


MEMORANDUM

TO: Mayor and City Council
Greenville Utilities Board of Commissioners

FROM: Ann E. Wall, City Manager 
Anthony C. Cannon, General Manager/CEO *A.C.C.*

DATE: April 17, 2019

SUBJECT: City / GUC Joint Board Meeting Items

The Joint City/GUC Pay and Benefits Committee, comprised of Mayor Pro-Tem Rose Glover and City Council Member Rick Smiley and GUC Commissioners Joel Butler and Kelly Darden, met on March 26, 2018 (Mayor Pro-Tem Glover participated by phone). The result of this meeting was recommendations to be considered by City Council and GUC Board of Commissioners at their upcoming Joint Meeting scheduled for Wednesday, April 24, 2019, at 6:00 p.m. in City Council Chambers. Dinner will be available at 5:15 p.m. A copy of the Meeting Agenda is enclosed for your review.

Pay Philosophy

In order to mitigate pay compression and attract and retain high-performing employees, the City Council and Greenville Utilities Commission's Board of Commissioners adopted an "at market" pay philosophy as part of the comprehensive Classification and Compensation Study that was conducted in 2010 by Waters Consulting (now known as Segal Waters Consulting).

As a reminder, pay compression is the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. Pay compression is the result of the market-rate for a given job outpacing the increases historically given by the organization to high tenured employees. Therefore, newcomers can only be recruited by offering them as much or more than high tenured employees, resulting in pay compression and low morale. In worst case scenarios, pay compression may also result in Equal Pay violations, particularly if individuals in protected classes are involved.

Paying at market and adjusting our salary structure as needed so that it is market competitive will enhance the City's and GUC's ability to recruit and retain qualified and high-performing employees. This is especially important as the economy continues to improve, resulting in an increasingly competitive and tightening labor market.

Market Adjustment/Merit Allocation

The City and GUC annually review the competitive market pay posture of our joint pay plan. The objective is to maintain an effective pay system for our employees that is internally equitable and compatible, and is as competitive as possible in relation to the external marketplace.

The City and GUC have traditionally used the Capital Associated Industries (CAI) survey as the primary benchmark guide for establishing the market related to wage growth. Over the past several years, staff has received requests to include data from other reputable surveys, other public sector organizations, and local employers to ensure that CAI is truly representative of the market.

As depicted in the chart below, wage projections and trends for 2019 are relatively consistent among the following surveys: Aon Hewitt, Capital Associated Industries (CAI), Korn Ferry, Mercer, Willis Towers Watson, and WorldAtWork.

Survey Company	Projection
Aon Hewitt	3.1%
Capital Associated Industries (CAI)*	2.7%
Korn Ferry (fka Hay Group)	3.0%
Mercer	2.9%
Willis Towers Watson	3.0%
WorldAtWork	3.2%

**COG and GUC have traditionally used CAI as the primary benchmark guide*

Staff surveyed our established benchmark public sector organizations and several local private employers to determine their plans related to compensation decisions for FY 2019-2020.

- **Public-sector benchmark organizations:** The public-sector benchmark organizations are comprised of 26 municipalities and utilities. Of the 26 organizations that responded, 25 gave their employees pay increases in FY 2018-2019; the average actual increase was 3.1% (market and/or merit). Many of the benchmark organizations are in the process of developing their FY 2019-2020 budgets and have not made a decision regarding pay increases. Of the 16 organizations that have responded, the average pay increase projection for FY 2019-2020 is 3.3% (market and/or merit).
- **Local private employers:** For FY 2019-2020, eleven employers were surveyed, with eight employers reporting pay increases that averaged 3.0% (market and/or merit). Three of the eleven have not yet determined the amount for this year's pay increases.

