

Personnel Committee

5:30 p.m., Tuesday, September 1, 2009

The regular meeting of the Personnel Committee was called to order at 5:37 p.m., Tuesday, September 1, 2009 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Council members Loftus and Taylor, Chairman Piening, City Administrator Tucker, Assistant to the Administrator Dziuban and City Clerk Copeland.

1. Due to heavy traffic, Chairman Piening was running late; therefore, Vice Chair Loftus called the meeting to order and acknowledged that the press and the public had been duly notified of the meeting in accordance with the Freedom of Information Act.

2. Approval of Previous Meeting's Minutes

MOTION: Councilman Taylor moved to approve the minutes of the regular meeting of August 13, 2009 as submitted; Vice Chair Loftus seconded and the motion PASSED UNANIMOUSLY.

3. Citizens' Comments - None

4. Old Business

(Chairman Piening arrived as discussion began.)

Councilman Loftus had been charged in January with researching compensation plans and to make a recommendation to the Committee to go from a combined merit/cost of living adjustment (COLA) plan to a "pay for performance" plan.

To start the discussion, Councilman Loftus asked how long the City had been using the combined merit/COLA system; Councilman Taylor replied that it had been in effect for more than nine (9) years. Councilman Loftus asked what had prompted the City to go to this compensation plan; Councilman Taylor commented that the change was a step to go from an annual increase to a hybrid performance and COLA that was the trend at the time.

Councilman Loftus related what he had learned about local communities and their pay systems as follows:

- Mount Pleasant has an annual increase that is combined merit and COLA; they would like to get away from the COLA, but not financially able to do so now, probably a three to four (3-4) year program to transition to performance based system; they do a salary survey every four to five (4-5) years.
- North Charleston uses Archer Consulting Group; they have been in system for four (4) years and are only now getting to where they want to be; biggest challenge is training personnel who give the evaluations and training the managers who train the supervisors; experiencing the "halo" effect – managers who are happy with their

employees give a high proportion of excellent or near excellent reviews rather than a balance of poor, average and excellent; they currently do not employ goals or objectives.

- Hilton Head has a very complete, very thorough and detailed compensation plan; their plan has been in place for several years; a human resources consultant was used to put the plan in place; the program is behavior-based with multi-form review; a different review form exists for each position/compatible position in government, i.e. each review is customized to the job position; the plan is objective-based that is customized to the position; once City Council establishes budget number for wage increases, the Administrator and Human Resources Director work through complex formula to decide how increases would be distributed; “halo” effect is number one (1) problem. Details of this plan are attached to the City’s master minutes for this meeting.

Councilman Loftus reviewed what he considered to be the pros and cons of the City’s changing now are as follows:

PROS

- 1) reward top performers
- 2) may help retention

CONS

- 1) cost involved in change, i.e. HR consultant
- 2) “halo” effect
- 3) much training for management team

Councilman Loftus proposed action points to the Committee as follows:

- 1) Continuation of the review process which City has gone through this year;
- 2) Establishment of objectives for department heads; and
- 3) Consolidation of wage increase programs to one (1) time per year to be tied to fiscal calendar rather than calendar year.

On the subject of eliminating the COLA, Councilman Loftus suggested that the City should let other municipalities in the state take the lead and for the City to emulate a successful model in the future. He opined that it was more important to have wage increases once per year and to set objectives for department heads based on the fiscal year.

Councilman Taylor asked the Administrator to explain the current wage increase cycle; Administrator Tucker noted that merit increases are based on a calendar year and paid in January; the COLA is based on the fiscal year and paid in July. If all of the employee evaluations are not received until February or March, the employee who has received an evaluation warranting an increase will be paid retroactively to January 1.

