GRAND JURY
SANTA CLARA COUNTY

COPY

May 26, 2010

Honorable Robert Livengood
Mayor
City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035

Dear Mayor Livengood and Members of the City Council:

The 2009-2010 Santa Clara County Civil Grand Jury is transmitting to you its Final Report, **Cities Must Rein In Unsustainable Employee Costs.**

California Penal Code § 933(c) requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within **90 days** to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. California Penal Code § 933.05 contains guidelines for responses to Grand Jury findings and recommendations and is attached to this letter.

PLEASE NOTE:

1. **As stated in Penal Code § 933.05(a), attached, you are required to "Agree" or "Disagree" with each *APPLICABLE* Finding(s)** 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, & 12. ***If you disagree, in whole or part, you must include an explanation of the reasons you disagree.***

2. **As stated in Penal Code § 933.05(b), attached, you are required to respond to each *APPLICABLE* Recommendation(s)** 1, 2, 3, 4A, 4B, 4C, 4D, 4E, 5a1, 5a2, 5a3, 5b, 5c1, 5c2, 5c3, 5c4, 6a, 6b, 7a, 7b, 8a, 8b, 9, 11, 12a, 12b, 12c, & 12d, ***with one of four possible actions.***

Your comments are due in the office of the Honorable Jamie Jacobs-May, Presiding Judge, Santa Clara County Superior Court, 191 North First Street, San Jose, CA 95113, no later than **Monday, August 30, 2010.**

Copies of all responses shall be placed on file with the Clerk of the Court.

Sincerely,

Angie M. Cardoza

ANGIE M. CARDOZA
Foreperson
2009-2010 Civil Grand Jury

AMC:dsa
Enclosures (2)

cc: Mr. Thomas C. Williams, City Manager, City of Milpitas

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California Penal Code Section 933.05, in relevant part:

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

2009-2010 SANTA CLARA COUNTY
CIVIL GRAND JURY REPORT

(ENDORSED)
FILED
MAY 26 2010
DAVID H. YAMASAKI
Chief Executive Officer/Clerk,
Superior Court of CA County of Santa Clara
BY D. ALDYCKI DEPUTY

CITIES MUST REIN IN UNSUSTAINABLE EMPLOYEE COSTS

Issue

Employee costs are escalating in the cities of Santa Clara County (County), revenues are not keeping pace with these increases and cities are cutting services. How do cities contain these escalating employee costs?

Summary

In this report, the 2009-2010 Santa Clara County Civil Grand Jury (Grand Jury) takes a broad look at employee costs in the County's fifteen cities and recommends solutions to control costs so that cities over time can achieve fiscal and organizational stability and eliminate budget deficits.

There is widespread concern that the cost of employee total compensation continues to increase while revenues and services decrease. Wages and salaries climb, even as the economy struggles. Pension and health care benefits have risen substantially since 2000. Vacation, holiday and sick leave policies are overly generous and exceed those of private industry. The overall costs to cities are not sustainable. Cities need to negotiate, approve and implement considerable cost containment measures so that employee financial obligations do not continue to escalate.

Cities should expand the comparison of salaries and benefits beyond other nearby cities to include the private sector. Options for additional cost savings include: outsourcing some activities to private industry; consolidating services with other cities or the County; optimizing job functions; and introducing lower cost pension and health care plans for new employees.

It is important for the cities to solicit community input so that taxpayer money is spent prudently and fairly, while maintaining the obligations of local government to its citizens, and ensuring that services and infrastructure improvements are not neglected.

Background

During the last decade, cities significantly increased the total compensation that employees receive, but city leaders did not adequately forecast and plan, nor allocate enough money to pay for these long-term obligations. In order to attract qualified workers during the dot-com boom, the cities, flush with revenue, increased wages and benefits, especially pension benefits, with unrealistic expectations that the economy and

the stock market would continue to expand. These increases are largely guaranteed by union collective bargaining agreements. Binding arbitration in public safety has compounded the situation in the City of San Jose.

Two recessions later, most cities are experiencing chronic budget deficits. The economic downturn that started in December 2007 is exacerbating the cities' poor financial health. The following major factors are contributing to the cities' problems:

- Increased wage and salary costs
- Increased retirement and health care costs
- Reduced property tax revenues
- Reduced sales tax, occupancy tax, and construction tax revenues
- Reduced revenue from the state

In order to balance budgets, cities are dipping into "rainy day" funds and reserve funds, shifting funds, and reassigning redevelopment money. Many of the cities are facing looming general fund deficits ranging from $3 million to more than $100 million. Overall, the cities are taking a multi-pronged approach in tackling these projected deficits by generating new revenue, reducing operating expenses, and curbing employee compensation costs.

The opportunity for generating revenue is primarily limited to increasing taxes and fees, or in some cities, selling surplus property. Voter approval of a ballot measure is necessary to increase taxes and few cities are considering this option. To achieve cost recovery for all programs, cities have raised or are raising fees—business license fees, parking lot and meter fees, parks and recreation fees, building fees, sewer connection fees, etc.

Cities are reducing operating expenses by streamlining operations, implementing technology improvements, delaying infrastructure projects, cutting support to nonprofits, and reducing or eliminating services. Service reductions are across all departments, such as code enforcement, arson investigation, customer service, tree trimming, landscape maintenance, graffiti abatement, canine units, street repairs, fleet services, and hours of operation in parks, libraries and community centers.

Long-term, cities have few options to control employee costs. Among these are:

- Renegotiate contracts for existing employees with the unions.
- Change pension and retiree health benefits for new hires.
- Alter personnel policies and workplace practices.
- Recommend ballot measures that could mandate changes.

Short-term, cities can control employee costs by:

- Ordering furloughs
- Imposing temporary wage freezes
- Enforcing a hiring freeze
- Eliminating vacant positions
- Laying-off staff

Methodology

The Grand Jury took the following actions:

Reviewed the 2008-2009 San Mateo County Civil Grand Jury report "Reversing the Upward Trajectory of Employee Costs in the Cities of San Mateo County".

Requested from each city in the County:

- 2009-2010 City Budget
- Latest Certified Annual Financial Report
- Any amended agreements or Memoranda of Understanding (MOUs) of union contracts that were negotiated, imposed and/or implemented in 2009

Surveyed the cities for information on number of employees, employee benefits, employee salary/wages, total revenues, retirement formulas, and contributions to pension plans and other post-employment benefits (OPEB). (Survey Forms; Appendix A-C)

Interviewed the city manager or finance/budget director in each city and gathered information on the city's financial health, deficits, labor negotiation practices, strategies to balance the budget, and specific actions to increase revenue and reduce employee costs.

Interviewed the president of Santa Clara County/Cities Managers' Association and the former president of the Santa Clara County Cities Association (comprised of elected officials) and discussed pension reform and how the cities can work together on issues of mutual concern.

Interviewed the president of the San Jose Police Officers' Association and talked about the contract negotiation process and the role of labor in a city's financial health.

Discussion

Without deliberate, collaborative action, employee wages and benefits will continue to increase substantially year-over-year. The percentage of general fund money spent on employee costs is escalating. During Grand Jury interviews, most of the city managers and finance directors indicated that their current percentages are unsustainable and additional increases would lead to drastic changes to city services. San Jose Mayor Chuck Reed in his State of the City Address on Feb.18, 2010 stated that employee costs shot up 64% in the last nine years while revenues climbed just 18%.

Table 1: Comparison of Overall Employee Costs in Selected Full-Service Cities[1] (With Police and Fire Departments) as Percentage of General Fund.

	Gilroy	Los Gatos	Milpitas	Mountain View	Sunnyvale	Santa Clara	Average
2000-2001	61%	61%	73%	71%	64%	76%	**67.6%**
2009-2010	72%	79%	83%	78%	77%	77%	**77.6%**

[1] These cities provided data for both fiscal years.

As this table shows, controlling employee costs is imperative for the ongoing financial health of our cities. For all cities, the Grand Jury investigated the main components of total compensation, work force practices, labor negotiations, and public involvement.

TOTAL COMPENSATION

The cities' median total compensation cost per full-time equivalent (FTE) for:

- Regular employees (non-safety) increased 37% from an average median of $71,379 in fiscal year 2000-2001 to an average median of $113,704 for fiscal year 2009-2010.
- Safety employees (police and fire) increased 41% from an average median of $102,646 to $173,714.

