

Memorandum



From: ROBERT KUNTZ, CITY ADMINISTRATOR

February 14, 2013

TO: Mayor Pogue
Board of Aldermen

RE: **EMPLOYEE COMPENSATION**

This discussion was initiated in August, 2012. Since that time, we have looked at a variety of options (and combinations thereof) that have addressed merit pay, a potential pension plan upgrade, salary range adjustments to address competitive pay ranges, and internal compression as a result of range adjustments.

Based on the direction that was established at the January 12 Board Retreat and reinforced at the January 28 Board meeting, a pension upgrade is now off the table, but a 3% merit pay adjustment is still in play. The total amount budgeted before the retreat decision was \$237,000.

We had previously provided you with cost impact analysis that would bring all pay ranges to the average (based on the 10-city market basket), while addressing the internal compression issues. Employees within their respective ranges were not taken into consideration.

At the January 28 Board meeting, Alderman Boerner requested a global impact analysis that takes current relative position into account. This work product is attached, and the total cost has been calculated to be \$396,421. However, 33% of staff would be left with no raise or less than 3%. The total to also adjust these employees to a 3% increase would be \$440,843.

In the interest of potentially bringing closure, I offer another simple, yet straight-forward compromise option which at least addresses all issues in question:

- 1) Using the 10-city comparative data, it is proposed that all pay ranges be adjusted to reflect the 70th percentile standard. This would enable us to establish a competitive pay plan based on 2012 salary data.
- 2) It is further recommended that the allocation for merit pay adjustments for 2013 be increased to 4%. This would send a positive message to worthy employees who might otherwise be compressed by range adjustments. Those who would receive an automatic bump due to range adjustment would not be eligible for merit if their new pay increases by 4% or more due to the new plan.
- 3) The total cost for this city-wide plan would be \$425,000 for 2013.
- 4) If this approach is going to be effective, annual surveys and potential annual range adjustments (top and bottom) would be required. As an alternative, the Pay Plan ordinance could be crafted to trigger automatic survey-driven range adjustments, subject to funding. In theory, the impact in future years should be minimal if merit pay allocations are competitive and applied to all pay grades (ranges).
- 5) My primary argument to support this approach is that it addresses recruitment concerns, while continuing to support the merit pay concept by not rewarding employees who are where they are as a result of performance.


ROBERT KUNTZ, CITY ADMINISTRATOR

RK:MC

M E M O

TO: Bob Kuntz, City Administrator
FROM: Denise Keller, Finance Officer
DATE: February 13, 2013
RE: Proposed Compensation Plan

Alderman Boerner has proposed a methodology for updating the compensation plan and asked that it be applied to all employees of the City to determine the cost. Under this methodology, the City would:

- 1) Adopt the averages of all peer group cities at the high end and low end for the City of Ballwin compensation policy.
- 2) Increase the salary for each employee by an amount necessary to retain the same position of that employee relative to the high and low ends of the old compensation scale versus the new compensation scale.

The cost to implement this plan on April 1, 2013 would be \$396,421. This figure includes the increased cost for FICA tax, LAGERS and overtime pay.

Under this methodology, 55 employees would have a new range maximum that is lower than their current maximum, resulting in 19 employees receiving no salary increase. Twenty eight employees would receive an increase less than 3%, which is the percentage budgeted for merit. The table below shows number of employees affected by department:

	No increase	Increases below 3%	Increases above 3%	Total
Administration	3	6	10	19
Parks	10	4	14	28
Police	1	13	48	62
Public Works	5	5	22	32
Total	19	28	94	141
% Total	13%	20%	67%	100%

If the 47 employees who under this methodology receive no increase or an increase below 3% were to be given a full 3% merit increase April 1, the cost in 2013 for this plan for all staff would be \$440,843.