


MEMO

To: TOWN COUNCIL

From: Joanna Gutierrez, Town Clerk

Subject: Additional Agenda Material for Agenda Item 2(b)

Date: April 11, 2011 

Attached is additional agenda material for Agenda Item 2(b) regarding:

The recommended adoption of a Resolution concerning layoffs due to a reduction in Town revenues.

jmg/attachment(s)

cc: Chuck Rough
Dwight Moore
Enterprise Record
Paradise Post
Public View Packet

**TOWN OF PARADISE
COUNCIL AGENDA REPORT
DATE: APRIL 12, 2011**

AGENDA NO. 2.b.

ORIGINATED &

REVIEWED BY: Charles Rough, Town Manager 

**SUBJECT: RECOMMENDED ADOPTION OF RESOLUTION NO.____, A
RESOLUTION OF THE TOWN COUNCIL CONCERNING LAYOFFS
DUE TO A REDUCTION IN TOWN REVENUES**

COUNCIL ACTION REQUESTED:

- 1. Adopt Resolution No. 11-____, a resolution of the Town Council approving the layoffs of five employees due to declining revenues; or**
- 2. Decline to adopt Resolution No. 11-____, at this time.**

BACKGROUND:

Since December, 2008, the Town of Paradise has taken a number of actions to deal with declining revenues as a result of the recession, and the continuing economic downturn; and the Town's current and future pension and retiree medical costs. These actions have included the following:

- 1.) The reduction of the Town's work force from 115 FTE employees to 101.8 FTE employees through a combination of hiring freezes, layoffs, and normal attrition, such as retirements.
- 2.) Two years of "shared sacrifice" contract concessions by *all* Town employees that ranged from reductions in hours, actual cuts in salary, and increased employee contributions to their PERS retirement plan.
- 3.) The elimination of several top management positions, and consolidation of positions, duties, and responsibilities
- 4.) The refinancing of the Town's unfunded retirement obligation to PERS
- 5.) The establishment of a separate retirement tier for new employees hired after February 8, 2011
- 6.) The establishment of a more restrictive retiree medical vesting schedule for new employees hired after February 8, 2011
7. The use of short term TRANS financing (that is fully repaid within the same fiscal year) to help maintain and manage positive cash flow

Council Agenda Report

-2-

8. The use of short-term, low-interest lease purchases of major equipment and vehicles to stretch our limited dollars
9. The reduction of fleet maintenance and repair costs through the elimination of a significant number of our older, under-utilized rolling stock
10. The preservation of a healthy “rainy day” general fund reserve for unanticipated emergencies, to advance monies for reimbursable programs and projects, and to maintain positive cash flow management

However, despite these significant actions by the Town, the Town anticipates ending this current fiscal year with a larger general fund operating deficit than projected at the mid-year budget report. A recently discovered error by our insurance authority, the NCCSIF, reduced our expected insurance refund from \$ 237,000 to \$ 27,000. We are presently taking steps to deal as much as possible with this unwelcome turn of events this late in the fiscal year. These internal actions include the further slowing of spending in each of our departments, the deferral of remaining budgeted projects, and freezing certain positions that have already, or are expected to become vacant between now and the end of the fiscal year.

However, just as important, is the absolute need for the Town to take immediate steps to ensure that we are in a better position financially to effectively deal with what we anticipate will be a very tough upcoming year, due to the continuing decline in general fund revenues, as a result of the economy.

The other serious issue for the Town centers on the results of the recently completed, independent actuarial valuation study for retiree medical for all current and former employees that the Town commissioned this last January, 2011, as part of our compliance with GASB 45 defined benefit reporting requirements.

The Town Council is aware that retiree medical has been a defined benefit that the Town has provided its employees as a result of negotiated contracts in the early 1990's. This benefit was provided at a time when such benefits, including medical coverage, were relatively inexpensive benefits that the Town offered in lieu of cost-of- living salary increases, and when there was a relatively smaller number of retired employees.

However, these types of defined benefits have become far more expensive. Medical costs are rising at an alarming rate for both the private and public sectors, and no one really knows where it will end. The uncertainty over national health care has further fueled this escalation in medical premium costs.

Council Agenda Report

-3-

As our finance director's audit presentation indicates, the Town's projected unfunded liability is estimated at \$ 45 million through July 1, 2010. This is the amount that the Town would theoretically need to set aside at this time to fully fund all those future retiree medical benefits to cover current and future cost obligations. Up to now, the Town has been paying these benefits on an annual pay-as you-go basis.

Clearly, this actuarial-based unfunded liability estimate doesn't take into account the new retiree medical vesting schedule for new hires that the Town Council put in place after July 1, 2010, or reductions in our work force that also have taken place since July 1, 2010. Clearly, these actions will have a positive impact towards further reducing the Town's retiree medical unfunded liability. However, these actions alone will not eliminate the problem. This is a problem that negatively impacts our Town's assets and liabilities, and if not corrected, will impact our ability to issue bonds, secure loans, secure short term TRANS financing for cash flow management, or lease-purchase equipment or vehicles. In order to protect and preserve the Town's current and long term solvency, further immediate action is required to make sure that this benefit liability is not only eventually eliminated, but fully funded.

Recommended Action Plan:

There are two recommended actions that I recommend for Town Council consideration, that if implemented, will strengthen the Town financially to deal with what I expect will be another difficult fiscal year in terms of declining revenues, as well as put the Town on a sound financial course to eventually eliminate the unfunded retiree medical liability problem.

They are:

1. Before the end of this fiscal year (preferably the May regular meeting), set aside some of our reserves to establish an independently administered, interest bearing retiree medical trust fund in which we would make an annual contribution. The establishment of the fund in itself would help discount some of the unfunded liability impact for this current fiscal year, and the annual build-up of the fund financially over time, in tandem with the other recommended actions noted below, would serve to eventually fully fund retiree medical, and eliminate it as a liability against the Town.
2. Further reduce general fund spending for next fiscal year, and reduce the retiree medical unfunded liability problem (applicable to all employee-based funds) through a combination of measures that include 1.) Restore the financial self-sufficiency and sustainability of various enterprise and restricted funds (i.e. Building Safety Division/Enterprise Fund & the Gas Tax Fund, etc) 2.) Eliminate, or freeze positions that become vacant due to normal attrition, reduce hours for various positions, or through

Council Agenda Report

actual layoffs, such as are being submitted this evening; and through contract negotiations, reduce benefits coverage, especially medical, and 3.) Investigate the possibility to consolidate various operations with other public agencies, or increase service delivery contracting opportunities to other public agencies, or the private sector.

DISCUSSION:

The recommended layoff action involving five employees that is before you, this evening, is submitted with a profound and deep sense of sadness and regret by me and their managers. These are five individuals who have loyally served this Town and community with dedication and distinction. They are true public servants in the best tradition of what public service means.

However, the very serious nature of our Town's present circumstances, as noted above, leaves us with little choice but to recommend to the Town Council approval of the attached layoff resolution. As noted above, this is just the beginning of additional measures that the Town needs to take that will be part of next year's proposed budget.

If the resolution is approved this evening, the actual layoff resolution provides these five employees with more than the Town's required 60-day notice. This was done to provide these employees with as much advance notice as possible, and at the same time, to ensure that the layoffs become effective no later than July 1, 2011, the very first day of the next fiscal year.

The Town Council is aware that these proposed layoffs don't result in the dropping of the duties and responsibilities that were being performed by these five individuals and their positions. Just with our prior layoffs, it often means that just to maintain the basic operations and services of this town government, that other remaining staff will be adding many of these duties to their own primary responsibilities. It will undoubtedly result in some reduced levels of service that require lowering expectations in terms of how much "new project" oriented workload can be taken on above and beyond what we have on our plates now; a re-prioritization of those projects that we are currently working on; possible delays in terms of turnaround time on the completion of projects; and accessibility and availability of staff within the organization, and in terms of assisting the public. Having said that, we will make every attempt to minimize these impacts as much as possible.

FINANCIAL IMPACT:

If these layoffs are approved, they will result in a total annualized savings (for all applicable funds) starting in FY 2011/12, amounting to \$ 331,519. The actual net savings (for all applicable funds) next fiscal year, after one-time accrued pay-outs, is \$ 254,209.