Based on the Administrator’s response, Councilman Taylor commented that, in order to make the wage increases once per year, the COLA would have to be accelerated or the merit increase would need to be delayed. Councilman Taylor speculated that the reason the increases were twice a year was that the COLA was initiated following the budget cycle. Administrator Tucker hypothesized that the reasoning behind the July 1 COLA was that the Administrator is responsible for reviewing all levels of the evaluations plus doing evaluations for the department heads and general government staff, and the Administrator is also a key figure

in the development of the City's annual budget. For the Administrator to do evaluations to go into effect July 1 and work on a budget in tandem, the workload would be very heavy.

Administrator Tucker expressed her opinion that the payment of wage increases in two (2) time frames was intentional thereby allowing the Administrator to focus completely on budget development during the months of February, March and April and devote time writing and reviewing evaluations when not absorbed with the budget.

When asked which time frame would be most conducive to a once-a-year increase, Administrator Tucker stated that the City's system was working well as it is based on the timing and workload. In addition, she noted that the majority of the local governments in the area and the Municipal Association are on a fiscal year and are looking at the Consumer Price Index (CPI) and the COLA for establishing millage and budgeting. Normally the COLA is based on the CPI and February over February numbers are also reviewed, so the timing of this information is in the same timeframe. The Administrator noted that Council decides the amount of the cost of living having been given the information about the CPI factor.

The consensus of the Committee was to use June 30 year-end figures to determine objectives for the department heads and to stay on the calendar for wage increases working toward the complete elimination of COLA in the future. The end result being that the COLA and merit increases would be paid effective January 1. With these changes, Councilman Loftus was of the opinion that the foundation for a merit-based system was in place.

When asked by Councilman Taylor what the Committee could do to assist her in implementing these changes, Administrator Tucker stated that she initially needed a date for the change to take place. She also cautioned the members of the Committee that this change would have a fiscal impact from delaying the merit or moving up the COLA; in addition there was the adjusting needed to ensure that the City was not doubling up on either increase.

Councilman Loftus was confident that the City Treasurer could devise a formula that would ensure that the employees are treated fairly and not feel that something has been taken away. At the same time, Administrator Tucker reminded the Committee that it was important also that the City not go backward in the progress it has made to ensure that the pay ranges are consistent with the competition.

Councilman Taylor expressed his opinion that the most difficult part of the process may be avoiding the "halo" effect; he noted that it was imperative for the managers to understand that their personnel fit into the Bell curve and that the evaluation process is a daily process, not a once-a-year process. He stated his confidence that the process described would work by giving those who shine an opportunity to be rewarded as well as others the opportunity to see the need to improve or look for employment elsewhere.

When Councilman Loftus asked if the Committee should go forward to present their plan to City Council for approval, the other members expressed their feelings that the plan lacked specifics, therefore, was not ready to go to Council.

Councilman Taylor repeated his question to the Administrator about what the Committee could do to assist her; she indicated that the Committee's vision was unclear to her other than the timing. She said she had not been given a clear direction in order to go forward.

Administrator Tucker commented that she had reviewed the information regarding Hilton Head's compensation plan that is the Archer system that many local governments are using; it is also the program that was not looked upon favorably by the Isle of Palms City Council. She, therefore, concluded that the Isle of Palms needed a hybrid system that was more tailored to the City's size and circumstances. It was the Administrator's opinion that the Isle of Palms is somewhat unique in that there are many City employees have longevity and "some stellar people who are performing very well;" therefore, she thought it was difficult to find a system that works with that type of longevity and adaptation in performance that has been demonstrated over and over.

Administrator Tucker commented that one (1) reason she found it difficult to respond to Councilman Taylor's question about assistance from the Committee because it was an aberration to the structure that currently exists. The personnel policies and procedures outlined in the personnel manual for the City state that the department managers will develop the tool for performance evaluation, submit the plan to the Administrator subject to the approval of the Administrator and the Personnel Committee. By doing something completely different, the Administrator commented that she struggles with what she would need because the Personnel Committee is not typically doing the research and coming back to her indicating to distribute to department managers for execution. Administrator Tucker noted that she does not believe the system to be flawed as it now operates.

