



MIAMI BEACH

City Commission Workshop

City Hall, Commission Chambers, 3rd Floor, 1700 Convention Center Drive

March 2, 2009

Mayor Matti Herrera Bower
Vice-Mayor Edward L. Tobin Absent
Commissioner Victor M. Diaz, Jr.
Commissioner Saul Gross
Commissioner Jerry Libbin
Commissioner Deede Weithorn
Commissioner Jonah Wolfson

City Manager Jorge M. Gonzalez
City Attorney Jose Smith
City Clerk Robert E. Parcher

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COMMISSION WORKSHOP AGENDA

1. Presentation And Discussion Of The City Of Miami Beach Classification And Compensation Study Results And Analysis.

ACTION: Discussion held

Meeting called to order at 9:41:55 a.m.

Jorge Gonzalez, City Manager, introduced the item and explained that the City's Classification and Compensation Consultant will be joining the workshop via telephone. He added that the components are: Classification and Compensation, which will be presented via phone by Steve Condry and then a discussion on Pension by Jim Linn, Pension Attorney, and Steve Palmquist, City Actuary. Per the City Commission's direction about 18 months ago, the Administration began this Classification and Compensation Study which sets in places the City's pay plan, the system was reclassified, and according to the analysis conducted by the consultant, a hierarchy was established that is recommended internally to the City, i.e., what Grade should be applied to each of the various jobs based on their 10-point scale and the analysis conducted; and then the Compensation Study was done to take a look at how the City is doing the pay plans compared to the external market, which combined gives the City a system with the mobility to recruit and retain employees in a competitive market and systemic way.

Commissioner Gross asked which are the comparable organizations.

Jorge Gonzalez, City Manager, referred to Page 49 of the agenda report for comparable cities and

organizations, and added that those cities were requested to participate in the survey as it relates to the pay plans. The classifications are more of an internal analysis. He added that at the Commission's discretion the opportunity will become available during discussion to enter into Executive Session for purposes of discussing Labor Relation matters.

Kathie Brooks, Budget and Performance Improvements Director, gave a PowerPoint presentation and gave background information, giving a breakdown of salaries and benefits.

Commissioner Gross asked what the gap is at the end of the period.

Kathie Brooks, Budget and Performance Improvements Director, informed that at the end of that period the expenditures would be about \$290 million and flat revenue of \$235 million.

Ramiro Inguanzo, Human Resources Director, made a PowerPoint presentation and gave background of the study process.

Dr. Steve Condrey, Condrey and Associates, was unable to make a full a phone presentation due to technical difficulties.

Jorge Gonzalez, City Manager, presented for Dr. Condrey and explained that the proposal is to take six or seven different pay plans and turning them into one level pay plan addressing all the employees, and taking 30 grade systems versus 26 grade systems, specific on the minimums and maximums. A key component is that it eliminates all the steps and turns it into a merit system whereby annually the City Commission will determine merit increasing, not necessarily time and tenure. At this time with the exception of the Police, Fire and Lifeguard Unions, all other employees are in a merit pay system, not a step system.

Discussion held.

Ramiro Inguanzo, Human Resources Director, continued with the presentation and explained the process that was conducted during the study, and how the comparison was made. He explained the Factor Evaluation System which is a ten factor system used; based on the data, positions are classified and salaries determined.

Discussion held.

Dr. Steve Condrey spoke.

Ramiro Inguanzo, Human Resources Director, spoke.

Discussion continued.

Richard McKinnon, President of CWA, spoke.

Adonis Garcia, IAFF Local 1510 President, spoke.

Dr. Steve Condrey spoke.

Jorge Gonzalez, City Manager, explained that everyone in the classifications will be one grade above or below and that step in the process will be in the form of a discussion and check process to ensure that the internal hierarchy is correct. He assured that employees will handle any misclassifications and this will have to be resolved with Condrey.

Commissioner Diaz stated that the issues for the City Commission to consider are whether to go from the multiple pay grades currently existing under the collective bargaining agreement or to give the City Manager the policy instruction that moving forward as he negotiates the new collective

bargaining agreement he should try to move to this unitary system. If there is an irreconcilable dispute between what the City Manager, Consultant and what unclassified employees believe, that might need to be resolved; any dispute with classified employees can be resolved during collective bargaining process. The issue of unitary structure for all jobs, to continue step increases or abolish them or the implications of the three pay plans in terms of the fiscal health of the City in moving forward, those are the policy questions that this City Commission needs to discuss.

