Long Beach Taxpayers Association

Citizens for Fiscal Responsibility

LONG BEACH'S GENERAL FUND IS IN TROUBLE AGAIN!
NO MONEY FOR INFRASTRUCTURE

THE PROBLEM AND THE SOLUTION IS CONTROLLING LABOR AND PENSION COSTS BY RESTRICTING THE POWER OF THE UNIONS

$1.2 BILLION DOLLAR UNFUNDED LIABILITY FOR PENSION COSTS RESULTING IN NEGLECTED INFRASTRUCTURE PROJECTS, LIBRARY CLOSURES, REDUCED PARK SERVICES AND UNDERSTAFFING OF POLICE

Plus

$187 Million Dollar Unfunded Liability for Banked Sick Leave and Subsidized Retirement Health Care Costs, Adding to the Yearly Deficit and Reduced Services

We have a system of government in Long Beach called "Council – Manager" with the Mayor having veto power over the City Council. The City Manager serves at the pleasure of the City Council, and answers directly to them. At anytime, at the discretion of the City Council, the City Manager can be dismissed.

The City Manager leads the negotiating team, bargaining with the labor unions when contracts expire. This presents a conflict of interest between the City Council and the people, and between the City Manager and the people. It is a problem for the people/taxpayers, because the City Manager also represents the employees. ***He receives the benefits he bargains for on behalf of the City employees, so his demands from the unions do not protect the taxpayers, in fact, they do harm.*** *At the same time; in order to secure his job, the City Manager has to be compliant with the City Council's demands, which in the past have favored the unions and left the taxpayers at a disadvantage. That is one of the reasons we have such an enormous unfunded pension liability. This problem has been created and supported through the power of the unions.*

The problems that existed during the fight to defeat Measure I are still relevant today, because of a lack of leadership at City Hall. We have a City Council and City Manager who control the budget process and labor negotiations. A majority of the City Council members continue to side with the unions, making little progress in favor of the taxpayer, creating a need to eliminate future services and increase fees.

As far back as 2005, the City has used Mr. John Bartel as their actuary analyst. The taxpayers need to start asking: "at what point did Mr. Bartel sound the alarm to the City and advise them they need to do something about reforming pensions".

How did the pension liability reach $1.2 Billion Dollars without the citizens knowing?

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HOW CITY MANAGEMENT HAS SPENT YOUR INFRASTRUCTURE MONEY

The Problem is Controlling Labor and Pension Costs by Restricting the Power of the Unions

- Reality: **There has been no proper oversight by the City Council, causing the unfunded pension liability to rise to over $1.2 Billion Dollars since enhancing the pensions and lowering the retirement ages in 2002.**
- Reality: **There is no transparency in labor negotiations leaving taxpayers at risk and in debt.**
- Reality: **The added benefit of social security is costing taxpayers over $10 Million Dollars a year.**
- Reality: **Pension costs will rise from the current 21.7% of salary to 25.7% of salary for miscellaneous employees and from 29.4% of salary to 35.3% of salary for safety employees for fiscal year 2012. In 2015, the contribution for safety employees is anticipated to be around 45% of salary or more. All employees, including safety currently contribute only 2%.**
- Reality: **5 Year Contracts, approved by Management and the City Council have caused a standoff by the unions in labor negotiations, resulting in no serious pension reform.**
- Reality: **Long Beach has $187 Million Dollar unfunded liability for employee banked sick leave pay, vacation pay and supplemental health care costs.**
- Reality: **In 2002, the City Council gave miscellaneous employees a raise in pension benefits without a reliable actuary analysis; instead, they blamed CalPERS for telling management the City could afford the lavish increase.**
- Reality: **Long Beach created a very costly program called 'in lieu pick up' in the early 80's as part of labor negotiations, but they have failed to right the wrong done to taxpayers.**
- Reality: **Employees have the privilege of including the employee share of the pension contribution that is subsidized by the taxpayers to the final figure when calculating their retirement benefit.**
- Reality: **Upon retirement, employees are allowed a COLA (Cost of Living Raise) every year based on the Cost of Living Index. This benefit needs to be looked at to help reduce the pension liability and labor costs.**
- Reality: New **Labor Contracts do not start from a clean slate...benefits are added, but no benefits are eliminated.**
- Reality: **CalPERS capped the pension contribution rates employees are required to pay; 8% for (misc) and 9% for (safety). The City failed the people/taxpayers on two fronts; one by not insisting that CalPERS change the rules to have pension contributions equally paid by the employer and the employee and by not negotiating labor contracts fairly. The existing contribution rates of 21.7% for (misc) and 29.4% for (safety) are growing yearly, while taxpayers pick all but 2%.**
- Reality: **Long Beach has overlapping gimmicks to fund pensions - Smoothing and POB's.**
- Reality: **Documents quoting a city employee for a Super-Funded Retirement Plans Survey of cities in 2001 states that, "one reason we're super-funded is that we issued a POB to fund the then unfunded liability in that plan".**
- Reality: **The Blue Ribbon Committee appointed by Mayor O'Neill concluded their findings in 2003, just 6 months after the pension enhancement was passed by the City Council. One of their recommendations for pension reform has recently been incorporated into one minor labor contract, resulting in little savings.**
- Reality: **In a letter to Mayor O'Neill in March 2001 from Robert Torrez, former Director of Financial Management, and approved by then City Manager, Henry Toboada; Mr. Torrez discussed the need for Pension Obligation Bonds to cover the pension debt. City Hall has been disingenuous by misleading the citizens of Long Beach to think the City was Super-Funded, which gave them the excuse to enhance the pensions in 2002. It was your credit card through Pension Obligation Bonds that allowed the City Super-Funded Status.**

