Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 - Robert Reynolds
Ward 1 Position 2 - Brenda Thiel
Ward 2 Position 1 - Kyle B. Cook
Ward 2 Position 2 - Don Marr
Ward 3 Position 1 - Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 - Shirley Lucas
Ward 4 Position 2 - Lioneld Jordan

Final Agenda
Special City Council Meeting
February 28, 2006

A Special meeting of the Fayetteville City Council will be held on February 28, 2006 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

A. New Business:

1. **Cost of Living Adjustment:** A resolution approving a 7.1% Cost-of-Living adjustment for all City employees effective January 2, 2006; suspending merit and step increases for 2006; and approving a budget adjustment for General Fund in the amount of $687,658.00 from Undesignated Fund Balance. **No vote was taken on this item at the February 22, 2006 City Council meeting.**

   RESOLUTION WAS AMENDED, PASSED AND SHALL BE RECORDED AS RESOLUTION NO. 33-06.

Meeting adjourned at 7:35 p.m.

City Council Meeting **February 28, 2006**

Lioned J
Bobby F.
Don M
Swifty R
Comittee

Subject:	Roll				Adjourn 7:35 pm
Motion To:					
Motion By:					
Seconded:					
	Reynolds	✓			
	Thiel	✓			
	Cook	✓			
	Marr	✓			
	Rhoads	absent			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
	Mayor Coody	✓			

Subject:	Cost of Living Adjustment				
Motion To:		3.5 COLA & full impl. of Step & Merit			$439,753
Motion By:		Marr			Budget Adj.
Seconded:		Jordan			
A.I.	**Reynolds**	✓			Total
New	**Thiel**	✓			1,414,753
Business	**Cook**	✓			
	Marr	✓			
Passed	**Rhoads**	absent			
	Ferrell	✓			
33-06	**Lucas**	✓			
	Jordan	✓			
	Mayor Coody				

7-0

Mayor Dan Coody

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FAYETTEVILLE
THE CITY OF FAYETTEVILLE, ARKANSAS

KIT WILLIAMS, CITY ATTORNEY
DAVID WHITAKER, ASST. CITY ATTORNEY

DEPARTMENTAL CORRESPONDENCE **LEGAL DEPARTMENT**

TO: **Dan Coody**, Mayor

THRU: **Sondra Smith**, City Clerk

FROM: **Kit Williams**, City Attorney

DATE: **March 1, 2006**

RE: **Passed Resolution from Special City Council meeting of February 28, 2006**

1. Cost of Living Adjustment & Merit/Step Raises: Resolution approving Cost of Living Adjustment in amount of 3.5% for all employees retroactive to January 2, 2006 to implement normal step and merit raises, and to approve a budget adjustment of $439,753.00.

2/28/06
City Council Meeting

	2004	**2005**
Merit Raises	7.60%	6.63%

Police	**2004**	**2005**
Captains	3.05%	5.83%
Lieutenants	5.02%	4.45%
Sergeants	4.27%	3.85%
Corporal/Officer	6.86%	6.10%

Fire	2004	2005
Firefighter	4.55%	4.82%
Driver	4.42%	3.61%
Captain	5.70%	3.11%
BC	5.03%	2.95%
Total	**4.93%**	**3.62%**

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

22-Feb-06
City Council Meeting Date

Stephen Davis	FIS Director	Finance & Internal Services
Submitted By	Division	Department

Action Required:

approval of a resolution approving a 7.1% cost-of-living adjustment for all employees effective January 2, 2006, authorize no step or merit increase for 2006 and approve a budget adjustment in General Fund in the amount of $687,658.00 from Undesignated Fund Balance. **This proposal is the temporary suspension of merit and step increases (for 2006 only) until a new compensation plan is implemented.**

$2,458,119.00	$ 1,770,461.00	Personnel Services
Cost of this request	Category/Project Budget	Program Category / Project Name
Account Number	Funds Used to Date	Program / Project Category Name
	$ 1,770,461.00	All Operating Funds
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐ Budget Adjustment Attached XX

Department Director 2-16-06 Date

~~City Attorney~~ Mayor 2/16/06

Finance and Internal Service Director 2-16-06 Date

~~Mayor~~ City Attorney 2/17/06 Date

Previous Ordinance or Resolution #

Original Contract Date:

Original Contract Number:

Received in City Clerk's Office

Received in Mayor's Office

Comments: This proposal is a 2006 solution only - Staff is proposing a complete re-evaluation of the City's Compensation Plan to address long-term issues. Please refer to corollary memoranda for additional information.

