

Santa Clara County Civil Grand Jury Report

**“Cities Must Rein in Unsustainable
Employee Costs”**

October 5, 2010

Item 3.3

Key Issues Identified

- Rising Total Compensation Costs
 - Employee Salary Increases
 - Rising Medical Costs
 - Rising Pension Costs
- Binding Interest Arbitration
- Additional Cost Savings Recommendations

City's Response

- City accepts or partially accepts all of the recommendations made by the Santa Clara Civil Grand Jury

- City has already implemented many of the Civil Grand Jury recommendations
 - Reducing Employee Total Compensation
 - Pre-funding Retiree Healthcare
 - Changing Healthcare Plan Designs
 - Changing Healthcare Cost Sharing
 - Hold public meetings to discuss labor negotiations

Addressing Rising Total Compensation Costs

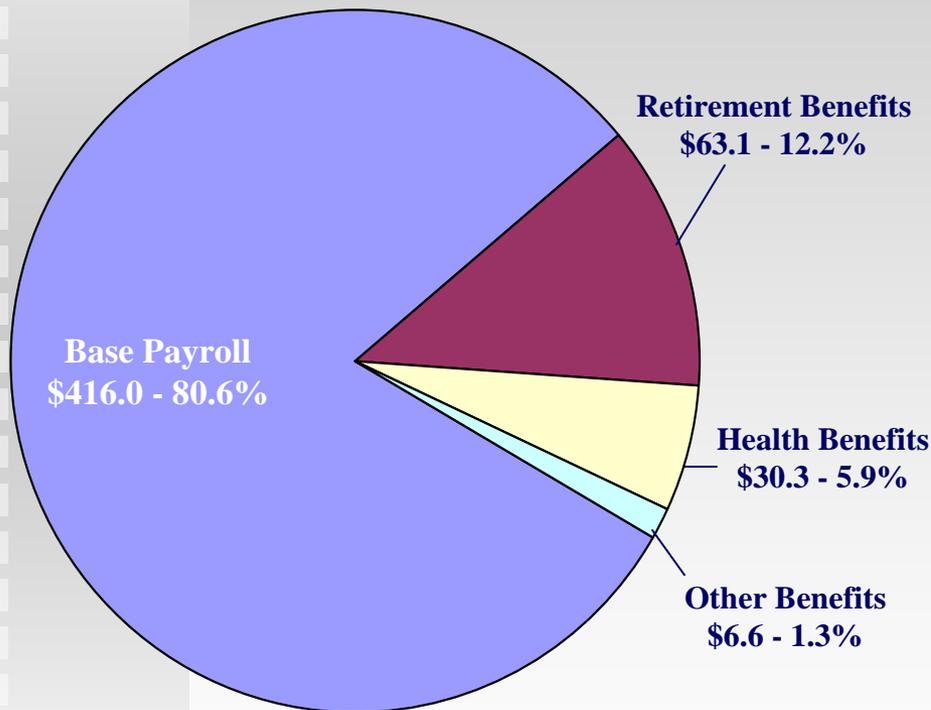
Employee Unit	Fiscal Year 2010-2011 Total Compensation Changes			
	Ongoing	One-Time	Total	FTEs
Unit 99/Unit 82	-5%	-5%	-10%	242
AEA	-5%	-5%	-10%	202
ALP	-5%	-5%	-10%	43
AMSP	-5%	-5%	-10%	79
CAMP	-5%	-5%	-10%	360
IBEW	-5%	-5%	-10%	75
OE#3	-5%	-5%	-10%	772
ABMEI	-5%	0%	-5%	55
POA	-0.67%	-3.15%	-3.82%	1273
MEF	+2%	0%	+2%	1958
CEO	+2%	0%	+2%	191
IAFF, Local 230	TBD	TBD	TBD	660

Ongoing Structural Budget Deficits

Shortfall/Solutions	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>Total</u>
Projected Base Shortfall (February 2010 Forecast)	-\$20.20 M	-\$18.00 M	-\$21.50 M	-\$5.80 M	-\$65.50 M
2010-2011 One-Time Solutions	-\$20.50 M	-	-	-	-\$20.50 M
Total Incremental Deficit	-\$40.70 M	-\$18.00 M	-\$21.50 M	-\$5.80 M	-\$86.00 M

