



Legislation Text

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Staff Report Regarding Provision of Two Years' Additional Service Credit as an Alternative to Layoffs or the Voluntary Incentive Separation Program (VISP)

SUMMARY AND RECOMMENDATION

The City Manager recommends that the City Council accept this report giving public notice of the cost estimate to provide the benefit of two years' additional service credit pursuant to the City of San Leandro's contract with CalPERS and the provisions of Government Code §20903.

Should the City Council direct staff to bring back a resolution approving a retirement incentive pursuant to Government Code §20903, which provides two years of additional service credit to City employees in identified classifications within the Community Development Department, it is estimated that the cost would be \$7,900 in 2014-15, and \$191,000 over 20 years if two employees accept the additional service credit. The annual cost is estimated at \$12,700 beginning in 2014-15 (and projected to compound two percent per year for 20 years), or a total of \$309,000 if three eligible individuals accept the retirement offer. The total potential cost to the City if all four eligible individuals retire is \$18,200 in the first year (2014-15) or \$443,000, over 20 years beginning in 2014-15.

BACKGROUND

Based on the State Supreme Court's rulings in January 2012, redevelopment agencies in California were abolished, effective February 1, 2012. Funds for housing and economic development programs and staff will be significantly reduced. Approximately \$1.3 million in replacement General Fund revenue is available to fund these programs at a reduced level. Staff presented an option to the Finance Committee at their meeting on February 3, 2012 that would have allocated approximately 75% of the funding for staff and 25% to programs. The Committee directed staff to prepare another scenario for City Council consideration that would divide the funds equally between staff and programs.

Staff presented the two scenarios, with the City Manager's recommended "Plan B" to the entire City Council at the City Council work session on February 14, 2012. The City Council gave direction to proceed with "Plan B" which reduces the number of funded positions to 3.5.

At the March 5, 2012 City Council meeting, staff presented a Voluntary Incentive Separation Program (VISP) as a means of mitigating some impact of the potential layoffs made necessary by the elimination of Redevelopment Agency funding effective February 1, 2012, when affected staff and program costs were transferred to the City's General Fund. This cost shift represents an impact of \$90,000 per month, or \$450,000 through June 30, 2012. This and other program expenses that total \$748,000 are offset by an estimated \$815,000 in additional property tax and administrative allowance revenue. As previously indicated in the March 5, 2012 staff report, the projected cost of the VISP estimated for three individuals at a maximum of \$15,000 each, for a cost of \$45,000, would be paid

out immediately upon the voluntary separation of an employee agreeing to separation prior to June 30, 2012.

In addition, part-time employees funded by Redevelopment Funds would continue to be employed up until June 30, 2012, but with no additional incentive. The City Council did not accept this proposal.

The City Council directed staff to meet with affected members of the San Leandro City Employees' Association (SLCEA) to gauge their interest in and explore alternatives to the VISP, including Government Code §20903 (the CalPERS retirement incentive). It has been determined that affected members of SLCEA are interested in the CalPERS retirement incentive.

If the City Council decides to grant two years' additional service credit to affected City employees in identified classifications and organizational units, it is required by law to identify and make public the associated costs two weeks prior to the adoption of a resolution. Under this projected timeline, employees would then be provided a 90-day window of retirement which is projected to end on July 2, 2012. Only full-time employees, vested with PERS and over 50 years of age, are eligible for the program.

In order to expedite the potential implementation of the two years' additional service credit, staff is providing a report at this meeting so that a Resolution may be brought before the City Council at the April 2, 2012 meeting, which is the earliest meeting which provides two week's notice as required by PERS law.

If approved, the CalPERS early retirement option will be offered to employees in the three job classifications in the identified department or organizational unit (see below).

In any case, the City must also begin the issuance of layoff notices, since it is a 60-day process, and in the event an insufficient number of employees accept the retirement incentive, the City must reduce the number of positions by early in the new fiscal year.

| <u>Department/Organizational Unit</u> | <u>N</u> | <u>Classification</u> |
|---------------------------------------|----------|-----------------------------|
| Community Development | 2 | Senior Project Specialist |
| Community Development | 1 | Project Specialist II |
| CD/Housing Services Division | 1 | Administrative Assistant II |

Projected Timeline for Implementation of Government Code §20903

- City Council Resolution of Intent to Offer Two Years' Additional Service Credit April 2, 2012
- Retirement Window (90-day minimum duration) April 3-July 2, 2012

Program Requirements

Utilization of Government Code §20903 must be related to impending layoffs to job classifications that constitute at least one percent of the job classifications in a department or organizational unit as designated by the City, resulting from the curtailment of, or change in the manner of performing its services. Moreover, such vacancies created by the retirements under this Government Code section, or their equivalents, must not be filled for a minimum of two years.

Previous City Council Action(s)

- On March 5, 2012, by Minute Order No. 2012-010, the City Council continued the subject matter, and directed staff to meet with the bargaining unit as soon as possible and to return to Council with a recommendation at the next regular meeting.

Fiscal Impact

As discussed above, the Voluntary Incentive Separation Program (VISP) was projected to cost \$45,000 if three employees participated.

Staff anticipates that at least two employees will participate in the CalPERS additional service credit program. If 2 employees accept the additional service credit, it is estimated that the cost would be \$7,900 in 2014-15, and \$191,000 over 20 years. If 3 employees retire, the cost would be \$12,700 in 2014-15, and \$309,000 over 20 years, and if all 4 eligible employees retire, the cost would be \$18,200 in 2014-15 and \$443,000 over 20 years. The current total annual salary for the four positions \$351,800.

CONCLUSION

If the City Council desires this option, notice is hereby given, making public the cost estimate to provide the two years' additional service credit benefit provision of the City of San Leandro's contract with CalPERS, pursuant to Government Code §20903.

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