Commissioner Weithorn stated, for the record, that there are some issues that the Commission needs to work through on this study and those issues that cannot be addressed can be brought back.

Discussion continued.

Adonis Garcia, IAFF Local 1510 President, asked for the opportunity to have the chance in an open forum in a fair and timely fashion to defend his position.

Discussion held.

Jorge Gonzalez, City Manager, explained the process after the Steering Committee Process, and added that now that this is a public document, the Consultants will explain sometime hearing concerns, reconciling and/or amending the records, if needed.

Commissioner Diaz added that at the conclusion of the Consultation Process, if the Unions are not satisfied with the results of that, they should prepare a written response to the proposed classifications, so that even before this Commission has a public discussion for action, that we have an opportunity to see what the Consultant is saying and what the perspectives are in writing.

Alex Piedra, FOP President, spoke.

Ramiro Inguanzo, Human Resources Director, explained that there are three proposed options; salary scales A, B & C, Page 56-58.

Dr. Steve Condrey, Condrey Consultants, described the proposed options and recommended Plan B given the economic conditions; this plan would still show increases of about \$1/2 million but will put the City around 107% of the market. He did not recommend Plan C.

Discussion held.

There was a question and answer session regarding salary compression within the job between Commissioner Libbin and the Administration.

Jorge Gonzalez, City Manager, clarified the definition of salary compression and added that the Consultant's presentation reflect a cost of implementation \$1.1 for Plan A, \$500,000 Plan B and over \$100,000 for Plan C. That is the cost associated with taking everyone who appears to be below the minimum of the grade classified at and given them the adjustment up to a minimum; it does not do anything to anyone else, particularly those who might exceed the maximum of the range.

Discussion continued.

Commissioner Libbin gave samples of positions and salaries and asked if they should address salary compression.

Steve Condrey, Condrey and Associates, explained that those with salary compression are offered

a trade off with the salary range.

Kathie Brooks, Budget and Performance Improvements Director, continued with the PowerPoint presentation.

Adonis Garcia, IAFF Local 1510 President, spoke.

Discussion held.

Dr. Steve Condrey, Condrey Consultants, stated that they will be fully compensated but they would never recommend a decrease in salary.

Commissioner Gross asked the Administration for an explanation as to why the Fire Department appears to be so out of whack when compared to other City departments in the analysis.

Discussion held.

Jorge Gonzalez, City Manager, explained that the City's policy has tried to keep parity with the Police Department, and what Dr Condrey did is to bring the classification as he feels and recommends it should be. In doing so, then a Fire Fighter I is a pay grade 14 and a Police Officer I is a grade 16 and that differentiates. The chart only shows that they are over the maximum but not exactly how much and how many are over the maximum.

Commissioner Gross asked if other cities that were benchmarked have parity between Police Officers and Fire Fighters or not.

Dr. Condrey stated that generally Police is higher, and at the entry level there is close to parity.

Jorge Gonzalez, City Manager, stated that the parity issue will have to be a policy decision.

Adonis Garcia, IAFF Local 1510 President, stated that nationwide they have fought hard to have parity between Police and Fire.

Kathie Brooks, Budget and Performance Improvements Director, continued with the PowerPoint presentation (Pages 41-49).

Jorge Gonzalez, City Manager, stated that a key component of the study is how we put in place the best practices to help slowdown the growth as salaries continue to grow, so the next presentation is presenting ideas for reward and growth compensation.

Ramiro Inguanzo, Human Resources Director, enumerated Condrey's recommendations: a) cost of living adjustment, b) COLA, c) not to exceed CPI; d) step increases be eliminated for classified positions, and e) merit adjustment dependent on performance.

Commissioner Gross asked how the pay-for-performance has worked out since it was implemented.

Jorge Gonzalez, City Manager, explained that the bulk of the City general employees were in that system prior to the change made in 2006 contract; so CWA was changed with the exception of the Lifeguards.

Ramiro Inguanzo, Human Resources Director, stated that there is a due process for appeals, which have been few, and for the most part, the average increase is 3 to 4%; closer to 4%.