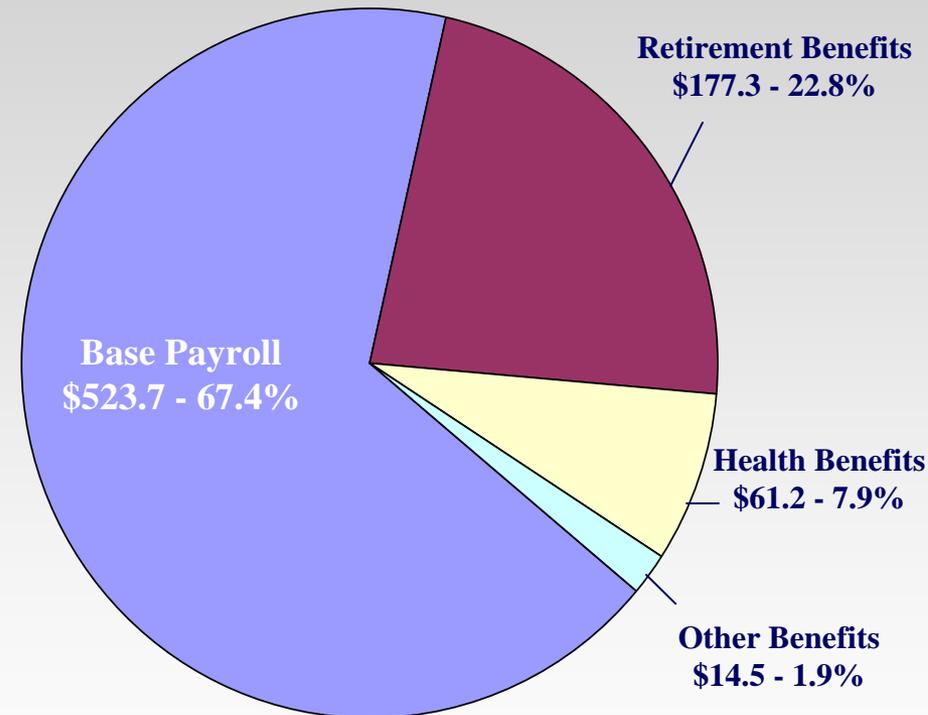
Citywide Total Compensation

Fiscal Year 2000-2001



Source: Salary and Fringe Benefit Costs by Bargaining Unit & Fund for the 2000-2001 Adopted Budget

