

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: Human Resources

AGENDA DATE: January 10, 2017 - Regular

CONTACT PERSON NAME AND PHONE NUMBER: Linda Ball Thomas, Director (915) 212-0045

DISTRICT(S) AFFECTED: All

STRATEGIC GOAL: Strategic Goal 6: Set the Standard for Sound Governance and Fiscal Management

SUBJECT:

Discussion and Action on recommendations made by the Civil Service Commission at its April 14, 2016 meeting relating to the group grievance brought by ATU Local 1256 on the issue of Longevity Pay

BACKGROUND / DISCUSSION:

(1) The Commission made the recommendation that longevity pay as set forth in Ordinance 8064, Section 3.6, prior to changes being made to longevity pay in the City's budget resolution beginning with FY07, should be honored.

(2) The following action was taken by City Council at the May 17, 2016 meeting:

Motion made by Representative Acosta, seconded by Representative Niland, and unanimously carried to DIRECT staff to continue with their financial analysis to determine the effect of the longevity pay as it was presented in the ordinance as it was presented in the budget resolution and to share that information with the employee groups and the Civil Service Commission.

PRIOR COUNCIL ACTION:

None

AMOUNT AND SOURCE OF FUNDING:

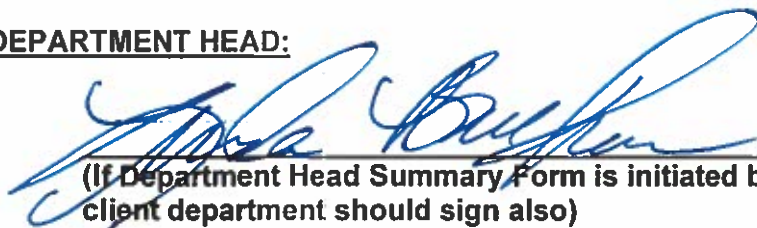
N/A

BOARD/COMMISSION ACTION:

Per Civil Service Commission recommendation made on April 14, 2016

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:




(If Department Head Summary Form is initiated by Purchasing, client department should sign also)



Human Resources

Mayor
Oscar Leaser

TO: Mayor and City Council
FROM: Linda Ball Thomas, Human Resources Director 
DATE: January 4, 2017
SUBJECT: Response to May 17, 2016 City Council agenda item #22.2

City Council

District 1
Peter Svarzbein

District 2
Jim Tolbert

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz

District 7
Lily Limón

District 8
Cortney C. Niland

City Manager
Tommy Gonzalez

On May 17, 2016, the City Council heard an item whereby the Civil Service Commission made a recommendation at their April 14, 2016 meeting relating to the group grievance brought by ATU Local 1256 on the issue of longevity pay. Following discussion, Council made a motion to direct staff to continue with their financial analysis to determine the effect of the longevity pay as it was paid under Ordinance 8064, and as paid under the budget resolution (hereinafter referred to as "service time increase" to distinguish from the term "longevity" under the ordinance), and to share that information with the employee groups and the Civil Service Commission.

As background, on September 3, 2006 non-uniformed employees who qualified for annual longevity pay increases received a longevity rollover conversion. The rollover consisted of adding an employee's longevity pay, at the time of the rollover, into their base salary. After the longevity rollover conversion, non-uniformed employees are recognized for their service time on every anniversary date of five (5) years of service by receiving a percentage increase that is added to an employee's base pay, as set forth in the City's annual budget resolution.

As a continuation of the analysis directed by Council at its May 17, 2016 meeting, the Internal Audit Office conducted a review of the calculations made by the Human Resources Department to compare longevity pay versus service time increases for a sample of eight (8) employees. The Internal Audit Office reviewed and recalculated the following for the selected sample:

- Pay rates with service time increases;
- Pay rates without the service time increases;
- Longevity pay rollover conversion rates;
- Pay rate changes after the longevity rollover conversion;
- Pay rates with continued annual longevity pay increases; and
- Comparison between five year service time increases and annual longevity pay increases.

Findings of the Internal Audit Review:

- It confirmed the conclusion made by the Human Resources Department that all eight (8) employees have benefited from receiving service time increases every five years versus an annual longevity pay increase.



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At the request of ATU, an additional longevity pay review was completed by the City's Internal Audit Office on a sample of six (6) additional employees, current and former, from date of hire (DOH) through July 15, 2015. The additional six (6) employees were selected by ATU.

Of the total fourteen (14) employees audited, there was one employee whose analysis showed a "loss" of \$112.78 in longevity pay under the current resolution versus the ordinance, as of July 15, 2015. This employee falls into the category identified by ATU as a "junior" or "short term" employee; specifically, this employee was hired after the implementation of the longevity pay plan under the resolution (DOH 10/03/2006), and was never subject to longevity under the ordinance. As the tenure of this employee, and other similarly-situated employees, increases, so too will the benefits associated with the longevity pay under the resolution, as they will continue to compound and exceed any benefits that could ever have been obtained under the ordinance. In fact, this particular employee is now, as of October 3, 2016, earning more under the resolution than under the ordinance. Extending the calculation out from July 15, 2015 to October 3, 2016, this employee has now benefitted under the resolution by \$374.83.

Based on Internal Audit's review, they were able to identify that service time increases are more beneficial to an employee in the long run when compared to annual longevity pay increases.

- Prior to an employee receiving a five year service time increase, an annual longevity increase is more beneficial. Once an employee receives their first five year service time increase, it continuously surpasses the additional income that is received from longevity pay.
- Service time increases are added to an employee's base pay; therefore the increase is compounded every time an employee receives any type of pay increase.
- Longevity pay is an allowance that is not added to an employee's base pay; therefore no compounding occurs when an employee receives any type of pay increase.

In its response to the completed longevity calculations and the information provided by the City, ATU acknowledged that the longevity formula in the budget resolution, compared to that in Ordinance 8064, benefitted most employees. However, ATU alleged that "some junior employees did not benefit from the resolution," based solely on the short tenure of their employment, and revised their demand for relief to make these "[junior] employees whole with respect to longevity pay" using the longevity formula in the ordinance, with interest at 5% on the losses.



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In response, City management reiterated to ATU that on September 1, 2006, the budget resolution set forth the criteria for longevity pay progression, thereby superseding and voiding the longevity formula under ordinance 8064. Employees who were hired and/or separated from service before reaching a 5-year milestone under the longevity plan in the City's budget resolution did not lose pay to which they were entitled; rather, these employees did not reach the specified interval at which a wage adjustment is made under the City's longevity pay plan. Although these employees may not have received a longevity pay increase during their short tenure with the City, they were not left less than whole. Instead, they did not meet the criteria in effect to receive a longevity bump.

In summary, simply because an employee was hired after the implementation of longevity under the budget resolution, or has not been or did not stay with the City long enough to reap the benefits of longevity pay under the resolution, does not entitle the employee to longevity pay under the ordinance, which is no longer in effect, in lieu of the budget resolution. The change to Longevity Pay on September 1, 2006 has been proven more financially beneficial to employees than the previous system of bi-weekly longevity payments under Ordinance 8064.