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

City of Fayetteville Arkansas
Special City Council
Meeting Minutes
February 28, 2006

A special meeting of the Fayetteville City Council was 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.

Mayor Coody called the meeting to order.

PRESENT: Alderman Reynolds, Thiel, Cook, Marr, Ferrell, Lucas, Jordan, Mayor Coody, City Attorney Kit Williams, City Clerk Sondra Smith, Staff, Press, and Audience.

ABSENT: Alderman Rhoads

Pledge of Allegiance

New Business:

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.**

Mayor Coody: Obviously we've had some issues with our pay plan and our study and all the things that we have done and do every two years. We just want to rethink our entire program on how we do our pay plan studies because every two years, as those of you who have been here know, we go through an unmitigated headache that we think we can avoid. We will be looking for a reason and a reasonable relationship with everybody in the room and I fully expect that because we're a bunch of good folks with all the right intentions in mind. We want to discuss a few odds and ends; this is going to be the City Council's decision to set the policy on what we look for in the future as far as our practices go. Tonight we will be putting together a committee and I've got some folks named to the committee who will be acting as a sub-committee to determine why these issues such as cost of labor versus the cost of living, if COLA's are used if so how they are used, I'm looking at the benefits packages, all these things. We will be putting together an RFP to hire somebody to come in and examine our entire complete policy to see how we can find improvements to where we can have a program that is fair and sustainable and predictable from year to year to where we don't have to keep going through this headache. We will be discussing these things tonight. There's one thing on the agenda and that is to discuss where we go from here with the new pay plan study and that's what we are going to be determining tonight. The people I have put together are Lioneld, Bobby, Don, and Swifty, one from each ward and they have volunteered to do this with us after I asked them to please volunteer. I want to basically outline a couple of things that we will be looking at tonight, one is a while back a new recommendation for a 7.1% COLA to make up for the last couple of years and no step or merit which was one of the options, other options are available. We could do other things that could range from zero and do nothing and wait until the new pay plan is put together and start a new program in 2007. We can do a one year COLA and do step and merit, we can do 7.1% with no step and merit, so these are the things that we discussed. First, I want to thank the committee for coming together to help get this consolidated to where we can get out an RFP as quickly as possible. We have made modifications to our city staff, you might know this by now Michele Bechhold is going to be the Assistant HR Director and we are going to be putting a new HR Director in her place, Kevin Springer is going to be the new Assistant Budget Director and we are going to be hiring a new Budget Director to put in his place. I want to go ahead and convene the meeting and Mr. Davis asked if he could be the first to speak tonight.

Steve Davis, Finance and Internal Services Director: Thank you Mayor. City Council, fellow employees for Fayetteville, I've been with the City for 15 years upcoming April 1, 2006. On January 12th there was a meeting where it became apparent that what was best for the City was for someone to step up to the plate, take responsibility for the pay plan in 2006 and be accountable for the timing, the sequence of events, and all those other issues that are related to that are not on the 2005 Salary Survey. I did this upon resigning my position as Finance Director and at the same time I want to thank all of the folks that I've worked with over the years for their support, their input, as the City's Finance Director and formerly the Budget Manager. We've been through a number of issues over the last fifteen years and I expect the City will turn this corner and will change the culture from one that provides us right now which is one of distrust into one of trust and focused on accomplishing things for our common employers which is the citizens of Fayetteville. Thank you.

Mayor Coody: Thanks Steve and I want to add that you and Michele and Kevin are three of our people that have been very loyal and very dedicated to the City for years. Kevin you've been with us 14 years so far.

Kevin Springer, Assistant Budget Director: 15 Years.

Mayor Coody: Over 15 years so far. Michele, you've been with us how long?

Michele Bechhold, Assistant HR Director: It will be 18 years this year.

Mayor Coody: 18 years, so you've been dedicated loyal employees here for a long time and we're going to get through this and we appreciate you all very much.

Now then I'd like to open this up to the City Council and start the debate up here and discussion up here about where we are and what we need to do from here. Don, do you have anything to add to break the ice?

Alderman Marr: I think when we left the last meeting I asked for a breakout of the employees increases for 2004 and 2005 and we got those emailed to us today, thank you for doing that. The reason I wanted to do that is I wanted to understand in what context we were talking about what we would do next, what kind of raises took place in 2004, what kind of raises took place in 2005. I asked the staff to pull out or to notate, which they did on our spreadsheets, every promotion merit only, pay plan adjustment, step so we could see what the increase was that took place and really kind of focus just on step and merit first. It doesn't really tell us what we should do it just gives us a context of which to try to make a decision within. I think if you look at that, I'm going to talk about the non-uniformed first, and the report that we got, I think the average merit increase was 6.63% as a total. The reason I wanted to look at that was we had several employees come up at the last meeting and talk about the fact that they didn't want to lose their merit increase. They wanted to be rewarded for performance if they performed well, they didn't want that part frozen for the year and I think that's the culture we want. We want to perform the space culture and we want people who want to strive to be the best employees they want to be and so for that reason I don't support not doing merit and step. I think that it's a part of what employees ask for and I think it's a part of the culture we want to establish. We certainly historically have numbers that show that we've been doing that. The first part of the change that I would recommend is that we implement or change the recommendation to fully implement the step and merit increases that the City Staff planned on for 2006 that were in our budget, which brings us to the other questions which is pay plan adjustments which are handled two different ways. During the budget process we said that the city historically has not been 100% staff funded meaning that while we budget for 100% staffing we have a strong long history of not being fully staffed. We had a long discussion in the budget meeting about cutting that so we could balance the budget to what we normally run which is 98% of staffing. I think that is the number that the Budget staff gave us. So in my mind at the last meeting there was some discussion about what number was in the line item, while that number was reduced to the 98% number versus the 100% full employment if history holds true, we will have the same amount of money, because every job is not filled all year long all the time.