$1.2 Billion Dollar Unfunded Pension Liability for an Unaffordable Benefit

View a detailed explanation of the above statements at: www.longbeachtaxpayers.org

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THE SOLUTION TO LONG BEACH'S BLEAK FUTURE OF GENERAL FUND DEFICITS, UNFUNDED PENSION LIABILITY AND LACK OF INFRASTRUCTURE FUNDING IS CONTROLLING LABOR AND PENSION COSTS

By Restricting the Power of the Unions & Opening Labor Negotiations to the Public

REFUSAL TO DO SO HAS LEFT CITY HALL WITHOUT CHOICES IT IS NOW TIME FOR AUDITS OF ALL CITY DEPARTMENTS and DISABILITY CLAIMS CONTRACTING SERVICES - FIRE DEPARTMENT REFORMS OR DISSOLVE ITSELF FROM CONTROL BY THE UNIONS AND CONVERT TO A 401k

It takes a lack of leadership to continuously find oneself in a financial situation that has become a major hindrance to progress. Yes, most cities have been through some tough times, and there is no disputing that the times have been reflected in the past couple years' budget deficits; however other cities are not blessed with extra revenues from a Port or Oil like Long Beach to supplement their budget.

Even with extra revenues, the City Council has not insisted during labor negotiations that the unions help right the wrong done to the taxpayers in 2002. The Long Beach City Council has had opportunities to turn back the clock on the UNFUNDED PENSION LIABILITIES AND BUDGET DEFICITS, but they have refused, and instead have not taken their job of 'controlling labor and pension costs' seriously, i.e; Long Beach has one City Manager, an Assistant City Manager and a Deputy City Manager. Per City Hall documents, the combined contribution to these three managers' PERS pension account amounts to $118,686.00 per year, which is close to 100% funded by the taxpayers. How many other managers for the City have these same benefits? ***(This is what the taxpayers pay to those who bargain away your money and rights. They are the ones who think 5 year contracts are a good idea, because it means less work for them and benefit the unions, but in the end, they further indebt the taxpayers and give the unions the right not to re-negotiate their salary or pension costs until their contracts expire.)***

For years, many at City Hall and those on the City Council have refused to place blame on the 2002 Mayor, City Manager and City Council for their actions to enhance pensions; however, if one looks closely at what occurred during the time of the pension increase; the timing; misinformation given the public; those involved, and the benefit to the decision makers, one would hold those in high positions responsible for their egregious action. Since City Hall refuses to hold other politicians accountable; they are passively approving of previous actions. They have followed in the same footsteps of the 2002 City Council by what they have done historically since then. The current City Council has overridden the welfare of the taxpayers for their own self-interest by passing new budgets without including pension reform; signing new 5 year contracts which include raises; disallowing transparency during labor negotiations, and abdicating their authority to the unions.

Self-Interest and Denial are No Longer Acceptable Excuses!

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LONG BEACH NEEDS TO DISSOLVE ITS' ASSOCIALTION WITH PUBLIC EMPLOYEE UNIONS.

