

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 2, 2003**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 2, 2003, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Howard, Land, and Mayor Hitchcock

Absent: Council Members – Hansen*

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

*NOTE: Absent due to attendance at the Northern California Power Agency Legislative Rally in Washington, D.C.

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

DISCUSSION

City Manager Flynn announced that he would be having a medical procedure at 3:45 p.m. today, which may prevent his attendance at the regularly scheduled City Council meeting of September 3.

C. TOPIC(S)

C-1 "Retirement Incentive Program"

City Manager Flynn recalled that a retirement incentive program was used in 1993 and was also included in the current budget as a reduction measure.

Human Resources Director Narloch explained that retirement incentive programs are introduced primarily to avoid layoffs. It provides an agency with an opportunity to reorganize and can result in a cost savings, either by not filling a position, or by filling a position at a lower salary level. Ms. Narloch described three retirement incentive plan options as follows:

- California Public Employees' Retirement System (CalPERS) – This option would provide the opportunity to add a fixed additional benefit for employees through the City's current retirement plan;
- Public Agency Retirement System (PARS) – This is a third-party administrator who provides plans for public agencies. It is a parallel system to CalPERS that provides additional flexibility and a variety of choices;
- Medical Health Insurance Benefit Enhancement – This would be a self-administered plan, which would provide a monetary benefit to pay for medical insurance to an employee who would retire.

Ms. Narloch reported that the CalPERS plan provides specific rules and regulations that must be followed to implement it. To participate in the plan an individual must be eligible for retirement, i.e. at least age 50 and have five years worth of service credit with any agency in the Public Employees Retirement System. The designated period by which the plan can be offered to employees is no less than 90 days and no greater than 180 days. This would be the time period by which eligible individuals could take advantage of the program. It can be offered by classification, not on the basis of a bargaining unit or by the name of an individual. Impending layoffs would have to constitute at least 1% of the organization, i.e. that the City would be considering some form of layoffs prior to putting the plan into effect. Ms. Narloch explained that CalPERS stated it must be the City's "intent" at the time the plan is offered to permanently keep the position(s) unfilled.

In reply to Council Member Beckman, Mr. Flynn stated that to save money the position would have to go unfilled for at least a year.

Ms. Narloch added that the purpose of the CalPERS retirement benefit enhancement is to provide a mechanism for the City to exercise some cost savings. She stated that it is not its intent to "police" the organization in terms of how it is accomplished. The benefit would provide two years of additional service credit for an employee depending upon their age and years of service in the CalPERS system. It could equate to 2% to 6% additional retirement, and on average, \$2,000 more a year. Prior to December 2002 the cost was based upon a formula and was paid up front. The cost would be 50% of an employee's annual salary, which on average equates to \$25,000. Ms. Narloch reported that in December 2002 legislation was passed on an urgency basis, which amended that part of the retirement code and mandated that the cost of this provision would be incorporated into the retirement contribution rate and amortized over an extended period of time. PERS has not yet indicated how it would build this asset loss into the City's rates.

Mayor Hitchcock commented that Lodi Unified School District looked into a retirement enhancement program and found that it would not save money.

Council Member Beckman stated that he did not see how this would be an advantage to the City unless it eliminated positions. Refilling the positions in a short time would not result in a cost savings.

Ms. Narloch reported that PARS has been in business since 1990. She explained that the benefit from PARS is that it provides greater flexibility and options, which may result in decreased costs as compared to PERS or Social Security. Eligibility to participate in the program is similar to PERS. In the PARS retirement benefit enhancement, the City could offer one-year credit, rather than two years, as offered in the CalPERS program. In addition, PARS has less administrative burdens than CalPERS. The PARS retirement benefit enhancement could be self funded and a supplement to PERS.

Ms. Narloch stated that if the health insurance benefit enhancement were the option chosen, it would be self administered by the City. It would provide a monetary contribution for medical coverage to the employee. Currently, the annual premium for a family is \$8,338. The City could offer one or two years worth of premium cost.

Mr. Flynn noted that it is important to recognize that when there is a reduction in force, services are also being reduced. Administrative functions are already operating with less staff, and if more vacancies are added, it makes it even more difficult for employees to cope. He reported that \$50,000 was budgeted as savings for voluntary time off and \$164,000 was realized. For the "golden handshake," \$200,000 was budgeted. Mr. Flynn stated he is looking for another \$100,000 in savings because attrition has not increased as estimated.