Fayetteville
ARKANSAS

Finance & Internal Services Department
113 West Mountain
Fayetteville, AR 72701
Telephone: (479) 575-8330
Fax: (479) 575-8257

City Council Meeting February 21, 2006

Departmental Correspondence

TO: Fayetteville City Council

THRU: Dan Coody, Mayor Dan C.

FROM: Stephen Davis, Finance & Internal Services Director

DATE: February 11, 2006

SUBJECT: 2005 Pay Plan Survey and Compensation Adjustment Recommendation

Recommendation

Staff recommends a cost-of-living pay adjustment of 7.1% for all City employees effective for payrolls beginning January 2, 2006, adjustment of all pay ranges to reflect this 7.1% increase and approval of a budget amendment for General Fund of $687,658. No additional step or merit increase will be implemented in 2006.

Staff further recommends City Council neither considers nor adopts the 2005 salary and benefit survey conducted by Condrey & Associates.

Background

City Council requested Staff select by competitive procurement process a compensation consultant for the salary and benefit survey for 2006. Because of events external to the salary and benefit survey process, I opted to request a bid waiver in August 2005 for the City to continue to utilize Hay Group for the survey work. At the City Council meeting where the Hay Group agreement was considered, I accepted responsibility for the item being on Council's agenda and committed to obtain the survey services by competitive process. This process was completed and Condrey Associates was selected. The work product from Condrey was delivered too late for use by the City in developing the 2006 Annual Budget. After further review of the work product it was determined the results were not usable. Four significant questions arose on the survey results:

1. Job match procedure;
2. No geographic adjustment to Fayetteville;
3. Cost of labor versus cost of living; and,
4. Significant influx of new cities in the survey.

Discussion

It is Staff's recommendation that City Council approve a contract with a compensation consultant to completely rework the City of Fayetteville compensation program.

This request is submitted because the City's compensation philosophy and policies have not been articulated or documented for the benefit of policy makers and employees since at least 1989.

The compensation philosophy will need to address a number of items including:

- ☐ Is the City of Fayetteville's labor market the same for all positions?
- ☐ What is the purpose of the biennial salary and benefits survey?
- ☐ Should the City only consider hourly/weekly wages as the guide for proposed adjustments?
- ☐ Should City participation in health benefits be a consideration?
- ☐ Should increases in pension expense be a consideration?
- ☐ Should the survey results examine cost of labor or cost of living?
- ☐ Should the survey results be adjusted for geographic differences?
- ☐ Should voluntary turnover impact the recommendation?
- ☐ Should job applicant waiting list and time necessary to fill certain positions be considered?

Because the City does not have a definable Compensation Policy, Staff cannot tell if the City is paying at market, above market or below market. The condition has existed for several years being generally noted in 1989 in the Hay Group study performed for the City that year (for additional information please see the attached memo).a number of years. Approval of an agreement with a compensation consultant by mid-2nd quarter 2006 will provide the City with the best option to correct this issue for 2007 and beyond.

Additionally, the current pay plan needs to at least maintain our competitive position. By providing a 7.1% CPI adjustment the employee morale and purchasing power will be maintained relative to 2003.

Budget Impact

The cost of implementing this request can be funded within all funds except General Fund. A budget adjustment of $687,658 is necessary to fully fund this proposal. The source of the funds is as follows: $120,338 of previously undesignated revenue for 2006 and a use of reserves of $567,320.

RESOLUTION NO. ______

A RESOLUTION APPROVING A 7.1% COST-OF-LIVING ADJUSTMENT FOR ALL CITY EMPLOYEES EFFECTIVE JANUARY 2, 2006; SUSPENDING MERIT AND STEP INCREASES FOR 2006; AND APPROVING A BUDGET ADJUSTMENT FOR GENERAL FUND IN THE AMOUNT OF $687,658.00 FROM UNDESIGNATED FUND BALANCE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby approves a 7.1% cost-of-living adjustment for all city employees effective January 2, 2006.

