



City of Long Beach
Working Together to Serve

Memorandum

Date: August 2, 2010
To: Patrick H. West, City Manager
From: Lori Ann Farrell, Director of Financial Management/CFO
For: Mayor and Members of the City Council
Subject: Responses to Questions from the June 29, 2010 Budget Oversight Committee Meeting

Below are responses to the questions raised by members of the Budget Oversight Committee during their meeting on June 29, 2010. This memo provides responses to questions that were not answered on the floor.

1. What concessions did the State give to the various unions in order to implement PERS contribution rate increases for new employees in the new employee contracts?

The two major concessions given to those units that have reached tentative agreements (TA's) are:

- Protection from minimum-wage pay should adoption of the State budget be delayed during term of contract (continuous appropriation); and,
- A new salary step to match increased employee PERS contributions effective January 1, 2012.

Please note there are some additional negotiated items unique to each bargaining unit such as for AFSCME, who has a "me too" clause that stipulates if any bargaining unit does not have pension reform and provides a greater value than that which was provided to them then they can reopen the related economic provisions of their MOU.

In addition to the pension changes, unions agreed to the Governor's proposed employee compensation savings for next year in his January budget proposal. In addition to agreeing to increased employee pension contributions, unions agreed to one day of unpaid personal leave per month during fiscal year (FY) 2010-11, the equivalent of just under a 5 percent pay cut. The Administration is already moving forward with the remaining five percent reduction in the cost of the state workforce payroll through Executive Order S-01-10, which requires all department directors to reduce their payrolls by 5 percent. These agreements are projected to save the state \$72 million in FY 2010-11. If similar agreements are reached with the state's eight other employee unions, state savings in FY 2010-11 would total \$2.2 billion, \$1.2 billion General Fund.

2. Can we obtain copies of the State's actuarial reports on pension?

The Human Resources Department is currently working with the State to obtain this information. A separate memo from Human Resources will follow.

3. What is the financial benefit if the City revised its PERS formula for new employees?

The City's independent outside actuary is currently conducting this analysis and this information will be provided shortly.

4. Did Santa Ana's police overtime reduction get adopted in FY 11's budget?

The City of Santa Ana adopted their FY 11 budget on June 21, 2010. The adopted budget eliminated all General Fund overtime (\$2.6 Million) for the police department. A handful of special police programs – mostly funded by grants – do provide money for overtime pay, but only in limited circumstances.

5. What other agencies have a Marijuana tax? For these agencies, what revenues have they been able to generate from the tax?

Currently only the City of Oakland has instituted a 1.8 percent tax on medical marijuana collectives. The City originally estimated this tax revenue to come in at \$244,000 for their dispensaries. However, the City is now anticipating revenue at \$1 million.

Other agencies currently planning ballot measures for the November elections to tax marijuana include Sacramento (2 percent on medical and 5 percent on recreational); Berkeley (2.5 percent on medical and 10 percent on recreational); San Jose (3 percent on medical and 10 percent on recreational); Albany (1.8 percent on all marijuana businesses); Oakland (4 percent on medical, 5 percent on cultivation, in addition to a \$5,000 application fee and a \$211,000 annual registration fee to cultivate marijuana, and 10 percent on recreational); Stockton (2.5 percent on medical and 10 percent on recreational); and, Richmond (5 percent on medical and recreational)

A more detailed report will follow at the August 3, 2010 City Council meeting.

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6. **What is the language in the POA contract that triggers the automatic conversion to a new PERS tier based on the actions of other local agencies? Have any of these agencies moved to the 3% at 55 formulas, or any other new PERS formula?**

The current POA contract states that if any three of the following agencies: Anaheim, Glendale, Huntington Beach, Santa Ana, Santa Monica, Torrance, Irvine, Redondo Beach and Newport Beach, convert to a 3% @ 55 PERS tier, the LBPOA will automatically convert to a 3% @ 55 PERS tier for new bargaining unit members.

Of these agencies, none has moved to the 3% @ 55 PERS tier. However, Santa Ana, Huntington Beach, Newport Beach, and Glendale have sought an increase in employee contributions toward pensions from police and other unions.

If you have any questions regarding this matter, please contact me at extension 8-6427.

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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
ALL DEPARTMENT HEADS