

# CITY OF MIAMI SPRINGS



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To: The Honorable Mayor Xavier Garcia and Members of the City Council

VIA: James Borgmann, City Manager

FR: William Alonso, CPA, CGFO, Finance Director

Date: July 7, 2011

Re: City Manager Payout Calculations

In response to your request that I review the financial analysis presented by Councilman Espino at the June 27, 2011 Council meeting, I am providing you with the following analysis:

Councilman Espino's analysis concludes that the City will save approximately \$140,000 in salaries, benefits, and expenses by terminating the Manager immediately. The following analysis shows that the net savings would actually be \$44,918.

**Assuming a January 2 Retirement date:**

	July	Aug	Sept	Oct	Nov	Dec	Jan 2012	Totals
Managers Payout (1)							\$ 114,482	\$ 114,482
Managers Salary (2)	\$ 16,336	\$ 16,336	\$ 16,336	\$ 16,336	\$ 16,336	\$ 16,336	\$ -	\$ 98,016
Asst Managers Salary (3)	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ -	\$ 88,206
Total Costs to the City								\$ 300,704

**Assuming Termination on June 27:**

	July	Aug	Sept	Oct	Nov	Dec	Jan 2012	Totals
Managers Payout (4)	\$ 167,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,580
Interim Managers Salary	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ 14,701	\$ -	\$ 88,206
Asst Managers Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Costs to the City								\$ 255,786
Net Savings over two fiscal years								\$ 44,918

- (1) See attachment C
- (2) See attachment A letter B
- (3) See attachment A letter C
- (4) See attachment A letter A

As you can see from this analysis, the net savings is actually \$44,918 over the 2011 and 2012 fiscal years. The top analysis assumes that the Manager retires on January 2, 2012. The payout would be \$114,482 and the manager and Asst. City Manager salaries would continue until January 2. This scenario has a total cost of \$300,704 (\$93,111 in FY2011 and \$207,593 in FY2012).

The second table assumes that the Manager would have been terminated on June 27, 2011. The payout would have been \$167,580 since the Manager's contract would have provided for an additional payment of 120 days if he were terminated. We then assumed that the Assistant City Manager would be named Interim City Manager and his current monthly salary of \$14,701 is included until the January 2 date when a permanent Manager is named, also note that the Assistant City Manager position is left vacant during this period. Under this scenario the total cost to the City is \$255,786. (If Council provides a salary increase to Mr. Gorland during the interim period, then the total savings would be reduced by this increase). Under this scenario we would have an increased cost of \$118,572 in FY2011 and a savings of \$163,170 in FY 2012.

In reviewing Councilman Espino's analysis there were two main areas that caused the \$140,000 savings figure to be inaccurate.

First, there is an additional \$54,000 in payout that is due to the manager if he is terminated. This amount should have been deducted from the savings amount.

Second, Councilman Espino proposed a six month savings in the City Manager's salary (July 2011 thru Dec 2011) plus a savings in the assistant City Manager's salary (October thru December 2011). The problem with this analysis is that it eliminates both salaries for the first three months of next fiscal year. The salary of the Interim City Manager is not considered?

Councilman Espino's original savings amount	\$139,384
Less:	
Additional Payout per contract	(53,098)
Interim City Manager Salary	<u>(44,103)</u>
Adjusted savings	<u>\$42,183</u>
Savings per calculation above	<u>\$44,918</u>

Our total net savings is slightly higher than the above figure mainly due to the Assistant City Manager's salary used in Councilman Espino's analysis was lower than actual.

## ATTACHMENT A

A) Calculation of total payout to City Manager if terminated on Aug 8, 2011.