Mayor Hitchcock recommended that Mr. Flynn look at positions and determine priorities. She noted that, if through attrition, reductions in positions are not occurring as expected, it will worsen the budget situation.

Council Member Beckman stated that he would not be in favor of offering a retirement incentive plan unless it were tied to the elimination of a job position or category.

Mayor Pro Tempore Howard concurred with Ms. Hitchcock's suggestion that the City Manager provide Council with a recommendation for specific positions, which if cut, would have the least amount of long-term impact.

Mr. Flynn offered the following alternatives as a way to maintain the workforce without eliminating jobs: 1) mandatory time off of one day a month would save 5% of salary cost, and two days a month would equate to a savings of \$2 million a year; and 2) a 9/80 work week where City Hall would be closed every other Friday and employees were paid for nine instead of ten days.

Deputy City Manager Keeter recalled that when she worked for the city of Tracy it had a 9/80 work week in which City Hall was open from 8:00 a.m. to 6:00 p.m. Monday through Thursday and 8:00 a.m. to 5:00 p.m. on Friday, with City Hall being closed every other Friday. She stated that overall, the savings to the City were fairly minor.

Mr. Flynn stated that he asked departments to submit names of employees who might be interested in taking advantage of a retirement incentive plan, and there were only two or three positions which would qualify.

Mayor Pro Tempore Howard suggested that one reason attrition has been lower than expected might be because those near retirement are waiting to find out if the City is going to offer a retirement incentive plan.

Council Member Land believed that a written program should be in place, so that it is available to be used as fiscal need dictates. He preferred that all three options be considered.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 7:49 a.m.

ATTEST:

Susan J. Blackston
City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF SEPTEMBER 2, 2003

Tuesday, September 2, 2003

Reminder **Hanesn.** NCPA Legislative Rally, Washington D.C.
September 2 – 5, 2003.

7:00 a.m. Shirtsleeve Session.
1. Retirement Incentive Program (HR)

Wednesday, September 3, 2003

7:00 p.m. City Council Meeting.
(Note: No Closed Session.)

Thursday, September 4, 2003

5:30 -7:00 p.m. Grand Opening/Ribbon Cutting of the Moonlight Spa, 524
West Harney Lane, Suite 5.

Friday, September 5, 2003

6:00 p.m. San Joaquin County Historical Society 2003 Century Business
Dinner, Neumiller and Beardslee's Waterfront Patio, 509 West
Weber Avenue, Stockton. Dinner at 7:00 p.m.;
Program at 8:00 p.m.

Saturday, September 6, 2003

6:30 – 9:30 a.m. **Howard.** Lodi Adopt-A-Child Foundation Back-to-School
Shopping Spree, K-Mart Store, 520 Cherokee Lane.

Sunday, September 7, 2003

Reminder **Hitchcock, Beckman, Hansen, and Land.** League of California
Cities 2003 Annual Conference, Sacramento Convention
Center. September 7 – 10, 2003.

Monday, September 8, 2003

9:00 – 4:00 p.m. Human Services Agency, Changing the Face of Child Welfare
Conference, Wine and Roses, 2505 West Turner Road.

Disclaimer: This calendar contains only information that was provided to the City Clerk's Office

filed 9-2-03

Retirement Incentive Programs (RIP)

September 2nd, 2003

- I. Background
- II. Why RIP's are offered
- III. RIP Programs
- IV. Costs vs. Benefits

Retirement Incentive Plans

- ❖ CalPERS – Retirement Benefit Enhancement
- ❖ PARS (Public Agency Retirement System) - Retirement Benefit Enhancement
- ❖ Medical – Health Insurance Benefit Enhancement

CalPERS

Eligibility

- Based on age (50)
- Years of Service (Five)
- Governed by CalPERS rules:
 - ⇒ Designated period (>90< 180 days).
 - ⇒ Cannot be provided on the basis of employee groups.
 - ⇒ Layoffs constitute at least 1% of organization.
 - ⇒ One vacancy in any position permanently unfilled.

CalPERS (cont.)

Benefit

- Two years additional credit toward service

Cost

- 50% of annual salary
- Incorporated into retirement contribution rate
- Amortized over extended time

PARS

Eligibility

- Determined by agency

Benefit

- Determined by agency

Cost

- Same as CalPERS

Medical

- Provide monetary contribution for medical coverage
- Annual family premium – currently \$8,338