



**CITY OF RIVIERA BEACH
FINANCE AND ADMINISTRATIVE SERVICES**

INTER-DEPARTMENTAL COMMUNICATION

DATE: MAY 3, 2018
TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: RANDY M. SHERMAN, DIRECTOR OF FINANCE & ADMINISTRATIVE SERVICES
CC: KAREN HOSKINS, CITY MANAGER
SUBJECT: COMPENSATION STUDY/PAYROLL TRANSPARENCY

The Compensation Study (Study), accepted and approved by the City Council on February 21, 2018, was implemented for the non-affiliated employees on April 1, 2018. The non-affiliated employee members consist of Directors, Managers, Police Captains and Police Majors, Confidential, and part-time employees. The Study will be implemented for additional employees as their respective collective bargaining group votes to accept the Study as part of the labor negotiation process.

The first payment to the non-affiliated employees was processed for the two-week period ending April 14, 2018. Payment was made on April 20, 2018. Despite repeated requests by Finance prior to processing this particular payroll to obtain a copy of the "Final" Study and gain access to the database, Finance requests to Human Resources and the City Manager were not answered until the payroll process had been completed. Typically, Finance would be provided information in advance of a payroll cycle so that the data submitted could be audited and the data input verified. Pre-audit is conducted to avoid the need for future corrections by validating data against source documentation.

On April 18th, the database was provided to Finance, followed by the delivery of the "Final" Study on April 19th. Finance staff has had access to the detailed data for approximately two weeks, and has now had the opportunity to review the data in detail. Based on our review, there are several items that need to be brought to the attention of the Council for further review and consideration.

The premise of this Memorandum is to provide transparency into the Compensation Study and other payroll matters. While matters addressed herein raise concerns in Finance it is, the Council's decision as to the appropriateness of each item.

Background

Since 2013, it has been the goal of City Managers and Council members to raise city employee wage levels to market rate. City employees have for a very long time been paid less than their counterparts in other surrounding communities. Wage disparities create difficulties in hiring and retaining employees.

Collectively, the city staff and Council have taken various steps, including the restructure of pension benefits and internal comparative wage studies to work towards this goal. Understanding that outside assistance would be required to evaluate non-public safety positions, the Council appropriated \$80,000 as part of the Fiscal 2017 Human Resources budget to engage a consultant to develop a new city-wide Study. The expectation was for the results of the study to be included within the Fiscal 2018 budget, with an implementation date of October 1, 2017. Due to administrative staffing changes, the contract award was delayed until April 5, 2017. The Human Resources Director was vested in the lead role for contract administration.

Over the summer and early fall of 2017, employees completed and submitted their Job Analysis Questionnaire (JAQ), and the City Manager, Director of Finance and Administrative Services and Human Resources Director and Human Resources staff provided resources to the consultant including a listing of comparative communities and other government entities. The consultant analyzed the data provided by staff, employees and the responses from other government entities and submitted the first "Draft" of Study's findings. The initial "Draft" was dated November 21, 2017.

On December 20, 2017, Interim City Manager Hoskins, Interim Human Resources Director Irvin, Human Resources Administrator Booker and Finance and Administrative Services Director Sherman met with the consultant at the Human Resources Department. The context of the meeting was to discuss the staff's initial reaction to the "Draft" and identify issues that needed to be further addressed. At this meeting, it was discussed that one additional step would be added to the pay plan to address salary compression concerns.

Between the December 20th meeting and posting the Study onto the agenda for Council approval, several additional updates of the Study were produced for review.

Critical Dates

As noted above, during the post-payroll cycle audit, a number of concerns have arisen. A listing of critical dates related to these concerns are outlined below:

October 27, 2017 – Human Resources Administrator Irvin entered a Personnel Action Request (PAR) to place herself at the beginning salary for a Human Resources Director. Interim City Manager Hoskins approved the PAR on November 9, 2017.

November 9, 2017 – Human Resources Personnel Generalist Zuniga entered a PAR to increase the salary of Human Resources Administrator Booker by 10%. Interim City Manager Hoskins approved the PAR on the same date, November 9, 2018.

November 21, 2017 – Date of the initial "Draft" of the Study

December 20, 2017 – Meeting with consultant held at Human Resources Department. Attendees included Interim City Manager Hoskins, Interim Human Resources Director Irvin, Human Resources Administrator Booker and Finance and Administrative Services Director Sherman. Discussion arose to add one additional step to the pay plan to address salary compression.

January 16, 2018 – Date of updated version of Study. Risk Manager regraded upwards by one step. This was the only regrade of a Management position from the initial recommendation of November 21, 2017. Updated Study did not address compression.

