acknowledges that staff may recommend changes for the Board's consideration once the classification appeals process for employees has been completed later this year.

2. That the Board of Directors hereby approves moving those employees who are being paid less than the minimum of their newly established pay range, to the minimum of the pay range effective November 5, 2012.

3. That the Board of Directors hereby approves compensating the incumbent Part-Time Customer Service Specialist above the pay range until market salaries for similar positions exceed current pay; and after separation of the present employee from that position, compensation for that position will conform to the new pay schedule.

4. That the Board of Directors hereby approves the Pay Administration Guidelines for future use in hiring, promoting and retaining employees as proposed in WCG's Study.

5. That the OWASA staff further evaluate (including feedback from employees) the following WCG recommendations:

a. Phase out Service Pay (longevity) because it works counter to OWASA's performance/merit based compensation strategy. Elimination of this program may be accomplished by making a one-time salary adjustment to all current employees, based on their years of service.
b. Reduce retirement benefits for new hires.
c. Analyze the competiveness of our 457 retirement benefits.

Staff shall review the above with the Human Resources Committee before making a final recommendation to the Board of Directors.

6. OWASA staff shall review and update as appropriate the data points referenced in the WCG proposal, and the Board of Directors will receive the OWASA staff analysis and revisit the WCG proposal within the next three to five years.

Adopted this 10th day of January 2013.

Alan Rimer, P.E.
Chair

Attested:

Amy Witsil, Secretary

AGENDA ITEM

- RECOMMENDATIONS ON THE REMAINING EMPLOYEE CLASSIFICATION AND COMPENSATION STUDY ITEMS

BACKGROUND

- Staff prepared options and recommendations for the Human Resource (HR) Committee meeting on May 28, 2013 regarding elimination of Service Pay benefit, Retiree Health Insurance for new hires and the 457 Supplemental Retirement Benefit.

- The HR Committee met and discussed each option.

- The HR Committee supports the elimination of the Service Pay benefit for all employees effective July 1, 2013 and providing all current employees a one-time pay increase in current base salaries to keep employees wholly compensated for 10 years. The two employees who have reached or are close to the top of their pay range will have their salary extended by the percentage necessary for them to receive the full one-time pay increase based on their length of service.

- The HR Committee agreed to defer action for one year regarding the change in Retiree Health Insurance benefits for new hires.

- The HR Committee requested additional options for their consideration regarding the deferred compensation benefit.

HR COMMITTEE AND STAFF RECOMMENDATION

- Adopt resolution to eliminate Service Pay benefit effective July 1, 2013 and provide all current employees a one-time pay increase in current base salaries to keep employees wholly compensated for 10 years.

June 13, 2013

ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: June 7, 2013

SUBJECT: Further evaluation of Service Pay, Future Retiree Health Benefits and 457 Plan Competitiveness

Background

At the January 10, 2013 meeting, the OWASA Board of Directors adopted the Employee Classification and Compensation Study's recommended new pay structure and Pay Administrative Guidelines. The Board also directed:

"That the OWASA staff further evaluate (including feedback from employees) the following WCG recommendations:

- ***a. Phase out Service Pay (longevity) because it works counter to OWASA's performance/merit based compensation strategy. Elimination of this program may be accomplished by making a one-time salary adjustment to all current employees, based on their years of service.***
- ***b. Reduce retirement benefits for new hires.***
- ***c. Analyze the competiveness of our 457 retirement benefits.***

Staff shall review the above with the Human Resources Committee before making a final recommendation to the Board of Directors."

Staff completed its review and prepared a report of options and recommendations that were reviewed with the Human Resources (HR) Committee on May 28, 2013. An updated copy of staff's report is provided as Attachment 1.

Summary of HR Committee and Staff Recommendations

a. ***Service Pay*** – After considerable discussion, a majority of the HR Committee agreed to support staff's recommended Option 3b which eliminates service pay for employees effective July 1, 2013 and provide all current employees a one-time pay increase in current base salaries to keep employees wholly compensated for 10 years. There are two employees who have reached or are close to the top of their pay range and the HR

Committee agreed with staff recommendations to extend their salary range by the percentage necessary for them to receive the full one-time pay increase based on their length of service. Staff noted that employees greatly value this benefit and would be very disappointed if Service Pay was eliminated without compensation based on their length of service.

b. ***Retirement Benefits for New Hires*** – Staff recommended Option 1 which provides a cost-share for retiree health care premiums for all employees hired after July 1, 2013. The HR Committee agreed to recommend that the Board defer action on this matter for one year.

c. ***Deferred Compensation (457)*** – Staff recommended Option 2 to increase the 457 contribution based on length of service and to add a new tier for employees with six months to three years of service. The HR Committee expressed interest in improving OWASA's deferred compensation competitiveness and agreed that more time is needed for staff to develop additional options for the HR Committee's consideration. The Committee favored a new system of deferred compensation that is not linked to length of service.

Based on the HR Committee's discussion and guidance, staff has prepared a draft resolution regarding Service Pay for the Board's consideration (Attachment 2).

Stephanie S. Glasgow, MESH, PHR
Director of Human Resources and Safety

Attachments
c: Board of Directors
Robert Epting

STAFF RECOMMENDATIONS ON THE REMAINING EMPLOYEE CLASSIFICATION AND COMPENSATION STUDY RECOMMENDATIONS REVIEWED WITH THE HUMAN RESOURCE (HR) COMMITTEE ON MAY 28, 2013

BACKGROUND

OWASA engaged The Waters Consulting Group (WCG) to conduct an Employee Classification and Compensation Study (Study) to ensure OWASA's compensation program achieves internal equity and external competitiveness in the market. The Study's Final Report was issued in January 2013.

At their January 10, 2013 meeting, the OWASA Board of Directors adopted the Study's recommended new pay structure and Pay Administrative Guidelines. The Board also directed:

"That the OWASA staff further evaluate (including feedback from employees) the following WCG recommendations:

- ***a. Phase out Service Pay (longevity) because it works counter to OWASA's performance/merit based compensation strategy. Elimination of this program may be accomplished by making a one-time salary adjustment to all current employees, based on their years of service.***
- ***b. Reduce retirement benefits for new hires.***
- ***c. Analyze the competiveness of our 457 retirement benefits.***

Staff shall review the above with the Human Resources Committee before making a final recommendation to the Board of Directors."

We have met with employees to explain the options being considered to address the above recommendations and we have received their feedback.

Based on our further review of WCG's recommendations, including feedback from employees, we have prepared options and recommendations.

a. SERVICE PAY (LONGEVITY)

OWASA's current Service Pay program has been in place since June 2001 and provides employees with 10 or more years of service with an annual lump sum payment on their anniversary date of hire based on a percentage of their annual salary as follows:

Years of Service	Percentage of Annual Salary
10-14	1.50%
15-19	2.25%
20-24	3.25%
25+	5.00%

Comparison information about OWASA's current Service Pay benefit with other local agencies is provided as Attachment 1 (page 7).

Options to Phase Out Service Pay:

Points of consideration for all options:

- Service pay serves as an indiscriminate retention policy; retention is more effectively achieved by rewarding employees for performance.
- Options to modify the Service Pay benefit may be viewed by employees as contrary to our pledge that no one would have a reduction in compensation.

Option 1. Eliminate Service Pay for all employees effective July 1, 2013 and provide no compensation.

- Reduces costs for Fiscal Year (FY) 2014 by about $107,000.
- Eliminates all future liabilities for this benefit.
- Allows OWASA to consider moving these monies into new performance/merit based compensation strategies.
- Employees (especially with 10 or more years of OWASA service) greatly value this benefit.
- Employees do not support this option and would be very disappointed if Service Pay is eliminated without compensation.
- Employees who recently joined OWASA expected to receive Service Pay.

Option 2. Keep Service Pay as is for current employees and eliminate Service Pay for employees hired after July 1, 2013.

- Reduces future liabilities as employee turnover occurs.
- Maintaining the existing Service Pay benefit for current employees is counter to a performance/merit based compensation strategy.
- Employees greatly value the current benefit and many employees support this option.

Option 3. Eliminate Service Pay for employees effective July 1, 2013 and provide all current employees with a one-time pay increase in their current base salary.

Staff developed three alternatives under this option.

As used below, "wholly compensated" means that employees receiving a one-time pay increase will have the ability to earn the total pay they would have received under the existing service pay benefit if they remained in their current job another 5 or 10 or 15 years. In calculating the one-time salary increase, it was assumed that a 2.5% merit increase would be approved annually.

