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: **Human Resources Committee**
Will Raymond, Chair
Michael Hughes
Dana Raborn
John Young
Alan Rimer, (ex-officio)

THROUGH: Ed Kerwin

FROM: Stephanie S. Glasgow

DATE: April 11, 2014

SUBJECT: **HUMAN RESOURCES (HR) COMMITTEE MEETING**
TUESDAY, APRIL 15, 2014, 5:30 PM, OWASA BOARDROOM

Agenda

1) Deferred Compensation (457)
Information provided in Attachment #1

Action needed: Discussion and, if appropriate, provide a recommendation to the OWASA Board for improving the existing deferred compensation program.

2) Staff to Present a Review of Performance Appraisal and Compensation System
Information provided in Attachment #2

Action needed: Information for discussion only.

3) Next Meeting

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

Attachments:
Attachment #1 – Information on Deferred Compensation
Attachment #2 – Information on Performance Appraisal and Compensation System

ATTACHMENT 1

STAFF TO PROVIDE INFORMATION REGARDING THE DEFERRED COMPENSATION (457) PLAN

BACKGROUND

During the March 25, 2014 Human Resource Committee discussion regarding the Deferred Compensation (457) plan, the Committee requested additional information regarding OWASA's competitiveness in the local market with respect to total retirement contributions.

The Committee also expressed interest in adding a 401(k) or similar plan in order to offer loan options to employees.

The Committee requested additional information regarding an OWASA match to employee contributions.

LOCAL ENTITY COMPARISON

As can be seen in the table below, local government contributions for employee deferred compensation plans vary. The typical benefit is approximately 4% of the employee's wages. Each of the organizations surveyed makes an employer contribution to the local government retirement system of about 7% and employees contribute 6%.

Organization	Deferred Compensation	Updated
OWASA	457 Plan Offered 4-9 = $40 per pay period 10-14 = $60 per pay period 15-19 = $80 per pay period 20+ = $100 per pay period	2/2014
Town of Carrboro	401(k) Plan Employer contributes 3% for non-LEO staff	2/2014
Town of Chapel Hill	401(k) and 457 Plan Employer contributes 5% to 401(k) Plan	2/2014
Orange County	401(k) and 457 Plan Non-LEO: Employer contributes $715 plus match up to $1200 of employee voluntary contribution	2/2014
Town of Cary	401(k) and 457 Plan Offered Employer contributes 5% to either 401(k) or 401(a) – employee choice	2/2014
Town of Hillsborough	401(k) Plan Offered Employer contributes 5%	2/2014
City of Durham	401(k) and 457 Plan Offered Employer contributes 4.5% to 401(k) Plan	2/2014
City of Raleigh	401(k) and 457 Plan Offered Employer makes a 200% matching contribution on the first 1% of employee contribution to 457	3/2013
Asheville-Buncombe Municipal Utility District	401(k) and 457 Plan Offered Employer contributes 5% to 401(k) Plan	2/2014
Greenville Utilities Commission	401(k) and 457 Plan Offered Employer contributes $1,040 annually to 401(k) for full-time and designated part-time employees	2/2014

OWASA'S CURRENT DEFERRED COMPENSATION PLAN (457)

Note: In each analysis of the options below, the information is based on personnel costs included in the draft FY 2015 operating budget. In order to present an estimate of the greatest potential financial impact, it assumes full-employment of the funded authorized positions and tenure of at least six months.

Below is an analysis of the benefit provided to employees and cost to OWASA for this option.

Current 457 Plan						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		0	$40	$60	$80	$100
OWASA Annual Contribution >>		0	$1,040	$1,560	$2,080	$2,600
		Annual contribution percentage of annual wage				
Wage example	$32,000	0	3.3%	4.9%	6.5%	8.1%
OWASA's median wage	$48,578	0	2.1%	3.2%	4.3%	5.4%
Wage example	$70,000	0	1.5%	2.2%	3.0%	3.7%
Wage example	$100,000	0	1.0%	1.6%	2.1%	2.6%
Employees covered out of 131	95		28	21	21	25
Approximate FY15 total annual cost to OWASA		$170,000				

Observations Regarding Deferred Compensation Plan Competitiveness

- OWASA is the only employer to provide no deferred compensation benefit for employees with less than four years of service.
- For existing employees with 15 years or more of service and earning the median wage or less, OWASA's current benefit is competitive in the local market.
- For existing employees with less than 15 years of service, the current benefit is less competitive in the local market, especially for employees earning the median wage or above.