January 19, 2018 – Interim Human Resources Director Irvin initiated a PAR to recognize permanent appointment and add Longevity to the City Manager's salary. City Manager Hoskins approved her own PAR on February 2, 2018 increasing annual salary from \$150,000 to \$168,000.

February 5, 2018 – Date of updated version of Study.

- Study reflected one additional step to address compression.
- Position of Assistant Human Resources Director was added – Grade 229.
- Eureka Irvin was listed as Assistant Human Resources Director
- Human Resources Administrator was regraded upward an additional two steps – Grade 227.
- Assistant Parks & Recreation Director was regraded upward an additional two steps – Grade 229.

February 13, 2018 – Finance provides Interim Human Resources Director Irvin with Promotion Date corrections.

February 21, 2018 – Council approved Study.

April 1, 2018 – Study implemented for non-affiliated employees.

April 6, 2018 –

- Human Resources staff, with the assistance of ADG, the city’s software provider, uploaded a file of the new annual salaries into ADG.
- Human Resources Administrator Booker provided Finance with an Excel file (hardcoded-no formulas) identifying the new salaries.

April 13, 2018 –

- Human Resources Personnel Generalist Zuniga entered a PAR to increase the post-Study salary of Human Resources Administrator Booker by 10%. City Manager Hoskins approved the PAR on April 16, 2018.
- Human Resources Administrator Booker entered a PAR to promote Human Resources Administrator Irvin to Assistant Human Resources Director. An additional 10% was added as this individual is serving as the Interim Human Resources Director. City Manager Hoskins approved the PAR on April 16, 2018.
- Finance received new reports in Excel format (hardcoded) attached to an email. Email stated that Ms. Irvin had spoken to City Manager Hoskins and that Ms. Hoskins requested that Finance be provided the requested data in Excel.

April 16, 2018 - Human Resources Administrator Booker, with the assistance of ADG, uploaded the new salary for the Assistant Human Resources Director.

April 18, 2018 – Human Resources provided Finance access to the consultant’s database.

April 19, 2018 –

- Human Resources provided a copy of the “Final” Study.
- Finance initiated audit.

April 30, 2018 – Human Resources Administrator Booker entered a PAR to reduce Ms. Irvin’s increases initiated on the April 13, 2018 PARs from two 10% adjustments to two 5% adjustments, thereby reducing Ms. Irvin’s salary from \$133,673 to \$121,521. The PAR has not yet been approved by the City Manager as of the date of this memorandum.

Matters of Concern – Regrading of Positions

Excluding the positions impacted by the one-step adjustment to address compression, only three positions were regraded between the “Draft” and Council approval. The three positions are:

- a. Human Resources Administrator – Two additional steps – Grade 227
- b. Risk Manager – One additional step – Grade 228
- c. Assistant Director of Parks and Recreation – Two additional steps – Grade 229

No documentation could be located to support increasing these positions.

It appears that the unintended consequences of upgrading the Human Resources Administrator position to Grade 227 were two-fold. First, Grade 227 is the appropriate Grade for the Assistant Human Resources Director. Whereas Grade 227 was now occupied by the upgraded Human Resources Administrator position, the Assistant Human Resources Director was placed at Grade 229, five Grades below the Human Resources Director and the Parks & Recreation Director. Second, since the Assistant Parks & Recreation Director was still seven Grades below the Human Resources Director and the Parks & Recreation Director, the Assistant Park & Recreation Director needed to be moved into Grade 229 as well. Other assistant directors remain seven steps below their director’s Grade.

Matter of Concern – Regrade/Promotion

As noted above, Interim Human Resources Director Irvin was promoted to Assistant Human Resources Director on April 1, 2018, and then immediately repositioned as Interim Human Resources Director again. The series of transactions sequenced to maximize the April 1st salary of Ms. Irvin.

- Action 1 – On April 1, 2018, Ms. Irvin’s salary was adjusted to market as determined by the Study, recognizing the two additional steps and 9.4 years of experience. This raised Ms. Irvin’s annual salary as a Human Resources Administrator from \$65,155 to \$110,223.
- Action 2 – Immediately following Action 1, on April 1, 2018, Ms. Irvin was regraded/promoted to Assistant Human Resources Director. As result of this regrade/promotion, Ms. Irvin received a 10% increase adjusting her salary from \$110,233 to \$121,256. Additionally, this position was never posted as an employment opportunity.
- Action 3 – Immediately following Action 2, on April 1, 2018, Ms. Irvin was again promoted to Interim Human Resources Director. As result of this promotion, Ms. Irvin received an additional increase adjusting her salary from \$121,256 to \$133,673.
- Had the position of Assistant Human Resources Director been posted prior to April 1, 2018, and had Ms. Irvin been selected, her post April 1, 2018 annual salary under the Study would be \$102,524.

