

INTRODUCED: March 13, 2017

AN ORDINANCE No. 2017-071

As Amended

To (i) repeal Ord. Nos. 89-202-180, adopted Jul. 10, 1989; 89-203-181, adopted Jul. 10, 1989; 94-156-147, adopted Jun. 27, 1994; 96-172-155, adopted Jun. 10, 1996; 98-200-251, adopted Jun. 22, 1998; and 2004-356-351, adopted Dec. 13, 2004; (ii) repeal art. III, §§ 26 and 31 of the pay plan adopted by Ord. No. 93-117-159, adopted May 24, 1993; and (iii) amend art. III of the pay plan adopted by Ord. No. 93-117-159, adopted May 24, 1993, by adding therein new §§ 26A (concerning reduction-in-force), 26B (concerning severance), and 26C (concerning [~~amicable departure~~] separation agreements); all for the purpose of revising the City’s provisions governing severance pay for classified and unclassified employees, including senior executive employees.

Patron – Ms. Gray

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: MAR 27 2017 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. Ordinance No. 89-202-180, adopted July 10, 1989; Ordinance No. 89-203-181, adopted July 10, 1989; Ordinance No. 94-156-147, adopted June 27, 1994; Ordinance No. 96-172-155, adopted June 10, 1996; Ordinance No. 98-200-251, adopted June 22, 1998; and Ordinance No. 2004-356-351, adopted December 13, 2004, are hereby **repealed**.

§ 2. Sections 26 and 31 of Article III of the pay plan adopted by Ordinance No. 93-117-159, adopted May 24, 1993, as amended, are hereby **repealed** as follows:

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: JULY 24 2017 REJECTED: _____ STRICKEN: _____

~~[Section 26. (Reduction in Force/Severance) ————— If an employee in the classified service is involuntarily demoted as the result of a reduction in force, the employee shall continue to receive the salary payable for the then current amount for the next six full pay periods following the demotion. Thereafter, the employee's salary will revert to the maximum of the new classification's pay range or that amount which equates to a maximum decrease of five percent (5%), whichever is the greater decrease. Classified employees who are dismissed as a result of a reduction in force shall be eligible to continue their current health care benefits for one month after the date of dismissal and shall be eligible for severance pay. Severance pay shall be computed on the following schedule:~~

Years of Service —————	Weeks of Severance Pay
1-4+ years —————	4
5-9+ years —————	6
10-14+ years —————	8
15-19+ years —————	10
20 years and above —————	12

~~Severance pay shall be forfeited by any employee who declines an offer of transfer, reassignment, or demotion to another position made by the City in lieu of dismissal. Should the employee be reinstated within ten calendar days of the date of his separation the employee shall forfeit his severance pay.]~~

~~[Section 31. (Amicable Departure Agreements)~~

~~The City Manager or designee may negotiate severance pay and amicable departure agreements with employees when such is determined to be in the best interest of the City.~~

~~Written agreements shall be coordinated with the City Attorney and Director of Human Resources. The City Manager shall review and approve all agreements prior to execution.]~~

§ 3. Article III of the pay plan adopted by Ordinance No. 93-117-159, adopted May 24, 1993, as amended, is hereby amended and reordained by **adding therein new sections** numbered 26A, 26B, and 26C as follows:

Section 26A. (Reduction-in-Force)

- A. *Definitions.* Words and phrases used in this section that are defined in the Personnel Rules for the Classified Service have the meanings ascribed to those words or phrases by the Personnel Rules for the Classified Service.
- B. *Demotion.* If a classified employee is involuntarily demoted as the result of a reduction-in-force, the employee shall continue to receive the salary the employee received immediately before the effective date of the demotion for the next six full pay periods following the demotion. Thereafter, the employee's salary shall revert to the maximum of the new classification's pay range or that amount which equates to a maximum decrease of five percent, whichever is the greater decrease.
- C. *Dismissal.* A classified employee who is dismissed as a result of a reduction-in-force may elect to continue the employee's health benefits coverage in accordance with Section 26B and is eligible for severance pay computed in accordance with Section 26B. Any classified employee who declines an offer of transfer, reassignment, or demotion to another position made by the City in lieu of dismissal shall not receive severance pay. If a classified employee is reinstated within ten calendar days after the date of the employee's separation, the employee shall not receive severance pay.

