

MEMORANDUM

TO: Mayor and City Council
Greenville Utilities Board of Commissioners

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

DATE: April 18, 2018

SUBJECT: Joint City/GUC Pay and Benefits Committee Recommendations for FY 2018-2019

The Joint City/GUC Pay and Benefits Committee, comprised of Mayor Pro-Tem Rose Glover, City Council Member Rick Smiley, and GUC Commissioners Joel Butler and Toya Jacobs (absent), met on March 20, 2018. The result of this meeting was recommendations to be considered by City Council and the GUC Board of Commissioners at their upcoming joint meeting scheduled for Monday, April 23, 2018, at 6:00 p.m. in the City Council Chambers. A copy of the meeting agenda is attached.

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 long-tenured employees. Therefore, newcomers can only be recruited by offering them as much as or more than long-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 2018 are relatively consistent among the following surveys: Aon Hewitt, Capital Associated Industries (CAI), Hay Group, Mercer, Towers Watson, and WorldAtWork.

Survey Company	Projection
Aon Hewitt	3.0%
Capital Associated Industries (CAI)*	2.5%
Hay Group	3.0%
Mercer	2.9%
Towers Watson	3.0%
WorldAtWork	3.0%

**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 2018-2019.

- Public-sector benchmark organizations:** The public-sector benchmark organizations are comprised of 26 municipalities and utilities. Of the 25 organizations that responded, 24 gave their employees pay increases in FY 2017-2018; the average actual increase was 2.9% (market and/or merit). Several of the benchmark organizations are in the process of developing their FY 2018-2019 budgets and have not made a decision regarding pay increases. Of the 18 organizations that have responded, the average pay increase projection for FY 2018-2019 is 2.9% (market and/or merit).

- Local private employers: For FY 2018-2019, thirteen employers responded, reporting pay increases that averaged 3.2% (market and/or merit).

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%	3.0% 3.0%	-1.0% -1.0%	-1.0% -1.0%
16/17 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	2.7% 2.7%	-0.7% -0.7%	-1.7% -1.7%
17/18 (GUC) (COG)	1.7% 2.0%	1.5% 1.2%	3.2% 3.2%	2.7% 2.7%	+0.5% +0.5%	-1.2% -1.2%

¹Market (CAI) survey is the actual average of approximately 660 NC companies including those with zero 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 as determined by CAI.

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	3.2%*	2.9%**	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 18/19 represents projections collected early 2018 as part of the Pay & Benefits planning process.

As shown in the table above, in keeping with the at-market pay philosophy, City Council and the Board of Commissioners approved a 3.2% merit/market adjustment for the current fiscal year. The 3.2% merit/market adjustment aligned with the average projected pay increase for the public-sector benchmark organizations. This decision allowed the City and GUC to begin addressing the growing cumulative difference in our pay adjustments relative to the CAI index since our 2015 true-up, decreasing the cumulative difference from -1.7% to -1.2%. As a result, the potential financial impact of “playing catch-up” to the market should be lessened when the results of the comprehensive classification and compensation study are implemented in 2020.

Recommendation

The Joint Committee recommends that the City and GUC fund an employee pay adjustment of 2.9% for FY 2018-2019, applied as deemed appropriate by each entity, in order to maintain market competitiveness. The 2.9% employee pay adjustment is recommended because it aligns with the FY 2018-2019 average pay increase projection for our established public-sector benchmark organizations, while minimizing the cumulative difference of below market pay increases since the Five-Year True-Up Market Study was conducted in 2015. The data for the responding public-sector benchmark organizations is attached for reference.

Salary Structure Adjustment

Segal Waters, the City's and GUC's classification and compensation consultant, recommends that our salary structure be reviewed annually to ensure our structure remains competitive with the market.

WorldAtWork projects salary structures to increase by 2.1% for 2018. Segal Waters 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 Committee recommends that the City and GUC approve adopting a 2.1% adjustment to the salary structure.

Timeline for 10-Year Classification and Compensation Study

The last comprehensive classification and compensation study for the City and GUC was conducted in 2010 by Waters Consulting. The City Council and Greenville Utilities Commission adopted the consultant's recommendation that a comprehensive classification and compensation study be conducted every ten years, but could be more frequent if market conditions warrant, with a "true-up" at the five-year mark of each ten-year interval.

