

BOARD OF ALDERMEN

ITEM NO. E(2)

**AGENDA ITEM ABSTRACT
MEETING DATE: February 11, 2003**

SUBJECT: Discussion of Pay and Compensation

DEPARTMENT: Personnel	PUBLIC HEARING: YES ___ NO <u>x</u>
ATTACHMENTS: A. Resolution B. Budget Amendment C. December 3 rd Minutes	FOR INFORMATION CONTACT: Desiree White – 918-7321

PURPOSE

The purpose of this item is to provide the Board with the opportunity to decide whether it wants to hold a work session on personnel compensation issues and, if so, whether the Board wishes to hire a consultant to assist the Board in exploring these issues.

INFORMATION

Periodically, the Board has raised questions regarding the town’s pay and classification system and how it compares with Carrboro’s labor market (Apex, Cary, Chapel Hill, Durham, Garner, Raleigh, OWASA, Durham County, Orange County, Wake County, and State Government). Each year, decisions have to be made regarding the manner in which the town will compensate its employees. A discussion regarding the manner in which the existing system operates, an exploration of alternative approaches to compensation, and the adoption by the Board of a “compensation philosophy” that establishes the Board’s goals and objectives for the town’s compensation system may help to guide the staff in making compensation proposals and the Board in making compensation decisions that have long and short term consequences. Staff suggests that such a discussion might focus on the following questions, among others that the Board may wish to have addressed:

- What components make up a total compensation package?
- What issues should be considered in rewarding or compensating employees (focus on current employees, retirees, families vs. singles, etc)?
- What are the current pay trends in North Carolina cities?
- What steps should an organization take if it desires to maintain competitiveness in its labor market?
- What kinds of pay increases should be considered to maintain labor market competitiveness? For information purposes, staff has defined below several types of pay increases and the Town’s history in providing such:

Merit or pay for performance –compensation that rewards an employee for job performance exceeding what is expected of a fully qualified individual in a specific position. Carrboro has no merit program in place currently. Historically, merit increases have ranged from 0 – 5%.

Cost of living adjustments – a pay adjustment, usually an increase, that reflects the most recent year’s change in the national Consumer Price Index (CPI). Carrboro did not award COLA in July 2002, but has done so in previous years.

Market adjustment – a pay increase that is based on a change in the Consumer Price Index as well as local and/or regional labor market competitors. In recent years, Carrboro has conducted a market study every two years and is scheduled to have another study completed this fiscal year.

Reclassification – a pay increase based upon a change in job duties and responsibilities. Carrboro’s practice has been to award 5% for each grade increase, not to exceed 10%.

Skilled Based Pay – a pay system designed to reward employees with an increase in pay rate as they demonstrate they have attained additional skills. Carrboro building inspectors are subject to skill-based pay.

Flat amount – a pay increase that awards all employees a certain dollar amount. Carrboro implemented a flat amount increase effective January 2003.

- What significance, if any, is there in reaching the midpoint or job rate of a salary range, and how long should it take an employee to reach this point? What steps, if any, should be taken to get employees to the job rate?
- Define salary compression and explain how it may be avoided? If it is a current problem, how should it be remedied?
- What are the pros/cons of using a salary table (pay grid)?

Should the Board wish to hold such a work session, staff recommends that a consultant be hired to provide additional expertise to the Board and respond to the Board’s questions from the perspective of someone who is outside the organization and is familiar with how compensation issues are dealt with in other organizations.

Staff has taken the liberty of contacting Bob Crowder, Director of Personnel and Employee Relations at the North Carolina League of Municipalities. Mr. Crowder is very well respected, and has over 30 years of experience in state and local government. The Board is familiar with Mr. Crowder, as he most recently presented to the Board a suggested process for conducting a manager search. Mr. Crowder is available and willing to have this discussion with the Board.

In addition, the Board approved in its meeting on December 3rd (see attached minutes) to have a market study of all Town positions conducted this fiscal year. A budget amendment appropriating the funds for the study is attached. Revised budget projections for utility franchise revenues are sufficient to support the expenditures. Upon approval, staff will contact the North Carolina League of Municipalities to secure the contract from Springsted, Inc. to begin this project.

FISCAL IMPACT

N/A

ADMINISTRATION’S RECOMMENDATION

The administration recommends that the Mayor and Board of Aldermen receive this report and decide whether it wishes to hold a work session on personnel compensation issues and, if so, whether to have Bob Crowder lead this discussion. Should the Board decide to hold such a work session, staff is recommending that it be held on February 25th. In addition, staff is requesting that the Board approve the budget amendment to allocate funds to conduct a town-wide market study.