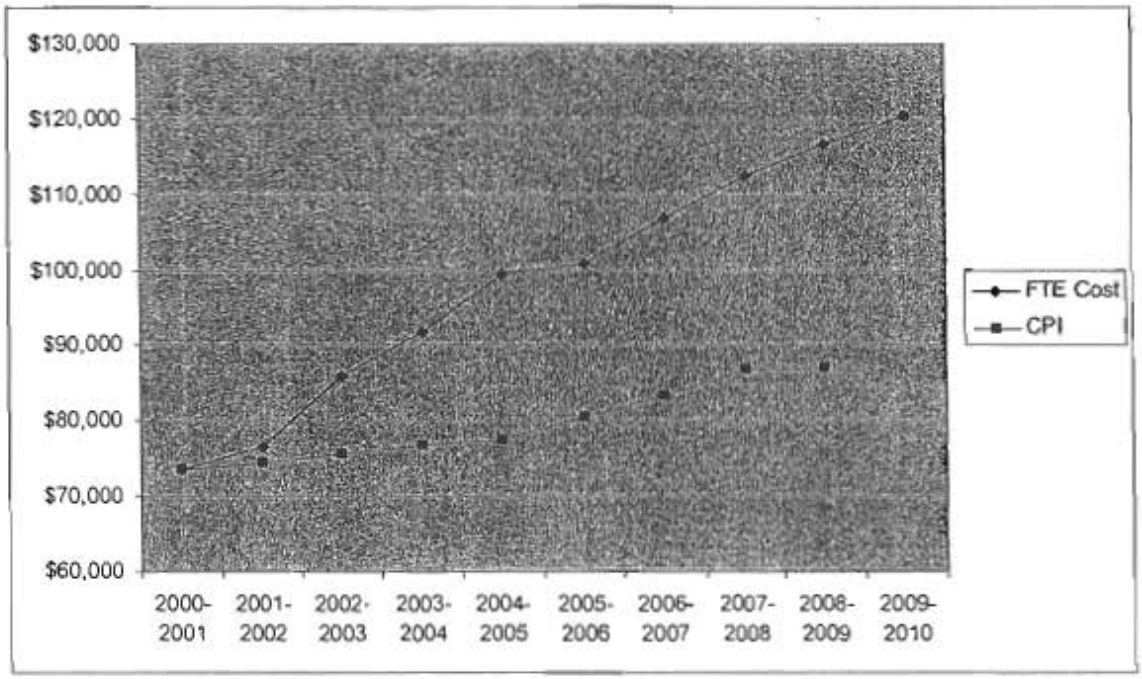
Table 2: Changes in Median Total Compensation, includes Wages and Benefits

	Regular (Non-Safety)		Police and/or Fire (Safety)	
	2000 - 2001	2009 - 2010	2000 - 2001	2009 - 2010
City				
Campbell	$63,784	$106,476	$100,412	$172,422
Cupertino	$85,481	$132,982	Contract/district	Contract/district
Gilroy	$54,078	$ 85,940	$97,273	$156,231
Los Altos	$59,000	$ 97,000	$74,000	$131,000
Los Altos Hills	N/A	$118,842	Contract/district	Contract/district
Los Gatos	$72,460	$110,243	$119,940	$183,725
Milpitas	$77,072	$121,924	$113,117	$191,855
Monte Sereno	$66,946	$128,992	Contract/district	Contract/district
Morgan Hill	N/A	$104,545	N/A	$160,890
Mountain View	$79,033	$123,754	$106,654	$190,591
Palo Alto	$75,814	$113,841	$89,059	$146,061
San Jose	$66,264	$101,043	$101,928	$162,604
Santa Clara	$82,836	$120,792	$109,350	$178,950
Saratoga	$66,314	$114,783	Contract/district	Contract/district
Sunnyvale	$78,847	$124,403	$114,722	$236,524

Note: Contract/district means that services are provided via a contract with the County or via a special district.

The cumulative increase in the total compensation is the result of increases to base payroll, health/dental benefits, retirement benefits, and other benefits. The rate of increase in total compensation for city employees has been higher than growth in the local economy, and employee costs are escalating at a higher rate than the growth in the cities' general fund revenues. For the 10 years from 2000-2009, the Consumer Price Index for the Bay Area increased by a total of 26.8%, or an average of 2.7% a year.

Graph 1: Average San Jose FTE Costs versus CPI Changes over Time



1. Salary/Wages

At present, the cities utilize a traditional public sector salary schedule with five 5% salary steps for most job classifications. Step increases occur automatically unless action is taken to withhold the 5% increase based on poor performance. The typical time it takes an employee to reach the top step of the salary range is three and a half years.

During the time employees are moving from the first to the top step, they also receive any general salary increases negotiated by bargaining units. After they reach the top step, they continue to receive annual negotiated cost-of-living adjustment (COLA) increases. In the three years starting July 1, 2008, and ending June 30, 2011, the COLA increase in typical contracts is scheduled to rise by 6% to 9.5%. In this scenario, an employee in step progression could receive a salary increase of 26% to 29.5% in those three years. During Grand Jury interviews, city managers indicated that automatic step increases cause undue hardship on the cities' finances.

2. Health Benefits

Employees in each city receive a generous contribution from the city toward numerous health care benefits: medical insurance, vision insurance, dental insurance, employee assistance programs, and cash-in-lieu of medical coverage. Medical expenses continue to rise, and the cities have been pressured into identifying new strategies to minimize the impact of rising medical insurance costs. Medical insurance expenses are increasing at rates that exceed public employers' revenue growth.

Table 3: Cities' Monthly Contributions to Health Care Benefits

	2000 - 2001		2009 - 2010	
	Individual	Family	Individual	Family
Campbell	$295	$493	$668	$1,224
Cupertino	$634	$634	$792	$869
Gilroy	Average was $453		Average was $1024	
Los Altos	$569	$569	$550	$1400
Los Altos Hills	$228	$594	$592	$1540
Los Gatos	$262	$586	$629	$1,442
Milpitas	$318	$621	$760	$1,622
Monte Sereno	$490	$800	$600	$1300
Morgan Hill	$475	$475	$600	$1260
Mountain View	$303	$739	$777	$1,824
Palo Alto	$296	NA	NA	NA
San Jose	$289	$545	$540	$1,139
Santa Clara	Average was $498		$720	$720
Saratoga	$201	$523	$611	$1,609
Sunnyvale	Average was $534		$635	$1666

In the table above, the monthly premiums increased significantly from 2000 to the present. To reduce costs while preserving essential medical benefits, the cities have implemented or are considering various cost-sharing initiatives. Among these are:

- Cost sharing of monthly premiums; some cities set a certain dollar amount that employees contribute, others set a percent, e.g. San Jose has a 90/10% split (employee share is 10)
- Co-pays for doctor visits, hospital stays and prescription drugs; co-pays currently are relatively low, usually $5.00
- High deductible plans
- Health savings plans for new employees

3. Retirement Pension Benefits

Defined-Benefit Plan

Employees in a defined-benefit retirement system are guaranteed a specific, annual pension at retirement. The annual benefit is distributed in monthly payments. Monthly benefits are calculated using a formula based on the employees' years of service and the salary they received at the time of retirement. In addition, after retirement, retirees are eligible for cost-of-living increases. Most pension plans also provide benefits for disability and death, and in some cases, provide benefits to survivors or beneficiaries.

In the cities of Santa Clara County, similar to most public sector organizations, full-time and many part-time employees are enrolled in a defined-benefit retirement system.

a. CalPERS

California Public Employees' Retirement System (CalPERS) is the defined-benefit plan in which employees in the majority of the cities of the County are enrolled. The cities and employees make contributions for retirement benefits to CalPERS. CalPERS invests, manages, and distributes money to employees when they retire. Cities are required to increase their contributions when the costs of benefits increase and/or when investment returns decline.

Examples of How the CalPERS Formula Works for Regular Employees

Each city chooses among legislatively-approved formulas that determine the amount of lifelong pensions. The most common formula for regular employees is 2.7% at age 55. To apply this formula: 1) take 2.7% of the employee's last year's salary; and 2) multiply it by the number of years of service to determine the amount received upon retiring at 55.

- Regular city employees with 30 years of service will receive 81% of their last year's salary for life.
- Regular city employees with 20 years of service will receive 54% of their last year's salary for life.
- Regular retirees will receive an annual COLA of up to 2% a year.

Examples of How the CalPERS Formula Works for Safety Employees

The typical formula for safety employees is 3% at age 50. Upon retirement, an employee will annually receive 3% of their last year's salary, multiplied by the number of years of service.

- Safety employees with 30 years will receive 90% of their last year's salary.
- Safety employees with 20 years will receive 60% of their last year's salary.
- Safety retirees will receive an annual COLA of up to 2% a year.

b. San Jose Pension Plan

San Jose does not participate in CalPERS, but instead has two retirement plans: the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System. Both the City and its employees make contributions for retirement benefits. The formulas used to calculate pensions for San Jose employees are similar to those used for CalPERS.

- Regular employee formula: 2.5% at 55; maximum base benefit of 75% of final average salary
- Police formula: 2.5% for first 20 years; 4% starting at 21st year; maximum base benefit of 90% of final average salary
- Fire formula: 2.5% for first 20 years; 3% starting 21st year; maximum base benefit of 90% of final average salary
- All retirees receive annual COLA increases of 3%.

Calculating Pension Benefits

Employee pensions are based on general formulas that are agreed on between the City and the labor unions. A typical pension formula takes into account salary, number of years served, age eligibility for retirement, and a percentage rate of an employee's recent salary level. Table 4 provides some examples.

Table 4: Examples of Lifetime Retirement Pensions (Does Not Include Health Care Benefits or Annual COLAs)

Employee and Formula	Example Salary*	No. Years Worked and Age	Percentage of Final or Highest Year Salary	Annual Retirement Pension
Regular employee 2.5%@55	$74,005 (1)	30 years, age 55	75%	$55,504
Regular employee 2.0%@55	$76,956 (2)	30 years, age 55	60%	$46,174
Safety employee 3%@50	$114,004 (3)	25 years, age 50	75%	$85,503
Safety employee 3%@55	$103,093 (4)	25 years, age 55	75%	$77,320
Safety employee 2.5% plus (police get 4% after 20 years)	$116,210 (5)	25 years, age 50	70%	$81,347
Safety employee 2.5% plus (fire get 3% after 20 years)	$120,206 (6)	25 years, age 50	65%	$78,134

*Depending on the city, employee retirement pension is based on final or highest years' salary.

