

**City Council of Peachtree City
Workshop Minutes
September 16, 2014
6:30 p.m.**

The Mayor and Council of Peachtree City met in workshop session on Tuesday, September 16, 2014, 6:30 p.m., at City Hall. Attending: Mayor Vanessa Fleisch, Council Members Terry Ernst, Mike King, and Kim Learnard. Eric Imker was absent.

City Manager Jim Pennington said that, in December 2012, Council had given him three major items to address. The first was the Personnel Policy, which had been completely revised the following year. The second was an independent assessment of the Police and Fire Departments, which had also been performed in 2013. The third and final item had been a pay and classification study, which at the time had not been performed in 10 years. That final element would now be presented and discussed.

Human Resources and Risk Management Director Ellece Brown introduced the selection committee that had recommended Condrey and Associates, Inc., of Athens, Georgia, to perform the study: Purchasing Agent Angela Egan, Library Administrator Jill Prouty, Police Lieutenant Matt Myers, Fire Captain Ron Mundy, Public Works Superintendent Scott Hicks, Human Resources Analyst Janis Hooper, and Brown had worked with Dr. Condrey and his team.

Egan explained that \$35,000 had been budgeted in FY2013 for the study. An RFP was issued in late 2013 and was sent to 16 companies and placed on the City web site. Six proposals had been submitted, and the committee evaluated them on several factors, independently scoring each submission and then combining the team's scores. Condrey had the highest score, and they had compiled hundreds of studies for other governmental agencies.

Prouty then explained the committee called five references, including Cartersville, Georgia; Sheridan, Wyoming, and Suwanee, Georgia. Condrey's strengths included great resources and experience, as well as specific knowledge of local governments. Dr. Condrey and his staff interviewed seventy percent of employees to ensure that the comparisons were valid among jurisdictions for actual job duties, not just titles. There could also be appeals of the classifications three months after implementation.

Prouty concluded by saying that Dr. Pennington reviewed the committee's recommendation and signed off on the Condrey proposal. The committee members had tremendous faith in the study conducted by Dr. Condrey and his staff. Although they realized the plan would not fix everything, they hoped Council agreed that Condrey's balanced approach had resulted in a plan that would put the City in a competitive range again while addressing some of the inequities in the City's pay scale. The committee did not feel this was a "Cadillac" plan, but that it was a modest step to put the City back on even footing again. Prouty said they were asking for Council's mindful consideration of the information presented.

Brown then introduced Dr. Stephen Condrey, noting that he was president of Condrey and Associates, had over 25 years of experience in human resources management, and had consulted nationally and internationally on human resources management issues.

Condrey said it had been a long time since the City had taken a comprehensive look at the pay scale, and salaries had been stagnant for five years. His firm had been working on the study for five months with a goal of reviewing and upgrading the current classification and pay plan for all City Employees. They were bringing forward a pay plan based on job analysis, job

evaluation, and wage survey data that would put Peachtree City slightly above average in the labor market.

The steps of the study included meeting with department heads and the employee committee, distributing questionnaires for all current positions, interviewing employees, and conducting both internal and external analysis. The salary survey component used similar jurisdictions with whom Peachtree City was actually competing for employees. Those jurisdictions were Alpharetta, College Park, Douglasville, Duluth, Dunwoody, East Point, Gainesville, Griffin, Johns Creek, Kennesaw, LaGrange, Newnan, Peachtree Corners, Roswell, Sandy Springs, Smyrna, Stockbridge, Woodstock, and Fayette and Coweta Counties.

Condrey said the proposal included three possible Salary scales: proposal C would place the city in the 50th percentile; proposal B would place the City three percent above the 50th percentile; and proposal A would place the City six percent above the 50th percentile. The costs associated with implementing the pay scale would be ongoing.

There were also two versions of an equity adjustment proposed to address compression. The proposal provided for an increase of two percent for employees with one to three years of service; four percent for employees with four to six years of service; and six percent for employees with seven or more years of service as of September 30, 2014. A modified equity adjustment provided for a two percent increase for employees with one to three years of service and a four percent increase for employees with four or more years of service. The costs of implementing the equity adjustment would be one-time.

