City of Woodland

# REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: May 19, 2009

SUBJECT: Receive Cost and Approve CalPERS Two Years Additional Service Credit (Golden Handshakes)

**Report in Brief**

Staff has evaluated offering "Golden Handshakes" (two additional years of service credit to eligible employees) as an incentive for employees to retire within a designated time period to alleviate and/or minimize layoffs and General Fund budget shortfalls. Twelve employees have indicated they would accept a Golden Handshake if such program is approved by the City Council. The purpose of this report is to comply with Government Code Section 7507 which requires that the cost to provide this benefit be made public at a public meeting at least two weeks prior to the adoption of the Resolution authorizing the City to implement this program.

Staff recommends that the City Council receive the cost associated with implementing a Golden Handshake program, approve such program and direct staff to present a resolution and associated required certifications for adoption by the City Council on June 2, 2009 to implement this program.

**Background**

At the March 31, 2009 City Council meeting, the Council, staff, and members of the public expressed interest in the City evaluating the possibility of offering Golden Handshakes to employees to minimize the need for potential layoffs and to reduce the overall burden to the General Fund. It was reported to the City Council at this meeting, that in order to balance the budget and provide various levels of general fund reserves, up to twenty potential layoffs could occur of staff in the Community Development; Parks and Recreation; Library, and Police Departments (non-sworn staff).

Government Code Section 20903 (California Public Employees' Retirement Law) allows the City to offer two additional years of service credit to eligible employees as an incentive to retire if the City Council determines that "because of an impending curtailment of, or change in the manner of performing service, the best interests of the City would be served", as long as several criteria are met, including:

- Individuals electing to participate in this program are employed in departments and/or classifications that are subject to impending layoffs, transfers, or demotions.

- The department or classification must end up with at least one vacancy in any position in the department or classification. This vacancy must remain permanently unfilled resulting in an overall reduction in the workforce in the department and/or classification.

- Individuals electing to participate in this program are actively employed and retire within a designated period after City Council adopts the resolution to implement the program. The tentative retirement time period (based on a June 2, 2009 City Council adoption of the Resolution) would be from June 3, 2009 through August 31, 2009.

- The City Council understands that the employer cost to the retirement fund resulting from this program would be added to the City's Miscellaneous PERS employer contribution rate (this added cost only affects the Miscellaneous PERS employer contribution rate and is described in more detail under "Discussion" and "Fiscal Impacts").

Based on the above criteria, all retirement eligible employees (at least 50 years old with at least 5 years of PERS service credit) in the following departments and/or classifications would be eligible to receive Golden Handshakes if approved by the City Council:

- Community Development Department
- Parks and Recreation Department
- Library
- Administrative Clerks II and III
- Youth Services Counselor
- Crime Prevention Specialists

Staff evaluated how a Golden Handshake program would be implemented, who specifically would be eligible for this benefit based on the above criteria, and the financial impact/benefit of implementing this program. Outreach to eligible departments and classifications was done via email, direct mailing, group and individual meetings between Human Resources and eligible employees, a group meeting with a CalPERS representative and eligible employees, and one-on-one meetings with eligible employees seriously considering this benefit and CalPERS representatives.

**<u>Discussion</u>**

Twelve employees have indicated they will retire with a Golden Handshake if approved by City Council (consisting of employees from the Community Development Department; Parks and Recreation Department, and staff in the following classifications: Administrative Clerk, Youth Services Counselor, and Crime Prevention Specialist). Implementing a Golden Handshake program, as well as other budget saving measures, will minimize the need to layoff staff as previously presented to the City Council on March 31, 2009. The proposed 2009/2010 budget, to be presented to the City Council at a budget workshop on May 26, 2009, will include the budget savings as a result of the Golden Handshake program. By implementing this program, the City will be required to keep vacancies created by retirements or at least one vacancy in any position in any department or classification permanently unfilled thereby resulting in an overall reduction in the work force. Staff has evaluated existing staffing and proposed retirements and has determined that at least one vacancy in the designated departments (Community Development and Parks and Recreation) and classifications (Administrative Clerk II and III, Youth Services Counselor, and Crime Prevention Specialist) will remain permanently vacant (thus resulting in the required minimum 1% reduction in workforce).

Government Code Section 7507 requires that the cost to provide this benefit be made public at a public meeting at least two weeks prior to the adoption of a Resolution to implement such program. Approximate employer costs were calculated based on a CALPERS formula and cost factor. The total cost to provide this benefit is approximately $469,770. The total cost would be amortized over twenty years.

This added cost for employees who retire during the designated time period would then be included in the City's Miscellaneous PERS employer contribution rate for the fiscal year that begins two years after the end of the designated retirement window (assumed to be September 1, 2011 based on June 2, 2009 Council approval). The Miscellaneous PERS employer contribution rate for 2009/2010 is 14.718%. Implementing the Golden Handshake program would increase the employer contribution rate from 14.718% to 15.04%.

