

The Salary Study Presentation Special Meeting of
the City Council of the City of Panama City Beach,
Florida, conducted on October 15, 2014.

ROLL

MAYOR GAYLE F. OBERST

COUNCILORS:
JOHN REICHARD
RICK RUSSELL
JOSIE STRANGE
KEITH CURRY

CITY MANAGER:
MARIO GISBERT
CITY CLERK:
HOLLY J. WHITE
ASSISTANT CITY ATTORNEY:
AMY MYERS

Mayor Oberst called the Special meeting to order at 1:00 P.M., with Councilman Reichard, Councilwoman Strange, Councilman Curry, the City Manager, City Clerk and Assistant City Attorney present. Councilman Russell arrived at 1:10 P.M.

The Mayor said she understood today the Council would hear the study from Ms. Nancy Berkley of Evergreen Solutions LLC and their recommendations. She said that once the Council had reviewed the material and discussed the issues, another Special meeting would be scheduled to take the next step or it would be handled during a regular City Council meeting.

Mr. Gisbert introduced Ms. Berkley, stating that she and her team at Evergreen Solutions had been working on the salary study for several months. He said all employees had the opportunity to speak directly with her team during the three-day Workshops or through emails. He then gave Ms. Berkley the floor.

Ms. Berkley said she would give a brief PowerPoint overview and then their recommendations. She said they came to the City for several days to brief the employees and leaders as to what the study was about. The consultants collected information about various jobs through their Job Assessment Tool (JAT) in which the employees entered data about their work. Ms. Berkley continued that they conducted market salary and benefits surveys, collecting data directly from the City's peers, to obtain the range structure for the same type of jobs. She said the market salary survey concerned range structure and whether the salaries were competitive, and that her firm would offer options for placing the employees salaries within that structure.

She continued that the feedback received from the employees was that the City was a good place to work where the employment was stable with a generous benefit package which encouraged employees to stay and which attracted new employees. She continued that areas for possible improvement were affordable spouse/family health insurance, opportunities for incentive pay, salary range progression, a clear career ladder, and an equitable classification system. Other comments concerned payment for being on-call even if not called into work.

Regarding the current salaries, Ms. Berkley said they found 60% of the employees were paid below the median and 40% above. She said the median was generally considered the market for that structure, where the employee would be considered to be performing the job proficiently. She explained the 14 peers who supplied market data. She continued that they did not typically survey every position but rather picked 57 positions, a good cross-section of the City jobs.

The current pay grade structure at the minimum was basically okay and slightly above the peers. At the midpoint, the structure was slightly behind, and at the maximum more behind. She said they recommended a new pay structure which expanded the ranges, not changing the minimum but moving the ranges out to be more competitive, and making a pay grade assignment for each classification. She said some classifications needed to be raised, some were where they needed to be and some were slightly ahead of the market. She continued that the pay structures were developed to be good for three to five years.

Ms. Berkley said if the Council adopted this new structure, options would be to raise 59 employees to the new minimum at the cost of \$154,446 or raise 173 employees to the midpoint at the cost of \$748,388. She said most of their clients were not progressing salaries based strictly on tenure or time in a classification but rather rewarding and progressing salaries based on performance. Ms. Berkley said she realized the cost might be too much in one year so the City could implement over four years or begin with bringing the employees up to the minimum under Year 1, or a combination.

She continued that additional recommendations would be to adopt a method of salary progression as performance-based pay progression was being used by 80% to 90% of their clients now. Some clients, once the pay structure was adopted, did away with COLAs or tenure and based raises strictly on performance. Other clients did a combination COLA and merit based on the budget, some clients an across-the-board increase and some clients a step plan.

Ms. Berkley said they recommended that the City review the job classifications and job descriptions annually, typically at the time of the performance evaluations. Regarding pay structure, it would require maintenance and certainly a dedicated human resources staff member should be responsible for maintaining the structure as well as the implementation of the performance based system. She asked if there were any questions.

