

**MINUTES
ORMOND BEACH BUDGET ADVISORY BOARD
HELD AT CITY HALL TRAINING ROOM**

April 24, 2019

5:00 p.m.

City Hall Training Room

1. CALL TO ORDER

Mr. Rafael Ramirez, Chairman, called the meeting to order at 5:02 p.m.

Those present were board members Chairman Rafael Ramirez, Vice Chairman Scott Cichon, Bill Harper, Ken Kimble, and Kevin Tilley, and Finance Director Kelly McGuire, Assistant Finance Director Chris Byle, City Manager Joyce Shanahan, Assistant City Manager Claire Whitley, and Human Resources Manager Heather Kidd.

2. APPROVAL OF MINUTES OF MARCH 27, 2019

Mr. Kevin Tilley moved, seconded by Mr. Ken Kimble, to approve the minutes of the March 27, 2019, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

Mr. Bill Denny, 1027 North Halifax Drive, noted he was there to watch the process, but had questions about failing septic tanks and long term funds for repair or replacement; whereby, Finance Director Kelly McGuire and City Manager Joyce Shanahan provided details on the budget process for those type of situations.

4. DISCUSSION OF PERSONNEL SERVICES

Ms. Kelly McGuire, Finance Director, introduced Assistant City Manager Claire Whitley and Human Resources Manager Heather Kidd, who would be contributing information on wages and personnel costs for city employees. She reminded the board the City Commission requested this action, but the discussion had to be related to the budget, and any bargaining issues had to be avoided. She stated that Ms. Whitley and Ms. Kidd were currently in negotiations with the three unions at that time, and a Shade meeting would be upcoming with the Commission to advise the status of those negotiations; whereby, Ms. Joyce Shanahan, City Manager, stated that collective bargaining meetings were exempt from Sunshine Law and held in private.

Ms. McGuire reminded the board the Commission would need a recommendation at the end of the meeting, if appropriate.

Mr. Scott Cichon and Mr. Rafael Ramirez asked what was needed from them; whereby, Ms. McGuire stated the Commission would want to know a review was completed of how personnel dollars were spent, and if the board was comfortable with that information.

Ms. McGuire stated the overall budget was \$77.7 million, with personnel costs at 37.54 percent of that. She stated that included wages and benefits for 331 full-time employees and 42 part-time employees. She noted that was a reduced number of employees, compared to 2007, handling more work due to new initiatives and more services that were being offered to the residents.

Mr. Kevin Tilley asked if part-time employees received full benefits; whereby, Ms. McGuire stated they received leave time, but not full benefits.

Ms. Shanahan stated the city contracted out certain services over time, including landscaping, maintenance, and building inspections; whereby, Ms. McGuire agreed, and noted some facilities and services had been added, including the Environmental Discovery Center and Andy Romano Beachfront Park.

Ms. McGuire reviewed a slide that showed details of the personnel budget, including wages, social security and Medicare, pensions, health insurance, workers compensation, and contribution to a deferred compensation program for newer general employees. She stated that wages increased by \$938,314, and that health insurance decreased by \$406,165, from FY 2017-18 to FY 2018-19.

Ms. McGuire explained the increase in salaries across the board, but noted that pension did not increase much, as the long term general employees that left were replaced by new employees who received deferred compensation instead. She stated that general employees in the pension had a contribution of 28 percent of an employee's payroll, but the deferred compensation contribution comprised only six percent of an employee's payroll, which saved money. She noted that health insurance, including medical, dental, vision, long term disability, and life insurance, had moved from a Health Maintenance Organization (HMO) plan to a high deductible plan in the prior few years. She detailed a structured health savings account (HSA) available for employees, which the city contributed \$1350 into every year, plus provided opportunities to accumulate more money into the account. She indicated the city was saving money on premiums, and providing assistance to cover medical payments.

Ms. Shanahan stated that three years prior, the city was faced with a 33 percent increase in health insurance, at over \$1 million dollars. She noted the conversion was an enormous shift for employees, but beneficial overall.

Mr. Bill Harper stated it was interesting to see that payroll increased close to \$1 million dollars from the prior year, but that social security liability decreased. He asked if multiple employees were over the limits; whereby, Ms. McGuire stated that some employees were, but not many. She noted different types of wages that were part of the payroll, including reimbursements and uniforms, which might not be taxed. She stated that mileage was not included, but that police officers and firefighters received education pay, and the city was reimbursed those amounts by the state. She stated that firefighters received certification pay, also included in wages, with the full amount split throughout the year.

Ms. McGuire stated the total amount of wages in the current budget was \$29.1 million, with most employees included in the General Fund portion at \$23.4 million. She noted the utility employees fell under the difference between those amounts, or \$5.7 million in wages. She stated that 65.9 percent of the overall personnel budget went toward wages, with 17.48 percent going to pensions and deferred compensation.

