City of Miami Springs, Florida

The Miami Springs City Council held a **SPECIAL MEETING** in the Council Chambers at City Hall on Monday, May 17, 2010, at 7:00 p.m.

1. Call to Order/Roll Call

The meeting was called to order at 7:00 p.m.

The following were present:	Mayor Billy Bain Vice Mayor George V. Lob Councilwoman Jennifer Ator Councilman Bob Best Councilman Dan Espino
Also Present:	City Manager James R. Borgmann Assistant City Manager Ronald K. Gorland City Attorney Jan K. Seiden Chief of Police Peter G. Baan Finance Director William Alonso Human Resources Director Loretta M. Boucher City Clerk Magalí Valls

2. Invocation: Councilwoman Ator offered the invocation.

Salute to the Flag: The audience participated.

3. Discussion Regarding Employee Benefits

3a. Review of City Employee Compensation Policies

City Manager Borgmann stated that as a result of discussions and comments made during the budget process last year, the Administration recommends a review of employee benefits, which will be presented tonight. The City Attorney felt it would be helpful to review the Code of Ordinances and the rules and regulations that govern personnel policies as a starting point.

City Manager Borgmann explained that the review of the codes would be followed with a PowerPoint presentation from Human Resources Director Loretta Boucher. There is also information regarding part-time employee benefits that may or may not be offered in the future. The Administration prepared an Excel spreadsheet to show the compounding that occurs when the employees receive a cost of living increase (COLA), which makes the pay ranges shift in an upward direction.

City Attorney Jan K. Seiden stated that the discussion is related to current employee compensation status and programs for non-exempt employees. Salaries for non-exempt employees are established by the City's pay plan which provides a pay range for each position available in the City. There are three forms of compensation, including COLA, longevity pay and merit increases.

City Attorney Seiden referred to Code of Ordinance Section 34-19 – *Pay Plan* and Section 34-20 – *Performance interview*. He stated that both sections should be revised, clarified and set forth more specifically. It has been the practice of the City to adjust the pay plan when there is a COLA or merit increase to an employee that is at the top of a pay range, without a formal internal or external review. The legality of whether or not this is appropriate is taken care of by Section 34-19 that states: "*The City pay plan, longevity plan and overtime and compensatory time provisions shall be part of the annual budget, to be presented by the City Manager*." When Council votes on the budget, they are approving these benefits without a proper review of the pay plan.

City Attorney Seiden said that there is no question that the current policy should remain the same in regard to COLA increases, which are used to adjust the pay plan internally, not increase it. When the employee reaches the top of the range, that position should be reviewed and it should be decided if it is appropriate to raise the position or move the employee up to another category.

In the past, as a matter of policy, the City has used merit increases the same way as COLA increases, according to Attorney Seiden. Both the COLA and merit increases were added to the salary range and when this occurred, the employees who reached the top of the range would no longer be eligible for merit increases. A merit increase is not a COLA; it is compensation that is awarded to an employee for doing outstanding work, like a bonus for that year. This is an arbitrary decision that should be reviewed.

City Attorney Seiden felt that the current policy for longevity is correct; it is a "stand alone" type of

compensation for an employee. It is earned by the virtue of the fact that an employee has worked for the City for a long period of time. There is reference to a resolution that was adopted by Council in 2005 that changed the amounts and the years for longevity and it really should have been done by ordinance, which codifies the policy. An employee should know by ordinance what is available to them in the future. On completion of ten years of service an employee receives $1,000, for fifteen years of service they receive $1,500 and for twenty years or more they receive $1,750.00. This compensation was never incorporated into the pay plan.

Merit increases have traditionally been 5%, but this should also be codified by ordinance to state that based upon an employee's yearly evaluation, they are entitled for a pay increase ranging from zero to 5%, if funding is available.

City Attorney Seiden recommended changing the system to create a more "pipeline" effect by codifying the COLA increase specifying that it only goes to pay plan increases within the ranges. Longevity should also be codified as part of an ordinance, the same as it is now, as well as merit increases. Merit increases should be "outside" of the pay plan because they are rewards and benefits based on performance; they should not be tied to the salary range. This would avoid a compounding effect.

