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 employees 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 unbelivably 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.
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
RESOLUTION #2016-

A RESOLUTION EXTENDING AN OFFER WITH A LIMITED ELECTION WINDOW TO ELIGIBLE EMPLOYEES TO ELECT A VOLUNTARY EARLY RETIREMENT INCENTIVE

WHEREAS, the City of Rapid City (the “City”) appreciates the dedication and service of all employees, and has a desire to recognize and reward employees who have provided twenty years of service or more; and

WHEREAS, the City has a continual desire to manage organizational challenges; and

WHEREAS, one response to these organizational challenges is a desire to adopt a limited election window voluntary Early Retirement Incentive Plan to be carried out in the year 2016 (“2016 ERIP”); and

WHEREAS, voluntary separations under the 2016 ERIP are intended to achieve specific institutional objectives: 1) reduction in salary/wage and benefit costs and 2) redirection of positions to focus on higher priorities; and

WHEREAS, the City, via the 2016 ERIP, desires to offer a one-time opportunity for eligible employees to apply for separation and enter retirement at an earlier date than they might otherwise have planned; and

WHEREAS, the City, via the 2016 ERIP, desires to offer current employees eligible for retirement under the South Dakota Retirement System (“SDRS”), whether with or without reduction, an incentive to voluntarily elect retirement during the year 2016; and

WHEREAS, following voluntary separation from the City, 2016 ERIP participants will receive the incentive benefit provided by the plan and subject to the terms and conditions provided in this Resolution; and

WHEREAS, this Resolution shall serve as the official plan document governing the terms of the 2016 ERIP.

NOW, THEREFORE, BE IT RESOLVED by the City of Rapid City that there is hereby established a 2016 Voluntary Early Retirement Incentive Plan, which in its entirety reads as follows:
CITY OF RAPID CITY 2016 VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN

The City of Rapid City hereby offers under a limited election window to eligible employees the option to voluntarily elect an early retirement incentive, such current incentive only to be offered in 2016, subject to the following terms and conditions:

A. Purpose.

The City intends for the 2016 ERIP separations to achieve specific institutional objectives: 1) reduction in salary/wage and benefit costs and 2) redirection of positions to focus on higher priorities.

B. Eligibility.

To be eligible under the City of Rapid City 2016 Voluntary Early Retirement Incentive Plan (the “2016 ERIP”), the applicant must be a current City employee, either union or non-union, and

1. Must be actively employed by the City up to and including the first day of the election period in Section D. below;

2. Must have twenty (20) years of City service as of the date of retirement; and

3. Must be eligible to retire with or without reduction under the South Dakota Retirement System (“SDRS”), which is at least fifty-five (55) years of age for Class A members of the SDRS.

C. Ineligibility.

- Employees who are not eligible to retire with or without reduction under the SDRS.

- Employees who are using any form of paid time off, including vacation accruals, to bridge to an already-specified separation date arranged prior to August 5, 2016.

- Employees who have been given notice prior to August 5, 2016, of their involuntary termination from the City.

- Employees who have already signed a formal separation agreement with the City.

- Other individuals who are not eligible include, but are not limited to, temporary employees.
D. Election Period and Procedure.

All eligible employees under Section B. above will be provided written notification of their eligibility under this 2016 ERIP, to include a copy of this Resolution, an application form, and a Separation Agreement, on or before [DATE]. Upon application, the employee may be eligible for the early retirement incentive set out in Section G. below, provided:

1. Election under this 2016 ERIP is made in writing to the City’s Human Resources Division between September 1 and November 30, 2016, on the application form provided by Human Resources. Applications submitted after close of business, 5:00 p.m., on November 30, 2016, will not be considered;

2. The employee elects to retire on or before December 31, 2016;

3. All necessary retirement paperwork, including any necessary paperwork under this 2016 ERIP, is completed and submitted to Human Resources at least thirty (30) days prior to the employee’s selected retirement date.

Eligible employees who submit the application referenced above are indicating a desire to voluntarily separate from the City in exchange for the 2016 ERIP separation incentive set out in Section G. below.