Section 26B. (Severance)

A. **Generally.** The appointing authority of an employee to be separated may award severance pay for the employee in accordance with this section. Classified employees may be awarded severance pay under this section only if and to the extent provided under Section 26A. The maximum amount of severance pay that an appointing authority may award to an employee shall be computed in accordance with this section, provided that an appointing authority, in the appointing authority's sole discretion, may award severance pay in an amount less than the amount computed in accordance with this section. Severance pay may not be awarded unless the separated employee signs [~~an amicable departure~~] a separation agreement in accordance with Section 26C. The City will pay severance pay only in prorated increments each equivalent to the separated employee's last regular rate of pay in accordance with the City's regular payroll cycle ceasing when the City has paid the full amount of the awarded severance pay. Notwithstanding any other provision of this section to the contrary, if a separated employee awarded severance pay is rehired by the City in any full-time, part-time, or temporary position, the City shall cease all severance payments to that employee as of the date on which the rehired employee starts in the new position.

B. **Computation.** Severance pay may be awarded based only on the employee's continuous years of service as of the date of separation computed as follows:

1. If the employee has two years of service or less, the appointing authority may award the employee severance pay in an amount equal to up to four weeks' regular salary.

2. If the employee has more than two but less than ten years of service, the appointing authority may award the employee severance pay in an amount equal to up to four weeks' regular salary plus one additional week of salary for every full year of service over two full years of service.
3. If the employee has at least ten but less than 15 years of service, the appointing authority may award the employee severance pay in an amount equal to up to 12 weeks' regular salary plus two additional weeks of salary for every full year of service over nine full years of service.
4. If the employee has 15 years of service or more, the appointing authority may award the employee severance pay in an amount equal to up to two weeks' regular salary for each full year of service, provided that no employee may be awarded severance pay in an amount equal to more than 36 weeks' regular salary.

C. ***Health Benefits.*** An unclassified employee who is terminated may elect to continue health benefits coverage with the City for up to one year after the date on which the employee is terminated, provided the employee signs a separation agreement in accordance with Section 26C. A classified employee who is terminated may elect to continue health benefits coverage with the City for up to one ~~[month]~~ year only under the circumstances set forth in Section 26A. Any employee that elects to continue health benefits coverage must continue with the same coverage as the employee had as of the time of termination, except as required by applicable law, and shall pay the employee's share of the cost of the health benefits coverage throughout ~~[any]~~ the period during which ~~[severance pay is being paid to the employee]~~ coverage is

~~continued [and the full cost of the health benefits coverage throughout any period during which severance pay is not being paid to the employee].~~

Section 26C. (~~Amicable Departure~~) Separation Agreements)

The Chief Administrative Officer or the designee thereof may negotiate [~~amicable departure~~] separation agreements with employees in the Office of the Mayor and in agencies whose heads are appointed by the Chief Administrative Officer when the Chief Administrative Officer or the designee thereof determines that doing so would be in the best interests of the City. [~~An amicable departure~~] A separation agreement shall be in writing, shall require that the employee not pursue litigation against the City concerning the employee's separation, may include such other provisions as the Chief Administrative officer or the designee thereof determines to be appropriate, and may include a negotiated amount of severance pay, provided that the amount of such severance pay shall not exceed the maximum amount that correlates with the employee's years of services computed pursuant to Section 26B. All [~~amicable departure~~] separation agreements must be approved as to form by the City Attorney, approved as to terms by the Director of Human Resources, and prior to execution, reviewed and approved by the Chief Administrative Officer. For employees other than employees of the Office of the Mayor and of agencies the heads of which are appointed by the Chief Administrative Officer, the appointing authority shall perform the functions of the Chief Administrative Officer and the Director of Human Resources under this section.

§ 4. Should the provisions of any employment contract entered into before the effective date of this ordinance award a greater amount of severance pay than the new provisions adopted by section 3 of this ordinance, the provisions of such employment contract shall prevail.

§ 5. This ordinance shall be in force and effect upon adoption.



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Recently, there has been concerns regarding the appropriateness and equitability of severance paid to recently terminated employees, and whether the current severance pay guidelines is the best practice.

