



# CITY OF RAPID CITY

## RAPID CITY, SOUTH DAKOTA 57701-5035

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### COMMUNITY RESOURCES DEPARTMENT

#### HUMAN RESOURCES DIVISION

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## MEMORANDUM

TO: Legal & Finance Committee  
FROM: Jeff Barbier, Community Resources Director  
DATE: January 11, 2012  
RE: Employee Compensation Proposal

### Introduction

Sales tax is up an estimated 6.1% for 2011 over 2010. This is very good news. In addition to replenishing the reserves, this also helps alleviate pressure on property taxes. If the sales tax growth is sustained, it will help reduce the need to tap into the 2010 Property Tax CPI and the 2013 Property Tax CPI as part of the 2013 budget process.

Budgetary challenges lay ahead. Many inevitable expenses have been delayed over the past several years. In addition, third party groups have received funding for many years at the same levels when internal departments have had to endure large cuts. While these groups perform an important service to the community, there will likely be cuts for these groups in 2013 so city government can focus on the increasing costs of providing basic services while attempting to avoid more pressure on property taxes.

However, the increased revenue does give us as a community the opportunity to address the compression issues in our employee pay scales. For example, starting pay for a police officer or firefighter is lower than in surrounding areas. This is causing many of our departments to operate as excellent training grounds but longevity is limited. This results in higher attrition and increased costs in the long run to our taxpayers.

Jeff Barbier, Brett Limbaugh, Pauline Sumption, Mike Maltaverne, Steve Allender, Tammie Krumm, Rod Seals and Mayor Kooiker have worked on this affordable proposal to help address employee compensation issues.

### Summary of Employee Compensation Issues

Due to the extremely tight budgets in 2010 and 2011, the original structure and execution of the Rapid City employee compensation plan has been altered dramatically, which has caused multiple issues throughout various departments. Many of the compensation issues city wide fall into one of the five following categories:



EQUAL HOUSING  
OPPORTUNITY

EQUAL OPPORTUNITY EMPLOYER

- 1) Compression amongst non-union employees
- 2) Compression amongst all employees hired since 2009
- 3) Lower starting wages
- 4) Overall morale
- 5) Union relations

The single greatest cause of these issues has been the 2009 suspension of annual step increases that allows our system to differentiate employee compensation based on years of service to the City of Rapid City. Not using the step increase mechanism of our plan has contributed to all five of the issues listed above. A specific example of the problems associated with not executing step increases would be a police officer or fire fighter that has three years of experience in their profession, now makes exactly the same wage as a new employee hired as recently as the last few weeks.

The City of Rapid City is experiencing negative consequences regarding retaining current employees and recruiting new employees due to our compensation issues. Voluntary employee turnover is expensive. When employees leave, they take with them their knowledge, skills and abilities that contribute to the goals and performance of the City. Recently, multiple departments have had difficulty attracting top quality candidates to open positions. The Police Department is changing their testing procedures to accommodate this difficulty in attracting qualified candidates, which will result in additional expense for the department.

Although no magic formula exists to fix everything overnight, the plan outlined in this proposal would begin to address all five major compensation issues that have been identified.

### **PROPOSED COMPENSATION ADJUSTMENTS**

**1) Non Union Compression Issue**

- Increase the 5% promotion policy to 10% in Non Union Employee Information Guide
- Identify those promoted with 5% limitation since inception in 2009 and adjust 2 steps (5%)
- If exception granted when promoted at 10% or greater no adjustment necessary

**2) Compression Among Recent Hires (*last 3 plus years*) & Lower Morale**

<u>Year Hired</u>	<u>Longevity</u>	<u># of Employees</u>	<u>Step February 1, 2012</u>	<u>Steps Since 1/2/2007 (Including 2/1/2012)</u>	<u>Cost per Category</u>
2007	4-year plus	515	0.5	2.5	\$276,000
2008	3-year	51	1.0	2.0	\$ 49,000
2009	2-year	50	1.5	1.5	\$ 66,000
2010	1-year	59	1.0	1.0	\$ 53,000
2011	new	<u>50</u>	0.5	0.5	<u>\$ 23,000</u>
<b>Totals</b>		<b>725</b>			<b>\$467,000</b>

*(Based on full years of employment as of January 1, 2012. i.e. hired Dec 2010 = one year)*

**3) Compensation Equity/Union Relations**

Re-institute Compensation Review Committee for factor evaluations of new positions and reclassification requests. *(Five members: Union designee (AFSCME/FOP/IAFF), Finance Officer, Human Resources)*

<u>Approximate Cost</u>	<u>2012 Cost Per Fund Type</u>
1) \$ 80,000	<b>Total General Fund \$393,000</b>
2) \$467,000	Less: Healthcare Transfer <u>350,000</u>
	<b>Net General Fund \$ 43,000</b>
	<b>Enterprise \$154,000</b>
<i>Total \$547,000 (includes only \$43,000 from General Fund)</i>	

**PERCENTAGE OF 2012 TOTAL CITY BUDGET OF \$138,542,000 = 0.39%**