City Attorney Seiden referred to his memorandum outlining proposed matters for review and discussion as follows:

- Revision of Code Section 34-19
- Revision of Code Section 34-20
- Establishment of standards, requirements and guidelines for awarding of longevity pay and merit increases by ordinance
- Discussion of establishment and reviews of City pay plans
- Discussion of automatic internal increases in City pay plan ranges
- Discussion of stand-alone "other compensation" for employees outside of the City pay plan
- Discussion of timing and methods of payment for employee stand-alone "other compensation" outside of the City pay plan
- Review of current and upcoming employee retirement issues
- Review of other employee benefits and policies (i.e., compensatory time, holidays, leave policy, overtime, etc.)

City Attorney Seiden suggested that Council could set policy regarding the external review of the City pay plan to make sure it is appropriate and competitive with other cities. There should also be a commitment to call attention to Council, on a budget cycle, of any employee who is "topped out" so they can be given the opportunity to expand. Council could adopt a pay plan resolution to give more legitimacy to the process.

Attorney Seiden explained that the ordinance on merit increases states that the increase is considered on the anniversary of employment or promotion and it would be more logical and fiscally

responsible to do this at the same time for every employee. He added that the Code of Ordinances includes definitions for categories of employment, such as part-time, seasonal, etc. that should be more specific as to what benefits apply to each group.

City Manager Borgmann distributed a chart analyzing an actual salary range, with the addition of a 2.5% COLA every year for eleven years. Adding a 5% merit increase and a 2% COLA over time would increase the top of the salary range from $47,318 to $59,094. The chart also shows the effect of a merit increase of 5% without a COLA, which no longer adjusts the top of the range. If the 5% is applied to the actual salary, the net effect over eleven years is a gain of $68,000.

City Manager Borgmann agreed with City Attorney Seiden that it might be better to re-evaluate the salary ranges from time to time by conducting a professional salary and wage study to evaluate the various categories. To his knowledge the City has never conducted a pay study that compared salaries and benefits to the private sector for various positions and it is important to compare "apples with apples" for a complete benefit package.

Councilman Espino commented that recent news coverage consistently shows that government employees are making more than private employees when considering total compensation plus benefits.

City Manager Borgmann explained that the standard for 5% merit increases was set years ago when the civil service systems were established across the country in an effort to remove the political process. Instead of moving up by steps, the City has a pay range and it is possible that someone might receive 3% or 4%, but no more than 5%. Some cities might have a special merit increase of up to 10%, but he has never seen more than that.

Councilman Espino is aware that some companies have a point system based on an employee's evaluation, each evaluation section has a point total and the points are totaled at the end, which equals the percentage of the increase. If an employee receives 100% of all the points they would receive the maximum 5% increase, otherwise 50% would be 2.5% and so forth. He asked if the City has some type of structured system to that effect.

City Manager Borgmann responded that the presentation from Human Resources Director Loretta Boucher would cover an employee performance evaluation, which is a general form with specific questions that the supervisor answers in order to rate an individual. Although the discussion is not related to the Police Department, they have a form with a number of items that are rated on a scale from one to ten. The way their contract is structured they will get 5%, regardless of the points.

3b. Presentation by the Human Resources Department

Human Resources Director Loretta Boucher explained that it has been more than eight years since a

pay study was performed by a professional company. When this was done in the past, Council did not take any action and it is simply a document that the City paid thousands of dollars to prepare. Surveys were conducted with other cities comparable to Miami Springs, but it is difficult to compare because some employees have dual tasks. The City's job descriptions are very general and the pay ranges have not increased except for the COLA increases. She knows that there were at least nine job descriptions that should have been looked at prior to the current administration.

The pay classification plan has been upgraded by change of titles as a result of changing duties, according to Ms. Boucher. The current salaries are not compatible with other cities and the employees have been very good about accepting what the City offers. The employees count on COLA and longevity increases because 35 out of 72 General employees are "topped out". She explained that there is no rule that employees automatically receive a 5% merit increase; they are rated based on their performance, attendance and attitude.

Human Resources Director Boucher explained that the Code mandates a performance review and the performance evaluation is based on quantity and quality of work, work habits, interpersonal skills and attendance. The overall rating of unsatisfactory means there is no increase and if an employee needs improvement they are re-evaluated in three or six months.