As I'm looking at the recommendations I'm making based off the $900 plus thousand that was in the budget originally which is the other reason I think we should do a merit and step pay plan for non-uniformed employees. If I'm wrong I would like a staff member or Michele to correct me, is implemented like it is implemented everywhere else in the world. When you get that information in it adjusts the pay grades and those pay grades, the min and the max of those grades, are adjusted to whatever numbers they come in at. It doesn't mean that our employees get an automatic increase in the non-uniformed side, it just goes into the grid and the only way that they see that increase is in their performance reviews if their score is 3 or higher, cause if it's 2.5 or 2 there's zero increase. It's implemented by they might get a slightly larger piece until they are at the proper stages that implement this new structure. Versus on the uniformed side when we get a pay plan adjustment it goes in and adjusts the grid all on a pay period so it in fact acts like a COLA adjustment or a modifier based on changing their pay rate. That's a structure in consistency that we have just in the City so that we're all clear. I think I was confused last week thinking that all increases for uniformed went in effect in January and all increases for the City staff went in effect at the anniversary date when in essence all step on the Fire and Police side and on merit are done on anniversary dates that is consistent and the pay plan is implemented only on the grid range on the non-uniformed side and implemented as a pay change in the uniformed side, am I right?

Michele Bechhold: Yes.

Alderman Marr: Okay. So in essence we don't really have a COLA in fact I asked the staff to contact Hay to see if our current merit structure had COLA built into it. They sent back a perfect compensation consultant response which is the City at some point in 1989 made a compensation philosophy decision, to not have COLA as COLA is not in the market that the rate while it might be adjusted in the steps wasn't singled out. Because then the employees basically have the question: how much of this merit step is COLA and how much is performance and the City's elected officials, manager, etc. made a decision at that time not to get into that discussion. They also said in essence that that number is in there because the size of step that we do wouldn't typically be an 8% increase at an average rating in the bottom of the gray. So how much is in there, I don't know, but it's in there. I think in the paper this morning there was comments that I was thinking about the 7.1 number and the reason I was thinking about the 7.1 number is I was trying to work with the Budget number that we were given and I personally wanted to implement step and merit if the Council supported that. So I subtracted that out and said what money do we have to work with as we look at this COLA and why should we look at this COLA differently. In the first year the pay plan is implemented your rates are already at market. You don't have to use a COLA because in essence when you collected data you already got COLA data, which say's to me you don't need two years of COLA. That's when I looked at implementing one year of COLA to catch up for last year. That number we have to defer to our finance staff what COLA they used because the COLA changes every month. When you add one month like I think the original memo that we got is based on a November CPI, it goes back 24 months, it averages all that data and gives you the cost of living. As you add a month, you drop off a month so the next month the CPI index changes again and that's why my number last week when I said that Northwest Arkansas was less, I think you will see this if you go find it, is because I used December not November which is slightly less. I think it moves it from like 7.1% which is what the staff recommended in November to like 6% which is like a 3% for each year or slightly around there somewhere. So I would like for us to do, I'd like to propose the 1 year CPI as designated by the Finance staff if that's 3.5% or 3%, do you have a month you want to use?

Steve Davis: We would prefer to use November because November would've been published in time to have been implemented for pay periods beginning January 2nd.

Alderman Marr: And that number is 3.5%?

Steve Davis: And that number is 3.5%.

Alderman Marr: So I'd like to propose for the Council to consider, at least for discussion, a 3.5% COLA implementation and full implementation of the step and merit increases. The reason I support that is because of the earlier discussions of the Mayor. I wouldn't do it if we weren't establishing a committee and we weren't going to get this fixed because ultimately we need to use pay plan data. Assuming we are going to do that, that's what I'd like to see us do.

Alderman Marr made a motion to approve a 3.5% COLA implementation and full implementation of the step and merit increases. Alderman Jordan seconded the motion.

Mayor Coody: We have a motion and a second to go with 3.5% COLA and using step and merit increases which I think is a very very good compromise.

Alderman Marr: I do have one question since I just threw something out that I want to do. I would like to know what that is, what that dollar amount is. I asked the staff to calculate that.

Steve Davis: $439,753.

Alderman Marr: That's just the COLA?

Steve Davis: That is the difference between the $975,000 and what the cost of the 3.5% COLA would be.

Alderman Marr: So the total of merit pay and merit step and COLA would be what, those two added together, $1.3?

Steve Davis: $1,414,753.

Mayor Coody: And we budgeted $975,000 this year?

Steve Davis: That's correct.

Alderman Thiel: So you're saying the Budget Adjustment is $439,000?

Steve Davis: That's correct.

Alderman Thiel: Now I have a comment in regards to what Don said the assumption that the COLA is included in the merit increase, how can the COLA be incorporated into that whenever the evaluations of 2.5 or lower don't see any increases?

Alderman Marr: Again that's a philosophical policy that says if you are rated below average you don't even get a COLA. It's a management decision it's not a COLA implementation. Where you would look at COLA implementation is where you have made a decision as a manger to give increases is it included or not included and the best way to test that is to look at people at the top of the grid in their very last step of merit. Because typically what that says is that a person isn't going to add an increase more than a COLA adjustment if they are already at the top of their range. So when you look at some of our ranges and you get to the top I think it's 3% versus 8% if you have a score of 3 at the top of the range versus the bottom of the range.

Alderman Thiel: I certainly hope that this Ad Hoc committee looks at changing or having direction to management regarding consistency and basically a training because I think there is a real issue with different directors and different departments. We heard from one department at the last meeting discuss the average is 5% that's in that department or that division and I think there's a real issue with different mangers or directors judging different things whenever they evaluate. I think that there needs to be some training so that all directors are on the same page and base their evaluations on the same things. I think there is a real inequity problem and I think that it concerns me to do this for that reason because I think there are still some people that this may effect adversely but I guess I might support this based on the fact that in the very near future we will correct the situation.