At present, classified severance pay guidelines are comparable to other localities in which severance is calculated based on the employees' weekly pay. Classified severance pay is paid to employees who have been terminated for reasons of a reduction in force (RIF). Terminated employees are eligible to receive one (1) month of insurance coverage proceeding the RIF. The current severance for classified employees is computed as such:

Years of Service	Weeks of Severance Pay
1-4+ years	4
5-9+ years	6
10-14+ years	8
15-19+ years	10
20 years and above	12

Unclassified severance pay is computed as such; One (1) month for every year of service; not to exceed seven (7) months for employees appointed by the Mayor, City Council, CAO, or boards, commissioner or authority; six (6) months for all other unclassified employees. Insurance coverage is not included in the severance payout.

A comparison of six (6) localities which included Arlington County, Virginia DHRM, Chesterfield County, Henrico County, Fairfax County and the City of Norfolk revealed the below:

- Five (5) stated severance payments are not paid in lump sums rather it is disbursed over a period of time and paid on regular pay cycles. The City of Richmond's current policy of paying severance payments in a lump sum as part of the employees' final paycheck, allows a terminated employees to receive 12-26 weeks of unemployment in addition to the severance payment received.
- Four (4) pays severance based on weekly pay which ranges from 6 weeks to 36 weeks depending on the locality.
- Three (3) offer benefits to terminated employees ranging from 6 months to 12 months.
- Four (4) have similar policies that states "severance payments to an employee shall cease upon reemployment to any agency."

It is recommended that the City severance pay guidelines be amended to reflect the following:

- The City will follow one (1) severance pay plan for all City employees. Except in cases where there is an employment contract that has a severance provision prior to the commencement of the revised pay ordinance.
- Classified service employees shall only receive severance pay as the result of a reduction in force.
- Employees who receive severance pay will be required to sign an amicable departure agreement releasing the City and the employee from litigation



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concerning the separation of service. If the employee elects not to sign the agreement, the employee will not be entitled to receive severance pay.

- Severance will be paid based on continuous years of service and paid in increments based on weekly pay rather than monthly pay using the below computation:

Years of Service	Weeks of Severance Pay
2 years or less	4
3-9 years	4 weeks of salary + addition week for every year over 2
10-14+ years	12 weeks of salary + 2 additional weeks for every year over 9
15 years or more	2 weeks of salary per year not to exceed 36 weeks of salary

- Severance pay should not exceed 36 weeks of salary.
- At the discretion of Mayor, City Council, CAO, or boards, commissioner or authority, and Appointing Authority severance pay may be granted at a lesser amount but shall never exceed the amount that correlates with the employees' years of service.
- Severance pay will be paid in accordance with the City's regular payroll cycle.
- Terminated employees will be eligible for continued health insurance for a period up to one (1) year for unclassified and one (1) month for classified. If the terminated employee elects to continue health insurance, the employee is responsible for paying the employee's share during the period of severance and the full cost of coverage should the severance payment ends prior to the ending of the 12 month's coverage period.
- If a terminated employee is re-hired to any City service in any capacity full-time, part-time, or temporary, all severance payments shall end at the start of the re-hire date.



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Fiscal Impact Yes No

Budget Amendment Required Yes No

Estimated Cost or Revenue Impact

Fiscal Summary:

Using data from the two (2) most recently terminated unclassified employees a comparison was computed to determine the potential saving of establishing a revised severance guideline. Under the City's current severance guidelines the two (2) employees received a combined total lump sum severance payout of \$45,484.35

Under the recommended amended guidelines the same two (2) employees would have received \$28,577.81 (this is assuming that both employees will have insurance coverage for the 12 month period). For the purpose of this comparison, the combined saving for the two (2) employees severance payment would have been \$17,401.81.

Severance Comparison on two (2) most recently terminated employees			
	**Current Severance Computation	Amended Severance Computation	Potential Savings
Severance	\$ 45,484.35	\$ 15,218.54	
Insurance Benefits*	0	\$ 12,864.00	
Total	\$ 45,484.35	\$ 28,082.54	\$ 17,401.81

*Assuming insurance will be paid for 12 months

**The current severance pay computation does not account for potential VEC unemployment rate changes.

FISCAL IMPACT STATEMENT

Attachment/s Yes No

Richmond City Council Ordinance/Resolution Request Form/updated 10.05.2012/