Councilman Curry asked if the firm only looked at salary and not total compensation. Ms. Berkley said they looked at benefits also, and for any client, they recommended that if the City was losing or could not attract a new employee based upon a particular benefit, that particular benefit might need to be changed significantly. She said they included data on benefits in the report. Mr. Gisbert said the Council did not have a copy of the report because that was the next step. She explained that their clients rarely had employees leaving based strictly upon benefits. Councilman Curry said the City had a generous sick-leave policy, health insurance deductibles did not increase, and employee cost for insurance did not change. Ms. Berkley said generally speaking, the City was deemed as favorable on the benefits. The only comment that stood out was the family health coverage costs.

Councilwoman Strange asked Mr. Gisbert about turnover. Mr. Gisbert replied that the City's turnover was almost non-existent. He said usually if someone left, it was because they were literally moving somewhere else and generally, the City did not lose employees to Panama City or the County. Ms. Berkley said in studying the City's salaries, they were okay compared to the others. She reminded that this was not a staffing study, although the staffing requirements did cross into the report in some areas, giving the example of the Police Officers working many many hours during Spring Break and not being with their family.

Councilman Reichard asked if a single person having to contribute to health insurance would sacrifice in order to pay benefits for family coverage. Ms. Berkley said certainly. Councilman Reichard then questioned how many of the employees fell into that category because he thought it was a small amount compared to the total number of employees. He asked how this would be implemented in order to be as fair as possible for all employees. Ms. Berkley said if the City found that employees were leaving due to family health coverage opportunities, then she would recommend considering that factor and advised that other clients had spread the cost to all employees. He asked Ms. Berkley for an example of an effective way of implementing such a change to be fair to the employee, employee with family, and the employer. Ms. Berkley replied that there was no good way. Mr. Gisbert added that this issue had been discussed with the Lockton Company and one thing they would be implementing over the next few months was a call-in center as there were more economical way to obtain family coverage rather than through the City.

Councilwoman Strange asked about the peer study group and Ms. Berkley replied that Daytona had not replied to the request for information. Mr. Gisbert said Orlando, Fort Lauderdale and Tampa were removed because they were so much larger than our City. Regarding South Walton Fire District, the Mayor reminded that Walton County was unionized and they had a Fire District Tax. Ms. Berkley said her firm did not receive responses for every position and some responses were not good comparisons. She said they cast a wide net to gather all data and then determine what was reasonable.

Councilman Reichard asked what changes had been mentioned to the on-call program. Ms. Berkley said some employees had felt that they should be paid for waiting to be called into work. Mayor Oberst mentioned that the employees had driven a truck home which alleviated their buying gas for their vehicle so there were other factors to consider. In response to the question of how many employees raised the issue, Ms. Berkley said not very many but there were enough that they wanted to bring it to the City's attention.

Councilman Reichard asked in the new classifications, if it was required for a Fire Inspector to be a lieutenant. Chief Daly responded that the City had only the one Fire Inspector and he was a Lieutenant.

Councilman Reichard asked if Ms. Berkley's figures included FICA, Workers' Comp Insurance, etc. Mr. Gisbert replied no and that Ms. White would be bringing back the total amount needed. Ms. White confirmed that retirement was not included in those figures. Councilman Reichard asked if the total would increase by 25% when all of the benefits were included, and Ms. White responded that it would increase significantly more than the 25%.

Councilman Reichard asked Ms. Berkley about her numerous references to an HR person and if she could see this plan implemented by the City if an HR person was not hired. Ms. Berkley said, from their perspective, it was more challenging with not having a dedicated HR position since most organizations as large as the City had a dedicated HR. She said with salary progression particularly, its implementation might change because it would require some development and education and dedicated effort at some level.

