

CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden, was held on Tuesday, June 13, 2000, at 4:00 p.m. in the Council Chambers, 338 West Stadium Drive. Those present for the meeting were as follows:

Mayor:		Philip K. Price
Mayor Pro Tem:		John E. Grogan
Council Members:		Ronald H. Reynolds
		Ronald L. Janney
		Christine H. Myott
		William R. Rorrer
		C. H. Gover, Sr
		Garry Tudor
City Manager:	(absent)	Radford L. Thomas
City Attorney:		Charles J. Nooe
City Clerk:		Kim J. Scott

Representatives from Departments

Representatives from News
Media: Leslie Brown,
Greensboro News & Record,
Reid Baer, The Daily News

MEETING CONVENED:

Mayor Philip K. Price called the special meeting of the Eden City Council to order and welcomed those in attendance. He explained that the first order of business had been changed. He explained that Mr. Matt Reece, the consultant for the Pay & Classification Study, would be at the meeting at 4:30 p.m. He stated that to speed things up, they would have their closed session now.

CLOSED SESSION:

A motion was made by Council Member Gover seconded by Council Member Reynolds to go into Closed Session for discussion of personnel according to GS 143-318.11(a)(6). All Council Members voted in favor of this motion. This motion carried.

MEETING CONVENED:

A motion was made by Council Member Rorrer seconded by Council Member Gover to return to Open Session. All Council Members voted in favor of this motion. This motion carried.

Presentation by Mr. Matt Reece – Pay & Classification Study:

Mr. Reece presented additional information to the Council. He explained that at the last meeting the Council had questions. He explained that he had tried to put the information that they had asked for together with the Human Resources Director. He stated that today, they primarily want to review the information that the Council had asked about and talk about different types of implementations and get information from the Council on what was needed to implement the pay study.

He stated that he understood that the Council wanted to know about related turnover rates and how that affects the pay decisions. He stated that he had some different information on that and he would review it, but the most important thing was how they want to go forward and come to a resolution on.

He stated that they have a brief benefits comparison for them that could point the direction on where future information could be gained and that may be what they were looking for. He also gave a list of other issues and concerns that the Council had which included a comparison of job rates at midpoint, pay compression, and how implementation was going to affect individual employees. He added that he had a chart on that. He stated that he had done the calculation on cost of a ten-month implementation and wanted to be sure that Council understood what the continuing role of the Council of Governments would be to them in implementing this pay plan

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and going forward. He asked if anyone had any more concerns and issues that they wanted to let him know of.

Council Member Janney commented that he wanted a comparison with local industry, which was not on the list of concerns to discuss.

Council Member Gover added that he was interested in ratios of local industries and the other surrounding cities for pay purposes.

Mr. Reece noted that they would be getting to that last. He then asked the Council to turn to page 3 in the packet. He explained that this was the information on turnover rates. He stated that this would be complete and total turnover rates which included all positions, retirements, terminations, voluntary separations and so forth.

He stated that basically there were 35 actions out of 193 average employments, which was an 18.2% and was the same for both years. The detail below that was based on classification and the number of positions that turned over and the percent that it was going to be. He noted that there were a couple of details they needed to look at. They needed to determine how they want to look at turnover, in other words, what were they going to consider to be pertinent turnover. He asked if it was just voluntary separations or retirements or was it terminations and did they want it categorized by any of those. He stated that they did not have the information available to them on necessarily the reason for those turnovers. They have some general characteristics that they could follow but he thought if they were going to use the turnover to affect pay decisions then they needed to follow that real closely and follow up with employees and interviews and have that as a consistent method of tracking. He stated that they also needed to look at vacancy time as well as turnover. He asked what the amount of time the position stayed vacant and that was typically a good indicator of how those positions were being perceived in the labor market more so than just the turnover. He noted that at the last meeting, Council Member Janney pointed out that it could be a variety of reasons.

Council Member Janney commented that they did not do an exit interview and it was something they should have been doing. They could never go back to look and see why that person left.

Mr. Reece stated that if they were wanted to track that information, he would confirm that statement exactly. He stated that they would need to do those exit interviews and track that information consistently. He stated that over time, the trends they would see, a five year trend or a ten year trend, something like that would really give them an indicator as to where those problem areas were. Typically, most places find that their highest turnover was going to be in telecommunications, police communicators, entry-level positions in labor and plants and most local government find they have a lot of turnover in those positions. He stated that was the best information they had currently on turnover. The best thing he could tell them, as far as a recommendation, was to look at it on a going forward basis and figure out how they want to track it, make sure they were using consistent methodology and that could really impact decision making. He stated that he was not sure they really had enough information from what they have there to be able to focus in and pinpoint the problem. He stated that it was somewhat antidotal to do it from this information that they have but it was the information that they had in hand.