For illustrative purposes, if the City was charged the increased employer contribution rate for the upcoming fiscal year (since we can not project what the actual contribution will be in 2011 because it is based on total payroll), the contribution rate would have changed from 14.718% of payroll ($1,983,248) to 15.04% ($2,026,679), an increased contribution of $43,431, of which $20,122 would be from the General Fund.

**Fiscal Impact**

The annual structural savings resulting from 12 Golden Handshakes is $1,155,537, of which $1,035,295 is from the General Fund. The budgeted FY2010 savings resulting from the golden handshake is less than this amount. This difference relates to varying retirement dates of the participants. In addition, two of the twelve participants were not budgeted in the original submitted base budget provided by departments and presented on 3/31/09. This results in FY2010 savings totaling $848,355, of which $752,271 is from the General Fund.

The total cost to provide this benefit is $467,770 which will be amortized over twenty years starting in 2011. The approximate annual cost, starting in 2011, would be $43,341, of which $20,122 is from the General Fund. The cost to implement the Golden Handshake program would at a minimum be financed by cost savings from positions vacated by employees and/or other budget savings measures/revenue sources at the time.

**Public Contact**

Posting of the City Council agenda.

**Recommendation for Action**

Staff recommends that the City Council receive the cost associated with implementing a Golden Handshake program, approve such program and direct staff to present a resolution and associated required certifications for adoption by the City Council on June 2, 2009 to implement this program.

Prepared by: Amy Buck
HR Manager

Rex Greenbaum
Senior Accountant

_________________________
Mark G. Deven
City Manager

Attachment: Government Code S

**Government Code Section 20903**. Notwithstanding any other provisions of this part, when the governing body of a contracting agency determines that because of an impending curtailment of, or change in the manner of performing service, the best interests of the agency would be served, a local member shall be eligible to receive additional service credit if the following conditions exist:

(a) The member is employed in a job classification, department, or other organizational unit designated by the governing body of the contracting agency and retires within any period designated in and subsequent to the effective date of the contract amendment, or any additional period or periods designated in any subsequently adopted resolution of the governing body of the contracting agency, provided the period is not less than 90 days nor more than 180 days.

(b) The governing body agrees that the added cost to the retirement fund for all eligible employees who retire during the specified period shall be included in the contracting agency's employer contribution rate, as determined by Section 20814.

(c) The governing body shall certify that it is electing to exercise the provisions of this section, because of impending mandatory transfers, demotions, and layoffs that constitute at least1 percent of the job classification, department, or organizational unit as designated by the governing board, resulting from the curtailment of, or change in the manner of performing, its services.

(d) The governing body shall certify that it is its intention at the time that this section is made operative that if any early retirements are granted after receipt of service credit pursuant to this section, that any vacancies thus created or at least one vacancy in any position in any department or other organizational unit shall remain permanently unfilled thereby resulting in an overall reduction in the workforce of the department or organizational unit.

(e) The amount of additional service credit shall be two years regardless of credited service.

(f) This section is not applicable to any member otherwise eligible if the member receives any unemployment insurance payments during the specified period.

(g) Any member who qualifies under this section, upon subsequent reentry to this system shall forfeit the service credit acquired under this section.

(h) This section does not apply to any member who is not employed by the contracting agency during the period designated in subdivision (a) and who has less than five years of service credit.

(i) This section does not apply to any contracting agency unless and until the agency elects to be subject to the provision of this section by amendment to its contract made in the manner prescribed for approval of contracts, except an election among the employees isn't required, or, in the case of contracts made after January 1,2000, by express provision in the contract making the contracting agency subject to the provisions of this section. Before adopting this provision, the governing body of a contracting agency shall, with timely public notice, place the consideration of this section on the agenda of a public meeting of the governing body, at which time disclosure shall be made of the additional employer contributions, and the funding therefor, and members of the public shall be given the opportunity to be heard. The matter may not be placed on the agenda as a consent item. Only after the public meeting may the governing body adopt this section. The governing body shall also comply with the requirements of Section7507. The employer shall notify the board of the employer's compliance with this subdivision at the time of the governing body's application to adopt this section.

(j) The contracts of contracting agencies that adopted the provisions of former Section 20903, prior to the repeal of that section on January 1, 1999, shall remain in full force and effect in accordance with their terms and the terms of this section. Notwithstanding subdivision (i), those contracting agencies need not amend their contracts or otherwise comply with the requirements of subdivision (i) to be subject to this section. Without limiting the foregoing, eligibility periods under subdivision (a) of former Section 20903, designated by the governing body of a contracting agency by resolution pursuant to the terms of its contract or contract amendment, shall remain in effect in accordance with their terms as if designated pursuant to this section.

(k) Notwithstanding Section 20790, an election to become subject to this section may not exclude an agency from the definition of" employer" for purposes of Section 20790.