City of Stuart

Human Resources Department

MEMO

TO: David Dyess, City Manager
FROM: Roz Johnson, Human Resources Director
SUBJECT: Amendment 2 – Florida Minimum Wage
DATE: November 8, 2020 - **Updated**

Background:

Florida's Constitutional Amendment 2 was approved by voters on November 3, 2020. Amendment 2 increases Florida's minimum wage from $8.65 (as of January 1, 2021) to $10.00 effective September 30, 2021. The minimum increases by $1.00 every year through September 30, 2026 (5 years), at which time the minimum wage shall be $15.00. The minimum wage would thereafter be adjusted annually for inflation, beginning September 30, 2027.

This document provides an overview of the City's current compensation position in relation to Amendment 2, offering some suggestions for consideration.

Analyses will continue, and I will reach out to our peers throughout the State to learn how they are responding.

Current City of Stuart Pay Ranges *(first five ranges only, for illustration, FY21):*

Range 1: 12.29 – 19.96 (Custodian, Laborer, PT Leisure Driver)
Range 2: 12.90 – 20.65 (Groundskeeper, Office Assistant)
Range 3: 13.55 – 21.68 (Recreation Leader, Parking Enforcement Specialist)
Range 4: 14.23 – 22.76 (Groundskeeper II, Nursery Worker)
Range 5: 14.94 – 23.90 (Afterschool Program Leader, Groundskeeper Specialist, Sanitation Worker)

Strategy:

- Elevate ranges gradually and conservatively, beginning FY21 or FY22 (a few options appear on following page);
- Ensure compliance with Florida's annual Minimum Wage every fiscal year;
- Ensure existing employees are far enough from each range's minimum to allow for incoming new hires (compression mitigation).

Strategy	Pros	Cons	Comments
Pay ranges remain status quo FY21	Employees will be at least 2% away from the range minimum, giving us a head start on compression prevention	Have to make up for zero range adjustments this year with larger adjustments in subsequent years, creating a greater fiscal impact	If ranges remain untouched this year, we will have to adjust more than 3% in subsequent years (3.5%, etc)
Ranges elevate 2% in FY21, matching the recent GWI	Gives us a jump start on range adjustments toward the $15 minimum	Six employees (plus some new hires) will remain at the minimum; compression with new hires will be unavoidable	Would recommend one-time rate adjustments for the six (+/-) employees to move them from the floor – see "Discussion" below
Implement 3% GWI every fiscal year, with accompanying range adjustments	Employees move with the ranges and can plan on the 3% each year – good retention tool; by September 30, 2026 the City's minimum will match FL Minimum Wage	The 3% is less than the rate of growth in the FL Minimum Wage each year (10% year one, 9% year two, 8% year three, and so forth); the City's minimum will match FL Minimum Wage, which can work against us in recruitment	This is a conservative approach and ensures the City meets the State's deadline; other options include a variety of combinations of GWI each fiscal year (such as a 4% GWI with ranges only moving 3%), but **the key is elevating the ranges at least 3% each fiscal year.**

Discussion:

1. To achieve success with any strategy selected, existing employees at the minimum will need to be elevated off the floor of their range. As much possible of the first quartile of a range should be reserved for new hires to mitigate compression. Moving existing employees from the minimum can be achieved with a one-time rate adjustment for the few to whom it applies. While additional analyses will be performed, and aside from very new hires, it is believed there are very few affected employees. The six identified in the lowest five grades are isolated to two divisions (10th Street and Tram Services). Compression within the ranks will be evaluated, but again, it appears isolated and minimal. Any other anomalies will be identified and discussed.

