



## **Staff Report**

**Subject: Employee Compensation**

**Department/Program: Administration**

**Explanation:**

The City is in the process of entering into a new collective bargaining agreement with the City's Police Officers. As a part of the new CBA, Officer pay will be increased by a one-time amount of 6% in September of this year in order to get the Officers to the amount of the new pay steps agreed to in the plan. The question before the Board now is whether or not to provide the additional 6% raise to the non-union employees as well.

Up to this point the City has granted the same pay and benefit system to both union and non-union employees in an effort to treat everyone equally.

There are some factors to consider when making this decision. Employee recruitment and retention is the City's biggest challenge right now. We currently have 11 vacancies out of 140 full time employees. Our employee turnover rate is the highest it has ever been. This reflects trends occurring in the national economy regarding labor, and in fact we have had lower turnover than many of our peer cities. Regardless, our inability to recruit and retain employees has already impaired our ability to provide timely services in some cases, and that could become a more significant problem if more employees leave without qualified replacements.

The City has a policy that states that we will pay our employees at the 70<sup>th</sup> percentile of the market rate for their position. The market rate is established by comparing our pay ranges to those of 10 comparable cities. However, our policy only establishes the minimum and maximum for the range, and does not necessarily affect an employee's actual salary. For example, even if the range increases for a position due to the market increasing, an employee's salary is only raised if they are below the minimum for the position. This can often lead to what is known as compression, where employees have been with the City for many years but because the minimum of their range rises faster than their actual salary, they have not progressed nearly as far into their range as they should have. Giving this one-time adjustment would not affect employee ranges; rather, it would move people further into their existing ranges thus helping to ease the compression concern.

Another factor to consider is the high toll of inflation currently. Again, this is a national issue not unique to Ballwin. Inflation both nationally and in the Midwest has hovered around 9% for a year. Even with the annual 3% raise given each year, employee pay has not kept up with the cost of living due to such high inflation. There is some hope that such high inflation is on the wane, but this additional one time increase would help mitigate the impact of the past year of inflation on employees. Several of our peer cities (and many companies in the private sector) have given higher than normal raises in the past year or two in response to this large increase in the cost of living.

Lastly, there is the question of cost. The cost of a 1% raise for the non-union employees equates to approximately \$65,694 per year. The cost total is \$394,164 per year if the full 6% is given. The cost to be incurred in 2022 is \$21,898 per percentage point of raise, or \$131,388 total for 6%. It is important to note that the cost of this one-time adjustment will decrease over time. Again, since salary ranges are not being adjusted, as employees retire or leave the City, their replacements will not benefit from this adjustment. Therefore, as employees leave each year the overall cost of this adjustment will decline in each coming year.

In summary, the question before the Board tonight is whether or not to provide the non-union employees with a one-time salary adjustment comparable to the adjustment being provided to Police Officers in the new CBA. For the reasons outlined above, I recommend the Board provide an increase. The City's employees are an important asset that allow the City to provide the many services our residents appreciate have come to expect. We are in an unprecedented labor economy and retaining and recruiting employees is more important than ever. If the Board is not comfortable with a full 6% increase then other amounts could be considered as well.

Please let me know if there are any questions.

**Submitted By:** Eric Sterman

**Date:** 8/16/22