Total projected costs for the plans were:

- Plan A – \$587,440 in ongoing costs plus \$521,653 for the Equity Adjustment (\$387,736 for modified equity adjustment) for a total of \$1.1 million
- Plan B - \$435,449 in ongoing costs plus \$498,195 for the Equity Adjustment (\$375,730 for modified equity adjustment) for a total of \$933,644
- Plan C - \$301,304 in ongoing costs plus \$464,462 for the Equity Adjustment (\$352,223) for modified equity adjustment) for a total of \$765,766.

Condrey said he was recommending that Council adopt proposal A or B. While less expensive, proposal C would only bring the City up to the 50th percentile in the job market, and with improvements in the economy, several of the other jurisdictions were implementing raises or new salary plans, which would again place Peachtree City at a disadvantage in the first year. Condrey also recommended utilizing the Employment Cost Index, rather than the Cost of Living Index, for increases over the next four years, and then conduct a survey in the fifth year.

Condrey noted the proposals were modest based on information from the employee committee that Council had implemented the pay scale at the 75th percentile in 2000. Condrey's proposal would just bring the City to slightly above the average.

Fleisch asked Condrey to explain the issue of compression. Condrey said compression essentially took away any tenure from employees because new hires came in earning the same amount as an employee hired four to five years previously. That gave no credit for the existing employee's experience. The City had compression issues throughout the organization.

Learnard asked if they study included a review of benefits. Condrey said the benefits had been part of the comprehensive study and were included at the end of the report. They found the

City's benefits package to fall directly in the mean of benefits offered among the jurisdictions surveyed, with no anomalies or outliers. Brown added that, while Peachtree City might have a slight edge in some categories, those were offset by lower benefits in other categories.

Fleisch asked for additional discussion on the equity adjustments and how those were implemented. Condrey said the new pay scale and the equity adjustment were to be implemented at the same time. The pay scale started new hires at a higher rate, in many cases. The equity adjustment put employees already on staff out into the pay ranges.

At Pennington's request, Condrey noted that the compression issues extended through all the departments and through all levels of management. In some cases, there were even pay inversions. He expressed concern that, if no action was taken, the City's problems would only get worse as the labor market expanded.

Brown added that, at some point in the previous pay plan, it was determined that employees who were promoted either received the minimum new starting salary or a five percent salary increase. The Condrey proposal was recommending that be increased to the more-standard 10% to avoid compounding compression issues. However, the City had a long history of the five percent increase, meaning that supervisors might be making very little above those they supervised, despite the added responsibilities.

King said it was incumbent on the City Council to make sure City employees were compensated so the City did not lose them. Staff was an investment they had to protect. He asked about the retirement plans (defined benefit and employee contribution) and asked if Condrey had a recommendation on those. Condrey said he would leave the retirement plans as they currently existed. King asked about combining them, noting that he had preferred to directly manage his own retirement funds. Condrey said it was common to have both types or, among governments, not to have an employee contribution portion. The City could check with its actuary, but the proposal did not increase salaries to the point that it would offset reduced benefits.

King said he had preferred controlling his own retirement and it had worked for him very well. He thought City employees were intelligent enough to make those choices as well, even if employees were just given a choice between types of plans. Pennington noted the retirement benefits were really a separate major discussion.

Mundy addressed Council noting that making changes to the retirement plan might make sense if the salary scale was being implemented at a higher percentile. However, since the proposal only brought Peachtree City in at the 50th percentile, any decreases in the retirement plan reduced the City's ability to compete with jurisdictions with average retirement plans in attracting and retaining employees.

King said he agreed that Council needed to go along with what Condrey was recommending, but he had hoped to look at adjusting the retirement plan at the same time.

Ernst noted he had earned retirement from both the military and the Police Department, and both had an employer funded component and an employee funded component. He felt they had worked very well in combination, so he did not necessarily agree with lumping the City's pension and the employee 457 into one plan. King said he had a similar military-funded pension, but had really appreciated having the control over his own funds, and thought some employees would like to have the same option.

Condrey reiterated that the survey results indicated Peachtree City's benefits were on par with what other agencies were offering, so any reduction could jeopardize the City's ability to attract and retain employees. Condrey said the City did not want to be an "employer of last resort" for people in the job market. The proposal before council provided modest steps to address the current problems and prevent that from happening. It was a critical time for the City to make that decision.

King said being "on par" meant "average," and noted that no one in the room wanted Peachtree City's employees to be considered "average." He asked how the proposal compared with non-governmental wages. Condrey said that there were some jobs that were comparable, but the private sector paid significantly more for management. The proposal had lower level positions on a similar scale as the public sector.