Option 3a – One-time pay increase keeps current employees wholly compensated for 5 years (see Attachment 2, page 8)
Option 3b – One-time pay increase keeps employees wholly compensated for 10 years (see Attachment 3, page 10)
Option 3c – One-time pay increase keeps employees wholly compensated for 15 years (see Attachment 4, page 12)

- Eliminates a compensation strategy which is not performance-based.
- Allows OWASA to consider establishing new compensation strategies that are focused on retaining employees based on performance rather than the passage of time.
- Reduces future liabilities as employee turnover occurs.
- Provides compensation for current employees for eliminating Service Pay benefit which they highly value. (Feedback from employees is that they favor Option 3c - being wholly compensated over 15 years).
- For those employees expressing an opinion, most seemed to favor Option 3c over Option 2.
- The one-time pay increase for existing employees based on their length of service will improve "compression" within the pay structure. (Pay compression can occur over time where newly hired employees may receive a starting salary very close to the salary of longer-term employees in the same pay grade.)

Staff Recommendation: Option 3b. Staff strongly recommends this option because it eliminates a compensation strategy which is not performance based in a way that fairly compensates employees for eliminating a benefit that is very important to them.

HR Committee Recommendation: Option 3b. While a majority supports option 3b, one Committee member preferred eliminating service pay without compensation and to consider opportunities to redistribute the money saved to employees based on performance.

b. REDUCED RETIREMENT BENEFITS FOR NEW HIRES

The current retiree health insurance plan includes a percentage paid by OWASA toward health insurance for pre-65 retirees and provision of a Medicare Supplement for post-65 retirees. The calculation of years of service plus age to determine the percentage of premium paid by OWASA follows:

Years of Service	Age	Percentage of Premium (Pre-65) or Supplement (Post-65) Paid by OWASA
10 years	60	50%
15 years	60	75%
20 years	60	100%
30 years	Any age	100%

Pre-65 retirees stay on OWASA's group health plan. The FY 2014 monthly premium is $675.67 per individual.

Post-65 retirees receive a Medicare Supplement where costs vary based on the plan chosen by the retiree. These decisions are private with OWASA having no influence. The average cost for Medicare Supplement plans is $122.50 and $83.90 for Part D prescription coverage, bringing our average cost per post-65 retiree to $206.40.

A comparison of OWASA's current retiree health insurance benefit to other agencies is provided as Attachment 5 (pages 14 and 15).

Options to Reduce Retirement Benefits for New Hires:

Option 1. Cost-share applicable to all employees hired after July 1, 2013. The maximum benefit provided by OWASA would be 75% of health care premiums for pre-65 retirees or Medicare supplement for post-65 retirees as follows:

Years of Service	Age	Percentage of Premium (Pre-65) or Supplement (Post-65) Paid by OWASA
10 years	60	25%
15 years	60	50%
20 years	60	75%
30 years	Any age	75%

- Reduces future OWASA liability as employee turnover occurs.
- Brings this benefit to a similar level as other local agencies.

Option 2. Cost-share applicable to all employees hired after July 1, 2013. Employees retiring with 30 years or more of service with OWASA would receive 100% of their health insurance premiums or Medicare supplement paid by OWASA. Employees with 15 years of service and age 60 are eligible for 50% and then an additional 5% increase in OWASA contribution for each additional year of service.

Years of Service	Age	Percentage of Premium (Pre-65) or Supplement (Post-65) Paid by OWASA
15 years	60	50%
16-25 years	60	5% additional contribution for each year of service after 15 years
30 years	Any age	100%

- Reduces future OWASA liability as employee turnover occurs.
- Brings this benefit to a similar level as other local agencies.

Staff Recommendation: Option 1. Staff supports this option because it reduces OWASA's future cost liability.

HR Committee Recommendation: Defer action for one year.

c. 457 RETIREMENT BENEFITS (DEFERRED COMPENSATION)

In June 1986, OWASA began offering a Deferred Compensation Plan for employees. Since July 2001, OWASA has been contributing to a 457 Deferred Compensation Plan for all employees with four or more years of service as follows:

Years of Service	OWASA Contribution per Pay Period
4-9 years	$40
10-14 years	$60
15-19 years	$80
20 + years	$100

A comparison of OWASA's deferred compensation benefit to other local agencies is provided as Attachment 5 on page 16.

Options for OWASA Deferred Compensation Contribution:

Option 1: No change – Maintain the same OWASA contribution amounts as reflected in the table above.

- Contribution has not kept pace with or reflects increase in wages since 2001.
- Employees receive no contribution until they have completed 4 years of service.

Option 2: Increase the contribution and add new tier for employees with 6 months to 3 years of service - The existing contribution amounts have remained the same since 2001. This results in the OWASA contribution as a percentage of base pay decreasing over time as salaries increase through merit raises. To improve competitiveness, increase contribution rates as noted in the table below and add a new tier for employees with 6 months to 3 years of service.

Years of Service	OWASA Contribution per Pay Period
6 months-3 years	$40
4-9 years	$60
10-14 years	$80
15-19 years	$100
20+	$120

- Creates contribution for all employees who have completed 6 months of service.
- Improves competitiveness and reflects increases in wages since 2001.
- All employees with similar service time receive the same contribution regardless of salary.
- Increases cost to OWASA by $82,000.

Option 3: Provide a 4% contribution to all employees who have completed at least 6 months of service with a cap of $3,500 - As an alternative to a fixed amount based on years of service, OWASA could provide a contribution as a fixed percentage of an employee's base pay with a cap not to exceed $3,500.

- Provides contribution to all employees without regard to service time.
- Increases cost to OWASA by $75,000
- Higher salaried employees receive greater contribution.
- There are 73 employees who would see a reduction in this benefit and 57 would see an increase.

Staff Recommendation: Option 2. Staff supports this option to increase competitiveness.

HR Committee Recommendation: Defer action in order for staff to develop additional options. The Committee expressed interest in improving OWASA's competiveness and agreed that more time is needed for staff to develop additional options for the HR Committee's consideration. The Committee favored a new system of deferred compensation benefit that is not linked to length of service.

Attachment 1 – Service Pay Comparison Information

Organization	Service Pay Program
OWASA	10-14 years of service 1.5% 15-19 years of service 2.25% 20-24 years of service 3.25% 25+ years of service 5%
Town of Carrboro	5-9 years of service $248 10-14 years of service $456 15-19 years of service $659 20-24 years of service $868
Town of Chapel Hill	5-9 years of service $500 10-14 years of service $650 15-19 years of service $800 20-24 years of service $1,000 25+ years of service $1,200
Orange County	10-14 years of service 1.5% 15-19 years of service 2.25% 20-24 years of service 3.25% 25+ years of service 4.5%
Town of Cary	Not offered
Town of Hillsborough	5-9 years of service 2.5% 10-19 years of service 3.75% 20+ years of service 5%
City of Durham	Not offered
City of Raleigh	**Employees hired after July 1, 2011** – not offered **Employees hired before July 1, 2011** – 9 years of service 1%; 10+ years of service 2%
Asheville-Buncombe Municipal Utility District	Not offered
Charlotte/Mecklenburg County	**Employees hired after July 1, 1983** – not offered
Greenville Utilities Commission	**Employees hired after July 1, 1993** – not offered

Attachment 2 – Service Pay Option 3a – One-time pay increase keeps current employees wholly compensated for 5 years

Estimated service pay costs for FY14 under the existing policy are $107,000. Buying out service pay in FY14 and keep employees salaries "whole" for 5 years would cost an additional $22,878. Below is a chart detailing the amounts to be paid for each year of service.

Years of Service	Percentage of Increase to Annual Salary
< 5 years	0
5 years	0.35%
6 years	0.65%
7 years	0.95%
8 years	1.23%
9 years	1.52%
10 years	1.67%
11 years	1.82%
12 years	1.97%
13 years	2.12%
14 years	2.27%
15 years	2.47%
16 years	2.67%
17 years	2.87%
18 years	3.07%
19 years	3.27%
20 years	3.62%
21 years	3.99%
22 years	4.34%
23 years	4.69%
> 24 years	5.00%

Attachment 2 continued:

Below is a chart showing the estimated costs of implementing Option 3a (annually and cumulatively). Assumes an annual merit increases of 2.5% and those current eligible employees remain at OWASA through retirement.

