



Lehigh County Authority

**COMPENSATION PROJECT REPORT
(NON-UNION)**

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Background

Lehigh County Authority (LCA or the Authority) is a public water and wastewater utility providing service to more than 55,000 customers in the City of Allentown and portions of Lehigh and Northampton Counties. LCA also provides municipal-level and customer-level sewer service in many areas of western and northern Lehigh County.

In May 2013, LCA signed a contract with the City of Allentown for a 50-year lease of the city's water and sewer systems. The closing date of the lease concession took place on August 7, 2013. As of that date, LCA's employee base increased from 37 to 121 and has further increased to its current level of approximately over 150.

LCA has two divisions: the Suburban Division, located in Wescosville, which houses the company headquarters and the City Division, located in Allentown, which is comprised of three facilities: the Water Filtration Plant, the Wastewater Treatment Plant, and the Distribution and Collection Facility.

LCA has collective bargaining unit agreements with two unions. The Service Employees' International Union (SEIU) represents blue collar and clerical workers of the City Division and the Sheet Metal Workers International Union (SMW) represents Operation and Maintenance and Compliance workers of the Suburban Division. Union employees represent 62% of the current workforce (95 employees) while non-union employees represent the remaining 38% (59 employees). The SMW Union contract was ratified in February 2014. The SEIU transferred to LCA from the City of Allentown. Both contracts expired December 31, 2016.

The SEIU includes blue collar as well as clerical members while the SMW Union includes blue-collar workers and Foremen. As a result of the merger of the two organizations, LCA has several positions where the Union status varies, depending on the employee's work location.

The following report is the overall compensation study/review to provide marketplace data as well as guidance to management at LCA for the future direction of compensation programs in the organization.

Objective

The purpose of this project is to ensure that LCA can continue to attract and retain highly qualified employees through a compensation program that is affordable, competitive, and equitable, and provides meaningful rewards for ongoing performance improvement. Specifically, LCA seeks to evaluate and improve in the following key areas:

- Develop and define Lehigh County Authority's overall Compensation Philosophy
- Generate understanding and buy-in for LCA's overall compensation philosophy once defined
- Establish a revised salary structure to meet LCA's goals for employee recruitment, retention, and satisfaction (last revision in 2011, prior to Allentown merger)
- Alignment of LCA's total compensation program with their new Strategic Plan, including mission, vision, and values (adopted in January 2015)
- Generate overall awareness, throughout the employee base, of the compensation package that LCA provides, and the ways in which LCA meets its stated Compensation Philosophy

Compensation Philosophy

Compensation philosophies vary according to the culture, leadership, management, and performance of the organization. The basis for compensation philosophies typically include the mix of base pay, variable pay, and benefits in the various programs. The positioning of each of these areas is usually compared to the competitive market; the marketplace from which the organization recruits for talent and the external market to which employees leave to seek other employment.

One example is to have a philosophy, which maintains pay a certain percentage below the middle of the competitive market but has a strong benefit program, which is above the market, perhaps in the health care area or in the pension area. Another approach is to provide a benefit program, which is minimal in coverages, a base pay program, which is below market, and a variable/bonus program, which is extremely strong, compared to the market. This type of philosophy frequently exists in start-up organizations or organizations, which are projected to have rapid growth and want to have low fixed expenses.

LCA has a mixed philosophy, given the assimilation of the Allentown operation. This frequently occurs when two organizations merge.

Within the base pay portion of the philosophy, several alternatives exist. The alternatives follow:

1. Structure of salary ranges
 - a. Spread of each range from minimum to midpoint to maximum
 - b. Different from one salary range to the next
 - c. Definition of what the range represents compared to the market
 - d. Frequency of adjustments to the range structure
2. Utilization of salary ranges
 - a. Split ranges into thirds, quartiles, or quintiles
 - b. Approach to employee pay movement within the range
 - c. Approach to employee promotion to a higher position

3. Slotting of positions within salary ranges
 - a. By external market – match 50th percentile of market to closet salary range midpoint
 - b. By internal equity – utilize an internal job evaluation system
4. Pay administration
 - a. Pay rates for new hires – inexperienced and experienced
 - b. Pay adjustments – merit, tenure, across the Board

Current LCA Salary Structure

LCA’s current non-union salary structure is comprised of 15 salary ranges. The range minimum is 20% below the midpoint and the maximum is 20% above the midpoint.

It appears that the original structure differentiated one midpoint from the next by approximately \$3,700. This is a fairly narrow differential compared to the most competitive structures in the market. A 10% to 12% range differential is most common.

The salary structure below shows those ranges, which are currently populated by employees, there are additional ranges, which currently do not have any employees in positions. Currently there are 46 non-union positions, which include 58 employees.

	Minimum	Midpoint	Maximum
A12	\$28,654	\$35,818	\$42,918
B21	\$34,603	\$43,254	\$51,905
B22	\$37,574	\$46,967	\$56,360
B24	\$43,523	\$54,404	\$65,284
B25	\$46,493	\$58,116	\$69,740
C41	\$52,442	\$65,553	\$78,664
C42	\$55,413	\$69,266	\$83,119
C43	\$58,183	\$72,727	\$87,275
C44	\$61,362	\$76,702	\$92,043
C45	\$64,332	\$80,415	\$96,498
D61	\$70,281	\$87,852	\$105,422
E81	\$88,120	\$110,151	\$132,181
E82	\$91,091	\$113,863	\$136,636
E83	\$94,061	\$117,576	\$141,091
F102	\$119,822	\$149,778	\$179,734

Market Analysis

A competitive market analysis has been conducted of 23 benchmark LCA positions. The analysis was focused on base pay and did not include variable pay since the incidence of variable pay in the industry is small.

Methodology

- Review of position responsibilities to adequately compare to positions in the market with comparable responsibilities
- Collection of data
 - Includes two published surveys with appropriate size, industry, and geography
 - Includes survey data from American Water Works Association – 2016 Wage Survey
 - Includes data from Mosteller & Associates' proprietary database including several clients in LCA's industry in central and eastern PA
 - For industry specific positions utilized industry data; for non-industry specific positions included other industries
- The 25th, 50th and 75th percentiles were calculated for each position based on the above data sources

Summary of Market Analysis

- For the benchmark positions, LCA's consolidated/aggregated comparison to the 50th percentile is -6.28%.
- There are 13 positions paid below the 25th percentile and 3 positions paid above the 75th percentile.
- LCA's base salary program is reasonably competitive. Those positions paid below the 25th percentile should be reviewed and determinations made concerning any potential interim salary adjustments. Of highest concern are those individuals who are performing well, have adequate experience, and are the type of employees who LCA definitely wants to retain.