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LETTER TO COMMISSION

To: Mayor Matti Herrera Bower and Members of the City Commission

From: Jorge M. Gonzalez, City Manager

Date: March 3, 2010

Subject: Vacation Leave Accruals for Employees Covered by the Government Supervisors Association of Florida (GSA) Bargaining Unit

The purpose of this Letter to Commission (LTC) is to provide additional information regarding the proposed increase to the vacation leave accruals for those employees covered under the Government Supervisors Association of Florida/OPEIU, Local 100 (GSA) bargaining unit. On January 13, 2010, the City Commission passed a resolution ratifying a successor Collective Bargaining Agreement between the City and the GSA. As part of the terms and conditions of the successor Agreement, the "must use" cap on vacation accruals was renegotiated for those employees covered under the GSA Union. The agreed upon leave adjustments provide GSA members active at the time of ratification of the union contract (January 13, 2010) with the equivalent vacation accrual and payout caps currently offered to the Communications Workers of America, Local 3178 (CWA), the Fraternal Order of Police, William Nichols Lodge Number 8 (FOP), "Others" and Unclassified salary groups.

As a result of the ratified Collective Bargaining Agreement, an ordinance amendment was presented at the February 3, 2010 City Commission meeting proposing to increase the "must use" cap on vacation accruals, and the maximum amount of vacation leave paid upon separation, retirement, termination or death in the employee's final year for those employees covered under the GSA. During this City Commission meeting, the Administration was directed to provide an analysis of the financial impact of the changes being proposed prior to the second reading of the ordinance, which is scheduled for the March 10, 2010 City Commission meeting.

By way of background, all full-time regular Classified and Unclassified City of Miami Beach employees accumulate 96 hours (12 days) of annual leave per year during the first ten (10) years of employment; after ten (10) years of employment with the City, employees accrue 136 hours (17 days) per year; and after twenty (20) years of employment with the City, employees accrue 176 hours (22 days) per year.

Under the Classified Employees' Leave Ordinance (Ordinance No. 1335) and the Unclassified Employees' Leave Ordinance (Ordinance No. 1613), the "must use" cap on vacation accrual for the CWA, the FOP, "Others" and Unclassified salary groups is 500 hours (the maximum amount that can be accrued from one payroll year to the next payroll year, which runs from the first pay period in January of each year to the last pay period in December of each year). An employee that has reached the 500 maximum hours of vacation accrual, may exceed that amount during the next payroll year. However, if the employee does not take the vacation hours that are in excess of the 500 hour cap, the employee forfeits all hours in excess of the 500 hour cap at the beginning

of the next payroll year. If an employee separates, retires, is terminated, or passes away at any point during the payroll year in which they exceed the 500 hour maximum, then the maximum amount of vacation leave they can accrue and be paid is 620 hours. This 620 hour maximum can only be reached in an employee's final year as long as he/she leaves prior to the end of the payroll year.

### ***AFSCME***

For employees covered under the American Federation of State, County and Municipal Employees (AFSCME), the "must use" cap on vacation accrual is 360 hours, and the maximum amount of vacation leave paid upon separation, retirement, termination or death is 480 hours.

### ***IAFF***

For employees covered under the International Association of Fire Fighters, Local 1510 (IAFF), the "must use" cap on vacation accrual is 460 hours for non-shift employees and 690 hours for 24-hour shift employees.

### ***GSA Proposed Amendment and Impact***

The proposed ordinance amendment increases the "must use" cap on vacation accrual from 360 hours to 500 hours from one payroll year to the next payroll year for any GSA members that are active upon ratification of the successor Collective Bargaining Agreement (January 13, 2010). In addition, the maximum amount of accrued vacation leave paid upon separation, retirement, termination, or death would be increased from 480 hours to 620 hours in the employee's final year of service. This means that in an employee's final year of employment (and only in their final year) they may exceed the "must use" vacation cap of 500 hours and accrue up to a maximum of 620 vacation hours, providing for a maximum payout of 620 hours of vacation upon separation, retirement, termination or death. This would be consistent with the vacation accrual maximums for CWA, FOP, Others and Unclassified employee groups.

There are currently fifty-nine (59) active members in the GSA Bargaining Unit. Years of service for employees in the GSA range from less than one (1) year of service to 28.6 years of service. The average years of service for GSA employees is eleven (11) years. The current vacation leave balances for GSA employees ranges anywhere from a total of ten (10) hours to the current maximum number of 360 hours. Currently there are only three (3) GSA employees at the vacation maximum accrual of 360 hours. The total value for the current vacation hours accrued for all GSA employees is approximately \$200,000. This figure is derived from taking each employee's current vacation leave accrual balance and multiplying it times their current hourly rate.

The average vacation accrual balance currently carried by a GSA employee at this time is 110 hours (currently there are thirty-seven (37) GSA members below 100 hours; fourteen (14) GSA employees that are between 100 and 200 hours; three (3) GSA members between 200 and 300 hours; and five (5) GSA members exceeding 300 hours, with only three (3) of those GSA members at the 360 hour maximum).

In order to assess the true value of vacation leave hours paid upon separation, retirement, termination or death, one would need the total amount of hours accrued as well as the employee's potential final salary at time of separation. Since this information is difficult to determine or project, one alternative is to assume the current financial impact by taking the difference of the employee's current hourly salary multiplied by 480 (the current maximum payout of accrued vacation hours) and the employee's current

hourly salary multiplied by 620 (the proposed maximum payout cap for accrued vacation hours). Assuming that all GSA employees were taken to the 480 hour cap at their current hourly rate, the estimated cost would be approximately \$880,000. If the cap was increased to the 620 hours being proposed and maximum payouts were calculated at the employee's current hourly rate, the estimated cost would be approximately \$1.13 million. The difference between the 480 hours and the 620 hours being proposed based on the employees' current hourly rates is approximately \$260,000.

In the past three (3) years, there have been a total of nine (9) GSA employees who have separated from the City. The average vacation leave payout for these nine (9) GSA employees was 174.40 hours. The employee with the most vacation leave payout was at 424.56 hours and the person with the least vacation leave payout was 37.86 vacation hours. Therefore, there has not been any GSA member in the past three (3) years who has separated from the City and was paid out at the vacation cap of 480 hours. Based on current balances and recent trends, it is not likely that all GSA members will reach the capped amount of vacation accrual in their final year of employment and therefore, the financial impact to the City would be significantly less than the \$260,000 in the analysis above.

Should the City Commission approve and adopt the ordinance amendment on second reading at the March 10, 2010 City Commission meeting, the "must use" cap on vacation accrual will be raised from 360 hours to 500 hours (from one payroll year to another) for any GSA members that were active upon the January 13, 2010 ratification date of the successor Collective Bargaining Agreement. In addition, the maximum amount of accrued vacation leave paid upon separation, retirement, termination, or death will be increased from 480 hours to 620 hours in the employee's final year of service. This proposed amendment to the ordinance implements the changes negotiated with the GSA regarding the increase to the vacation leave accruals and ratified by the City Commission at the January 13, 2010 City Commission meeting.

Please feel free to let me know if you have any questions or if you need additional information prior to the March 10, 2010 City Commission meeting.

JMG/HMF/RI/cg

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