October 28, 2008

TO: Honorable Mayor and City Council

FROM: J. Gordon Palmer, Jr., City Manager

SUBJECT: VOLUNTARY SEPARATION PROGRAM

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the City Manager to implement the Voluntary Separation Program and approve applications, appropriate $3.2 million from the Retirement Fund 561 to fund the incentive cost, and disburse funds from the appropriate accounts to employees participating in the program.

SUMMARY

The City of Stockton is experiencing extraordinary tax revenue shortfalls due, among other things, to the depressed economy and the faltering housing market. The Executive Management Team has met and formulated recommendations and options for the City Council to consider. Among the approaches identified to address the budget shortfall is a Voluntary Separation Program. Therefore, I am recommending this program be implemented.

DISCUSSION

Given the urgency to identify substantial budget balancing solutions, and pursuant to City Charter section 1201(i), the information presented herein advises the City Council of the financial condition and future needs of the City of Stockton and recommends that the City Council take immediate action.

It is recommended that the City Council take immediate action to approve implementation of the Voluntary Separation Program for the 2008-09 Fiscal Year.

Offering the Voluntary Separation Program is an option to allow employees to leave City employment and create personnel vacancies, thereby reducing the number of career City employees that might be subject to layoffs. The Voluntary Separation Program is designed to reduce employment costs by offering an incentive for the more senior higher paid employees to separate from City employment. Although the program creates an upfront cost to generate vacancies, the program will ultimately cut future labor costs by reducing the budgeted appropriation for the vacated positions until the City’s extraordinary fiscal circumstances have been positively resolved.

As currently proposed, the Voluntary Separation Program is a voluntary program based upon full-time continuous service, rounded to the nearest year. The benefit is
calculated by multiplying an employee's weekly base salary by the number of full-time service years, up to a maximum of $50,000. The program would be administered under the following proposed guidelines:

- The Voluntary Separation Program compensation is not included as compensation for purposes of PERS. A portion of the payment may be applied to the employee's deferred compensation up to the maximum allowed.

- Employees approved for the Voluntary Separation Program must terminate employment by December 31, 2008.

- Voluntary Separation Program severance payments will be made within 30 days of separation.

- Employees participating in the Voluntary Separation Program are not eligible for unemployment insurance, reinstatement rights, or reemployment rights.

- Employees have seven (7) calendar days from the date of notice of acceptance of the Voluntary Separation Program application to rescind the request.

The Employee Relations Officer has met with all recognized employee organizations to explain the program and has obtained agreement from each of them on behalf of their members. Information regarding the program has been posted to the City's Intranet for employees. Brochures were created and distributed, and a copy is attached here. As of the date of writing this staff report, the Employee Relations Officer has received 98 applications for the Voluntary Separation Program.

FINANCIAL SUMMARY

If all applications are approved by the City Manager and agreed to by participating employees, it is estimated that the City will realize future savings of up to $6.2 million for all funding sources ($3.3 million for the General Fund) in fiscal year 2008-09, and annual savings of up to $12.4 million, if all positions affected by the program continued to remain unfilled. The estimated maximum cost to implement the Voluntary Separation Program is $3.2 million to pay the incentive to participating employees in accordance with the terms of the program. The following appropriation is necessary to fund the program incentive costs:
VOLUNTARY SEPARATION PROGRAM

Appropriate from account:

561-0000-287 Retirement Fund 561, Fund Balance $3,200,000

Appropriate to account:

561-5950-571 Other City Benefits, Separation Incentive $3,200,000

Respectfully submitted,

J. GORDON PALMER, JR.
CITY MANAGER

JGP:DRG:jm

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The following rules and procedures shall govern the application and implementation of the Voluntary Separation Program:

1. Information will be distributed and available on the City Intranet by September 1, 2008.

2. The Human Resources Department is designated to administer the Program.

3. The window for participation is September 1, 2008 to and including October 15, 2008.

4. Regular and at-will, full time employees are eligible to participate in the Voluntary Separation Program (VSP).

5. Employees may request to participate by submitting a completed Employee Request Form to Human Resources. **Applications must be received by 5:00 PM, October 15, 2008.**

6. The severance benefit shall be calculated based on full-time continuous City service rounded to the nearest year, times the weekly base salary up to a maximum of fifty thousand dollars ($50,000).

7. Any payment under the Program shall not be included as compensation for purposes of PERS. The severance payment may be applied to deferred compensation, up to the maximum allowable.

8. Employees who are approved for VSP must separate City employment no later than December 31, 2008.

9. The City Council is the final authority in selecting participants. The Human Resources Department will notify applicants of the approval or denial of their requests on November 5, 2008, calculate the years of service, salary and severance benefit applicable, and notify Payroll of the benefit due the employee and the date it is to be paid.

10. The Human Resources Department will have the employee sign the necessary agreement, waiver and release forms. Employees have seven (7) calendar days from the date the Agreement is signed to rescind.

