CITY OF RAPID CITY
RAPID CITY, SOUTH DAKOTA 57701-2724

Office of the Mayor
300 6th Street
605-394-4110
E-mail: mayorsoffice@rcgov.org

December 12, 2016

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

Re: Retirement Incentive

Dear Council Member:

The window for City employees to apply for the City's retirement incentive is now closed.

Approximately 90 City employees were eligible for retirement under the South Dakota Retirement System. Eighteen (18) employees took advantage of the retirement incentive (three months of pay) which was about half of what I expected. Even so, 18 City employees totaling 487 years of service have either retired or will retire prior to January 1, 2017.

As the attached chart indicates, the three month incentive paid to the employees equated to $330,220.80. The average annual savings expected is $303,393.57. As predicted, it will take approximately one year to recoup the three month incentive payout, then the City will reduce its payroll for these 18 positions by approximately $300,000 annually.

These calculations work on the assumption that when a senior employee leaves a City department, the opportunity for upward mobility is created. Between one and several employees have an opportunity for advancement, but ultimately the new replacement employee for each department will be a line level employee at the lowest starting wage. This assumption holds true with the possible exception of bringing in someone from the outside to fill the position vacated by one of the 18 retiring employees. At this point, this is not expected to occur with any of the 18 replacements.

The other possible exception to the calculation is that sometimes line level employees are not hired at step one. Department directors have some discretion and may hire up to step seven with the mayor's approval. This option may be exercised when the employee has notable experience or training that would benefit the City. All in all, most incoming City employees are hired at step one; however, the attached chart depicts the difference between a step one starting wage and a step seven starting wage. The average savings of these differences can be found in the final column, and that is where the $303,393 figure comes from.

I believe the retirement incentive was a success even with the lower than expected number of employees taking advantage of it. It is possible this program could be offered sometime in the future, but at this point I have no intention of doing so. I would like to thank the Council members for allowing this retirement incentive program to move forward. I tend to believe there are no single issues within City operations that can be cut resulting in tens of millions of dollars in savings. However, I do believe there are a number of opportunities, such as in this case, that allow us to save tens of thousands or hundreds of thousands of dollars.

If you have any questions or would like further information, please do not hesitate to contact me.

Sincerely,

Steve Allender, Mayor
Rapid City, South Dakota

Employee Number	Grade	Step	Salary	Age	Years of Service	3 Month Bonus	Step 7 Starting	Annual Savings Step 7	Step 1 Starting	Annual Savings Step 1	Average Annual Savings
21816	FD20	24	65,703.15	46	24	16,425.79	53,245.96	12,457.19	49,423.24	16,279.91	14,368.55
100991	FD16	28	56,623.70	53	21	14,155.93	43,686.14	12,937.56	40,566.28	16,057.42	14,497.49
54580	FD17	30	61,016.79	57	24	15,254.20	45,909.99	15,106.80	42,624.27	18,392.52	16,749.66
57664	NU27	20	122,187.29	48	26	30,546.82	103,965.69	18,221.60	96,498.25	25,689.04	21,955.32
58376	PS20	25	69,008.08	51	26	17,252.02	55,258.44	13,749.64	51,295.16	17,712.92	15,731.28
69996	NUBC	31	99,137.74	57	28	24,784.44	73,579.15	25,558.59	68,294.10	30,843.64	28,201.12
71169	NU24	9	83,261.34	47	25	20,815.34	81,217.50	2,043.84	75,384.32	7,877.02	4,960.43
72108	NUBC	25	92,017.18	54	26	23,004.30	73,579.15	18,438.03	68,294.10	23,723.08	21,080.56
78338	NU24	11	85,355.74	56	31	21,338.94	81,217.50	4,138.24	75,384.32	9,971.42	7,054.83
4524	NU16	25	58,998.23	55	35	14,749.56	47,176.13	11,822.10	43,788.28	15,209.95	13,516.03
5350	AF12	33	49,091.54	56	22	12,272.89	35,643.27	13,448.27	33,079.62	16,011.92	14,730.10
12930	NU24	32	110,797.02	65	31	27,699.26	81,217.50	29,579.52	75,384.32	35,412.70	32,496.11
13680	AF14	29	51,592.48	67	26	12,898.12	39,331.48	12,261.00	36,497.82	15,094.66	13,677.83
46656	AF16	21	51,592.48	60	31	12,898.12	43,402.97	8,189.51	40,306.37	11,286.11	9,737.81
59064	NU16	26	59,735.47	63	30	14,933.87	47,176.13	12,559.34	43,788.28	15,947.19	14,253.27
100281	AF14	29	51,592.48	68	20	12,898.12	39,331.48	12,261.00	36,497.82	15,094.66	13,677.83
101383	NU11	34	51,540.90	57	20	12,885.23	36,853.79	14,687.11	34,207.22	17,333.68	16,010.40
87264	NU23	33	101,631.60	64	41	25,407.90	73,579.15	28,052.45	68,294.10	33,337.50	30,694.98
					TOTALS	330,220.80	1,055,371.42	265,511.79	979,607.87	341,275.34	303,393.57