



# MEMORANDUM

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## Longevity Pay

**Item Type:** Action Memorandum  
**Prepared For:** Mayor Castner and City Council  
**Date:** March 31, 2024  
**From:** Andrea Browning, HR Director  
**Through:** Melissa Jacobsen, Acting City Manager

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### Overview

At the June 12, 2023 work session discussing the results of the Salary and Benefits Survey, the City Council was interested in the topic of Longevity Pay. Council directed HR Director Browning to bring forward some options for Council consideration. This memo is a response from Administration to that request.

### Background

Many municipalities have longevity pay, which is a standard tool for recruitment and retention. The City of Kenai and the City of Soldotna offer longevity pay to employees who have been at the final step on the wage scale for a period of at least two (2) years. Longevity pay is two percent (2%) of their annual base pay rate. Kenai and Soldotna pay the longevity bonus, as a lump sum, annually to employees.

The City of Homer does not offer longevity pay. If an employee maxes out at a step "O" they cannot receive any future bumps in pay unless the Council approves a COLA.

### Retention

Employees are one of the City's most valuable assets. Employees who have been with the City for many years possess institutional knowledge that cannot be easily replaced. It is integral that we retain longer tenure employees while new talent is developed. Reaching the end of the pay scale signifies years of commitment, but also the inability to receive future merit increases. Adding longevity pay to the Personnel Regulations provides a much deserved financial bump and assists with retention of our extensively trained employees.

I respectfully request Council consideration to update Personnel Regulations to include one of the following options:

#### **Option #1 3% every two years**

All employees who have been a step “O” for a period of at least two (2) years, and employed in full-time or part-time status by the City of Homer for the past consecutive five (5) years, shall be eligible for a longevity bonus. Employee will continue to receive annual evaluations on the employee's anniversary date. Every two years, the employee shall receive longevity pay in an amount equal to three percent (3%) of their annual base pay. This will be paid as a lump sum following their evaluation.

FY25 Fiscal impact: \$65,916.00

FY26 Fiscal impact: \$6,395.00

**Option #2 2% annually**

All employees who have been a step “O” for a period of at least two (2) years, and employed in full-time or part-time status by the City of Homer for the past consecutive five (5) years, shall be eligible for a longevity bonus. Employee will continue to receive annual evaluations on the employee's anniversary date. Annually, the employee shall receive longevity pay in an amount equal to two percent (2%) of their annual base pay. This will be paid as a lump sum following their evaluation.

FY25 Fiscal impact: \$43,939.00

FY26 Fiscal impact: \$48,202.00

**PERS (Public Employees’ Retirement System)**

Both options of the above draft Personnel Regulations language have been reviewed by PERS, and they confirmed in writing that neither of these longevity pay structures would have PERS implications.

**Employees affected**

The City currently has 21 employees who are maxed out at step “O” on the wage scale. These employees have been at the final step on the wage scale for at least two years in FY25, and would be eligible for longevity pay (as outlined in Option 1 or 2). Two additional employees would be eligible in FY26.

**Employee Committee**

The Employee Committee met on March 28<sup>th</sup>, and will make their recommendation reference longevity pay in a separate memo.

**Recommendation:**

If the Council is interested in pursuing one of the options outlined in this memo, Administration will bring forward a resolution with a Personnel Regulations amendment for Council consideration at the next Council meeting. Implementation would not be effective until FY25.