Matter of Concern – Post Study Plus Rate

As noted above, on April 13, 2018 Human Resources Administrator Booker was awarded a 10% Plus Rate over and above her adjusted salary as a result of the Study. The series of transactions were:

- Action 1 – On April 1, 2018, Ms. Booker’s salary was adjusted to market as determined by the Study, recognizing the two additional steps and 10.2 years of experience. This raised Ms. Booker’s annual salary as a Human Resources Administrator from \$65,155 to \$112,893.

- Action 2 – Immediately following Action 1, on April 1, 2018, Ms. Booker’s salary was adjusted upwards by 10% “due to additional duties”, thereby adjusting her salary from \$112,893 to \$124,182.

Matter of Concern – Promotion Date

Within the mechanics of the Study, Promotion Date is utilized to determine an employee’s slotting inside a pay band. On February 12th and February 13th, Finance reviewed a draft of the Study for the sole purpose of confirming Promotion Dates and submitted a list of needed corrections to Interim Human Resources Director Irvin. One of the corrections submitted was for Community Court Program Manager, Ms. Scott. The correction was not incorporated within the “Final” Study. As a result of failing to make the correction, the Study calculated a \$25,201 increase in salary Community Court Program Manager. With the correct Promotion Date, is instead to receive no increase in salary.

This error was reported to the City Manager and the Interim Human Resources Director on April 26, 2018. A correcting PAR has not yet been submitted as of the date of this memorandum.

Matter of Concern – Longevity

On November 2, 2017, Ms. Hoskins was appointed Interim City Manager. The appointment was effective November 6, 2017. Council voted to set the salary at \$150,000. Below is the language from PAR prepared by Interim Human Resources Director Irvin.

EFFECTIVE NOVEMBER 06, 2017, MS. KAREN HOSKINS ASSUMES DUTIES AND RESPONSIBILITIES AS INTERIM CITY MANAGER AS APPOINTED BY CITY COUNCIL AT SPECIAL CITY COUNCIL MEETING ON THURSDAY, NOVEMBER 2, 2017.

MS. HOSKINS IS TO RECEIVE A SALARY OF \$150,000, A \$500 CAR ALLOWANCE AND ALL OTHER BENEFITS. THE CITY HAS TO ADD FIVE (5) ADDITIONAL DAYS OF VACATION. IN ADDITION, MAKE CONTRIBUTION TO MS. HOSKINS' DEFERRED COMPENSATION PLAN.

HOWEVER, MS. HOSKINS HAS STATED SHE WILL CONTINUE TO MAINTAIN HER FAMILY COVERAGE

Shortly after the appointment, I spoke to Ms. Hoskins and informed her that her annual salary would be adjusted to \$150,000 as approved by the Council. At that time, we discussed her inability to add Longevity onto her new salary. I explained that Longevity is a component of salary, not an employee benefit. Longevity is budgeted as salary, paid as salary, pensionable as salary, taxed as salary, and reported to the Internal Revenue Service as salary. Ms. Hoskins agreed that she would not request Longevity.

On December 6, 2017, Ms. Hoskins was appointed as the City Manager. The agenda item background clearly identifies a salary of \$150,000. On January 19, 2018, Interim Human Resources Director Irvin created the PAR. The PAR included Longevity pay of 12%. City Manager Hoskins approved the PAR on February 2, 2018. The Longevity increases Ms. Hoskins’ annual salary from \$150,000 to \$168,000. To-date, as City Manager, Ms. Hoskins has received \$6,438.46 in Longevity pay. It should be noted that Ruth Jones did not receive Longevity pay during her seven years with the City.

Closing

The above actions may or may not be appropriate in the course of city business. That is an issue for the Council to determine. As a matter of course, I am bringing the above concerns to the Council for further

action. Council should not take this memorandum as a condemnation of the Study, nor should Council let the actions described above impugn the integrity of the Study.

The Council should be aware that other needed corrections have been identified by Finance staff since receiving the requested files. The corrections are due to minor errors or personnel actions that took place after the files were transmitted to the consultant, and therefore not accounted for in the initial files used for implementation. It does not appear that these needed corrections are the result of any intentional act. Adjustments and corrections will be made in subsequent payroll periods.

The Council should also be aware that a draft of this Memorandum was shared with City manager Hoskins on May 2, 2018. Her response to the draft is attached.

In accordance with Resolution 107-15, I am required to submit my concerns to the Office of the Inspector General, and I have done so.

RMS/sde

Attachment