



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

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August 5, 2016

Rapid City Common Council  
300 6th Street  
Rapid City, SD 57701

*Re: Retirement Incentive*

Dear Council Member:

After spending considerable time preparing the 2017 budget, I have a proposal that could save hundreds of thousands of dollars and even more over time.

The City of Rapid City is a great place to work for many reasons but one specifically is the pay. Due to a number of factors related to past compensation studies, City job descriptions generally have between 12 and 34 pay steps. The typical pay scale increases 50 percent from step one to step 34. The general belief is that beginning pay for City jobs is low compared to private sector or other government entities, while top end pay for the same positions is very high compared to the same examples.

Currently, the City of Rapid City employs 92 full-time employees who have over 20 years of service and are eligible for retirement under the South Dakota Retirement System. Many of these employees are closer to the top end of the pay scale than the bottom. I am sure the reasons these employees do not exercise their retirement option are varied, but in the event we could incentivize some of them, the immediate cost savings would be in the hundreds of thousands of dollars.

Just to be clear, there is nothing wrong with retirement-eligible employees working for the City nor is there anything inherently wrong with having a generous pay scale available for employees. When these two factors intersect, it creates unbelievably high financial output. Frankly, and on strictly a cost/benefit analysis, the City is paying too much for the services of some of our employees.

I have a plan that will allow retirement-eligible employees a completely voluntary incentive for separating employment with the City of Rapid City.



EQUAL HOUSING  
OPPORTUNITY

EQUAL OPPORTUNITY EMPLOYER

Under the plan, effectively immediately, and for a 90 day window only, eligible employees may apply for an incentive of three months bonus pay in exchange for separating from City of Rapid City employment on or before December 31, 2016.

The upfront financial investment will be recovered by the hiring of replacement employees for these positions at a reduced salary. Complete financial recovery will occur within approximately 12 months.

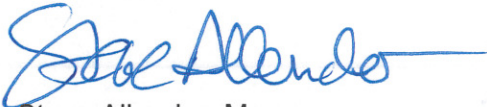
I'm sure I don't have to explain to you that of all the City's assets, employees are both the most valued and the most expensive. Significant across the board cost savings cannot be achieved by cutting down on supplies or delaying purchases alone. Labor costs are significant and therefore provide significant opportunities for cost savings.

The incentive described above is designed to be a one-time offer.

In the near future, we will be evaluating our employee wage scales starting with the non-union positions. It is possible a downward adjustment to the upper end of many positions will need to be made. The police and fire unions have already taken steps to safeguard against overpayment for labor costs as it relates to long term employees.

I am asking you to support the attached resolution and allow me to implement this plan immediately.

Sincerely,



Steve Allender, Mayor  
Rapid City, South Dakota

cc: Rapid City Common Council