

TO: Mayor Pogue
Board of Aldermen

FROM: Bob Kuntz, City Administrator

DATE: September 15, 2014

RE: Employee compensation

We have completed our annual survey of the salary ranges used by the ten peer cities in our market basket pay plan and adjusted Ballwin's ranges accordingly to maintain our ranking at the 70th percentile. The ten cities we compare with are:

| | |
|------------------|----------------|
| Bridgeton | Chesterfield |
| Clayton | Creve Coeur |
| Hazelwood | Kirkwood |
| Maryland Heights | O'Fallon |
| University City | Webster Groves |

The adjustments to our ranges are nominal, with the majority of the increases falling between a percentage of .2% and 1.6%. The largest percentage increase is 2%. Merit increases of 2% or higher would automatically bring employee's salaries up to the new minimum for their pay ranges so that a supplemental "market basket" adjustment would not be required. A merit increase lower than 2%, however, would require a market basket adjustment to bring some employees' salaries up to the new minimum for their pay range.

Below are the costs required to implement a merit raise of 1%, 2%, and 3% as of April 1, 2015. These figures include FICA tax and LAGERS contributions.

| | 1% | 2% | 3% |
|--------------------------|----------|-----------|-----------|
| Merit Increase | \$64,996 | \$129,993 | \$194,989 |
| Market Basket adjustment | \$7,207 | \$0 | \$0 |

We are asking the Board to approve an amount for merit increases at this time. The administration is recommending that we budget for an increase of 3% subject to budgetary funding availability.

TO: Mayor Pogue
Board of Aldermen

FROM: Bob Kuntz, City Administrator

DATE: September 16, 2014

RE: Employee compression

On April 1, 2013, the City implemented the newly adopted 70% pay plan for all staff. Sixty two employees received salary increases to bring their pay in line with the new minimums established for their respective pay ranges. The other employees received merit increases only. This plan was intended to assist with recruitment issues in all departments and is working in that regard. However, there have been unintended consequences with this plan that have had a negative effect on employee morale. In some pay ranges employees with many years of seniority are earning the same pay as someone who is newly hired or who has very little seniority. This is known as compression.

While salary compression has occurred in all departments it is most evident in the police department. Among police officers, employees with as many as twelve years of seniority are earning the same as newly hired officers. Police administration believes this to be the driving factor behind the high turnover currently occurring among police officers. Resignations are at least twice as high as they have been in recent years, and the officers who are resigning are all ones who have experienced salary compression.

Police Officer Turnover

| | Resignations | Terminations | Retirements | Total |
|------|--------------|--------------|-------------|-------|
| 2010 | 3 | 3 | 1 | 7 |
| 2011 | 1 | 0 | 0 | 1 |
| 2012 | 3 | 0 | 0 | 3 |
| 2013 | 1 | 0 | 0 | 1 |
| 2014 | 6 | 0 | 1 | 7 |

To address compression in all pay ranges in all departments at one time would be beyond the means of the City at this time. Therefore, we are proposing a plan whereby we address compression only in ranges that have been affected by the placement of a new hire. In 2015, these ranges would be Street Maintenance Workers and Police Officers. Employees in these ranges would be given a salary adjustment to restore them to their relative position within the range before the pay plan was implemented, unless they were already earning in the top 75% of their range. Those employees who were

already earning in the top 75% of their range before the pay plan was implemented are still in the top half or top 75% now and are less affected by compression.

The cost in 2015 to adjust these two ranges is \$69,000.

Other ranges would be adjusted at the time that they become affected by the placement of a new hire. These will primarily be ranges in which the positions are entry level. Because these other pay ranges have far fewer employees and historically have had lower turnover rates, the costs to maintain this plan in future years will be substantially lower. It is unlikely to exceed \$10,000 in any year and could easily be zero in some years. Ranges would only be adjusted once.