

**FAYETTEVILLE CITY COUNCIL
BUDGET WORKSHOP MINUTES
LAFAYETTE ROOM
MAY 18, 2011
5:00 P.M.**

Present: Mayor Anthony G. Chavonne
Council Members Keith Bates, Sr. (District 1); Kady-Ann Davy (District 2); Robert A. Massey, Jr. (District 3) (arrived at 5:10 p.m.); Bobby Hurst (District 5); William J. L. Crisp (District 6); Valencia A. Applewhite (District 7); Theodore W. Mohn (District 8); James W. Arp, Jr. (District 9)
Absent: Council Members Darrell J. Haire (District 4)
Others Present:

Dale E. Iman, City Manager
Kristoff Bauer, Assistant City Manager
Doug Hewett, Assistant City Manager
Karen M. McDonald, City Attorney
Lisa Smith, Chief Financial Officer
Tracey Broyles, Budget and Evaluation Manager
John Kuhls, Human Resource Development Director
Michael Gibson, Parks and Recreation Director
Randy Hume, Transit Director
Jeffery Brown, Engineering and Infrastructure Director
Nathan Walls, Public Information Specialist
Members of the Press

I. Open Meeting

Mayor Chavonne opened the meeting and called it to order.
Mr. Dale Iman, City Manager, provided an overview of the agenda as distributed.

II. Compensation and Benefits

Mr. John Kuhls, Human Resource Development Director, presented this item and reviewed a power point as follows:

Goals

- Bring pay ranges current with market
- Get all police officers on appropriate step
- Bring employees' pay competitive with the market (to midpoint in 7 years)
- Continue to alleviate salary compression
- Implement Pay for Performance System

Current Gap on Pay

- General Employees and Upper Rank Police – Midpoint in 7 years
 - 7% below market (including longevity)
 - 37% (209) not at midpoint (7+ years)
 - 63% (354) at or above midpoint (7+ years)
- Police Officers
 - 17% (51) not on step
 - 83% (243) on step

Pay Recommendations(Due to Limited Funding)

- Maintain pay ranges to meet market – No adjustments recommended
- Continue police officer step plan
 - Recommended step increases of base salary who meet or exceed expectations
 - Step Plan: 13-step plan with 4% or 5% steps (5% cap)
 - 83% on step (243); 17% off step (51); 294 police officers total

- Continue market competitive pay for general employees/upper rank police
 - Recommended 2.5% of midpoint pay for performance for General Fund employees who meet or exceed expectations
 - Recommended 4.0% of midpoint pay for performance for Upper Rank Police who meet or exceed expectations

A question and answer period ensued regarding five years of service being the number for turnovers, the rating system used on performance evaluations, and the training provided to supervisors on the rating system. Mr. Kuhls continued review of the power point as follows:

Benefits Information

- Mandated Retirement Changes
 - City General – 6.44% to 6.96%
 - City Sworn Police – 15.09% to 15.72%
 - Employee Mandatory Contribution – 6%
 - City contribution received by employee only if employee retires
- Healthcare Changes
 - Adjusted plan design – more out of pocket expenses for employee/family (consumer)
 - Minor changes this year – Rx Tier II co-pay and Specialist co-pay (\$5 increase – Plan A)
 - Wellness benefit covered at 100% with co-pay waived
 - 4% lower claims costs projected per participant due to favorable claims history
 - Contribution changes:
 - Employees - \$0 to \$21 per month
 - City - \$20 to \$0 per month

Longevity Pay

	All Funds Long. Only	All Funds Long. w/Ben.	General Fund Long. Only	General Fund Long. w/Ben.
FY 11*	\$1,451,780	\$1,713,161	\$1,345,032	\$1,588,490
FY 12	\$1,513,330	\$1,794,124	\$1,398,252	\$1,659,126
Variance	\$61,550	\$80,963	\$53,220	\$70,636

- FY 11 budget adjusted to reflect 4.1% vacancy reductions applied in FY 12
- Increases reflect impact of pay increases and retirement rate changes
- Employees hired on or after 7/1/2009 not eligible for longevity

Pay Examples (Before Increase)

- Lowest Paid Employee

\$19,795.00 Gross Annual Pay

\$761.35 Biweekly

5.75 Lowest Cost Employee Only Medical Plan

45.68 Mandatory Retirement Contribution

78.00 Federal Income Tax

42.69 FICA

42.59 State Income Tax

\$546.63 Biweekly Net Pay
- Average Hourly Employees (79% of workforce)

\$34,067.00 Gross Annual Pay

\$1,310.27 Gross Biweekly Pay

5.75 Lowest Cost Employee Only Medical Plan

78.62 Mandatory Retirement Contribution

156.00 Federal Income Tax

73.71 FICA

85.81 State Income Tax

\$ 910.38 Biweekly Net Pay

\$852.00 Gross Annual – 2.5% of midpoint pay increase
\$32.77 Gross Biweekly – 2.5% of midpoint pay increase

