

Mayor's Proposed Budget Update

August 24, 2009

Voluntary Separation Program



Voluntary Separation Program

- Approved by City Council on June 8th
 - Election period closed July 10th
 - Employees left City employment by July 31st
- Only non-public safety employees were eligible
- 179 Employees accepted a voluntary separation package

Voluntary Separation Program

By Bargaining Unit

SEIU	108
LIUNA	45
Non-Bargaining	20
Appointed	6
Total	179

Voluntary Separation Program

Option 1

- Two years credit towards retiree health insurance
 - 70 Eligible Employees
 - 8 Employees Accepted
 - 5 Defined Contribution / 3 Defined Benefit

Voluntary Separation Program

Option 2

- 1 Year health insurance (Or until other coverage commences)
- 16 weeks severance
 - 171 Employees accepted
 - 141 Defined Contribution / 30 Defined Benefit

Voluntary Separation Program

Cost Considerations

- Health Insurance
- Severance Payments
- Leave Payouts



Voluntary Separation Program

Cost Considerations

Health Insurance

- City obtains a flat rate quote from the health insurance provider based on expected number of employees at projected premium rates
- City budgets this quote by dividing the total cost by the number of “funded employees” and applies this annual cost to each funded position
- Health insurance was fully funded in the FY2010 budget assuming no position eliminations (voluntary or involuntary) as this is the cost we will be charged by the provider regardless of the number of employees

Voluntary Separation Program

Cost Considerations

Health Insurance

- Involuntary separation program does not have a budgetary impact at this time since this reduction in employee headcount will not reduce our health insurance costs
- Future budgetary impact will be positive when next year's quote assumes fewer employees (i.e. reduction in number of positions reduces total health insurance cost)

Voluntary Separation Program Cost Considerations

Health Insurance

- City will start realizing health insurance savings in 4th quarter of FY2010 as severance coverage expires
- Future savings from reduction of OPEB exposure (i.e. employees forfeiting retiree health insurance benefit)

Voluntary Separation Program

Cost Considerations

Severance Payment

- To the extent a position was identified for deletion, that position will not be filled
 - Salary for FY2009 has been budgeted for the entire year
 - Only incremental cost for the voluntary separation program is the 4 weeks severance beyond September 30th that exceeds the standard severance package

Voluntary Separation Program

Cost Considerations

Severance Payment

- Total severance payment = \$1.1 million
 - General Fund = \$817 thousand
- Incremental severance payment = \$550,000
 - General Fund = \$408 thousand
- Note: per City policy, employees who are involuntarily separated receive 4 weeks severance, so half of this cost would have been incurred without this program

Voluntary Separation Program

Cost Considerations

Leave Payouts

- Payment for earned but not used personal leave and sick leave (only 26 of 179 eligible)
- Leave payouts are made at the time an employee separates from the City
- Total Leave Payouts = \$858 thousand
 - General Fund = \$600 thousand

Voluntary Separation Program

Cost Considerations

Leave Payouts

- Each year the City “accrues” or “funds” leave earned but not used
 - Recognized as if already spent on balance sheet
- Budgetary impact is funded and won't affect our “bottom line”
- Paying out leave now actually results in a future cost savings because rate of pay is lower now than in the future

Voluntary Separation Program

Impact on Positions Identified for Deletion

- 313 Total Positions Identified for Deletion
 - 70 Fire Sworn (46 Filled / 24 Vacant)
 - 29 Police Sworn (15 Filled / 14 Vacant)
 - 214 Non-Sworn Positions
- Departments were given the opportunity to revise position deletions based on voluntary separation program
- Human Resources implemented “bumping”
 - 11 Employees “bumped” into vacant positions / 6 employees were “bumped” out of a position

Involuntary Separations

- 19 Filled, non-sworn employees received notification of involuntary separation effective October 2nd, including the 6 that were “bumped”
 - HR has posted positions internally to give these employees an opportunity to apply
- 15 Filled, sworn police positions will be funded through a COPS grant
- 46 Filled, sworn firefighter positions are still scheduled for deletion

Other Budget Changes



Revenue

Sales Tax

- State reduced estimate by \$425,000

Municipal Revenue Sharing

- State reduced estimate by \$130,000

Expenditures

Economic Development

- Business Development Division Eliminated

Public Works Department

- Seven contract positions added (funded with CIP reimbursement)

Next Steps



Budget Process Conclusion

- Finalize all revenue estimates
- Conclude discussions with bargaining units
- Implement expenditure reduction proposals
- Final employee notifications (if necessary)

September 14th and 21st

- Public hearings on the budget and proposed millage rate
- Formal adoption of the budget and millage rate



