



MEMORANDUM

Date: August 26, 2010

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Personnel Issues Relating to the Wastewater Reclamation Campus
Design-Build-Operate Project**

On October 20, 2009, the Board of Supervisors approved proceeding with the issuance of the Request for Proposal; the second step of the Design-Build-Operate (DBO) contractor selection for implementation of the Water Reclamation Campus Project to replace the existing Roger Road Water Reclamation Facility. This approval was conditioned upon several factors important to the Board of Supervisors. I have previously sent you status reports on October 20, 2009 and August 9, 2010 addressing various issues in this procurement process.

This status report presents current information regarding transfer of employee issues. As directed by the Board, the personnel policies of the DBO contractor are to be similar to Pima County policies to the extent practicable and legally possible. This relates to work rules, pensions and health benefits.

County staff has worked from the time of Board approval to determine how best to comply with this requirement. The primary personnel requirement of the Regional Wastewater Reclamation Department (RWRD) is that no current RWRD employee will lose his or her job as a result of this DBO procurement for the new Campus Facility and that employee transfer to employment with the DBO contractor at the new Campus Facility is strictly voluntary. Also, RWRD employees that elect not to transfer with the DBO contractor to the new Campus Facility will be reassigned to positions of equal grade and salary within the labor pool of RWRD. It is expected that these positions will become available in RWRD through normal attrition and retirements over the next three to four years before startup of the new facility. Further, those employees who elect to voluntarily transfer will do so at equal or better salary and benefits.

In comparing public sector personnel policies to the private sector, it was recognized that having a private company adopt the Pima County Personnel Policies as a whole is not possible because government entities are allowed certain personnel management freedoms

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Personnel Issues Relating to the Wastewater Reclamation Campus DBO Project**
August 26, 2010
Page 2

that are deemed illegal for a private company. An example of this is a private company must pay time and a half to nonexempt employees for hours worked over 40 hours, while government bodies, such as the County, can offer compensatory time in lieu of wages. Another issue is that government bodies frequently offer lower wages but better benefits, especially in the number of holidays and sick days allowed and accrued. It is difficult for a private company to offer more in areas such as holidays and sick days and less in salary because some of the DBO Company employees will undoubtedly transfer into and away from the Campus Facility in Pima County to other facilities operated by the DBO Company. These moves may occur on both a temporary and long-term basis. Therefore, it is in the DBO Company's, and ultimately in Pima County's, best interest for the DBO Company's policies to be consistent from location to location.

A third issue is that some policies of Pima County are slightly different from other government and private organizations. For example, Pima County has modest requirements for drug and alcohol testing, while many private and government organizations conduct extensive random testing.

After careful analysis, RWRD staff and the DBO Consultant Team concluded that the personnel policies, benefits and wages of the two shortlisted firms, as a whole, would serve our transferred employees well and that forcing the County personnel policies on the DBO Company might have negative impacts on our rate payers by forcing the shortlisted firms to increase their price proposals. The DBO Consultant Team prepared a comparison of each of the shortlisted firm's personnel policies, wages and benefits with those of the County. This information has been reviewed by both the County Attorney's Office and our County Human Resources Department. Attached is an August 11, 2010 memorandum from the Human Resources Department summarizing the results of their review. Both reviewers concur that allowing use of either of the shortlisted firms' personnel policies and benefits packages would be substantially equivalent to the County's Personnel Policies as long as we require that transferred RWRD employees are vested in the firm's retirement plan identical to the way they become vested in the Arizona State Retirement System (ASRS). Therefore, a Pima County employee who is already vested in ASRS at the time of a voluntary transfer to the DBO operator would be immediately vested in the DBO operator's retirement program.

Based on the above information, the DBO Service Contract has been crafted to allow use of the selected firm's personnel policies. The following personnel requirements have been included in that service contract:

- The DBO Company must hire 75 percent of its proposed operations and maintenance staff from RWRD operations and maintenance staff who volunteer to be transferred.

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Personnel Issues Relating to the Wastewater Reclamation Campus DBO Project**
August 26, 2010
Page 3

- The combined wages and benefits offered to each RWRD transferred employee must be equal or better than the current wages and benefits from the County.
- The transferred employees will not serve any probationary period.
- Transferred employees will not have any waiting period to be vested in the DBO Company retirement plan if the employee was vested in the County plan. No vesting waiting period will be longer than the waiting period would have been had the transferred employee remained with the County.

Of course, the County will still stand behind its stated policy that any employee at the existing Roger Road WTF who wishes to remain with the County will be given another position within RWRD without any loss in salary or benefits.

Summary

The DBO selection process for the Regional Optimization Master Plan project to replace the Roger Road Wastewater Treatment Plant (Water Reclamation Campus Project) is proceeding and targeted for completion in December 2010. The final DBO service contract will incorporate the application of the successful DBO operator's personnel policies as specified in this memorandum.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works
Mike Gritzuk, Regional Wastewater Reclamation Director
Gwyn Hatcher, Human Resources Director



Memorandum

HUMAN RESOURCES DEPARTMENT

Date: August 11, 2010

To: C. H. Huckelberry
County Administrator

From: Gwyn Hatcher
Human Resources Director

A handwritten signature in black ink, appearing to read "Gwyn Hatcher", is written over the typed name and title of the sender.

Re: Personnel Policy Compatibility of the Two Competing Vendors for the Design/Build/Operate Option for Roger Road Currently Being Considered by the Board of Supervisors

Per your request, I have reviewed the submissions from the two vendors pertaining to personnel policies and benefits. Though the personnel policies are not identical to ours, they are compatible taking into consideration that we are a public entity and the vendors are private entities. There are some instances where the vendors' policies are more attractive and others where they are less attractive than ours.

The greatest differences are in a few of the vendors' sick leave policies, drug testing requirements, compensatory time not allowable by Federal law for private companies and a potential one-year gap in retirement availability. For the record, our sick leave policies have always been very generous. On the other hand, the vendors are able to offer bonuses and stock purchases and they have excellent education tuition plans. Overall, the policies are very similar. As far as health and dental benefits, the vendors' plans are comparable to ours and/or to the market. Again, differences are expected based on differences in the employee population and medical experience and employer negotiations.

I agree with the recommendation of the County Attorney's Office that the policies are relatively comparable for the two company policies to those of the County's. I also agree with the County Attorney's Office that any agreement with the successful vendor include a requirement that transferring employees become immediately vested in the vendor's retirement program to include immediate employer contributions, it at all possible.

c: Mike Gritzuk, Director, Regional Wastewater Reclamation Department