Year	(Cost) Savings Between Keeping Service Pay and Buying it Out	Cumulative (Cost) Savings
1 (FY2014)	($22,878)	($22,878)
2	($13,361)	($36,239)
3	($4,595)	($40,834)
4	$9,828	($31,006)
5	$27,337	($3,669)
6	$33,799	$30,130
7	$42,490	$72,620
8	$54,106	$126,726
9	$67,383	$194,109
10	$79,938	$274,047
11	$89,122	$363,169
12	$97,336	$460,505
13	$106,961	$567,466
14	$124,976	$692,442
15	$138,928	$831,370

Attachment 3 – Service Pay Option 3b – One-time pay increase keeps employees wholly compensated for 10 years

Estimated service pay costs for FY14 under the existing policy are $107,000. Buying out service pay in FY14 and keep employees salaries "whole" for 10 years would cost an additional $54,860. Below is a chart detailing the amounts to be paid for each year of service.

Years of Service	Percentage of Increase to Annual Salary
< 1 year	0.18%
1 year	0.34%
2 years	0.50%
3 years	0.66%
4 years	0.81%
5 years	1.10%
6 years	1.27%
7 years	1.49%
8 years	1.70%
9 years	1.91%
10 years	2.10%
11 years	2.28%
12 years	2.45%
13 years	2.63%
14 years	2.79%
15 years	3.09%
16 years	3.38%
17 years	3.66%
18 years	3.93%
19 years	4.19%
20 years	4.37%
21 years	4.53%
22 years	4.70%
23 years	4.86%
>24 years	5.00%

Attachment 3 continued:

Below is a chart showing the estimated costs of implementing Option 3b (annually and cumulatively). Assumes an annual merit increases of 2.5% and those current eligible employees remain at OWASA through retirement.

Year	(Cost) Savings Between Keeping Service Pay and Buying it Out	Cumulative (Cost) Savings
1 (FY2014)	($54,860)	($54,860)
2	($46,089)	($100,949)
3	($38,300)	($139,249)
4	($24,948)	($164,197)
5	($8,124)	($172,321)
6	($1,432)	($173,753)
7	$13,598	($160,155)
8	$32,295	($127,860)
9	$50,073	($77,787)
10	$71,416	($6,371)
11	$75,929	$69,558
12	$94,878	$164,436
13	$109,591	$274,027
14	$131,099	$405,126
15	$152,841	$557,967

Attachment 4 – Service Pay Option 3c – One-time pay increase keeps employees wholly compensated for 15 years

Estimated service pay costs for FY14 under the existing policy are $107,000. Buying out service pay in FY14 and keep employees salaries "whole" for 15 years would cost an additional $84,056. Below is a chart detailing the amounts to be paid for each year of service.

Years of Service	Percentage of Increase to Annual Salary
< 1 year	0.73%
1 year	0.89%
2 years	1.05%
3 years	1.21%
4 years	1.36%
5 years	1.57%
6 years	1.79%
7 years	2.00%
8 years	2.21%
9 years	2.41%
10 years	2.66%
11 years	2.91%
12 years	3.15%
13 years	3.39%
14 years	3.62%
15 years	3.80%
16 years	3.98%
17 years	4.16%
18 years	4.33%
19 years	4.49%
20 years	4.60%
21 years	4.70%
22 years	4.81%
23 years	4.91%
>24 years	5.00%

Attachment 4 continued:

Below is a chart showing the estimated costs of implementing Option 3c (annually and cumulatively). Assumes an annual merit increases of 2.5% and those current eligible employees remain at OWASA through retirement.

Year	(Cost) Savings Between Keeping Service Pay and Buying it Out	Cumulative (Cost) Savings
1 (FY2014)	($84,056)	($84,056)
2	($76,068)	($160,124)
3	($68,870)	($228,994)
4	($56,053)	($285,047)
5	($40,191)	($325,238)
6	($34,559)	($359,797)
7	($21,304)	($381,101)
8	($6,072)	($387,173)
9	$12,249	($374,924)
10	$31,832	($343,092)
11	$40,299	($302,793)
12	$50,841	($251,952)
13	$62,251	($189,701)
14	$82,854	($106,847)
15	$100,508	($6,339)

Attachment 5 – Retiree Health Insurance Comparison Information

Organization	Pre-65 Benefits	Post-65 Benefits	Dependent Coverage
OWASA	10 yrs at age 60 = 50% 15 yrs at age 60 = 75% 20 yrs at age 60 = 100% 30 yrs at any age =100%	Yes, Medicare Supplement and Part D	No
Town of Carrboro	**Employees hired prior to July 1, 2007** 10 yrs 50% 15 yrs 75% 20 yrs 100% **Employees hired after July 1, 2007** will receive a stipend to defray health insurance cost.	Yes, Supplement Plan – NEBCO and Part D	Yes – paid by retiree
Town of Chapel Hill	**Employees hired prior to July 1, 2010** 5 yrs 25% 10 yrs 50% 15 yrs 75% 20 yrs 100% **Employees hired after July 1, 2010** must contribute to a Retirement Health Savings Plan. Employee contributes 1% of pay and employer contributes $35 per pay period.	**Retiree hired prior to July 1, 2010** may elect either Medicare Supplement and Part-D or remain on group plan	Yes – paid by retiree
Orange County	**Employees hired before July 1, 2012** 5 yrs 50% 10 yrs 100% **Employees hired after July 1, 2012** must have 20 yrs to receive 100%	Yes, Medicare Supplement Plan F and Part D	**Retirees hired before July 2, 2008** eligible for dependent coverage at the same rate as an active employee
Town of Cary	25 yrs 100% Employees with 15 years are eligible for 50% and then a 5% increase in contribution for each additional year of service	Yes, Medicare Supplement and Part D	Data unavailable
Town of Hillsborough	**Employees hired before February 9, 2009** 20 yrs at age 55 100% **Employees hired after February 9, 2009** 30 yrs at age 60 100%	No	Yes – paid by retiree

Organization	Pre-65 Benefits	Post-65 Benefits	Dependent Coverage
City of Durham	**Employees hired before July 1, 2008:** 10 yrs 50% 15 yrs 75% 20 yrs 100% **Employees hired after July 1, 2008:** Mandatory participation in a Retirement Health Savings Account	**Employees hired before July 1, 2008** Medicare Supplement Plan and Part D	Data unavailable
City of Raleigh	25 yrs 100% Employees with 15 years are eligible for 50% and then a 5% increase for each additional year	Yes - $100 contributed to a Medicare supplement plan, no Part-D	Data unavailable
Ashville-Buncombe Municipal Utility District	**Employees hired before July 1, 2012** 5-9 yrs 50% 10-14 yrs 55% 15-19 yrs 65% 20-24 yrs 80% 25+ yrs 100% **Employees hired after July 1, 2012** are not eligible for Retiree Benefits	Yes –retiree pays 100% of the premium cost and it is secondary to Medicare	Yes – paid by retiree
Greenville Utilities Commission	**Employees hired before July 1, 2011** 20+ yrs 95% **Employees hired after July 1, 2011** 20-24 yrs (age 55-59) 50% 25+ yrs (age 55-59) 75% 20-24 yrs (60-64) 65% 25+ yrs (60-64) 95%	Yes-Medicare Supplement and Part-D	Yes – paid by retiree

Attachment 6 – Comparison 457 Deferred Compensation Information

Organization	Employer Contribution to Deferred Compensation Plan(s)
OWASA	457 Plan Offered 4-9 years of service - $40 per pay period 10-14 years of service - $60 per pay period 15-19 years of service - $80 per pay period 20+ years of service - $100 per pay period
Town of Carrboro	401(k) Plan Offered Employer contributes 3% for non-LEO staff
Town of Chapel Hill	401(k) and 457 Plans Offered Employer contributes 5% to 401K Plan
Orange County	401(k) and 457 Plans Offered Employer contributes $27.50 semi-monthly with an annual maximum of $715 to one plan – employee choice
Town of Cary	401(k) and 401(a) Plans Offered Employer contributes 5% to either 401(k) or 401(a) – employee choice
Town of Hillsborough	401(k) Plan Offered Employer contributes 5%
City of Durham	401(k) and 457 Plans Offered Employer contributes 4.5% to 401(k) Plan
City of Raleigh	401(k) and 457 Plans Offered Employer makes a 200% matching contribution on the first 1% of employee contribution to 457
Asheville-Buncombe Municipal Utility District	401(k) and 457 Plans Offered Employer contributes 5% to 401(k) Plan
Charlotte/Mecklenburg County	401(k) and 457 Plans Offered Employer contributes 3% to 401(k) Plan
Greenville Utilities Commission	401K and 457 Plans Offered Employer contributes $1,040 annually to 401(k) for full-time and designated part-time employees