Councilman Espino felt that the evaluation form was adequate, but noted that the overall rating is not based on a quantifiable method. The quantity of work for one department might have more value than another department so it should be specific by department.

City Manager Borgmann explained that a refuse truck driver cannot be judged by the amount of trash they haul, but they could be judged on their safety record. The process must have some latitude and judgment. If an employee needs improvement, the supervisor will go over ways the employee can or must improve performance and let them know where they were deficient.

Mayor Bain agreed with Councilman Espino that the evaluation form is good, but for the future, the Administration could quantify the ratings.

Councilwoman Ator stated that she is familiar with employee evaluation forms and even if a number is assigned to it there is subjectivity with different supervisors in the evaluation of employees in different departments. She explained that a point system might be too specific because an employee with 98 points could protest if another employee with 97 points receives a larger increase.

Councilwoman Ator felt that the evaluation form should be tied to the job description and that is why the description should be updated and continually maintained. The employee should have an expectation of what duties they are being reviewed upon.

Councilman Best touched on Councilwoman Ator's comment agreeing that objective supervision can sometimes be subjective supervision, which is a concern. An evaluation could be quantified by allocating a number of points to each section. In general, most large companies use the system mentioned by Councilman Espino, but the City does not have that many employees. He added that

sometimes a supervisor's evaluation is evaluated before action is taken by Human Resources.

To answer Councilman Espino's question, Human Resources Director Boucher confirmed that the City has 72 General employees out of 127, which includes the sworn police officers. When an employee is hired they are given a copy of their job description, which they sign. Their evaluation goes though the department head before it is sent to Human Resources for review. If she knows an employee has too many absences, and there is no reference to it on the evaluation form, she brings this to the department head's attention.

Councilman Espino asked if the evaluation form is available for general review if anyone asks for it or if it is considered private.

Human Resources Director Boucher clarified that employee evaluation forms are public record.

Further discussion ensued as to what constitutes a public record.

The longevity payment is due on the anniversary of the date of hire, according to Ms. Boucher. The majority of the employees receive a lump sum check on the anniversary date based on the amount specified in the resolution. There are a total of twenty-nine employees who receive longevity as of December 31, 2009.

City Manager Borgmann stated that the sworn Police officers have longevity per their contract and there have been General employees who might have worked for 9 years and eleven months continuously for the City, become a Police Office and had to start over again without receiving credit for their years of service. He thought this policy was unfair and eligibility should be based on years of service to the City.

Human Resources Director Boucher said that it was difficult obtaining information from other cities on the benefits they offer because many are on hold.

To answer the Mayor's question, Ms. Boucher explained that the City currently pays 100% of the employees' medical, dental and vision coverage and 50% for dependents. The City pays 100% of employee life insurance based on their salary with a limit of $75,000. Full-time employees over 65 years of age only receive 50% of their annual salary, which is stipulated by the insurance carrier. The death benefit is reduced to $5,000 for retirees 65 and over, which is paid by the pension plan.

The City does not offer short-term or long-term disability, but the employees can purchase outside coverage and pay for it through payroll deduction, according to Ms. Boucher. There is currently no educational reimbursement for employees. Uniforms and shoes are furnished for Public Works employees as needed; the General Police employees receive a uniform allowance and shirts are purchased for other departments for identification purposes. Certain Department Heads receive a car

allowance. The COLA depends on what amount is allocated in the annual budget and employees are eligible for merit increases as long as they are not "topped out".

Human Resources Director Boucher added that the City offers nine paid holidays, three floating holidays, one birthday, and one sick day per month that can be accrued. She said that an employee who does not abuse their sick time receives one-half day to a maximum of 75 days when they retire.

City Manager Borgmann thanked Ms. Boucher for preparing the chart, which was difficult. She was able to obtain as much information as possible from cities with a population ranging from under 1,000 to more than 225,000. The benefits that are offered are not necessarily based on the size of the city.

City Manager Borgmann stated that the Administration checked with other cities in regard to health insurance and found that they were notified of increases ranging from 2.4% up to 30%, with an average of a 12% increase. Unfortunately many are insured with Av-Med, which is the City's current carrier. He added that the cost is based on the particular city's claims experience.

Ms. Boucher added that the new federal laws will require the City to do more in regard to health insurance, including COBRA coverage. She added that the additional cost was not previously accounted for in the budget.

