



Memorandum

To: Mayor and City Council

From: Councilmember Pete Constant
Councilmember Sam Liccardo

Subject: FY 2009-2010 Compensation and
Benefits for Management
Employees in Unit 99

Date: May 19, 2009

Approved:

Recommendation

We acknowledge and appreciate the Council Appointees salary reductions of 3.75%. The entire senior management of the city should set the example for the rest of the organization. I recommend the following:

1. Reduce the management employees, whose salary is \$90,000 or greater, in Unit 99 salaries by 3.75%, the same percentage as the Council appointees for FY 2009-2010. (savings approximately \$1.8M annually)
2. Adjust the levels of health, dental insurance to provide every employee in Unit 99 with 90% of the lowest cost single-coverage insurance plan. Employees would still have access to all available health plans and family coverage, paying the difference in cost. (savings approximately \$2M)
3. Retain life insurance and other benefits as currently provided.
4. Eliminate any monthly vehicle allowance and take home vehicle privileges and require all management employees in Unit 99 to apply for reimbursement for actual mileage driven in an amount not to exceed \$400 per month. (savings TBD)

Analysis

Salary Reductions

There are 344 management employees in Unit 99. The average salary for management employees Unit 99 is \$127,324. The proposed salary reduction would save the city \$1.8 million for FY 2009-2010. This is more than a token gesture. It will provide a savings equal to the cost of 25 new police officers that are so desperately needed to regain our place as the safest big city in America, or maintain the Horse Mounted Unit and all the Crime Prevention programs. This proposal is also consistent with the public input that we have received through the community budget process where community members ranked public safety over management salaries.

Benefits

The City is reviewing adjustments to benefit packages to mitigate double-digit increases in costs. It is likely that the City will have to negotiate with employees to increase the employee share of health, dental and other benefits. The Mayor and Council can direct the City Manager to adjust

the benefit packages of management employees in Unit 99 without triggering meet and confer negotiations.

The city must address the ongoing structural budget deficit. In order to do so without further reductions to essential city services, it is necessary for the city to restructure benefit packages. The recommendations in this memo provide an example of how to restructure health and dental insurance benefits in a way that will continue to provide employees with these benefits while also relieving the city of sole burden for escalating health care costs.

Vehicle Allowance

Our current vehicle allowance does not conform to the requirements of AB 1234 and California Government Code 53232.3(a), which require that reimbursements only be for **actual and necessary expenses** and that travel reimbursement rates be "*reasonable*." In order for the vehicle allowance to comply with AB 1234 and Government Code 53232 then the City must adopt a written reimbursement policy with reasonable reimbursement rates. The City Council should adopt a policy that requires documentation and use the IRS mileage rate to reimburse management employees in Unit 99 for city related use of personal vehicles.

Conclusion

The recommendations contained within this memo ensure that all management employees in Unit 99 lead by example in addressing the salary and benefits liabilities that have lead to the City's structural budget deficit.