RESOLUTION AUTHORIZING THE ELIMINATION OF SERVICE PAY FOR EMPLOYEES EFFECTIVE JULY 1, 2013 AND TO PROVIDE ALL CURRENT ELIGIBLE EMPLOYEES A ONE-TIME PAY INCREASE IN CURRENT BASE SALARY

WHEREAS, Orange Water and Sewer Authority (OWASA) engaged a consultant to conduct an Employee Classification and Compensation Study (Study) to ensure OWASA's compensation program achieves internal equity and external competitiveness in the market; and

WHEREAS, on January 10, 2013, the OWASA Board directed staff and the Human Resource (HR) Committee to further evaluate the Study's recommendation that Service Pay (longevity) be phased out because it works counter to OWASA's performance/merit based compensation strategy and this may be accomplished by making a one-time salary adjustment to all current employees based on their length of service; and

WHEREAS, staff evaluated and discussed with employees options to phase out Service Pay; and

WHEREAS, the HR Committee and staff agree that Service Pay should be eliminated for all employees effective July 1, 2013 and that all current eligible employees receive a one-time pay increase in current base salary to keep them generally wholly compensated for a period of ten years; and

WHEREAS, there are two employees who have reached or are close to the top of their pay range and the HR Committee and Staff agree that their salary range shall be extended by the percentage necessary for them to receive the full one-time pay increase based on their length of service:

NOW, THEREFORE, BE IT RESOLVED:

1. The Board of Directors hereby eliminates Service Pay and approves a one-time pay increase in current base salary for all eligible employees based on length of service, effective July 1, 2013, as shown on the attachment.

2. The Human Resource policy is amended to reflect the elimination of Service Pay, effective July 1, 2013.

3. In order to avoid an effective reduction in pay for the two employees who have reached or are close to the top of their pay range, as of July 1, 2013, the salary ranges for their individual job positions shall be increased by the amount necessary to accommodate the one time pay increase based on their length of service.

Adopted this 13th day of June 2013.

_____
Alan Rimer, Chair

ATTEST:

_____
Amy Witsil, Secretary

ONE-TIME PAY INCREASE

Years of Service	Percentage of Increase to Annual Salary
< 1 year	0.18%
1 year	0.34%
2 years	0.50%
3 years	0.66%
4 years	0.81%
5 years	1.10%
6 years	1.27%
7 years	1.49%
8 years	1.70%
9 years	1.91%
10 years	2.10%
11 years	2.28%
12 years	2.45%
13 years	2.63%
14 years	2.79%
15 years	3.09%
16 years	3.38%
17 years	3.66%
18 years	3.93%
19 years	4.19%
20 years	4.37%
21 years	4.53%
22 years	4.70%
23 years	4.86%
>24 years	5.00%

ITEM SEVEN: RECOMMENDATIONS ON THE REMAINING EMPLOYEE CLASSIFICATION AND COMPENSATION STUDY ITEMS

Gordon Merklein presented the Human Resources (HR) Committee and staff recommendations to the full Board regarding Service Pay, Retiree Health Insurance for New Hires and the 457 Supplemental Retirement benefit as directed by the Board on January 10, 2013. He said that the HR Committee supports staff's recommendation that the Board eliminate the Service Pay benefit for all employees effective July 1, 2013 and provide all eligible employees a one-time pay increase in current base salaries to keep them wholly compensated for 10 years (Option 3.b). Mr. Merklein said the proposal is good for OWASA and fair for our employees, and he encouraged the Board to support the HR Committee's and staff's recommendation.

Stephanie Glasgow provided examples of the three options presented to the HR Committee on May 28, 2013.

Michael Hughes said he values all the work of staff. He recalled that during the Classification and Compensation Study process, the Board made a commitment to move towards pay for performance for employee reviews. Mr. Hughes said during the HR Committee meeting there would be an opportunity to eliminate service pay without compensation and to consider opportunities to redistribute the money saved to employees based on performance. He believes Option 3b is inappropriate if OWASA moves towards a pay for performance model.

Amy Witsil said that if the Board agrees with the HR Committee's pay for performance recommendation, the one-time supplemental payment is inconsistent with that recommendation.

Terri Buckner said she does not support the HR Committee's recommendation and proposed an alternative to Option 3b similar to the Town of Carrboro. She noted that an alternative is to keep Service Pay, but instead of basing the benefit on an employee's salary, to make a flat payment to the employee. For example an employee who has worked at OWASA for 10-14 years would receive $1,000.

John Young said the Board should ask if the Service Pay benefit is an efficient and effective incentive, and he noted that some benchmark organizations studied in the Employee Classification and Compensation Study indicate that Service Pay is being phased out. Mr. Young noted that OWASA employees understand that the current Service Pay benefit is part of employees' fixed compensation and to eliminate that benefit without compensating employees would go against the Board's commitment that no employee would lose money as a result of the Employee Classification and Compensation Study. Examples provided by staff for Option 3b showed that over a ten year period, employees would be wholly compensated if the Service Pay benefit was eliminated. Mr. Young supported the HR Committee's recommendation on Service Pay.

Mr. Young also said pay for performance is a good concept, but should be considered as a separate issue from the Service Pay benefit and there are many ways to implement pay for

performance. One way to implement pay for performance is to use the merit increase budget and put that budget towards pay for performance.

Alan Rimer said service pay is phasing out and pay for performance is the future; however, the Board did commit to keeping employees whole and he supports Option 3b.

Will Raymond said that the Board did commit to keeping employees whole and supports the HR Committee's recommendation.

Ed Kerwin agreed that Service/Longevity Pay is an employee benefit that staff agrees could be eliminated. The Board approved a new pay for performance plan in January but staff is open to new and improved tools to evaluate employees.

Mr. Hughes said as a result of the Board's discussion tonight, he now supports Option 3b. He also said he likes Ms. Buckner's proposed Service Pay alternative.

Gordon Merklein made a motion to approve the Resolution Authorizing the Elimination of Service Pay for Employees Effective July 1, 2013 and to Provide All Current Eligible Employees a One-Time Pay Increase in Current Base Salary. The motion was seconded by Will Raymond and approved with a vote of six to two with Terri Buckner and Amy Witsil opposed. Please see Motion No. 9 above.

ITEM EIGHT: DISCUSSION OF PROCESS GOING FORWARD FOR INVESTIGATION OF NEW ORGANIZATION AND GOVERNANCE STRUCTURE FOR TASTE OF HOPE

Terri Buckner said the Ad Hoc Financial Assistance Committee distributed a proposal to the OWASA Board for feedback on an inter-agency working group charge and received comments from a few Board Members. It was agreed that the Board Chair would send a letter to the chief elected officials, Inter-Faith Council (IFC) and other applicable organizations requesting the formation of an inter-agency working group to further discuss this concept. Ms. Buckner said OWASA is not authorized to establish a non-profit organization to provide financial assistance to customers in need; therefore, if the working group determines that a non-profit foundation is the best approach going forward, then another organization will need to create the foundation. If and when a new foundation is established, the OWASA Board will determine whether or not to participate in that organization and if and how to change the Taste of Hope fundraising approach to help meet the financial needs of persons in need through the foundation. Ms. Buckner said that OWASA's delegates to that working group would not act as an OWASA committee, but will keep the OWASA Board advised of the group's progress.