Discussion continued.

Richard McKinnon CWA President, spoke.
Adonis Garcia, IAFF Local 1510 President, spoke.

Discussion held.

Commissioner Gross stated that every employee in the City receives COLA and merits; in the last fiscal year, the COLA was 4% and merits up to 4%, the increase may have been 8%.

Jorge Gonzalez, City Manager, explained that there are 526 employees who are at the maximum of their range and will only receive COLA, the remaining 1300 employees are entitled to the COLA, and either merit increase or step increase, depending on their classification. After the employees reach maximum salaries, the step increase goes off although the COLA remains.

Discussion continued.

Perman Terry, President of AFSCME Local, spoke in regards to performance evaluation.

Samuel Bejar, Police Sergeant, State Trustee, Will & Nichols FOP Lodge, stated that he has worked for the City for 29 years and has not had a step increase in 21 years because he was maxed out after eight years.

Dr. Steve Condrey, Condrey Consultants, recommended eliminating the 5% steps for the classifications that currently have them to help the employee's morale. In addition, he recommended that merit increases change from year to year as approved by the City Commission. For those employees that are at the top of the line, a one time lump sum payment can be awarded based on performance.

Commissioner Libbin asked if the longevity bonus is used by other municipalities.

Dr. Steve Condrey, Condrey Consultants, spoke.

Mayor Bower asked if anyone in the audience is representing the Unclassified Group.

Ramiro Inguanzo, Human Resources Director, stated that out of 430 classified employees, less than 100 are in the Management Team.

Commissioner Gross asked for comment that employees in the upper management are over paid.

Jorge Gonzalez, City Manager, explained that in Plan B (grades 24 and above) there are 15 employees with range 24 or above that exceed the maximum; approximately 20%.

Commissioner Diaz stated that the best method to control whether someone is overcompensated is the market; what is not controlled by the market is the policies that this and prior Commissions have put in place to adjust salaries. He referred to page 63 of the report and stated that the City of Miami Beach is already paying salaries greater than $\frac{3}{4}$ of the competing municipalities, and to pay \$10 million for the cost-of-living adjustment increase in taxpayers dollars is well justified, but in going forward is unsustainable, and he would like to know the justification for continuing to pay a cost-of-living adjustment over and above the CPI when only 17 of the counterpart municipalities set their COLA by CPI.

Prince Pearse, past AFSCME President, spoke.

Commissioner Diaz stated that the City needs to make adjustments going forward or the City will have to lay off people. The City needs to be fiscally responsible in order to keep the employees. This Commission does not want anyone in the City to lose their jobs.

Discussion held.

Jorge Gonzalez, City Manager, stated that the CPI index is a negotiated number; at times the Administration could not achieve a fixed number during collective bargaining. In some years the COLA was lower than what the CPI was and most years was higher than the CPI. He explained that the Condrey Study suggests evaluating COLA over a period of years to ensure you are still within the market as it relates to the value of the dollar, and adjust wages annually by wage adjustment based on what the City can afford and based on merit. For those employees who are maxed out it's going to be an issue.

Commissioner Diaz asked that the citizens be given an explanation as to why only one out of nine years the City paid a cost-of-living adjustment in line with or less than the CPI. No one wants to cut salaries but some adjustments need to be made. **Ramiro Inguanzo to handle.**

Commissioner Weithorn stated that this is a new era and she would rather talk about the future. This is the worst time any of us have seen in our whole lives and the number one priority should be job security for employees; looking out for the best interest of Miami Beach citizens, and the City's long-term, since the decisions this Commission makes today will impact the ability to provide services and maintain the City as a world player. In bad times we all have to partner.

Commissioner Diaz referred to Pages 66 and 67 and read information from the findings on step increases, as well as benefits and overtime as information to the citizens.

Adonis Garcia, IAFF Local 1510 President, stated that this Union is willing to work with the Administration during hard times but in fairness the City of Miami Beach is a world class City and there are so many visitors which are detrimental to their services, and asked for the same fortitude from the City Commission with the Miami-Dade County which seems to be taking and is taking an inappropriate amount of money over the bridge. These Unions are the people that make the City vibrant.

