



City of Long Beach
Working Together to Serve

Memorandum

Date: August 19, 2010

To: Patrick H. West, City Manager *[Signature]*

From: Lori Ann Farrell, Director of Financial Management/CFO *[Signature]*

For: Mayor and Members of the City Council

Subject: Responses to Questions from the August 4, 2010 Budget Oversight Committee Meeting

Below are responses to the questions raised by members of the Budget Oversight Committee during their meeting on August 4, 2010. This memo provides responses to questions that were not answered on the floor.

1. **Please provide an update as to what other agencies are doing with respect to PERS costs.**

See Attachment A.

2. **Please provide an update on Santa Ana with regards to their Police Department overtime? What else are they doing? Is Public Safety picking up their share of PERS?**

The City of Santa Ana is currently negotiating with their Police Officers' Association (POA). Although a tentative agreement has been reached, the details will not be made public until the City Council approves the contract and the POA members ratify it.

3. **Please provide a SAP Fund update.**

This information was provided to the City Council at the Tuesday, August 17, 2010 Budget Hearing.

4. **What would the City look like if public safety sworn personnel costs were exempt from Plan B cuts? Please provide a "Plan C" that would illustrate the impacts on non-sworn departments.**

Plan C scenarios are being developed and will be presented to the Budget Oversight Committee at the meeting of August 23, 2010.

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

Pension Reform

Strategic Plan, Standard 10,
and Other California Agencies

Population Estimated FY 11
Deficit Proposed/Adopted Solutions

City of Glendale	207,902	\$8.1 million	Employee Pickup - City officials are asking employee groups to pick up a larger share of the rising costs for retirement and health plans.
City of Los Angeles	4,094,764	\$485 million	Employee Pickup - City officials are asking to eliminate 761 jobs through layoffs; and 16 – 26 day furloughs for certain civilian employees if concessions from unions are not reached.
City of Oakland	430,666	\$42.6 million	Employee Pickup/New Tier/Ballot Measure - The Oakland POA agreed to gradually have the employees pay their 9% share of the retirement costs by 2013 and to raise the retirement age for all new hires from 50 to 55. The new formula will be 3% @ 55. In exchange, the City agreed to put a parcel tax measure on the November ballot that calls for property owners to pay \$360 a year for four years so the City can hire more officers.
City of Sacramento	486,189	\$43 million	Labor Agreement - A tentative agreement was reached with one of the miscellaneous unions. Local 39, has tentatively agreed to one furlough day a month and freezing step increases for next two years in order to prevent layoffs. The contract still needs to be ratified by the union members.
San Diego	1,376,173	\$70 million	<p>Ballot Measure/Employee Pickup/& New Tier - San Diego voters will choose in November whether the city will increase its sales tax by a half-cent for five years once a series of retirement benefit and outsourcing reforms are met. The measure is estimated to generate \$100 Million annually, which would help the City solve its ongoing \$70 Million deficit.</p> <p>Highlights of Financial Reforms That Trigger a Sales Tax Increase:</p> <ul style="list-style-type: none"> *Eliminate city payments to employee portion of pension contributions for non-unionized employees, known as the "pickup," and reduce payments for union employees. *Complete a study determining if the Deferred Retirement Option Plan costs the city money and if it does, hold labor negotiations to eliminate the costs. *Reduce retiree health care costs. *Establish a pension plan with reduced benefits for new firefighters. *Establish a voluntary 401(k)-style retirement plan for all city employees subject to IRS approval.

Pension Reform

Strategic Plan, Standard 10, and Other California Agencies	Population	Estimated FY 11 Deficit	Proposed/Adopted Solutions
City of San Francisco	856,095	\$483 million	<p>Ballot Measure/Employee Contribution - On the November Ballot (Prop B) pension rules would change by shifting more of the funding burden onto city workers. Pension changes will apply only to new city employees hired after July 1, 2010; city workers already on the payroll will not be affected.</p> <p>Prop B:</p> <ul style="list-style-type: none"> *Single highest year to average last two years. *Increases the employee contribution to 9 percent – up from the current 7.5 percent. - for public safety employees. All other employees would continue to pay 7.5 percent. *The ballot initiative would also require current city workers to double their contributions to dependents health care coverage from 25 to 50 percent. <p>Note: This measure is currently being challenged in court by the 5 largest associations in the City (Not including the required proposition language at the time the signatures were collected).</p>
City of San Jose	1,023,083	\$118.5 million	<p>Employee Pickup/Employee Concessions - Most of the city's 11 unions consented to 10 percent compensation cuts to avoid even more job losses. The police union agreed to reduce compensation by less than 4 percent. By contributing an additional 5.25 percent towards their retirement pensions for a year, officers will delay 70 layoffs.</p>
City of Santa Ana	357,754	\$25 million	<p>Employee Pickup - The City is currently negotiating with their POA, FBA, PMA and FMA to have the employees pay more towards their PERS (still pending).</p>
City of Torrance	149,717	\$8.9 million	<p>Employee Pickup - New non-represented employees hired after August 29 will be required to pay the employee's full share of the PERS cost.</p>
County of Orange	3,166,461	\$85 million	<p>New Tier - Approved a contract with the deputy sheriff's union that changes to 3% @ 50 with a 5% employee contribution for current employees and 3% @ 55 with a 6.6% contribution for new employees (effective March 2010).</p>

