

Information and Reports Item 1:

Update on Employee Pay and Classification Study

Purpose:

Review information regarding proposed changes to the Schedule of Classification and Authorized Compensation with the Board of Directors.

Background:

OWASA identified an initiative in our current Strategic Plan to conduct a Pay and Classification Study to help improve employee recruitment and retention. In late 2022, JER HR Group (JER) was selected to provide OWASA with a comprehensive and objective classification and compensation market analysis and update our current schedule. The current schedule was implemented in 2012 and has been modified by the Board most years to reflect changes in the cost of labor. The study has been completed and the results reviewed by staff.

Methodology:

JER utilized a multi-step process to evaluate OWASA's current structure for classification and compensation summarized below:

- Phase I – Review of job descriptions, job ratings, compensation schedule, and benefits; Update job valuations based on 15 compensable factors and update job descriptions
- Phase II – External market pay and benefits comparison
- Phase III – Analyze results and provide recommendations

Results:

Key findings from JER's evaluation are listed below:

Position Adjustments:

- Utility Mechanic positions are proposed to be renamed to Utility Technicians to better align with the nature of the skill sets required to perform the work and be more consistent with peer organizations.
- The revaluation of all positions is proposed to result in 22 of them being reclassified to higher salary grades. Those affected positions are as follows:

May 11, 2023

	Position	Current Grade	Proposed Grade
1	Assistant Lake Warden	610	611
2	Administrative Assistant	610	611
3	Utility Mechanic I	610	612
4	Biosolids Recycling Supervisor	617	619
5	Crew Supervisor	618	619
6	Assistant D&C Systems Manager	619	621
7	Operations Supervisor	619	620
8	Customer Service Manager	619	620
9	Public Information Officer	620	621
10	SCADA Manager	620	621
11	Utilities Engineer – Registered	620	621
12	Finance and Procurement Manager	621	622
13	Asset Manager	621	622
14	Engineering Manager, Capital Projects	622	623
15	D&C Systems Manager	622	624
16	WTP Manager	622	624
17	WWTP Manager	622	624
18	Director of Information Technology	623	625
19	Director of Human Resources and Safety	623	625
20	Director of Engineering and Planning	624	626
21	Director of Finance	624	627
22	General Manager of Operations	625	627

- The Maintenance Coordinator position is proposed to move down one pay grade (619 – 618).
- The Strategic Initiatives Manager position is proposed to be reclassified to the Director of Administration. This position would be responsible for leading a restructured Administration Department that would include responsibilities for Communications, Customer Service and the Customer Assistance Program (Care to Share).
- The Accounting Technician I and II position is proposed to be combined into an Accounting Technician position title.
- Utilities Engineer (Non-Registered) position is proposed to be reclassified to a Project Manager position with no change in pay grade.
- The Clerk/Cashier position title is proposed to be eliminated.

Salary Comparisons to the Market:

The following twelve salary survey comparisons were made to establish the comparative relationship between the organization's present compensation levels and the local and regional salary survey results.

Survey Comparison	OWASA's Compensation Compared to Others
Comp Analyst – Raleigh/Durham	-9.5%
DOL-BLS – Durham/Chapel Hill	-5.5%
Cary	-5.4%
Hampton-Roads	-5.1%
Durham	-3.6%
American Water Works Association - Mean	-3.5%
Beaufort-Jasper	-3.3%
Winston-Salem	-2.8%
American Water Works Association – 50th	-2.5%
Raleigh	-2.4%
Greensboro	-2.1%
Hillsborough	+0.9%
Average	-3.7%

Overall OWASA's pay ranges are about 3.7% below market averages and wage costs are expected to increase about 4.2% in calendar year 2023 resulting in an approximately 7.9% gap. Staff's budget recommendation includes funding for a minimum salary adjustment of 7.9% for employees that receive at least a Meets Expectations rating on their performance reviews. While these adjustments will close the gap with the market for most employees, there are 19 individuals that would fall below the minimum salary for their position (this is typically a result of a short tenure in their current role). Those people would need to be brought to the minimum of the new salary range. Staff's recommended budget can accommodate these adjustments.

The length of time since our last evaluation coupled with recent spikes in labor costs have contributed to the severity of our wage misalignment with the labor market. The proposed corrections will increase our competitiveness in the current market to stem the significant attrition we have been experiencing but we will need to remain vigilant in monitoring

movement in the labor market. JER recommends conducting an evaluation every three to four years to mitigate the need for these larger adjustments.

Benefits Comparisons to the Market

Generally, OWASA's employee benefits are competitive with our peer organizations. Here are a few notable exceptions:

- Due to our employees' prudent use of their benefits and our cost share structure our employees' health insurance premiums are more affordable for our employees than our peers.
- Our employees' dental insurance premiums are above market rates and coverage is below what is offered by our peers.
- Our employees' vision insurance premiums and coverage are below market.
- OWASA does not offer short-term disability where some of our peers do offer plans where the employees pay the premium.
- Our deferred compensation employer contribution is on the low end of what our peers provide. Staff's recommended budget includes funding to increase this from 3.5% to 5%.
- OWASA provides paid personal leave to employees which is not offered by our peers.

Employee Feedback:

Feedback on the study's results was solicited from employees during sessions on April 24 and 25, 2023. In general, the results were well received by employees, and we committed to relaying the key themes to the Board of Directors.

Here is a summary of the common themes and some brief responses.

- The proposed adjustments to the schedule will result in pay compression for existing employees. Once the proposed schedule is implemented, staff will continue to manage this by reviewing internal equity when making offers for employment and by continuing to recommend that the Board follow established policy with regards to future pay adjustments. We will also continue to evaluate our annual budget and employee pay for opportunities to address pay compression on a case-by-case basis.
- A reduction in the number of positions included in the Skill Based Pay Program is proposed. The positions removed from the program did not demonstrate a significant increase in proficiency or responsibility to warrant inclusion. We have an Employee Development initiative in the Strategic Plan to explore options to help all our employees reach their full potential. We intend to further evaluate the Skill Based Pay Program as part of that initiative.
- Several new benefits or changes to existing benefits were suggested by employees. Some of these have already been addressed (e.g. accepting sick leave transferred from other local government entities) or are in the process of being

addressed (e.g. recommending that the Board increase the 457 plan contributions). The Leadership Team will continue to review the list of suggestions and consider the feasibility of implementation.

- Job descriptions were updated as part of the process. These will be accessible to employees by July 1, 2023. Adjustments can be made at any time in the future, and we encourage employees to contact their supervisor to discuss any proposed changes.

Staff Recommendation:

A draft Schedule of Classification and Authorized Compensation based on the consultant's recommendations and staff's review is attached for the Board's consideration. Staff will recommend that the Board approve a resolution adopting this schedule for the Fiscal Year 2024 at the June 8, 2023 Board meeting.

Action:

No action is needed; receive the Board's questions and feedback.

Information:

- Draft Schedule of Classification and Authorized Compensation