

Memorandum



Date: May 24, 2011

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Iliana Castillo-Frick, Chair *Iliana Castillo Frick*
Compensation and Benefits Review Committee

Subject: Annual Report – May 2011
Compensation and Benefits Review Committee

The Compensation and Benefits Review Committee is submitting for consideration of the Board of County Commissioners their first Annual Report. The ordinance establishing the Compensation and Benefits Review Committee was initiated by prime sponsor, then - County Commissioner Natacha Seijas, and adopted on December 1, 2009. The Committee was established for a three-year term and was charged to review and make recommendations regarding the growth of County personnel costs while continuing to provide fair and competitive wages, salaries, and benefits. The Committee has been directed to study all employee compensation policies, provide recommendations regarding salaries, wages and benefits, and submit an annual report regarding its findings each May to the Mayor and Board of County Commissioners.

We would like to express our appreciation to the departments of Human Resources, General Services Administration, Office of Strategic Business Management and the Office of the County Attorney for the valuable support they have provided during our initial deliberations.

Following an extensive search for Committee members, the Committee was appointed on June 15, 2010 and the inaugural meeting was held on September 8, 2010 (a list of the Committee members is attached – Attachment A). The Committee has been meeting monthly, received an overview of County operations and has heard presentations on the following topics: pay plan, employee benefits, labor management, payroll, pay check composition and priority concerns. Additionally, staff conducted benchmarking surveys of peer jurisdictions regarding compensation, benefits and labor management practices, and provided survey findings to the Committee. Staff further provided and summarized numerous industry and academic articles on related topics. Minutes of the Committee's meetings to date are attached (Attachment B).

Recommendations:

The current fiscal and economic environment indicates the need for a careful review of many of the County's compensation and benefits practices. The Committee strongly recommends that the Board of County Commissioners provide direction and guidance for collective bargaining negotiations. The County's compensation and benefits should be reflective of fiscal and economic reality. Negotiated labor agreements should provide the flexibility to adjust to varying economic indices, as well as the County's fiscal capacity. It is imperative that a measured balance be achieved between equitable treatment to County employees and the County's responsibility to the tax payer.

As a result of our deliberations and assessment of the information that has been provided, the Committee recommends that the following areas be further examined (not listed in any particular order; specific recommendations are underlined):

Health Plan Design

Miami-Dade County's current plan design reflects below market cost sharing when compared to Florida public sector employees and covered dependents. Employer premium subsidies to employees, dependent insurance premiums, copayments, deductibles, flex dollars, as well as other plan cost containment features, should be carefully evaluated to ensure a fiscally sustainable approach to the provision of this critical employee benefit while complying with the provisions of health care reform.

Compensation

County Overtime Policy: Fiscal Year 2009-10 overtime costs were \$118 million. Employees are compensated for overtime earned on a *daily* basis. This policy should be reviewed in order to transition to a weekly overtime calculation in accordance with the Federal Fair Labor Standards Act. Estimated annual savings resulting from this change would be approximately \$4.7 million.

Supplemental Pay: The County's Pay Plan and collective bargaining agreements contain 182 pay supplements for such factors as specific job assignments, shift work, educational degrees and certifications; in FY 2009-10 these supplements represented an annual expenditure of \$136 million. The number, value and eligibility criteria for pay supplements should be reviewed to determine their relevance and necessity.

Longevity Bonus: Employees with 15 or more years of continuous service receive an annual longevity bonus ranging from 1.5% to 3% of adjusted salary excluding shift differential. The projected FY 2011-12 value of these awards is projected to be \$20 million. The practice of awarding bonuses based on longevity should be reviewed. Bonus awards, if any, should be tied to performance and cost savings generated by employees rather than years of service.

Off-Duty Payments: Uniform personnel who perform off-duty assignments are paid through payroll and as a result these earnings become part of the employees' average final compensation upon which pension benefits are calculated. In FY 2009-10, Miami-Dade Fire personnel earned \$1.5 million and Miami-Dade Police personnel earned \$5.9 million in off-duty pay. It should be noted that FRS contributions associated with off-duty work and administrative overhead are paid by the agency requesting the off-duty services and do not directly impact Miami-Dade County's FRS contribution costs. The practice of making these payments through the County's payroll system should be carefully reviewed to determine the fiscal impact to the County and to the FRS.