Alderman Marr: I want to make a statement to correct something I just said. If you're at the very top of a range, I mean there are people that certainly are at a cap and I always say every job has a maximum value. There is some value that that job will not be worth any more than that value, just ask the 50,000 people laid off at IBM. They had indefinite increases forever and at some point when the company had to look at what they were going to do with their pay structure they had to say this job has a maximum value market all of our competitors have set that at this particular level and so you don't inflate a job forever, indefinitely, forever and ever in time. That's why I think people in the Fire Department and people in the Police Department who cap out in their steps to get to the top; the only way they get an increase is if we adjust the pay plan. That's why it's such an important factor for them and that's why they don't like or wouldn't like this 3.5% COLA or 7.15% COLA because if the market moved greater, if the market valued security jobs higher after an event like 9/11 then the only way they really get to move their range is if the market moved their range. That's why it's important to get the right data because if that happened we want to stay, if that's our philosophy with the market. We're kind of putting a band-aid on that item because we don't have a lot of the questions answered on how to use the data and whether we should fully implement data when we get it back and the consistency issues that you speak about are always going to be in a pay plan as long as you have different people grading people, you and I might value different. I agree that there is training and you try to keep it within a range but Gary Dumas probably grades harder than Mayor Coody or whoever, I mean we could pick people. I probably grade higher than Lioneld Jordan so you are always going to have a little bit of that but I think your point is very well taken. You try to take as much of that out in your performance management training that HR does to train supervisors how to give by setting goals in performance. The reason I was recommending it and I'm kind of setting the COLA completely aside because it's so different than what we do. We don't really have a COLA if you go by what Hay sent us. So we are talking about something that doesn't really exist and we're putting it in because we don't have a pay plan number that any of us feel good about and that's the bigger issue. Every employee or at least those that talked last week talked about, they didn't speak as much to COLA as they spoke to don't cut our merit and don't cut our step, we want those items and I think that's the culture we want.

Mayor Coody: I want to insert here for just a second. Brenda to address your concern about over valued appraisals and evaluations, when I took office five years, one month and 27 days ago but who counts, the practice was, and I was amazed when I saw this when I stepped into office the practice was that everyone everywhere got a perfect 5 out of 5 score in their evaluations. Steve I'm right aren't I, it was pretty intense.

Alderman Marr: No not everyone.

Mayor Coody: Well it sure looked that way.

Steve Davis: There were a number of 5's.

Mayor Coody: Well when I saw nothing but a string of perfect scores all the way down it was obvious that our merit matrix was being used more to give people raises than to evaluate and address performance.

Steve Davis: I think that in the ones that I reviewed and some of the ones that I've looked at, I do believe that the evaluation process was used to give people a raise as opposed to improve performance, but I'm not sure that they did that by giving straight 5's. I think they looked at what was a maximum. I know that we instituted a program to review those outliers, anybody that had above a 4.0 we wanted to know if that division consistently produced, the ones that we saw, we figured some people could walk on water. In the Finance area the Finance Directors we had didn't give us straight 5's.

Mayor Coody: Well I speak in hyperbole and I apologize for that but I was amazed and it has improved since then that if anyone gets a score over what looks reasonable it gets sent back down to the division director and asked to be reevaluated because we were seeing series of 5's. I was looking through a lot of evaluations from the lower ranks that were all 5's and it was obviously for raises more than it was for evaluations. That system has changed and has improved, that's where I was going Brenda to let you know that it has improved.

Alderman Thiel: Actually I was thinking about the other way around. I was not thinking about the high, I was thinking about the low. We've had these pay evaluations given to us and didn't we percentage wise make those increases since we've been in office? We haven't implemented any of the recommendations completely.

Mayor Coody: No, from the Condrey study?

Alderman Thiel: Well no not from that study, from the last Hay study. We are still in the process of trying to get up to the level, aren't we, or did we implement all those raises?

Steve Davis: No, we implemented those.

Mayor Coody: One thing I want to be careful to note is with this committee that where we need to have the most attention to attraction and retention of our employee base in the non-uniform where we have 11% turnover rate. We need to really make sure that we make whatever modifications are necessary there to attract and retain folks in those divisions. It's taken 8-10 months to try to attract folks in the Engineering Department and other divisions where we just can't get people to apply. So obviously something is wrong there and as part of the committee I hope you all will look at this and find ways to look at the attraction and retention situations in some of the non-uniformed.

Alderman Cook: I agree with your motion, certainly I agree with the step and the merit raises. I think that is a philosophy that we want to maintain with the City and the one year COLA I agree with that. My question is for the Task Force, what is our charge, are we going to try to set a official philosophy at this point moving forward?

Mayor Coody: That's one of the things; let me give you what I think, Don who I want to ask to chair this committee since he is one of the best HR people around and we could use his expertise here. One of the things we want to do is develop a pay philosophy, compensation philosophy, we'll be looking at wages, benefits, the whole package, what is it that you want to judge for? Do you want to be in, as we've talked about before, at market or above market? What do you want to do for these particulars to where when you go out to the RFP for somebody to come in and redefine all this; they have a set of criteria to work from to know what to look for. This will be a very short term committee. It will be geared to get the job done an Ad Hoc Task Force to where it won't go on forever. The job is to get to where we are going out for the RFP and have that come back and we get this straightened out in 2006 ready for the 2007 Budget.

