



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: June 5, 2013

TO: Honorable Council President Todd Gloria and Members of the City Council

FROM: Honorable Mayor Bob Filner

SUBJECT: Supplement to the May Revision to the Fiscal Year 2014 Proposed Budget

From January 2013 through May 2013, the City engaged in contract negotiations with all six recognized labor organizations over wages, hours, and terms and conditions of employment. On May 28, 2013, tentative agreements were reached with the International Association of Fire Fighters Local 145 (IAFF Local 145), the San Diego Municipal Employees Association (MEA), the Deputy City Attorneys Association (DCAA), the San Diego Police Officers Association (POA), the American Federation of State, County, and Municipal Employees Local 127 (AFSCME Local 127) and the California Teamsters (Teamsters Local 911). These agreements are subject to ratification by each of the labor organizations' members and approval by the City Council.

Each of the tentative agreements on a successor Memorandum of Understanding (MOU) is for a five-year term to include non-pensionable compensation increases consistent with the passage of Proposition B, which amended the City Charter on July 20, 2012. All tentative agreements provide an option to reopen the MOUs solely to meet and confer regarding increases to non-pensionable compensation for Fiscal Years 2017 and 2018.

The significant terms of the tentative agreements that result in a budgetary impact to Fiscal Year 2014 are detailed in *Attachment I*. These adjustments reflect further amendments to the Fiscal Year 2014 Proposed Budget, and are intended to supplement the May Revision dated May 21, 2013. The adjustments are as follows:

- A projected non-pensionable compensation increase of \$13.0 million (\$9.8 million in the General Fund);
- A General Fund decrease of \$160,000 in the Citywide Program Expenditures Department for outside attorneys who assist with labor negotiations. The Fiscal Year 2014 General Fund Proposed Budget includes \$380,000 for labor-related contracts. Of this amount, \$220,000 is needed to fully implement Proposition B

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and to pay outstanding invoices related to the Fiscal Year 2014 contract negotiations; and

- The use of approximately \$9.8 million in General Fund reserves/fund balance to fund the non-pensionable compensation increases in Fiscal Year 2014. For non-General Fund funds, the non-pensionable pay increase will be funded by using approximately \$3.2 million in fund balance and/or reserves from each of the respective funds.

On June 28, 2013, the San Diego City Employees' Retirement System (SDCERS) Board will consider a revised actuarial valuation that reflects the impacts of the five-year labor agreement on the City's Pension Annual Required Contribution (ARC). Based on preliminary information provided in April 2013 by SDCERS' Actuary, Cheiron, the estimated reduction to the City's Pension ARC is \$25.2 million (\$19.5 million in the General Fund based on the Fiscal Year 2014 Proposed Budget allocation). A formal actuarial valuation is currently being performed by Cheiron and actual savings may differ from the original estimate.

The Fiscal Year 2014 Proposed Budget includes a Pension ARC payment of \$275.4 million. If the SDCERS Board approves a new valuation reflecting the terms of the five-year agreement on June 28, 2013, the City's payment to SDCERS on July 1, 2013 will be reduced to reflect the revised ARC amount. This would result in a projected General Fund surplus for Fiscal Year 2014 at year-end and this surplus would remain in reserves/fund balance to address the projected General Fund deficit in Fiscal Year 2015. Financial Management will distribute a memorandum with the estimated savings once they have been calculated. However, if the SDCERS Board does not approve the adjustment to the Pension ARC, reserves/fund balance will be used to fund the non-pensionable compensation increases in Fiscal Year 2014 as described above. *Attachment II* reflects the possible impacts to the General Fund reserves/fund balance if the projected ARC savings are not realized.

Attachments:

- I. FY 2014 Labor Adjustments
- II. FY 2014 General Fund Reserve Estimates

cc: Vince Hall, Chief of Staff

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City of San Diego Fiscal Year 2014 Labor Adjustments

Labor Group	Salaries (Full, ¾, ½)	Salaries (Hourly)	Mandatory Furlough	Flexible Benefit Adjustments	Retirement Offset	Discretionary Leave
REPRESENTED EMPLOYEES <i>(Subject to labor organization ratification and approval by the City Council)</i>						
AFSCME Local 127- All	N/A <i>(No net increase or decreases to salary schedule scale)</i>	N/A	N/A	<u>FY13 Flexible Benefit Tiers</u> Waiver: \$4,575 Medical Coverage: \$5,575 <u>FY14 Flexible Benefit New Tiers</u> Waiver: \$5,000 Employee Only: \$6,000 Employee + Dependent: \$7,210 Employee + Children: \$6,550 Employee + Family: \$8,250	N/A	16 Hours
Deputy City Attorneys Association	N/A <i>(No net increase or decreases to salary schedule scale)</i>	N/A	Eliminate 32 Hours	Increase \$228 per FTE	N/A	16 Hours
Deputy City Attorneys Association (DROP Employees)	Maintain 3.2% reduction <i>(No net increase or decreases to salary schedule scale)</i>					
CA Teamsters Local 911 Lifeguards (all hired prior to 7/1/2009)	N/A <i>(No net increase or decreases to salary schedule scale)</i>	3.0% hourly reduction adjusted to a 0.75% reduction	Eliminate 52 Hours	Increase \$1,613 per FTE	Eliminate 2.3%	16 Hours
CA Teamsters Local 911 Lifeguards (all hired on or after 7/1/2009)					N/A	