(1) This example salary is the median 2010 salary for regular employees in San Jose
(2) This example salary is the median 2010 salary for regular employees in Saratoga
(3) This example salary is the median 2010 salary for police officers in Los Gatos
(4) This example salary is the median 2010 salary for firefighters in Gilroy
(5) This example salary is the median 2010 salary for police officers in San Jose
(6) This example salary is the median 2010 salary for firefighters in San Jose

The cities use retirement formulas that vary somewhat from one city to another. The table below shows the retirement formulas used by the cities for the 2009 - 2010 fiscal year. In the past decade, these pension formulas have been modified substantially. Most cities increased their formulas from 2% at age 55 to the current 2.7% at age 55 for regular employees, and changed their formulas for safety employees to the more generous 3% at age 50. The cities also vary on the base salary on which retirement benefits are calculated. The highest or final year of salary is now most commonly used as the base salary; earlier, more cities calculated employee pension amounts based on an average of the last three years' salary.

Table 5: Retirement Formulas for Cities

City	Retirement Formula – Percentage Gained for Each Year Worked & Age Needed to Retire		Pension Based on Last Year's Salary or the Average of Three Years
	Safety	Regular	All Employees
Campbell	3% @50	2.5% @55	3 Year Average(Regular) Highest Year (Police)
Cupertino	None; contracted out	2.7% @55	Final Year
Gilroy	3% @50 (Police) 3% @ 55 (Fire)	2.5% @55	Highest Year
Los Altos	3% @50	2.7% @55	Final Year
Los Altos Hills	None; contracted out	2% @55	3 Year Average
Los Gatos	3% @50	2.5% @55	Highest Year
Milpitas	3% @50	2.7% @55	Highest Year
Monte Sereno	None; contracted out	2% @55	Highest Year
Morgan Hill	3% @50	2.5% @55	Highest Year
Mountain View	3% @50	2.7% @55	Highest Year
Palo Alto	3% @50	2.7% @55	Final Year
San Jose	2.5% 1st 20 yrs;3% starting 21st yr (Fire) 2.5% 1st 20 yrs; 4% starting 21st yr (Police)	2.5% @55	Final Year; 75% maximum regular; 90% maximum safety
Saratoga	None; contracted out	2% @55	Highest Year
Santa Clara	3% @50	2.75% @55	Final Year
Sunnyvale	3% @50	2.7% @55	Highest Year

In Grand Jury interviews, some city managers reported that these formula changes are causing a systemic problem for their cities. The changes in the formulas provide for a generous but costly increase to the monthly benefits. Estimates project that annual pension benefits will increase approximately 25% to 50% from the previous formulas.

4. Other Post-Employment Benefits (OPEB)

Most of the cities in the County provide OPEBs in addition to pension benefits to their retirees. OPEBs typically include health, dental, vision, or prescription drug care to eligible retirees, their families, and in some cases, their beneficiaries. However, benefits vary widely from no additional contributions after retirement, to full retiree and dependent coverage for life, after a vesting period. These benefits are tax free.

Retiree health insurance premiums have been escalating. The increased number of baby boomers reaching retirement age and employees retiring at a younger age are affecting this cost.

Cities are required by the federal Governmental Accounting Standards Board (GASB) to calculate their long-term retiree health obligations by June 2010, depending upon the annual amount of city revenue. Therefore, complete information is not yet available. However, the magnitude of the obligations reported to the Grand Jury for the next several years shows a dramatic increase in projected yearly expenditures and future liabilities.

Funding Pensions and OPEBs

To cover pension obligations city employees pay fixed rates into CalPERS, while the rate the cities pay is adjusted every three years. Rates are determined by the performance of CalPERS investments and the anticipated pension obligations for each city. The payment is made as a percentage of employee salaries.

Similarly, in San Jose, city employees contribute a fixed rate as a percentage of salary into the applicable pension plan. The City's contributions are established by its retirement boards and are based on many factors, including the cost-sharing arrangement with the employees and the level of benefits provided. Rates can increase if there is a decline in the assets of the retirement fund, which has occurred recently with the steep decline in the stock market.

The cities are responsible for the mounting unfunded pension liability. Unfunded pension liability is an estimate of the cost of future retirement payments for which the city does not have funds already set aside. This is one of the reasons that the cities' contribution rates are notably higher than employees' contribution rates, as set forth in the table below.

Table 6: Employer Contributions as a Percentage of Salary to Pension Plans and OPEB

	Employer Contribution as a Percentage of Salary to Pension Plan			Employer Contribution as a Percentage of Salary to OPEB		
City	Police	Fire	Regular Employees	Police	Fire	Regular Employees
Campbell	35.2%	None[2]	10.7%	5.0%	None[2]	4.0%
Cupertino	None[2]	None[2]	21.56%[1]	None[2]	None[2]	13.9%
Gilroy	35.25%[1]	35.25%[1]	12.64%	0.02%	0.02%	0.02%
Los Altos	28.99%[1]	None[2]	22.69%[1]	CALPERS Minimum Health Benefits		
Los Altos Hills	None[2]	None[2]	21.69%[1]	None[2]	None[2]	14.2%
Los Gatos	33.84%	None[2]	14.58%	2.21%	None[2]	5.19%
Milpitas	21.68%	21.68%	14.58%	7.9%	7.9%	7.9%
Monte Sereno	None[2]	None[2]	19.66%[1]	N/A	None[2]	None[2]
Morgan Hill	28.05%	None[2]	19.69[1]	0.00%	None[2]	0.00%
Mountain View	25.56%	25.56%	15.59%	7.34%	7.34%	7.34%
Palo Alto	33.7%[1]	33.7%[1]	23.55%[1]	9.9% (08/09)	9.9% (08/09)	9.9% (08/09)
San Jose	21.61%	24.12%	18.31%	5.28%	4.19%	5.7%
Santa Clara	26.12%	26.12%	17.02%	2.29%	2.24%	2.31%
Saratoga	None[2]	None[2]	18.65%[1]	None[2]	None[2]	N/A
Sunnyvale	41.09%[1]	41.09%[1]	22.25%[1]	8.0%	8.0%	8.0%

Source: Data from Fiscal Year 2009-2010, except as otherwise noted

Notes:

1 Includes percentage of employee contribution that the city pays

2 Service provided by County or special district

Employee Contributions to Pensions and OPEB

Employee contribution rates as a percentage of salaries are as follows:

- Regular employees: 8% to CalPERS when the formula is 2.7% at 55, and 7% if the formula is less
- Safety employees: 9% to CalPERS when the formula is 3% at 50, and 8% if the formula is less
- San Jose Regular employees: 4.28% to The Federated City Employees' Retirement System
- San Jose Police employees: 8.18%, Fire employees 8.62% to Police and Fire Department Retirement Plan
- Cupertino Regular employees: 2.4% for OPEB
- San Jose Regular employees: 5.7% for OPEB
- San Jose Police employees 5.28%, Fire employees 4.19% for OPEB
- Employees in the other cities contribute nothing for OPEB

Nine of the 15 cities – Cupertino, Gilroy, Los Altos, Los Altos Hills, Monte Sereno, Morgan Hill, Palo Alto, Saratoga, and Sunnyvale – pay all or a portion of the employees' pension contributions. For example, Gilroy pays 100% of safety employees' contributions; Morgan Hills pays 100% of regular employees' contributions. This means those employees do not make any contributions to their own pensions.

Social Security Contributions

Of the 15 cities, only Monte Sereno and Santa Clara contribute to Social Security for regular employees. Such participation requires both the city and the employee to contribute 6.2% of the employee's salary to the Social Security system. The employees of most cities will not be able to receive Social Security unless they have worked and contributed for 40 quarters at another employer.

Pension Reform; Two-Tier System

The pension benefit is the most expensive benefit provided to employees and has significant cost implications, which is why cities must ensure that the costs of pension benefits are sustainable in the long term. During Grand Jury interviews, many city managers and finance directors stated that pension costs are skyrocketing and diverting limited resources from community services. For example, in Mountain View, CalPERS costs have increased over the past decade from $2.8 million to $7.7 million. San Jose will contribute approximately $138 million into its two retirement plans for 2009 - 2010; more than double that of just 10 years ago. Pension costs are increasing due to benefit enhancements and losses in investment returns.

City managers recognize the challenge they are facing and are working together through the Santa Clara County/Cities Managers' Association to investigate ways to reduce pension costs. Since pension benefits are considered vested, there are limitations on what can be changed. Recently the city managers of Santa Clara County and San Mateo County agreed on a joint policy statement that recommends that all cities adopt a two-tier pension system. (Appendix D) In the two-tier system, cities would implement a reduced level of retirement benefits for all new employees in all agencies in the region. This solution would take detailed planning and communication to implement. The Santa Clara County Cities Association has asked the city managers to present the proposal to their respective city councils and start preliminary discussions with the unions.

Among other cities statewide, San Carlos and Brisbane have already initiated a lower, second tier for new hires. Palo Alto is in the process of implementing a second tier for new Service Employees International Union workers. Sunnyvale completed a preliminary analysis of a second tier and estimated it could save approximately $45 million over 20 years. The goal of two-tier system would be to provide a competitive pension at a more sustainable long-term cost by increasing the age of retirement and lowering the retirement payout.

Other suggested options to reduce pension costs are 1) convert to defined contribution plans for new hires, which are common in private industry and 2) eliminate "double dipping", which occurs when a public employee retires and subsequently enrolls in a new public retirement fund while continuing to collect from the earlier one.

Retiree Health Care Reform

Retiree health care costs continue to increase and cites are facing significant unfunded liability for their retirees' health care benefits. San Jose is working on a plan that provides for the costs of retirees' medical benefits to be split 50/50 by the city and the employees, which over time would reduce the city's unfunded liability.

Other cities are looking at modified health care plans for their new employees. In some of these plans, the obligations of the city end when the employee retires. One example is establishing a health savings account for each employee hired after a certain date; the city contributes to the account each month, which after vesting the employee can take into retirement. Health savings plans are tax sheltered and the employee can contribute to them.

