

# MEMORANDUM



**TO:** VICTOR CARDENAS, CITY MANAGER  
**FROM:** TIA GRONLUND-FOX, DIRECTOR OF HUMAN RESOURCES  
**SUBJECT:** INFLATIONARY WAGE ADJUSTMENT  
**DATE:** SEPTEMBER 6, 2023

Mayor and Council –

For your information. We look forward to further dialogue during the Executive Session at Monday's meeting.

- Victor

Inflation reached record highs from 9.1% in July of 2022, to 6.4% in January of 2023, 4.9% in April of 2023, and the most recent recorded rate of 3.3% in July 2023.

Everyone is feeling the effects: higher grocery bills, cooling/heating costs, car/home insurance costs, etc. The employees working for the City of Novi are no exception. Factoring in the above inflationary increases, with higher health care costs (4% in January of 2023), all employees have taken a financial hit.

The average percentage increase for City of Novi employees for 2022 was 2.5%, and for 2023, the average (minus Full-Time Fire and Clerks and Dispatch due to newly ratified labor agreements) was 2.6%; well below the 9.1% and 6.4% inflation rates, respectively.

Combine the unprecedented inflation with the tight labor market, and every employer, especially those in the Public Sector, is feeling the pain to retain and recruit the best talent possible.

Many governmental agencies across the State have been attempting to soften these financial hardships to employees by providing wage adjustments over and above the "normal" annual wage increases that are provided to their employees. Some communities are providing these higher increases to attempt to level out inflation spikes, some at 5% with additional lump sum payments.

I have again heard from several fellow HR professionals from across the State, and many of those communities are opening contracts or working with their union groups to provide "inflationary pay adjustments" for their employees. Some of those communities are Wyoming, Waterford Township, City of Detroit, Shelby Township, Washtenaw County, and Macomb Township, with a couple of others working out the details with their bargaining groups before final board approval. The adjustments ranged from straight bonuses of \$1,500 - \$5,000, to a percentage increase of 3-4% or hourly increases, whichever was more advantageous to the employees.

These adjustments go a long way to show employees that the City recognizes how they have been affected by the record inflation rates and that they are appreciated and valued members of the Novi team.

Furthermore, we have received numerous requests from our Union's representation seeking assistance in this matter. One example where we are seeing this affect is with our Police Officer recruitment and retention. The Police department in particular, has

experienced significant turnover; from August of 2022 to August 31, 2023, the turnover rate is 17.46%. We currently have six (6) openings with few applicants. To stay competitive and, more importantly, retain the individuals. City wide turnover for that same time period is 12.12%. Staff is recommending City Council consider a mid-year bump for all the employees. The proposed amount is 4%, across the board, with a net \$1.1 million effect to the budget, across all funds. An opportunity to discuss this recommendation is scheduled for the Executive Session scheduled for Monday, September 11<sup>th</sup>.