ITEM NINE: REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS

Gordon Merklein reported that the Nominating Committee proposed the following slate of officers for corporate year 2013-2014 beginning July 1, 2013:

RESOLUTION AUTHORIZING THE ELIMINATION OF SERVICE PAY FOR EMPLOYEES EFFECTIVE JULY 1, 2013 AND TO PROVIDE ALL CURRENT ELIGIBLE EMPLOYEES A ONE-TIME PAY INCREASE IN CURRENT BASE SALARY

WHEREAS, Orange Water and Sewer Authority (OWASA) engaged a consultant to conduct an Employee Classification and Compensation Study (Study) to ensure OWASA's compensation program achieves internal equity and external competitiveness in the market; and

WHEREAS, on January 10, 2013, the OWASA Board directed staff and the Human Resource (HR) Committee to further evaluate the Study's recommendation that Service Pay (longevity) be phased out because it works counter to OWASA's performance/merit based compensation strategy and this may be accomplished by making a one-time salary adjustment to all current employees based on their length of service; and

WHEREAS, staff evaluated and discussed with employees options to phase out Service Pay; and

WHEREAS, the HR Committee and staff agree that Service Pay should be eliminated for all employees effective July 1, 2013 and that all current eligible employees receive a one-time pay increase in current base salary to keep them generally wholly compensated for a period of ten years; and

WHEREAS, there are two employees who have reached or are close to the top of their pay range and the HR Committee and Staff agree that their salary range shall be extended by the percentage necessary for them to receive the full one-time pay increase based on their length of service:

NOW, THEREFORE, BE IT RESOLVED:

1. The Board of Directors hereby eliminates Service Pay and approves a one-time pay increase in current base salary for all eligible employees based on length of service, effective July 1, 2013, as shown on the attachment.

2. The Human Resource policy is amended to reflect the elimination of Service Pay, effective July 1, 2013.

3. In order to avoid an effective reduction in pay for the two employees who have reached or are close to the top of their pay range, as of July 1, 2013, the salary ranges for their individual job positions shall be increased by the amount necessary to accommodate the one-time pay increase based on their length of service.

Adopted this 13th day of June 2013.

Alan Rimer, Chair

ATTEST:

Amy Witsil, Secretary

ONE-TIME PAY INCREASE

Years of Service	Percentage of Increase to Annual Salary
< 1 year	0.18%
1 year	0.34%
2 years	0.50%
3 years	0.66%
4 years	0.81%
5 years	1.10%
6 years	1.27%
7 years	1.49%
8 years	1.70%
9 years	1.91%
10 years	2.10%
11 years	2.28%
12 years	2.45%
13 years	2.63%
14 years	2.79%
15 years	3.09%
16 years	3.38%
17 years	3.66%
18 years	3.93%
19 years	4.19%
20 years	4.37%
21 years	4.53%
22 years	4.70%
23 years	4.86%
>24 years	5.00%

AGENDA ITEM

- **DISCUSSION ON EMPLOYEE DEFERRED COMPENSATION (457) PLAN**

PURPOSE

- Discuss options to improve the employee Deferred Compensation (457) Plan.

BACKGROUND

- The Human Resources (HR) Committee has met on four occasions to discuss and analyze options to improve the competitiveness of OWASA's Deferred Compensation (457) Plan.

- The HR Committee recommends that the Board authorize the following:

  - Amend the current Deferred Compensation (457) Plan to include a loan provision allowing employees to borrow up to 40% of their individual account balance.

  - Add a benefit tier of $20 per pay period for employees with six months to less than four years of service.

  - Effective July 1, 2014, provide all employees with at least six months of service a one-time $750 contribution to their Deferred Compensation (457) Plan account to improve competitiveness and serve as a bridge until additional alternatives are considered.

- At the May 22, 2014 Board of Directors' meeting, the Board instructed staff to provide two resolutions for consideration at the June 12, 2014 meeting (attached).

STAFF RECOMMENDATION

- Board discussion and possible action on the recommendations put forth by the HR Committee.

June 12, 2014

ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: June 6, 2014

SUBJECT: Discussion and Possible Approval of changes to the Deferred Compensation (457) Plan

PURPOSE

Discuss options to improve the competitiveness of OWASA's Deferred Compensation (457) Plan.

BACKGROUND

At the May 22, 2014 Board of Directors meeting, the Human Resources (HR) Committee put forth the following recommendations:

The HR Committee met four times and carefully considered about 10 different options to improve the competitiveness of our deferred compensation benefit (457) plan for our employees. It has been 13 years since the Board has conducted a substantive review of the program.

While we made important progress, this is a very complex issue involving a number of important values for our organization and for our employees. We have concluded that additional time is needed to more fully consider alternatives within the context of our employees' total compensation before we recommend significant changes to our current program.

We are recommending Board approval at our June 12th meeting of several improvements in our deferred compensation program for Fiscal Year 2015 as follows:

> *Amend the current Deferred Compensation (457) Plan to include a loan provision that will allow employees to borrow up to 40% of their account balance. This provision does not add to the cost of administering the program and will benefit employees who face fiscal challenges. About half of our peer employers offer a loan provision.*
>
> *Add a new benefit tier of $20 per pay period for employees with six months to less than four years of service. Under our current program, employees must complete four years of service to begin receiving the benefit. Most of our peer employers offer a retirement benefit for employees with less than four years of service. The cost for this benefit is about $20,000 and can be absorbed into the proposed FY 2015 budget.*

Effective July 1, 2014, provide all qualifying employees with at least six months of service a one-time $750 contribution to their deferred compensation (457) account. The current deferred compensation (457) plan benefit levels have not been adjusted since 2001. This one-time contribution will improve our competitiveness in the job market and serves as a bridge until we can more fully consider future improvements and alternatives. The cost for this one-time contribution is about $100,000 and can be absorbed into the proposed FY 2015 budget.

We recommend that additional discussions of changes to our Deferred Compensation (457) Plan consider the deferred compensation plan within the greater context of total compensation. We recommend that the Board direct the HR Committee to work with staff to develop a deferred compensation recommendation no later than May 1, 2015.

INFORMATION

At the May 22, 2014 Board of Directors' meeting, the Board instructed staff to provide two resolutions for consideration at the June 12, 2014 meeting.

- To authorize amending the current Deferred Compensation (457) Plan to include a loan provision allowing employees to borrow up to 40% of their account balance and to add an additional benefit tier of $20 per pay period for employees completing six months to less than four years of service (Attachment 1).
- To provide all employees with six months of service on July 1, 2014 a one-time $750 contribution to their Deferred Compensation (457) Plan account (Attachment 2).

RECOMMENDATION

Board discussion and action regarding the recommendations put forth by the HR Committee.



Stephanie S. Glasgow, MESH, PHR
Director of Human Resources and Safety

Attachments

RESOLUTION TO AMEND THE CURRENT DEFERRED COMPENSATION (457) PLANS BENEFIT FOR EMPLOYEES

WHEREAS, the Orange Water and Sewer Authority currently makes biweekly contributions to the Deferred Compensation (457) Plans of employees who have been employed by OWASA for at least four years;

WHEREAS, OWASA's current Deferred Compensation (457) Plan does not allow employees to borrow from their accounts;

WHEREAS, the Human Resources (HR) Committee has recommended to the OWASA Board of Directors that beginning July 1, 2014, qualified employees with six months of service to less than four years of service should receive a Twenty Dollar ($20.00) per pay period contribution to their Deferred Compensation (457) Plan; and

WHEREAS, the HR Committee has recommended that OWASA's current Deferred Compensation (457) Plans be amended to include a provision that will allow each employee to borrow up to forty percent (40%) of his or her account balance:

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors approves contributing Twenty Dollars ($20) per pay period to the Deferred Compensation (457) Plan of each employee with at least six months but less than four years of service.

2. That OWASA's current Employee Deferred Compensation (457) Plan provisions shall be and are amended to include a provision allowing each employee to borrow not more than forty percent (40%) of his or her account balance.

Adopted this12th day of June 2014.

_____
Alan Rimer, P.E., Chair

ATTEST:

_____
Michael M. Hughes, P.E., Secretary

RESOLUTION AUTHORIZING A ONE-TIME $750 DEFERRED COMPENSATION (457) CONTRIBUTION FOR EMPLOYEES WITH SIX MONTHS OF SERVICE ON JULY 1, 2014

WHEREAS, the Orange Water and Sewer Authority currently makes biweekly contributions to qualifying employees' Deferred Compensation (457) Plan accounts;

WHEREAS, the Human Resources (HR) Committee has recommended that OWASA make a one-time contribution in the amount of Seven Hundred Fifty Dollars ($750.00) to the Deferred Compensation (457) Plan of every Qualified Employee (who has been a full-time employee of OWASA for at least six months as of July 1, 2014); and

WHEREAS, the Board of Directors has determined to approve this one-time payment in order to improve OWASA's competitive position in the job market while other alternatives are evaluated and further recommendations are developed;

NOW, THEREFORE, BE IT RESOLVED:

1. The Board of Directors directs that OWASA shall contribute to the Deferred Compensation (457) Plan for each Qualified Employee (who has been employed on a full-time basis for at least six months as of July 1, 2014) a one-time payment of Seven Hundred Fifty Dollars ($750.00), on or after July 15, 2014.