Council Member Janney stated that most of it showed that it was in the lower paying jobs and the Council realized that.

Council Member Myott asked if he considered that as a large percent.

Mr. Reece replied that for the 18%, it was hard to say. He explained that again, they have everything in that (information), they have all of their retirements and with looking at a total of 35, if they were to pull one or two out, that could make a big difference as to how that number was perceived. He stated that he checked with a couple of other local governments and, if they looked at total numbers, it was about 15 to 17%, so they were not too far off, but he was not even sure he was comfortable drawing that much of a conclusion based on the numbers that he had in hand, without having better, more consistent data and knowing how it was collected, he was not sure it was a good comparison to make.

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Mr. Reece asked that they turn to the Benefits Review on page four. He explained that without going over all the details, which he would let them do if they had some specific questions, but basically to him, this chart illustrates the current program they have, that was roughly comparable to what other local governments in this area were going to offer. He stated that there were a few minor details where they have some advantages and some disadvantages. There were some more details they could get into if they got into the details of each one of them, such as awarding vacation policies and there may be some issues with that. He stated that in just looking at it overall, they were roughly equal as far as compensation with other local government so they really could focus on the issue of compensation, but that was going to be the major determinate. He stated that it was not that they offered major medical and someone else did not and vice versa, everyone was pretty much on the same playing field when talking about benefits. He added that benefits were always a secondary decision when they were talking about decision making regarding compensation, the primary was going to wages. He stated that there was not a high variability among the key competitors that they have identified for them. He asked the Council if they understood it and if they needed him to walk them through the detail.

Council Member Grogan questioned the "LGERS".

Mr. Reece explained that it was Local Government Employee Retirement System. He apologized and stated that it should have been taken that out. He explained that it was operated by the State Treasurer's Office and almost all local governments participate in it.

Council Member Grogan asked what the death benefit was.

Mr. Reece explained that the death benefit was an option. He stated that the last time they participated in a full survey of the city's benefits program was in 1994 and in confirming with the Human Resources Director this was their best understanding of what the city's current benefits package was. He stated that it was his understanding that the city opted not to participate in the Local Government Retirement System death benefit package. He explained that what that meant for them fiscally was, they would have a higher actuarial rate that they would have to pay into the system. What it meant to the employees was, on their on death they would receive a higher level of compensation than what they have paid into the system, that it would be based on their years of service and so forth.

Council Member Gover questioned the 1994 survey.

Mr. Reece explained that was the last time they participated in a survey was in 1994. He stated that their Human Resources Director confirmed all of the information on there today. He stated that his current understanding was that they did not participate in that death benefit. He stated that would be a difference from most local governments in the area.

Mr. Reece continued by showing a graph illustrating compression. He explained that compression was simply where employees that have different periods of service have the same level of compensation. He noted that this was the effect of their employees plotted out on years of service and percentage above minimum. He noted that there was a cluster of dots in the lower left-hand portion of the grid in the zero to five range. He stated that each of those single dots probably represents roughly anywhere from about five to eight people. He explained that what they were seeing was a clustering of folks in that lower left-hand side and what was happening was, if they just pick the minimum implementation, they were saying everyone whose current salary was above the minimum stays put and everyone whose salaries were below that minimum were moved up to the minimum. He stated that obviously that was going to compress all those people together at the same pay grade regardless of their years of service. He stated that typically, that was something that most organizations see an inequity in.

Council Member Gover asked if he was talking about starting salaries at this point to which Mr. Reece replied no. Council Member Gover questioned it was above minimum.

Mr. Reece replied that this would be their actual salary. He stated that obviously, some folk's salaries were going to be substantially above minimum and some right at minimum. He stated that the effect was, after they implement the pay study, assuming they implement the pay study and assuming they adopted that new grid, the minimum implementation which cost \$203,000 to implement says everyone whose salary that was below minimum was moved to the new

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minimum. He stated that folks whose salaries were above that minimum were within range, so they were not going to adjust their salaries at all. He explained that was that minimum implementation philosophy that they talked about last time and obviously that had the effect of taking all of those folks that were scattered out in their current pay plan and their current actual and moved them to all to that line that was drawn for a minimum.

Council Member Gover asked if he was talking about 30% of their people at that point and time.

Mr. Reece replied that the percentage would be the percentage that their actual salary was above minimum. He explained that in other words, those 40 people, for example, that were clustered there in zero to five years were right at minimum. So they had five people that have roughly about one year of experience, they were going to be at minimum. If they have somewhere between five to eight people who have five years of experience they were also at minimum. He stated that was the compression effect. He explained that it was the compression of salary regardless of years of service. He explained that was what compression was meant to do.