INDEPENDENT AUDITS OF ALL CITY DEPARTMENTS and DISABILITY CLAIMS *City Hall has paid 100's of thousands of dollars yearly for consultants, as well as salary surveys, some of which have been demanded in union contracts. The City Council needs to call for an independent audit of each department to find efficiencies that would reduce labor costs, including combining management oversight duties.* ***Lay-offs should be real lay-offs and not phantom positions, used to skirt around real downsizing.*** *In the past, the City used unfilled positions as part of their declared layoffs. It has only been recently that the City separated the real layoff numbers from the phantom ones. Open positions should not be left on the books to be included in lay off numbers.* ***The City is not being prudent with taxpayers' money if they refuse to eliminate unneeded positions; freeze salaries; reduce the $100K Club; cease perks, i.e., step increases; consolidate the responsibilities of personnel, including managers, and most important, reform pensions to have the employees pay their share of the pension costs. Included in the audit should be a salary survey comparing wages with the private sector.***

Retirement disability claims are a nationwide problem: Currently, San Jose has 1 out of 3 police and 2 out of 3 firemen retiring on disability. Pasadena and Glendale claims average around 50%. The disability system is upside down by allowing safety employees to claim disability right before retiring or years after, exempting half of their salary from taxes for life. An investigation by the Oregonian found Portland police and fire disability to be an 'open check book' with suggestions to cover all personnel through workman's compensation. Even though Long Beach retirement disability claims seem to be less than San Jose's, Safety Departments should be thoroughly audited and monitored, because the Legislatures' constant pandering to the labor unions, and their ever-increasing expansion of disability benefits. The Legislature has changed the methodology by which claims are rendered for safety personnel to retire on disability. ***We need to insure those with legitimate claims are the only ones retiring on disability****.* ***Every City has an obligation to monitor claims because of the intrusion by the Legislature! For example:***

1.) *State law forbids Calpers from requiring disabled retirees who are 50 or older to submit to another medical evaluation, even if there is evidence of possible fraud.* ***2.)*** *A series of bills made it easier to get disability. The list of reasons to claim disability for public-safety workers has grown to include: lower back pain, heart disease, cancer, syphilis, HIV, and mad cow disease, even though they may not be job related.* ***3.)*** *Retirees can receive two safety disability retirements for the same condition if covered by 2 separate pensions.*

FIRE DEPARTMENT REFORMS **–** *The Santa Clara County Grand Jury issued a damaging report in June, 2001. They called the Firefighters Union "Self-Serving", and go on to say, "Operations Wasteful".* ***As reported in Mercury News****: "The Grand Jury found that just 4 percent of emergency calls are fire-related, and 70% of fire department calls are medical emergencies, so sending a fire truck crew to a medical emergency proves to be much more costly than paramedics." The report states, "Taxpayers can no longer afford to fund the status quo. Using firefighter-paramedics in firefighting equipment as first responders to all non-police emergencies is unnecessarily costly when less expensive paramedics on ambulances posses the skills needed to address the 96 percent of calls that are not fire-related. Reportedly sending a few firefighters on a truck or engine, costs an average of $500,000 which is five times more expensive than sending paramedics." The jury also points out that often one of three firefighters called to a scene has medical training, so there is a 'mismatch between service needed and service. The Grand Jury disputed any of the defenses presented by San Jose's Fire Chief Willie McDonald.* ***Savings in the Fire Department are necessary because of the high labor costs!***

CONTRACTING SERVICES **-** *There are cities in northern and southern California that use 'contracting of services' to curtail labor costs in order to balance their budgets. Whether it is an administrative solution or labor solution to their budget deficits, cities are using contracting to fill positions in their public works departments for tree trimming, trash collection and street sweeping. Forty of the 88 cities in Los Angeles County contract to the Sheriffs' Department for policing as do 12 cities or unincorporated areas of Orange County. Cities have successfully contracted their services to the private industry, while many have changed from in-house services to contracting over the years.* ***Contracting, wherever possible, is necessary to control labor and pension cost.***

CONVERTING TO A 401K PLAN **–** *Long Beach's has a* ***$1.2 Billion Unfunded Pension Liability.*** *The debt is a cumulative effect due to the passive behavior of the current City Council and City Manger, and the flagrant actions of the former Mayor, City Manager and City Council in 2002. The citizens were deceived by the 2002 City Manager and City Council into believing Long Beach was Super-Funded due to the incredible earnings of CalPERS. In reality, the City had Super-Funded status due to the 1995 Pension Obligation Bonds the City took out to pay for the obligation to CalPERS the City could not afford. These 1995 bonds were refinanced in 2002, the same year the City Council passed the pension enhancement. It took an actuary consultant to tell the taxpayers of Long Beach that they are responsible for a $1.2 Billion Dollar Pension Liability, which in all probability is impossible to pay down!* ***A 401K is needed unless citizens control salary increases; have access to labor negotiations, and the City guarantees that the $1.2 Billion Unfunded Pension Liability can be paid off under the current plan without loss of service or tax increases!***

There is NO Legitimate Argument against Fairness!