# MEMORANDUM

cityofnovi.org

**TO:** VICTOR CARDENAS, CITY MANAGER

**FROM:** TIA GRONLUND-FOX, DIRECTOR OF HUMAN R

DANIELLE MAHONEY, ASSISTANT CITY MANAG

**SUBJECT:** INFLATIONARY WAGE ADJUSTMENT

**DATE:** JANUARY 3, 2024

Mayor and Council –

Please see additional background information to support the conversation had back in October and aid in our conversation during Exec. Session on Monday.

- Victor

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The purpose of this correspondence is to follow up on a previous conversation with City Council back in October regarding possible adjustments to employees' salaries based on impacts from inflation. Considering the persistently high inflation rates experienced over the past three years, staff recommended implementing a one-time 4% Cost of Living Adjustment (COLA) for (most) City employees. This measure aims to alleviate the financial impact of rising living expenses, ensuring that our workforce can maintain their standard of living, remain motivated and focused on their roles within the organization, and assist in recruitment and retention.

**Background**

1. **Inflation Trends:** Over the past three years, the country has witnessed a consistent upward trend in inflation rates: 9.1% in June of 2022, 6.4% in January of 2023, and 4.9% in April of 2023[1]. These inflationary pressures have affected various aspects of our employees' lives, including housing, transportation, and daily expenses. It is staff's opinion that a COLA is key to offset the eroding purchasing power of their salaries.

2. **Market Competitiveness:** Maintaining a competitive edge in the talent market is crucial for retaining and attracting skilled professionals. Offering a 4% COLA demonstrates our commitment to the well-being of our employees, fostering a positive work environment, and positioning us as an employer of choice by helping to keep us competitive with surrounding communities, many of whom are our direct competitors for employees. Below is information from neighboring communities re: action taken to offset the impacts of high inflation rates:

| Community | Action Taken |
|---|---|
| Canton Twp. | Non-union employees (other than those in negotiations received a **3% wage increase December 1, 2023**. Police received an additional **3% increase October 1, 2023**. Those in negotiations are receiving **between 4-9% wage increases** due to record-high inflation and retention and recruitment concerns. |
| Troy | Non-union received a **4% wage increase + $1,500 bonus.** Police received 3**% + elimination of first two steps in wage schedule**, increase in top pay, $1,000 payment to 457 plan in January 2024 and 2025, and increased shift differential for afternoon and midnight work. |

[1] "Bureau of Labor Statistics, US Dept of Labor" https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm

| | |
|---|---|
| West Bloomfield Twp. | All employees, with the exception of police received a wage adjustment of **$3,200 on December 1, 2023**.<br>**Police employees received .5% added to 3% wage increase** scheduled for January 1, 2024 on 9/15/23 + $3,120 added to base pay. First step in wage schedule was eliminated and top pay was increased by an additional $2,068. |
| | **Additional examples from area agencies** |
| Macomb Twp. | Employees received a 3% wage adjustment |
| Washtenaw Co. | All employees received a $5,000 bonus |
| Waterford Twp. | Non-union employees received the higher of $1.50/hour or 3% wage increase in October 2023. Police employees received a $3.00/hour increase + all non-probationary officers will be elevated to level 3 pay rate, and all employees will receive a $1,000 bonus. Contract will be extended by one year. |

A 4% COLA also ensures that our salary structure remains in line with the compensation practices of similar organizations in the region. Currently, Novi falls behind our neighboring communities' average salaries for many MAPE field and clerical positions, as well as police wages. This proactive approach is a step that will help us maintain a competitive edge and attract top-tier talent. For police wages specifically, the additional 4% will place Novi above the average pay of our benchmark communities and a leader in top pay beginning July 1, 2024.

3. **Employee Retention and Morale:** High inflation rates can lead to increased financial stress for our employees. Validated via feedback from the admin goal-setting session and employee survey, implementing a 4% COLA will not only assist in retaining valuable talent but also boost morale, as employees will feel their contributions are recognized and rewarded appropriately. Police recruitment is at an all-time low, with surrounding communities competing for the same candidates. Over the past year the police department has experienced significant turnover, at a rate of 20.3% to date, with seven (7) current openings and no applicants in the queue. Similarly, city-wide full-time turnover for this same period is 11.32% (including police).

4. **Productivity and Engagement:** Financial concerns can significantly impact an employee's focus and engagement at work. By addressing the inflationary pressures through a COLA, we can help mitigate distractions and enable our workforce to remain focused on their responsibilities, ultimately contributing to increased productivity. Police recruitment is at an all-time low, with surrounding communities competing for the same candidates.

**Financial Impact Analysis**
A thorough analysis of the financial implications of a 4% COLA has been conducted. The increase in salaries will have no effect on fund balance in FY 2024. In addition, the increase in salaries will be included in the budget process in future years, with the 1-2% savings in each department still aiding in the funding of the increase. Lastly, the increases are justified by the benefits gained in terms of employee satisfaction, retention, and overall organizational performance.

**Conclusion/Recommendation**

In summary, the proposed 4% COLA is a strategic response to the challenging economic conditions marked by persistent inflation. By demonstrating our commitment to the well-being of our employees, we not only fulfill our responsibilities as employers but also strengthen the foundation for sustained organizational success.

Pending approval, the 4% COLA adjustment for administrative staff will be implemented in the next payroll cycle beginning January 7, 2024. For union employees, the 4% COLA adjustment will be implemented at the beginning of the payroll cycle following successful renegotiations proposed in appendix A. Inflationary Considerations.

Please feel free to reach out if you require additional information or clarification.

**Appendices**

A. 2023 Inflationary Consideration
B. Police Department Wages by Community
C. MAPE Salary Increase Study
D. Mid-year Increase Financial Impact
E. Police Uniform Operations Staffing Graphic