He stated that the implementation that they have before them, looking at 7.2%, 8.45%, 9.7%, and so forth, was meant to try to stagger some of that out. He added that he knew they were not going to be able to stagger all that out because on the front side they were adjusting their minimum salaries roughly 25%. He noted that they were currently 22% behind this labor market that they have defined. He stated that the labor market was going to adjust for next year and roughly what he had built into the calculation was 3%. He stated that comes out to be about 25% adjustment that they were looking for their minimum, entry-level start. He stated that their structure was adjusting at 25% and individuals would adjust anywhere from 7.2% to whatever was needed to get them to the minimum of that new starting range. He stated that if that happened to be 25% then it would be 25% that they would receive if they were currently at minimum.

Council Member Janney pointed out that he was moving the top as well when he did this.

Mr. Reece agreed and stated that he was glad that he brought that up and apologized and that was one of the things that he had missed that last meeting. He stated that at the last meeting he had told him that their ranges were 32% wide and that was leaving their current maximum where it was. He stated that he did not adjust their current maximum and he assumed that if they were going to adjust their current minimum 22% then they were also going to want to adjust their maximum 22% and that would give them a 60% spread from minimum to maximum.

Council Member Janney stated that was a much larger spread than what he had talked about.

Mr. Reece agreed and apologized for missing that the last time but they were at 60%. He stated that currently, he assumed they would want to keep that in their future pay plan.

Council Member Janney stated that he did not know. He stated that since they went through this the last time, and he tried to take back all of his information and digest it, and get some other information, there was only 13 people at top pay out of about 180. He stated that to him, he did not understand moving the top. He stated that years ago, when they did it before, they discussed that particular issue and that was it. They adjusted the bottom and they did some things to help the bottom side knowing full well that one day they would be faced with all of their people making top pay, which was not a bad deal. He stated that since then, when they only had three or four making top pay at the time, and he had gone through these years and only had 13 at top pay, so he was wondering why he would even fool with that last part. He asked if he understood what he was saying.

Mr. Reece replied that he did he was hitting on a point that a lot of local governments have tried to deal with and that was the issue of what does that maximum really mean.

Council Member Janney agreed and stated simply what did that job pay.

Mr. Reece replied exactly. He asked if that maximum was meant to be a goal that they want everyone to obtain and if that maximum was a goal that they want everyone to obtain as it was when a lot of local governments had step and grade plans, then that meant something very different than if they were saying, what was the maximum that the labor market they have

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defined to compete in, was going to pay. He stated that if they were truly wanting to define what that maximum they would pay someone to come in and do that job, then the spread would probably typically that they were going to see in most local governments was somewhere around 50%. He stated that he wanted them to understand from this chart how compression affects the decision making process.

Council Member Tudor asked if a person was at top pay, was he familiar with any pay plans, when a person did reach top pay; the plan did guarantee an automatic cost of living increases since they could no longer expect any other raise.

Mr. Reece replied that typically the two systems they were going to have, as they give cost of living, they apply that to their pay scale so that the maximum did move, therefore, people that were at the maximum were capable of receiving that increment. He stated that the other option was that if people were outside of that maximum, a lot of organizations were looking at doing a lump sum increment; paying that person in one check, the amount they would receive in that annual increment. He explained that the only difference there, it was not added to their base salary. If they were looking at an increase next year, it was not the compounded effect of that. It was just the one time lump sum payment that they receive.

Council Member Grogan commented that he thought it was a good time to talk about job rate and midpoint.

Mr. Reece explained that the concept of job rate was meant to say what did the labor market pay for actual salaries. He stated that the analysis that they have used in putting the city's plan together was what was referred to as a minimum compensation analysis. He explained that was what would the cost be to replace an employee and going out and hiring an entry-level. He stated that other analysis may be what would be the cost of looking or what was the market pay for actual salaries; in other words, what was folks currently making if they took all of the salaries of folks in a position like police officer, or whatever, what would the average be for North Carolina.

He stated that typically that was what a job rate was going to be based on. However the term job rate and the term mid point were sometimes used interchangeably. A midpoint was technically the midpoint of the pay range. If they had a 60% spread, then it was 30% above minimum. He stated that a lot of pay plans were meant to have the job rate and the midpoint be that same thing. He explained that they want their job rate to be based on that labor market and then they want to have a 30% spread above and below that rate.

