

**CITY OF BUCKEYE
COUNCIL WORKSHOP
JUNE 23, 2015
MINUTES**

**City Hall Executive Conference Room
530 E. Monroe Ave.
Buckeye, AZ 85326
3:00 p.m.**

1. Call to Order/Roll Call

Mayor Meck called the meeting to order at 3:03 p.m.

Members Present: Councilmember Hess (excused at 5:10 p.m.; returned at 5:12 p.m.), Councilmember McAchran (excused at 3:44 p.m.; returned at 3:48 p.m.), Councilmember Heustis (excused at 5:22 p.m.; returned at 5:26 p.m.), Vice Mayor Orsborn (excused at 4:28 p.m.; returned at 4:30 p.m.), and Mayor Meck.

Members Absent: Councilmember Garza and Councilmember Strauss.

Departments Present: City Manager Stephen Cleveland, Assistant City Manager Roger Klingler, City Attorney Scott Ruby, City Clerk Lucinda Aja, Deputy City Clerk Summer Stewart, Assistant to Council Carol Conley, Assistant to Council Christine Grundy, Fire Chief Bob Costello, Police Chief Larry Hall, Human Resources Director Nancy Love, Finance Director Larry Price, Community Services Director Cheryl Sedig, and Government Relations Manager George Diaz.

2. Presentation, Discussion and Possible Direction for Staff Regarding the Results of the Pay Study

Staff Liaison: Nancy Love, Human Resources Director

District No. All

Ms. Love opened the presentation and provided an overview of the market analysis and discussed the purpose of performing the study. The sick and vacation cash out policy was summarized; the policy states every June employees are afforded the opportunity to cash out sick and vacation hours based on the financial condition of the city. If all eligible employees cashed out the full allotment of sick and vacation, the cost would be approximately \$955,000. Previous cash outs have equaled approximately 50% of the eligible amount. Ms. Love discussed the market analysis conducted by Gallagher & Co. ("Gallagher"). Gallagher was hired for the purpose of determining if City of Buckeye employee pay is comparable in the market, to develop a pay structure and job classifications, and present the least costly implementation strategy. Council previously requested additional information on several issues including compression issues, elimination of steps, and implementation of a pay program that addresses lagging range minimums and leading range maximums. Compensation philosophy was reviewed and defined as a statement articulating our position related to employee compensation that creates a framework for consistency. Compression was defined as pay differentials that are too small to be considered equitable. Lori Messer with Gallagher discussed a salary structure recommendation ("Option 2") that is reflective of the market and irrespective of potential costs, as requested by Council. The recommended pay structure table for non-sworn employees was displayed; key changes include reduction in number of grades from 52 to 30, range spreads adjusted to reflect the market, and a minimum of 5% difference in midpoint to midpoint spread (current structure averages 3%). Proposed sworn fire and police pay structures were presented that are consistent with data collected in the market with significant reductions in range spreads. The cost to implement a program with

employees placed into the proposed range based on time in current position was provided; Option 2a has an estimated cost of \$950,000 and Option 2b has an estimated cost of \$2.5 million. Ms. Love stated the implementation strategies will require staff examine each individual employee to ensure they are placed within the salary structure in a fair and consistent manner. The recommended range spread of 40-63% (current range spread is 65%) is based on modern pay structure models and range spreads found in the comparator market. Further recommendations include consideration of class structure proposal and approval to move forward on the development of class specifications, consideration of proposed salary structure for non-sworn and sworn personnel that is reflective of modern pay structure development and the market, consideration of a multi-year implementation and transition plan that is fiscally responsible, and consideration of regular pay salary structure updates. Next steps were reviewed and include drafting classification specifications, preparing and distributing information to employees, and implementation and maintenance training. Grade levels and difference in midpoint to midpoint spreads were reviewed. Implementation of the new pay structure with option 2a or 2b address, for the most part, the issue of compression. No employee would experience a reduction in pay with implementation of any recommendations. Differences between recommended options were discussed; Option 2a or 2b would address pay structure, place Buckeye at 50% of market, and address current range overlap. The cost to place each employee at the correct step based on the *current* pay range structure and time in position is estimated to be \$2.2 million. Ms. Love stated a potential cost of living allowance (COLA) increase of 1.84% per employee was previously placed in the fiscal year (FY) 2015-2016 budget in the amount of \$668,092 along with a 3.14% merit increase (or one-time bonus) in the amount of \$1,147,375, for a total of approximately \$1.8 million. Ms. Love also stated a percentage of employees would not see an increase in pay at all with the implementation of any of the options presented because the current wage of those employees are correct based on time in position; it would cost \$225,000 to give those employees a 1.84% COLA and \$350,000 to give those employees a 3.14% one-time merit increase. Mr. Price provided an overview of the adopted FY 2015-2016 city budget; there is an additional \$1,027,737 in contingency funds that may be utilized at the discretion of council and still maintain the policy of 25% of operating expenditures kept in the reserve/contingency fund. Water, sewer, sanitation and airport employee pay is supported by fee collection and not paid out of the general fund; staff will provide totals from each applicable fund from which any approved wage adjustment costs will be paid. Recurring and non-recurring revenues were defined and compared. The \$12.8 million in the contingency fund may be utilized at the discretion of Council; the operating budget should not be greater than operating expenditures. Ms. Love discussed the request to eliminate steps; the Gallagher proposed pay structure eliminates steps for non-sworn personnel. General discussion was held regarding the assumption that each year every employee will receive a step increase equal to a 5% increase in pay; a change in policy can address the issue. Ms. Messer reviewed the difference between an open range pay system and a step system; an open range system supports a pay per performance policy. Discussion was held regarding reclassification; each employee that has been promoted or reclassified will be looked at on an individual basis to ensure fair and consistent placement within the pay structure. Classification and compensation policy components were listed; pay adjustment types were defined and include COLA, market adjustments, merit, other wage adjustments, and total compensation. Maintaining the existing range widths and placing employees at the step based on years in position without amending the pay structure will continue to result in issues of compression; range minimums will continue to lag the market. General discussion was held regarding implementation options. Mayor Meck commented with regard to council approval of Gallagher conducting the market analysis, the cost of the market analysis, the need to adjust the pay policy, and the importance of valuing *all* employees. Mr. Cleveland recommended implementation of the updated pay structure; discussed the importance of amending the pay policy to progress toward a pay for performance structure; suggested authorization of sick and vacation time cash out. Council requested the issue of wage adjustments be placed on the August 4, 2015 Regular Council Agenda for action, to include the updated pay structure with all employees placed within their appropriate pay grade at a rate based on time in position. Discussion was held regarding wage adjustments for employees that will not see an increase in pay based on the new rate structure. Human resources staff will notify and provide further information to employees

regarding the option of cashing out sick and vacation time to be paid as a separate check in the month of July, 2015.

3. Adjournment

A motion was made by Vice Mayor Orsborn and seconded by Councilmember Hess to adjourn the meeting at 5:49 p.m. Motion passed unanimously.

Jackie A. Meck, Mayor

ATTEST:

Lucinda J. Aja, City Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Council Workshop held on the 23rd day of June, 2015. I further certify that a quorum was present.

Lucinda J. Aja, City Clerk