11. Employees who accept severance pay shall not be eligible for unemployment insurance, are not eligible for reinstatement rights, and waive their reemployment rights with the City.

12. Upon acceptance of the severance payment offer, the employee agrees to sever any and all rights to City employment, including but not limited to, seniority, layoff, bumping, reinstatement rights, and/or reemployment rights and any appeal rights to any loss of property rights. This severance and waiver shall be effective upon receipt and acceptance of the severance payment.
VOLUNTARY SEPARATION

PROGRAM

Information will be distributed and available on the City Intranet by September 1, 2008.

About the Program

The Human Resources Department is designated to administer the program. Participation is voluntary for regular and at-will, full-time employees.

The window for participation is September 1, 2008 to and including October 15, 2008.
Voluntary Separation Program

Due to declining revenues and the need to reduce expenditures, the City of Stockton is exploring the concept of implementing a Voluntary Separation Program. The purpose of this program is to reduce employment costs by offering an incentive for employees to separate from City employment. Details of the program are:

- Employees may request to participate by submitting a completed Employee Request Form to Human Resources by 5:00 PM on Wednesday, October 15, 2008.

- The severance benefit shall be calculated based on full-time continuous City service, rounded to the nearest year, times the weekly base salary, up to a maximum of fifty thousand dollars ($50,000).

- Any payment under the Program shall not be included as compensation for purposes of PERS. A portion of the severance payment may be applied to your deferred compensation up to the maximum allowable.

- Employees who are approved for Voluntary Separation Program must terminate City employment no later than December 31, 2008.

- The City Council is the final authority in selecting participants. The Human Resources Department will notify applicants of the approval or denial of their requests, calculate the years of service, salary, and severance benefit available, and notify Payroll of the benefit due the employee.

- Payment of the severance will be made after the effective date of agreement and within thirty (30) days of separation from City service.

- Employees who accept severance pay shall not be eligible for unemployment insurance, are not eligible for reinstatement rights, and waive reemployment rights with the City.

- Employees have seven (7) calendar days from the date the Agreement is signed to rescind.

- The Voluntary Separation Program will be implemented only if determined to be in the fiscal interests of the City based on participation.

- Decisions will be made and employees will be notified by Wednesday, November 5, 2008.

Contacts:

Voluntary Separation Program:
- Tami Matuska, Supervising Human Resources Analyst, (209) 937-8865, tami.matuska@ci.stockton.ca.us
- Trena Meyer, Benefits Analyst, (209) 937-8507, trena.meyer@ci.stockton.ca.us

Deferred Compensation:
- Sheri Dentone, Deferred Compensation Specialist, (209) 937-8875, sheridenton@ci.stockton.ca.us
RESOLUTION AUTHORIZING THE CITY MANAGER TO IMPLEMENT A VOLUNTARY SEPARATION PROGRAM

Pursuant to City Charter section 1201(i), the City Manager has advised the City Council that the City of Stockton is experiencing extraordinary tax revenue shortfalls due, among other things, to the depressed economy, faltering housing market, and the State of California's budget crisis.

Because of the extraordinary fiscal challenges the City faces, the General Fund expenditures need to be reduced substantially, and accordingly, immediate reductions in the outflow of City resources related to employee costs are necessary.

The City Manager's Executive Team has met and formulated several recommendations and options for the City Council to consider to effect budget reductions and eliminate or mitigate the current financial crisis, including, but not limited to, implementing a Voluntary Separation Program (the "VSP").

The Employee Relations Officer has met with all recognized employee organizations to explain the Voluntary Separation Program and has obtained agreement from each of them on behalf of their members; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The Voluntary Separation Program, as explained in the documents attached hereto as Exhibit A and made a part hereof by this reference, is hereby adopted and the City Manager is authorized to implement the Voluntary Separation Program and approve applications.

2. The City Manager is authorized to appropriate $3.2 million from the Retirement Fund 561 Fund Balance to pay the incentive cost of the Voluntary Separation Program, and disburse funds up to that amount in incentive pay to employees participating in the program in accordance with the terms of the program as explained in Exhibit A.

3. The City Manager is also authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED ____________________________

ATTEST: EDWARD J. CHAVEZ, Mayor
of the City of Stockton

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
The following rules and procedures shall govern the application and implementation of the Voluntary Separation Program:

1. Information will be distributed and available on the City Intranet by September 1, 2008.
2. The Human Resources Department is designated to administer the Program.
3. The window for participation is September 1, 2008 to and including October 15, 2008.
4. Regular and at-will, full time employees are eligible to participate in the Voluntary Separation Program (VSP).
5. Employees may request to participate by submitting a completed Employee Request Form to Human Resources. Applications must be received by 5:00 PM, October 15, 2008.
6. The severance benefit shall be calculated based on full-time continuous City service rounded to the nearest year, times the weekly base salary up to a maximum of fifty thousand dollars ($50,000).
7. Any payment under the Program shall not be included as compensation for purposes of PERS. The severance payment may be applied to deferred compensation, up to the maximum allowable.
8. Employees who are approved for VSP must separate City employment no later than December 31, 2008.
9. The City Council is the final authority in selecting participants. The Human Resources Department will notify applicants of the approval or denial of their requests on November 5, 2008, calculate the years of service, salary and severance benefit applicable, and notify Payroll of the benefit due the employee and the date it is to be paid.
10. The Human Resources Department will have the employee sign the necessary agreement, waiver and release forms. Employees have seven (7) calendar days from the date the Agreement is signed to rescind.
11. Employees who accept severance pay shall not be eligible for unemployment insurance, are not eligible for reinstatement rights, and waive their reemployment rights with the City.
12. Upon acceptance of the severance payment offer, the employee agrees to sever any and all rights to City employment, including but not limited to, seniority, layoff, bumping, reinstatement rights, and/or reemployment rights and any appeal rights to any loss of property rights. This severance and waiver shall be effective upon receipt and acceptance of the severance payment.
Subpart B - Employer Responsibilities

§ 40.25  Must an employer check on the drug and alcohol testing record of employees it is intending to use to perform safety-sensitive duties?

(a) Yes, as an employer, you must, after obtaining an employee's written consent, request the information about the employee listed in paragraph (b) of this section. This requirement applies only to employees seeking to begin performing safety-sensitive duties for you for the first time (i.e., a new hire, an employee transfers into a safety-sensitive position). If the employee refuses to provide this written consent, you must not permit the employee to perform safety-sensitive functions.

(b) You must request the information listed in this paragraph (b) from DOT-regulated employers who have employed the employee during any period during the two years before the date of the employee's application or transfer:

1. Alcohol tests with a result of 0.04 or higher alcohol concentration;
2.Verified positive drug tests;
3. Refusals to be tested (including verified adulterated or substituted drug test results);
4. Other violations of DOT agency drug and alcohol testing regulations; and
5. With respect to any employee who violated a DOT drug and alcohol regulation, documentation of the employee's successful completion of DOT return-to-duty requirements (including follow-up tests). If the previous employer does not have information about the return-to-duty process (e.g., an employer who did not hire an employee who tested positive on a pre-employment test), you must seek to obtain this information from the employee.

(c) The information obtained from a previous employer includes any drug or alcohol test information obtained from previous employers under this section or other applicable DOT agency regulations.

(d) If feasible, you must obtain and review this information before the employee first performs safety-sensitive functions. If this is not feasible, you must obtain and review the information as soon as possible. However, you must not permit the employee to perform safety-sensitive functions after 30 days from the date on which the employee first performed safety-sensitive functions, unless you have obtained or made and documented a good faith effort to obtain this information.

(e) If you obtain information that the employee has violated a DOT agency drug and alcohol regulation, you must not use the employee to perform safety-sensitive functions unless you also obtain information that the employee has subsequently complied with the return-to-duty requirements of Subpart O of this part and DOT agency drug and alcohol regulations.

(f) You must provide to each of the employers from whom you request information under paragraph (b) of this section written consent for the release of the information cited in paragraph (a) of this section.

(g) The release of information under this section must be in any written form (e.g., fax, e-mail, letter) that ensures confidentiality. As the previous employer, you must maintain a written record of the information released, including the date, the party to whom it was released, and a summary of the information provided.

(h) If you are an employer from whom information is requested under paragraph (b) of this section, you must, after reviewing the employee's specific, written consent, immediately release the requested information to the employer making the inquiry.

(i) As the employer requesting the information required under this section, you must maintain a written, confidential record of the information you obtain or of the good faith efforts you made to obtain the information. You must retain this information for three years from the date of the employee's first performance of safety-sensitive duties for you.

(j) As the employer, you must also ask the employee whether he or she has tested positive, or refused to test, on any pre-employment drug or alcohol test administered by an employer to which the employee applied for, but did not obtain, safety-sensitive transportation work covered by DOT agency drug and alcohol testing rules during the past two years. If the employee admits that he or she had a positive test or a refusal to test, you must not use the employee to perform safety-sensitive functions for you, until and unless the employee documents successful completion of the return-to-duty process (see paragraphs (b)(5) and (e) of this section).
Subpart O - Substance Abuse Professionals and the Return-to-Duty Process

§ 40.287 What information is an employer required to provide concerning SAP services to an employee who has a DOT drug and alcohol regulation violation?

As an employer, you must provide to each employee (including an applicant or new employee) who violates a DOT drug and alcohol regulation a listing of SAPs readily available to the employee and acceptable to you, with names, addresses, and telephone numbers. You cannot charge the employee any fee for compiling or providing this list. You may provide this list yourself or through a C/TPA or other service agent.
Voluntary Separation Program

Application Period
September 1, 2008 — October 15, 2008

Human Resources Department

22 E. Weber Avenue, Suite 150
Stockton, CA 95202
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