Alderman Marr: I think that this committee is just a recommendation to the Council; it's no different to the Street Committee or any other committee. Because the reality of it is there are items that we might not even agree on whether it's turnover, geographical modifiers, which jobs are national, regional, local and some of those things are going to need to be done in order to write an adequate RFP so that the consultant doesn't say to us what was said in the last one. When I asked the questions about did you geographically modify the data and his answer was it wasn't in the RFP. So as a philosophy if we want that then some of those things are going to have to be decided on the front end. I was shared with that it should be more of a committee for us to talk about the things that were in that memo and to come back and make a recommendation to the full council for debate and that's the first step, and the second step which has a little bit of the compensation stuff when the consultants are actually selected. So it's policy, its RFP, and it's review.

Alderman Cook: So then once we establish the policy and the RFP then we'll start doing the specifics as far as Matrix or compression or any of those issues that come from our consultant. That's when we'll figure out those issues.

Alderman Marr: Right and we hope to have good accurate data with the philosophy to apply it with.

Alderman Ferrell: Alderman Marr is your motion to go for a 3.5% COLA and implement the step and merit for all employees for uniformed and non-uniformed. I've been through this on how the executive goes, what's the deal on this?

Alderman Marr: Do you want to amend it?

Alderman Ferrell: I'm asking this is my first time. If it goes the way it is does that mean the executive gets 3.5% COLA raise since they are not a step and merit?

Mayor Coody: According to Don's amendment that's what that means now as far as executive goes my salary is set by ordinance. It's an average of all the folks who report to me, so if they go up 3.5%, I'd go up 3.5% too. I'd be glad to forgo that if you would like for me to. It's more important for these folks to get the money they have coming to them and kept up with the buying power that they had last year than it is for me to get a raise. You don't do this job for the money. The 3.5% I'd be glad to dedicate to these folks out here.

Alderman Jordan: You don't do the Alderman job for the money either.

Alderman Ferrell: I never had it explained to me exactly how that works, give it to me one more time how your salary is set, by ordinance but it's a combination of direct reports.

Mayor Coody: It's 5% above the average of the direct reports. There are people making more than I am here and frankly I think they're probably worth more and I don't have any argument with them at all making more than I do. There are a couple of them.

Alderman Thiel: Explain the five or four people.

Mayor Coody: Fire, Police, Finance, and Operations.

Alderman Thiel: I think that's it now because you've actually changed that structure. You used to have more to average from.

Mayor Coody: Yes, but it's the average of those, some make less, some make more, I just make 5% more than the average.

Steve Davis: Just to complete the process here, it's the average that exists on Payroll 26 of the preceding year, the last payroll of December from last year so unless this is made retroactive to 2005 the Mayor would not see a benefit from anything we do here.

Mayor Coody: So I gave away something I'm not going to get anyway?

Alderman Marr: I think the question is probably should any executive that would report to you get an increase until we have a pay plan in place, versus the short fix. I think that's a discussion for the Council or the Mayor, it sounds like he is more interested in getting the employees taken care of so we can do it for all employees except for the executive team. I don't care; I'm interested in the 347, 186, and 118 that were on the charts that we're looking at. That's where my motion comes from.

Alderman Jordan: I understand where you're coming from. I don't have any problem with the step and the merit but I do have some reservations about the 3.5% going onto the executive branch right now at this time, I would tend to agree with that until we can get a pay plan in place. I agree with Don's comments on that. What are we going to do?

Mayor Coody: So let's be specific, you're talking about the Finance Director, Operations Director, the Fire Chief, Police Chief, does that include Susan?

Steve Davis: She is not part of the average.

Mayor Coody: Okay so that's just the four people we are talking about here is that right?

Alderman Jordan: Okay, yes.

Alderman Thiel: One thing concerns me. I serve on the Audit Committee and we discussed the job advertisement for a replacement for Finance Director which is a very essential position in the City of Fayetteville and it's very important that we find somebody well qualified and there were reservations. The Audit Committee is made up of CPA's and one of them works for the University and pointed out that the CPA equivalent for the University makes well over, almost 50% more than what we offer right now for our Finance Director. I guess what I'm saying here is I'm a little concerned about reducing or keeping that at a level that we advertise which I guess we would have to do. How would that work?

Steve Davis: The salary range for the Finance Director position is competitive in the market place.

Alderman Thiel: It is? According to the Audit Committee it is not but maybe, okay.

Steve Davis: It's based on what other municipal governments...

Alderman Thiel: We did have one person speak strongly in favor of the merit increase from a non-uniformed employee and we had another employee speak basically that it didn't matter that much. I've heard from several saying that the merit was not nearly as important to them as the additional COLA that we are considering reducing. I'm just throwing this out that that's what

I've heard. I know that the uniformed side feels just the opposite probably. I don't think the merit is as important to the non-uniformed side probably as the step is to the uniformed side.

Alderman Marr: I think on the uniformed side; the most important part is the pay plan because so many of them are at the top of the step that the only way they get an increase is when the pay plan changes. The only way that they really get to benefit from it is the quicker that we get a good study and a good idea where that is in the market place because so many of them are at the top. If you look at the chart that they gave us the only way they are going to get it is if the pay plan adjusts. I'll go back to my comment about merit, the merit component; I'm supporting it because I believe we want a culture of performance. I think we want people who know that if they work harder and they get a 5 they have any opportunity to get a larger increase than someone who got a 3. Something we've got to decide is if we want to do the pay plan adjustments for the non-uniformed side the same way we do it for the uniformed side. To me that's the only major difference in our structure because they both get their step or merit on their anniversary, the difference is how we do the pay plan implementation.

Mayor Coody: I've got one quick question for Lioneld; I know you are talking about limiting the executive but is that at a dollar amount or just these individuals because there are about 5 people that aren't executives that make in the same range.

Alderman Jordan: Well, let me back off that, let me ask a couple more questions here. First of all can I ask a question to the Fire Chief? On your step and merit Chief, how many employees would not receive a raise if we go ahead and do our step and merit?

