

ROLLA CITY COUNCIL WORKSHOP MINUTES

Monday, June 27th, 2022; 5:30 P.M.

City Hall Council Chambers

901 North Elm Street

Presiding: Mayor Louis J. Magdits, IV

Council Present: Moriah Renaud, Terry Higgins, Megan Johnson, Nathan Chirban, Lister B. Florence, Jr., Matthew Fridley, Jaired Hall, Robert Kessinger, and Tina Balch

Council Absent: Carrolyn Bolin, Stanley Mayberry, and Victoria Steen

Directors Present: City Administrator John Butz, Environmental Services Director Brady Wilson, Fire Chief Ron Smith, Police Chief Sean Fagan, Parks Director Floyd Jernigan, Public Works Director Steve Hargis, City Engineer Darin Pryor, and Finance Director Steffanie Rogers

Mayor Magdits called the meeting to order at 5:42 P.M.

Early in 2022 it was mentioned that there were at least three critical issues/workshops that Council needed to address:

1. The fiscal sustainability of the General Fund, and in particular what that means for public safety.
2. The current and future structure of the City's employee compensation package and the changing labor market (Tonight 06-27-2022) and;
3. The Current and future status of the Centre. (tentatively scheduled for Monday, July 25th)

Most things related to labor availability and costs are a challenge to both the private and public sectors. The Mayor referenced many factors impacting employment including a nationwide exodus of workers due to the retirement of the Baby Boomer generation. COVID has also provided many new opportunities to work remotely. Millennials place a much higher value on life work balance and what they desire in terms of job satisfaction. Millennials are also much more mobile than previous generations when it comes to where they work and for whom they work. Lastly a robust economy and rising inflation costs add to the pressure for the improvement of compensation packages and the retention of employees. The City of Rolla is being impacted by all of these issues and must re-examine the employee compensation package of today. Restructuring the Employee compensation package means that benefits cannot be increased to surpass the expected sustainable increase in revenues. The purpose of tonight's meeting is to educate Council on the key components of City employment/compensation.

I. CITY OF ROLLA EMPLOYEE COMPENSATION PACKAGE STRUCTURE (City Administrator John Butz)

The City of Rolla has 170 full time employees and 100+ part-time employees (seasonal). 88 employees are paid for from the general fund.

The City's operating budget is about \$30 million dollars and employees and compensation make up almost \$15,000,000.

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Mayor Magdits stated that pay competitiveness with private market vs public markets is always a challenge. Gathering complete, accurate and relevant information from private entities and comparable public entities is a challenge.

The 1 cent sales tax sets the tone of the City's General Fund – the City's largest fund that covers administration and public safety. What had been steady sales tax growth since 1992 stagnated significantly in the Great Recession of 2008. There were 7-8 years that the reserves were used along with basic cuts to meet the demands of the General Fund. In 2016, sales tax revenues began growing again and today sales tax revenues have returned to pre-recession trends. During the 8 years of stagnation/slow growth the General Fund experienced a revenue shortfall of approximately \$5,500,000. During those years of stagnation services to the citizens of Rolla continued as able but put the City behind the curve with compensation. The 1 cent sales tax for the Street and Capital Improvement Fund also felt the same lag. The City has been, legally and with the approval of Council, reallocating expenses where legally justified to relieve the General Fund (i.e. street lighting, airport operations, engineering division). The public approval of Prop P provided significant relief to the General Fund as the General Fund was subsidizing the Parks fund. Prop P is a ¼ cent sales tax. 3/16 continues in perpetuity and 1/16 expires in 2023 unless renewed by voters.

The Missouri constitutional amendment was passed to raise the Missouri minimum wage to \$12/hour over a 4 year period by 2023 (annual increases of 9-10% per year). Most organizations including the City of Rolla have not been able to adjust to such an inflation in wages.

Future trends Council needs to be aware of:

- **Compensation needs to be sustainable!** The private sector deals with the lags and raises in the economy with bonuses instead of raises. The Constitution states you cannot issue bonuses to the public sector. When salaries are increased in the public sector it is a permanent change and has to be sustainable even through times of recession.
- **Succession planning is becoming critical!**
- **Retention of employees: employee satisfaction with competitive pay**

Lagers Retirement is a “defined benefit pension” meaning employees can calculate with certainty what their retirement benefit will be regardless of investment return. Rolla currently has an LT-14(65) plan and is “non-contributory” (employees do not contribute) with a “Rule of 80” (full retirement eligibility when age + years of service = 80). Moving to an L-6 (the highest plan) means the City would have to contribute more money to LAGERS (approximately 3.5% of F-T payroll) which means less funds available for employee pay. The City could elect to increase the benefit to L-6 and moving to a “contributory” plan where employees contribute 2 or 4% of their pay for the increased retirement benefit.

Other areas of consideration for restructuring are the current allowances for max accruals and paid time off. Currently an employee may buy-back up to 25% of their accrued vacation balance once a year. The City provides vacation of 2 – 4 weeks based on years of service with a cap of 240 hours (6 weeks). However, once an employee's sick leave balance reaches 720 hours (1,008 hours for firefighters), a portion is converted to vacation which can then exceed the maximum accrual of vacation hours prompting more time off. Upon separation in good standing employees are paid 100% of accrued vacation and approximately 30% of accrued sick leave. Final checks can easily be \$8,000 – 12,000 (more for higher compensated employees) for unused sick and vacation. The City spent \$28,581 in sick leave buyout upon separation in 2021 but that number will be drastically higher as more employees retire in the next few years.

By encouraging employees not to excessively use sick leave and allowing a maximum accrual of 720 hours (1,008 for firefighters) the City is effectively having each employee accumulate their own short-term disability plan (incurring substantial accrued liability). The City also provides a long-term disability insurance program that kicks in after 90 days illness/injury that pays out 60% of salary for a 2 year period. The City has had one claim for LTD over the last 5 years. The premium for LTD paid by the City is approximately \$18,000.

II. ADJOURNMENT – With nothing further, the meeting was adjourned at 7:24 P.M.

Mayor Louis J. Magdits IV

City Clerk Lorri M. Thurman