



Human Resources

February 9, 2023

Dear Council Members:

Before you is a request to approve a Non-Union pay-scale and accept moving our Non-Union employees on to the new scale.

We have finished our agreement with Gallagher Consulting to produce a new scale for our Non-Union employees. The project started in summer of 2022 and finished in January of 2023. The primary objective of the study was to:

- Ensure competitiveness with the external market.
- Ensure fair and equitable compensation relationships within the organization.
- Maintain pay equity compliance.
- Enable easy maintenance by the City staff post implementation.

The scope of the wage study was broad and included multiple data gathering tools. The base tool was the custom survey that identified Benchmark Jobs and Comparable Labor Markets.

Benchmark Jobs

- Gallagher, Rapid City, and the Monument identified 63 total positions (identified by the City in consultation with City leadership) as benchmark jobs.
- The benchmarks covered various pay steps and job functions, as well as hard to retain/recruit positions.

Comparable Labor Market

- Gallagher, Rapid City, and the Monument identified 36 individual cities and event arenas/convention centers that are comparable in size and location as the comparable labor market.
- Additional market data was collected from the published surveys sources that represented both public and private sector market.

Of the 36 organizations that were asked to participate an impressive 17 organizations agreed to participate in the survey:

City of Billings, Montana	Minnehaha County, South Dakota
City of Casper, Wyoming	City of Sioux Falls, South Dakota
City of Cedar Rapids, Iowa	City of Spearfish, South Dakota
City of Cheyenne, Wyoming	State of South Dakota
City of Colorado Springs, Colorado	City of Bozeman, Montana
City of Des Moines, Iowa	City of Minot, North Dakota
City of Fargo, North Dakota	Pennington County, South Dakota
City of Lincoln, Nebraska	Vibrant Arena (Moline, Illinois)
City of Loveland, Colorado	

Gallagher also used Published Surveys that were tailored to our labor market Published survey sources included: Willis Towers Watson surveys, Mercer surveys, CompData surveys, and the Economic Research Institute. Data cuts applied to the published survey data included:

- Local, regional and national data for public sector / not for profit industry market
- Local, regional and national data – represent private sector market

Once the data was collected it was put through an extensive analysis including the following exercises:

Data Matching Process

- Gallagher followed standard WorldatWork compensation guidelines for job matching (match only those jobs that aligned with the duties, responsibilities, and functions as outlined in the benchmark job summary).

Aging Survey Data

- Survey data was aged to a common effective date, January 1, 2023 using the WorldatWork prevailing market trend of 3% per year for actual salaries, 2% for salary ranges.

Geographic Adjustments

- Survey data was adjusted geographically to reflect the “cost of labor” for the Rapid City, SD area as calculated by the Economic Research Institute (ERI).
 - “Cost of labor” refers to the difference in pay or labor market for a job from one location to another. The cost of labor is what a particular geographic market offers as the “going rate” or compensation for its jobs and reflects the local demand for and supply of labor.

Outlier Analysis

- Gallagher applied statistical tools to identify and review any outliers.
 - Data points which did not meet the job matching criteria, or were identified as statistical outliers, were excluded from the analysis.

After all of the analysis was complete it was up to the City of Rapid City to work with the consultants to find a structure that worked best for our organization. Based on market trends, familiarity, and discussions with City Leadership and the Compensation Steering Committee, it was determined that a step salary structure would be the best option for the City. There were two viable proposed salary structure options:

- First, was a structure formulated Massachusetts Institute of Technology data adjusted for Rapid City. It was determined that this option was not feasible or sustainable for the City, as it increased the entire scale nearly 20% across all positions.
- Second structure was formulated based off of the lowest market 50th data from the compensation study. It was determined this option was very close but needed to be adjusted in some areas to reflect the City’s organizational alignment and employee growth.

After review and consultation, a hybrid option blending the two previous approaches was created.

This option utilized Massachusetts Institute of Technology data as the base salary for non-union employees and Market 50th data from the compensation survey to build out the rest of the structure.

In collaboration with Department/Division Leadership and Gallagher, positions were reviewed for placement based on the following factors:

- Market/Survey Data
- Job Complexity/Difficulty
- Barriers or challenges during recruitment
- Department/Division Hierarchy
- Internal job valuation as determined by individual department/division leadership
- Rapid City’s geographic location

Through this collaborative process positions were slotted into the pay structure.

Attached you have the proposed scale and the proposed placements of positions. Each position is given a range of a starting salary and ending salary. These ranges will allow employees to understand the potential earning power of their current role, over a lifetime of employment at the City of Rapid City in their current role. Understanding potential earning is a key factor in attracting and retaining top talent.

It is important to note that this proposed scale and position bands aren't guarantees that an employee will reach the highest salary in their range. There are always a number of factors regarding how an employee moves throughout their scale. We look at performance, longevity, financial condition of the City (the ability to give raises in a given year), and other factors. Just because a number is the highest on a proposed band does not mean an employee is automatically going to earn that in the future.

Because we use a governmental step scale, if this is approved all of the Non-Union employees would have to be placed on the scale at one of the agreed upon steps. For example, an employee could be making \$53,206 on the current scale, but there is not a correlating step on the new scale. That employee would be placed on the step closest to their current salary, Step 7, for an annual salary of \$54,043. The difference would be \$837. That difference would be either absorbed by the Department in which the employee resides, or supplemented by the General Fund. The maximum General Fund supplement for 2023 could potentially be \$263,760.

The reason it is important to point out the maximum supplement is that we have position vacancies all over the City that have been allocated for General Fund salary dollars and there is no one drawing on that salary. For example: The Police Department has over 25 open positions that we are actively trying to fill. That budgeted salary is not being spent because we do not have incumbents in those positions. I have visited with Chief Hedrick and he will have no problem absorbing the placement costs of the Police Department placements in his approved 2023 budget due to his vacancies savings. So, there would be no ask from the PD for additional General Fund dollars to accept this scale and position placements. There are many other departments that are in the same scenario with positions that are difficult to hire and can use approved salary dollars for this project's implementation.

This was a good process with a competent consulting partner and many others who helped us along the way. In addition to the HR team that worked on the project, we have a steering committee made up of outstanding individuals who helped us ask the right questions and stayed informed so their co-workers could be kept apprised of our progress, they are: Kip Harrington, CD – Brittney Huschka, Monument – Juliet Heltibridle, Library – Amanda Lee, PD and Brandon Quiett, Engineering. We had lots of involvement from Department Directors and senior City leadership to ensure this was the right thing for our employees. I can say with confidence that City Leadership and the Steering Committee are satisfied in the work that was performed.

My request today is to approve the proposed Non-Union scale effective for the pay period beginning on February 12, 2023.

Please contact me if you have any questions or clarifications. Thank you for your time and consideration.

Nick Stroot
HR Director
City of Rapid City