Tony Johnson, Fire Chief: Approximately half are topped out. It could be a little bit higher than that, but roughly half.

Alderman Jordan: Let's say 55%. So you're saying 55% of the firemen would not receive a raise because they are topped out.

Tony Johnson: They are maxed out on the step yes. That is correct.

Alderman Marr: They would only get the 3.5%.

Alderman Jordan: Right, I can understand that because I'm on a step system at the University and I'm topped out in my area so I only receive cost of living which is usually about 2-3% normal. Okay so we're talking about 55% that would not receive step. I agree, I think that the civilian employees need to be on a step system. I'm on one and it works fine and then the only way I can receive step and merit after that is if the state legislators decide to give us another step and merit because they put a top out value on that job.

Alderman Marr: The movement through a pay grade in the non-uniformed side is called a merit and the movement of a pay grade in the uniformed side is called a step. The uniformed doesn't get a step and a merit, they only get a merit and the uniformed side doesn't get a merit they only get a step.

Alderman Jordan: That's the difference, I'm used to the University which is kind of step and merit and then cost of living sets off over here by itself.

Kit Williams: I would like you to not exclude the Fire Chief, Police Chief, Mr. Dumas and the Finance Director from the 3.5%. I work with them everyday, they are quality individuals that work many hours and are exempt because they are working way more than 40 hours. They are leaders in the City here and I think that you should treat them no worse than what you treat the other employees so I would hope that you would reconsider that and treat all the employees the same with this if you decide to go with a COLA.

Alderman Jordan: I'll reconsider that.

Alderman Ferrell: At the end of the day it has nothing to do with personality, its business and I believe that compensation should be based on performance. The reason is it has been so eloquently put that the buck stops here. We're here tonight hopefully resolving especially on an interim basis what's going to happen here so I think it's very gracious of you Mayor to exempt the people that directly report to you. I think that one awe shucks can mess up some atta boys. What did they say about the 3.5% COLA? It wouldn't affect you in any way?

Mayor Coody: No it wouldn't.

Alderman Ferrell: How come it wouldn't, that's what I'm trying to understand?

Mayor Coody: Well because I had forgotten about the date that my average is taken and it is taken at the end of the last pay period. My salary for 2006 is based on the average of the last pay period in 2005 so if this 3.5% raise happens for these folks here I won't see the benefit of that until the end pay period of 2006 so I would be the last of the last to ever see this 3.5%.

Alderman Jordan: So you're a year behind.

Mayor Coody: Yeah.

Alderman Marr: The point we might want to make is opposed to exempting any employee is obviously I think the message has come from this council that performance has not been where we want it to be on this item and therefore I wouldn't expect performance ratings to be 3 or 4 or 5, they're not average, they're not above average, and they're certainly not excellent as it relates to this particular item. I trust our management team to make an assessment knowing that we would like it to be done differently. Certain moves, particularly tonight, have been made and I'm sure performance reviews will reflect responsibility.

Mayor Coody: I appreciate that and I think that the responsibility and the accountability certainly has been shown tonight and I think that this has proven that we are serious about wanting to do the right thing for everyone involved. You're right about this particular issue, but if you look beyond this one issue I think there is a lot to be thankful for and a lot of high professionalism in other areas, in other venues by these same people when you look at our investment returns, Steve Davis is excellent at that.

Alderman Marr: I think you will weigh all of that when you do their reviews.

Mayor Coody: The folks we have working for us have some real strengths that we'd be poor without and that's always a factor.

Alderman Lucas: First off I want to thank Don because as he pointed out the other night, this is a policy group and we set the policy but we shouldn't have to do the day to day micro managing of the departments. I'm grateful that he is such an expert in this and can help us out on it. The other thing is I agree with the merit if it is used properly. I think it can be demoralizing if everyone no matter what their performance is gets a high evaluation score. I think managers and directors should use it as a tool that rewards people who do a good job because if they give it to everyone then it really is demoralizing in a department. I'm glad that the committee is being formed and I think that I'm for this 3.5%. I'm for this step being continued this year but I'm looking for this committee to form some policies that we can get someone in here that will tell us how to straighten out this mess.

Mayor Coody: I think that is the whole purpose of this exercise and this started back in 1998 with the first hiring of the Hay Group and I think that since 1998 Fayetteville's grown from basically a small sleepy little town to a booking city and I think that this is just part of the growing pains we have been experiencing here in Fayetteville. This is a paradigm shift and we're going to be making some improvements here.

Alderman Reynolds: I would just like to tell all of our employees that the four that you've got on this committee are going to work hard to correct everything for all the City employees. I'm going to back up the merit and step. I want us to have it and I also am going to support the 3.5% COLA. I promise you that the four of us are going to go to the table, we're going to work on it, and we're going to try to make your lives better.

Mayor Coody: And then you'll come back and make a recommendation to the full council for implementation at that point.

Alderman Thiel: Lioneld started somewhere with asking the Fire Chief about the amount of employees that would be effected by the step. I would like to go a little farther and find out about the Police and how the non-uniformed would be effected if they did not have the merit.

Frank Johnson, Police Chief: I will get a number for you. I don't want to make a guess on that right now. I have somewhat of an idea for both the non-uniformed and uniformed.

Alderman Thiel: I just want to know about the Police in other words we've got 55% of the Fire that would be affected by step and you are saying there is not nearly that much?

Frank Johnson: I don't believe ours is that significant, I would give you the exact numbers but I don't think it's half the department.

Alderman Thiel: In other words half the department then or more than half would probably see an increase with the step.

Frank Johnson: Yes.

Alderman Thiel: Okay, does anyone have any idea about the non-uniformed?