2. The six existing employees at the minimum in ranges 1 through 5:
    - One PT Leisure Driver
    - Five PT Recreation Leaders
    - *Others are placed within the ranges at varying compa ratios*
    - *Employees in pay range 6 and higher will be evaluated, and with the exception of some new hires in the past few months, it's likely employees are already above the minimum due to the Paypoint study of 10/1/19.*

3. If an annual GWI is implemented, and without other increases (such as a 1% merit or otherwise), employees will remain static in placement within their assigned pay range for five (5) years. An employee at 90% compa ratio would remain at 90% compa ratio for the same period – *however, non-bargaining employees don't tend to have as much concern about "moving through the range" as bargaining employees do; rather, they are more concerned with receiving a wage increase every year, and they don't want new hires too close to their rate of pay, and we have a system to monitor that dynamic (see #4 below).*

4. New Hires will continue to be processed in accordance with policy, not to exceed 15% above the range minimum, unless approved by the CM; HR continues to analyze internal equity with each new hire; if existing employees are far enough away from the minimum of a range, we can hire successfully without compression or internal equity issues;

5. Fire and Police are collectively bargained, with rates comparable to the market at present; it is yet to be seen how the unions may respond to the increasing FL Minimum Wage;

Option #1 For Range Adjustments *(Range 1 only, for illustration – no changes to current ranges in FY21 – applying 3.50% each FY):*

FY21 (today's minimum; no range adjustments) - $12.29
FY22 - $12.72 (FL Min Wage $10)
FY23 - $13.17 (FL Min Wage $11)
FY24 - $13.63 (FL Min Wage $12)
FY25 - $14.10 (FL Min Wage $13)
FY26 - $14.60 (FL Min Wage $14)
FY27 - $15.11 (FL Min Wage $15)

Option #2 For Range Adjustments *(Range 1 only, for illustration – current ranges increase by 2% now, with one-time adjustments to employees to elevate them above the minimum – applying 3% GWI each FY):*

FY21 (new range minimum, adjusted by 2% to match recent GWI) - $12.54
FY22 - $12.91 (FL Min Wage $10)
FY23 - $13.30 (FL Min Wage $11)
FY24 - $13.70 (FL Min Wage $12)
FY25 - $14.11 (FL Min Wage $13)
FY26 - $14.53 (FL Min Wage $14)
FY27 - $15.00 (FL Min Wage $15) – *GWI 3.25%*

Pros and Cons of Above Proposals:

Pros:

1. Both of the proposals above are conservative and meet the deadline;
2. City could grant a higher GWI in one year and less in another year (however, ranges must adjust each year by 3% on average to meet the goal);
3. Employees would receive 3% each fiscal year, except in the final year (3.25%), which is a good recruitment and retention tool.

Cons:

1. The FL Minimum Wage increases by 10% in year one, 9% in year two, 8% in year three, etc. and our 3% adjustment each year doesn't keep good pace – it gets the job done, and it's conservative, but it's not optimal;
2. The City's minimum rate is currently 44% above the FL Minimum Wage of $8.56. By the end of the 5 years, and with 3% adjustments (only) each year, that distance from the minimum shrinks to zero. The City's minimum pay would match the FL Minimum Wage, and this could negatively impact recruitment efforts (e.g., a Laborer in a safety-sensitive role who is paid a minimum rate earns the same as a Cashier – *no disrespect intended with comparisons*; even though we can hire above the minimum, in compliance with our hiring policies, it's a perception issue);
3. If we don't elevate all existing employees from the floor of the ranges, new hires would be paid the same rate as employees with seniority, who are also at the minimum, creating internal inequity – in addition to the one-time adjustment for a few, as noted earlier, a consideration to get around new employee compression is to implement the 3% GWI plus a 2% merit for say, two years, to *move everyone through the ranges and further away from the minimums*. After the two years, return to lump sums. Other options can be evaluated.

Amendment 2 Impact:

Joly can advise the fiscal impact based on recommendations, and I can confer with him in the next two weeks unless you wish to meet with him ahead of my return. Additional analyses will continue during my absence, including examining other compensation strategies. Discussion and surveys have already launched among my peers, so I'll be engaged in collaboration with all of them. I'll keep you posted.