Councilman Reichard asked in the cases of salary adjustments, if there were any cases in which the salary was to be lowered. Mr. Gisbert replied that no salaries were to be reduced but there would be some employees receiving no adjustment. Ms. White added that the employees would only have received the 2% COLA. Councilman Curry said Ms. Berkley had reported 60% of the employees would have their pay increased in order to be competitive, which meant 40% were overpaid. He asked if those overpaid employees should be capped and remain at that level until the pay came in the scale boundary or use that pay as an offset for the other 60%. Mr. Gisbert said this new program would cap those 70+ employees at this level until they performed beyond the midpoint. However, all employees would still receive the COLAs.

Councilwoman Strange said for positions without certifications and without raises based upon seniority, how many employees would be able to receive a pay raise. Ms. Berkley said if the employee excelled in their position, their raises would be performance-based. Councilwoman Strange said not every position had the option to obtain certifications to increase levels. Ms. Berkley said most clients paid the minimum for the certifications required for a position; the salary progression due to additional certifications not required for the job was typically not rewarded by the market. Councilwoman Strange asked if the Department Heads also used the JAT. Mr. Gisbert confirmed that everyone used the JAT.

Councilman Russell asked if their recommendation about the 75 employees not receiving a raise was based on time of service. Ms. Berkley said it was based strictly on their salary. Mr. Gisbert said those employees were already above the midpoint cap. Councilwoman Strange said she felt job experience and time in the position should be compensated. Ms. Berkley said the public sector had changed significantly with employees being paid on performance or being paid based upon experience not necessarily with the City. She said most City employees had said they would rather have performance-based pay compared to pay based upon seniority, and almost 90% of their clients had implemented the performance-based pay structures. She continued that the relationship between experience and performance should be considered but in reality, sometimes an employee would be in the same position for many years and decide they did not need to perform any longer.

Councilman Reichard asked Ms. White about the current pay tiers. Ms. White said the last pay study had been a similar approach with establishing grades but an employee moved through the grades purely on years of service with no performance-based step progression. This had been in place for seven years.

Councilwoman Strange asked Ms. Berkley if one of the options had been an overall pay increase for all employees. Ms. Berkley said no because the COLA had already been done by the City and it was not one of the options typically recommended by her firm.

Councilman Reichard asked if her firm compared the City's benefits such as retirement to other cities, and if so, how did the City rank. She said the City's benefits were comparable. Mr. Gisbert said there were many variables to consider when looking at benefits so it was hard to compare. The Mayor added that it also depended upon if the peer was under the State of Florida Retirement System (FRS) which controlled the benefits. Councilman Reichard said he wanted to know how they would class the City's retirement benefit because it should factor into the decision for pay increases. Mr. Gisbert said he thought Ms. Berkley would class the City's retirement benefit as excellent compared to our peers. Ms. Berkley agreed that the City's retirement benefit was very good but the point was if employees were leaving because of that one benefit, then it should be addressed. Mayor Oberst said this contributed to the City's turnover, that once an employee was vested in the retirement system then they make the decision to stay. Ms. Berkley said her firm did not see much movement based strictly on money or retirement benefits.

Mayor Oberst said it had been suggested several years ago that instead of the high cost of family insurance, the City should give each employee X number of dollars to find their own insurance. Staff had thought the employee would instead use the money, not buy the insurance, and then be out sick uninsured. She asked Ms. Berkley if that option was offered by our peers. Ms. Berkley said none that she knew. Mr. Gisbert said there were cafeteria-type plans where the insurance was required but more flexible on how the money was spent. Councilman Reichard said the new federal mandated insurance was causing employers to consider giving employees a set amount of money to use in getting their own coverage.

Councilwoman Strange asked if this was the place to discuss job titles. She asked how many Department Heads had two titles, such as Ms. White, and with such an overwhelming responsibility, if the answer would be to hire an Assistant City Manager to help. Mayor Oberst reminded that during the Budget meetings, it had been agreed that the City would hire a City Clerk whose job would perform many HR duties. Mr. Gisbert said he wanted to bring the pay structures to Council first, as there were vacant positions for a City Clerk, a CFO, and an HR Person. He said he would bring to the next meeting a new job description for CFO and then a new position which would be the City Clerk/HR. Ms. Berkley said that combination was more typical.