Samuel Behar, Police Sergeant and Trustee for the Police and Fire, spoke.

Ramiro Inguanzo, Human Resources Director, continued the PowerPoint presentation.

Jorge Gonzalez, City Manager, recommended that the City Commission reach consensus and select one of the three pay plans and decide what to do as far as adjustments with those employees that are at minimum or above the maximum, and not necessarily at this meeting but perhaps in subsequent meeting.

Commissioner Diaz stated that he is not inclined in adopting any of the pay plans at this time. It was appropriate perhaps at its beginning, but the change in economic reality that the City confronts makes us adopting one of these pay plans a set up for labor strikes. This analysis is missing the long term consequences of adopting any one of the options and it will probably take a long time for all parties to work out disparities among positions. In addition, all the statistics presented assumes the validity of the comparisons and pay structures made by the consultant, and without further consultant input, employee input and without the input of the City Manager, other than knowing we cannot continue the same trajectory, it's a discussion to have after making the difficult choices.

Jorge Gonzalez, City Manager, stated that the City has been very consistent with the system in place. The system proposed is similar with a few exceptions. The City needs to accept the pay

plan; what the lowest grade I minimum and what the highest grade 30 maximum ought to be to keep us competitive in the system, but we must have a plan and that's where Dr. Condrey needs to spend more time in his presentation; we also need to allow the input, for employees input. The organization needs a classification and compensation system indicating how it grows and how it changes and that is the policy guidance needed today or in the future.

Commissioner Gross stated that there are two issues: 1) which pay plan to adopt as a policy matter; 2) what benefits the City pays as far as pension and health; so we need to look at both and find a balance. In terms as to which plan to choose, as a matter of pride and leaders of the community, we want to pay the employees among the most generous, but from running the organization a lot of it has to do with relying in the Administration and its ability to recruit and keep employees to maintain a healthy structure.

Jorge Gonzalez, City Manager, stated that from a trend perspective, the City is more competitive today than six to 18 months ago when the City Commission gave the Administration authorization to exceed the maximum. At the present time, we are very competitive, but he cautions not taking today's market condition and presume that that is the condition going forward.

Commissioner Diaz asked why hold the City fiscally into a classification study, not knowing the future economy or where the market is going? He believes this is not the time, although this study is good Human Resource practice, to adopt anyone of these plans.

Jorge Gonzalez, City Manager, stated that we have a pay plan today which is comparable to the Plan A.

Discussion continued.

12:36:36

Commissioner Gross explained that plans are relative to what other communities are paying, and Plan B would be at the 62.5% level as compared to other communities. He explained that it's more of a question of at what level do we want to be in relation to other communities, and that is a question we can answer, and it's where we are today, at 70%. The question is looking at Plans B and C and asking to reduce salaries to the maximum; cap them or freeze them at a level near the maximum, and this Commission has to look at different scenarios or models to help us answer those questions.

Commissioner Weithorn requested that the benefits cost be added by items to this plan. **Ramiro Inguanzo to handle.**

Commissioner Wolfson suggested considering salary freezes, which might protect the City for the next couple of years until the economic improves, and select a plan for new hires, but there should definitely be some sort of framework and treat people fairly.

Discussion continued.

Commissioner Libbin stated that with so many factors, he would like to see a range of options that HR could present to show that if we choose A, B or C, where the net expense would be zero for the City; if we are not reducing salaries, where is the extra money coming from? He would like to see a range of options regardless of which plan is selected, how we get to no increase expense with the plan, and the benefits, which is something that is a huge factor and an ongoing expense to taxpayers with 50 year old retirees. What we do with salary ranges, minimum and maximums has a multiplier effect.

Jorge Gonzalez, City Manager, stated that notwithstanding the growth in salaries that we have experienced in the last ten years, benefits are growing exponentially much faster and over time that is the growth that we need to grapple with, much more than the payroll cost.

Discussion continued.