Ms. McGuire stated she would review a sampling of positions in the city and compare them to other cities in Volusia County. She stated that Ms. Kidd sent out a survey to all sister cities, but indicated that some did not have an equivalent position, or failed to respond. She stated that each position would list minimum and maximum salary, or hourly rate, for each city, with the average of all cities, and whether Ormond Beach was above or below that amount, at the bottom of the slide.

Ms. McGuire stated that for a Civil Engineer in Ormond Beach, the pay range was \$56,738 to \$103,676. She stated that Ormond Beach was close to the average on the minimum amount and above the average on the maximum amount. She stated the city did not always hire someone at the minimum amount, but the amount was dictated by the market available. She stated that if this position had to be hired that day, the city might have to provide pay in the middle to top end of the scale, due to the lack of available qualified individuals. She noted the city had a range for each position and always tried to stay within the range, in terms of comparison to the other cities, but where the person was hired within the range was dictated by the market.

Ms. McGuire stated that for an Administrative Assistant in Ormond Beach, the pay range was \$13.12 to \$23.98 per hour. She noted that Ormond Beach was considerably lower than other communities, with the average at \$15.73, and was almost 20 percent below the minimum salary. She noted the city was slightly below on maximum pay, and reiterated the pay would be dependent on the market available for the skills needed. She explained that if ten qualified individuals applied for the position, staff might be able to hire at the lower end; however, if only one qualified individual applied, staff might have to hire them at the higher end. She noted it was rare for the city to provide the maximum amount.

Ms. Shanahan stated that part of the difficulty with new employees coming in was where they would fall in the existing workforce; whereby, Ms. Claire Whitley, Assistant City Manager, stated the city had flexibility in the pay range, but a new employee brought in as dictated by the market, might end up having similar pay to an employee who had worked many years to get to that level of pay. She noted that could cause internal issues.

Ms. McGuire stated that for an Account Clerk in Ormond Beach, the pay range was \$12.87 to \$23.13 per hour. She noted that position had been available recently, but there had been only one qualified candidate. She noted that most of the staff in the department fell under the same classification, and pay adjustments were not being made to those employees with longevity, so the city would have to offer the new person enough to leave where they were currently working to come to Ormond Beach; however, staff had to balance the new employee's salary with the group around them, so it would seem fair to all involved. She emphasized it was difficult to balance those situations, and noted the position's starting salary was 9.5 percent below the other cities.

Ms. Shanahan asked Mr. Ramirez how he handled hiring nurses in his profession; whereby, Mr. Ramirez stated it was handled the same way with the same issues, and was a balancing act.

Ms. Shanahan asked Mr. Cichon if it were the same with an attorney's office; whereby, Mr. Cichon stated he had the same issues in his profession, and they made market adjustments when needed.

Ms. McGuire stated that for a Tradesworker in Ormond Beach, the pay range was \$13.49 to \$24.26 per hour, but was 11.9 percent below average.

Mr. Cichon interrupted with the understanding that Ms. McGuire was providing interesting information, but wanted to cut out extra that was not necessary. He asked about focusing on employees the city was losing and making the comparison on their wages, instead of focusing on positions that might not fit the Commission's request.

Ms. McGuire stated that Mr. Tilley had requested the detailed information that she was presenting, but would address Mr. Cichon's issue. She thought the Commission was hearing mostly about police officers, but there was no chart to show definitively why they were leaving; whereby, Mr. Cichon asked about exit interviews.

Ms. Whitley stated that generally, there was not a major issue with turnover and employees leaving the city. She thought that was because most had pensions, and it was a nice place to work. She noted that was different from recruiting, what was just discussed. She indicated that recruiting might be difficult for certain positions. She stated that recruiting for the police

department was challenging in every city, with Ormond Beach at a 10 percent vacancy rate. She noted that was in the middle of sister cities, who ranged from a three percent to 26 percent vacancy rate.

Mr. Cichon asked for clarification; whereby, Ms. Whitley stated the police department was small, with approximately 60 to 70 employees, and a few changes each year would change the percent of vacancy by a large amount. She noted that 50 to 70 percent of exit interviews for the police department were for retirement, and that percentage was similar across all departments. She emphasized there were a large number of employees retiring.

Mr. Ramirez asked if the retirement age was the same at the city as it was for his profession; whereby, Ms. Shanahan stated it was for the general employees, but the age was younger for police officers and firefighters.