120 Days as per contract	66,540.00	\$69.3125 per hour times 8 hours times 120 day
Payroll Taxes	964.83	Medicare 1.45%, NO Fica since he has reached
Accrual Payout	100,075.31	See attachment B
Total	<u><u>\$ 167,580.14</u></u>	

B) City Manager's annual salary for FY2011:

Salary	144,170.00		
Payroll Taxes	11,029.01		
Car Allowance	5,400.00		
Pension Contr.	21,625.50		
Worker's Comp	1,441.70		
Medical Insurance	7,992.00		
Life Insurance	648.00		
Cell Phone	952.44		
Liability Insurance	2,768.06		
Total	<u><u>\$ 196,026.71</u></u>	Monthly	\$ 16,336

C) Assistant City Manager's budgeted salary for FY2012:

Salary	126,422.00		
Payroll Taxes	9,671.28		
Car Allowance	4,500.00		
Pension Contr.	18,963.00		
Worker's Comp	1,264.22		
Medical Insurance	11,665.52		
Life Insurance	552.00		
Cell Phone	952.44		
Liability Insurance	2,427.30		
Total	<u><u>\$ 176,417.77</u></u>	Monthly	14,701.48

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# Attachment B

## MEMORANDUM

TO: MAYOR; COUNCIL  
CC: CITY CLERK; CITY MANAGER  
FROM: DAN ESPINO  
DATE: June 24, 2011  
RE: Financial Considerations Involving City Management

**Proposal:** In a continued effort to be fiscally responsible with City funds, the Mayor and Council should accept the Manager's resignation to retire, effective immediately, appoint Ron Gorland as interim City Manager and save the City \$139,383.69 in salaries, benefits and expenses.


Accepting the City Manager's resignation now saves the City six (6) months of his compensation/expenses, which totals \$99,834.96.

City Manager:	Salary	<u>\$147,112.00</u>
	Car Allowance	<u>\$ 5,000.00</u>
	Retirement Pension Plan (City Contribution)	<u>\$ 22,066.80</u>
	Other (Insurance, Workman's Compensation	<u>\$ 25,491.20*</u>
	Taxes, Liability Insurance, Cell phone)	
<b>Total Yearly Compensation &amp; Expenses</b>		<b>\$199,670.00</b>
<b>Monthly Amount = \$16,639.16</b>		

The City also stands to save money on the Assistant City Manager's compensation. Presuming that our new City Manager would not begin working with the City until January 1<sup>st</sup>, 2012, having Ron Gorland serve as interim until then saves three (3) months of his compensation/expenses for the months of October 2011 through December 2011, in the amount of \$39,548.73, a savings applicable to budget 2011/2012.

Assistance City Manager:	Salary	<u>\$113,910.00</u>
	Car Allowance	<u>\$ 4,500.00</u>
	Retirement Pension Plan (City Contribution)	<u>\$ 17,086.50</u>
	Other (Insurance, Workman's Compensation	<u>\$ 22,698.40*</u>
	Taxes, Liability Insurance, Cell phone)	
<b>Total Yearly Compensation &amp; Expenses</b>		<b>\$158,194.90</b>
<b>Monthly Amount = \$13,182.91</b>		

The recent budget presumptions show that the City will have to resolve a \$537,000.00 budget deficit, \$120,000.00 of which is a payout to the City Manager for accrued sick and vacation leave. The City needs to save money from every possible source, and we should take the opportunity to save \$139,383.69 in salaries, benefits and expenses, by accept the Manager's resignation to retire, effective immediately, and appointing Ron Gorland as an interim City Manager.

Attachment 

**JAMES BORGMANN**

1/2/2012

**ACCRUAL AUDIT PAYOUT**

<u>YEAR</u>	<u>2011</u>	<u>2012</u>	<u>HRS TAKEN</u>
BIRTHDAY	8.00	8.00	
FLOATING HOLIDAY	4.00	24.00	
SICK	695.60	96.00	
VACATION	678.71	144.00	80.00
TOTAL HOURS	<u>1,374.31</u>	<u>240.00</u>	
TOTALS	1,294.31	240.00	

GRAND TOTAL HRS	1,534.31	<b>TOTAL \$</b> <b>\$106,346.86</b>
RATE OF PAY	69.3125	

Medicare 1.45%

\*SS 6.20%

\*Cap for 2011 \$106,800

\$ 1,542.03

\$ 6,593.51

\$ 8,135.54 *total taxes*

\$ 114,482.40