



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
TUESDAY, SEPTEMBER 17, 2019 – 4:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Tuesday, September 17, 2019 at 4:00 p.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners Mike Sullivan, Pat Kwiatkowski, Joe Butler and Peter Freer; Town Manager David W. Hewett; Town Clerk Heather Finnell; Assistant Town Manager Christy Ferguson; Fiscal Operations Clerks Margaret Lancaster, Mandy Lockner and Carey Redwine; Chief Jeremy Dixon; Sergeant Frank Dilworth; Inspections Director Tim Evans; and CAMA Official Rhonda Wooten.

PUBLIC COMMENTS

No comments were made.

CLASSIFICATION & PAY STUDY & UPDATED PERSONNEL POLICY REVIEW – BECKY VEAZEY, THE MANAGEMENT & PERSONNEL SERVICES (MAPS) GROUP

Town Manager Hewett explained this is the follow-up review with Becky Veazey from the MAPS Group. The idea or goal is to bring it back to the October meeting if possible for adoption.

Commissioner Butler asked if within the job classifications if there is any place showing what educational background or experience an employee should have. Ms. Veazey explained that under the class specifications located in the third tab each description has a desirable education and experience. She explained how they came up with the descriptions. They try to reflect what people are actually doing under the duties section.

Commissioner Butler said under policy on page 1, he would like Ms. Veazey's opinion on policy versus ordinance. Ms. Veazey stated there is a legal side and a practical side. She explained there was a court case that put municipalities in a bind. Prior to the case, most municipalities adopted their policies by ordinance. The case said if you adopt it by ordinance you are vesting property rights in employees, which means under the constitution you cannot take property without due process. If you adopt it by resolution, you don't necessarily vest property interest, unless the policy says you do. Most municipalities have adopted policies by resolution to keep legal liability low. The policy is true policies, not procedures. She used tuition assistance as an example and explained how you could put procedures in place for the policies. Mayor Pro Tem Fletcher said boards change frequently. He asked if it depends how it is adopted if a new board can change or alter it. Ms. Veazey replied that regardless of how it is adopted, new boards may amend it. There are some laws and court cases that have some restraints on that. She said for certain benefits, once an employee becomes vested, the Town can no longer take that benefit away. They can

grandfather that person and change it for the new people coming in. Mayor Pro Tem Fletcher said you wouldn't think a board would have a right to tamper with something once it is established. Ms. Veazey explained even with property rights, if you follow due process it can change.

Commissioner Freer stated our town manager has multiple roles. He didn't see finance officer identified. He asked if budget officer is part of the town manager's position. Town Manager Hewett verified it is by statute. Commissioner Freer said it reads like it is separate in the description so it is a little confusing. Town Manger Hewett added the manager is also the personnel manager by statute. Commissioner Freer said it doesn't read clearly; it says performs official role as budget officer and finance officer. Ms. Veazey said budget officer is under the town manager statute. Finance officer is a combination the Town has chosen. When they classify a job, they are classifying all of the duties performed by a single person. She explained they don't write a description for each individual function; they write it for what a person does. The description is intended to identify each function.

Commissioner Freer asked about the intent of the three options. Ms. Veazey replied it is intended to get to the salary range of the average of the peers, not individual employees. Option I is to get to the minimum, plus not have really bad compression. It is very conservative, but it spreads people out within the range. Option II does it also, but not as well. It is putting less money into addressing compression.

Ms. Veazey stated the job descriptions are not adopted by the Board; the Board adopts the titles. If the Board wants to make some changes, they can. She said management may want to come in and make some tweaks and that is perfectly legitimate. She recommends that management does not need to come back to the Board with little tweaks. If they are changing a job substantially enough to change the classification, the Board would need to approve that, but adding a line in a job description shouldn't need approval.

Mayor Pro Tem Fletcher asked how much the analysis reflects the fact that this is a small staff, in terms of numbers of people that people supervise, the breadth of their responsibility. Ms. Veazey answered they try to take that all into account, especially when comparing in the local area. They try to take into account the similarities, the differences and the scope of what is being managed.

Commissioner Freer inquired if vehicles for police or employees are part of the compensation in the study. Ms. Veazey responded that there has been a really strong trend for police officers to have take-home vehicles. That is pretty well established. Other positions vary. It usually has to do with the need of the person to come back and respond to emergency situations rather than a perk, except for the manager. Most places provide managers with a car or vehicle allowance. Commissioner Freer said most police live in their jurisdiction and want them to be available immediately. He said we don't fall into that so it is a unique situation. There are other factors on why you would want the police to have their vehicles.

