

## Operations and Government Committee Minutes

February 26, 2018

Members present: Councilman Matt Bell, Councilman Timothy Dixon, Councilman Will Morrisey.

Others present: City Manager David Mackie, Human Resources Director Kay Freese, Police and Fire Chief Scott Hephner, Ted Jansen, Barry Hill, Penny Swann.

The meeting was called to order at 5:30 p.m.

Minutes of the February 12, 2018 meeting were moved by Councilman Bell, seconded by Councilman Dixon, and passed unanimously

Members of the public were invited to speak.

Regarding the City Manager's contract, Mr. Hill advocated increases in pay and benefits for City Manager Mackie, based on his record of reducing City expenses, as well as his honesty and forthrightness. Mr. Hill described Mr. Mackie as the best City Manager the City of Hillsdale has seen in many years.

Mr. Ted Jansen spoke on the contract as well, saying that the City's return on its investment in Mr. Mackie has been excellent.

Ms. Swann concurred with these assessments of Mr. Mackie's job performance, but pointed to the City's financial straits and the recent increase in property taxes as reasons for offering him a pay and benefits package commensurate with that of other City workers.

Turning to Old Business, the Committee discussed the City's social media policy. Chairman Morrisey commended attorney Thomas Thompson for reviewing the proposed language in the "Responsibilities and Consequences of Non-Compliance" section, and recommending amended language that would bring a proposed change into line with the City Charter. Councilman Bell also recommended that "the Charter" (meaning the City Charter) should be capitalized throughout the social media policy document, to clarify which "charter" is meant. The Committee adopted the new language, including the recommended amendments by Msrs. Thompson and Bell. Moved by Councilman Bell, seconded by Councilman Dixon, passed unanimously.

Under New Business, the Committee discussed the City Manager's contract.

The Committee began to address the items listed in a proposal previously submitted by City Manager Mackie: term of the contract; compensation; cost-of-living adjustment; bonus; health insurance; travel expenses; DB Plan; 457 Plan; and severance terms. A copy of Mr. Mackie's proposal is attached.

City Manager Mackie added comments giving the purpose of several of his proposals. Overall, he indicated that he based his proposals for increased compensation on the budget savings he has found during his three years as City Manager, and on efforts that are beyond the routine duties of a city manager.

Added to the three years of the current contract, the seven-year provision in the proposed new contract would bring him up to the pension vesting period of ten years.

The proposed raise in compensation from a base pay of \$96,900 to a base pay of \$110,000 was determined by his analysis of municipalities in the southern Michigan region with populations close to that of Hillsdale City.

On fixing the COLA at a 3% annual increase, Mr. Mackie indicated that this would take the matter out of the realm of yearly political controversy.

He is asking for no bonuses because the nature of the City Manager position does not lend itself to straightforward calculation of a bonus—as, for example, in a sales job.

The adjustment of the health insurance payment was determined by the fact that his spouse is now employed at Hillsdale College, which requires that both spouses be covered by their insurance plan.

Automobile mileage reimbursement of \$400 per month (\$4,800 annually) is based on an estimate of his average monthly expenditures and on comparisons with reimbursements offered by other municipalities. The current system of reimbursement per mile is hard to track because the City Manager uses his own vehicle for trips on City business, there being no City vehicle available for that purpose.

On the proposal to increase the severance time from three months to one year, Mr. Mackie indicated that the mercurial character of the local political climate motivated him to request the longer guarantee.

Chairman Morrissey took note of the City Manager's proposal to put a portion of his compensation package in the BPU and Economic Development budgets. Mr. Mackie explained that this would keep the amount set aside for his compensation package in the General Fund to remain revenue-neutral, indicating that he was thinking of \$15,000 in each of the BPU and Economic Development budgets.

Councilman Bell presented statistical information on the compensation and COLA items. On compensation, the City currently pays a higher salary to the City Manager than most Michigan municipalities with populations of 11,000 or fewer. On COLA, he presented a chart showing that, starting from a base salary of \$110,000 (as per the proposal), the City Manager's salary would rise to \$135,286 by the seventh year of the contract, which would put the salary as the tenth highest in the state, at the 2018 levels.

Councilman Dixon questioned the COLA chart because it compares the seventh year of the proposed contract with current (2018) contracts; other city managers will also receive COLA increases over the same time frame.

On the general terms of the proposed contract, Councilman Dixon emphasized the need to compensate the City Manager at a level that will reward him for his hard work and dedication, and for his achievements so far, especially in the areas of business attraction and budget economies; also, he did not want to put the City at risk of losing his services. Councilman Bell emphasized the generosity of the current contract and the serious financial issues faced by the City, including infrastructure needs, public safety and maintenance equipment (especially the need for replacement of substandard vehicles), and the challenges regarding the pension system.

Councilmen Bell and Dixon both indicated preference for a fixed percentage of the COLA compensation amount, as opposed to a COLA compensation amount that would track the national statistics on the COLA. The COLA compensation received by most non-unionized City employees is 2% of income, although some receive more. Mr. Mackie indicated that he was willing to consider putting a cap on the dollar amount of the COLA compensation.

Members agreed with Mr. Mackie's proposal in two areas: the seven-year term of the contract and the increase in the multiplier of the DB Plan. On the seven-year term, members agreed that it represented general approval of Mr. Mackie's job performance in his first three years in office, that it continues to give both the City Council and the City Manager the opportunity to terminate the contract 'without cause' or 'for cause,' and that there will be continued annual reviews of the City Manager's job performance.

Because another committee was scheduled to convene its meeting in the second-floor meeting room at 6:30 p.m., the Committee was unable to undertake preliminary discussion of the final two items of the City Manager's proposal: the 457 Plan and the severance period. The Committee will take up these topics in its next meeting, and continue negotiations on the other contract terms.

Members hope to meet again on the week of March 12, and will consult their schedules to determine what dates and times are available.

There being no further business before the Committee, the meeting was adjourned at 6:29 p.m.