Adopted this 12th day of June 2014.

_____
Alan Rimer, P.E., Chair

ATTEST:

_____
Michael M. Hughes, P.E., Secretary

Will Raymond made a motion to adopt the resolution titled Capital Project Resolution for Fiscal Year 2015 Infrastructure Improvements. The motion was seconded by Amy Witsil and unanimously approved. Please see Motion No. 5 above.

For the third consecutive year, monthly rates for water, sewer and reclaimed water service will not. The FY 2015 Annual Budget includes $19.8 million for operations; $10 million for capital improvements; and $8.3 million for repayment of bond debt.

ITEM SIX: DISCUSSION EMPLOYEE DEFERRED COMPENSATION (457) PLAN

Terri Buckner said she would prefer to defer a vote on this topic until information on total compensation for employees is more fully developed.

John Young said more development of total compensation is needed prior to changing this benefit for employees.

Michael Hughes said he strongly supports the first resolution regarding the loan provision but would agree to delay other actions until more work is completed on total compensation for employees.

After Board discussion, the Board supported a revised resolution that allows employees to borrow forty percent (40%) from their Deferred Compensation (457) Plan.

Will Raymond made a motion to amend Attachment 1, Resolution to Amend the Current Deferred Compensation (457) Plans Benefit for Employees, but omitting provisions in the draft resolution pertaining to Deferred Compensation (457) Plan contributions to qualified employees with six months of service to less than four years of service receiving Twenty Dollars ($20.00) per pay period. The motion was seconded by Michael Hughes and unanimously approved. Please see Motion No. 6 above.

Will Raymond made a motion that qualified employees with six month of service to less than four years of service receive Twenty Dollars ($20.00) per pay period contribution to their Deferred Compensation (457) Plan effective July 1, 2014. The motion was seconded by Michael Hughes and failed with a vote of 2 to 7 with Alan Rimer, John Young, Terri Buckner, Steve Dear, Quinton Harper, Heather Payne and Amy Witsil opposed. Please see Motion No. 7 above.

Quinton Harper said that the Board values the employees.

Will Raymond made a motion to adopt the Resolution Authorizing a One-Time $750 Deferred Compensation (457) Contribution for Employees with Six Months of Service on July 1, 2014; there was no second and the motion failed. (Please see Motion No. 8 above)

Agenda Item 8:

Discuss Strategies for Employee Health Insurance for Fiscal Year (FY) 2017

Purpose:

Information and presentation by staff and Hill, Chesson and Woody to generate Board discussion and guidance to staff regarding Employee Health Insurance beginning July 1, 2016.

Background:

The Orange Water and Sewer Authority began using the firm of Hill, Chesson and Woody in April 2014 to manage benefit plans and negotiate premiums for Employee Health, Dental, Life, Dependent Life, Accidental Death and Dismemberment (AD&D) and Long Term Disability (LTD) Insurance.

The current Employee Health and Dental Insurance plans along with Life, Dependent Life, AD&D and LTD contracts expire on June 30, 2016.

A representative from Hill, Chesson and Woody will be presenting the following information on January 14, 2016:

- Healthcare Reform Update
- OWASA Executive Summary/Data
- Benchmarking
- Renewal Expectations and Strategy Options

Information:

- Staff Memorandum – Strategies for Employee Health Insurance for FY 2017

ORANGE WATER AND SEWER AUTHORITY

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community.

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: January 8, 2016

SUBJECT: **Strategies for Employee Health Insurance for Fiscal Year 2017**

Purpose

OWASA's health, dental, accidental death and dismemberment and group life insurance plans expire on July 1, 2016. Before the plans expire, the Board will need to make decisions on a variety of related issues. The purpose of this discussion is to provide the Board with:

- Current year claim trends
- Coverage renewal options to consider

Claims Trends

OWASA's costs of providing health-related insurance coverage for employees is likely to increase significantly.

As you know, health insurance providers receive premiums from employers and pay out claims of employees and covered dependents. Health insurance providers profit (or lose money) from the difference between premiums received, claims paid and administrative cost.

Due to OWASA's claims vs. premiums experience, our health insurance premium increase for FY 2016 was 21.4%. Unfortunately, our claims for FY 2017 are once again trending high.

Renewal Options to Consider

Feedback from employees indicates that health insurance coverage is one of the most important benefits OWASA provides. Employees appreciate and value the quality of the coverage and services provided. Our challenge is to provide this coverage at a reasonable cost.

If current trends continue and we are faced with significant cost increases, the Board may wish to implement changes to certain aspects of our approach to health insurance coverage. The following explains various types of changes available to us that could help reduce the amount of a cost increase.

Plan Design – Changing aspects of our health insurance coverage such as the amount of the deductible, out of pocket maximum, emergency room copayment, etc.

Dual Option – Provide a new "base" plan for employees that would be less expensive and provide lower benefits. However, we would also retain the current plan (or similar) and allow employees to buy-up by paying the additional cost.

Health Insurance Changes to Employee Contribution Amounts – OWASA currently pays 100% of the cost of covering employees and 50% of the cost of covering dependents. The percentage of OWASA's contributions could be reduced or eliminated by increasing the amount employees pay toward coverage.

Dental Coverage Changes to Employee Contribution Amounts - We spend approximately $60,000 per year toward employee dental insurance. OWASA currently pays 100% of the cost of covering employees and 40% of the cost of covering dependents. The percentage of OWASA's contributions could be reduced or eliminated by increasing the amount of employees pay towards coverage.

Vision Coverage Changes to Employee Contribution Amounts - We spend approximately $40,000 per year to provide an in-house vision coverage program. OWASA's contributions could be reduced or eliminated by increasing the amount employees and dependents pay toward coverage.

Spousal Surcharge – As mentioned above, OWASA pays 50% of the cost of providing health insurance coverage for an employee's spouse. In some cases, the employee's spouse may be eligible to be covered by his or her employer. OWASA could implement a financial disincentive that would discourage employees in these situations from having their spouse covered by OWASA's plan.

Pay to Waive – Employees opt out of coverage on the health plan if they show proof of coverage on their spouse's plan. They would be paid an amount less than what OWASA pays for employee only coverage, generating saving to OWASA. Employees cannot be paid to waive coverage to go on the Marketplace, Medicare or TriCare.

Market our Plan – We could seek proposals from other insurance providers. However, as discussed, the cost of health insurance is directly tied to the relationship of premiums received vs. claims paid. Our claims experience may make it difficult to obtain an attractive quote. As renewal approaches, and more information is provided, Hill, Chesson and Woody will be able to provide more guidance on marketing our plan.

Funding Type - OWASA could explore changing to a self-funded arrangement or a hybrid funding arrangement. This is where OWASA pays the claims with a stop-loss protection for high claimants or where OWASA takes on more claims risk.

Action Requested

Staff requests guidance regarding which renewal options the Board would like to consider if we are faced with another significant increase in the cost of providing health insurance benefits to employees. Based on this guidance, staff will work with Hill, Chesson and Woody to be prepared to provide more information on the options as it becomes available.



Stephanie S. Glasgow, MESH, MPM, PHR
Director of Human Resources and Safety

ITEM FIVE: MINUTES

Quinton Harper made a motion to approve the Minutes of the November 12, 2015 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Jeff Danner and unanimously approved. Please see Motion No. 4 above.

ITEM SIX: MINUTES

Quinton Harper made a motion to approve the Minutes of the November 12, 2015 Work Session of the Board of Directors; second by Jeff Danner and unanimously approved. Please see Motion No. 5 above.

REGULAR AGENDA

ITEM SEVEN: CONSIDER APPROVAL OF THE ADVANCED METERING INFRASTRUCTURE (AMI) FEASIBILITY STUDY AND DISCUSS NEXT STEPS

After discussion, Terri Buckner made a motion that the Board of Directors accept the AMI Feasibility Study and supplemental information as complete; second by Heather Payne and unanimously approved. Please see Motion No. 6 above.

After discussion, Terri Buckner made a motion the Board of Directors accept the AMI project schedule as reflected in the staff memorandum; second by Jeff Danner and unanimously approved. Please see Motion No. 7 above.

Staff will submit to the Board a draft plan for informing and seeking comments from the community about a possible AMI system implementation by OWASA including public participation in the February 25 Board meeting.