Mayor Bain was concerned with the merit increases being added to the salary range, which affects the budget. He would rather call a merit increase a bonus for performance, which should apply to all employees, even those who are "topped out".

City Attorney Seiden said that the two issues are related to merit and COLA increases and whether or not Council wants to continue the current policy of allowing merit increases to raise the salary range. In his mind, an increase in the pay range should be approved if a "topped out" employee receives a COLA, or they should be placed in a different pay range. He reiterated that merit increases should be totally outside the pay range and treated the same as longevity pay.

Councilwoman Ator felt that in order be fair, we should break out the job description or types of jobs so that when an employee works five years and their skills have increased, they move up to a higher classification. If someone comes in from the outside with five years experience and an employee has been working in the City of Miami Springs for five years, they have gained that same five years experience. The person with the same five years experience would not come in at the base salary. The merit would increase the salary.

City Attorney Seiden clarified that the merit increase would not increase the salary.

Councilwoman Ator agreed, but the problem is when someone comes to the City with five years experience.

Councilman Best stated that a merit increase is based on an employee's skill and ability to do the

job, whatever that job may be. The question is related to "topped out" employees who do an exceptional job above their duties who cannot be moved to a higher position.

City Attorney Seiden explained that if no position is available in a higher classification, the problem can be solved by raising the pay range of the current classification.

Councilman Best said that a policy should be established in that regard because it is important for the City to keep employees with exceptional skills.

City Manager Borgmann explained that the City Attorney is recommending codification of certain policies that would be the enabling legislation.

Councilwoman Ator felt that the reason that past pay studies were not implemented was because the classifications kept increasing based on the COLA increases.

City Attorney Seiden added that, as a policy, the merit increases and the COLA were not "stand alone"; the increases were a compounding factor within the scope of the pay range.

City Manager Borgmann clarified that the pay range was only adjusted by the COLA. The merit increases help the employee reach the top of the range, but it does not establish the top of the range.

Councilman Espino expressed his dislike for COLA, which is not used in the private sector. It is a fundamental decision whether to award it as a bonus or a promotion to the salary within the same position. Once an employee reaches the top of the salary range, a determination must be made whether they will continue to receive a bonus allocation on top of the range, without increasing the range, they will move up to a higher classification, or if the current range should be increased.

Councilman Espino explained that the same conversation was raised during last year's budget when trying to determine where cuts could be made. Other municipalities were cutting the number of hours, benefits and other payments. He knows that the current salaries may not be comparable to other cities, but the benefits that are offered make up for the difference. He would rather offer merit increases as an incentive for good performance and eliminate the COLA. The cost of living index is down in the current market and there is no COLA to speak of.

Councilman Espino would rather award a merit increase to employees that do well, as an incentive.

In terms of longevity, Councilman Espino would like employees with five years of service to receive something to encourage them to stay longer. He was of the opinion that employees receiving longevity totaling $1,750 were in a higher tax bracket, earning more than $80,000. People are thankful to have jobs in this economic market.

Councilman Espino pointed out that last year longevity payments totaled $49,035, merit increases totaled $28,712, there was no COLA, and "other payments" for Building/Code, IT and Finance

totaled $12,809 for a grand total of $90,556. He brought up last year's figures because the compounding effect was an unsustainable practice.

Councilwoman Ator explained that the compounding effect would be solved by the proposition that the pay range would not increase once an employee reaches the top.

Mayor Bain said that the idea is to stop the compounding effect. He does not understand how this can be done if the merit increases are included in the salaries.

Councilman Espino said that his proposition would eliminate COLA increases. Merit increases are based upon performance and it would become part of the employee's salary. This would be the only way an employee could move up to the top of the pay range and once they reach the top the merit increase would be treated as a bonus.

Vice Mayor Lob explained that if an employee is performing satisfactorily one year they might not receive a merit increase and if they have exemplary performance the next year they might receive a 7% increase, which means not everyone will receive an increase on a yearly basis.

Councilman Espino said that merit increases would give employees the incentive to work harder and once they reach their salary cap they would be re-evaluated. Most people in the private sector would be happy to receive a 6% increase alone, not considering COLA, longevity and the other benefits that the City offers. It would create a more competitive atmosphere and a fiscally responsible practice for the municipality.