5. Days Off

Employees receive paid time off for holidays, vacations, personal leave days and sick days; the number of days granted each employee vary by city and by union.

The number of vacation days increase based on length of employment with an allotted number of hours or days granted each year. In some cities vacation days can be accumulated year after year and converted to cash at termination or retirement, or added to the number of years of service and calculated into the retirement benefit. Other cities have imposed limits on accrual time, and require cash out at that time.

Employees receive approximately 12 days of sick leave each year. Disability insurance is available for extended sick leaves. Depending on union affiliation, employees are eligible to receive accrued sick leave as a cash payment or added into their number of years of service and calculated into their retirement benefit. Some are eligible to receive up to 100% of their sick leave paid out at retirement, with no cap on the number of hours. Other employees are eligible to receive up to 75% of their sick leave paid out to a maximum of 1200 hours at retirement.

Although payouts of accrued sick leave are common in government agencies, these benefits are not common in the private sector and could be reduced and capped to save costs.

Table 7: Days Off Per Year by City

City	Vacation Days [1]	Holidays	Floating or Personal Days	Total Possible Days Off (retainable) [2]	Sick Leave
Campbell	11 to 21	10	5	24 to 38	12
Cupertino	10 to 22	12	3 (FLSA exempt)	22 to 44	12
Gilroy	10 to 20	9	4.5	20 to 40	12
Los Altos	10 to 20	10	2 (5 for mgmt.)	N/A	12
Los Altos Hills	12 to 20	12	12 (FLSA exempt)	30	12
Los Gatos	10 to 25	10 to 12	3 (6 for mgmt.)	40	12
Milpitas	11 to 31	12	1	Note 4	12
Monte Sereno	10 to 20	12	0	25	12
Morgan Hill	10 to 20	11.5	2	20 to 40	12
Mountain View	12 to 25	11[3]	2	30 to 60	12
Palo Alto	10 to 25	12	0	30 to 75	12
San Jose	10 to 25	14	3 (some classifications)	20 to 50	12
Santa Clara	10 to 24 (fire 36)	13 to 14	3	50 (fire 84)	12
Saratoga	22 to 32	13	0	75	0
Sunnyvale	11 to 26	11	2.5 – 3.5	62 (safety 50)	0

Notes:

1 Number of days varies by length of service.

2 In most cities vacation and sick leave days above the allowed retainable number can be cashed out annually; the retainable amounts can be cashed out at retirement or resignation.

3 Mountain View fire and police receive 5.55 days in lieu of holidays; San Jose fire and police receive 5.6 days in lieu of holidays.

4 Employees may annually cash out up to 50% of their balance of sick days and 80 hours of vacation; the rest is retainable.

In the past year, a few cities have imposed furlough days; although this reduces costs, it also impacts services provided to the community. Some cities are considering substituting certain paid days off for unpaid days, instead of imposing furloughs to reduce the impact on services.

WORK FORCE PRACTICES

1. Determining Wage and Benefits Packages

The Grand Jury learned from interviews that most cities set their compensation packages by surveying the wages paid to public employees in a handful of like cities in the general area, rather than wages for the employment market at large. In union negotiations, cities will often negotiate to a place on the comparable wage index rather than negotiating what they think are reasonable salaries by job classification. If the wages in a salary range increase due to negotiations, all negotiated salaries increase.

Limiting comparisons to other cities in the same geographic area results in "a follow the leader" or "keeping up with the Jones" mentality in the cities, rather than real market-based compensation. Neither cities nor the labor unions appear to see a value in comparing private and public sector wages and benefits, or in tracking compensation trends in general. Recently, the Bureau of Labor Statistics reported that high-tech wages in the Bay Area (54% were in Santa Clara County) dropped 12% in the past nine years following the collapse of the dot-com bubble. During this time period, wages in city government increased substantially.

Private industry has wrestled with the same benefit issues as the public sector, and has been quicker to implement solutions that have reduced or contained employer-paid costs, especially pension and health care costs. A report published by the Employee Benefit Research Institute (EBRI) noted that, "State and local governments have sharply higher costs for health and retirement benefits than private-sector employers, since their workers participate in these benefits at far higher rates and public-sector workers are far more likely to have defined benefit retirement benefits than are private-sector workers." The EBRI stated that government employers' overall total compensation costs were 51.4% higher than private-sector employers' costs; the costs were 42.6% higher for wages and salaries and 72.8% higher for benefits.

2. Consolidating Services with Other Cities or the County

All cities provide core services for their residents and perform operational activities to keep the city running properly. With 15 cities performing similar functions, there are opportunities to reduce duplication, decrease costs and improve efficiency by sharing or consolidating services among cities or the County.

Currently, four cities obtain police services from the County Office of the Sheriff; others utilize the County's fire services or have special fire districts. Several cities have consolidated their animal control functions. The Grand Jury learned through interviews that these arrangements are successful and provide a sizeable cost savings. Additional merging of services, such as trash collecting, library functions, payroll activities, and parks and recreation work, could be pursued to reduce employee costs while providing effective and efficient services to the community.

3. Outsourcing to Private Industry

Outsourcing to private industry is another avenue for cities to pursue to decrease employee costs while maintaining services. Through interviews, the Grand Jury learned that Saratoga and Monte Sereno utilize this service delivery model extensively. Saratoga identifies itself as a "contract city." Several cities have limited contracts with private firms and other cities are beginning to examine the option.

Functions currently being contracted out include landscaping, street sweeping, tree trimming, recreation services, road surfacing, janitorial services, fleet maintenance, trash collection, and traffic engineering. Santa Clara has outsourced the bulk of its information technology functions.

Outsourcing services traditionally performed by employees requires proper planning, effective communication, reliable cost comparisons, and performance-based contracts. And for many cities, it means negotiating with and working with their unions to accomplish this transition.

4. Optimizing Staff

Organizationally, the cities should ensure that their staffing models are efficient, effective and are operating at the optimum level to decrease employee costs. It is important to analyze the functions performed by all job classifications and make adjustments in the work force. As appropriate, cities should reassign functions to lower paid job titles, consolidate functions with similar jobs in the same or similar work group, and trim unnecessary functions.

In 2009, Sunnyvale retained a consulting group to conduct an optimal staffing study of seven departments. Many of the staffing and operational improvements recommended by the group have been adopted and other changes will be implemented in the future.

The Office of the City Auditor in San Jose recently completed a study that identified 88 positions being performed by public safety employees that could be performed by civilian employees at a lower cost. These positions are in Administration, Investigations, Technical Services, and the Office of the Police Chief. Some examples of the positions that could be switched to civilians are: Public Information Officer, Police Artist, Watch Bulletin Police Officer and Main Lobby Police Officers. The estimated annual savings would be $5,077,500.

LABOR NEGOTIATIONS

1. Collective Bargaining Agreements

In the cities, with the exception of Los Altos Hills and Monte Sereno, the majority of the work force is represented by labor unions and operates under collective bargaining agreements. Salaries, health care benefits, retirement pension plans, other post-employment benefits plans, and workplace rules are negotiated by the unions on behalf of their members.

Each city negotiates with from three to 11 unions. For instance, Los Gatos has three unions; San Jose has 11 bargaining units, representing approximately 96% of the work force. The cities and each bargaining unit negotiate legally-binding contracts, which are known as either a Memorandum of Agreement (MOA) or a Memorandum of Understanding (MOU), and they are effective for a designated period of time, usually two or three years.

Pursuant to the Meyers-Milias-Brown Act (MMBA), the cities have a right to insist that contract negotiations take place at the bargaining table between the designated representatives of each city and the designated representatives of the various bargaining unit employees. Both the cities and the unions have an obligation under applicable law to negotiate in good faith. It is the goal of both parties to reach a negotiated collective bargaining agreement.

2. Mediation and Arbitration

Under the MMBA, if negotiations do not result in a tentative agreement, impasse procedures allow either party to invoke mediation. If there is still no agreement after impasse procedures are exhausted, the MMBA states that the public agency may implement its last, best and final offer. Additionally, after mediation the bargaining units have the right to strike, except for police officers or firefighters who do not have the right to strike.

For San Jose police and firefighters, if parties fail to reach agreement after mediation, City Charter Section 1111, approved by voters in 1980, allows the parties to submit the dispute to binding arbitration. A three-member panel comprised of a city representative, a union representative, and a neutral arbitrator selected by the city representative and the union representative, decides each issue by majority vote. The arbitration is not open to the public.

3. Negotiating Team

Each city delegates the authority to negotiate labor contracts on behalf of the city to the city manager or the city manager's designee. The city manager generally delegates the lead negotiating responsibility to one of these job titles: assistant city manager, human resources director, employee relations director, or administrative services director. Other key members of the city negotiating team may include the city attorney or an outside labor attorney, the department head or a high-level manager of the applicable work group, the finance director, and occasionally an outside consultant.

The negotiating team members do not belong to unions, and they do not operate under a financial incentive. But as employees of the city, their compensation is proportional with union employees; when salaries and benefits increase for union members, they are generally awarded similar increases. In some cities, members of negotiating teams have worked for the cities for a number of years, and many have come "up through the ranks" and have strong connections to the union employees. Some of the city managers told the Grand Jury that this can be problematic, as these negotiators may experience peer pressure and concede to the unions. For this reason, among others, a few cities are considering adding outside consultants to their teams.

4. Role of the City Manager

Prior to labor negotiations, the city manager provides to the mayor and city council a detailed fiscal analysis of current and projected economic conditions, and the current and projected budget. The city manager also meets with the mayor and council in closed session to recommend the city's position on contract renewal, itemize issues, and receive direction about the intended outcome of negotiations. In upcoming negotiations, it is anticipated that cities will ask for concessions for both current wages and current and future benefits. Prior to negotiations, some of the city managers conduct informal meetings with union leadership, as well as the rank and file members, to provide data on the city's financial health and employee costs.

