



City of Jonesboro

Municipal Center
300 S. Church Street
Jonesboro, AR 72401

Meeting Minutes City Council

Monday, August 29, 2016

7:15 PM

Municipal Center

Special Called Meeting

1. CALL TO ORDER BY MAYOR PERRIN AT 7:15 P.M.

2. ROLL CALL BY CITY CLERK DONNA JACKSON

Present 11 - Darrel Dover; Ann Williams; Chris Moore; John Street; Mitch Johnson; Gene Vance; Chris Gibson; Rennell Woods; Charles Coleman; Todd Burton and Robert Long

Absent 1 - Charles Frierson

3. NEW BUSINESS

COM-16:069

Review and discussion concerning the city salary plan

Mayor Perrin stated that this a review and discussion concerning the City Salary Plan and that Councilman Dover, Chairman of the Finance Committee, requested this meeting and he is wanting to say a few words.

Councilman Dover stated that he felt like it would be very beneficial for all of us to be in the same meeting and to hear the same facts to be able to garner some information. He said that Suzanne Allen, CFO, has done a tremendous job of going back and getting the history of where we were and how we got here. This will be a very informative meeting. The purpose of this meeting is solely for information and for you to be able to ask questions of Suzanne if you have some.

Suzanne Allen, CFO, came to the podium to give a presentation about the City of Jonesboro Play Plan Review (See attached presentation). Ms. Allen and Councilman Dover decided what to discuss tonight and two things came to mind. The first thing is to look at where we have been before we go forward. A big part of this presentation is taking you from 2003 when we first hired Condrey & Associates to today. Secondly, we talked about some philosophical questions that we thought the council needed to think through, talk about, and agree on before going forward with any type of salary plan for the future. The objectives for tonight are to establish reserves, discuss the idea of reserves, identify where employees should be versus market average, and review the history of the play plan. Ms. Allen wanted to remind everyone what the ordinance is regarding the amount of required reserves that we have to have. Currently, that is 15% of budgeted expenditures. Our expenditures budgeted for 2016 are \$36,309,579 and 15% of that is \$6,348,660. Keep in mind that the excess reserves in the general fund, we are anticipating to be \$26,610,495 at the end of 2016. However, we are bringing a resolution before the board to earmark \$7.8 million of that for STIP projects which would bring us down to \$18,800,495 for the end of 2016. Ms. Allen wanted to give everyone an idea of where the city's money is allocated. She said we are budgeting to transfer approximately 10% of our O&M to

Capital Improvements this year.

Ms. Allen wanted to view the breakdown by Department of O&M expenses for 2016. She said some things to keep in mind going forward are how much money the city should keep in reserves (15% is approximately two months of our budget), how much should be allocated to salaries versus other categories, and should the council consider tax increases for specific projects. (See attached presentation.)

Councilman Coleman asked if Ms. Allen had another slide that showed the Police department. She said no because the Police Department used the Johansen Plan whereas the Fire Department did not. Councilman Long asked about the Fire Department slide and incentives. Ms. Allen said that the Johansen Plan does state that they include incentives. The Johansen Brothers state that the cities have their incentive pay included when they compared for market average. She said you are looking at the minimum which is 20% below the market average. The market average is midpoint.

Ms. Allen stated the last five pages of the handout represent an employee from the department listed. She wanted the council to have it to be able to look at the history, the incentives, or regular cost of living increases. She wanted them to see their growth over a 10 year period. Mayor Perrin asked if the average growth for a maintenance employee was 2.74%. Ms. Allen stated yes that was the growth per year over a ten year period. Councilman Dover asked if that was for just one employee. Ms. Allen stated that they took a sample employee from all of the departments. Ms. Allen stated that she was going over the presentation with Chief Miller and he said he felt like the Fire Department was an anomaly because their incentive was at 21% and most of the Fire Department employees who have been there that long are not at 21%.

Mayor Perrin asked about the Parks Department employee. Ms. Allen stated the employee has been here since 1980 and in the past ten years, this employee has an average yearly raise of 2.94%. Mayor Perrin asked about the Sanitation Department employee. Ms. Allen stated this employee has had an average yearly 3.12% increase in pay. She said the Police Officer is 4.21% and the Fire Department employee is 5.1%.

Ms. Allen stated that this slide is not in the handout. It is based on where we are now versus the market. She said that 5% of our employees are at the Minimum pay level, 52% are between Minimum and Midpoint (market average), 28% are between Midpoint (market average) and Maximum, and 15% are at Maximum or above on the Johansen Study. She said that Maximum means the employees are 20% above market average.

Councilman Gibson asked if there was any longevity associated with those numbers. Ms. Allen stated no and it is independent of the longevity. Mayor Perrin asked about base pay. Ms. Allen said this was base pay.

Councilman Long asked what factors were taken into consideration when you factored in growth. Ms. Allen said the committee didn't talk about how population would grow and that was not taken into consideration. She said the proposed Police Pay Plan is existing officers. As far as our revenue, our sales tax revenue has grown over the past ten years an average of \$850,000 of growth per year and that is our largest source of revenue. Councilman Long asked if this plan considered any new officers. Ms. Allen said no, it did not. He stated that if our city continues to grow and add police officers that this number would excel. Ms. Allen said yes.

Councilman Street asked about the plans when a Captain maxes out. Ms. Allen said this plan is if everyone stays in their current position. She said that is not maxed out, it is growth to head them toward their step plan. This keeps them on the continuum of the step plan. Councilman Street asked if the committee considered when employees retire and new employees are brought in the place at the lower scale. Ms. Allen said the committee did not consider that. She said attrition was not considered.