Commissioner Kwiatkowski reviewed her questions she asked Ms. Veazey by email. Her first question was on Option I and she thinks everyone was notified about that. She had a question on comparing health plans and she was provided with the spreadsheet from the NC League of Municipalities from last year.

Commissioner Sullivan stated the goal is to bring the salaries and benefits equal to the competing or neighboring towns. The one thing that stands out is that the Town pays 80% of the employees' dependent insurance. He asked if we remain at that number are we doing more than what someone has an expectation of or is there another part we are giving less than others. Ms. Veazey replied that there are

other people who are subsidizing dependent coverage, just not as high. When you talk about employee expectations the thing to think of is if you have history that could be what attracted people. The reason people choose to subsidize that at any level is typically because they want their employees to be able to afford dependent coverage. That is a policy decision. Seven out of nine of the places they compared the Town to have longevity and there is some subsidy in many places. Commissioner Freer said pay, benefits and longevity are all part of the total compensation package. Ms. Veazey said dependent coverage is not needed by all employees so it will benefit some and not others. The other thing to remember is that for some groups, especially millennials, pay is more important. To a large extent most municipal benefits are very similar. She tends to put more focus on making sure the salary ranges are competitive. Commissioner Freer said that is not the case here. Commissioner Kwiatkowski said the percentage offered is a number. It is the underlying factors of plan coverage that are important when you are deciding if we are doing as well for our employees as someone else. If someone offers a plan that has three times the deductible and out of pocket and has a higher copay, it may look wonderful, but it is not. She said pay draws the younger people. As they move through money versus benefits, versus retirement benefits it is the normal progression. They get a family, have the experience and you want to keep them. That is when it starts to kick in how important having dependent care is. They phase into it and phase out of it. When you are trying to keep good people, healthcare becomes one of the critical things. The percentage is not the absolute comparison. Commissioner Kwiatkowski said she isn't saying it is right or wrong, but she thinks it is something for next year's budget. The actual personnel policy doesn't commit the Town to a benefits sharing number. Commissioner Freer stated he doesn't think the Board gets to select the plan the Town uses. Commissioner Kwiatkowski agreed the Board's control is in the budget. Commissioner Freer doesn't think it is the case in the Town that the deductibles are extremely high and that is why the Town pays 80%. Commissioner Kwiatkowski said it is hiring the people and then it is retention that having a healthcare plan is probably most important. Commissioner Freer agreed it is a budget discussion. He said it is a \$90,000+ budget item. Commissioner Kwiatkowski said to remember the amount of money it is estimated to take if you need to hire new people. If you have three people who feel without adequate care they have to move on, you are faced with hiring and training three people. It is a balance. Commissioner Sullivan stated the real issue is if you go from 80%, is it worth it to lower it. He asked what the real dollar cost would be to lower it from 80% to 60% or 50%. Commissioner Freer said he asked that question and it is \$92,000. Commissioner Sullivan said that is the total. The question comes to what is equitable. Mayor Pro Tem Fletcher said you do need to think of the quality of staff. He can look and see some people the Town would not want to lose.

Town Manager Hewett said any of the implementations would require an appropriation. The salaries are spread across the funds so he would need to do math and bring a budget amendment back to the Board to make this effective for January 1st. He is assuming at the October meeting, the Board would adopt the study and it would then follow with a budget amendment that would provide the funding for the January 1st implementation. He needs direction from the Board on how they wish to proceed. Commissioner Kwiatkowski said even just approving the pay plan would help a great deal because mathematics needs to be done, but she thinks it is better to do the policy and the pay plan together. She said when she went through it looking at compression Option I is the best option to address compression. If the Board agrees on that the town manager can do the calculations. She thinks the other part of compression had to do with having a methodology in place that gives a way of increases that people move within their pay ranges based on high performance. The example given in there is a good method of how you would approach that. It would be up to the town manager on what he viewed was appropriate so that it could be part of

next year's decision making process. A performance evaluation program was a high priority for her, assuming we have the budget and time.

Commissioner Kwiatkowski said the rest of the things she wrote up were things in the personnel policy that in her opinion should be altered. She doesn't believe longevity pay is the best way for incentivizing good performance. She has a few comments on tuition assistance. For the vacation leave and accrual rate, looking at the old policy versus the new policy, it looked more straightforward to keep the two personal days that employees currently get that don't accrue. Commissioner Kwiatkowski stated concerning the change in vacation leave maximum accumulation, in the past the Town didn't allow extra vacation to go into sick leave accrual. She sees the need that when people can't use vacation you want them to have a way they can still bank it. Her thinking is that since the Town encourages people to take vacation, you could set a limit and say an employee can bank no more than half of their vacation.