The city manager is integral to negotiations and is responsible for setting strategy, direction, and parameters for the negotiating team. The city manager is closely engaged with the team prior to negotiations to determine the areas the city would like to negotiate and those it would not like to negotiate. The MMBA, however, defines and controls the areas that are subject to negotiation. Throughout negotiations, the city manager is briefed regularly on progress and issues. The negotiating team will consider the union proposals during the length of the negotiations, and discuss and counter the proposals within the confines of the council's guidance.

5. Role of the City Council and Mayor

The mayor and council are responsible for setting policy direction and guidelines for labor negotiations, overseeing the city manager, and approving labor contracts. The mayor is the public spokesperson.

Although the mayor and council are supposed to represent the best interests of the city and ultimately the taxpayers during negotiations, it is difficult to separate politics from bargaining sessions. If the council approves a package that is favorable to labor, some council members could benefit if they keep or earn union support. Throughout the County, many city councils are dominated by labor-endorsed candidates, and unions play an active role in elections. Unions often support their candidates' campaigns with endorsements and contributions. They print and distribute literature, manage phone banks, make personal appearances at campaign events, and canvass neighborhoods. Conversely, unions will sometimes negatively campaign against a candidate they oppose.

During its investigation, the Grand Jury learned that labor representatives sometimes go directly to council members while negotiations are occurring to solicit their support for various proposals. For this reason, the Santa Clara City Council and the city manager developed and approved "Employer Notification Principles" for the negotiating team and the council to observe during negotiations. These principles govern the commitment, responsibility and behavior of the city manager and the council and have improved the city's negotiations. These principles discourage council and labor discussions during the negotiation process. San Jose has a similar policy that sets guidelines for the council to ensure labor negotiations are conducted in good faith and to avoid actions that would circumvent the city's designated bargaining team.

PUBLIC INVOLVEMENT

In the past year, many articles have appeared in newspapers and other publications about the dire fiscal straits of our cities. The public is becoming aware of the growing cost of employee obligations. Until recently most residents were relatively uninformed about long-term financial costs and how they came about.

During Grand Jury interviews, four of the cities indicated that they did not hold public discussions before the start of their last contract negotiations; other cities stated that they did encourage public comment in regard to the salaries or benefits being negotiated, but that these sessions did not garner a lot of public attention. Some of the city managers acknowledged that the taxpayer is often unaware of the long-term financial impact of negotiations, especially concerning pensions.

The negotiated MOAs and MOUs are either on a council's consent calendar for approval or appear as a separate agenda item. In either case, there is seldom lengthy discussion around this approval. Approved contracts are posted to a city's web site.

Many city leaders are currently engaged in a variety of activities to better inform the public about the cities' financial health and to solicit input. These activities include publishing quarterly newsletters, posting reports on city web sites, conducting budget sessions, sending out surveys, and creating task forces.

Ballot Measures

Escalating public employee costs are a problem occurring throughout California. In some cities and counties, recent ballot initiatives have given citizens an opportunity to vote on retirement and health care benefits.

Orange County, San Francisco, and San Diego voters passed ballot measures as follows:

- In November 2008, Orange County voters decided that future retirement increases must be voter approved.
- In June 2008, San Francisco approved two measures increasing pension benefits for existing employees, but limiting the future costs of retiree health care benefits:
    - New employees will contribute 2% of salary and the employing agency will contribute 1% to a new retiree health care fund.
    - New employees must work ten years to receive half of their health care costs upon retirement and 20 years for full coverage; previously employees were 100% vested after five years.
- In November 2006, San Diego required voter approval of any increase in retiree benefits.

Conclusion

In the past decade, reasonable, intelligent people – city and labor representatives – negotiated generous employee wage and benefit packages through collective bargaining agreements under which the cities are currently operating. As these expire, both groups must recognize the financial impact of these agreements, coupled with the economic downturn, and negotiate contracts that will:

- Assist the cities in returning to fiscal health.
- Preserve the services the taxpayers deserve and expect.
- Provide competitive and affordable compensation for employees.

For many years, there was a common belief that public sector employees earned lower wages than the private sector, but this was balanced by more generous public benefits. Current data shows wages have increased in the cities and are at least on par with private sector jobs, while benefits in the cities have escalated dramatically, thus increasing total compensation to a point that it is out of sync with private industry and is unsustainable for the cities. Unfortunately the taxpayers, who come from both public and private sectors, are funding this inequity.

The cities' leadership must look beyond political barriers and focus on total compensation and on workplace practices to contain escalating employee costs. All parties – city administrators and labor unions – need to negotiate in good faith to implement lasting, vigorous, sustainable change for our cities.

Findings and Recommendations

Finding 1

The costs of total compensation for employees have grown substantially in the past decade and now threaten the cities' fiscal stability.

Recommendation 1

All of the cities in the County need to implement measures that will control employee costs. As a starting point, each city should determine the percentage of savings required from the total compensation package to reach budget stability, and provide choices of wages and benefits in collective bargaining sessions for the unions to choose to achieve that percentage goal.

Finding 2

Salary and wage increases do not reflect changes in economic conditions; e.g. even with minimal inflation, yearly COLAs are granted with little bearing on the actual increase in cost of living or market conditions.

Recommendation 2

Cities should not increase salaries and wages that are not supported by planned revenue increases. Cities should tie COLA increases to clear indicators and retain the ability to adjust or withhold based on current economic data.

Finding 3

Step increases are arbitrary and do not adequately represent an employee's added value to a city. Combined with COLAs, new employees' wages increase quickly and are not necessarily reflective of improved knowledge and skills.

Recommendation 3

Cities should negotiate step progressions from the current three and a half years to seven years. Employees should not receive COLA increases while in step progression.

Finding 4

Medical insurance costs for active employees are growing year after year at rates that exceed most cities' revenue growth, while the employee contribution to medical care is minimal.

Recommendation 4

Cities should negotiate that employees assume some of these increased costs for their medical benefits. To contain medical costs cities should consider the following:

A. Split monthly premiums between the city and the employee and increase the employee's share, if already cost splitting, and remove any employee caps.

B. Establish reasonable co-pays for doctors' visits, prescription drugs, and in-patient and out-patient hospital care.

C. Prohibit an employee from being covered by both city-provided medical benefits and as a dependent of another city employee.

D. Reduce cash-in-lieu payments.

E. Introduce a new lower premium, high-deductible medical plan.

Finding 5

Pension formula changes instituted in the past decade, stock market losses, the aging "baby boomer" work force, and the growing unfunded pension and OPEB liability all contribute to making retiree pension and health care costs the most problematic and unsustainable expense the cities are facing. The city contribution to pension plans and OPEBs far exceeds the employee contribution.

Recommendation 5a

Cities should:

1) Renegotiate and make provisions for increasing the employees' contribution for current pension plans.
2) Renegotiate to stop paying the employees' contribution amount to pension plans.
3) Renegotiate to implement a contribution amount for employees to OPEB; this contribution should provide for a reasonable split of costs between a city and the employee for retiree medical and dental benefits.

Recommendation 5b

Cities should thoroughly investigate reverting to prior pension formulas that were less costly.

Recommendation 5c

To provide a meaningful, long-term solution, the cities should negotiate agreements to:

1) Institute a two-tier system for pension and retiree health care for new hires.
2) Increase the retirement age from 50 or 55 to 60 or 65.
3) Calculate pensions on the last three to five years of salary.
4) Replace current post-employment health care plans with health savings plans.

Finding 6

Public sector employees are granted a generous number of holidays, personal days, vacation days and sick leave annually. Rules and limits on accrual vary by city and union, but vacation days and sick leave can be accumulated and converted to cash or calculated into the pension benefit within those limits.

Recommendation 6a

Cities should renegotiate with the bargaining units to 1) reduce vacation time; 2) reduce the number of holidays and/or personal days; 3) cap sick leave and eliminate the practice of converting accumulated sick leave to cash or adding into their years of service for inclusion in their retirement benefit.

Recommendation 6b

Cities should negotiate to substitute paid days off for unpaid days instead of imposing furloughs. For example, reduce paid holidays to major holidays only, consistent with private industry; and convert minor holidays to unpaid. Therefore, the public is not impacted by fewer services caused by furloughs, and the city saves the employee cost.

Finding 7

Cities traditionally determine their compensation packages by surveying the wages and benefits of other public sector employees in the same geographic area. There is major resistance to comparing themselves or mirroring trends with the private sector. This has allowed wages and benefits to become artificially high and out of sync with market trends.

Recommendation 7a

Cities should research competitive hiring practices and alter the approach to determine fair wages and benefits for each city by using public and private sector data.

Recommendation 7b

Cities should renegotiate salaries and wages using valid market comparisons and not only the current wage index. Cities should utilize more market-oriented compensation practices so that salaries can adjust as competition for labor changes. Cities should reduce entry-level compensation for positions for which there are many qualified applicants.

Finding 8

All cities perform certain core functions to run smoothly and provide services to their residents. To reduce employee costs and streamline operations, the cities are in various stages of contracting services to private industry or partnering with other cities, special districts or the County to deliver services.

Recommendation 8a

Cities should explore outsourcing some functions and services to private industry. Cities should discuss the prospect with cities that are successfully doing this to determine best practices and areas for success. Cities should develop contracts with measurable objectives, performance goals, and timelines.

Recommendation 8b

Cities should create partnerships with other cities, special districts and/or the County for services, such as payroll, human resources, animal control, police and fire. Cities should investigate sharing the cost of new information technology systems.