He stated that for the purposes of the city's compensation plan, currently that job rate was about 21% above where their minimum was. That was what they call their job rate. He explained that a lot of local governments use this tool to say, this is where they are going to have a developmental period in their pay plan and they know they are going to hire people at the entry level, but they are going to gain experience, so they were going to have a systematic plan for advancing those folks along from minimum to job rate. He stated that the spread on the city's was about that 21.6%. He stated that how that affected the city, their current job rate at 21.6% above minimum was currently where the minimum was for the labor market they have defined to compete in. That adjustment, that initial movement of looking at their current minimums to going forward, he explained, was that they have been using the job rate in their recruiting. He stated that they may want to keep that same system as it had worked well for them, but they would want to roll that forward to be more in line with the current labor market entry points. He added that other local governments were also going to use that progression, but they were going to start at a point that was 21% higher today than what the city was doing.

Council Member Gover asked if he was using 32%.

Mr. Reece apologized for the confusion. He stated that he had looked at moving the pay plan forward and comparing the old maximum to where this new midpoint would be. He stated that it was artificial because he did the calculations on the front side, and quite frankly he did it on one day and came back the next day, and he forgot he had not rolled forward the maximum. He stated that if they were adjusting their pay plan, they would want to adjust that pay plan a full 21% on both sides.

Council Member Gover stated that in reality they were just 21%.

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Mr. Reece replied that the labor market that they have collected data on was available to everyone was based on September 1999. That labor market was obviously going to move, roughly September of 1999, because they look at a variety of labor statistics and particularly they come out in the fall of each year. He stated that there had been some time since that had been collected. They know that local governments were going to adjust their pay plans and give cost of living increases and so forth. He stated that they have built in and aged their data by about 3%. He stated that they have said their best guess at that was that it was going to be a 3% shift in the labor market. He explained that if they based it currently on what they observed in September of 1999, they would be behind before they could implement the study. He stated that they wanted to age that data to get it as current as they possibly could. He stated that roughly, if they call the 21.6%, 22% and add 3% to it, that was how they arrived at 25%. He explained that was the shift in their pay structure and it was not necessarily going to be the increase that every employee was due.

Council Member Gover asked if he had those stats in his current information to which Mr. Reece replied that the pay plan was in the handouts that he had presented at the last meeting.

Council Member Gover noted that when Mr. Reece did his survey, the stats he had accumulated from each one of those, (whether was Kernersville or Martinsville) he did not show how he arrived at grouping the people. He added that he guessed he was looking at the ratio in the 21% spread.

Mr. Reece explained that the 21% was based on looking at the Rockingham County market and asking what those other local governments were paying for the same positions the city had. He stated that consistently, they were roughly paying 21.6% higher. He added that obviously there would be some that would be a little bit more and some a little less, but he felt very comfortable coming to them and saying they were looking at a 21.6% difference. He stated that in some cases, it had been more than that and that was where they had the additional grade increases. Conservatively speaking, he stated that it was at least 21.6%, which was why there was a recommendation to roll the whole pay plan forward to 21.6%.

Council Member Gover asked if he took out top, what would be the spread between the city's top and their top.

Mr. Reece replied that the city's was 60% and the County was about 55%. He stated that Reidsville was 55% and he was guessing that Mayodan and Madison was 50%.

Council Member Janney commented that top was not very much to which Mr. Reece replied no. Council Member Janney asked if he was putting emphasis on the entry level.

Mr. Reece replied that it was the whole pay plan because they were tied to each other and both would need to be adjusted. He stated that with top, he assumed he was talking about the maximum of the pay grade to which Council Member Janney replied that he was.

Mr. Reece continued in that he wanted to talk about how this would affect employees. He noted that on the last page he had some examples a few classes. He explained that they have positions such as Assistants, Recreation Center Director, Communications Officer, Crew Leader, Equipment Operator, Fleet Mechanic and so forth. He stated that those were just a few of the classes that have multiple incumbents in them. He noted that the next column was the average dollar increase that those employees would receive. He noted that the next column would be minimum percentage that an employee was going to receive in that class. He stated that the next column was the maximum and the last column was the average an individual employee was going to receive.

He explained that the purpose of this was to show them the difference between saying that they were rolling their pay plan forward 25% and how that effects, when they talk about actual individual salaries. He explained that the methodology was to say, take a look at what would happen if they increased an individual employee's salary by 7.2% and if that was greater than the minimum then let's give them that 7.2% because that helped with compression, that would keep those folks from bunching up together. He explained that this gave them an idea the kind of impact it would have on individual employees. Those numbers that were higher than 10.95%,

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the highest that anyone was going to get, just for compression purposes, in other words, an increase to their salary just to mitigate compression was 10.95%. He stated that any increase that was higher than 10.95% was simply because those current employees' salaries were below what they have said was going to be their minimum start. So an employee that requires 21.6%, that meant that their current salary requires 21.62% to get them to the minimum of that salary grade that they were assigned to.