Applicants may revoke their application at any time up to 7 days after signing the Separation Agreement. To revoke or withdraw a 2016 ERIP application, the applicant may send a notice of revocation in writing either by hand delivery, or by certified mail to the Human Resources office. On the eighth day after signing the Separation Agreement, the 2016 ERIP application is irrevocable.

E. Separation Agreement.

2016 ERIP participants will be required to sign a Separation agreement that contains a release of all employment rights and claims, attached hereto as Exhibit A and incorporated herein by reference.

F. Separation Date.

To participate in the 2016 ERIP, the eligible applicant must sign a Separation Agreement that releases the City from all employment rights and claims, and must agree to separate from the City on the retirement date elected under Section D. above, which must be on or before December 31, 2016.

Under no circumstances will a 2016 ERIP separation date be extended beyond December 31, 2016.
Regardless of separation date, the 2016 ERIP application must be submitted by 5:00 p.m., on November 30, 2016.

G. Separation Incentive.

Employees who elect this 2016 ERIP will be paid in a single lump sum, less all deductions for local, state and federal taxes legally required to be withheld, no later than one month following their date of separation from the City in an amount equal to 3 months of the employee’s base salary in effect on the date of separation.

For salaried employees, this amount would be 6 times the bi-weekly base salary for those paid bi-weekly, or 3 times the monthly base salary for those paid monthly. For non-exempt employees, this amount will be 6 times the bi-weekly base wages for those paid bi-weekly, or 3 times the monthly base wages for those paid monthly.

Base salary/wages does not include overtime, supplemental pay, shift-differential, call-back pay, or any other non-base salary or wages.

No portion of this lump sum payment is eligible for retirement contribution to the SDRS, or salary deferral under the SDRS Supplemental Retirement Plan or the International City/County Management Association Retirement Corporation (ICMA-RC) plan, nor is it compensation for purposes of calculating the City’s contribution to the SDRS, per IRS regulations.

H. No Effect on Other Benefits.

This 2016 ERIP does not affect, amend, or alter in any way any other benefits, retirement or otherwise, to which an employee, whether union or non-union, may be entitled.

I. No Retaliation.

Eligible employees who decline to participate or who revoke an application to participate in the 2016 ERIP will not be treated any differently than any other similarly situated employee.

J. Recovery of 2016 ERIP Payments Made by Mistake.

2016 ERIP payments or portions thereof, made by mistake of fact or paid contrary to the terms of the 2016 ERIP shall be returned to the City by the separated employee.

K. Representations Contrary to the 2016 ERIP

No employee, officer, elected official, or agent of the City has the authority to alter, vary or modify the terms of the 2016 ERIP, except by means of a written amendment to the 2016 ERIP authorized by the Common Council of the City of Rapid
City. No verbal or written representations contrary to the terms of the 2016 ERIP and any amendments will be binding upon the City.

L. Amendment and Termination.

The City reserves the right to amend or terminate the 2016 ERIP upon the authorization of the Common Council. Notwithstanding the foregoing, no amendment or termination of the 2016 ERIP may reduce 2016 ERIP payments or other considerations once a 2016 ERIP Separation Agreement is fully executed.

M. Recitals.

The recitals set forth above constitute an integral part of this 2016 ERIP and are incorporated by this reference as if fully set forth herein.

N. Authority to Sign.

The Mayor or the Community Resources Director or his or her designee are hereby granted the authority to execute any documents necessary for 2016 ERIP participants to make a voluntary early retirement election hereunder.

O. Necessary Documents.

The City Attorney’s Office and the Division of Human Resources shall draft any and all necessary documents, agreements, and forms that may be advisable or necessary in carrying out the implementation and administration of the 2016 ERIP.

P. Nondiscrimination Statement.

The City of Rapid City will not engage in discrimination against any person because of race, color, religion, sex, national origin, age, disability or genetics, and will comply with all federal and state nondiscrimination and equal employment laws and regulations.

DATED this ______ day of ___________________, 2016.

CITY OF RAPID CITY

______________________________
Mayor Steve Allender

ATTEST:

______________________________
Finance Officer
(SEAL)