



City of Long Beach
Working Together to Serve

Memorandum

Date: August 31, 2010

To: Patrick H. West, City Manager *PHW*

From: Lori Ann Farrell, Director of Financial Management/CFO *LA*

For: Mayor and Members of the City Council

Subject: Responses to Questions from the August 23, 2010 Budget Oversight Committee Meeting

Below are responses to the questions raised by members of the Budget Oversight Committee during their meeting on August 23, 2010. This memo provides responses to questions that were not answered on the floor.

1. Can we get details about the City of San Jose's employees' 10 percent salary reduction? Was it across the board?

Most of the employee associations agreed to a 5 percent permanent total compensation reduction and an additional 5 percent temporary reduction for FY 2011 (Attachment A). However, the implementation method for the temporary 5 percent reduction varies by union. For one association, negotiations resulted in an impasse with the City and the association was forced to take a 4.6 percent across the board salary reduction and had to pick up an additional 7.5 percent of the employees' share of retirement. Others have been required to take up to 12 mandatory unpaid furlough days.

2. Can we verify what the total reduction was for San Jose's safety employees? Are they really picking up 5.25 percent of their retirement cost?

The POA proposal for San Jose calls for police sworn officers to pick up an additional 5.25 percent of their retirement for FY 11 as a one-time solution. That brings the total employee contribution to 20.82 percent (San Jose is not part of PERS). The contract guarantees no layoffs for the current fiscal year and the restoration of recently laid off sworn officers with one-time savings. However, on June 30, 2011, these restored positions will be eliminated. City Council approved the contract on August 3, 2010 (Attachment B). The City and the Fire Fighters Association are still negotiating.

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

Progress of Achieving 10% Total Compensation Reduction

Employee Unit	Average Total Compensation Per FTE	Total Compensation Reduction			FTEs
		5% Ongoing	5% One-Time	Total	
Unit 99/Unit 82	\$218,669	5%	5%	10%	237
Association of Legal Professionals (ALP)	\$207,027	5%	5%	10%	40
Association of Engineers and Architects (AEA)	\$149,719	5%	5%	10%	191
City Association of Management Personnel (CAMP)	\$144,948	5%	5%	10%	347
International Brotherhood of Electrical Workers (IBEW)	\$137,676	5%	5%	10%	75
Association of Maintenance Supervisory Personnel (AMSP)	\$128,204	5%	5%	10%	79
International Union of Operating Engineers, Local No. 3 (OE#3)	\$93,389	5%	5%	10%	762
Association of Building, Mechanical and Electrical Inspectors (ABMEI)	\$144,769	5%	0%	5%	49
Police Officers Association's (POA) July 13th Tentative Agreement	\$186,630	0.67%	3.15%	3.82%	1,200

International Association of Firefighters, Local 230's (IAFF) August 1st Proposal (Still in negotiations)	\$182,382	NA	NA	3.50%	647
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Notes:

ABMEI: Council approved terms of 5% ongoing total compensation reduction in April. ABMEI has proposed a 10% total compensation reduction.

MEF and CEO: Contracts extend through FY 2010-2011 and they have not agreed to any concessions for FY 10-11. Receive 2% pay increase in FY 2010-2011.

Source: OMB ABS Report -Salary and Fringe Benefit Costs by Union Code & Fund for the 2010-2011 Proposed Budget

ADDITIONAL RETIREMENT CONTRIBUTIONS

ONE-TIME ADDITIONAL RETIREMENT CONTRIBUTIONS

Effective June 27, 2010 through June 25, 2011, all employees represented by the POA will make an additional retirement contribution in the amount of 5.25% of pensionable compensation, and the amounts so contributed will be applied to reduce the contributions that the City would otherwise be required to make for the pension unfunded liability, which is defined as all costs in both the regular retirement fund and the cost-of-living fund, except current service normal costs in those funds. This additional employee retirement contribution would be in addition to the employee retirement contribution rates that have been approved by the Police & Fire Department Retirement Board. The intent of this additional retirement contribution by employees is to reduce the City's required pension retirement contribution rate by a commensurate 5.25% of pensionable compensation, as illustrated below:

Police and Fire Department Retirement (Police) (Fiscal Year 2010-2011)			
	City	Employee	Total
Current Contribution Rates	44.58%	15.57%	60.15%
Contribution Rates With Additional Employee Contributions	39.33%	20.82%	60.15%

Note: Additional contributions made by employees do not affect the retiree healthcare rates

TREATMENT OF ADDITIONAL EMPLOYEE CONTRIBUTIONS

These contributions shall be treated in the same manner as any other employee contributions. Accordingly, the intent of these additional payments will be made on a pre-tax basis through payroll deductions pursuant to IRS Code Section 414(h)(2) and will be subject to withdrawal, return and redeposit in the same manner as any other employee contributions.

IMPLEMENTATION OF ADDITIONAL RETIREMENT CONTRIBUTIONS AND MISSED CONTRIBUTIONS

It is the intent of the parties that the employees pay the entire annual amount of the additional retirement contributions for the 2010-2011 Fiscal Year. Since the additional employee contributions will not be implemented by June 27, 2010, when the additional employee contributions are implemented in the City's payroll system the Finance Department will compute the rate that will generate the total amount of additional retirement contributions over the remaining pay periods in the fiscal year as if the contribution rate had been implemented on June 27, 2010.