GUC/COG Combined Market and Merit Adjustment History

Fiscal Year	Annual		Combined	(CAI) ¹ Market	Difference	Cumulative Difference
	Market	Merit				
10/11	0	0	0			
11/12 ² (GUC) (COG)	0 1.5%	1.5% 0	1.5% 1.5%			
12/13 (GUC) (COG)	1.0% 2.5%	1.5% 0	2.5% 2.5%			
13/14 ³	0 ³	0	0			
14/15 (GUC) (COG)	0 1.5%	1.5% 0	1.5% 1.5%			
True-up Data Point						
15/16 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	2.7% 2.7%	-.7% -.7%	-.7% -.7%
16/17 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	2.8% 2.8%	-.8% -.8%	-1.5% -1.5%
17/18 (GUC) (COG)	1.7% 2.0%	1.5% 1.2%	3.2% 3.2%	2.7% 2.7%	+.5% +.5%	-1.0% -1.0%
18/19 (GUC) (COG)	1.2% 1.2%	1.5% 1.5%	2.7% 2.7%	2.9% 2.9%	-.2% -.2%	-1.2% -1.2%

¹Market (CAI) survey is the average of approximately 660 NC companies including those with zero increases; reflects actual percent increases

²The new pay plan became effective on 7/1/2011; while many jobs did move up or down, relative to other previously comparable jobs, only a limited number of GUC and City employees received pay increases. The pay plan brought salary ranges in line with the current market but actual wages were not impacted to a large degree.

³GUC & COG absorbed 100% of the medical benefits premium increases for FY 13/14. For the City, the increase in funding is the equivalent of a 2.5% market increase for employees.

Using the true-up data point as a reference, the data indicates that pay increases for the City and GUC are currently 1.2% below market.

GUC/COG Combined Market and Merit Benchmark History						
Fiscal Year	Private Sector	Public Sector	GUC	COG	Cumulative Difference (Private)	Cumulative Difference (Public)
15/16	2.0%	2.5%	2.0%	2.0%	0.0%	-0.5%
16/17	3.05%	3.2%	2.0%	2.0%	-1.05%	-1.7%
17/18	2.9%	2.9%	3.2%	3.2%	-0.75%	-1.4%
18/19	2.9%	3.1%	2.7%	2.7%	-0.95%	-1.8%
19/20	3.0%*	3.3%**	TBD	TBD	TBD	TBD

*The private sector data represents projections collected during the Spring of each year as part of the Pay & Benefits planning process.

**The public sector data for 19/20 represents projections collected early 2019 as part of the Pay & Benefits planning process.

Recommendation

The Joint Pay and Benefits Committee recommends that the City and GUC fund an employee pay adjustment of 2.7% for FY 2019-2020, applied as deemed appropriate by each entity, in order to maintain market competitiveness.

Salary Structure Adjustment

WorldAtWork projects salary structures to increase by 2.1% for 2019. Segal Waters, the City's and GUC's classification and compensation consultant, uses and recommends WorldAtWork data because their Salary Budget Survey is the largest and most trusted resource of salary and structure adjustment data used by compensation professionals nationally and internationally.

Adjusting our salary structure will have minimal immediate financial impact based on current employees' position in the salary structure. An increase equally across all pay ranges in our salary structure, however, will positively affect our ability to compete with the market.

Recommendation

The Joint Pay and Benefits Committee recommends that the City and GUC approve adopting a 2.1% adjustment to the salary structure for FY 2019-2020.

We look forward to seeing you at the upcoming Joint Meeting on Wednesday, April 24 at 6:00 p.m. in City Council Chambers. Dinner will be available at 5:15 p.m.

Enclosures

cc: Chris Padgett, GUC Chief Administrative Officer
Michael Cowin, COG Assistant City Manager
Richie Shreves, GUC Director of Human Resources
Leah Futrell, COG Director of Human Resources

Joint Greenville City Council/Greenville Utilities Commission Board Meeting

Wednesday, April 24, 2019

6:00 p.m.

City Council Chambers

200 West Fifth Street

1. Call Meeting to Order – Mayor Connelly
Call Meeting to Order – Chair Blount
2. Approval of Agenda – City Council
Approval of Agenda – Greenville Utilities Commission
 - Public Comment Period – For issues that are germane to both the City Council and the Greenville Utilities Commission Board

The Public Comment Period is a period reserved for comments by the public. Items that were or are scheduled to be the subject of public hearings conducted at the same meeting or another meeting during the same week shall not be discussed. A total of 30 minutes is allocated with each individual being allowed no more than 3 minutes. Individuals who registered with the City Clerk to speak will speak in the order registered until the allocated 30 minutes expires. If time remains after all persons who registered have spoken, individuals who did not register will have an opportunity to speak until the allocated 30 minutes expires.