Due to the amount of time and work that accompanies a comprehensive classification and compensation study, staff will need to commence work in the fall of 2018 in order to meet the July 2020 implementation date. The proposed timeline will be presented at the upcoming joint meeting.

We look forward to seeing you at the upcoming joint meeting on April 23rd at 6:00 p.m. in the City Council Chambers.

Attachments

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

PUBLIC SECTOR PAY INCREASES (Benchmark Organizations)

The benchmark organizations listed below were used by Waters Consulting Group (now Segal Waters) in 2010 as part of the comprehensive classification and compensation study for the City/GUC. These benchmarks (26 total) have been used by the City/GUC for pay survey purposes since 2010. The organizations were selected by the consultant and approved by the City/GUC based on commonality of positions, competition for jobs/talent, location/proximity, services provided, and comparableness in size and operating budget to ensure strong matches.

	FY 18/19	FY 17/18	FY 17/18	
	Proposed	Actual	Proposed	Comment
Asheville	3.00%	2.50%		
Cary		4.00%		2.00% market + 4.00% merit
Clarksville, TN	2.50%	2.00%	3.00%	
Concord	4.00%	4.00%		
Denton, TX*		3.00%	3.00%	
Durham	4.00%	4.00%	5.00%	
Fayetteville	2.00%	2.00%		
Flower Mound, TX*	5.00%	5.00%		
Garland, TX*	3.00%	3.00%	3.00%	
Gastonia	3.25%	3.25%	3.25%	
Greenwood, SC	2.25%	2.25%	2.25%	
Greenwood CPW		2.25%	2.00%	2.00% market + 1.25% merit
Greer CPW, SC				
Guilford County*	3.50%	3.00%	3.00%	
High Point	3.00%	3.00%	4.00%	
Jacksonville				
Kissimmee, FL*	2.00%	2.00%		2.00% market + 2.00% merit
Kissimmee Utility	3.00%	4.00%	6.00%	3.00% market + 3.00% merit
Lafayette, LA		0.00%		
Ocala, FL	2.00%	2.00%		
Pitt County	2.40%	4.40%	2.40%	2.60% market + 2.40% merit (below midpoint)
Rocky Mount		3.00%	3.00%	
Smithfield	2.00%	4.00%	3.00%	
Springfield, IL*	1.75%	1.50%	1.50%	
Wilmington	3.00%	3.00%	3.00%	1.50% market + 1.50% merit
Wilson		3.00%		
AVERAGE	2.87%	2.92%	3.16%	
AVERAGE (rounded)	2.90%	2.90%	3.20%	

*EMS provider

Color legend:

red denotes market (COLA) increase or other non-merit increase (e.g., based on years of service)

green denotes both market and merit increases

black denotes merit (pay for performance) increase

Notes:

1) Jacksonville awarded a \$1,000 increase in FY 17/18

2) For FY 17/18 for Smithfield, actual increase dependent upon salary range -up to 4%

Joint Greenville City Council/Greenville Utilities Commission Board Meeting

Monday, April 23, 2018

6:00 p.m.

City Council Chambers

200 West Fifth Street

1. Call Meeting to Order – Mayor Connelly
Call Meeting to Order – Chairman Mills
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 February 19, 2018 Joint City Council-Greenville Utilities Commission Board Meeting
4. Consideration of Market Adjustment/Merit Program for FY 2018-2019
5. Consideration of Salary Structure Adjustment for FY 2018-2019
6. Timeline for 10-Year Classification and 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, FEBRUARY 19, 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, February 19, 2018, at 6:00 p.m. on the second floor of the Water Treatment Plant at 1721 Waterway Road in Greenville.

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

GUC Chair Mills called the meeting to order for the GUC Board.

Those present from the City Council:

Mayor PJ Connelly, Council Members Will Bell, Kandie Smith, Rick Smiley, Brian Meyerhoeffer, and Will Litchfield

Also present from the City of Greenville:

Ann Wall, City Manager; Michael Cowin, Assistant City Manager; Ken Graves, Assistant City Manager; Emanuel McGirt, City Attorney; Carol L. Barwick, City Clerk; Other City Staff including Kevin Mulligan, Eric Griffin, Kelvin Thomas, and Brock Letchworth

Those present from the Greenville Utilities Commission Board of Commissioners:

Chair Don Mills, Chair-Elect Rebecca Blount, Secretary Joel Butler, and Commissioners, Tommy Stoughton, Toya Jacobs, Minnie 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 David Springer, Jason Manning, Jonathan Britt, Molly Ortiz, Anthony Whitehead, Julius Patrick, and Dail Booth

Others present:

Seth Gullede, The Daily Reflector; Kate Capodanno, WITN-TV; and a photographer, WNCT-TV

Those absent:

Mayor Pro-Tem Rose Glover was absent from the City Council.