Finding 9

Cities can gain operational efficiencies and effectiveness with lower employee costs by making sure they are staffed with the correct numbers of people in the appropriate job classification in all departments and work groups.

Recommendation 9

Cities should analyze the functions performed by all job classifications and make adjustments in the work force. Consolidate functions within the same group or a similar group. Reassign appropriate work to lower paid job classifications. Eliminate unnecessary functions.

Finding 10

The San Jose City Auditor identified 88 positions currently being performed by public safety employees that can be performed by civilian employees at lower costs. The safety employees could be moved to positions that require their expertise and training. The auditor estimated this could be accomplished in less than 90 days and save approximately $5 million annually.

Recommendation 10

San Jose should negotiate this suggested transfer with the San Jose Police Officers' Association and set realistic timeframes to move these safety positions to civilian positions.

Finding 11

In many cities, the contract negotiation process is completed by placing the negotiated collective bargaining agreements on the consent calendar for approval, which is acted on quickly at the start of council meetings by a single motion and vote of the council.

Recommendation 11

Cities should consider holding well-publicized public hearings about the cities' goals of negotiations before negotiations begin, and again at the end of negotiations to report to citizens clearly what changes have been made in contracts.

Finding 12

Current contracts were negotiated in good faith by representatives of the cities and the bargaining units; they were approved by the city councils. Promises made to employees were made by elected officials, past and present. Responsibility for formulating and approving solutions to restore the cities' financial stability resides squarely with our elected officials. The economic downturn has placed additional pressure on the situation.

Recommendation 12a

City council members and mayors should become better informed about the fiscal realities in their cities, long-term costs and commitments, and be cognizant of potential issues in labor agreements.

Recommendation 12b

City councils and mayors should direct city administrators to (re)negotiate collective bargaining agreements that reverse the escalation of employee costs through concessions, cost sharing, and a second tier for new employees.

Recommendation 12c

City councils and mayors should meet with the bargaining units to clearly outline the cities' financial health and show how employee costs are impacting the budget.

Recommendation 12d

City councils and mayors should inform citizens of their plans for controlling unsustainable employee costs and remove politics from the equation.

Finding 13

Binding arbitration is not open to the public and results in an adversarial process between the city and employee groups. Binding arbitration limits the ability of city leaders to craft solutions that work for the city's budget. The process has resulted in wage and benefit decisions that have been greater than the growth in basic revenue sources.

Recommendation 13a

San Jose City Council should make binding arbitration open to the public.

Recommendation 13b

San Jose City Council should prepare a ballot measure asking voters to repeal Section 1111 of the City Charter that addresses binding arbitration.

Appendix A

Retirement Information Form Sent to Cities

City: _____

	Union Name	Union Name	Union Name	Union Name	Union Name	Union Name
Current Pension Plan (formula)						
Future Pension Plan based on MOU						
Year Future Plan is effective						
Current COLA						
Future COLA based on MOU						
Current Pension calculated based on final year salary, 3 year average, or other						
Future Pension calculated based on final year salary, 3 year average, or other						

Appendix B

City Contribution Form Sent to Cities

City: _____

A	B	C	D	E	F	G	H
	City Contribution to Pension as % of pay	Employee Contribution to Pension as % of pay	% of Employee's Pension Contribution paid by City*	City Contribution to OPEB as % of pay	Employee Contribution to OPEB as % of pay	Current Amount of Pension that is Funded	Current Amount of Pension that is Unfunded
Non-Public Safety Employees							
2009							
2010							
2011							
2012							
2013							
2014							
Police							
2009							
2010							
2011							
2012							
2013							
2014							
Fire							
2009							
2010							
2011							
2012							
2013							
2014							

Question: Does City/Employee contribute to Social Security? Yes/No _____

*Does the city pay a portion of the employee's required share of retirement contribution? If so what is that percent? _____

Appendix C

City Information Form Sent to Cities

City of _____

CITY INFORMATION

1. What is the population of your city based on the 2000 census? _____
2. What is the estimated current population? _____

3. How many total FTE's (Full Time Equivalents) did your city have in 2000/01? _____
4. How many total FTE's does your city have now (2009/10)? _____

5. How many FTE were in the Police department in 2000/01.? _____ Now _____
6. How many FTE were in the Fire department in 2000/01? _____ Now _____

7. What was your Total Revenue in fiscal year 2000/01 _____
8. What is your Total Budgeted Revenue for 2009/10? _____

9. What per cent of the General Fund were employee costs with benefits in 2000/01? _____
10. What per cent are employee costs of the 2009/10 budget? _____
    Employee costs include payroll, retirement benefits, health/dental benefits and other benefits.

11. How much did the city contribute to non-safety Retirements benefits in 2000/01? _____
    How much did the city contribute to Police/Fire in 2000/01? _____

12. What is the non-safety Retirement cost for 2009/10? _____
    What is the Police/Fire Retirement cost for 2009/10? _____

13. How much did the City pay for Health/Dental Benefits in 2000/01? _____
14. What is the 2009/10 City cost for Health/Dental Benefits? _____

15. What was the average monthly premium the City paid for employee Health/Dental Care in 2000?
    Individual _____ Family _____
16. What are the current average premiums for Health/Dental Care?
    Individual _____ Family _____

17. What was the median salary for non-safety employees without benefits in 2000? _____
    With benefits _____
18. 2009/2010 median salary without benefits _____ With benefits _____

19. What was the median salary for police employees without benefits in 2000/01? _____
    With benefits _____
20. Current median salary without benefits _____ With benefits _____

21. What was the median salary for fire employees without benefits in 2000? _____
    With benefits _____
22. Current median salary without benefits _____ With benefits _____

Appendix C - continued

City Information – continued

23. What is the average number of years for your non-safety employees? _____
    What is the average number of years for police? _____
    What is the average number of years for fire employees? _____

24. How many vacation days, floating days, holidays, personnel leave days and sick days are employees entitled to annually?

25. What are the vacation and sick leave accrual and buy out policies?

26. Did you impose any furlough days this year? **Y N** If yes, which work groups? How many people are affected? How often?

27. Prior to entering into each of your current agreements with organized labor, did your city Council, as part of regular business, encourage public comment in regard to the salaries or benefits being negotiated? **Y N**

28. Are the MOU's resulting from contract negotiations typically on the consent calendar when coming to the City Council for approval? **Y N**

Appendix D

Santa Clara County/Cities Managers' Association Policy Statement on Retirement Benefits

San Mateo County
City Managers Association

Policy Statement on Local Government Retirement Benefits

Background

For more than 70 years, the State of California and local governments have offered a "defined benefit" retirement plan to employees. This system provides a guaranteed annual pension based upon retirement age, salary, and years of service. Most, but not all, municipalities in California are part of the Public Employees' Retirement System (PERS).

Over the years, local government retirement costs have risen and fallen based on two key factors: investment returns and the level of benefit payments provided to employees. In the late 1990's the California legislature enacted significant benefit enhancements for public employees in the PERS system that were optional for participating local governments. At that time, some retirement plans were deemed to be "super funded" and many local governments adopted benefit enhancement plans. For example, most public safety personnel are on the "3% @ 50" plan, which provides a pension benefit of up to 90% of salary after 30 years of service as early as age 50.

When the retirement system suffered serious investment losses in the early part of this decade, these losses, combined with newly approved benefit enhancements, caused dramatic increases in employer contribution rates. Cities in our two counties have seen the percentage of their General Fund budget dedicated to PERS costs increase while their retirement liability funding had decreased from over the past decade. For example, in Mountain View, General Fund PERS costs have gone from $2.8 million in FY00 to $7.7 million in FY10; in San Bruno, it has gone from $240,000 to $4 million. Daly City's percent of the General Fund budget spent on retirement benefits has increased from 4.3% to 10.4% between FY00 and FY10; in Belmont, it has gone from .5% to 11.4%. And Campbell has seen its public safety retirement system fall from 122% funded to 70% funded over ten years.

In the past five years, a number of proposals have been introduced to reform or dramatically revise the public pension system in California. In 2004, a task force of the League of California Cities began an extensive study of the defined benefit system and proposed reforms. In 2005, the League board of directors accepted a report on pension reform from the task force as an initial assessment and for consideration in the ongoing debate of this issue. The report included a number of "general principles" and specific reform recommendations. To date, no concrete action has been taken by the legislature.

Recently, the city managers of San Diego County have prepared a white paper on this issue calling for a new and lower second tier retirement benefit for new hires. Other manager groups across the state have begun a similar dialogue in recognition that the costs of the current system are not sustainable. Additionally, Governor Schwarzenegger has proposed returning pension formulas to 1999 levels for new hires – a move he says will save the state $74 billion through 2040. The City of Sunnyvale has done a preliminary analysis of a lower tier and has estimated it could save a total of $44 million over 20 years. The cities of San Carlos and Brisbane have already initiated a lower, second tier for new hires (among other cities statewide).

Discussion

While the debate is ongoing, no clear consensus has been achieved on addressing the high cost of pension benefits and no action appears imminent. The city managers of Santa Clara and San Mateo counties believe it is important to take a proactive stance on this issue which has long-term implications for the fiscal stability of our cities. This issue is even more important now, given the tremendous losses suffered in the stock market in the past year. At fiscal year end in June 2009, PERS annual returns were down 23.4% from the previous year. This is on top of losses of 5.1% in Fiscal 2008. PERS assumes a 7.75% gain annually to maintain its pension obligations, but clearly there is no guarantee this rate can be achieved. Based on this year's negative returns, employer rates are expected to jump significantly as of July 1, 2011.

Therefore, as a matter of public policy, we endorse the following principles for a revised pension system.