- Average Police Officer
 - \$42,583.00 Gross Annual Pay
 - \$1,637.80 Gross Biweekly Pay
 - 5.75 Lowest Cost Employee Only Medical Plan
 - 98.27 Mandatory Retirement Contribution
 - 208.00 Federal Income Tax
 - 92.21 FICA
 - 122.70 State Income Tax
 - \$1,110.87 Biweekly Net Pay

City Turnover History

Fiscal Year	Sworn Police Officers	All Other Employees
06-07	11.6%	8.8%
07-08	11.3%	9.1%
08-09	8.9%	6.3%
09-10	12.8%	10.0%
Projected FY 10-11	13.2%	8.3%

Employee Years of Service[All Employees (Includes Sworn Police)]

Years of Service	Number of Employees	Percentage of Employees
0-5	624	44.70%
6-10	319	22.85%
11-15	216	15.47%
16-20	97	6.95%
20-25	83	5.95%
26+	57	4.08%

Compensation Study – Update

- RFP issued through PWC procurement
- 5 proposals submitted for review
- Evaluation of submissions just started
- Scope is City-wide
- Focus on staying competitive in market
- Recommendations on structures and more
- Consider total compensation in outcome (i.e., longevity pay and value of benefits)

A question and answer period ensued regarding the Human Resources Development Department being the point of contact for employee concerns regarding raises, the raise percentage for meeting or exceeding expectations, and the incentive for employees to exceed expectations.

III. Transit TDP Implementation West Fayetteville

Mr. Randy Hume, Transit Director, presented this item. He provided background information on the Transportation Development Plan (TDP) and stated improvements were being made. He stated ridership on all routes were increasing and provided a brief overview of the routes and improvements.

A question and answer period ensued after which there was discussion regarding the requirements for federal assistance, route extensions, the need for reoccurring revenue to support reoccurring expenses, the possibility of raising fares when Sunday services were added to the routes, formulating a long-range plan for new routes, creating new revenues by soliciting partnerships with higher education institutions and hospitals, and placing ads on buses.

IV. Parks and Recreation Update

Mr. Michael Gibson, Parks and Recreation Director, presented this item and provided an update on the Parks and Recreation services. He reviewed a handout highlighting the savings generated from the consolidation of the City and County parks and recreation services as follows:

13 positions eliminated FY 07-FY 11	\$552,893.00
City and District shared positions:	
City Savings	73,864.00
District Savings	<u>66,182.00</u>
Total City/District Shared Shavings	<u>140,046.00</u>
Total Fayetteville-Cumberland Parks and Recreation Savings	
	<u>\$692,939.00</u>

Mr. Gibson then reviewed a breakdown of the right-of-way and parks services as follows:

- Right-of-Way Division maintains 179 road miles or 400 shoulder miles
- Parks Division maintains 55 parks and green spaces totaling 786.24 acres
- Horticulture Division maintains 166 areas of planting and caring of ornamental trees, shrubs and 38 athletic turf fields totaling 245 acres
- Cemetery Division maintains 9 cemeteries for a total of 99 acres
- Leaf Season collects approximately 43,860 cubic yards of leaves

Mr. Gibson stated a reduction in the frequency of mowings on the schedule and the mowing tractors being reduced by four due to the installation of sidewalks has resulted in additional savings in the right-of-way work orders as follows:

<u>Year</u>	<u>Total #</u>	<u>Total Hours</u>	<u>Total Labor</u>
FY 10	248	292.11	\$4,654.94
FY 11	145	199.80	\$2,752.76

Discussion ensued regarding the installation of revolving doors at the recreation centers. Mr. Dale Iman, City Manager, explained the doors were energy efficient and being installed through an energy efficiency grant and the City would see the savings pay for the doors in three years. Council Member Crisp expressed concern that nonresidents could not participate in sports. Mr. Gibson explained there was no policy in place and if there were, the issue would be enforcement of the policy. He stated a task management software was purchased and would be tested at the high volume recreation centers in the next 30 to 40 days. He explained the children would be issued an identification card that they would swipe and it would be tracked on the computer.

V. Capital Improvement Plan

Mr. Dale Iman, City Manager, presented this item and provided a brief overview of the funding in the Capital Improvement Plan for various ongoing projects and purchases.

Discussion ensued regarding the information presented.

Mr. Iman inquired if there was anything in the budget that Council wanted to add or delete in preparation for the public hearing on May 23, 2011.

Council Member Crisp stated he had submitted a question regarding the rate drop on the sewer assessments. Mr. Iman responded they were waiting on data from PWC to analyze and respond.

Council Member Crisp inquired where the money would come from if the rate went from 8 to 6 percent and what would happen if the rate went over 8 percent. Mr. Iman responded they would have to take the difference from the fund balance. Ms. Lisa Smith, Chief Financial Officer, further responded the policy does not speak to having to make up the difference if the rate went higher than 8 percent and PWC took that risk as part of the agreement.

VI. Items of Interest for Upcoming Budget Workshops

No items of interest were requested for the upcoming budget workshops, but it was requested that any concerns raised at the public hearing be considered at the budget workshops.

Mr. Jeffery Brown, Engineering and Infrastructure Director, provided a handout of the storm water projects on the Capital Improvement Project list.

There being no further business, the meeting adjourned.