3. Approval of Minutes from the September 24, 2018 Joint City Council-Greenville Utilities Commission Board Meeting
4. Consideration of Market Adjustment/Merit Allocation for FY 2019-2020
5. Consideration of Salary Structure Adjustment for FY 2019-2020
6. Update on Compensation Study
7. Adjournment – Greenville Utilities Commission
Adjournment – City Council

PROPOSED MINUTES OF JOINT MEETING OF THE
GREENVILLE CITY COUNCIL
AND THE GREENVILLE UTILITIES COMMISSION
BOARD OF COMMISSIONERS
MONDAY, SEPTEMBER 24, 2018

Having been properly advertised, a joint session of the Greenville City Council and the Greenville Utilities Commission Board of Commissioners (GUC Board) was held on Monday, September 24, 2018, at 6:00 p.m. in the Council Chambers located on the third floor of City Hall in Greenville, NC.

Mayor Connelly called the meeting to order for the City Council.

GUC Chair-Elect Butler called the meeting to order for the GUC Board.

Those present from the City Council:

Mayor P.J. Connelly, Mayor Pro-Tem Rose H. Glover, and Council Members Will Bell, Kandie D. Smith, Rick Smiley, Brian V. Meyerhoeffer, Jr. and William F. Litchfield, Jr.

Also present from the City of Greenville:

Ann E. Wall, City Manager; Michael Cowin, Assistant City Manager; Ken Graves, Assistant City Manager; Emanuel McGirt, City Attorney; Carol Barwick, City Clerk; Other City Staff including Kelvin Thomas, Brock Letchworth, and Leah Futrell

Those present from the GUC Board:

Chair-Elect Joel Butler and Commissioners Don Mills, Tommy Stoughton, Minnie J. Anderson and Ann Wall

Also present from the Greenville Utilities Commission:

Tony Cannon, General Manager/CEO; Chris Padgett, Chief Administrative Officer; Jeff McCauley, Chief Financial Officer; Phillip R. Dixon, General Counsel; Steve Hawley, Public Information Officer/Communications Manager; Amy Wade, Executive Assistant to the General Manager/CEO; Lou Norris, Secretary to the General Manager/CEO; Other GUC Staff including Richie Shreves and Leah Herring

Others present:

Steve Graybill, Mercer Consulting; Ginger Livingston, The Daily Reflector

Those absent:

Commissioners Rebecca Blount and Parker Overton had excused absences from the GUC Board

APPROVAL OF THE AGENDA

Upon motion by Council Member Bell and seconded by Council Member Smiley, the Greenville City Council unanimously approved the agenda.

Upon motion by Commissioner Stoughton and seconded by Commissioner Anderson, the GUC Board unanimously approved the agenda.

PUBLIC COMMENT PERIOD

Mayor Connelly opened the public comment period at 6:06 p.m. and explained the procedures to be followed by anyone who wished to speak.

There being no one present who wished to speak, Mayor Connelly closed the public comment period at 6:07 p.m.

APPROVAL OF PROPOSED MINUTES- APRIL 23, 2018

Upon motion by Council Member Smiley and seconded by Council Member Bell, the Greenville City Council unanimously approved the April 23, 2018 Joint Minutes as presented.

Upon motion by Commissioner Anderson and seconded by Commissioner Stoughton, the GUC Board unanimously approved the April 23, 2018 Joint Minutes as presented.

CONSIDERATION OF JOINT PAY AND BENEFITS COMMITTEE RECOMMENDATIONS
ON PLAN YEAR 2019 MEDICAL AND DENTAL BENEFITS AND THREE YEAR STRATEGIC PLAN 2020-2022

Ann Wall, City Manager, stated that today's joint meeting is to review the recommendations of the Joint Pay and Benefits Committee who recently met in August. Ms. Wall stated that staff worked together with Mercer Consulting on the health plan strategies. Mr. Steve Graybill with Mercer Consulting was introduced to review the modifications for the 2019 medical and dental plans and to review the 3-year Strategic Plan for 2020-2022.