Mayor Coody: Just to be perfectly clear with everyone at home who may not be following this, when we talk about top out we're talking about people who work in a particular job that is rated to be worth in round terms from $35,0000-$55,000 with a starting salary of $35,000. You work and get experience and the top of the range is $55,000 and when we're topped out employees have reached the very top of their range and then the only way to make more money than that right now is with a COLA or unless the range moves to where there is more room at the top. But 55% of the firemen are making as much as they can in the rating of a job description in the pay associated with it so that's some background of what that is.

Alderman Thiel: Obviously I was just trying to find out if there was some way we could determine whether or not the employees would benefit more from keeping the COLA in your original recommendation because I think that the non-uniformed, their response was based on that original proposal from the administration which was 7.1% without the merit and step. We've not really heard a uniformed group recommendation from the non-uniformed people. So I guess I'm just trying to make sure that this is the best thing we can do at this point. We realize we can't probably implement all of it, I certainly recognize that we can't do the 7.1% and the step and merit. I just wanted to make sure that we are doing the right thing here.

Alderman Marr: I think the main thing on that is we had $950,000 plus in our budget and we are getting ready to go into reserves $400,000 to implement what we've talked about today in this motion and so I think at the same time we have a responsibility to the citizens about the money we've spent. This is the other reason why this decision should never happen outside of the budget process and why it's got to be corrected and why it's got to be timed more appropriately. Right now we're talking about dollars we don't have or dollars we've got to pull from somewhere else and to me I believe we are going to get a pay plan back and it's going to tell us that we need to move things more than 3.5%. I believe that we will see that unless we change drastically the philosophy's of the city which means we are going to be back here talking about a dollar amount when this is completed, a dollar amount that we will also have to figure out where we are going to get it from.

Alderman Thiel: So we're talking about the difference between $687,658 as opposed to $439,753. The $400,000 plus is with the 3.5% COLA and the step and the merit. The $687,000 is with the 7.1%.

Mayor Coody: Yeah, I think there was about $250,000 difference there if I remember right. All right, we have a motion and a second to adopt a 3.5% COLA with the step and merit, is there any other comments?

Kit Williams: I've actually drafted a resolution to see if that's what you want now. This COLA was supposed to be retroactive to January 1, 2006 is that correct?

Mayor Coody: Correct.

Kit Williams: Okay let me read this and see if this is what your motion would be Alderman Marr.

Kit Williams read the following resolution:

A resolution to approve a cost of living adjustment in the amount of 3.5% for all employees retroactive to January 1, 2006 to implement normal step and merit raises and to approve a budget adjustment of $439,753.

Alderman Marr: If we can change that to January 2, 2006, that's the first Monday of the year.

Kit Williams read the resolution with the amended date of January 2, 2006.

Mayor Coody: We're going to take some public comment now, if there is anybody who would like to address us but I hope that everyone realizes that this is a stop gap measured just for 2006 until we can get the system rebuilt for the 2007 budget year. The only thing that we really have on the agenda tonight is how we are moving forward with these recommendations. If anyone feels compelled that they must speak please step forward.

Joey Smith, Transportation Field Operations Supervisor: This is a little different than what we planned on but we took a poll in our department and we're in favor of the merit raise and a cost of living raise at the beginning of the year even if the merit raise does have to adjust to account for the cost of living raise. They work together and however you work that out we are in favor of the merit. It is a good tool to evaluate your employees and it's to reward some and to motivate others but it's a good tool and I would hate to lose that as a supervisor, it's a good motivator. We are in favor of both of them however that will work.

Mayor Coody: Thank you very much Joey.

Jason French, Fraternal Order of Police: First Mr. Marr if I could ask you a question. You presented a 6.63 number of the average increase last year for the non-uniformed civilian personnel is that correct?

Alderman Marr: Yes.

Jason French: Okay, I may have missed it but was there ever a number given for the uniformed average increase last year?

Alderman Marr: Yes.

Mayor Coody: One think I might ask, while Don's looking, is your forbearance on is there will be the sub-committee that is charged with looking at these details with employee input so a lot of these questions might be better asked when there is more time and more information available at the sub-committee level where these things can be discussed and brought back to the full Council.

Jason French: With all do respect of that I would say that this issue directly affects the issue in front of us tonight that's the reason I bring it up, but I will hold a lot of my questions for that.

Susan Thomas, Public Information and Policy Advisor: I have a summary of those spreadsheets I gave you that you can take a look at.

Jason French: Okay one thing, I'm not disagreeing with Chief Johnson on this but when the questions was posed to him earlier of how many officers would not see an increase or a step increase next year I would argue that true it's probably not half but it is a large number of officers who would not see that increase next year because a lot of us are topped out and for those who don't understand our pay scale we have a 28 year retirement plan until we are eligible for retirement, 19 of those 28 years we are not eligible for a step, we're eligible for a step on years 1-6, year 10, year 15 and 20 and nothing after 20. So there's even periods when we are fairly new between 6 and 10, 10 and 15 that you're not getting a step raise so I just wanted to clear that up that there is a vast majority of time that officers are not getting step increases and we rely heavily on the salary surveys in order to get any sort of increase whatsoever. I would argue that last week Mayor you made a statement about entitlement; we're not entitled to the survey.

Mayor Coody: No, that's not what I said.

Jason French: Okay, what did you say?

Mayor Coody: I said the survey shouldn't be viewed as an entitlement to where whenever the numbers come back that's what we're owed. It is a tool.

Jason French: I would agree with that that we're not entitled to a certain number on the survey because it's never been set.

Mayor Coody: One more thing that I also didn't say was that our regular employees didn't want raises; I didn't say that either, that was miswritten in the paper.

Jason French: Okay, I didn't quote you there. A question also on this committee there are four aldermen is that to make up the entire committee or will there be others appointed to that committee?