City Attorney Seiden stated that once an employee is "topped out" they should either move up to a higher range in another job classification or they would receive merit increases that "stand alone" outside of the pay scale until a higher position is created or becomes available.

City Attorney Seiden explained that Councilman Espino is proposing to eliminate COLA entirely. In the last ten years the highest COLA has been 3%. Merit increases would be substituted as an incentive system. The only difference is that in most cases the employee will reach the top of the range sooner by merit rather than COLA. When an employee reaches the top of the pay range there are two alternatives. The employee is either moved up to a higher classification at the bottom of that range or the merit increases will be one-time payments. The only way a pay range can be increased is for Council to review and approve a new pay plan.

Councilman Espino emphasized the fact that employees who perform less than satisfactorily will not receive an increase and if they did receive an increase it would be less than a COLA.

City Manager Borgmann explained that if the base pay stays at a certain rate and an employee receives compensation outside of the pay range if would have to be determined if that pay is included in the pension benefits or overtime. The problem other cities are having is related to pension benefits. He suggested checking the statutes.

City Manager Borgmann referred to the chart showing the compounding effect by awarding 2.5% COLA increases for eleven years, which is the way the City has operated for many years. He does not defend this policy or say it is good or bad. The pension benefit will be greater for the employee, but the employees pay a percentage of the payroll to the pension system. The General employees contribute 5% and the City contributes the percentage determined by the actuary.

City Attorney Seiden said that the Pension Board Attorney may have to render an opinion about compensation that is treated as a bonus.

Mayor Bain stated that once employees are "topped out" and moved to a higher pay range it will cause the same budgetary problem.

Councilwoman Ator explained that the job description would change when an employee is moved to a higher classification and their performance evaluation would be based on their new duties.

Councilman Best commented that there are variables like the payout on the pension plan that must be addressed because it changes every year. His concern with Councilman Espino's proposal is that it would eliminate a benefit for the employees.

Councilwoman Ator felt that it is not realistic for the pay ranges to stay the same without an evaluation after a certain number of years.

Councilman Best was of the opinion that the proposed policy, without further definition or refinement, would not increase the skill contingent of the City's workforce.

Councilman Espino disagreed. He said that it is a deflationary period and there is no cost of living adjustment. Under the current system, an employee would be receiving a 2.5% COLA and a 5% merit increase, which is a 7.5% increase in one year. He felt that if merit increases are applied to the salary it would be an incentive to work harder. Once an employee reaches the cap it is the prerogative of the Administration and Council to make changes.

Mayor Bain commented that every three to five years when employees are "topped out" the City would hire a consultant to evaluate the pay plan. He asked what would happen if the ranges are increased by thousands of dollars.

Councilwoman Ator responded that the pay plan would have to be approved by Council.

City Attorney Seiden said that the catch phrase is that it would be subject to budgetary appropriation. Even if all employees were to receive outstanding evaluations and receive a 5% merit increase, it would not be given unless funds are appropriated.

Mayor Bain asked to calculate what the amount would be if all employees were awarded a 5% increase. He emphasized that Council must budget the funds that might be appropriated.

Finance Director Alonso responded that the amount would most likely be $250,000.

Councilman Espino felt that it is not realistic to base the amount on the maximum increase. He suggested changing the procedure so that the evaluations are conducted before the budget process.

Councilwoman Ator said that the number will seem larger the first year, but it would eliminate the compounding in future years.

City Manager Borgmann stated that each employee would be evaluated and if the evaluation is on September 1st, the 5% increase would be factored in the budget for one month, not the entire year. Each employee has a different anniversary date and the increase is budgeted for a certain number of months during the budget year.

In effect, the situation could be eliminated by conducting all the evaluations at one time before the budget process or the increases could be retroactive, according to Councilman Espino. This way the information is known before the budget process and it does not tie up funding for a certain percentage that might not be awarded.

Councilwoman Ator agreed that all evaluations could be done on a certain date before the annual budget process.

Mayor Bain was concerned about controlling the budget in future years. He asked how Council felt about the suggestion to conduct all employee evaluations prior to the budget process.

City Attorney Seiden felt that it might be too late this year for the evaluations and the funds could be appropriated and placed in a reserve account that is available as needed.