Ms. Whitley stated it was not the people leaving, but the method used to fill those vacancies. She stated there was an issue recruiting police officers nationwide, due to the fact that it was not an attractive profession at that time. She noted they surveyed sister cities; Ormond Beach's starting pay for police officers was the highest, and benefits were similar to the others. She indicated that ten to 20 percent of police officers left for a bigger agency, like Volusia County, but not for a smaller town like Holly Hill. She indicated some wanted to be part of specialty teams that were not available in Ormond Beach. She noted that ten to 20 percent left for family reasons, relocation, or something similar, while one employee per year passed away, was terminated, or involved a situation that was outside staff's control.

Ms. Shanahan noted that some police officers left the profession completely.

Ms. Whitley reiterated the issue with recruiting police officers across the nation, and that it was not a wage issue.

Mr. Kimble noted that Ormond Beach could pull police officers from Holly Hill or South Daytona, since they were smaller cities; whereby, Ms. Whitley stated that was correct, but there was a small pool of individuals to choose from in general, and all cities in the area were relying on those individuals to graduate from the academy. She reviewed a pay study from 2016 and the range adjustments made due to that study. She noted that all sister cities completed pay studies after that time, which resulted in them having higher ranges than Ormond Beach's current ranges. She thought the lower ranges applied mostly to general employees and highly skilled positions.

Mr. Cichon asked if 50 to 70 percent of employees leaving due to retirement were police officers, or if that included all employees; whereby, Ms. Whitley stated it was a fair number across all employees. She stated that turnover was observed in newer general employees that were not part of the pension, because they would be lured away by \$.50 or \$1 more per hour in pay.

Mr. Ramirez stated that was the same for his profession. He stated they should present that information to the City Commission to explain the situations; whereby, Ms. McGuire agreed.

Mr. Cichon asked which employees were leaving for a few dollars; whereby, Ms. Whitley stated it was maintenance workers that would go to Volusia County, because it was a larger agency and paid higher wages.

Ms. McGuire stated the next position was a perfect example of that. She noted that for a Treatment Plant Operator "C", the pay range was \$16.41 to \$29.61, and required specific skills. She noted that position at Volusia County would be paid \$2 more per hour starting salary. She stated those employees would not be offered a pension at Ormond Beach to offset the differential, so they would leave for Volusia County which paid a few dollars more.

Ms. Shanahan clarified that Volusia County was part of the Florida State Retirement System (FRS), and Ormond Beach had moved away from defined benefits for general employees; therefore, the city provided a contribution, but the employee had to invest it and build their own retirement.

Mr. Kimble stated that unless Volusia County was hiring on the high end of their range, Ormond Beach could still be competitive; whereby, Ms. McGuire stated that was correct.

Ms. Shanahan reiterated the issue described by Ms. McGuire about balancing the new employee's pay with those in the same classification around them.

Mr. Kimble stated he understood that, but wondered if they needed to change the ranges to have a higher minimum or if the city could hire one dollar higher; whereby, Ms. Shanahan stated the city did have that flexibility.

Ms. Shanahan felt the police officer and firefighter wages were competitive, and had been for a long time. She reiterated that most employees were retiring, and discussed the percentages of employees leaving, the reasons they left, and the real issue involved backfilling those vacancies. She thought they started providing a stipend at the police academy to incentivize students to sign with Ormond Beach; whereby, Ms. Whitley stated that was correct, and added sponsorships and early recruiting as other methods being used to incentivize students from the academy.

Ms. Shanahan noted it was a competitive market for police officers; whereby, Mr. Ramirez made comparisons to his profession.

Mr. Kimble stated the Commission mentioned concerns the city was hiring police officers, training them, and they left after six months or a year, which was costing a lot of money. He did not think that was really happening, and

indicated retirement as one of the issues, as well as paying to train future Volusia County Sheriffs; whereby, Ms. Shanahan stated that would always be an issue.

Mr. Cichon asked if the individuals being discussed were part of a union; whereby, Ms. Shanahan stated the police officers, firefighters, and long term general employees were part of unions. He stated the solution in the private sector would be a non-compete agreement, but that did not apply to unions.

Ms. Shanahan detailed the amount of positions in the police department, and noted only a few opportunities available to promote internally. She compared Ormond Beach's numbers to Daytona Beach, which was much larger with more promotional opportunities and/or specialized assignments. She noted this had always and would always be an issue with small governments and a big corporate entity like the county, and there was nothing the city could do about that. She noted Ormond Beach started a strategic response team recently, and was working to find ways to keep that group interested in remaining with the Ormond Beach Police Department. She noted the Volusia County Sheriff's Office was patrolling the City of Deltona, along with the county, and Ormond Beach could not compete with that size of an entity.

Discussion ensued about a shooting the prior day at the Walgreens on the corner of International Speedway Boulevard and South Ridgewood Avenue. Ms. Shanahan noted that Ormond Beach did not have many issues like that, and was fairly quiet.