OPTIONS TO IMPROVE OWASA'S COMPETITIVENESS

Option 1: Same as current plan but establish a $40 per pay period benefit for employees with at least six months of service.

- Creates a benefit for all employees who have completed 6 months of service.

Below is an analysis of the benefit provided to employees and cost to OWASA for this option.

Option 1						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$40	$60	$80	$100
OWASA Annual Contribution >>		$1,040	$1,040	$1,560	$2,080	$2,600
		Annual contribution percentage of annual wage				
Wage example	$32,000	3.3%	3.3%	4.9%	6.5%	8.1%
OWASA's median wage	$48,578	2.1%	2.1%	3.2%	4.3%	5.4%
Wage example	$70,000	1.5%	1.5%	2.2%	3.0%	3.7%
Wage example	$100,000	1.0%	1.0%	1.6%	2.1%	2.6%
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost to OWASA		$209,000				
Estimated additional cost over existing plan		$39,000				

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. To improve competitiveness, this includes Option 1 and increases contribution rates as noted in the table below and adds a new tier for employees with 6 months to 3 years of service.

- Creates a benefit 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.

Below is an analysis of the benefit provided to employees and cost to OWASA for this option.

Option 2						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		$40	$60	$80	$100	$120
OWASA Annual Contribution >>		$1,040	$1,560	$2,080	$2,600	$3,120
		Annual contribution percentage of annual wage				
Wage example	$32,000	3.3%	4.9%	6.5%	8.1%	9.8%
OWASA's median wage	$48,578	2.1%	3.2%	4.3%	5.4%	6.4%
Wage example	$70,000	1.5%	2.2%	3.0%	3.7%	4.5%
Wage example	$100,000	1.0%	1.6%	2.1%	2.6%	3.1%
Employees covered out of 131	131	36	28	21	21	25
Approximate FY15 total annual cost to OWASA		$260,000				
Estimated additional cost over existing plan		$90,000				

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

- Provides a benefit to all employees who have completed 6 months of service without regard to service time.
- 100 employees would see an increase in contributions.
- 31 employees would see a decrease in contributions.

Below is an analysis of the benefit provided to employees and cost to OWASA for this option.

Option 3		
Employee Tenure >>		6 mos+
OWASA Contribution >>		4.0%
Annual cap		$3,500
		Annual contribution percentage of annual wage
Wage example	$32,000	4.0%
OWASA's median wage	$48,578	4.0%
Wage example	$70,000	4.0%
Wage example	$100,000	3.5%
Employees covered out of 131	131	
Approximate FY15 total annual cost to OWASA	$275,000	
Estimated additional cost over existing plan	$105,000	

Option 4: Along with current benefits, provide a match of employee voluntary contributions up to 2%.

- Encourages employee contributions.

Below is an analysis of the benefit provided to employees and cost to OWASA for this option.

Option 4						
Employee Tenure >>		6 mos-<4 Yrs	4-9 Years	10-14 Years	15-19 years	20+ Years
OWASA Contribution every 2 wks >>		0	$40	$60	$80	$100
OWASA Annual Contribution >>		0	$1,040	$1,560	$2,080	$2,600
OWASA matching contribution		0	2%	2%	2%	2%
		Annual contribution percentage of annual wage				
Wage example	$32,000	0	5.3%	6.9%	8.5%	10.1%
OWASA's median wage	$48,578	0	4.1%	5.2%	6.3%	7.4%
Wage example	$70,000	0	3.5%	4.2%	5.0%	5.7%
Wage example	$100,000	0	3.0%	3.6%	4.1%	4.6%
Employees covered out of 131	95		28	21	21	25
Approximate FY15 total annual cost to OWASA		$315,000				
Estimated additional cost over existing plan		$145,000				

Loan Options for Employees:

The Committee expressed interest in providing a loan option for employees through a 401(k) plan. After researching this option with our current 457 providers, it is determined that OWASA is not eligible to start a 401(k) plan. The Internal Revenue Service has declared:

Since May 6, 1986, state and local governments are not eligible to adopt Section 401(k) plans except for rural cooperatives, Indian tribal entities. Under grandfather provisions, plans established prior to that date may continue to operate and add new participants.

To achieve the goal of providing a loan option, OWASA is able to amend both current 457 plans. The following loan provisions apply:

1) Loans shall not exceed 50% of the employee's account balance.
2) Only one loan at a time.