Council Member Janney asked if he was talking about the top line that was maximum.

Mr. Reece replied that was correct, in other words in that class, there was one individual who would take 21.62% to get them to the minimum of their pay grade and that was the maximum...

Council Member Janney asked if he changed the pay grade was he going to give them that much of a percentage.

Mr. Reece explained that because his salary was currently below that minimum that they have established for that work by 21.62%, if that individual was to walk out tomorrow, and said he was interested in doing something else and the city was going out on the labor market to replace him, then the labor market would tell them that they would need to pay 21.62% more to replace that individual than what they were currently paying. He stated that if they looked at other area local governments and what they would pay for that position, it was going to be 21.62% higher.

Mayor Price questioned the 7.2%.

Mr. Reece explained that 7.2% was simply a third of the way they arrive at 21.6%.

Mayor Price asked what that was in relation to what.

Mr. Reece replied that the 21.6% was the movement they needed to shift the whole pay plan over. He explained that if they were shifting the bottom, they were shifting the minimum 21%. He asked what they should shift those people that were in grade, those people that were currently above that minimum. He stated that some would say, if they were shifting at the bottom of the pay scale 22% then they should shift individual employees to 22%. He added that it was awfully expensive to do. He stated that it was more than he wanted to bring forward to the Council and say, here is the cost of looking at an across the board at 22% increase for all their employees. He explained that there was zero compression effect when they do that because obviously they were shifting everyone at the minimum as much as they were shifting everyone at the top to give everyone an across the board a 22%. There were not too many local governments that engage in that kind of system as it was too costly.

Council Member Janney asked about the average dollars and which line did that relate to.

Mr. Reece replied that as an example, if he looked at the seven Communications Officers and the increases they were going to receive, that were going to be between 7.2% and 25.2%, the average dollar increase that those seven employees were going to get, if he rolled them all together and averaged it out, would be \$2,032.

Council Member Janney stated that was what he thought but he was not sure. Each one of the seven would receive, that would be \$14,000 for that particular...to which Mr. Reece agreed that it would be roughly, but he was exactly right.

Council Member Janney stated that when they start talking about percentages, he had always had a hang up with them. He explained that when they start giving pay increases, and percentages, they "louse up" their pay system. He pointed out that if he (Mr. Reece) was making \$10,000 and he (Janney) was making \$1,000 and they start giving percentages that was how they got in that shape, to some degree.

Mr. Reece replied that to some degree, he would agree. He stated that the issue was, if they were looking at an individual who was making \$18,000, obviously 7% of \$18,000 was nowhere near what 7% of \$36,000 was and he understood that. He stated that this was some things he thought they could do to mitigate some of that, however, there was a reason why the labor market says some work was at \$18,000 and some was at \$36,000. He stated that if they look at flat dollar

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amount increases, those organizations have found that typically that had a mitigating or compounding effect on looking at those folks that were on up in the pay plan or those positions that were hard to recruit.

Council Member Grogan added that it was not only hard to recruit for, but did they not get into responsibilities, the people that were higher up in the grade. He asked if they did not have more responsibility and should they not be making more than the laborer.

Mr. Reece agreed in that there was a reason why the labor market says they were willing to pay those folks \$36,000 to \$40,000 versus \$18,000.

Council Member Janney commented that he misunderstood. He stated that he was not saying to not pay them more for the job.

Council Member Grogan stated that he was talking about percentages and that was the reason why they use percentages. He used as an example, they use 4% for the whole group, and it fell right on down the line, those who do more and have more responsibilities was going to get a higher increase or more pay, as they deserve more pay than the laborer.

Mr. Reece stated that some local governments have found that they see an inequity of consistently looking at percentages for some of those lower paid. He stated that they wanted to establish a minimum, of saying, they were going to give "x"%, whatever that is, across the board increase, but that was going to be at least "x" number of dollars. He stated that they did not think it was really equitable, but it was fair. There was no compensation reason for this, it was an equity or values issue, that they did not think it was fair to give less than this to an individual. He stated that they would get 3% or \$700 whichever was greater.

Council Member Gover asked that if they used his stats on percentages, on labor for instance, from 16% to 114%, that was telling them something there, on 114% turnover. He stated that he did not have any other departments anywhere close to that.