ITEM EIGHT: DISCUSSION STRATEGIES OF EMPLOYEE HEALTH INSURANCE FOR FISCAL YEAR 2017

The Board discussed cost factors, the process and options for employee health insurance from July 2016 through June 2017. The Board will receive additional information in coming months including the cost proposal which Blue Cross-Blue Shield of North Carolina will submit.

ITEM NINE: FISCAL YEAR 2017 BUDGET CALENDAR AND ASSUMPTIONS

The Board discussed OWASA's budget calendar and planning assumptions for the fiscal year beginning in July 2016.

ITEM TEN: REVIEW BOARD WORK SCHEDULE

Ruchir Vora requested that the Board consider whether a formal discharge permit should be required of the University of North Carolina at Chapel Hill for its discharges to the sanitary sewer system.

Draft Employee Total Compensation Philosophy

Statement of Intent

We value our employees as our most important resource and we provide them competitive compensation, benefits and a safe and rewarding work environment which promotes diversity and equal opportunity for all.

To support and encourage excellence in performance, OWASA's employee total compensation system includes:

- Actively engaging employees in decisions that impact their pay and benefits.
- A competitive total compensation package that is reflective of the defined market area for OWASA's positions that allows for attraction and retention of 'best-in-class' employees and is attractive, flexible, and market based.
- Flexibility in the administration of OWASA's compensation package to reflect availability of funds, while supporting the needs of an ever-changing group of diverse employees throughout their careers.
- A reward system based on Pay-for-Performance principles that encourages OWASA employees to exceed established performance objectives.
- A reward system that recognizes the individual contributions of an employee as well as those of their respective team toward the goals of OWASA.
- Opportunities for all employees to be empowered to advance their career by further developing their skills and abilities through an active and balanced career development program.
- A work culture and environment that actively encourages safety, promotion and recognition of new ideas, health, and wellness.

Exceptions

Nothing in OWASA's total compensation philosophy should be construed to be a required benefit in the event that OWASA experiences a decline in revenue or revenue growth lower than the projected increase in expenses. As with all budget decisions, merit increases, market rate adjustments and funds for other employee benefits are subject to annual appropriation.

Board Approved February 11, 2016

Agenda Item 3:

Review Board Work Schedule

Purpose:

a) Request(s) by Board Committees, Board Members and Staff
    a. September 13, 2016 Executive Committee Meeting Summary
b) Review the draft agenda and discuss expectations for the October 27, 2016 and November 10, 2016 meetings
c) Review and update the 12 Month Board Meeting Schedule
d) Review Pending Key Staff Action Items

Information:

- Draft agenda for the October 27, 2016 meeting
- Draft agenda for the November 10, 2016 work session
- Draft 12 Month Board Meeting Schedule
- Pending Key Staff Action Items from Board Meetings

October 13, 2016

AGENDA
PUBLIC HEARING AND MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, OCTOBER 27, 2016, 7:00 P.M.
CHAPEL HILL TOWN HALL

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 919-537-4217 or aorbich@owasa.org.

The Board of Directors appreciates and invites the public to attend and observe its meetings. Public comment is invited either by petition upon topics not on the Board's agenda, or by comments upon items appearing on the Board's agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within the four minute time frame allowed each speaker.

Announcements

1. Announcements by the Chair
   A. 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.
2. Announcements by Board Members
3. Announcements by Staff
   A. OWASA Employee Service Awards (Ed Kerwin)

Petitions and Requests

1. Public
2. Board
3. Staff

PUBLIC HEARING

1. Public Hearing on Multi-Family Master-Meter Rate Structure (Stephen Winters)
   A. Staff Presentation
   B. Public Comments
   C. Motion to Close Public Hearing
   D. Board Discussion

CONSENT AGENDA

Information and Reports

2. Quarterly Attendance at Board and Committee Meetings (Andrea Orbich)

Action

3. Approval of the Minutes of the September 8, 2016 Work Session of the Board of Directors (Andrea Orbich)

DRAFT

4. Approval of the Minutes of the September 22, 2016 Meeting of the Board of Directors (Andrea Orbich)
5. Approval of the Minutes of the September 22, 2016 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter (Robert Morgan)
6. Approval of the Minutes of the October 13, 2016 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter (Robert Morgan)

REGULAR AGENDA

Discussion

7. Comprehensive Annual Financial Report – Comments from the Board and Public (Stephen Winters)
8. Annual Review and Update of Strategic Trends and Utility Planning Issues (Ruth Rouse)
9. Discuss Update to Cross Connection Control Ordinance (Todd Taylor)

Information and Reports

10. Financial Report for the Three Month Period Ended September 30, 2016 (Stephen Winters)

Summary of Board Meeting Action Items

11. 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 meeting

CLOSED SESSION

12. The Board of Directors will Convene in a Closed Session for the Purpose of Discussing a Personnel Matter (Robert Morgan)

DRAFT

AGENDA
WORK SESSION OF THE OWASA BOARD OF DIRECTORS
THURSDAY, NOVEMBER 10, 2016, 6:00 P.M.
OWASA COMMUNITY ROOM

The Board of Directors appreciates and invites the public to attend and observe its meetings. For the Board's Work Session, public comments are invited on only items appearing on this agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within a four minute time frame allowed each speaker.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - 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.

b. Announcements by Board Members

c. Announcements by Staff

Discussion and Action

1. Interlocal Agreement with Orange County for Historic Rogers Road Sewer Bidding and Construction Services (Mary Darr)

Discussion

2. Review Draft Advanced Metering Infrastructure System Community Engagement Plan (Todd Taylor)
3. Discuss Long Range Water Supply Plan – Goals and Objectives (Ruth Rouse)
4. Discuss Key Performance Indicators (Mary Tiger)
5. *Tentative – Discuss Celebration Options for OWASA's 40 Years of Service to the Carrboro-Chapel Hill Community (Ed Kerwin)*
6. Executive Director Draft Performance Goals (Ed Kerwin)

Discussion

7. Review Board Work Schedule (John Young/Ed Kerwin)
   a. Request(s) by Board Committees, Board Members and Staff
   b. December 8, 2016 Work Session
   c. January 12, 2017 Work Session
   d. 12 Month Board Meeting Schedule
   e. Pending Key Staff Action Items

Summary of Work Session Items

8. Executive Director will summarize the key staff action items from the Work Session

DRAFT

OWASA Board of Directors – 12 Month Board Meeting Schedule (October 7, 2016)

Month	Board Meetings		Committee & Other Meetings
	Work Session	Business Meeting	
October 2016	CIP Investment Practices Discuss Alternative Compensation Strategies CS – ED Review () *10/13/2016*	Public Hearing on MFMM Rate Structure Discuss Update to Cross Connection Control Ordinance Comprehensive Annual Financial Report – comments from the Board and Public Q1 Financial Report () Strategic Trends Report () CS – ED Review () *10/27/2016*	*HR Meeting to discuss draft Diversity and Inclusion Plan (10-11-2016)*
November 2016	***Review Draft AMI System Community Engagement Plan*** ***Discuss LRWSP – Goals and Objectives*** Discuss Key Performance Indicators Interlocal Agreement for Historic Rogers Road Sewer Bidding and Construction ED Draft Performance Goals *Tentative – Discuss OWASA turns 40* *11/10/2016*	*Holiday - no meeting*	*Special Board Work Session on Diversity and Inclusion (for 11-3-2016)*
December 2016	***Approve AMI System Community Engagement Plan*** ***Update on the Affordability Plan & Year 2*** If applicable, Decision on MFMM Rate Structure *12/8/2016*	*Holiday - no meeting*	
January 2017	FY 18 Budget Calendar and Assumptions () Employee Health and Dental Insurance Update () Discussion of Board Officers Nomination/ Election Process CY 16 Biosolids Report Award a Construction Contract for the Eastowne, Eubanks and Meadowmont 1 Pump Stations Improvement Project *1/12/2017*	***Approve LRWSP – Goals and Objectives*** Annual Lakes Recreation Report (regular agenda) () Q2 Financial Report () CIP Semiannual Report () *1/26/2017*	
February 2017	***Discuss Draft Energy Management Plan*** ***Overview of Land Management*** CS - General Counsel Interim Review () *2/9/2017*	***Approve Energy Management Plan*** OWASA turns 40 CS - General Counsel Interim Review () *2/23/2017*	
March 2017	***Review AMI System Procurement Contract*** **Discuss LRWSP – Demands & Yield** FY 18 Draft Budget & Rates () Set date for Public Hearings – FY 18 Budget & Rates () Award the Rogerson Drive Force Main Rehabilitation Contract CS – ED Interim Review () *3/9/2017*	***Approve AMI System Procurement Contract*** Award the Gravity Sewer Rehabilitation Contract FY 18 Draft Budget & Rates and Discussion of Reserves () CS – ED Interim Review () *3/23/2017*	
April 2017	FY 18 Draft Budget and Rates () Authorize staff to publish proposed rates () Appointment of the Nominating Committee () Employee Health and Dental Insurance Update Award the Rogerson Drive Pump Station Rehabilitation Contract *4/13/2017*	***Approve LRWSP – Demands & Yield*** Q3 Financial Report () Appoint Audit Firm () *4/27/2017*	