Councilman Taylor asked when the last change had been implemented and was told it had been five or six (5-6) years; prior to that, the City had use much more complicated evaluation system – which was among the reasons for the change.

Councilman Taylor clarified his question stating that he was interested in knowing what needed to be done to go from this hybrid system to a pure merit system. Administrator Tucker commented that she had worked in a purely merit system in the past and recalled that the process was one (1) where the Administrator, in the budget process, would present to Council the amount of money in the aggregate that was being recommending to be available for merit increases. That amount is then divided between the departments and the department managers decide how the money would be distributed in their department.

Councilman Loftus stated that the City was already on a merit-based system with a COLA added to it; he asked if there would be a problem adding the COLA factor to merit and making any wage increase a merit increase. The Administrator replied she thought his proposal could be implemented rather easily through a revision of the personnel manual.

Councilman Taylor stated his understanding that the City could eliminate the COLA without any major changes. Administrator Tucker repeated that the scale in the personnel manual would have to be changed, and that would require action by this Committee and City Council. The decision would need to be made about whether to delay the merit or accelerate the COLA factor; therefore, Councilman Taylor thought the change should be built into next year's budget.

He suggested using the same pool of money and adding the CPI percentage to the current top merit increase of three percent (3%) arriving at the new percentage for calculating the total pool for merit increases.

Councilman Loftus explained that the discussion has moved to the elimination of the COLA, the utilization of the current evaluation system and, basically, to roll the funds for the merit and COLA together for a single increase to take effect at the first of the year. Councilman Taylor agreed and noted that the change could take effect with the merit increase of 2011.

Recreation Director Page was present and Chairman Piening asked her opinion of the idea of going to a "pay for performance" system. Director Page said she did not think it would affect her way of evaluating her employees. Chairman Piening was interested in knowing if the Director thought her employees would receive approximately the same dollar increase; Director Page indicated that, based on her management style, the majority of her employees get relatively good evaluations. When asked how Recreation employees would respond to the change, the Director said that first it would depend on how the department manager presented the change and secondly it would require that the COLA and merit be added together in manner that is fair to employees; Chairman Piening said it would likely cost a half year of the COLA

As the decision on when to implement the merit-based system continued, the question was raised by Councilman Loftus about the mechanism was for working the financing; Councilman Taylor commented again that some type of adjustment would have to be made depending on whether the COLA moved up or the merit were delayed. Councilman Taylor stated that, presently there is a pool of money that is split between a merit and a COLA, and they are paid at two (2) different times in the year. In Councilman Taylor's mind, there was a need to determine how much this change would cost the City before a plan could be presented to Council.

MOTION: Councilman Loftus moved to present to the Ways and Means Committee a plan to eliminate the COLA over the next eighteen months; Councilman Taylor seconded and the motion PASSED UNANIMOUSLY.

5. New Business

Review Applications for Boards and Commissions

Chairman Piening indicated that there were a couple of new applicants this year, Tim Ahmuty and Scott Davidson; Councilman Taylor and Administrator Tucker agreed that Dr. Davidson had served on the Code Board of Appeals in the past. A total of ten (10) applications were received for appointments to 2010 boards and commissions.

There are seven (7) board/commission members whose terms expire December 31, 2009, and each of them has confirmed to Assistant Dziuban their desire to be re-appointed. In addition, two (2) people currently serving on a board or commission are running for City Council in the November 2009 election.

Chairman Piening stated that interviews would take place in October and he would contact the City Clerk later about who is to be interviewed and the best dates to hold the interviews.

6. Miscellaneous Business

Next Meeting Date: The Committee decided that, until they were ready to discuss the candidates and to make recommendations, there was no reason to meet until November.

5:30 p.m., Wednesday, November 4, 2009.

7. Executive Session – not needed

8. Adjourn

MOTION: Councilman Loftus moved to adjourn the meeting at 6:50 p.m., Councilman Taylor seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:
Marie Copeland, City Clerk