STAFF RECOMMENDATION

Staff recommends that we begin a deferred compensation benefit for employees who have successfully completed their six month probation period and have less than four years of OWASA service. Additionally, staff recommends that the HR Committee evaluate opportunities to improve the overall competitiveness of our current deferred compensation benefit.

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Employee Performance Review Manual

Background

There are few things that any supervisor does that are more important than making sure every team member understands what is expected of them and making sure that each member of the team knows how they're doing in meeting those expectations.

Providing feedback on an employee's performance is difficult and extremely subjective, but as long as the feedback is provided in an atmosphere of honesty, integrity and fairness, any time spent on establishing expectations and providing specific feedback on each team member's efforts to meet those expectations will result in a significant return on the time and effort invested.

This Employee Performance Review Manual provides supervisors and employees with guidance to discuss the employee's job performance and then develop clear goals, expectations and development plans for the upcoming evaluation period.

Basic Guidance for Performance Evaluations

Every member of the team must know what is expected of them.

Honesty is essential.

Provide specifics whenever possible. General (positive or negative) feedback is of little value.

Everyone has strengths and weaknesses. Most top performers want to hear about both.

Written performance evaluations should be reflective of the regular feedback that an employee receives throughout the year outside of the formal evaluation process. There should be no surprises.

Written performance evaluations are tools that are used not only in an attempt to modify future behaviors, they should be considered as chapters in an employee's performance record that can be referred to whenever promotion opportunities arise and when action must be taken because an employee has proven that they are unable or unwilling to achieve a certain minimum level of performance.

The Process

The formal performance review process should be viewed as a continuing cycle of identifying expectations and goals; and providing feedback on the employee's performance. Formal written evaluations should be developed and presented with an eye towards past performance, while never losing sight that the ultimate goal is building a brighter future for the organization and every member of the team.

At the year-end review, the supervisor and the employee should review how the employee has or has not successfully exhibited the desired competencies and achieved the previously identified goals/objectives. The supervisor will provide comments and establish a single overall rating for the employee based on the employee's demonstration of desired competencies (how frequently the desired competencies are demonstrated and how effectively the employee performs overall) and their performance in accomplishing the previously identified objectives for the period.

Six competencies have been established for all employees. Three additional competencies have been established for managers/supervisors. The written evaluation should describe, and the supervisor and employee should discuss the employee's performance considering each of the relevant competencies.

The written evaluation should also describe the employee's performance on the previously identified objectives. Discussing (again) areas where expectations were met, exceeded and those areas where improvement is needed.

The last step is working with the employee being evaluated to identify specific objectives for the upcoming review period.

The Employee Performance Review Form

A. Overall Performance Review (Competencies/Behaviors)

- The supervisor should "paint a picture" of the employee's performance by considering the employee's behavior, performance as it relates to their job description, desired competencies and demonstrated commitment to OWASA's values and ideals:

COMPETENCIES FOR ALL EMPLOYEES

Communication
- Communicates clearly when speaking/writing?
- Willing to listen?
- Shares information with others?
- Receives information and direction well and clarifies the accuracy of their understanding when necessary?

Customer Service
- Cares about the customer?
- Tries to say "yes"?
- Able to say "no"?
- Displays prompt, efficient, friendly and patient manner with internal and external customers including their supervisor?
- Follows through on customer requests and questions?
- Asks probing questions that elicit the facts?

Dependability and Consistency
- Good attendance?
- Accepts responsibility?
- Solid work ethic?
- Follows through?
- Concerned about quality?
- Adheres to instructions?
- Manages time effectively?

Personal Effectiveness and Values
- Energy and enthusiasm?
- Cares about the environment?
- Does what's asked, or more?
- Safety is the top priority?
- Concerned about costs?
- Recognizes responsibility for their actions and is willing to be held accountable?
- Admits mistakes and works to avoid repeating them?
- Produce output with minimum number of errors?
- Accepts responsibility for achieving personal and professional goals?

Problem Solving and Decision Making
- High level of initiative?
- Views problems as opportunities?
- Focused on continuous improvement?
- Willing to make decisions within their level of authority

Teamwork
- Respectful towards others?
- Team player?
- Positive attitude?
- Embraces workplace diversity?
- Productivity
    - Demonstrates Accuracy and thoroughness?
    - Pays attention to detail?
    - Manages multiple tasks and high workload while maintaining service level?

