

## **1.0 Purpose and Need**

HRSD is a political subdivision of the Commonwealth of Virginia. Our mission is to protect public health and the waters of Hampton Roads by treating wastewater effectively.

HRSD's Strategic Plan was developed to continue HRSD's Legacy of protecting and enhancing our environment with the Vision: "Future Generations will inherit clean waterways and be able to keep them clean" and strategic objectives with a focus on People, Infrastructure, Environmental Impact, Operations and Partnerships.

This policy supports HRSD's Strategic Plan and objectives in defining a compensation philosophy and process which ensures HRSD can attract and retain top talent with diverse backgrounds

## **2.0 Definitions**

***Benchmark Jobs*** – a representative sample of HRSD jobs selected that:

- represent multiple levels within the organization
- have a large population in each job so that a high percentage of employees are represented (60-80%)
- are likely to be represented in compensation survey databases

***Compensation Market Strategy*** – the organization's assessment of the following factors that define the compensation market for HRSD jobs:

- (1) Type of job: different jobs such as executive, engineering support staff which may address each factor differently
- (2) Industry or Business Sectors: the markets from which HRSD recruits or loses talent
- (3) Geographic Reach: the location or areas from where talent is most likely to be recruited
- (4) Organization Size: comparator parameters of likely talent competitors which includes size of budget, scope and number of staff
- (5) Target Salary: the market positioning for pay deemed appropriate for HRSD's talent (median, 75<sup>th</sup>, or 90<sup>th</sup> percentiles)

**Custom Salary Survey** - A data comparison/market survey approach that surveys salaries of peer organizations to compare jobs similar to HRSD. Peer organizations include both national and local water and wastewater utilities, municipalities and government organizations.

**Geographic Calibration of Pay Data** – an adjustment to pay data based on differentials in labor markets and cost of living as related to geographic location. Pay differentials are referenced from published data such as The Economic Research Institute survey.

**HRSD's Compensation and Classification System** – an HRSD process to ensure each position is placed into the correct grade relative to other positions creating internal equity among HRSD jobs. The system classifies positions based on eight factors including knowledge, scope, decisions, problem solving or complexity, authority, purpose and nature of contacts, occupational risk and physical requirements.

**Market Based Salary Survey** – A data collection/market comparison resource approach that utilizes several published surveys which provides full information on the competitive pay market for both utility jobs and more broad based jobs such as Information Technology and Finance.

**Total Compensation Package** – includes salary, incentives and bonus pay, allowances, paid time off, and benefits including health, retirement, life insurance, and education reimbursement.

### 3.0 **Guiding Principles**

#### 3.1 **Compensation Philosophy**

HRSD provides market-based total compensation that ensures HRSD can attract, develop and retain talented, high performing employees. HRSD desires a long term relationship with every employee that shares HRSD's vision and values and contributes to HRSD's success.

HRSD jobs are classified within salary ranges through HRSD's Classification and Compensation System. Employees are hired into the range based on skills, knowledge and experience. Employees can earn merit increases (typically one-step within the range) annually based on successfully meeting expectations and contributing to HRSD's continued success.

All positions have a finite maximum market value, where additional experience in the position provides no additional market advantage. The top of each range represents this maximum market value. Merit increases at this level are limited to inflationary indices to allow employees to maintain spending power over time.

### 3.2 Salaries

The desire for a long term relationship is reflected in the HRSD salary structure that approaches top-of-the-market for the most experienced talent at the top of the salary range:

- The salary range minimum or entry level compensation at or above market median
- The midpoint of the pay range for a job is targeted to the 75<sup>th</sup> percentile of the competitive market
- The salary range maximum is targeted within 10% of the Market Maximum Salary 90<sup>th</sup> percentile

### 3.3 Benefits

Employee benefits are part of total compensation. HRSD believes in providing adequate paid leave to allow an employee to achieve an acceptable work-life balance. Additionally, while HRSD provides a suite of other benefits, HRSD is committed to providing access to affordable health care. To the extent allowable by law and within available revenue, direct employee health insurance costs shall be limited to 10 percent of a Grade 2, Step 1 salary whenever possible. HRSD's benefit plan shall be competitive at or above market in comparison to local municipal and government entities and comparable water and wastewater utilities.

### 3.4 Compensation Market Strategy

The strategy, presented in table form, documents the pay philosophy. The strategy is reviewed annually or revisited when there are meaningful changes in job groups or market parameters. The goal of the market strategy is to ensure competitive information about compensation for HRSD jobs is based on the appropriate mix of job types and market parameters. The 2016 Market Strategy is represented below.