Commissioner Parker Overton was absent from the Greenville Utilities Commission.

ACCEPTANCE OF THE AGENDA

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

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

PUBLIC COMMENT PERIOD

Mayor Connelly opened the public comment period at 6:05 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 6:06 p.m.

APPROVAL OF PROPOSED MINUTES-SEPTEMBER 25, 2017

Upon motion by Council Member Bell and seconded by Council Member Smiley, the Greenville City Council unanimously approved the September 25, 2017 Joint Minutes as presented.

Upon motion by Commissioner Butler and seconded by Commissioner Stoughton, the GUC Board unanimously approved the September 25, 2017 Joint Minutes as presented.

REVIEW OF WASTEWATER TREATMENT PLANT (WWTP) CONSERVATION INITIATIVES AND
ASSOCIATED BUDGET IMPACT

Mr. Tony Cannon, General Manager/CEO for Greenville Utilities Commission reviewed the timeline of the last WWTP expansion and explained that this process happens every 15-20 years. These major expansion projects were part of the budgeting process last year and the cumulative capital project total for water and wastewater has decreased. Mr. Cannon added that wastewater is very regulatory driven and water is more demand driven.

Mr. Cannon introduced Mr. Jason Manning, Wastewater Treatment Plant Superintendent. Mr. Manning began with a short video of the WWTP and presented an update on several initiatives which have been accomplished, or are ongoing, at the WWTP. These initiatives provide savings in capital cost, deferment of capital spending and actions to handle increased flow to the plant without additional capital spending to increase the plant flow capacity. Implementation of these initiatives results in helping to minimize rate adjustments for customers.

Mr. Manning continued by stating that the wastewater treatment plant (north plant) was originally constructed in 1985 and the new site of the plant (south plant) was constructed in 1995.

One conservation initiative was the WWTP's \$2.1 million ultraviolet equipment upgrade project. The new equipment purchased is 70% more energy efficient and provides for an annual operating and maintenance savings of \$100,000.

Another initiative was the replacement of the south plant air piping that was constructed in 1995. This replacement will eliminate multiple air leaks along 800 feet of pipe and will conserve \$150,000 to \$200,000 per year by eliminating inefficiencies. The contractor is in the final stages of this project.

In the WWTP Master Plan, there was a \$6.8 million planned biosolid dewatering upgrade project to upgrade the biosolids processing area. Staff analyzed the process and changed the operational strategy, thus deferring this project and costs out of the 5 year plan.

Another similar effort to mitigate costs was the purchase and installation of baffles at a cost of \$80,000. The south plant clarifier performance improved and increased plant capacity by 3 million gallons, thereby deferring \$36 million construction cost out of the 5 year plan.

The State regulates a need for expansion when the permitted capacity of the WWTP is greater than 80% or 14.0 million gallons per day. GUC has found other ways to increase capacity and to defer the construction of a new treatment plant, thus saving \$12 million. WWTP staff have also discovered ways to convert the WWTP's 700-acre "farm" property from a cost center to a benefit. One initiative proposed is to construct approximately 100 acres of vegetative buffers.

This conservation project would allow for nitrogen and phosphorus to be conserved and banked at a value of approximately \$7.6 million.

Another way to generate additional capacity without construction would be to place GUC's effluent somewhere other than the Tar River. Diverting treated wastewater from the Tar River would create a moist soil environment and reduce GUC's effluent flow. By reducing the effluent flow the deferred capacity has an estimated value of \$24 million (valued at expansion cost of the \$12 per gallon).