City of San Diego Fiscal Year 2014 Labor Adjustments

Labor Group	Salaries (Full, ¾, ½)	Salaries (Hourly)	Mandatory Furlough	Flexible Benefit Adjustments	Retirement Offset	Discretionary Leave
IAFF Local 145- All Fire Fighters	N/A <i>(No net increase or decreases to salary schedule scale)</i>	N/A	N/A	<u>FY13 Flexible Benefit Tiers</u> Waiver: \$1,750 Employee Only: \$4,750 Employee + Dependent: \$7,800 Employee + Children: \$7,225 Employee + Family: \$9,400 <u>FY14 Flexible Benefit New Tiers</u> Waiver: \$1,750 (no change) Employee Only: \$6,611 Employee + Dependent: \$9,967 Employee + Children: \$8,484 Employee + Family: \$12,530	N/A	16 Hours
Municipal Employees Association (all hired prior to 7/1/2009)	N/A <i>(No net increase or decreases to salary schedule scale)</i>	3% hourly reduction adjusted to a 1.25% reduction	52 hours reduced to 26 hours for all, except eliminated for those in specific job classes	Increase \$770 per FTE	Eliminate 0.4%	16 Hours
Municipal Employees Association (all hired on or after 7/1/2009)	Maintain 3.0% reduction <i>(No net increase or decreases to salary schedule scale)</i>				N/A	
Police Officers Association	N/A <i>(No net increase or decreases to salary schedule scale)</i>	N/A	N/A	Increase \$1,934 per FTE and \$3,203 per FTE (Holiday OT Offset) Total Increase per FTE: \$5,137	N/A	None
Police Officers Association (DROP Employees)	Maintain 3.2% reduction <i>(No net increase or decreases to salary schedule scale)</i>					

City of San Diego Fiscal Year 2014 Labor Adjustments

Labor Group	Salaries (Full, ¾, ½)	Salaries (Hourly)	Mandatory Furlough	Flexible Benefit Adjustments	Retirement Offset	Discretionary Leave
UNREPRESENTED EMPLOYEES: No net increases or decreases to salary schedule scale.						
Classified/Unrepresented Unclassified/Unrepresented (includes DROP employees) Non-Safety Employees	Reduction adjusted to 1.25%	3.0% hourly reduction adjusted to a 1.25% reduction	N/A	N/A	N/A	16 Hours
Classified/Unrepresented Unclassified/Unrepresented (includes DROP employees) Safety Employees: Lifeguard Lifeguard Chief Marine Safety Captain	Reduction adjusted to 1.25%	N/A	N/A	N/A	N/A	16 Hours
Classified/Unrepresented Unclassified/Unrepresented (includes DROP employees) Safety Employees: Police Police Chief Executive Assistant Police Chief Assistant Police Chief	Reduction adjusted to 0.15%	N/A	N/A	N/A	N/A	16 Hours
Classified/Unrepresented Unclassified/Unrepresented (includes DROP employees) Safety Employees: Fire Fire Chief Assistant Fire Chief Deputy Fire Chief	Eliminate 1.7% reduction	N/A	N/A	N/A	N/A	16 Hours
Provisional Employees- All	N/A	3.0% hourly reduction adjusted to a 1.25% reduction	N/A	N/A	N/A	None

Note: Classified/Unrepresented and Unclassified/Unrepresented DROP enrolled employees will maintain the same reductions applicable to their labor grouping.

FY 2014 General Fund Reserve Estimates

<i>in millions</i>

Description	Amount	% of Revenue ⁴
FY 2012 Ending Balance		
Unassigned Balance	\$ 108.7	
Emergency Reserve	58.5	
Subtotal	\$ 167.2	14.1%
FY 2013 Budgeted Use of Fund Balance ¹	\$ (14.3)	
FY 2013 Budgeted Ending Fund Balance	\$ 153.0	13.0%
FY 2013 Projected Budgetary Surplus ²	\$ 17.0	
FY 2013 Projected Ending Fund Balance	\$ 170.0	14.5%
FY 2014 Re-Budget from FY 2013 Savings ³	\$ (13.9)	
FY 2014 General Fund Non-Pensionable Compensation Increases	\$ (9.8)	
FY 2014 Projected Ending Fund Balance	\$ 146.2	12.2%

¹ The FY 2013 Adopted Budget included the use of \$12.7 million of fund balance. Subsequent to the adoption of the budget, the City Council approved a payment of \$0.5 million to Civic San Diego which increased the total budgeted use of fund balance to \$13.2 million. An additional \$1.1 million was the result of the use of surplus presented in the FY 2013 Mid-Year Budget Monitoring Report and approved by City Council in R-308030. As a result of these actions, the current budget includes the use of \$14.3 million of fund balance.

² FY 2013 projected budgetary surplus as discussed in the FY 2013 Year-End Budget Monitoring Report.

³ The list of items to be re-budgeted in FY 2014 includes: \$1.4 million for Community Projects, Programs, and Services, \$0.5 million for Community Plan Updates, \$1.1 million for replacement of Police Equipment, \$0.5 million for a Lifeguard cliff rescue vehicle, \$0.3 million for the Balboa Park Traffic Management Plan, \$0.2 million for MTS student bus passes, \$4.1 million for SAFE expenditures, \$0.7 million for AB 109 Police overtime, \$0.7 million for Kinder Morgan litigation, and \$4.4 million for the use of the FY 2013 budgetary surplus.

⁴ The reserve percentage is calculated based on revenues in the corresponding fiscal year.