ADDITIONAL COMPETENCIES FOR MANAGERS/SUPERVISORS

Management & Supervisory Skills
- Establishes clear expectations?
- Consistent, firm, but fair?
- Willing to delegate, but follows through?
- Invites feedback from subordinates?

Leadership & Guidance
- Sets the example?
- Enthusiastic?
- Truly cares about subordinates?
- Shares information open and candidly?
- Focused on giving subordinates the tools and authority necessary to do their job?

Planning & Organization
- Ensures all understand the task at hand?
- Meets/beats due dates?
- Uses time effectively?
- Tracks assigned tasks?
- Focused on identifying and institutionalizing lessons learned?
- Focused on process improvement?
- Able to handle multiple tasks simultaneously?

B. Review of Performance on Previously Identified Objectives

Specific performance against the goals and objectives that you established previously:

- How did the employee do in meeting the previously established work-related and professional development objectives?

C. Objectives and Training/Development Goals for Upcoming Review Period

The key to building a brighter future is working with the employee to identify the specific items that they are to focus on during the upcoming period of evaluation. Using a copy of the employees' job description and the self-assessment form provided by the employee, establish three to five objectives for the employee to achieve, including outcomes and criteria that will be used to evaluate year-end results. The supervisor should set clear expectations in the following areas:

- Behaviors (competencies) that you expect to change in the future. Note: observed behaviors that you want to continue should be highlighted during discussions about past performance.
- Specific work items or tasks that you want accomplished in a specified timeframe. This should not be a duplication of items in their job description, but specific goals the employee should achieve during the next review period (projects, work quotas, process improvements, etc.)
- Formal training, on-the-job training and certifications that you want the individual to pursue/earn

OWASA Employee Self-Assessment Form

Section 1: Employee Information

Employee Name: Supervisor Name:

Performance Review Year: Date Completed:

Employee Signature: _____

Section 2: Self-Assessment

1. What do you consider your major achievements during the past evaluation period?

2. Are there additional skills or knowledge that would help you more effectively perform your present job or pursue other opportunities at OWASA? If yes, please list.

3. What goals (with specific measurable results) do you expect to accomplish during the next 12 months? Please designate those items that will be accomplished in the upcoming 6 month evaluation period.

4. List any items you would like to discuss during your annual performance evaluation meeting:

☐ Check if additional information provided

Employee Performance Review

EMPLOYEE NAME	DEPARTMENT	POSITION

REVIEW DATE	PERIOD COVERED BY THIS REVIEW
	FROM: TO:

TYPE OF REVIEW	SUPERVISOR'S NAME
☐ Annual ☐ 6-Month ☐ Probation	

A. Overall Performance Review (Competencies/Behaviors)

1. Communication	2. Customer Service
3. Dependability and Consistency	4. Personal Effectiveness and Values
5. Problem Solving & Decision-Making	6. Teamwork

Additional Competencies for Managers/Supervisors

7. Management & Supervisory Skills 8. Planning & Organization 9. Leadership and Guidance

Supervisor Comments:

☐ Check if additional information provided

B. Review of Performance on Previously Identified Objectives

Objectives:

Supervisor Comments:

☐ Check if additional information provided

C. Objectives and Training/Development Goals for Upcoming Review Period

Objectives:

Training/Development Goals:

Exceptional Performance (E)	Performance is consistently outstanding and accomplishments make notable contributions to the organization. Objectives are exceeded for the year and employee continuously uses the competency behaviors. Demonstrates role model behavior for other employees.	**OVERALL RATING**
Successful Performance (S)	Performance consistently meets and sometimes exceeds expectations of a qualified person in this job. Meets goals for the year and displays use of the competency behaviors on a regular basis.	
Needs Improvement (NI)	Performance occasionally below minimum requirements of the job. Fails at times to meet minimum standards and does not successfully accomplish/meet established objectives. Inconsistently exhibits desired competency behaviors.	
Unsuccessful Performance (U)	Performance consistently below minimum requirements of the job. Regularly fails to meet minimum standards and established objectives. Consistently fails to demonstrate desired competency behaviors.	

EMPLOYEE:
Please acknowledge that this performance review has been reviewed with you by signing your name and indicating the date of the review in the spaces below:

Also, indicate whether you intend to submit a written statement (due within 5 days from the date of your review).

Employee _____ Date _____

I intend to submit a written statement: Yes ☐ No ☐

Evaluator _____ Date _____

Reviewer _____ Date _____

Reviewer _____ Date _____

Reviewer _____ Date _____