Section 2. That the City Council of the City of Fayetteville, Arkansas hereby suspends Merit and Step increases for 2006.

Section 3. That the City Council of the City of Fayetteville, Arkansas hereby approves a Budget Adjustment for General Fund in the amount of $687,658.00 from Undesignated Fund Balance.

PASSED and **APPROVED** this 7th day of March, 2006.

APPROVED:

By: ______________________
DAN COODY, Mayor

ATTEST:

By: ______________________
SONDRA SMITH, City Clerk

City of Fayetteville, Arkansas
Budget Adjustment Form

Budget Year			Date Requested	Adjustment Number
2006	Department:	General Government	2/13/2006	
	Division:	Miscellaneous		
	Program:	Miscellaneous		

Project or Item Added/Increased:

$687,658 is requested in the Salary Contingency account in General Fund.

Project or Item Deleted/Reduced:

None. $687,658 from the Use of Fund Balance account.

Justification of this Increase:

The additional funding is needed for the 2006 Pay plan increase of 7.1%.

Justification of this Decrease:

There is currently sufficient funding remaining in General Fund to meet City policy and 2006 objectives.

Increase Expense Budget (Decrease Revenue Budget)

Account Name	Account Number				Amount	Project Number	
Salary contingency	1010	6600	5100	01	687,658		

Decrease Expense Budget (Increase Revenue Budget)

Account Name	Account Number				Amount	Project Number	
Use of fund balance	1010	0001	4999	99	687,658		

Approval Signatures

Requested By	Date
Budget Manager	Date 2-13-06
Department Director	Date
Finance & Internal Services Director	Date 2-13-06
Mayor	Date

Budget Office Use Only

Type: A B C [✓ D] E

	Initial	Date
Posted to General Ledger		
Posted to Project Accounting		
Entered in Category Log		

FAYETTEVILLE
THE CITY OF FAYETTEVILLE, ARKANSAS

DEPARTMENTAL CORRESPONDENCE

TO: Fayetteville City Council
THROUGH: Dan Coody, Mayor
FROM: Stephen Davis, Finance & Internal Services Director
DATE: February 13, 2006

Subject: Fayetteville Pay Plan – Additional Background and Detail

In 1986, the Fayetteville Board of Directors contracted with PARA, Inc. to conduct a Classification and Compensation Study. The City implemented numerous changes as a result of the 1986 report.

In 1989, the City contracted with the Hay Group to conduct a pay plan study and provide tools for Staff to begin an internal pay classification program. The Hay Group recommendations included the establishment of a process to maintain adequate compensation for all employee groups. This essentially defined the survey methods which were in place until 2002. These methods were:

Employee Group	Market
General Employees, except Executive	Establish pay ranges that are consistent with the "local" market
Executive Employees	Establish compensation ranges with comparable "regional" cities
Police and Fire (Uniformed)	Establish compensation for comparable public safety jobs which are competitive with the average of 8 Arkansas cities and 21 "regional" cities

This proposal was adopted as policy on March 20, 1990 by Resolution Number 42-90.

The City continued with the biennial compensation surveys, conducted in odd numbered years and adjusted pay in close adherence to this policy until 2001 when the Uniformed personnel raised questions concerning the accuracy of the survey results. As a result the City Council authorized additional study by the Hay Group and the Mayor created an Oversight Committee comprised of representatives of all employee groups with the Hay Group providing technical guidance. During this subsequent study (2002 Survey) of the City's survey and methods a decision was made to change the group of cities surveyed to more closely align with Fayetteville, i.e. a

With the biennial surveys until 2002, the market surveyed for comparison to the City of Fayetteville was local in nature. This meant that there was no need for regional modifiers to adjust for differences in the costs of living, i.e. wage rates in New York, California, Texas, West Virginia, Iowa, etc. are different based upon the cost of living in those areas. There are acceptable modifiers which relate costs of living and wages to a national baseline which can then be used to compare different geographical areas.

university city, above average growth, etc. This expanded list of survey cities reached into a multi-state area. The survey results were not adjusted to account for regional cost of living differences. Adjustments were made to the Uniformed pay ranges based upon the 2002 Survey results.

