

Agenda Report

June 2, 2003

TO: City Council
FROM: City Manager
RE: Authorization to Implement PARS Separation Incentive Plans

RECOMMENDATION

It is recommended that the City Council authorize the City Manager to implement Separation Incentive Plan benefits for two individuals, effective July 1, 2003.

BACKGROUND

Cities are facing what is likely to be several years of financial difficulties due to economic downturns and a fiscal crisis at the State. In response, staff has sought on-going cost-saving measures and operational efficiencies. Staffing is one of the areas in which the City is pursuing better use of limited financial resources. Many employees in various departments are close to retirement, in terms of their age and years of service, and it has been determined that in several specific locations, if an employee were to retire, the work could be restructured in such a way that the resulting vacancies need not be filled. Staff therefore looked for a way to encourage these retirements as a way of achieving long-term savings through greater staffing efficiencies.

In March 2000, the City Council adopted a Separation Incentive Plan (SIP) through the Public Agency Retirement System (PARS), which provides the City with the ability to offer voluntary retirement incentive plans and customized severance packages to individual employees. The PARS SIP differs from a golden handshake program through the California Public Employees Retirement System (CalPERS), in that the PARS SIP allows the City flexibility in determining eligibility and defining the benefits to be offered, and does not require that the SIP be part of mass layoffs in a reduction in force. The March 2000 action by the City Council included the provision that implementing benefits under the SIP would require specific approval by the City Council prior to implementation.

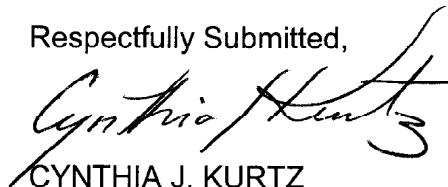
In this instance, staff proposed an SIP benefit of two years' service credit to several individuals. The PARS SIP has been tentatively discussed with these particular

individuals, and if approved by the City Council, will allow these individuals to voluntarily separate from City service effective June 30, 2003. Two individuals have tentatively accepted a SIP, and the two positions these employees occupy will be permanently eliminated. Cost savings as a result of these separations will be recognized in FY2005, and will help offset further budget impacts from the State.

FISCAL IMPACT

The one-time cost for the SIP benefits for the two individuals is estimated to be \$87,321. These costs will be offset by salary savings in FY2004. The positions will be eliminated resulting in costs savings in FY05 and beyond.

Respectfully Submitted,



CYNTHIA J. KURTZ
City Manager

Prepared by:



KARYN S. EZELL
Director of Human Resources