Mayor Coody: No that will be the entire committee. It will be like our other committees, I'll use the Equipment Committee for example of where they meet and they ask for input from the employee group that is an impact from them, get their information, get their input and then deliberate among themselves and then make a full report to the whole Council.

Jason French: The only last statement that I have to pass it on to someone else is that the FOP did a superb job doing their homework in this particular circumstance and I believe that we have accurate information when it comes back to how far the Police Department is behind the median or the average pay with these other cities that were used on this survey. I would just like to at least inform the City Council that if we do a similar survey next year or for 2006 that we would fully expect that again we're going to come back very far behind the average salary again and if a 3.5% increase is done for uniformed and I anticipate this also for the Fire Department that we're going to be way behind again next year. I just want the City Council to be aware of that because that number is going to come in next year and I think it will be big yet again. It's not going to change, I don't think it's going to lower by any means and I think you've seen maybe some of the results from the Condrey survey. I think those are kind of on line and I just want the City Council to know that even though there was some inherent problems with the survey. We do not support the survey we think there was some flaws in that survey. We still anticipate the number being very large when it comes back so I'd just like to pass that along as well when you are making your decisions tonight.

Alderman Marr: Jason, what factors in the market, when you say you expect the gap to grow even wider this year other than the inflation area growth, what factors do you believe are driving the cost of the jobs in your department higher? You can certainly attribute it in 2001 to 9/11 and some of the things but when you look at data nationally now that's stabilizing in terms of the market increase and the value of a policemen for instance or a firemen. What factors do you see that are driving it higher?

Jason French: If I understand your question correctly a lot of positions within the city and different things that are done, they are not increasing at the rate that a police officer or a firefighter, they're salary is not increasing at the same rate. I would attribute that to the fact of 20-25 years ago people wanted to be police officers, that isn't happening now, we have to actively recruit, our administration has to work harder to get quality people in and that goes throughout the country. The same thing can be said with healthcare. My wife is actually a nurse, we don't have anything on what nurses are doing right now, offering $10,000 sign on bonuses and things of that nature just to attract employees. I think that in the same kind of line of thinking that people used to want to be in healthcare doing nursing and things like that, public service work. That public service work is not as attractive as it once was and I think that administrators and cities have to work harder to attract these people and I think it's just a competitive thing when you're working from only a small pool of people who want to do this sort of work.

Alderman Marr: Are there any other factors other than available labor pool that you think are driving it up?

Jason French: Mr. Marr, I don't know, I'm not an expert on that.

Alderman Marr: The reason I'm asking that is those are factors that certainly would be looked at, if you think that they are, I think the committee will want to know what those factors are. It goes back to my comment; I don't think that that job will increase in value forever for the rest of it's like above inflationary increase. At some point it will stabilize in the market. So when you make comments that you think the gap will widen other than an inflationary gap widening I think the committee will want to understand what are those factors so that we can look at those more closely when we design the survey.

Jason French: When I say it's going to increase it would be simply that it's been typical over the past several years.

Alderman Marr: Absolutely, I think the last three, there's clear statistics that show that.

Mayor Coody: I just wanted to say that you admonish us to work harder to attract quality candidates and I think that we have shown that that's exactly what we've tried to do for the last few years especially with the raises that have been put into place which have been very good compared to the rest of the world. The fact that we went from LOPFI 1 to LOPFI 2 which is a very expensive and a very good retirement benefit for fire and police that the general employees don't get and I think that that's certainly going to cost the taxpayers more money as time goes on. We've been doing a lot of things to try to make your jobs as attractive as possible so please remember the good things that we've done as you remember the short comings.

Jason French: Sure, I understand that, I'm not disagreeing there are things that the City has done to improve our life but also keep in mind and I'll say this with every bit of conviction, we are the best in the state and that attracts officers more than LOPFI 2.

Mayor Coody: That's exactly right. You and I agree 100% on that.

Alderman Jordan: When you say the survey was flawed or you don't agree with it there has to be some reasons behind that other than it's going to get bigger next year. In what way do you think the survey was flawed?

Jason French: Well there were some issues brought up by the city staff which there is obviously people that are more apt to know these things, there were some certain flaws there. The particular flaws that we noted were actually with the numbers, the numbers themselves. I'll throw in an example; College Station Texas, in the Condrey survey he took the minimal salary of an officer in College Station Texas which is a probationary officer, an officer who hasn't been through the academy and who is not cleared to be out on his own. Now what the maximum number he took or the top out pay for a patrol officer was actually the top out pay for probationary officer. So he took that and compared it to a 1-28 year patrolman of the Fayetteville Police Department which would be inaccurate. He was comparing an officer who was a probationary officer who hasn't completed the academy to our entire pay scale and we can document that.

Alderman Jordan: So what we're talking about is we're not comparing apples to apples it's kind of like apples to something else.

Jason French: He is comparing a rookie officer to a senior officer and it doesn't make sense. There were several instances like that and most of our problems with the survey actually came in on patrol officer lever. We actually compared all of his data to the data that we collected and the vast majority of his data was correct in the sense of the numbers were the same. However, there were several, I would say 30% of the numbers in the patrol officer position were flawed or that we took objection with that he didn't collect the right data.

Mayor Coody: I think in other evidence that the survey might have come back with accurate numbers but they weren't numbers that would do us much good. When you look at the non-uniformed employees a lot of the folks that also work very hard were looked at a 4.6%, if I remember right, at a 4.6% adjustment and that's where we have our highest turnover and that's where we have the hardest time of recruitment. So that's something else that was a problem for us, that's one of the reasons that we thought the survey had some holes in it because where we needed the best raises they weren't there.