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**Compensation**



Adopted: October 25, 2016

Revised: [date or N/A]

Page 4 of 6

2016 Market Strategy Parameters				
Job Type	Industry/ Business	Geography	Size of Budget/ Scope/Staff	Target Salary (Mid/Max)
Senior Management (non-technical) (e.g. CEO, PR, HR, Legal)	Utilities/All Industries/ Public Sector	Mid-Atlantic	\$397M/ 803 FTEs	75th P/90th P
Scientific Staff and Management-Chemist, Environmental Scientists, Lab Specialist, Technician	Public Sector/All Industries	National/ Mid-Atlantic	\$397 M	75th P/90th P
Technical Management (e.g. COO, Ops Manager, Top Maintenance Officer)	Utilities	Mid-Atlantic	\$397M/ 803 FTEs	75th P/90th P
Engineering & IT	Public Sector/All Industries	Mid-Atlantic	\$397 M	75th P/90th P
Professional and Administrative	All Industries	Hampton Roads/Virginia	\$397 M	75th P/90th P
Process, Electrical & Maintenance	All Industries	Mid-Atlantic	\$397M/ 803 FTEs	75th P/90th P

**4.0 Procedures**

HRSD will conduct a comprehensive compensation study every three to five years when markets are relatively stable. Market reviews of difficult to fill or new jobs will be performed on an as needed basis. Assessments will be done more often for any or all job groups experiencing more volatile or unstable markets. The goal is to ensure pay aligns with the market strategy.

- Any compensation study will use benchmark jobs which may be representative of all of HRSD or be limited to the job groups being studied.

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**Page 5 of 6**

- Job comparisons will be based on job content or on knowledge, skills, abilities, education, experience and special requirements, supervision received and physical requirements and not on job titles alone.
- The Compensation Market Strategy and Compensation Philosophy will define the study approach and market
- The study may incorporate a custom survey to collect peer market data
- Market pay data is calibrated based on geographic differential information and job match.
- For non-benchmark positions or positions in which appropriate job matches may not be obtainable, HRSD's Compensation and Classification system is used to ensure that each position is placed in the correct grade relative to other positions.

HRSD will conduct a review of market salary ranges for approximately 10% of jobs on a bi-annual basis to ensure salary range compensation targets are maintained. Market reviews for difficult to fill or new jobs will be performed on an as needed basis.

Every three to five years, HRSD will conduct an Executive level compensation study to include a custom survey of similar water and wastewater utilities, public sector agencies, regional entities and appropriate private sector businesses on both a local and national level. The custom survey will compare executive total compensation packages of HRSD's General Manager and Directors to include:

- Total compensation to include salary, benefits, incentive, allowances and bonus compensation.
- Salary range and pay data comparisons at the fully qualified level to the market and/or peer organizations including average range minimum, midpoint and maximum compared to median, 75<sup>th</sup> percentile and 90<sup>th</sup> percentile.
- Market pay data calibrated based on geographic differential information.
- Data may be calibrated where organizational size impacts the scope of a position
- Evaluation of benefits include medical, vision and dental insurance, employee assistance program, wellness program, flexible spending and health savings accounts, life insurance, retirement, defined contribution plans, life insurance, employee leave benefits and education.

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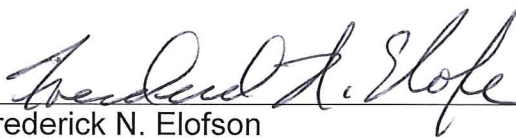
Adopted: October 25, 2016	Revised: [date or N/A]	Page 6 of 6
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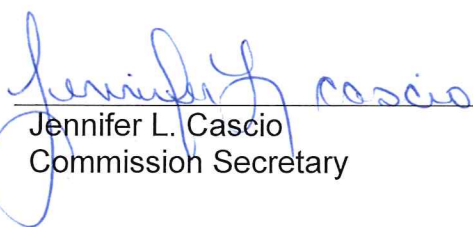
**5.0 Responsibility and Authority**

HRSD's General Manager and Director of Talent Management are designated administrators of these policies. The Director of Talent Management is responsible for:

- Providing guidance on overall competitiveness of HRSD pay, individual pay and total compensation
- Ensuring appropriate review of data in response to manager concerns about total compensation competitiveness
- Recommending updates to the policy based on variable elements of the policy
- Maintaining pay structures that are market competitive
- Ensuring internal and external pay equity

These policies were adopted by the HRSD Commission. The Commission Finance Committee will review these policies on an annual basis.

Approved:  10/25/16  
Frederick N. Elofson  
Commission Chair  
Date

Attest:  10/25/16  
Jennifer L. Cascio  
Commission Secretary  
Date