Guiding Principles

- Our residents deserve fiscal policies that preserve local government's ability to meet community needs, while attracting competent and motivated employees to public service.

- Providing adequate retirement benefits is an important part of attracting and retaining public employees; this continues to be an issue as, demographically, there are fewer young people to enter the public sector.

- Current retirement benefit formulas are not fiscally sustainable. The costs are escalating beyond our ability to fund them and diverting limited resources from direct service delivery to our communities. In addition, current pension benefits exceed what private sector employees receive and what is reasonably needed to attract public employees.

- Ideally, this situation would be addressed at a statewide level and there would be consistent standards for all. We cannot, however, afford to wait for a statewide solution. Therefore, the cities of Santa Clara and San Mateo counties support

implementation of a reduced and sustainable level of retirement benefits for all new employees of agencies in the region.

- Each city has different histories, perspectives, and fiscal conditions; a "one size fits all" approach may not be realistic, but all cities in the region compete for the same employees and therefore should move in the same direction to a lower-cost benefit.
- Each city has the legal duty to meet and confer in good faith with its recognized bargaining unit representatives concerning changes to existing terms and conditions of employment.
- Every city is committed to moving toward a two tier system for all new contracts.
- Any new system or tier should be fair to employees, sustainable for taxpayers and employers, and based on objective actuarial data.

Action Steps

The city manager associations of Santa Clara County and San Mateo County support the statements in this document and their members pledge to work with their elected officials and labor groups to implement its principles. We further pledge to work with other city managers across the state and the League of California Cities to advocate for changes consistent with this document.

Dave Anderson, SCCCMA

Connie Jackson, SMCCMA

Adopted July, 2009

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This report was **PASSED** and **ADOPTED** with a concurrence of at least 12 grand jurors on this 13th day of May, 2010.

Angie M. Cardoza
Foreperson

Judy B. Shaw
Foreperson pro tem

Mary Nassau
Secretary

CITY OF MILPITAS

OFFICE OF MAYOR ROBERT LIVENGOOD

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August 17, 2010

Honorable Jamie Jacobs-May
Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, CA 95113

Dear Judge Jacobs-May:

The City of Milpitas appreciates the opportunity to review the 2009-2010 Santa Clara County Civil Grand Jury's Report entitled ***Cities Must Rein In Unsustainable Employee Costs*** dated May 26, 2010. I am writing to you on behalf of the Milpitas City Council. This will serve as the formal response of the City of Milpitas to that report. At its meeting of August 17, 2010, the City Council reviewed this letter and authorized that it be submitted to you. The City of Milpitas shares the Grand Jury's concerns and has already implemented some of its recommendations. The Milpitas City Council will consider additional measures to reduce employee costs in the future.

Finding 1 - The costs of total compensation for employees has grown substantially in the past decade and now threaten the cities' fiscal stability.

City Response: *Agree, but of the factors affecting the total compensation picture, spiraling health care costs and increased contribution requirements of the PERS retirement plan are not directly in the City's control. In fact, increases to the base pay of City employees over recent years are consistent with increases to the Consumer Price Index for the area.*

Recommendation 1 – All of the cities in the County need to implement measures that will control employee costs. As a starting point, each city should determine the percentage of savings required from the total compensation package to reach budget stability, and provide choices of wages and benefits in collective bargaining sessions for the unions to choose to achieve that percentage goal.

City Response: *Wages are a mandatory subject of bargaining pursuant to collective bargaining laws. Milpitas has already commissioned a total compensation study and will utilize that information in upcoming bargaining sessions with labor representative groups to allow employee choice on how cost cutting will occur . Concession agreements that achieved the Council's fiscal goal were implemented for FY 10, and with some employee groups for FY 11 through side letters that provided an approximate 7% wage/cost reduction applicable to all employees across the board.*

Finding 2 – Salary and wage increases do not reflect change in economic conditions; e.g. even with minimal inflation, yearly COLAs are granted with little bearing on the actual increase in cost of living or market conditions.

City Response: *Agree in part. Historically, the bargaining process included negotiated increases that were not simply tied to economic indices, but rather sought to incorporate Milpitas specific needs in attracting and retaining employees. In FY 10, the only change to employee wages was to freeze salary by holding one previously approved wage increase in abeyance for one year.*

Recommendation 2 – Cities should not increase salaries and wages that are not supported by planned revenue increases. Cities should tie COLA increases to clear indicators and retain the ability to adjust or withhold based on current economic data.

City Response: *The recommendation has been implemented. Wages are a mandatory subject of bargaining pursuant to collective bargaining laws. Currently, wage increases are not being provided to employees given the current economic data. Further, the City has negotiated 7% wage/cost decreases with all employees for FY10. It is anticipated that wage/costs for FY11 will follow a similar pattern of negotiation with employee groups unless clearly identified revenue sources are found supporting a different outcome. In addition, the City has commissioned a Citizen Task Force and an internal task force to focus on long-term budgetary needs to address structural deficit issues.*

Finding 3 – Step increases are arbitrary and do not adequately represent an employee's added value to a city. Combined with COLAs, new employees' wages increase quickly and are not necessarily reflective of improved knowledge and skills.

City Response: *Agree in part and disagree in part. In Milpitas, step increases are specifically tied to the employee's performance appraisal, which does include evaluation of knowledge and skills related to the job. Employees may be denied a step increase if the work performance is not meeting standards. It is agreed, however, that when COLAs are being provided to all employees, new employee wages can increase quickly if the new employee is also eligible for a merit step increase in the same year.*

Recommendation 3 – Cities should negotiate step progressions from the current three and a half years to seven years. Employees should not receive COLA increases while in step progression.

City Response: *Changes to the step system may be an issue of future negotiations with each labor group as an item that is a mandatory subject of bargaining pursuant to the Meyers-Milias-Brown Act. Lengthening the merit increase progression period and suspending contract increases for those receiving merit increases may be included as a component of those negotiations.*

Finding 4 – Medical insurance costs for active employees are growing year after year at rates that exceed most cities' revenue growth, while the employee contribution to medical care is minimal.

City Response: *Agree. The City will consider in the future modifications to its medical benefit programs to either cap employer costs or directly apportion cost to employees. Alternatives may include implementation of cofeteria plan style medical benefit program; disallowance of double medical*

coverage; cost recovery of dependent medical, etc. Currently the City pays no more than the Kaiser medical benefit rate. Milpitas is a member of the Public Employees Medical and Hospital Care Act (PEMHCA) program offered through CalPERS. The purchasing power of this large group has allowed Milpitas to access competitive rates that likely would have been much higher if it utilized an independent plan.

Recommendation 4 – Cities should negotiate that employees assume some of these increased costs for their medical benefits. To contain medical costs cities should consider the following:

A. Split monthly premiums between the city and the employee and increase the employee's share, if already cost splitting, and remove any employee caps.
B. Establish reasonable co-pays for doctors' visits, prescription drugs, and in-patient and out-patient hospital care.
C. Prohibit an employee from being covered by both city-provided medical benefits and as a dependent of another city employee.
D. Reduce cash in-lieu payments.
E. Introduce a new lower premium, high deductible medical plan.

City Response: *Milpitas will consider cost cutting measures consistent with this recommendation in future negotiations. Changes to health care benefits are a mandatory subject of bargaining under collective bargaining law. Currently, co-pays are in place for doctor visits, prescriptions, in-patient care, and out-patient care. Further, employees who are a dependent on another outside health plan can waive medical insurance coverage through the city in exchange for a cash in-lieu benefit. This results in substantial savings to the city. Currently, PEMHCA does not provide a high deductible health plan option, although this may be an option for consideration in the future.*

Finding 5 – Pension formula changes instituted in the past decade, stock market losses, the aging "baby boomer" work force, and the growing unfunded pension and OPEB liability all contribute to making retiree pension and health care costs the most problematic and unsustainable expense the cities are facing. The city contribution to pension plans and OPEBs far exceeds the employee contribution.

City Response: *Agree in part and disagree in part. Milpitas agrees that pension costs generally are rising to an unsustainable level and are straining the fiscal health of our city. Current costs as well as future rate increases are problematic thus making pension plan cost reductions a top priority for the Milpitas City Council. A two-tier system of retiree benefits has been proposed and, while a subject of mandatory negotiations, will be seriously considered for its potential long-term budgetary savings.*

Recommendation 5a – Cities should:

1. Renegotiate and make provisions for increasing the employees' contributions for current pension plans.
2. Renegotiate to stop paying the employees' contribution amount to pension plans.
3. Renegotiate to implement a contribution amount for employees to OPEB; this contribution should provide for a reasonable split of costs between a city and the employee for retiree medical and dental benefits.

City Response: *Changes to pension/retirement benefits are a mandatory subject of bargaining under collective bargaining law. Milpitas has made it a priority to reduce pension costs and will continue implementation efforts subject to applicable statutes governing collective bargaining. Both Safety and Non-safety employees currently pay the full employee contribution to CalPERS. Further increase of employee contributions for pension and OPEBs will be part of future negotiations in the ongoing effort to address the structural deficit.*

Recommendation 5b – Cities should thoroughly investigate reverting to prior pension formulas that were less costly.

City Response: *As noted previously, a two-tier system may be considered in future negotiations but changes to pension/retirement benefits are a mandatory subject of bargaining under collective bargaining law. A two-tier system would result in a long term reduction of pension costs, but would not have a significant short term effect.*

Recommendation 5c – To provide a meaningful, long-term solution, the cities should negotiate agreements to:

1) Institute a two-tier system for pension and retiree health care for new hires.
2) Increase the retirement age from 50 or 55 to 60 or 65.
3) Calculate pensions on the last three to five years of salary.
4) Replace current post-employment health care plans with health savings plans.