Medical:

In keeping with the three-year strategy, in 2018, the Core and Enhanced plans were modified to stay consistent with the market. The 2018 health plan strategy related to cost included a target employer subsidy of 82%. Current data projections indicate that if there are no plan design changes for 2019, the cost share would increase to 83.5%. In order to obtain the target cost share goal of 81% for 2019, contributions by employees would need to be increased 14.9%. Several options were evaluated to reduce this potential increase and minimize impact to employees.

One proposed method to manage cost is to modify the prescription drug plan and to adopt Cigna's value-added drug list which will generate a savings of approximately \$188,000 by excluding many readily available over-the-counter drugs for heartburn/ulcers and grandfathering individuals with asthma and ADHD prescriptions. Also, maintaining the smoking and spousal surcharges will further reduce cost. Continuing the Health Savings Account (HSA) incentive of \$250 for individual coverage and \$500 for family coverage will encourage migration to the HSA plan option and further reduce medical cost.

After reviewing several scenarios provided by Mercer Consulting, the Joint Pay and Benefits Committee recommends a 7.5% increase across the board, resulting in an 82% cost share, which is closer to target.

The proposed 7.5% increase is based on an employee's salary tier and the health plan selected. Employees are grouped into four tiers based on annual salary. The chart below shows the employee contributions for medical. The retirees' cost would track with the plan.

Medical Active Employee Contributions: 2018 vs. 2019 Increase – Proposed

BI-Weekly Active Contributions												
	2018	2019	Change	2018	2019	Change	2018	2019	Change	2018	2019	Change
Salary Bands	< \$32,278			\$32,278 - \$46,951			\$46,952 - \$61,623			> \$61,623		
HSA												
EE	\$5.90	\$6.34	\$0.44	\$7.00	\$7.53	\$0.52	\$8.11	\$8.72	\$0.61	\$9.21	\$9.90	\$0.69
EE+SP	\$49.52	\$53.23	\$3.71	\$58.79	\$63.20	\$4.41	\$68.08	\$73.19	\$5.11	\$77.38	\$83.18	\$5.80
EE+CHILD(REN)	\$48.34	\$51.97	\$3.63	\$57.40	\$61.71	\$4.31	\$66.47	\$71.46	\$4.99	\$75.52	\$81.18	\$5.66
FAMILY	\$70.69	\$75.99	\$5.30	\$83.96	\$90.26	\$6.30	\$97.21	\$104.50	\$7.29	\$110.47	\$118.76	\$8.29
CORE												
EE	\$18.23	\$19.60	\$1.37	\$20.01	\$21.51	\$1.50	\$23.68	\$25.46	\$1.78	\$27.34	\$29.39	\$2.05
EE+SP	\$76.55	\$82.29	\$5.74	\$84.03	\$90.33	\$6.30	\$99.44	\$106.90	\$7.46	\$114.83	\$123.44	\$8.61
EE+CHILD(REN)	\$74.74	\$80.35	\$5.61	\$82.03	\$88.18	\$6.15	\$97.08	\$104.36	\$7.28	\$112.11	\$120.52	\$8.41
FAMILY	\$109.30	\$117.50	\$8.20	\$119.97	\$128.97	\$9.00	\$141.96	\$152.61	\$10.65	\$163.94	\$176.24	\$12.30
ENHANCED												
EE	\$33.16	\$35.65	\$2.49	\$35.36	\$38.01	\$2.65	\$39.88	\$42.87	\$2.99	\$44.39	\$47.72	\$3.33
EE+SP	\$139.28	\$149.73	\$10.45	\$148.49	\$159.63	\$11.14	\$167.47	\$180.03	\$12.56	\$186.44	\$200.42	\$13.98
EE+CHILD(REN)	\$135.96	\$146.16	\$10.20	\$144.93	\$155.80	\$10.87	\$163.49	\$175.75	\$12.26	\$182.01	\$195.66	\$13.65
FAMILY	\$198.88	\$213.80	\$14.92	\$212.01	\$227.91	\$15.90	\$239.11	\$257.04	\$17.93	\$266.20	\$286.17	\$19.97

Dental:

Mr. Graybill stated that in 2018 dental contributions were increased about 6.3%. In order to avoid a dental plan deficit, the recommendation by the Joint Pay and Benefits Committee for 2019 is to increase dental rates 7.7%.

