

Citizens Budget Task Force 2010

Report to City Council November 16, 2010

Members

Task Force Members

- Joseph Weinstein (Chair)
- Anjula Nigam (Vice-Chair)
- Alan David
- Deepka Lalwani
- Dan Manassau
- Ami Shah

Assigned Task

Make recommendations to City Council as to how to reduce the \$11,000,000 deficit in the General Fund over a period of 3 years.

There are no winners in this project.

What might be fair for taxpayers may not seem fair for the city employees.

The city exists to serve the taxpayers.

We have created this challenge together and we will only solve it by working together.

The Problem

Approximately 83 % of the General Fund expenditures are composed of Salaries and Benefits.

83% seems higher than the normal year. This may be due other programs that have been cut more aggressively.

The reality is that the Task Force focused upon 83% of expenditures composed of salary and benefits and 17% of expenditures comprised of programs, etc.

~\$11,000,000 deficit in the General Fund

Shrinking Employee Pool

- Must note that one issue in regard to solving any of the funding problems is that under the leadership of our current City Manager the number of city employees has been reduced from around 500 to less than 400 in 5 years.
- This results in the pool of employees being less attractive to any pension fund, especially in light of our growing retiree population.
- More efficient staff with less dollars to attract pension funds

Input of Citizens and Public Reports

- Public Meetings
- City Web-Site
- City's Electronic Sign
- 3 Public-Forums
- Door Knocking at Citizens' Homes
- Conversations with Citizens and City Employees
- Santa Clara County Grand Jury Report
- San Jose Budget Task Force Report
- Just published policy brief: University of California

Areas of Focus

- Departments
- Programs
- Revenue and Income
- Salaries and Benefits

Budget Policy Recommendations

- Recommend a new city ordinance:
The City Council to adopt a budget in which expenses never exceed General Fund Revenues.
- We are now the 8th largest Redevelopment Agency in California.
 - Recommend an internal study of the allocation of RDA funds to the General Fund, or reorganization to determine more effective allocation of RDA functions.

Response from Citizen and City Employee Input

- Create joint administration for all Public Safety
- Double/overlapping responsibilities for one function but managed by two departments.
- Accounting work duplicated at department levels and city finance department.
- Outsourcing of city departments/functions
 - 1 City Study on park maintenance estimated a \$1.2 million dollar annual savings. City Council did not pursue this recommendation from city staff.

Outsourcing Policy

- Recommend that City Council shall direct City Manager to identify departments/tasks that might be outsourced. City Manager will initiate an RFQ process on an on-going basis that provides an “outsourcing” look at each selected department/task every 3 years under the following guidelines:

Outsourcing Policy

Guidelines for outsourcing RFQ's:

1. No government organizations.
2. Must be 5 private companies that provide comparable service and 3 companies must be included in RFQ.
3. Outsourcing RFQ's must be for equivalent tasks and at prevailing wage.

Salaries and Benefits

- Overall discomfort with total compensation for city employees
 - View shared by many citizens and city employees
- Belief that some job classification salaries are too high
- Belief that benefits are too high

Are We Competitive?

- Recommend that an outside and independent consultant complete a study that shows where our job classifications rank with other cities in Santa Clara County, San Mateo County and the private sector in regard to total compensation.

Unanswered Questions

- In the year 2010 why are city employees still receiving a guaranteed pension benefit when it has virtually disappeared from the private sector?
- How to control “retiree” costs when retirees have no method to recover lost benefits if they are reduced.
- How to solve the issue that retirees compensation limits our ability to solve pension issues; this is magnified even more with a smaller employee base.

Policy Challenges

- Recommend changes in the process of implementing city policies in regard to Collective Bargaining
- Citizens want open government

Recommend the Following Ordinance Change

(5) Collective Bargaining. Any collectively bargained agreement shall be made publicly available at least twenty (20) calendar days before the meeting of the policy body to which the agreement is to be reported. If the collective bargaining agreement is being submitted to the City Council for final approval, it shall also be placed on the agenda for Council review and public comment at least one Council Meeting before the meeting at which final approval is sought.

Policy Change

- Recommend that the city organize its compensation negotiations into two categories:
 - Public Safety
 - Non-Public Safety
- Achieve a level playing field between bargaining units in these two categories.

Addressing the Deficit: Salaries

- Salary Freeze for all MOU's effective immediately (freeze to last until General Fund has excess capacity)

Savings Projected

Savings of
\$690,000 Annually

Compensation Recommendations

- Suspend supplemental income incentives until General Fund has excess capacity

Projected Savings

\$2,500,000
Annually

Hiring Freeze

- Immediate hiring freeze on all positions* for 3 years (assume 5 positions per year)
- * City Manager must have flexibility to hire based upon impact to General Fund due to either overtime or specific position expertise

Projected Savings per year

1. \$ 600,000
2. \$ 1,200,000
3. \$ 1,800,000

Pensions

- The Taxpayers should not be subject to any risk of underfunding of any pension or benefit.

Pension Recommendations

Recommend immediate termination of LIUNA and any City contributions to any other non-PERS pension or other retirement benefits

Projected Savings

\$260,000
Annually

Policy Recommendation

- We recommend that this Budget Task Force be formalized into an on-going City Commission with one representative assigned to the city negotiation committee.

Pension Recommendations

- CALPers (2nd Tier)
 - Increase retiree age to maximum and lowest formula available
 - Public Safety: 2% at 55
 - Non-Public Safety: 2% at 60
 - Non-public safety should retire at Fed retirement age.