City Response: *Changes to pension/retirement benefits are a mandatory subject of bargaining under collective bargaining law. Reducing pension costs is a priority for the Milpitas City Council. A two-tier system, increase in retirement age and highest and best spread across three or more years, may be considered and proposed to labor groups as contracts come open for negotiations.*

Finding 6 – Public sector employees are granted a generous number of holidays, personal days, vacation days and sick leave annually. Rules and limits on accrual vary by city and union, but vacation days and sick leave can be accumulated and converted to cash or calculated into the pension benefit within those limits.

City Response: *Agree.*

Recommendation 6a – Cities should renegotiate with the bargaining units to 1) reduce vacation time; 2) reduce the number of holidays and/or personal days; 3) cap sick leave and eliminate the practice of converting accumulated sick leave to cash or adding into their years of service for inclusion in their retirement benefit.

City Response: *Vacation, holiday, and personal leave time reduction are a subject of future bargaining with labor groups as a mandatory subject of bargaining under the Meyers Milias Brown Act. To the extent there are significant potential budgetary savings, the City will consider the feasibility of this recommendation during future negotiations.*

Recommendation 6b – Cities should negotiate to substitute paid days off for unpaid days instead of imposing furloughs. For example, reduce paid holidays to major holidays only, consistent with private industry; and

convert minor holidays to unpaid. Therefore, the public is not impacted by fewer services caused by furloughs, and the city saves the employee cost.

> City Response: *Changes to holidays and leave time benefits are a mandatory subject of bargaining under collective bargaining law. Currently, Milpitas observes 12 major holidays; not greatly exceeding what is afforded in private industry. This recommendation could be explored by the city during future bargaining on the issue.*

Finding 7 – Cities traditionally determine their compensation packages by surveying the wages and benefits of other public sector employees in the same geographic area. There is major resistance to comparing themselves or mirroring trends with the private sector. This has allowed wages and benefits to become artificially high and out of sync with market trends.

> City Response: *Agree in part, disagree in part. The City agrees that the public sector predominately compares to other public sector jurisdictions with the same or similar job classifications. However, the City of Milpitas does not compare to all Santa Clara County cities, nor does it establish its comparison cities based on geography alone. Other factors such as population, socio-economic status, budget size, and similarity in services are all key components of identifying a comparable jurisdiction. Nonetheless, it may be beneficial to compare with the private sector while keeping in mind that the public service component that is a major factor in the mission of public employees and the entities for which they work is largely nat a factor in for-prafit private business. The Grand Jury's suggestion to include appropriate private sector camparisons can be explared during successive negotiations with bargaining units canducted in accardance with state law.*

Recommendation 7a – Cities should research competitive hiring practices and alter the approach to determine fair wages and benefits for each city by using public and private sector data.

> City Response: *Changes to wage and benefit packages are a mandatory subject af bargaining under collective bargaining law. The City of Milpitas is willing to consider use of private sector employment data, if available, for purpases of comparing similarly-situated job classifications.*

Recommendation 7b – Cities should renegotiate salaries and wages using valid market comparisons and not only the current wage index. Cities should utilize more market-oriented compensation practices so that salaries can adjust as competition for labor changes. Cities should reduce entry-level compensation for positions for which there are many qualified applicants.

> City Response: *Changes to wage and benefit packages are a mandatory subject of bargaining under collective bargaining law. The City agrees with this recommendation and this recommendation could be explored by the city during future bargaining an the issue.*

Finding 8 – All cities perform certain core functions to run smoothly and provide services to their residents. To reduce employee costs and streamline operations, the cities are in various stages of contracting services to private industry or partnering with other cities, special districts, or the County to deliver services.

City Response: *Agree as to some cities. Milpitas City Council has not made any decision to outsource any additional services in FY10.*

Recommendation 8a – Cities should explore outsourcing some functions and services to private industry. Cities should discuss the prospect with cities that are successfully doing this to determine best practices and areas for success. Cities should develop contracts with measurable objectives, performance goals, and timelines.

City Response: *Milpitas has existing contracts with the private sector in several areas, including, but not limited to: landscaping, street sweeping, jonitorial services, claims administration, trash collection, computer software services ,recreational programs, HVAC systems maintenance and waste water treatment plant. Milpitos will continue to explore cost-effective opportunities for privatization. Contracting out work currently performed by bargaining unit employees is subject to impact bargaining pursuant to collective bargoining laws. In addition, the decision to contract out may also be a mandatory subject of bargaining.*

Recommendation 8b – Cities should create partnerships with other cities, special districts, and/or the County for services such as payroll, human resources, animal control, police and fire. Cities should investigate sharing the cost of new information technology systems.

City Response: *The City presently operates partnerships with other cities and special districts and continues to explore viable options that will create greater efficiencies appropriate to the City's service needs. Like contracting out, shifting work to another entity when the work is currently performed by bargaining unit employees is subject to meet and confer obligations. Currently, the City of Milpitas does contract out animal control and other areas described in response to Recommendation 8a above.*

Finding 9 – Cities can gain operational efficiencies and effectiveness with lower employee costs by making sure they are staffed with the correct numbers of people in the appropriate job classifications in all departments and work groups.

City Response: *Agree.*

Recommendation 9 – Cities should analyze the functions performed by all job classifications and make adjustments in the work force. Consolidate functions within the same group or a similar group. Reassign appropriate work to lower paid job classifications. Eliminate unnecessary functions.

City Response: *Milpitas has always worked to be an efficient and effectively staffed organization. Changes to staffing receive careful review and consideration and are included in the budget process. As vacancies in staffing arise, careful consideration of the vacant position is completed before refilling the position and any changes to the job classification are pursued. Since 2007 the City has been under a hiring freeze and has replaced vacant positions only if deemed essential after full analysis of need. In June of 2009, the City imposed a lay-off which eliminated 21 full time positions as a cost-saving measure. Reductions occurred in all departments and at all levels of the organization. This significant organizational staffing reduction has necessitated the consolidation of duties, elimination of lower priority work, and regular pursuit of efficiencies in an effort to maintain quality services to the public.*

Layoffs and substantive job changes are subject to impact bargaining pursuant to collective bargaining laws.

Finding 11 – In many cities, the contract negotiation process is completed by placing the negotiated collective bargaining agreement on the consent calendar for approval, which is acted on quickly at the start of council meetings by a single motion vote of the council.

City Response: *Agree, but not as to Milpitas. The Milpitas Open Government Ordinance requires that collective bargaining agreements be publicly available at least ten days before the meeting of the public body considering the agreement. As such, employees and the public have the opportunity to review the contract in advance of the meeting and offer comment in writing or be present to offer comment directly.*

Recommendation 11 – Cities should consider holding well-publicized public hearings about the cities' goals of negotiations before negotiations begin, and again at the end of negotiations to report to the citizens what changes have been made in contracts.

City Response: *The recommendation has value and the City Council may implement such a process in order to educate employees and the public about the City's goals regarding balancing the budget. The City Council has held various discussions at Council meetings on topics related to negotiations such as salary costs, pension costs, and contracting out. The Council has appointed an internal task force and a Citizens Task Force to come up with recommendations on this topic. The Citizens Task Force meetings are publicly noticed and open to the public.*

Finding 12 – Current contracts were negotiated in good faith by representatives of the cities and the bargaining units; they were approved by the City Councils. Promises made to employees were made by elected officials, past and present. Responsibility for formulating and approving solutions to restore the cities' financial stability resides squarely with our elected officials. The economic downturn has placed additional pressure on the situation.

City Response: *Agree.*

Recommendation 12a – City council members and mayors should become better informed about the fiscal realities in their cities, long-term costs and commitments, and be cognizant of potential issues in labor agreements.

City Response: *This recommendation has been implemented. The City Council has become well versed in the labar contracts associated with each labor group. With tightening budgets, need for such knowledge will become more acute and Council will be provided additional data. The Council and staff will continue to pursue this education and sharing of infarmation for all future negotiations.*

Recommendation 12b – City councils and mayors should direct city administrators to (re)negotiate collective bargaining agreements that reverse the escalation of employee costs through concessions, cost sharing, and a second tier for new employees.

City Response: *This recommendation has been implemented. Staff will propose necessary cost saving measures during upcoming MOU negotiations and as a component of the budget process for FY11.*

Recommendation 12c – City councils and mayors should meet with the bargaining units to clearly outline the cities' financial health and show how employee costs are impacting the budget.

City Response: *The Milpitas City Council operates through the executive management team to negotiate with its bargaining units. Recently, direct communications during a series of meetings conducted by the City Manager were successful in bringing about agreement to a 7% wage/cost decrease with all city employees which was essential to balancing the FY10 city budget. During these numerous meetings, several of which were town hall type meetings with all city employees, the City Manager with the assistance of the Finance Director made a clear, sobering presentation of the City's financial situation and how it is affected by employee costs. Such sharing of information and meetings will continue as a part of future negotiations.*

Recommendation 12d – City councils and mayors should inform citizens of their plans for controlling unsustainable employee costs and remove politics from the equation.

City Response: *The City Council has utilized the public meeting forum to communicate to the citizens of Milpitas their priority of reducing employee costs. The Council has commented about this during recent meetings surrounding the budget adoption and appointment of budget task forces. The Milpitas City Council will continue to make this a priority and will continue to keep the public informed of its plans for controlling these and other costs.*

Please feel free to contact me or Milpitas City Manager Thomas Williams if you seek additional information or have any questions regarding this response to the SCCCGJ report.

Sincerely,

Robert Livengood
Mayor

cc: Members of the City Council
Thomas Williams, City Manager
Michael Ogaz, City Attorney
Milpitas City Department Heads