Mr. Reece stated that one of the things he would give them about their laborer as well, and this was something that they had real value in, but it really indicates how the labor market comes into play, and that was they were going to require that their laborers get a CDL. He stated that if they were paying folks at rates that were significantly below what the going rate for a CDL holder was, which was about \$10 an hour, they have made that person more marketable during that period of time that they were with them (the city), but they have not compensated them for being more marketable and they would have that kind of turnover.

Council Member Janney agreed with that. He stated that they had one group of people that they were paying \$6.50 an hour and Council Member Gover added that was the 114%. Council Member Janney replied that was right and that hurt. He stated that if they give that person a percentage of a raise, they would not have enough money to buy a hot dog and a coke.

Mr. Reece stated that a lot of local governments have responded and said they wanted to give at least this amount of money, that they know would have an impact on them.

Council Member Grogan asked about doing a survey with local manufacturers. He asked if it would not be good to, a lot of city jobs were related to the construction industry, and could they get some of that information.

Mr. Reece stated that the private sector data was extremely hard to get hold of for it to be really good and valid. He stated that the best way to do it was to contact those local industries in this community and say, "what do you pay for that?" He stated that the problem was typically, those companies were not very forthcoming about sharing that information and there was no requirement that they do share it. He stated that if they (the city) wanted to ask what their pay structure was, a lot of them did not have a pay structure. The pay structure was going to be what their current needs were.

He stated that they could go further and ask what the average salaries were for their employees. He stated that obviously, that would not be very forthcoming and they would not be interested in telling them what they were actually paying for their folks. He stated that data was extremely

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hard to get and he had tried to do it on a couple of occasions. He stated that he had done it in conjunction with the municipality and the municipality had written letters saying they were interested in collecting this data and it would not be shared with anyone else, their consultant was the only person who would see it, and they were not interested in sharing it.

Council Member Gover stated that they just went through that. He stated that the industry was going to pay \$480 and the city was paying \$240. He stated that was their difference. They were sitting there paying \$240 and expecting a company to pay \$480.

Council Member Janney stated that he did not follow him and asked for an explanation.

Council Member Gover explained that if they have employees making \$6.00 per hour and were recruiting industry in there and wanted them to look for higher paying people, that was what he was judging it by and that was what they have asked them to give up.

Council Member Janney replied that he understood, they (the city) were not walking and talking.

Mr. Reece stated that was what he would find. He stated that typically, when they look at those other industries, they were going to be higher. This was especially true if they concentrate on particular industries, information technology workers, but that was often the one where they see a lot of bleed from larger communities, folks that are working for Greensboro, High Point, and so forth getting job offers from larger technology companies. He stated that was something that local governments have not been able to keep pace with at all. He stated that they have a very conservative presentation that had been put before them in a sense of who they have defined to compete with of those other local governments that were in the area.

Mr. Reece stated that going back to the second page, he thought this would be the decision making process that they needed to be comfortable with. He stated that he thought they have gained some consensus about the labor market they were competing in. He stated that the labor markets that they were competing in that they have defined for the city were other local governments in Rockingham County. He stated that they could collect some more information and do more with that and that it was a very good start. He stated that on almost all of their classes, that was what they were going to come back to. He stated that there was a few classes where they have collected private sector data, in a sense the Employment Security Commission and some aggregate data to take a look at to see if they were way off or overshooting the private sector market, and they were not. He stated that they were not going to be above any of that private sector data. He stated that was the first point. He stated that they should ask themselves if they were comfortable with whom they had defined to compete with such as the County, Reidsville, and with other local governments in their county. He stated that in the cases where they did not have good matches, they have looked at other local governments of Eden's size, which operate similarly, such as Lexington and Thomasville. There was not another local government in Rockingham County that operated its own water and sewer operations that was the same size.

Council Member Gover commented that he would like to see tax base from each one of those.

Mr. Reece replied that they could get that. He stated that roughly, what he could tell them was that they were probably going to be larger in tax base but their compensation plan and how they have typically paid their employees was going to be very much in line with tradition in what they have seen in Rockingham County over all. He stated that was not pie-in-the sky employers they were talking about with Lexington and Thomasville, those were conservative payers in those communities. He stated that after they have reached a consensus about the labor market, then they need to reach consensus about where they sit in relation to that labor market. He stated that had told them they were 22% behind on it and they need to get comfortable with that. He stated that looking at the data that he had presented to them, either they feel it was valid or they did not. He stated that he thought it was a very conservative number that they have been given. The third point was once they have reached the first two, the impact of their decision making at that point was to say, "if we were to adopt all of these across-the-board in one year", they were looking \$203,000 because that was the minimum implementation and that did not do anything for compression.