REVIEW OF WATER TREATMENT PLANT (WTP) PRELIMINARY ENGINEERING REPORT FINDINGS,
IMPLEMENTATION OPTIONS, AND ASSOCIATED BUDGET IMPACTS

Next, Mr. Cannon introduced Mr. David Springer, Water Resources Plants Engineer. Mr. Springer began with a short video and then began his presentation. He stated that the existing Water Treatment Plant (WTP) was placed in service in 1983 with a capacity of 12 million gallons per day. An expansion to the plant was completed in 2002, resulting in the current "rated" treatment capacity of 22.5 million gallons per day. Since the last expansion, the customer base and system demands continue to increase. New water use records have been set recently including an average day water demand of 12.9 million gallons per day in 2014 and a peak day record of nearly 17.8 million gallons in 2015, which represents use of approximately 80% of the WTP rated capacity. Engineering best practices is to begin the plant expansion process once the 80% mark is reached.

Based on the recommendations of the recently completed Preliminary Engineering Report, and considering the 6 to 10 year time frame needed to expand and upgrade a water treatment plant, it is necessary to continue to proceed with plans to implement the needed improvements to meet the additional demands and regulatory requirements being projected for the future.

Mr. Springer provided the project status, the funding plan and the proposed project schedule.

The previous WTP expansion efforts began in 1994 with preliminary engineering and were completed in 2002. The current water treatment plant expansion efforts began in 2007 with the Tar River Flow Study and the estimated completion of the upgrade and expansion is 2022. Currently, GUC is in Phase II, the final design and construction. The plan is to expand the plant to a capacity of 32 million gallons per day. The Construction Manager at Risk (CMAR) delivery method will be used on this complex project to guarantee maximum price that will be established prior to construction.

The engineers' recommendations are to build a water treatment plant to a capacity of 32 million gallons per day and add a 2 million gallon elevated storage tank in the southeast portion of the system near the Bells Fork area. The proposed water distribution system improvements also include 13 miles of water transmission mains between 16 and 48 inches that will be in major thoroughfares in the city. A large component of this plan includes easement acquisitions and will continue over the next 10 years.

Estimated project cost over the next 10 years:

Water Treatment Plant Expansion	\$47,500,000
Distribution System Phase I (transmission piping and storage tank)	<u>\$30,000,000</u>
TOTAL:	\$77,500,000

Next, Mr. Cannon introduced, Jonathan Britt, Analytics Manager, to provide information on the different funding scenarios.

Mr. Britt provided a draft funding plan, reviewed one of the 30 scenarios of how a typical bill would be impacted and reviewed the next steps. The revenue sources will come from three areas which include capital reserves, new revenue bonds and wholesale revenues.

All of this will be accomplished within the following targets/parameters:

- Equity-Capitalization Ratio > 63%
- Days Cash on Hand > 96 days
- Debt Service Coverage 1.25X
- Funding Timeline 10 years
- Limit rate increase amount < 10%
- Borrowing cushion \$10M

Water & Sewer Rates Forecasts

Water Rates

	FY18	FY19	FY20	FY21	FY22	FY23
17FY Rate Plan	0.0%	6.4%	6.4%	6.4%	6.4%	
Draft 18FY Rate Plan		7.6%	7.6%	6.8%	6.9%	2.3%

Sewer Rates

	FY18	FY19	FY20	FY21	FY22	FY23
17FY Rate Plan	0.0%	7.4%	7.4%	7.4%	7.4%	
Draft 18FY Rate Plan		3.1%	3.0%	3.3%	3.4%	3.5%

Combined Rates

	FY18	FY19	FY20	FY21	FY22	FY23
17FY Rate Plan	0.0%	6.9%	7.0%	7.0%	7.0%	
Draft 18FY Rate Plan		5.0%	5.0%	4.9%	5.0%	3.0%
Combined Bill Impact		\$3.77	\$3.96	\$4.03	\$4.33	\$2.71

At the completion of the presentations and discussion Mr. Cannon offered a tour of the facility to those that were interested.

Mayor Connelly thanked GUC for the information. It is important to understand the area is projecting to grow and expand and the right resources need to be in place.

ADJOURNMENT

There being no further discussion, Council Member Smiley motioned to adjourn the meeting at 7:18 p.m. Council Member Bell seconded the motion, which passed by unanimous vote. Mayor Connelly adjourned the meeting for the City Council at 7:18 p.m.

There being no further discussion, Commissioner Anderson motioned to adjourn the meeting at 7:18 p.m. Commissioner Butler seconded the motion, which passed by unanimous vote. Chair Mills adjourned the meeting for the GUC Board at 7:18 p.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary

APPROVED:

Joel Butler
Secretary