City of San Diego

CARL DEMAIO
CITY COUNCILMEMBER – DISTRICT 5

DONNA FRYE
CITY COUNCILMEMBER – DISTRICT 6

MEMORANDUM

DATE: October 8, 2009

TO: Mayor Jerry Sanders

FROM: Councilmember Donna Frye Donna Frye

Councilmember Carl DeMaio Carl DeMaio

RE: Budget Scoring and Reform of Pension Benefits

In light of the dire financial situation presented by the recently released Five Year Financial Outlook, it is our intention to solve the city's budget crisis this year through comprehensive long-term reform plan, implementing structural changes to eliminate unsustainable financial practices inherent in the city's budget.

1. Creation of a Budget Scoring Spreadsheet

The City Council needs a tool to calculate and forecast the impacts of a variety of reforms and changes in revenues and expenditures in the city's budget. As such we request that your office work with the Independent Budget Analyst to create a budget scoring spreadsheet.

In addition, we ask that your office score – either from the pension system or from an independent actuary – the financial savings that could be achieved if the city were to change pension benefits in the following manner:

- Suspending the Cost of Living Adjustment on future pension benefits until such time that the system is fully funded
- Achieving "budget neutrality" for the Deferred Retirement Option Plan (DROP)
- Eliminating the Preservation of Benefits provision
- "Unwinding" of Retroactive Benefit Increases

2. Legal Analysis and Negotiations on Reforming Pension Benefits

The cost of city pensions continues to be a significant driver of the city's budget deficit. We are concerned that the existing level of pension benefits is not sustainable.

In evaluating how to reform existing pension benefits, we request that the City Attorney provide an assessment of what specific component of benefits are vested, which benefits might not be vested, and how benefits could be changed through amendments to the Municipal Code, benefit adjustments made independently by the board of the pension system, benefit concessions negotiated through Collective Bargaining, etc.

Additionally, we request that Labor Relations prepare and present to the City Council a process for initiating negotiations with the city's labor unions on possible pension benefit reforms for existing employees who are not in the new plan.

The city's financial problems have reached a point where one-time solutions are no longer an option. These issues must be solved in a structural fashion, and we look forward to exploring some of the structural spending reforms listed above.

CC: City Councilmembers
Andrea Tevlin, Independent Budget Analyst