Commissioner Freer said he was just told insurance was budget related; isn't everything in here related to the budget? Commissioner Kwiatkowski said the Board would have to approve a budget amendment. Town Manager Hewett explained the annual cost for implementing Option I is \$80,000. With what he calls the cabbage accounts, you are looking at \$100,000 to implement Option I for a whole year. We are talking about \$50,000 since we are talking about implementing it in January. The positions are spread across three funds, so the impact to the funds will be different. It would need to be an appropriation. Commissioner Sullivan suggested that the Board go through the items to give a basis to formulate the issue the Board will discuss at the next meeting. The Board talked about if further discussion should be held at this meeting. They discussed how the adjustment would be implemented. Commissioner Kwiatkowski said there has been a real trend that increases in pay were being eaten up by increases being passed on in insurance care. That is something that needs to be considered because you are trying to attract and retain good people. Giving them raises that don't even make up for the added healthcare costs that are passed on is not motivational.

Motion by Commissioner Sullivan that we agree to use Option I; second by Commissioner Kwiatkowski.

Mayor Pro Tem Fletcher asked if that is including the 1% a year for each year of service. He thought Commissioner Kwiatkowski did not want to do that. Commissioner Kwiatkowski replied longevity is a separate issue from that. Option I is the one that decompresses the range. Ms. Veazey added that Option I is a one-time thing to get people onto the pay plan. Commissioner Butler said he kind of sees it as a salary adjustment. The adjustment is you are going to bring people that aren't in the minimum category over to the minimum from a competitive standpoint; that's why we did this study. Ms. Veazey explained that all three options take the employees to the minimum of their recommended range. Option I also moves them based on years of service. Option II is doing it based on .75% per year and instead of starting at the hire date, it starts at the date of their last promotion. Option III moves them a little less. Commissioner Sullivan stated if the purpose of having this done was to get an accurate and fair value on the services that are rendered, then a person who is doing the same job, but has been doing it for eight years competently should be compensated at a higher rate than someone who just started the job. Option I is a fairer way of compensating the employees of the Town. Commissioner Freer would argue that they are all fair, but they just have a different level of compression. Ms. Veazey said this will be jump starting addressing the Town's compression, but we still would be behind the eight ball on the compression issue. Option I is jumpstarting the Town better than Options II or III, but it will not get it to where it should necessarily be. Mayor Pro Tem Fletcher asked what impact there will be if he is in midrange of his job now and has been here for 20

years. Ms. Veazey responded probably none. Commissioner Sullivan pointed out the graph on page 12 that shows the effect of each option. Ms. Veazey asked if you would want a 20-year employee to only be at the minimum. Option I gets them to the midpoint, Option II does not and Option III gets them less close. She said it probably won't get them as far as you would hope, but part of that is because you have a performance philosophy. Commissioner Butler said his original expectation was to take people who were not in the minimum and put people to the minimum because they deserve it. Ms. Veazey said all three options are based on the recommended pay table on page 14. The allocation of jobs to pay grades is the pay plan. Commissioner Freer said he would be in agreement if the Town's other compensation was inline, but it is not. He would not do a drastic change in the medical insurance; he doesn't think that is fair at all. That's why he wouldn't do the most drastic, costly change in the pay. Commissioner Butler said his original objective was to make sure the employees are at least paid in the scale they deserve. His opinion is the Board should pursue that. He would recommend at least consider giving Town Manager Hewett direction on the salary today. Commissioner Sullivan said his motion was to adopt Option I. He doesn't think the goal is to just pay the minimum; it is to pay a fair salary. To him, when he listens to what was presented to the Board and when he looks at the document in front of the Board, the fair salary is Option I. Commissioner Kwiatkowski said everyone agrees loyalty and longevity is valuable. She thinks one of the things Option I does is highlights that the Town is rewarding people for staying in the organization and working their way up as much as they can. It is valuable for people to know that their long-term service is also valued. Commissioner Butler stated he is not happy with minimum either. His concern was the folks who may not even be there; let's get them there. Commissioner Freer said it is \$100,000 that they don't have budgeted. He would be more comfortable with Option II. Commissioner Sullivan said it would be \$50,000 because it will be implemented for half of the year. Commissioner Freer said it would be \$100,000 a year.

The motion passed by a 4 – 1 vote, with Mayor Pro Tem Fletcher and Commissioners Sullivan, Kwiatkowski and Butler voting for the motion and Commissioner Freer voting in the negative.

ADJOURNMENT

Motion by Commissioner Butler to adjourn at 5:05 p.m.; second by Commissioner Freer; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk