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OFFICE OF THE CITY ADMINISTRATOR

TO: Finance and Administration Committee
Date: July 5th, 2022
RE: Chesterfield Employee Benefit modifications
CC: Mayor Nation

As we are all aware, the City and industry in general, is attempting to address a changing and diminishing labor force. It is a frequent and common topic of discussion within our executive team. The executive team has developed a three-tier recommendation that we believe will result in beneficial changes to our recruitment and retention. These recommendations are not intended to be initiated a result of a thorough and complete analysis of our compensation package, they are only intended to be a marginal step forward to address specific concerns and problems.

The City of Chesterfield creates an annual budget with a specific number of employees authorized in each functional area, staffed as necessary to complete the work plan for the year. A reasonable rate of turnover is routine and healthy. While vacant positions result in unspent labor dollars, they do not represent savings. There are substantial resources diverted to solicit, recruit, interview, qualify, onboard and train employee candidates. We have estimated the cost of turnover for individual City positions. The cost of recruiting and hiring a new employee is \$24,950 - \$52,490, with an average of \$35,515 per vacancy, depending on the specific position to be filled.

In addition to those hiring costs, there is also lost productivity. Defects and maintenance do not simply go away, when not addressed. As time passes, delays and deferrals result in additional damage and deterioration accelerates at an exponential rate. A repair that might cost \$1 if done at the appropriate time, accelerates to a cost of \$5 if delayed. Not only does work not get done

and conditions worsen, but additional stress is placed upon other employees and equipment.

As such, the Executive Staff has recommended specific changes to the City's benefit and incentive program. They are intended to represent a consolidated package, not to be considered individually.

Discontinue the Sick Leave Incentive program

The management team unanimously agrees that any program which incentivizes employees to enter the workplace when they are ill, is counter-productive and should be discontinued. Further, this program encourages employees to manipulate the use of approved leave in order to qualify for the incentive.

The sick leave incentive program currently allows employees to earn up to three additional vacation days each year. It should be fully understood that once earned, vacation days become a financial liability to the City. If an employee leaves the City while having accumulated earned vacation hours\days, the employee receives full compensation for those accrued hours. This program has resulted in the award of an annual average of 157 additional incentive vacation days (1,256 hours) for the last three years. It should also be understood that vacation days are awarded at a current level of compensation, but the liability increases over time as an employee's compensation increases.

Excerpted from page 13, Chesterfield Personnel Manual

F. SICK LEAVE INCENTIVE PROGRAM

The leave incentive program is designed to encourage employees to manage their time away from work effectively. All employees who have worked for the City for at least five (5) years are eligible to participate in the program. Employees may enter the program at one of three points during the year in which they reach eligibility for the program. Eligible employees will start the program on the first day of January, May, or September coinciding with the time of year in which the employee becomes eligible.

Employees earn one (1) day or eight (8) hours of additional vacation for every 4-month period (Jan.-April, May-Aug., and Sept.-Dec.), in which they do not use sick leave.

Juneteenth – Federal Holiday

Beginning 2023, Add JUNETEENTH as an official holiday for the City of Chesterfield. Juneteenth was established as a Federal holiday on June 17, 2021. If the City elects to adopt Juneteenth as a City Holiday, it will result in officially closing City Hall on\around June 19th each year. This action will result in no additional direct cost, but obviously creates a day of lost productivity on the recognized holiday.

Recruitment

One of the issues cited by candidates as an impediment to recruitment, is the lack of vacation, sick time, or compensatory time off during the new employees first year. Under the current program, employees begin to accrue vacation and sick leave, based on their “time in service”. After one year, a typical employee will have accrued 12 days of sick time and two weeks of vacation.

As a result, a new employee who experiences an illness during their first year, is either unable or reluctant to call in sick due to an inability to take time off work as unpaid. New employees lack the accrued vacation time to address routine and mundane needs throughout the year. Something as simple as going to the DMV or other individual need becomes a substantial hardship. That, in turn, makes it difficult for the prospective employees to change jobs.

When hiring new employees who are seeking to advance their careers and are transitioning from other positions, they are unable to take any personal or vacation time due to the lack of accrued vacation time. The executive staff does not recommend altering or improving the current vacation accrual schedule, nor do they recommend additional vacation for new employees. However, that prospective employee loses whatever paid time off from their prior employer and begin their career with the City with no accrued paid leave. This is difficult for an individual, much less a family. The City of Chesterfield recognizes the importance of paid leave to both the employee and the employer. It is the City's formal policy, that employees are REQUIRED to take at least one week of vacation each year. It is accepted and recognized that some time away is essential and necessary for employees to perform optimally.

Unlike paid sick days, accrued vacation days are a financial liability and any unused vacation days are paid out at separation. Accordingly, the executive staff recommends that the *City benefit package be enhanced by providing employees 5 personal days, which can be used for whatever purpose (sick, vacation, emergency, trip to the DMV, etc.), during their first year.*

These are NOT vacation days and they do NOT accrue, and they expire at the end of the first year if unused. They simply make a minimal amount of paid leave immediately available to a new employee and do not represent any future liability to the City. We believe this would be a differentiator for our recruitment, while not creating any direct financial impact. Again, these are not vacation days which accrue as a liability, these days expire at the end of the new employees first year, and there is no financial entitlement to the employee for payout of any unused time.

If approved by City Council, I recommend that these changes be incorporated immediately.

Fraternal Order of Police

While not contractually obligated to do so, I also recommend that we be authorized to amend the current CBA with the Fraternal Order of Police to accommodate the recommended changes. It would obviously be a significant point of negotiation in the future and is simply the "right thing to do" in this instance. Doing so, however, would result in an annual cost to the City of \$15k – 20k, representing the cost of 1 additional day of holiday paid to patrol officers. This would be offset by the decreased cost of incentive vacation days that would be recovered by elimination of the Sick Leave Incentive program.