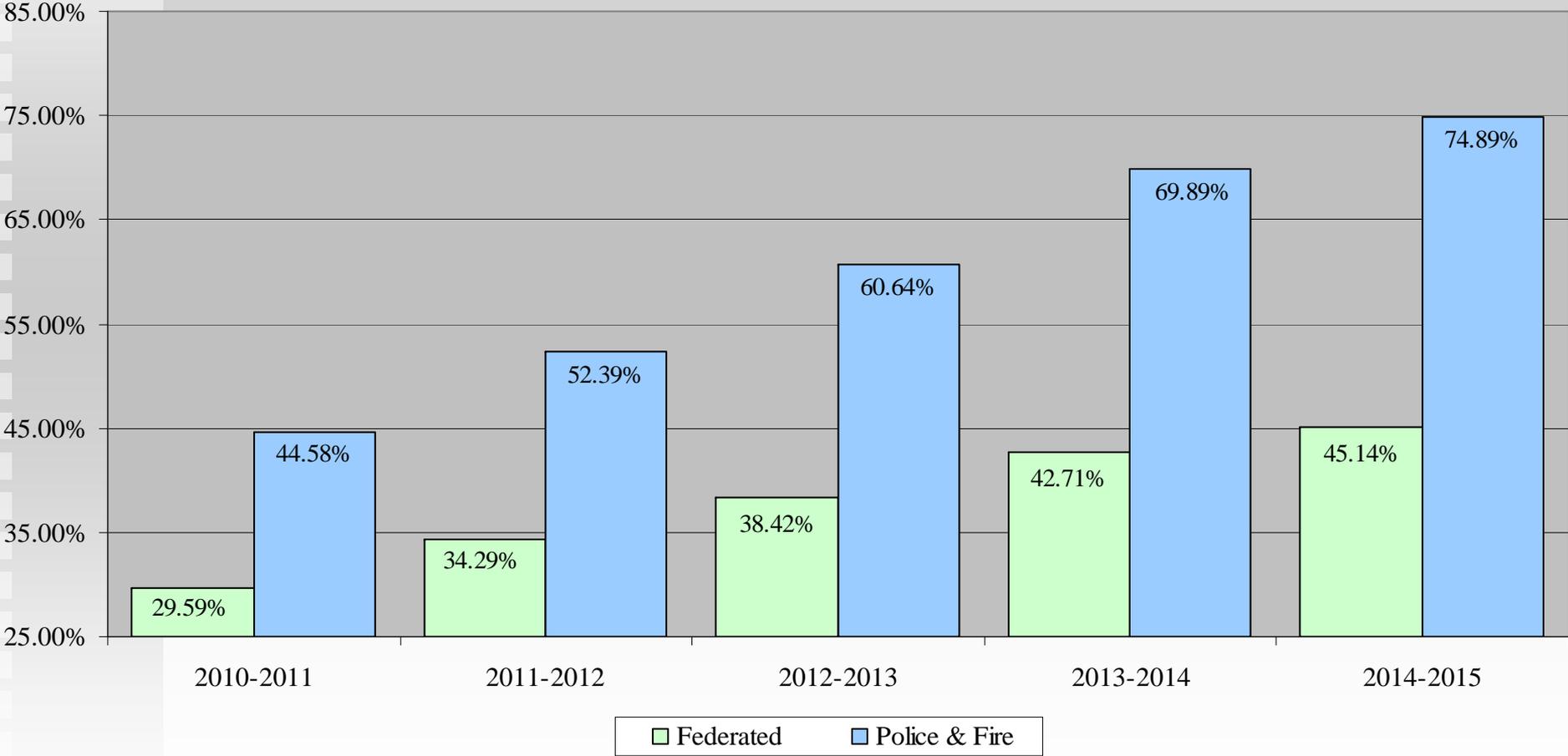
Fiscal Year 2010-2011



Source: Salary and Fringe Benefit Costs by Bargaining Unit & Fund for the 2010-2011 Proposed Budget

Projected Retirement Contribution Rates

Percentages of City Payroll



Retirement Reform

- Retirement reform efforts already underway
 - GFSDEP Stakeholder Group Retirement Reform Re-Convening
 - Provide input to Council regarding major considerations and concerns and priority elements for reform

- Recent City Auditor Audit – *Pension Sustainability: Rising Pension Costs Threaten the City’s Ability to Maintain Service Levels – Alternatives for a Sustainable Future*
 - October 6, 2010 – Presentation at meeting of the GFSDEP Stakeholder Group
 - October 21, 2010 – Presentation at meeting of the Public Safety, Finance, and Strategic Support Committee

- Council will include this information in developing guiding principles and goals for retirement reform

Binding Interest Arbitration

- *“San Jose City Council should make binding arbitration open to the public.”*
- *“San Jose City Council should prepare a ballot measure asking voters to repeal Section 1111 of the City Charter that addresses binding arbitration.”*

Grand Jury Recommendations for Additional Cost Savings

- Outsourcing some activities to private industry
- Consolidating services with other cities or the County
- Optimizing job functions
- Introducing lower cost pension and healthcare plans for new employees

Next Steps

- **October 6th** - Presentation of *Pension Sustainability* Audit by City Auditor at meeting of the GFSDEP Stakeholder Group
- **October 21st** - Presentation of *Pension Sustainability* Audit by City Auditor at meeting of the Public Safety, Finance, and Strategic Support Committee
- **November 18th** – Budget Study Session
- **January 2011** – Begin negotiations with bargaining units

Recommendation

- Approve City's Grand Jury Response

Discussion