Ms. Shanahan stated she heard what the Commission said from a salary and wage perspective, but they micro compared benefits and that was not allowed at this board meeting, as it fell under bargaining issues.

Ms. McGuire asked if the board was comfortable with the discussion and understood what they heard.

Mr. Bill Harper stated he was struggling with a recommendation for the City Commission. He noted that no one could work fast enough to fill the staffing needs. He stated they could make a recommendation and allow the Commission to consider it, but that would not aid the recruiting issue.

Ms. Shanahan detailed her tenure in the Florida panhandle at another city government, and the same issues were present there.

Mr. Ramirez stated his answer to Mr. Harper's question was to increase taxes and increase the budget; whereby, Ms. Shanahan stated the situation would continue, even if the budget were increased.

Mr. Bill Harper stated it would become an issue if staff could not fill a position. He stated he was hearing the city was still able to operate and hire for positions.

Ms. Shanahan stated there had been little turnover in the fire department over the past eight years; however, four employees left in the prior six months and all were retirees. She noted there was not an issue hiring firefighters.

Mr. Cichon wondered how to summarize all the information; whereby, Mr. Kimble thought the city had what they needed to go out and recruit, and was not sure what to recommend to fix the issues mentioned.

Mr. Cichon stated there was no budget solution for the police department, due to retirement or leaving for specialized positions. He wondered about other workers in the city; whereby, Ms. Whitley stated the best approach was to keep up with the market, and continue reviewing the positions. She noted the issue came up when an employee would leave, and the replacement would need to be found.

Mr. Cichon mentioned Mr. Dave Ponitz, who left Utilities in Ormond Beach and went to Palm Coast; whereby, Ms. Shanahan stated Mr. Ponitz was not working for the City of Palm Coast, but a private utility in that area.

Ms. Whitley stated the position was replaced eventually, but the process had been difficult in finding the appropriate person. She reiterated the issue of bringing someone in at a competitive wage without upsetting other employees. She noted an engineering position that would be coming open, and the potential issue created in keeping the new employee's wage lower than their supervisor's rate. She indicated there was constant monitoring and consideration of all employees' pay.

Mr. Cichon stated that when someone at the top left, the replacement could be hired at a less expensive rate or an internal promotion could occur; whereby, Ms. Whitley stated that was not necessarily the case.

Ms. Shanahan noted staff worked to hire and promote from within, if possible. She thought that improving succession planning would assist employees in being promoted to the next level. She stated it would not work for every situation, due to required skill sets for certain positions.

Mr. Tilley commented on the succession planning discussed at the board's prior meeting, with multiple people at the top leaving, but no one below them ready to move up. He stated the city was forced to hire from outside.

Ms. Shanahan noted during the recession, most middle managers were let go and the positions no longer existed; whereby, Ms. Whitley added those missing positions were no longer in the budget at that time.

Ms. Shanahan reiterated succession planning as the key.

Mr. Ramirez stated the board was satisfied with the management of hiring as being consistent with what the market had to offer, the city was not losing all employees because of discontent, and suggested that a few examples from their meeting be explained to the Commission; whereby, Ms. Shanahan agreed.

Ms. Shanahan noted the age of the city's workforce, and the average stay in positions needed to be presented to the Commission first. She stated that staff needed to discuss the key positions next, including police officers, firefighters, and high skill positions, and detail those situations as to why the employees were leaving, and what was being done in response.

Ms. McGuire thought the Commission wanted to know the following: the board reviewed the personnel budget of the city, they were comfortable there were strategies in place to recruit and maintain employees within the current market conditions, and it could be done in a matter that was fiscally sustainable.

Mr. Ramirez reiterated increasing the budget; whereby, Ms. McGuire reiterated there was flexibility to hire in at the higher end of the pay range.

Mr. Cichon did not think increasing the budget would assist in retaining employees, but might assist with recruiting; whereby, Ms. McGuire stated it would not assist in retaining, as employees would still retire.

Ms. McGuire wondered if there was a specific recommendation.

Mr. Kimble stated he was satisfied with how it was being handled, there was no control over the market, and staff was doing the best they could in situations; whereby, Mr. Harper noted other professions had the same issues.

Ms. McGuire confirmed consensus with the board, and stated staff would share the minutes of the meeting with the City Commission in order to provide details of the board's questions and comments.

5. OTHER BUSINESS

Ms. McGuire stated the board would discuss millage rates, as requested by the City Commission, at the next meeting.

6. ADJOURNMENT

Mr. Kimble motioned, seconded by Mr. Cichon, to adjourn the meeting. The meeting was adjourned at 5:58 p.m.

Respectfully submitted,

Wendy Hontz, Recording Secretary

Attest:

Rafael Ramirez, Chairman