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Council Member Tudor stated that he had said get comfortable with 22%. He asked if he thought that was conservative and should he get more comfortable with 24%.

Mr. Reece stated that they typically look at the labor market in this area as being in three segments, of being Greensboro, High Point, and Winston Salem, as being the top competitors. They would probably be 5% to 8% more than this labor market, at least.

Council Member Tudor stated that he was just thinking, get comfortable with competing with Reidsville, and he asked if 22% would do that to which Mr. Reece replied that it would.

Council Member Gover asked if that would be the total amount of employees they have versus what the city had...

Mr. Reece explained that once they have gotten through decision point one and decision point two, if they were looking at doing nothing else than just revising their pay plan, they were looking at spending \$203,000. He explained that this third point now says, what was the most equitable way of doing that. Were they comfortable just spending \$203,000 and having some of this job compression that they know was going to occur or did they think they needed to do something to mitigate that. He stated that obviously when they start talking about that 7.2% that was a third of the 21% that they have done, that was a guess on that. He stated that they should ask if that was the best way to go about it. He stated that he thought it was an equitable way to go about it and that was the way they have done it with a couple of other local governments and it seemed to work for them. He stated that they should ask if that was the only way. He stated that it certainly was not. There were other ways to look at when they were at that third decisioning point of putting the plan in place. He explained that the two factors that need to be considered were, what was the labor market telling them to do and what was going to be the most equitable thing for their employees. Essentially, the proposal that was before the Council said to give a third of that value to those employees.

Council Member Tudor commented that what they were currently doing was helping someone to get a CDL so they could go apply for job in Greensboro or Reidsville.

Mr. Reece stated that certainly they were setting that up to be a possible issue.

Council Member Janney asked if he was going to go through the other numbers. He explained that he was talking about the grade change based implementation.

Mr. Reece explained that implementation based on the 7.2% to 10.95% calculation, which was the grade base change, one grade would be across the board 7.2%, and one grade would be 8.45%, two grades would be 9.73% and three grades and above would be 10.95%.

Council Member Janney asked if that was the whole package, \$477,495 to which Mr. Reece agreed that was the whole package.

Council Member Janney asked if he was moving both the top and bottom to which Mr. Reece replied that was both top and bottom, everything. That was all in one year and it was a pricey figure.

Mr. Reece stated that the other implementation that they talked about last time was doing multiple year implementation. He explained that this was doing a certain percentage of employees each year, maybe a third this year, a third next year, and a third thereafter or maybe even half it, however they want to slice the pie. He stated that they broke out public safety looking at police and fire, primarily because that was an easy pay plan to put together. He stated that was one way of looking at it and some of them have expressed some concerns and differences of opinion on that with him at the last meeting. He stated that this was just one way of looking at it.

Council Member Janney stated that if they did that, it was \$225,000.

Mr. Reece stated that was the grade base change implementation, but only for public safety (fire and police).

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Mr. Reece stated that lastly, as far as implementation, the City Manager was maybe looking at a ten-month implementation. In other words, he stated that this would mean holding off until September and doing everything but reserving the cost on that and the best calculation on that was about \$397,000.

Council Member Grogan asked if they started in September, they would be accomplishing the same thing, as they would be in the second number, only it would be \$397,000 rather than \$477,000.

Mr. Reece replied that was right and only ten months would be the difference. He stated that it was a little tricky to do a mid year implementation.

Council Member Janney pointed out that it would hit them next year.

Mr. Reece agreed and he apologized that he could not tell them a good cheap way of increasing salaries. He stated that the last thing dealt with future information, the continuing role of the Council of Governments. He stated that needed to be very clear to them. He pointed out that the Council of Governments was there for as long as they needed them and they would help with any portion of the study. He stated that the information he had communicated to their Human Resources Director was based on the date base they have built. He stated that they could even generate the final letters that go to their employees that say, "Dear Mr. Smith, you are classified as a Laborer I and your salary was this and it is now going to this."

Council Member Janney stated that the reason he was doing the numbers, if for example, they did public safety this year at \$225,000, which was about half of it, they would have \$222,000 to complete their project to go to \$447,000.

Mr. Reece added that he should keep in mind that was not going to be completely true because they would have personnel changes in the interim.

Council Member Janney replied that he understood that and it was close.

Mayor Price asked Mr. Reece when he calculated the ten-month implementation, did he divide by an equal number of months.

Mr. Reece replied that he did and that was his best guess at it and that was a fair way of doing it. He stated that the truth of the matter would come down to them running more pay periods and there was some advantage as to what month they would choose to implement that based on paying three times this month or two times this month, however that would work out. There were some manipulations that would possibly lower that cost further, but he would leave that to the experts in Finance.