Following this adjustment to the pay plan, the Oversight Committee was reconstituted into a smaller Wage and Benefit Committee (with all employee groups represented). On 1-3-2003 this Wage and Benefit Committee proposed an amendment to the City's Compensation Policy to add "The Mayor's recommendation to the Council shall set the proposed pay range mid-points at 100% of the surveyed market average." On 2-10-2003 Mayor Coody issued a Policy Statement,

"The Mayor's budget recommendation regarding proposed pay ranges for city employees shall be accompanied by the results of the market survey with full disclosure of midpoint compensations identified by the benchmark employer survey. The budget recommendation shall clearly delineate any deviations from this number that are mandated by budget considerations."

The 2005 Salary and Benefit Survey was initiated in early October and a preliminary report was delivered on 12-9-2005. The 2005 survey further refined the survey cities to those that meet the previous guidelines but also had populations that were between 49,000 and 91,000. A total of 23 cities participated in the 2005 survey; 9 (39%) cities in the survey group participated in the 2002 or the 2003 survey; 61% were new for the 2005 survey.

Again no regional modifiers were used to adjust for regional cost of living differences. No evaluation was performed which may have raised or lowered the results. Neither the Hay Group nor our most recent consultant, Condrey and Associates brought forward the issue of regional cost of living issues.

There is no doubt that during the late 1990's and early 2000's that the City of Fayetteville was beginning to change from a town into a city. The issues brought forward by the employee groups reflected this change and the City Council responded favorably. This transition began though in the mid to late 1980's as indicated in the recommendations from the earlier compensation studies.

From the PARA Report in 1986:
In general, we would characterize the City of Fayetteville municipal organization as an organization in transition. The City and municipal government have experienced a great deal of growth during the last 15-20 years, and that growth had a great impact on both the City and the municipal organization.

From the Hay Group in 1989
Substantial changes have occurred in the City in the last five years, including a comprehensive reorganization. City services have expanded, departments have reorganized, program emphasis has changed, and positions have restructured without corresponding changes in the formal classification and compensation systems since they were reviewed in 1986.

However, it is apparent that the Hay Group since 2001 and Condrey and Associates this past year did not bring forward relevant issues concerning the compensation survey and reporting practices and methods. The lack of this "regional difference" not being addressed may have impacted Pay Plan Adjustments since 2001. With this context, brought forward by questions to Condrey and Associates by Councilperson Marr, and the perhaps significant impact of the methodology used by the Hay Group from 2001 though 2004 and Condrey and Associates used on 2005, it is clear that more survey data, more analysis of the data, and a clearly articulated Council approved compensation policy is necessary before significant adjustments are made to the City's Play Plan and Compensation Practices.

Issues that should be addressed before significant changes are:

1. What is our comparison market?
    a. Is that market different for various positions? For example: Who are we competing with
        - for CDL Vehicle Operators
        - for Maintenance Workers
        - for Accounts
        - for Secretaries
        - for Planners
        - for Engineers
        - for Firemen
        - for Policemen
        - for a Parks Director
        - for a Planning Director
        - for a Fire Chief
    b. The market competition must be determined for each unique group of employees. Once that market is determined, then the market can be surveyed. Not understanding the market can result in some positions being over-compensated and others being under-compensated.
2. What is the City of Fayetteville's policy to address regional differences in cost of living and cost of labor? Not understanding these differences may result in the entire pay plan under-compensating or over-compensating the entire work force.
3. City employees are permitted to live anywhere within the area and are not required to reside within the Fayetteville City Limits. This policy affects the cost of living and the cost of labor and should be considered.

Immediate Concern

Based upon the issues that should have been addressed during the past 15 years by various HR consultants the validity of the most recent survey is in question and should not be implemented. The Employee Wage and Benefit Committee has participated in the review of the most recent Pay and Compensation Survey by Condrey and Associates.

The City Council by its actions since 1990, following the guidance of Resolution 42-90, has created the appearance to the various employee groups that biennial pay plan adjustments are automatic. As a result the employee morale and resulting productivity is and issue to consider with any action concerning the pay plan.

The Cost of Living Index (BLS, U. S. City Average, All Items, NSA) increased by 7.1 % from November 2003 to November 2005.