Vice Mayor Lob clarified that the City Attorney's suggestion is to budget 5% for all employees, even though they might not receive that amount.

Councilman Espino would not want to budget $250,000 for merit increases when there are golf course issues that could also increase the millage rate.

City Attorney Seiden stated that in the past the evaluations were not as important as they will become with the new proposal because they will be the basis for the salaries and this should not be rushed. The system might need to be reviewed so that is more subjective, which is only fair to the employees.

Councilman Espino felt that adjustments could be made before the budget is adopted in September and it should be possible to evaluate 72 General employees before that time.

Finance Director Alonso informed Council that he had started working on the budget and he projects the total merit increases for non-police employees will be approximately $34,000. The new proposal

would increase that amount to $250,000 and the City will be faced with serious budget issues next year. There is going to be a huge deficit that must be addressed first.

To answer Councilwoman Ator's question, Mr. Alonso explained that $34,000 is based on those employees who are not "topped out".

Councilman Espino was of the opinion that the Administration could conduct evaluations for all employees now. He said that the evaluation form is fine except that he would add objective criteria to make the supervisor's job easier.

City Manager Borgmann explained that the budget issues mentioned by Finance Director Alonso would be addressed in a memorandum to Council that should be on the next agenda for consideration.

To answer Vice Mayor Lob's question, Finance Director Alonso clarified that his projection for the merit increases is based on the maximum 5% and the employee's anniversary date.

Vice Mayor Lob stated that if all evaluations are done at one time instead of on the employee's anniversary date then if would be fiscally based and funds would be appropriated in the budget. If this is done before September, Council will know what the figures are. The Finance Director's projection is based on the maximum 5% and this would change based on the individual employee's performance.

City Attorney Seiden reiterated that merit increases would be subject to budgetary appropriations because the funds might not be available.

Councilwoman Ator received the budget calendar and noted that Council normally meets every Monday in August and this year there are five Mondays in August. She will be out of town on the fifth Monday.

City Manager Borgmann explained that normally four meetings are held in August and an additional workshop is scheduled if needed.

To answer the Mayor's question, City Manager Borgmann responded that he would have to meet with Human Resources Director Boucher to discuss the possibility of conducting evaluations for all employees before September. He will report back to Council at the next meeting.

Councilman Best said that if the Human Resources Director agrees that the evaluations could be accomplished before September then there would be a need to codify the policy.

City Attorney Seiden agreed that many ordinances would need to be amended as soon as Council gives direction.

Mayor Bain stated that the points to consider are whether or not the proposal can work as it is related to the budget and the amount of time that is required to change the ordinances.

Councilman Best suggested that Council could give the City Attorney direction to draft the language for the proposed ordinances.

The City Attorney said that it would not be a problem to draft the proposed language as long as there is a consensus.

Mayor Bain would like to wait until more is known about the employee evaluations.

Councilman Best explained his point is that Code Section 34-20 addresses the evaluations.

City Attorney Seiden stated that changing one ordinance would have a cascading effect causing the need for several amendments.

Councilman Espino clarified that his proposal is to eliminate COLA and award merit increases only. The compensation would add to the base salary if the employee is working under the top of the range. The increase would be treated as a bonus for those employees who are at the top of the range until a decision is made to change the description of the position and the salary.

City Attorney Seiden clarified that once an employee reaches the top of the salary range he or she would either get the bonus or move to a higher classification; the top of the range will not change.

Councilman Espino recapped his proposal as follows: Merit increases would be subject to an objective evaluation and subject to budgetary appropriations; internal or external market comparisons would take place every three to five years, longevity increases will remain the same subject to budget appropriations and would not be added to salary.

Mayor Bain added that there is a consideration in regard to the pension.

Vice Mayor Lob commented that it would be a bonus.

City Attorney Seiden thought that it would still be compensation that is subject to pension, although it might be characterized differently. He added that he would like to codify the longevity benefit and Council should consider whether or not they want to expand it.

3c. Part Time Employee Benefits

This agenda item was not discussed.

4. Adjourn.

There being no further business to be discussed the meeting was adjourned at 9:05 p.m.

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Billy Bain
Mayor

ATTEST:

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Magalí Valls, CMC
City Clerk

Approved as written during meeting of: 05-24-2010

Transcription assistance provided by Suzanne S. Hitaffer.