



**TO:** Honorable Mayor & Members of the Fort Lauderdale City Commission

**FROM:** Lee R. Feldman, ICMA-CM, City Manager

**DATE:** September 3, 2014

**TITLE:** FIRST READING - An Ordinance Amending Subsection 20-78(b) of the Code of Ordinances by Modifying the Provision Governing Sick Leave Payout Upon Termination of Employment

**Recommendation**

It is recommended that the City Commission approve an ordinance on first reading amending Section 20-78(b) “Pay upon termination of employment – Generally” of the City’s Code of Ordinances to modify the sick leave payout upon termination of employment for all employees in the Management and Confidential employee groups.

**Background**

Section 20-78(b) “Pay upon termination of employment – Generally” of the City’s Code of Ordinances delineates how an employee’s vacation, management vacation, and sick accrued unused leave balances will be paid out at time of separation from the City. For vacation leave balances, leave is paid out at the rate of pay in effect at the time of separation. Management vacation is paid at 75% of the rate of pay in effect at the time of separation.

Pursuant to Section 20-78(b)(4), when an employee utilizes sick leave, the most recently accrued leave is used first which represents a Last In, First Out (LIFO) methodology.

Sick leave balances are paid out at different percentages depending on the reason for separation (retirement, in good standing or not in good standing) and depending on the employee’s years of service with the City, as demonstrated in the chart below.

<u>Type of Separation</u>	<u>Years of Service</u>	<u>Percentage Paid Out</u>
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Retirement	10 or less	50%
	Greater than 10, but less than 20	65%
	20 or more	80%
Separation In Good Standing	10 or less	25%
	Greater than 10, but less than 20	45%
	20 or more	65%
Separation Not In Good Standing	All	0%

The City is unable to electronically track the unused sick liability because of payroll system limitations and data still existing in paper files for many employees. When an employee separates, Human Resources staff must review both electronic and paper files for the separated employee and determine the rate at which each hour of sick leave was earned.

The separation calculation is performed manually using a spreadsheet; it can be cumbersome depending on an employee's length of service increasing the potential for errors in the calculation of the unused sick liability. For at least the past four (4) years, the City's external independent auditor has included a finding regarding these compensated absences in the Comprehensive Annual Financial Report (CAFR) and recommended that the process be revised and/or automated (Exhibits 1 through 4). Since the automation of this process is not possible at this time, the City has pursued revising the calculation methodology.

The City has simplified the computation of sick leave payouts for two employee groups (Fraternal Order of Police (FOP) – Police Officers and Sergeants; and FOP – Police Lieutenants and Captains) through their Collective Bargaining Agreements (CBA). For these employee groups, sick leave payout calculations will be based on 28% of total accrued, unused sick leave hours at the employee's final rate of pay. The CBA's for the remaining unions are open for negotiations, and the City is proposing identical provisions.

For those employees not covered by a collective bargaining agreement (Management and Confidential employee groups), the mechanism to change the methodology is the modification of the Code of Ordinances addressing the leave payout. As with the FOP groups, the City is recommending revising the sick leave payout calculation for the Management and Confidential employee groups to be 28% of total accrued, unused sick leave hours at the employee's final rate of pay, effective October 1, 2014. However, those employees who are DROP Participants as defined in Section 20-107 of the City's Code of Ordinances on or before September 30, 2014, will be paid for unused sick leave in accordance with the existing schedule rather than the 28% formula.

### **Resource Impact**

It is impractical to calculate the financial impact this will have on the City, as it would require the calculation of each individual employee's leave balance, the rate at which it is earned, and potential payout depending on the type of separation and years of services, and compare it to the revised methodology.

The 28% methodology was derived by analyzing the estimated liability indicated in the Comprehensive Annual Financial Report and the leave balances of employees at a recent point in time. It is anticipated that the new methodology will not increase the City's estimated liability.

**Strategic Connections:**

This item is a Press Play Fort Lauderdale Strategic Plan 2018 initiative, included within the Internal Support Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing resources wisely and sustainably.
- Objective 1: Ensure sound fiscal management
- Initiative 1: Achieve a structurally balanced budget through viable revenue sources, smart financial management, comprehensive financial forecasting, and results-oriented and efficient services.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are United*.

Attachments:

Exhibit 1 – 2010 CAFR Finding regarding Calculation of Compensated Absences

Exhibit 2 – 2011 CAFR Finding regarding Calculation of Compensated Absences

Exhibit 3 – 2012 CAFR Finding regarding Calculation of Compensated Absences

Exhibit 4 – 2013 CAFR Finding regarding Calculation of Compensated Absences

Ordinance

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