

Metropolitan Sewerage District of Buncombe County

PERSONNEL COMMITTEE ACTION ITEM

Meeting Date: April 22, 2025

Submitted By: Thomas E. Hartye, P.E., General Manager
Pam Thomas, SHRMCP, IPMASCP, Human Resources Director
W. Scott Powell, CLGFO, Director of Finance

Subject: Pay Adjustment and Self-Insured Health Plan for
FY 2025-26

Staff Recommendation:

That the MSD Board fund and approve:

- 2.8% annual wage increase for all employees starting July 1, 2025
- 0% increase for the Self-Insured Medical Plan
- 5.8% increase in **State required** contributions for the NC Retirement Plan

Background

At the Board request, staff annually develops a composite view of both salary and benefit programs costs.

Each year, during the budgetary process, the Personnel Committee considers cost of living and merit pay salary adjustments with the goal of keeping MSD's compensation program competitive with other area employers and to meet the objective of retaining skilled, high performing employees. Inadequate wages lead to high turnover levels and increased costs from training new employees as well as loss of efficiencies until they are fully proficient.

The Personnel Committee also considers benefits as an integral part of budgeting for a comprehensive compensation package.

Staffing Levels

MSD management has endeavored to effectively maintain the reduced staffing levels. As a vacancy occurs, it is evaluated to determine the impact on efficient and effective operations. Frequently MSD reengineers, reorganizes and reassigns duties or implements technology applications, to help control personnel costs. At other times, a position may be added to support work needs or safe work practices.

MSD's workforce currently averages 44 years of age and has 11 years of service with the District. MSD's staff is considered extremely skilled and responsive.

Health Insurance

In March, the District's insurance consultants indicated that FY 25 projected increases to medical and drug costs for the South region to be 8% and 13.3%, respectively. It is important to keep in mind that health plan cost increases continue to significantly outpace general inflation and average wage increases.

Attachment # 1 provides actual and projected medical costs for MSD.

Significant cost drivers for MSD continue to be rising medical inflation costs, lack of hospital competition and increasing drug costs (both specialty and generic).

Several years ago, we rebuilt the medical insurance plan. Based on the changes we made, savings were realized in brokerage fees, drug costs, claims experience and reinsurance fees. Over the last five years the medical plan has maintained a healthy reserve despite having significant claims. The insurance reserve allows for a smoothing of costs during adverse times. Based on the January 1st insurance renewal, staff is recommending no change in the Board and employee contributions for fiscal year FY2026.

In response to the increases in medical costs, MSD management has taken the following actions, with which the Employee Advisory & Wellness Committees concurred:

- Changed Third Party Administrators (TPA) and Pharmacy Benefit Manager (PBM);
- Partnering with Park Ridge Hospital an Associates to offer higher discounts that save the District and employee's significant costs;
- Working with the Pharmacy Benefit Manager (PBM) has reduced drug costs;
- Requiring that working spouses be covered as "primary" by their employer's insurance, before they can be covered by MSD's insurance;
- Increase specialist and Urgent Care co-pays to \$40 and increase premiums;
- Partnering with GoHealth to offer higher discounts that save the District and employee's significant costs;
- Increase in our Advent Advange Program;

We continue to offer several well received Health & Wellness programs including: On-site PA available at zero cost to the employee; medical and nutritional training classes through Advent Hospital; Wellness activities that encourage healthier lifestyles; on-site "Advent Advantage" services; required physicals for all adults covered under MSD's medical insurance. Additional on-site programs include: a monthly health newsletter, flu and tetanus shots, training on industry medical issues, Health Days and increased use of the workout & weight rooms.

Salary & Benefits Discussion:

The District has attempted to provide employees with competitive wages and benefits as a means of retaining and rewarding high-performing employees. The benefit to MSD of keeping professional and motivated employees has been illustrated repeatedly over the past years.

Over 60% of MSD employees have earned technical certifications above their job requirements. MSD employees have continued to earn national and state awards for ISO 14001, the AMSA Environmental Achievement Award, National and North Carolina GIS recognitions, NC “Operations Challenge” and the NACWA “Excellence in Management” award, among others.

A summary of the last 12 years’ Consumer Price Index compared with actual and proposed FY 2025-26 cost of living and merit raises is summarized below:

<u>Consumer Price Index (CPI) for South Urban Region</u>	<u>District Adopted Increase</u>
2012 - 2.1% *	FY 2013-14 2.1%
2013 - 1.5% *	FY 2014-15 2.5%
2014 - 1.6% *	FY 2015-16 3.0%
2015 - 0.5% *	FY 2016-17 3.0%
2016 - 2.0% *	FY 2017-18 3.0%
2017 -1.89% *	FY 2018-19 3.0%
2018- 1.50% *	FY 2019-20 2.5%
2019 – 2.16% *	FY 2020-21 0%
2020 – 1.35% *	FY 2021-22 3.5%
2021 – 8.1% *	FY 2022-23 7.0%
2022 – 6.3% *	FY 2023-24 6.3%
2023 – 3.7%	FY 2024-25 3.7%
2024 – 2.8%	FY 2025-26 2.8% (Proposed)

*CPI-W for “Urban Wage Earners and Clerical” for the South Urban region

Cost of Living:

The District obtains cost of living data from the Bureau of Labor Statistics for the South Region. The Consumer Price Index increased by 2.8% for “all urban consumers and for wage earners and clerical workers” during the period of December 2023 to 2024. The Consumer Price Index for the previous period of December 2022 to 2023 was 3.7%.

Private Sector:

Each year several international consulting firms (Towers Watson, World at Work, SHRM, Federal, Social Security) survey thousands of companies for projected pay increases for the next year. Many private sector firms granted raises averaging 3% in 2024 and were planning increases between 2% - 4% or more in 2025.

Agency Comparisons: Attachment # 2 provides a listing of our benchmark agencies showing the past years' increases, as well as potential increases for the upcoming year based upon conversations with respective staff.

Fiscal Impact:

The proposed salary and benefit adjustment costs are approximately \$233,000 higher than last years' budget request in this area.

Recommendation:

Staff requests that the Personnel Committee approve the recommendation of:

- 2.8% annual wage increase for all employees starting July 1, 2025
- 0% increase for the Self-Insured Medical Plan
- 5.8% increase in **State required** contributions for the NC Retirement Plan

COMMITTEE ACTION TAKEN	
Motion by:	To: Approve <input type="checkbox"/> Disapprove <input type="checkbox"/>
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	

ATTACHMENT # 2

Local Government and Utilities:

AGENCY	FY 2025	FY 2026 "Based upon conversations with respective managers which have not yet been approved"
Woodfin	4% COLA	3.4% COLA
Weaverville	3.5% COLA	3% COLA
Black Mountain	4% - 5% CIKA	3% COLA
Biltmore Forest	3% - 3.5% COLA	3% COLA
City of Asheville	3% - 4% COLA	3% COLA
Buncombe County	Lomgevity Pay Annual 4% -5% COLA	Lomgevity Pay Annual unknown % COLA
OWASA	1.7% COLA	1.7% COLA
CMUD	6% COLA	5% COLA – 7% COLA lowest paid
Western Carolina Sewer & Water (REWA)	3% Merit	3% Merit
MSD	3.7% COLA	2.8% COLA
Private Sector	2.4% - 4.1%	2% - 4%
CPI	3.7%	2.8%