Councilwoman Strange asked if our City was too small to have a designated City Engineer. Ms. White said that was another combined title as Mr. Shortt was the Utilities Director/City Engineer. Mayor Oberst said the City has three Engineers. Mr. Shortt said currently, the Engineers reported to the Utility Director, Ms. Jenkins was strong on the Stormwater side and Ms. Younce did a lot of plan reviews. He said the tasks were divided with him doing the Water and Wastewater facilities, big-picture projects, capital projects, and supervised about sixty employees.

Mayor Oberst said comparing the City to Lynn Haven, our employee base was larger since we ran the largest utility system in the County even if our resident population was less. Panama City had 115-130 Police Officers for a population for about 35,000-36,000, whereas we only had 58 Sworn Officers. Ms. Berkley said this referred back to staffing where it depended upon the work being done.

Beyond salary, the Mayor said there were other issues mentioned by the employees which should be discussed and let Staff bring back recommendations, for example being paid for the on-call status. She reminded that the employee would have the City vehicle for their use but maybe there could be an additional incentive. If Police and Fire were working the twelve to fifteen hour shifts during Spring Break or the busy summer season, and indicated they did not have time off to be with family, maybe there was something the City could do for those employees. She said making conditions a little better meant more than paying more money.

Councilwoman Strange asked the cost of the pay study. Mr. Gisbert said Twenty-Four Thousand Dollars. Councilman Russell asked if the \$748,000 included the 2% COLA. Mr. Gisbert said no because that increase had already occurred. Ms. White said the 2% COLA cost was close to Three Hundred Thousand Dollars with benefits. Discussion ensued concerning the \$748,000 being approximately 3% across the board to everyone, but with no additional benefits. The Mayor said many employers were struggling with benefits which was an additional 30%-40%. Mr. Gisbert said Ms. Berkley had prepared four year steps as the City might not be able to absorb the full \$748,000 in one year. Ms. White said last time, the raises were phased in, starting with the bottom which was one reason why the bottom pay structure was fine as the City fixed the pay structures from the bottom up. She said almost all of the employees had "caught up" over time with the exception of about a dozen employees at the top of the scale.

Councilman Curry asked if all City employees currently received an annual performance evaluation. Mr. Gisbert said no and Ms. Berkley would supply several options on how that could be accomplished. Councilman Curry asked if all job descriptions received annual updates and Mr. Gisbert said no. Councilman Curry said annual evaluations and feedback from the employees would be able to tell the City if there were problems which should be addressed. Mr. Gisbert said evaluations were a good tool for the employee to know the next steps on what could be done to reach a higher level, which would benefit the employee and Department Head. Ms. Berkley said the evaluations would also have measurable goals, standards, and options how to avoid favoritism on grading employees.

Mayor Oberst said all of the Council knew about favoritism and its unfairness. The key would be that the supervisor must be trained on how to use the evaluations and know the value of their information, not only helping the Department Head but also the employee. She added that years ago, she had received a phone call from the News Herald asking if Mr. Jackson, the prior City Manager, had received evaluations from the Council. At that time, her answer was no but that the next City Manager would be evaluated. She said the people who worked for the City Council must be evaluated, the same as the rest of the employees. That was only fair.

With nothing further, the Mayor thanked Ms. Berkley and her team and adjourned the meeting at 2:45 P.M.

READ AND APPROVED this 12th of February, 2015.

IN THE EVENT OF A CONFLICT BETWEEN THE FOREGOING MINUTES AND A VERBATIM TRANSCRIPT OF THESE MINUTES, THE FOREGOING MINUTES SHALL CONTROL.


Mayor

ATTEST:


City Clerk

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