Learnard asked Condrey if there was a table of current salaries to compare to the A, B, and C proposals. Condrey noted that Proposal C represented an average (the 50th percentile) of the 17 jurisdictions surveyed. Scale B was three percent above Scale C, and Scale A was six percent above Scale C. Brown reiterated that, if the City adopted Scale C, it would soon be behind average again due to pay increases being proposed in the other jurisdictions. Condrey said he had not showed any plans at the third quartile (75th percentile) due to the expense. He had worked to provide proposals that would be affordable.

Learnard asked where the City fell, and Condrey said the City was probably currently at the 30th or 35th percentile, falling 15% below the average. Condrey said he did not start with the current pay scale and make adjustments; he had created a new plan based on the jobs being performed. Pennington noted that the City's current pay scale could not really be compared due to the changes in job duties over time that were not even reflected in job descriptions. Part of Condrey's work included providing new job descriptions. Brown noted that even job titles and grades had changed, meaning a comparison would not be consistent. Pennington noted that the current pay scale had more than thirty steps, which was a very outdated approach.

Learnard summarized that they were saying it was an archaic system and asked if there would be fewer steps in the scale. Pennington said there were no steps; there would be a minimum, a mid-point, and maximum. Condrey noted that every position might have moved, but they did not all move the same amount, which added to the complexity.

Pennington said a lot of organizations utilized the mid-point as the place every employee should be. Once the schedule was in place, if adopted, the City needed to implement a revamped performance evaluation system.

Brown shared that it had taken the City 18 months to fill all the positions that had been open in the Building and Grounds department. The City had high expectations of employees because every employee was around citizens. While the expectations had not been lowered, it meant that it took a long time to fill positions.

King asked when staff would bring forward the proposal for Council to vote on. Brown said it would be presented for a vote as quickly as possible and would include an effective date so that payroll software could be updated.

Learnard thanked the City Manager, saying the three goals he mentioned at the beginning of the meeting were huge accomplishments that she appreciated.

Chris Campbell commented on the discussion about retirement plans, expressing concern about making any major changes. Employees considered the salary and retirement as two pockets of money, both of which were important. The City had a lot of longevity among employees up to five years ago, but that had changed and there had been a lot of flight. As a supervisor, he was trying to keep employees from leaving, but that was getting harder every year, as was getting new employees. The country was creeping out of the bad economy, but the City had not kept pace in the pay scale leading up to the bad economy. He asked if the equity proposal stopped at six years of service. Condrey noted it was six percent for seven or more years of service in the regular plan, or four percent for four or more years of service in the modified plan. He recommended the full equity implementation.

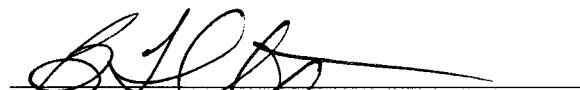
Fleisch said there had been a proposal during the budget approval to implement a two percent inverted salary increase. Condrey said he was aware of the proposal but did not really understand it. Fleisch said the proposal gave the higher raises to the lowest paid employees, and asked how that would impact the pay scale. Condrey said from what he understood, it would make compression issues much worse.

Fleisch asked how Condrey had selected the jurisdictions for comparison. Condrey said he had looked at the geographic region and had learned from the department heads where they were losing employees and applicants. The idea was to cast a wide net, with some larger and some smaller, some nearby, and some who were helping to set the labor market in the region. Brown noted that accurate comparisons had also been important, such as making sure they were not comparing with fire departments that did not also offer emergency medical services.

Prouty said when she interviewed for full-time positions at the library, they were competing with libraries like Coweta that offered TRS (teachers' retirement system), which was better than the City's retirement plan. The City could go with that program but it was very expensive. At Learnard's request, Prouty explained that independent libraries that wanted state funding had to participate in TRS. However, Peachtree City was part of the Flint River system, which did participate. The City could participate by having Flint River take over payroll for the librarians, but the City would still have to fund the payroll and the TRS retirement system. The independent libraries in Flint River had an option.

Fleisch thanked the employees who attended, the committee, and Condrey for the work. Ernst noted that he had counted 54 employees in attendance and said the study was important to them and was important to Council.

The workshop ended at 7:39 p.m.


Betsy Tyler, City Clerk
Vanessa Fleisch, Mayor