Current and Pending Key Projects and Stages – in ***bold italics***

OWASA Board of Directors – 12 Month Board Meeting Schedule (October 7, 2016)

May 2017	Discuss Employee Health and Dental Insurance Renewal ↻ Discuss Employee Merit Pay for FY 18 ↻ *5/11/2017*	Public Hearings – FY 18 Budget and Rates ↻ Approve Employee Health and Dental Insurance Renewal (if needed) ↻ *5/25/2017*	
June 2017	Approve FY 17 Budget and Rates ↻ Approve Employee Merit/Cost of Labor Pay Increases for FY 17 ↻ Award the Hillsborough Street Water Main Replacement Contract Election of Officers ↻ *6/8/2017*	TBD *6/22/2017*	
July 2017	TBD *7/13/2017*	TBD *7/27/2017*	
August 2017	CS – General Counsel Review ↻ 8/10/2017	Preliminary 12 Month Financial Report ↻ CIP Semiannual Report ↻ EEO/Affirmative Action Report ↻ CS – General Counsel Review ↻ 8/24/2017	
September 2017	CS – ED Review ↻ *9/14/2017*	Annual Report and Financial Audit ↻ Approve General Counsel Engagement ↻ CS – ED Review ↻ *9/28/2016*	

The 12 Month Board Meeting Schedule shows Strategic Plan initiatives and other priority efforts that the Board and staff plan to give greatest consideration to during the next twelve months. The schedule also shows major recurring agenda items that require Board action, or items that have been scheduled in response to the Board's prior standing request. This schedule does not show all the items the Board may consider in a work session or business meeting. It also does not reflect meetings at which the Board will discuss and act on the update of the Strategic Plan.

The 12 Month Board Meeting Schedule will be reviewed and updated at each monthly work session and may also be discussed and updated at the Board's business meetings.

In addition to the initiatives shown in this schedule, staff will be working on other Strategic Plan and organizational priorities that are not expected to require major additional discussion with the Board except as part of budget deliberations (e.g., continuing our comprehensive asset management work).

The schedule implies that the following Strategic Plan initiatives would be addressed beyond the 12 month period. The Board may conclude that one or more of the following initiatives are higher priority. The schedule will be revised as needed to reflect the Board's priorities, and any additional initiatives that the Board may decide to address.

- Development of a plan and policy framework for OWASA lands is considered a longer-term priority.
- Improve effectiveness as a learning organization is considered a longer-term priority.
- Water Conservation Plan will be prepared concurrent with update of the Long-Range Water Supply Plan.

The OWASA Board determines which topics it wants to explore as a full Board (potentially in a work session format) and which topics it wants to assign to Board committees or committee chairs for further analysis and development of recommendations. Board also determines priorities and desired timeframes for addressing topics. Committee meetings will be updated on the schedule routinely.

OWASA Board of Directors – 12 Month Board Meeting Schedule (October 7, 2016)

Abbreviations Used in Draft Schedule:

↻	Recurring agenda item (generally these are "required" items)
AMI	Advanced Metering Infrastructure
CE	Community Engagement
CEP	Community Engagement Plan
CIP	Capital Improvements Program
COLA	Cost of Labor Adjustment
CS	Closed Session of the Board
CY	Calendar Year
ED	Executive Director
FY	Fiscal Year
JLP	Jordan Lake Partnership
LRWSP	Long-Range Water Supply Plan
MST	Mountains-to-Sea Trail
MFMM	Multi-Family, Master Meter
NRTS	Natural Resources/Technical Services
Q	Quarter
SOW	Scope of Work
TBD	To Be Determined
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

Current and Pending Key Projects and Stages

Project	Strategic Initiative	Project Lead	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-16	Jun-17	Jul-17	Aug-17	Sep-17
AMI	6	Taylor		CEP	CEP			Contract						
Total Compensation Study		Glasgow												
MFMM Rate Structure Study	4	Winters		If applicable	If applicable									
LRWSP	1	Rouse		Goals & Objectives		Goals & Objectives		Demand & Yield	Demand & Yield					
Energy Plan	5	Tiger												

Schedule To Be Determined

Stages	Committee Discussion	Feasibility Study	Board Review	Community Engagement	Action	Procurement	Implementation

Pending Key Staff Action Items from Board Meetings

Date	Action Item	Target Board Meeting Date	Person(s) Responsible	Status
9-22-2016	Proceed with community engagement tasks as it pertains to chloramine use and customer considerations about their private plumbing systems. Thank Mr. Art Belden for his petition (which was denied by the Board).	N/A	Taylor Loflin Feller	Blue Thumb to be released in October/November will contain information on chloramines. A letter to local government partners is being developed. Additional information has be posted to the website. E-mail sent to the Mr. Belden on 9-27-2016 notifying him that his petition was denied and thanking him for his suggestion.
9-22-2016	Put final comprehensive annual financial report (CAFR) on a future agenda for public comment and additional Board discussion, if desired. The Board may discuss whether to change the date of the annual meeting to provide more time to complete CAFR.	10-27-2016	Winters	In progress
9-22-2016	Take "rough cut" at additional information about chromium 6 to include regional information and mitigation alternatives.	TBD	Taylor Loflin	E-mail containing this information was sent to the Board on 10-4-2016.
9-8-2016	Inform the public about the Board's decision to consider a uniform commodity rate for multi-family, master metered customers (no change in monthly service charge) to include a Public Hearing on same at the October 27th Board meeting.	10-27-2016	Winters Feller	In progress. News release and Twitter message done 9-28-2016. Also posted on owasa.org. Bill messages scheduled. Notice to be published in Chapel Hill News, Chapel Hill Herald and Daily Tar Heel. Letters scheduled to be mailed to all MFMM property managers; letters scheduled to be mailed to residents in sub-metered MFMM neighborhoods.
9-8-2016	Propose the scope and schedule for evaluating other rate considerations that may impact all customer classes. For example, the basis for determining monthly service charge for all customer classes.	TBD	Winters	

Pending Key Staff Action Items from Board Meetings

Date	Action Item	Target Board Meeting Date	Person(s) Responsible	Status
9-8-2016	Schedule a Board follow-up discussion about when forestry management may be scheduled for discussion and possible future action.	TBD	Rouse Young	In progress. "Overview of Land Management" is included on the Board's calendar for 2/9/17. Staff suggests that this item address general land management, which includes an overview of OWASA's land resources, their purpose, and forest management.
9-8-2016	Schedule Board discussion on Key Indicators and Performance Measurements (dashboard) at a Work Session.	11-10-2016	Tiger Young	In progress
6-9-2016	Provide update on the monitoring and evaluation of Jordan Lake water quality.	TBD	Rouse	Staff brought this issue up at the July 21, 2016 Jordan Lake Partnership (JLP) meeting, but suggested that this would be better addressed through the Triangle Area Water Supply Monitoring Project (TAWSMP), which is led by USGS and OWASA participates in. The next meeting of this group is scheduled for October 25.
4-28-2016	Consider educational and public access opportunities at the Cane Creek mitigation tract.	TBD	Rouse Feller	Low priority. In calendar year 2016, staff will work with our Partners to develop a plan regarding public access and educational opportunities on the Cane Creek Mitigation Tract. Staff will provide an update to the Board of Directors at a work session in early CY 2017 (to coincide with overview of forest management work session item).
4-14-2016	Consider a couple new financial Key Performance Indicators (such as cost per account).	10-27-16	Winters	Planning to make changes to the quarterly financial report beginning with the first quarter of FY 2017.