Pension Reform

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Deficit Proposed/Adopted Solutions

State of California	38,648,090	\$19.1 billion	<p>Employee Pickup/Assembly and Senate Bills (AB 1987 and SB 1425) - Leaders of six unions (California Association of Highway Patrolmen; California Department of Forestry Firefighters; California Association of Psychiatric Technicians; American Federation of State, County and Municipal Employees, Union of American Physicians and Dentists and the International Union of Operating Engineers) agree to pension concessions, which will save an estimated \$138 million in the coming fiscal year. Savings would grow to \$2.2 billion if the other 170,000 unionized state workers adopted similar contracts.</p> <p>Employee Pickup Proposal - The retirement age would rise by five years for new hires, and current workers must immediately begin contributing more – at least 10% of their salary – to their retirement. The tentative contracts now face votes by union members and the Legislature. Excludes members of the six unions with a tentative agreement and certain departments.</p>
Bakersfield	338,952	\$8.2 million	<p>Ballot Measure/New Tier - The measure, (No title yet) if approved, would reduce the retirement benefit for public safety to 2% @ 50. That was the benefit before the council awarded 3% @ 50 in 2001. The measure would also call for new safety employees to pay their full employee contribution to retirement, or 9 percent of salary.</p>
Santa Rosa	163,436	\$4 million	<p>New Tier/Ballot Measure - Current miscellaneous employees will continue under the 3% @ 60 formula and new employees after July 1, 2009 will be under the 2.5% @ 55 formula (single highest year). Safety still holds the same formula as before, 3% @ 50.</p>
Newport Beach	86,738	\$8 million	<p>Employee Pickup - Firefighters Union agrees to have the scheduled 3.5% pay increase go toward paying a portion of employee pension costs, saving \$500,000. Under the agreement, new hires would have to pay an additional 5.5% of their retirement</p>
Redding	91,561	\$2.3 million	<p>Ballot Measure - Council voted to ask voters to curtail employee retirement benefits: One initiative would require workers to pay the full employee share of their CalPERS pensions. The requirement would be phased in over four years. The other measure would require workers hired after a certain date to pay the full cost of city health insurance on retirement.</p>

Pension Reform

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Carlsbad	106,804	NA	<p>New Tier/Employee Pickup/Ballot Measure - Council imposes two-tier pension system on its firefighters union. 3% @ 50 for current firefighters, 2% @ 50 for firefighters hired after October 4. Council also imposes requirement that all firefighters pick up the full employee share of their pension. The city had been paying 8% of the firefighters' 9% share. City has reached a tentative agreement with the Police Officers' Association: Implement a two-tiered retirement plan that will apply to all sworn members hired on or after October 4, 2010. The terms of the second tier include the 2% @ 50 formula and the use of the 3-year Final Average Earnings formula for final compensation calculation. Proposed November 2010 ballot initiative: Charter amendment requiring voter approval of any future increases in the second tier retirement formula for all sworn police and fire employees represented by their associations. The measure requires a simple majority to pass.</p>
Menlo Park	32,185	\$470,000	<p>Ballot Measure - Initiative, if approved, would raise the retirement age for new hires from 55 to 60. It would also cap the benefit at 2 percent of employee's highest salary multiplied by the number of years worked, instead of the 2.7 percent provided now. Unions filed a lawsuit. A judge agreed to allow the measure to be voted on and once approved, it can be revisited by the courts.</p>
Escalon	5,963	NA	<p>Employee Pickup - The City is currently negotiating with their employee associations to have the employees paying more towards their PERS (still pending).</p>
Oakley	35,646	NA	<p>New Tier - City Council approves a two-tiered pension plan. The city will stop offering the 2.5% @ 55 plan to new hires and will replace it with a 2% @ 60 benefit.</p>