

CITY OF YUBA CITY
STAFF REPORT

Date: October 20, 2009
To: Honorable Mayor & Members of the City Council
From: Human Resources
Presentation By: Susan Pearson, Director of Human Resources

Summary

Subject: Voluntary Early Retirement Incentive Program

Recommendation: Adopt a resolution approving a Voluntary Early Retirement Incentive Program effective November 1, 2009.

Fiscal Impact: The fiscal impact is estimated as follows:

General Fund: \$79,500

Utilities Funds: \$21,000

Background:

During these turbulent economic times, the Council's budgeting strategy has placed a focus on maintaining service levels while controlling expenditures by reducing or eliminating expenditures where appropriate and using reserve funds when deemed necessary. The City's FY 09-10 General Fund Budget has a structural deficit of \$2.5 million. Staff anticipates this will likely grow by another \$500,000 to \$1 million based upon the double digit declines experienced in sales tax receipts the past two quarters. It is probable that current economic conditions will continue to persist into FY 2011-12. Staff has therefore analyzed different options to ensure that the City uses reserves in a conservative manner and reduces expenditures as much as is reasonably possible. Many of these options are already in place (hiring freeze, eliminating vacant positions, eliminating funding for the vehicle replacement plan, extending the useful life of the City's computers from three to five years, utilizing the economic stabilization reserve, pooled travel and training budget, and reducing some services).

Analysis:

A Voluntary Early Retirement Program provides a financial incentive for an employee to retire earlier than originally planned. For example, an employee who would have otherwise retired on June 20, 2010, might be willing to retire on December 31, 2009, if there was an adequate financial incentive to do so. Staff has sent out surveys to those employees who may be eligible to retire in order to ascertain whether there was interest among those employees in participating in an early retirement program. The response we received indicated that there was interest in participating in such a plan, within the parameters outlined below.

Eligibility:

All employees who have worked for the City of Yuba City and were enrolled in the CalPERS system for at least five (5) years and have reached the age of 50 are eligible to retire. Employees who have worked for other jurisdictions will be eligible to participate, but our incentive program only provides incentive monies for annual services actually performed for the City of Yuba City.

Incentive:

Participating employees will receive \$500 for every full year of service for the City of Yuba City. A full year of service is determined to be twelve (12) calendar months.

Time Frame:

In order to receive the early retirement incentive pay, employees must retire between November 1, 2009 and January 31, 2010.

The estimated total cost of the Program is \$100,500. If implemented, annual salary and benefit savings of up to \$1.2 million is expected. Depending on who retires, certain essential service positions may need to be filled upon the retirement of the incumbent. The savings estimate is based on the return results from a survey sent to eligible employees expressing an interest in retiring in the 2009/2010 and 2010/2011 Fiscal Years. It is recognized that expressing an interest is not an official request to retire. It is also recognized that other employees may elect to participate in the program who did not previously express an interest.

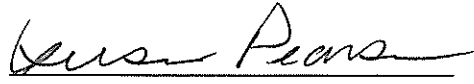
This type of program has been implemented successfully by other public entities and is a proven method of cutting overall costs.

Fiscal Impact: General Fund \$79,500 and Utilities Funds \$21,000

Recommendation:

It is recommended that the City Council adopt a resolution approving the Voluntary Early Retirement Program effective November 1, 2009.

Prepared By:



Susan Pearson
Director of Human Resources

Submitted By:



Steven R. Jepsen
City Manager

Reviewed By:

Department Head

Finance

City Attorney



RESOLUTION NO. 09-

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF YUBA CITY APPROVING
A VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM**

WHEREAS, the City's budget strategy is to maintain service levels while controlling expenditures through reductions or eliminations in conjunction with using reserves when necessary;

WHEREAS, the City's efforts to provide a financial incentive for an employee to retire earlier than originally planned will result in the City realizing salary and benefit savings;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Yuba City as follows:

SECTION I.

The Voluntary Early Retirement Incentive Program is hereby approved in accordance with the parameters outlined in the Staff Report.

The forgoing Resolution of the City Council of the City of Yuba City was duly introduced, passed and adopted at a regular meeting thereof held on the 20th day of October 2009.

AYES:

NOES:

ABSENT:

ATTEST:

Leslie McBride, Mayor

Terrel Locke, City Clerk