

MEMORANDUM



TO: MAYOR AND CITY COUNCIL
FROM: VICTOR CARDENAS, CITY MANAGER
SUBJECT: RETENTION INCENTIVES
DATE: JUNE 20, 2023

The purpose of this correspondence is to provide background on a program offered to Administrative Employees last year. I understand that City Council was not made aware of the implementation of this initiative. In June of 2022, former City Manager Pete Auger implemented a program targeting employee retention. He intended to increase retention and acknowledge service to the organization. Furthermore, I believe he intended to extend this initiative to union groups when their respective agreements expired.

The program was broken down into three tiers:

- 3-5 years of service @ \$1,000
- 6-9 years of service @ \$2,000
- 10+ years of service @ \$4,000

The above dollar amount was deposited into the employee's 457 Deferred Compensation Plan on the first pay in August 2022; if the employee did not have a 457 account established, they were required to open one to receive the benefit. All eligible employees either had an active account or opened a new account to receive the payment. In total 51 employees received the benefit, with the total cost of this retention incentive being \$164,260.

At the time this retention program was implemented, turnover within the non-union employee group was at 5.51%. By the end of the fiscal year, turnover had reached almost 10%. To date, turnover for the administrative non-union employee group is at 14.48%, the highest we have seen in over 25 years.

I see several problems with how this program was developed, implemented, and communicated (or not communicated). It was unbudgeted, and it may have required Council approval—but even if it did not, it probably should have received it anyway. Despite the program being communicated to employees (see attached memo) as a pilot endeavor, several employees have inquired about the program's availability.

I bring this to your attention now to gauge interest in extending this benefit again to our non-union employees. We do have the capacity in our current budget to fund the program. In the future, specifically looking at the next Early Input Goal Session, I will offer other ideas and possible programs to discuss as it relates to retention and attraction of employees, a problem that is not all too common to all companies and organizations.

I'll connect with you individually regarding this matter in the coming weeks.