In keeping with the three-year strategy, the following changes to the 2019 Health and Dental plans are recommended by the Joint Pay and Benefits Committee:

- Target an employer health insurance subsidy of 82% by increasing medical rates by 7.5%;
- Add Cigna Value Preferred Formulary that will generate annual savings of approximately \$188,000 by excluding many readily available over-the-counter drugs for heartburn/ulcers and grandfathering individuals with asthma and ADHD prescriptions;
- Continue first-year incentive seed money (\$250 individual, \$500 family) for employees electing to enroll in the HSA for the first time to encourage migration to the HSA; and
- Implement a 7.7% increase in dental rates to avoid a dental plan deficit.

Council Member Smiley made a motion for the City of Greenville to accept the Joint Pay and Benefits Committee recommendations of the proposed changes to the medical and dental benefits for plan year 2019. Council Member Meyerhoeffer seconded the motion, which passed by unanimous vote.

Commissioner Mills made a motion for the GUC Board to accept the Joint Pay and Benefits Committee recommendations of the proposed changes to the medical and dental benefits for plan year 2019. Commissioner Anderson seconded the motion, which passed by unanimous vote.

Three-Year Strategic Plan 2020-2022:

Mr. Graybill stated that the strategic plan for 2020-2022 should be built upon the current plan. Updated goals are to modify plan designs to offer competitive plans compared to market/industry benchmarks and keep plan costs down, and to make cost share modifications to reduce the employer subsidy to 80%.

Below are the Committee's recommendations for the three-year strategy.

2020 PLAN YEAR

- Continue to evaluate the plans to ensure they are competitive in the market
- Evaluate elimination of the Enhanced Plan based on the excise tax and consider blending the Enhanced and Core Plans into 1 preferred provider organization (PPO) plan
- Evaluate other additions or options to address specific cost drivers and better engage members
- Increase employee contributions to achieve long term goal of 80/20% cost share
(will not increase employee contributions more than 10% if the increase to plan costs is below 10%)

2021 PLAN YEAR

- Index deductibles and out of pocket across all plans offered
- Begin evaluation and adjust salary bands (currently 4 bands)
- Evaluate the HSA seeding (lower employer funding offered and evaluate the HSA first time offering, depending on enrollment)
- Increase employee contributions to achieve long term goal of 80/20% cost share

(will not increase employee contributions more than 10% if the increase to plan costs is below 10%)

2022 PLAN YEAR

- Adjust salary bands so that they are more relevant to the current environment
- Review carrier lineup and ensure that all carriers align with current goals
- Add a point solution to address prevalent cost drivers
- Evaluate any care management enhancements new to the carrier or throughout the marketplace
- Increase employee contributions to achieve long term goal of 80/20% cost share

(will not increase employee contributions more than 10% if the increase to plan costs is below 10%)

It was the consensus of the Joint Boards that the Strategy Plan be evaluated annually.

Council Member Smiley made a motion for the City of Greenville to accept the Joint Pay and Benefits Committee recommendations to adopt the new three-year strategic plan for 2020-2022. Council Member Bell seconded the motion, which passed by unanimous vote.

Commissioner Stoughton made a motion for the GUC Board to accept the Joint Pay and Benefits Committee recommendations to adopt the new three-year strategic plan for 2020-2022. Commissioner Wall seconded the motion, which passed by unanimous vote.

ADJOURNMENT

There being no further discussion, Council Member Bell motioned to adjourn the meeting at 6:28 p.m. Council Member Smith seconded the motion, which passed by unanimous vote. Mayor Connelly adjourned the meeting for the City Council at 6:28 p.m.

There being no further discussion, Commissioner Mills motioned to adjourn the meeting at 6:28 p.m. Commissioner Wall seconded the motion, which passed by unanimous vote. Chair Blount adjourned the meeting for the GUC Board at 6:28 p.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary

APPROVED:

Parker Overton
Secretary