Commissioner Diaz stated that there is a dramatic difference of the current practice and what the consultant is recommending. There is consensus that no one wants to cut salaries if we can fiscally afford it: 1) he would like to consider the possibility of freezing salaries, if necessary, for employees at a certain percentage of the existing maximum and let those employees that were hired at a minimum salary and are barely making ends meet now be exempt, 2) the benefit package has to be included with this study; 3) he also requested a true cafeteria plan; give the employees an allotment of money and have the employees decide where they want to apply the money to the difference options; 4) lower the minimum so Administration has greater flexibility to hire at lower wage if the market continues to deteriorate. He requested projections of what would happen if the above categories were implemented. **Ramiro Inguanzo to handle.**

Commissioner Libbin suggested establishing in each classification a minimum and maximum and divide that range into certain number of years, such as 20 equal steps, and at 20 years have a longevity bonus to keep employees motivated. **Ramiro Inguanzo to handle.**

Jorge Gonzalez, City Manager, stated that with this suggestion we are gearing away from the trend of performance. The consultant stated that based on the economics and affordability one determines what the merit will be for that given year and department heads need to do a performance evaluation that will give a percentage according to performance.

Discussion continued.

Commissioner Weithorn thinks the City needs a model for a meaningful merit system; it is the trend and the market, and if we are having problem with the merit system, let's have our consultant what others do to make it work and let's make it fair to employees. **Ramiro Inguanzo to handle.**

Mayor Bower does not agree with the concept of merit increases.

Commissioner Weithorn does not agree with doing away with the merit system and she wants to look at the benefits cost long-term. She believes in a true cafeteria package and is concerned with the employees below the pay scale and we need to fix this.

Commissioner Wolfson requested that this plan is presented in such a way that we can all understand each item such as COLA, merits, etc. **Ramiro Inguanzo to handle.**

Commissioner Gross stated in regards to the pay performance and merits, what the consultant says is that when you combine the COLA or the Fort Lauderdale/Miami CPI as they recommend, that added plus the merits, you are in a stratosphere that no other enterprise compensates on that model, and that's the biggest problem. When the COLA, step increase and merits are stacked up, you are in the 70% per year, which is unsustainable, and this is where we need some type of hybrid of CPI and performance so we can cap the annual increase in the compensation package. **Ramiro Inguanzo to handle.**

Discussion continued.

Commissioner Diaz stated that this Board of Directors has given direction; the City Manager is the CEO of this organization, therefore, he requested that the City Manager draft a proposal for a package that is fiscally responsible and that incorporates the suggestions made today. He

suggested that the City Manager take some variables that he thinks are prudent given the general policy and to ask for further guidance if needed.

Discussion held.

Jorge Gonzalez, City Manager, stated that he understands generally where the City Commission is.

Commissioner Libbin suggested moving his item from the March 2, 2009 Commission Meeting, Item R9G to March 18th. Item deferred.

Discussion held.

Commissioner Gross suggested the City Administration giving the Commission the materials in advance and brief them on it.

Jorge Gonzalez, City Manager, explained that the analysis is complete as it can be for today until further guidance is given, and this Administration brought a briefing to makes the City Commission understand the system, FRS and the options available, first and foremost. Decisions cannot be made at this workshop, and what has been presented to you today should not be in dispute. He thinks this item on pension needs to be rescheduled.

Discussion continued.

Mayor Bower rescheduled the pension discussion.

Meeting adjourned at 1:19:20 p.m.

Handout or Reference Materials:

1. Ad #524 in The Miami Herald titled Notice of City Commission Workshop
2. City of Miami Beach Classification and Compensation Study Results and Analysis March 2, 2009 Power Point Presentation
2. Discussion Of The Miami Beach Employees' Retirement Plan And The City Pension Fund For Firefighters And Police Officers In The City Of Miami Beach Alternatives.

ACTION: Item deferred to a future City Commission Workshop.

3. Notice Of Closed Executive Session.
Pursuant To Section 447.605, Florida Statutes, A Closed Executive Session Will Be Announced And Held At Some Point During The Course Of The City Commission Workshop Meeting On March 2, 2009 In The City Manager's Large Conference Room, Fourth Floor, City Hall, For A Discussion Relative To Collective Bargaining.

ACTION: Closed Executive Session announced and held. The following members of the Administration were in attendance: Jorge Gonzalez, Kristin Tigner and Ramiro Inguanzo.

Jose Smith, City Attorney, stated that the Close Executive Session can only be on bargaining items and not anything about the budget issues.

Robert Parcher, City Clerk, announced the Client/Attorney Session.

End of Agenda