Pay Plan Structure

The County's Pay Plan is comprised of approximately 700 pay ranges and more than 2,000 job classifications. Pay ranges may be "open," reflecting minimum and maximum salary rates, or may have "pay steps" with discrete values that define employees' progression through the pay range. The average difference between pay steps is 4.3%.

Many of these pay ranges reflect marginal pay differentials and are the product of years of various incremental adjustments. Nearly 23,860 employees, 78% of the workforce, are in ranges with pay steps. The remainder is in open pay ranges. Employees with a minimum of satisfactory performance, documented in a performance evaluation, are eligible for an annual merit increase until the employee progresses to the maximum of the pay range. (Currently, 20% of the workforce

is at the maximum of a pay range.) Employees in pay step ranges are also eligible to earn two longevity pay steps at 5 year intervals. In pay step ranges, the value of an increase is equal to one pay step; in open ranges, the value of a merit increase is generally 5%.

In a year when there is both a negotiated across the board wage adjustment, often referred to as Cost of Living Adjustment (COLA), an employee may receive both the COLA and a merit increase (if the employee has not reached the maximum of the pay range). The following example illustrates the impact of these policies for an employee who earns a \$50,000 salary, is in a pay range composed of 4.3% pay steps, has not yet reached the maximum of the pay range, and has 15 years of County service:

A. Base Salary	\$ 50,000
B. Base salary + 4.3% merit step increase	\$ 52,150
C. Base salary + step increase + 3% wage adjustment (COLA)	\$ 53,715
D. Percentage increase in base pay [(C-A)/A]	7.4%
E. Longevity bonus award of 1.5% (flat amount; does not increase base pay) [C*.015]	\$ 806

The Pay Plan as it is constructed with defined pay steps provides little flexibility in applying variable merit increases based on market conditions. The Pay Plan structure as well as the County's classification plan should be evaluated in order to provide a structure that is more responsive to changes in economic and fiscal conditions. In order for the Pay Plan to be sustainable, it should be structured with open pay ranges which would permit pay increases that combine merit and COLA pay and reflect the County's annual fiscal capacity for pay increases.

Senior/Executive Benefits and Compensation (Groups 1 -3)

There are approximately 419 employees who are categorized as "executives" and participate in the executive benefits program which is valued at \$4.8 million. These employees are primarily Assistant County Managers, Department Directors, Deputy and Assistant Directors, and some Division Directors and Managers. Executive Benefit packages range from approximately \$9,000 to \$16,000 annually. Eligibility for benefits is predicated upon the reporting relationship to the Department Director.

Executive pay and benefits should be studied to ensure that jobs are appropriately compensated for the qualifications and responsibility inherent in these positions.

"Terminal" Leave Provisions

The County's Leave Manual provides for the payout of a maximum of 500 hours of annual (vacation) leave and a percentage of accrued sick leave up to 1,000 hours based upon years of service. Employees with 30 years or more of service are eligible to be paid for all accrued sick leave hours. A review of these payout provisions is indicated to ensure that this policy is consistent with current human resources practices.

In conclusion, we trust that our initial observations will be helpful to you as you endeavor to review opportunities to reduce personnel costs which at a minimum, when considering overtime and

longevity bonus expenditures, could represent \$24.7 million in savings. It is also important to pinpoint that due to the County's fiscal conditions, employees have consented to a 5% contribution to the County's healthcare cost in lieu of a 5% salary reduction. We fully recognize that our recommendations must be discussed with union representatives and incorporated into the collective bargaining process. Further, we suggest that consideration be given to implementing some of these measures prospectively, (e.g. for new hires or for employees who have not vested in the benefit), when appropriate, so as to minimize the impact upon the current workforce.

We thank you for this opportunity to be of service to you and look forward to continuing our studies in the upcoming year.

Attachments

c: Alina T. Hudak, County Manager
Compensation and Benefits Review Committee Members
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Robert A. Cuevas, Jr., County Attorney
Charles Anderson, Commission Auditor
Mary Lou Rizzo, Director, Human Resources Department
Wendi Norris, Director, General Services Administration