Mayor Price asked if anyone had any other questions for Mr. Reece.

Council Member Janney asked Mr. Reece if he was going to get back with those other issues they talked about.

Mr. Reece replied that if he was referring to the issues on comparison to local industries, he needed a little more information on how Council wanted him to go about doing that. He stated that as far as private sector data goes, he had regional data that shows what North Carolina private industry was, what the Southeast industry was and Employment Security Commission data, which would show the Piedmont Triad so they could look at some particular classes. He added that not all of their classes were going to be in there, quite frankly; their key classes were not, and Police officers were not going to be in there because that one was that was not tracked by it.

Council Member Janney asked if local businesses, such as contractors, use the Employment Security Commission to advertise for their help.

Mr. Reece replied that they did and the last time he looked at that kind of information it was very selected, and given the fact of where their labor market was, it was a little different than the Piedmont Triad, it may be indicative now because the way of where unemployment was, but it

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was only going to be obvious for vacant positions and not current positions because they were not registered with the Employment Security Commission. He added that it may be some good data, but again it was only going to show vacancies for those industries where they were looking. He stated that he would give them some caveats if he had used that data and brought it to them. He stated that he would have to tell them to hold on a second before they hang their hat completely on this data and understand what this data really was.

Council Member Janney stated that Mr. Reece made a statement that he agreed with and they were not like the rest of Triad area. That was why that data was important.

Council Member Grogan noted that the Employment Security Commission did for the State, their average wages in the county. He stated that the thing they were always fighting was Miller Brewery throwing the skew out. He stated that really did it, but they make those adjustments, so when he was talking about each county was graded based on income, it seemed to him that information would be readily available and might have some relevant...

Mr. Reece stated that he could check with them and find out. He stated that as he understood, that data was based on industry, so it would say what was the average for textile and what was the average for a government worker. He explained that the average wage for government worker would be social workers or paramedics and that was going to be a lot of classes that the city did not employ. He stated that again, the data that he could get for them, he was not very sure he would feel real comfortable about recommending it to them to make compensation decisions on. He stated that they may have the best set of data he could truly provide without doing a hands on survey with their local industry which, in his previous experiences, had been fruitless. He stated that he did not want to discourage the Council from any of that. He stated that he wanted to tell them what kind of road they were on and he did not want to promise something he could not deliver.

Mayor Price asked if there were any other questions for Mr. Reece. He asked if he would be getting some information back to them.

Mr. Reece replied that he would try to get back the best he could.

Mayor Price thanked Mr. Reece for coming. He asked if there were any other comments before they adjourn the meeting.

Closing Comments:

Council Member Janney questioned the headlines in the paper today regarding the Mayor accepting full responsibility for the water issue. He asked if that was true.

Mayor Price replied that it was true. He explained that he wanted to emphasize to public that he was accepting responsibility for this because they have had a lot of innuendo and a lot of finger pointing with this whole situation with the water and sewer shortcomings. He stated that as they know, there were a lot of questions that have gone unanswered and it needed to be followed through to get an accurate answer. He stated that the more he looked at it, the more he felt as Mayor of this community, he knew very well what they have done and what had happened. He stated that he knew of the lack of discussion that had taken place on this and rather than the continued finger pointing and accusations of various people throughout the city, he felt it was his responsibility to assume responsibility for it and he fully intended to find the answers. He stated that he thought the people who owned this community, the citizens, needed a full accounting and he felt very good about it. He stated that he was as shocked as Council Member Janney by the headlines. It did not come across exactly as he portrayed it to be and that was unfortunate. He stated that he had wanted to convey to people that he was accepting responsibility for that.

Council Member Janney stated that he did not see that as the role of the Mayor, accepting responsibility for it. He stated that to this point, he was going to get the answers too. He stated that he thought that everybody sitting there knew they were going to get the answers to this problem, but they uncovered this situation and it was not the Mayor or any of the Council's doings. He stated that it was the responsibility of the City Manager and in his opinion the Finance Director and that was the way it came out at this point. For the Mayor to accept that role

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was not part of what he was elected to do at all. It was not part of his agenda and he did not understand why he would sit up there and take it.

Mayor Price replied that was a difference of opinion. He stated that he felt it was his responsibility and it was something he wanted to do and he intended to follow through with it.

ADJOURNMENT:

A motion was made by Council Member Myott seconded by Council Member Grogan to adjourn the meeting. All the Council Members present voted in favor of the motion. This motion carried.

Respectfully submitted,

Kim J. Scott
City Clerk

ATTEST:

Philip K. Price
Mayor