Alderman Marr: Which goes back to how the respondent is matching your job and the change in that methodology, it also goes back to how many jobs you evaluate in the market. The city only looked at 38 positions. I think that if I'm correct, I'm sorry to interrupt you but I just want to be clear because we keep talking like we looked at all 200 positions and we looked at the methodology consistently. Those are major changes.

Mayor Coody: We are going to do a complete overhaul, not just 30 positions; we want a complete overhaul of our pay practices.

Alderman Thiel: Yeah, I think it's pretty safe to assume that the survey was flawed. I think the question I would like to ask you is if you have a position about the 7.1% plus your step, do you have a position about this proposal?

Jason French: My only objection to that would be obviously we want to keep our step. We don't have many of those as it is. With the 3.5% as it is the two concerns I addressed, number one a large number of officers will not see that step increase and also just the anticipated number that we will be back behind next year. That's my two concerns, is that would the City be better off softening the blow with spreading it out over two years or are we prepared to do something next year?

Alderman Thiel: My question was do you still want the step?

Jason French: Yes, definitely.

Alderman Thiel: Okay, that was my question.

Mayor Coody: Anyone else have any questions. Thank you Jason.

Frank Johnson: One word to the Council, as a Chief I share some of the same concerns with the FOP. You are asking him a lot of questions that none of you have asked me and for me to sit there as the Chief of the Department to hear these concerns or the FOP to be a conduit to you to express these concerns is a little troublesome for me. I just want you to know that. They certainly have a voice; I'm certainly not going to obstruct them from coming here and talking to you about any issues regarding pay and benefits. Remember, this comes down ultimately to a budget issue. I just want to make that clear. I admire what they are doing; a lot of what they were doing was necessitated because of some failures and some things that have already been addressed. I think in absence of direction regarding some of those processes they fill a void that perhaps they thought I couldn't so I just want to make sure that everyone's aware of how I feel on that.

Alderman Marr: Could you answer the questions on the step and merit whether you think it is important to have that as a component weighed against 3.5% or the 7.1%?

Frank Johnson: Yes, of course, yes. If you were to even as a stop gap I understand that that was a consideration that the Mayor offered at the same time to discontinue the step. You know I've been a police officer here for 25 years and I don't know that we've ever done anything like that. So for that reason alone I was uncomfortable with it but again I knew it was a stop gap measure and was being offered as a temporary fix but yes I support what the Council is doing.

Alderman Marr: Over the 7.1%? The 3.5% merit and step versus the 7.1%?

Frank Johnson: I think it's important for us to maintain the step.

Alderman Jordan: Chief, how would you rate the survey?

Frank Johnson: Why even talk about it, I support what Alderman Marr said some time ago about it, I can't recall exactly what it was but it had some fecal reference to it in describing it.

Mayor Coody: All right, any other questions for the Chief?

Alderman Jordan: I'd like to ask Chief Johnson of the Fire Department another question. How do you feel about the 7.1% versus the step?

Tony Johnson: I think the 7.1% proposal was a good proposal and is worthy of your consideration and passing. Merit and step, it is what it is, if you're going to divide it up, that's your choice, we're not going to squeeze any more money than what we have to pay. So it's there, it's your decision, my firm belief is that the 7.1% as a stop gap measure until we figure out what we are going to do for 2007 is a good plan, that's my opinion.

Alderman Jordan: Okay, thank you.

Mayor Coody: Tony, the 3.5% plus step and merit would be acceptable as well would it not? What's your opinion on that? I think that was the unasked question that Lioneld had.

Alderman Jordan: I thought I made that clear; did I not make that clear?

Tony Johnson: No, you did not, do I believe that to be acceptable, personally I do, I'm quite sure that there are other opinions out there but here again this is a stop gap measure more so than anything else.

Alderman Jordan: But you would find it acceptable?

Tony Johnson: Yes, I would and I feel that this gives us an opportunity and enough time to take a look at the entire program and to make it right and I hope that the Council understands that as well as the employees of the City of Fayetteville.

Alderman Marr: Before you leave, because what I've heard now is both are acceptable options, given the two options, do you have a preference between the two?

Tony Johnson: I stand behind the firefighters and I would like to get them the highest dollar amount, but then again I need to step carefully as well because I would also like to compensate for performance. But here again the highest dollar amount in the stop gap measure I feel is the best option.

Alderman Marr: And that's the 7.1% for the Fire Department?

Tony Johnson: Yes.

Mayor Coody: All right, the 3.5% with the step and merit is the final alternative then.

Tony Johnson: Yes it is. Thank you.

Mayor Coody: Does anyone else in the public feel compelled to speak to us tonight?

David Williams, Fayetteville Firefighters President: I know you all came up with a committee and we appreciate that and we are willing to work with you in any way that we can. We would like to urge this council to expand that committee to employee groups, maybe even some citizens because I think if the City owns and adopts a pay philosophy then it's the City's and the more people we have sit on that committee and brainstorm on it the easier it is for everybody to buy into it. I'm not saying that the Council cannot come up with a great plan; we would just love to assist in that by having members form different employee groups sit on the committee with you and maybe even some citizens to get their viewpoint from it.

Mayor Coody: Any other questions? Thank you David. Anyone else? All right, I'm going to take the opportunity to close this to public comment,

Mayor Coody: We have a motion and a second to adopt a 3.5% COLA and a step and merit raise.

Mayor Coody asked shall the motion pass. Upon roll call the motion passed 7-0. Alderman Rhoads was absent.

Resolution 33-06 as recorded in the office of the City Clerk.

Mayor Coody: Thank you very much. I guess you'll be calling the committee together at your convenience here as soon as possible and we'll get this show on the road. Thank you all for coming tonight.

Meeting Adjourned at 7:35 PM

Dan Coody

Dan Coody, Mayor

Sondra Smith

Sondra Smith, City Clerk