

**TO:** Abilene Citizens  
**CC:** City Commission and Department Directors  
**FROM:** David Dillner, City Manager  
**SUBJECT:** Statement on Pay Plan Amendments  
**DATE:** June 14, 2011

By unanimous vote, the Abilene City Commission decided to authorize the City Manager to implement Phase II and III of a Pay Plan Study that was first started in 2006 by the Austin Peters Group, Inc. The changes that were approved by the City Commission will bring the City closer to the average salaries of a population of comparative jurisdictions and private sector equivalents. By seeking to close the gap on the average of the sample population, the City will not lead or trail the pool.

The reason for the Pay Plan adjustments is to ensure that the City's pay structure is comparable to area jurisdictions and private sector equivalents. This is to encourage good employees to remain employed with the City rather than seek higher paying opportunities elsewhere. The cost associated with recruiting employees to fill vacant or new positions is about \$3,600 when considering advertisement, administrative review, interviews, background check, drug screen and physical, and training. A good strategy for any organization to have is to retain and seek to recruit good employees.

One of the City Manager's objectives with the Pay Plan implementation is to provide accurate and pertinent information to the public. As a public organization, it is important for the public to understand how the Pay Plan affects the financial position of the City. The implementation of Phase II and III will not:

- Use any of the cash balance, whether designed or undesignated, from any City fund. The fiscal year 2011 budget has sufficient budget capacity to implement the approved adjustments effective July 1, 2011. All salary line items in the budget are projected to end the year with a \$415,109 surplus; the approved adjustments will cost \$41,046 to implement in 2011. The budgetary surplus was created because of employee turnover, temporarily frozen employment positions, and the practice of hiring lower paid employees to address normal attrition. The cash balance of the City will not be used to implement any of the Pay Plan adjustments.

The cash balance for year-end 2011 is projected to be \$2,137,347, which has been adjusted by management for the following reasons:

- \$300,000 will be transferred to the Bond and Interest Fund in anticipation of potential deficiencies in special assessments. The City deficiencies are not imminent, but given the state of the housing market it is best to be prepared for shortfalls.
- \$400,000 will be designated for use on the First Street Project. At this time, the City has had cost estimates prepared for two options for the First Street Project. Depending on which option is selected for construction and the final costs will determine if the City will require additional funds from the General Fund. The \$400,000 is a worst-case scenario; the City has estimated a conservative amount of funds that may be required from the General Fund.

After accounting for these adjustments, the "adjusted" year-end cash balance is projected to be \$1,437,347, which is well in excess of the current General Fund target balance of \$1 million. The "adjusted" cash balance for the General Fund provides 34% coverage when compared to fiscal year 2011 expenditures. The cash balance, or reserve, are funds that are set aside by the City to be used in the event that there is a shortfall in revenues, an overrun in expenditures, or the need for an emergency unbudgeted item. With a 34% coverage ratio, the City is projected to have enough cash reserve to cover slightly over one-third of a fiscal year's expenses if an emergency need were to occur.

Current policy, as provided by Resolution No. 052311-1, requires that an undesignated fund balance reserve shall be maintained in the General Fund not less than 15% or more than 25% of anticipated current year revenues for the fund. The projected cash balance meets this policy requirement by providing 18% coverage of revenues. Looking at revenues and expenditures, the City's cash balance is projected to end the year in compliance with current policy and in good financial position as provided by best management practices for municipal financial

management. These figures demonstrate that the City is in good financial condition even though the approved Pay Plan adjustments will not affect the year-end cash position.

- Require a tax increase for the fiscal year 2012 budget. While the fiscal year 2012 budget is still being developed, the City Manager will not prepare a budget that proposes to increase taxes on the citizens of Abilene. The City Manager is preparing a budget proposal that will address service needs of the City while also maintaining existing tax revenues. The affect on the fiscal year 2012 budget of the Pay Plan adjustments amount to \$82,092, which will be factored into the proposed fiscal year 2012 budget the City Commission will review and consider later this year. The adjustments equal a 2% increase in personnel expenditures from the fiscal year 2011 budget.

This is not to say that the mill levy, or tax rate, will not increase in the proposed budget. The City expects that assessed valuations will decrease, which means that the mill levy may have to increase slightly to generate the same amount of property tax as fiscal year 2011. As such, the tax rate may increase but the amount of tax citizens will pay will be similar as the prior year. The adjustments to the Pay Plan will be incorporated into the proposed fiscal year 2012 budget and will not require a tax increase.

- Require any rate increases for utilities or services for the fiscal year 2012 budget. In much the same way, the City Manager is not proposing to increase utility rates or service fees to cover the cost of the implementation of the Pay Plan adjustments for the fiscal year 2012. Utility rates and service fees are priced to cover the full price of the services being provided.
- Require the City to issue any debt. It is not good management practice to issue any form of debt to cover normal operating expenses. The City does not intend to issue any debt instrument to fund any part of the implementation of the Pay Plan adjustments or any other operating expenses.
- Violate state budgetary or cash basis law. Finally, the City will not be in violation of any budgetary or cash basis law established by the State of Kansas. The Pay Plan adjustments scheduled for implementation effective July 1, 2011, fall within the previously approved fiscal year 2011 budget. A budget amendment will not be required for this action. Cash basis law will also not be in violation because the City is not obligating funds it does not have (i.e., issuing debt) to pay for the implementation of the Pay Plan adjustments.

In historical context, the last time the City adjusted the Pay Plan in a comprehensive manner was 1997. An initial study was done by the Austin Peters Group, Inc. in 2006 after which adjustments were made primarily to frontline Public Works positions. The last update was done in 2009 with Phase I of the current study being implemented. The Austin Peters Group, Inc. made several recommendations for the City to consider. Ultimately, the recommendations and the final Pay Plan adjustments have been vetted by the Emerging Leaders group, the Department Directors, the City Manager and the City Commission. When the original study was done, City positions were, on average, 16% lower than the sample population. After the adjustments go into affect, the average City position will be within 9% of the sample population. The goal of the City Commission was to get all City positions within 10% of their comparative positions in the sample population. The approved Pay Plan adjustments meet this objective.

The City's employees are, in the City Manager's opinion, the City organization's most important asset. Without our employees, the City has no one to operate its water/wastewater treatment plants, patrol the streets, respond to emergency calls, repair streets, operate our recreation programming, and serve the public in countless other ways. The public must understand that there is a cost associated with maintaining the workforce structure that provides the basic services citizens count on. Whether the City is replacing former employees, recruiting new positions, or retaining existing employees, the end goal is to provide high quality services to our citizens.