BLS Series ID: CUUR000SA0
12 Months Percent Change – Not Seasonally Adjusted

November 2003 to November 2004	3.5%
November 2004 to November 2005	3.5%
Compound Effect of the 2003-2004 Change	<u>0.1%</u>
Total % Change	<u>7.1%</u>

Historically, the **General Government Employees** have received pay adjustments on their employment anniversary and then as a percentage based upon the individual's placement within their positions pay range based upon their work performance evaluation. Simply put, the lower the individual is in their pay range the greater their annual pay adjustment. This results in fairly new employees receiving significant pay adjustments, while high performing experienced workers' pay may not maintain pace with inflation.

Historically, the **Uniformed Employees** have received have received a pay plan adjustment on January 1and then a fixed step increase on their anniversary. This January 1 adjustment has allowed the Uniformed Employee pay to maintain equity with what has been assumed to be the prevailing competitive wage and the cost of living.
The employee turn-over rates (quits only) nationwide between 2002 and 2005 have averaged 8.98% {BLS, 12month %Change- Series ID JTU00000000QUR(4,9)} and for 2005 alone was 9.22%.

12 Months Percent Change

Series Id: JTU00000000QUR (4,9)
Not seasonally adjusted
Industry: Total nonfarm
Region: Total US
Data Element: Quits
Rate/Level: Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
2001												-11.8			
2002	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-147.4	147.4	12.28333
2003	0	-6.7	-6.7	-11.8	-11.1	-5.6	-10.5	-16	0	6.3	0	0	-62.1	62.1	5.175
2004	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	111	111	9.25
2005	21.4	7.1	6.3	5.9	11.1	5.3	0	12.5	20	11.8	6.3(p)		101.4	101.4	9.219182
4 : The quits rate is the number of quits as a percent of total employment.															[illegible]
9 : These estimates are not seasonally adjusted													2.9	421.9	8.981629
p : preliminary															

The City of Fayetteville turnover, (quits only) has averaged as indicated in the table below:

	Police	Fire	General
[redacted]	[redacted]	[redacted]	[redacted]
2000	7.22	2.38	22.66
2001	2.00	4.60	24.40
[redacted]	[redacted]	[redacted]	[redacted]
2003	3.85	1.94	11.49
[redacted]	[redacted]	[redacted]	[redacted]
2005	3.48	0.99	10.80
Excludes Directors and Chiefs			

The data presented above would seem to indicate that since 2002 our retention rate for Police and Fire Uniformed employees is well superior to the national average for all and that our retention of general employees is improving. This would seem to indicate that our pay practices for Uniformed employees is at a minimum comparable to or superior to the regional market. This would also seem to indicate that major improvements in General Employee retention has occurred since 1999 when the voluntary turnoff rate was 34.79%, the 2005 quit rate of 10.80% is still above the national average for all employees and would seem to indicate a need to focus on the retention of that group of employees.

Summary

The City's past pay and compensation practices may have been flawed but they have improved retention and the worker productivity and work quality among all employee groups. Retention of the Uniformed employees is above the national average. Past practices have created an expectation among all employee groups.

Recommendations

1. In March 2006 retain adequate HR consultant to review and recommend changes to our Pay, Compensation, and Classification System and to lead the City Council through the development and adoption of a Program and Policy which can guide the City for the next several years. This Program and Policy should be complete by October 15, 2006.
2. Implement an across the board cost of living pay range adjustment of 7.10% effective on the employee anniversary. Merit and step increases will not be granted for 2006.
3. New hires starting salary will be based on the pay ranges as adjusted by the cost of living adjustment.

Budget Impact
The anticipated study cost is $80,000.

The Pay Plan adjustments and merit saving cost is discussed in a separate memo from Stephen Davis.

U.S. Department of Labor
Bureau of Labor Statistics

http://www.dol.gov/
http://www.dol.gov/

Bureau of Labor Statistics Data

CUUR0000SA0

Data extracted on: February 13, 2006 (5:36:35 PM)

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0

Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Year	Nov	% Change from 2003 to 2005
1995	153.6	
1996	158.6	
1997	161.5	
1998	164.0	
1999	168.3	
2000	174.1	
2001	177.4	
2002	181.3	
2003	184.5	
2004	191.0	
2005	197.6	(197.6-184.5)/184.5= 7.1%