Ms. Allen stated that everyone is concerned about being at market. There are some concerns about the pay plans. She said the Johansen Plan superseded prior plans. The Johansen Plan says no greater than 5% or the rank above. It does overlap which is an issue for both Fire and Police when you move from rank to rank. She said that Chief Miller and his staff are highly concerned about the promotions in the Johansen Plan. She said we halted the incentive and training part because we are still working on it. Some of the Fire and Police have not received compensation for going through training. She said that is something the council is going to have to visit and decide whether or not to keep things on hold until a new plan is in place.

Ms. Allen stated that the Department of Labor came out with a new rule that will affect the city. In December of this year, there will be a new cap on who can be considered an exempt employee. The city has 13 employees that are classified as exempt that put in quite a few hours and we will either have to raise their pay or pay them overtime. She estimates that this will cost the city an extra \$150,000. Whatever changes we make to salaries will be forever and that increase will be something we will have to pay for every year. We have a growth of \$850,000 and we have already added \$1 million in salaries this year. Ms. Allen stated she expects more plans to come to council depending upon what happens with the Proposed Police Plan.

Councilman Dover opened the discussion up to anyone who had questions. He said there is no intent to make any decision tonight, but to put the facts out there for the council to be able to go home and study them. The implications are very broad. He wants to make sure that everyone has enough information to make a decision based on the facts.

Councilman Coleman asked if it was the state or the city that required that we have 15% of reserves. Ms. Allen said that 15% is based on what we budget for expenses. However, that is approximately two months. She said she was giving the relationship so they could have a different way to think of it. She said 15% doesn't sound like a lot, but two months of expenditures does. Councilman Coleman was concerned that two months is not enough. Mayor Perrin asked what amount this legislative body feels is adequate for reserves. He said state statute says you must have 15% of your total expenses of your O&M which is only \$5-\$6 million and is only two months of expenditures. Mayor Perrin stated that he agrees that we need more, but everyone on the council might not have the same opinion. He said by speaking with other cities, they have 6 months to a year of reserves.

Mayor Perrin said that we want to go back and look at all of the changes and the cost of those changes up to where we are today as to make an informed decision on a city salary plan. He said whatever you do, it is going to cause an increase in expenses. Ms. Allen stated that it becomes really dangerous when you do percentages and don't put a cap on it. She said as we continue to grow, there are additional expenses we have to keep in mind as we go forward.

Larry Jackson came to the podium to speak. He is the Employee Rep Chairman. He wanted to know what the average percentage increase of the police and fire was per year. Ms. Allen stated the one example they used from each department showed a 5% increase for the fireman and a 4% increase for the policeman. She said Chief

Miller had concerns that the 5% is a little high for the fire department. She said they can check others and do a greater study and check a greater sample of employees. Mr. Jackson said they tried to come up with an incentive when the police and fire did and the council would not hear it. He said on retirement, the police are getting 22% and the fire are getting 33%, where we get 5% and the city matches that 5% for a 10% total. He said the city pays in social security for us. Ms. Allen stated it was 1.45% for Medicare and 6.42% for Social Security. He said they do not pay in Social Security for the Police and Fire. He said it doesn't balance out, but it's a little higher ratio. Mr. Jackson said we are like anyone else. We would like to get as much as we can. He said they take classes and have certifications/licenses that should be incentives.

Mayor Perrin said they need to go back and do more than just pick one on what we are talking about. Ms. Allen said it would be impractical to pull all of it, but they could pull a sample. Mayor Perrin said they need to pull a sample and look at that. He said by looking at what has been presented, that you can see everything increases over the years. He said this gives an eye opening on the costs.

Councilman Long asked if the city had ever been on a plan that paid flat increases instead of percentages. Is incentive pay based on training that would be considered a condition of employment? Ms. Allen said the only incentive plans were the ones we discussed tonight and they have been percentages. She said it is not based as a condition of employment. She said there are many job descriptions and we would have to look at whichever one you had questions about and see what the job description specifies as a condition of employment.

Nathan Coleman came to the podium to speak. He said he has been a part of some of the committee meetings that are taking a look at pay for police. He said Ms. Allen has been in nearly all of them. He asked how you advance and he was told through incentives such as getting a degree, learning a second language, pass the physical test. He said that has pretty much been the only means to advance. Mr. Coleman stated that the Johansen Plan states that you should be at your midpoint at your 10 year mark. He said he has been here eight years and is \$1,000-\$2,000 away from the minimum. The scale that we are trying to implement and that the Finance Committee will see tomorrow is a plan that allows you to advance from the minimum to the midpoint to the max. You can say a Police Officer tops out at \$500,000, but if you have no means to get there, it means nothing and that's kind of where we are right now. He stated that the increase has not been there, but this \$600,000 plan will alleviate that. We tried to come up with a way to make it a flat amount and put a cap on it. We were trying to make it more structured and sustainable. The question should be can we afford not to do this. He said you see it is like that for all of the departments where some only see a 2% increase. Mr. Coleman said don't make the numbers be the only thing you look at. Numbers can be swayed either way. These are people's lives that you are talking about here. Base pay does not include any incentives or perks.

4. ADJOURNMENT

A motion was made by Councilman Mitch Johnson, seconded by Councilman Chris Moore, that this meeting be Adjourned . The motion PASSED with the following vote.

Aye: 11 - Darrel Dover; Ann Williams; Chris Moore; John Street; Mitch Johnson; Gene Vance; Chris Gibson; Rennell Woods; Charles Coleman; Todd Burton and Robert Long

Absent: 1 - Charles Frierson