Projected Savings

\$1,400,000
Annually

Pensions/CALPers

- (2nd Tier) Change from highest 1 year salary to average of highest 3 year salary for future retirees

Projected Savings

\$233,000
annually

Pension/CALPers (2nd Tier)

Recommend that City move to a defined contribution plan in conjunction with suggested cafeteria plan (to be discussed later)

City saves
\$1,200,000 for
every 3%
increase in
costs

Benefits/Cafeteria Plan

- CAP Benefits at 35% of base salary for non-public safety; 40% for public safety
- Provide a cafeteria plan to allow employees to use pre-tax dollars and flexibility to choose benefits from menu

Projected Savings

\$6,507,000

Annually

MOU Additional Income Benefits

Negotiated MOU Provisions

- Bilingual Pay
- Canine Assignment
- Certification of License
- Career Development Incentive
- Confidential Pay
- Educational Incentive
- Emergency Operations
- FLSA Premium
- Hazardous Material
- Holiday-In-Lieu Pay
- Longevity Pay/non-Public Safety
- Motorcycle Incentive
- Shift Differential
- Special Assignment
- SWAT Assignment
- Uniform – Safety
- Uniform – MEA and MPOA Non-safety
- Working Out of Class Pay
- Physical Fitness

Projected Savings

\$ 2,400,000*

Annually

* Actual figure is \$ 3,000,000

Reduction of Benefit

- Longevity
- Terminate for Non-Public Safety
- Limit to 3% for Public Safety

Projected Savings

\$319,000
annually

Benefits to Adjust

- Limit vacation and sick leave to a 30 day maximum accrual. No cash out. Use it or lose it.
- Establish a Catastrophic Bank of Hours to be used for “family” catastrophic illness. No cash out.

Projected Savings

\$808,000
annually

Benefits to Terminate

Benefit	Projected Savings
• Automatic Step Increases:	\$279,000
• Confidential Pay:	\$ 18,000
• Education Pay:	\$644,000
• Special Assignment Pay:	\$ 58,000
• Bilingual Pay:	\$ 73,000
• Special Certificate Pay:	\$ 79,000
• Physical Fitness Comp:	<u>\$ 80,000</u>
	\$1,231,000

Medical Benefits Adjustments

- Cap Employee Medical Benefit at current Kaiser Rate until employee contribution equals 50% of medical premium.

Projected Savings

- Year 1: \$365,000
- Year 2: \$766,000
- Year 3: \$1,208,000

Retirees Medical Benefits

- Eliminate medical benefits after retirees reach Medicare age

Projected Savings

- Year 1: \$183,000
- Year 2: \$213,000
- Year 3: \$263,000

Retiree Dependent Medical Benefit

- Eliminate contribution to Dependent medical benefit fund for current and future retirees

Projected Savings

\$396,000
Annually

Program Revenue/Income

- All city sponsored programs should be revenue neutral and provide 100% cost recovery except for Senior Program, DARE, Crossing Guards, Volunteer Services

Projected Revenue

Direct Cost Savings:
\$1,400,000 annually

* 20% reduction built
into number

Programs

- Express concern/recommend
 - Pre-School Program:
 - 33 other commercial pre-schools
 - Not organized on a “income/need basis”
 - Why serving non-residents
 - After the Bell
 - Expand this program
 - Charge competitive fees
 - Not “income/need based”

Programs

- Terminate “Tidal Waves” program
 - Program costs are in excess of \$850.00 per student
 - Serves less than 200 people
 - No compelling reason that taxpayers should support this swimming program while Little League, Soccer, PAL, and others are supported by parents.

Projected Savings

\$250,000
Annually

Revenue/Income

- Bill Santa Clara County for unreimbursed services provided to County Jail

Projected Revenue

\$320,000
Annually

Increase Revenue Through Improved Tax Base

- Sales Tax Revenue
\$60,000 to \$80,000

Projected Revenue

\$60,000 - \$80,000

Raise Taxes and Fees

It is extremely difficult and controversial to raise fees or taxes. As an alternative to cutting essential services and programs, we suggest considering a sunset defined increase of a 1% utility tax.

Projected Revenue

Utility Tax: \$ 3,000,000 Annually

Summary of Project Immediate Fiscal Impact

Component	Fiscal Impact
Salary Freeze	\$ 690,000
Longevity	\$ 319,000
MOU Additional Benefits	\$2,400,000
Freeze Hiring	\$ 600,000
Terminate Non-PERS Pension Contributions	\$ 260,000
Limit Vacation and Sick Days	\$ 800,000
Benefits to Terminate	\$ 1,231,000
Medical Benefit Adjustment	\$ 365,000
Medical Benefit/Retirees	\$ 183,000
Eliminate Contribution/Dependent Medical	\$ 396,000
Terminate Tidal Waves	\$ 250,000
Programs/Revenue Neutral	\$1,400,000
Country Reimbursement of Jail Expense	\$ 320,000
Walmart Sales Tax	\$ 70,000
Total	\$9,284,000

Summary of Project Immediate Fiscal Impact

Percentage Benefit Cap

\$6,507,000

Two-Tier Savings

Component	Fiscal Impact
Increase Retirement Age to Maximum/Lowest	\$1466,000
Highest Year Salary to 3 highest years	\$ 233,000
Move to Defined Contribution Benefit Plan	Unknown
Total	\$1,699,000

Raise Taxes

Component	Fiscal Impact
1 % Utility Tax	\$ 3,000,000
Total	\$ 3,000,000

Final Thoughts