Council Agenda Report

-5-

Broken down by fund, the annualized, and one-time net savings are:

General Fund - \$107,454 - annualized savings
\$ 72,955 – net savings (due to one-time pay-outs)

Building - \$ 91,888 – annualized savings
\$ 72,858 – net savings (due to one-time pay-outs)

Onsite - \$ 10,843 – annualized savings
\$ 7,922 – net savings (due to one-time pay-outs)

Gas Tax - \$ 117,467 – annualized savings
\$ 98,330 – net savings (due to one-time pay-outs)

Transit - \$ 3,223 – annualized savings
\$ 1,786 – net savings (due to one-time pay-outs)

AVA - \$ 645 – annualized savings
\$ 357 – net savings (due to one-time pay-outs)

It should be noted that two of the five employees to be laid-off would have bumping rights to a lower position if they so choose, but we don't believe that represents any real change to these savings estimates.

Finally, the layoff of these individuals and/or elimination of their positions will result in a reduction to unfunded retiree medical in the amount of \$ 900,000.

**TOWN OF PARADISE
RESOLUTION NO. 11-____**

**A RESOLUTION OF THE TOWN COUNCIL CONCERNING
LAYOFFS DUE TO A REDUCTION IN TOWN REVENUES**

WHEREAS, the Town is forecasting a reduction in its revenue, which will require the layoff of five (5) positions currently filled and listed in detail in Attachment No.1 of this Resolution; and

WHEREAS, Rule XII of the Town of Paradise Personnel Rules and Regulations provides the procedures for laying off Town employees as follows:

1. Statement of Intent: Whenever, in the judgment of the Town Council, it becomes necessary to abolish any position of employment, the employee holding such position or employment may be laid off or demoted without disciplinary action and without the right of appeal.
2. Notification: Employees to be laid off shall be given, whenever possible, at least sixty (60) calendar days prior notice.
3. Vacancy and Demotion: Except as otherwise provided, whenever there is a reduction in the work force, the appointing authority shall first demote to a vacancy, if any, in a lower class for which the employee who is the latest to be laid off in accordance with Section 6 is qualified. All persons so demoted shall have their names placed on the reemployment list.
4. Employee Rights: An employee affected by layoff shall have the right to displace an employee in the same department who has less seniority in a lower class in the same class series or in a lower classification in which the affected employee once had permanent status. For the purpose of this section and Section 5, seniority includes all periods of full-time service at or above the classification level where layoff is to occur.
5. Seniority: Providing merit and ability are equal and in order to retreat to a former or lower class, an employee must have more seniority than at least one of the incumbents in the retreat class and request displacement action in writing to the Personnel Director within five (5) working days of receipt of notice of layoff.
6. Employment Status: In each class of position, employees shall be laid off according to employment status in the following order: temporary, provisional, probationary and regular.

Temporary, provisional and probationary employees shall be laid off according to the needs of the service as determined by the appointing authority.

Employees within each category shall be laid off in inverse order of seniority in Town service.

7. Re-employment List: The names of persons laid off or demoted in accordance with these Rules shall be entered upon a re-employment list. Separate re-employment lists shall be maintained for each department and used by that department when a vacancy arises in the same or lower class of position before certification is made from an eligible list.

8. Duration of Re-employment List: Names of persons laid off shall be carried on a re-employment list for three (3) years, except that persons appointed to permanent positions of the same level as that which laid off, shall upon such appointment, be dropped from the list. Persons who refuse reemployment shall be dropped from the list. Persons re-employed in a lower class, or on a temporary basis, shall be continued on the list for the higher position for the three (3) years; and

WHEREAS, based on Rule XII of the Town of Paradise Personnel Rules and Regulations and a thorough analysis of the Town's staffing requirements, the Town Manager is recommending that the persons currently holding the positions identified in Attachment No.1 be laid off.

NOW, THEREFORE the Town Council of the Town of Paradise does resolve, as follows:

Section 1. The above statements are true and correct.

Section 2. After reviewing the analysis and recommendation of the Town Manager, the Council authorizes the Town Manager to layoff the five (5) employees in the positions as set forth in Attachment No.1 of this Resolution, and to give the sixty (60) day layoff notices to such employees by April 14, 2011.

PASSED AND ADOPTED by the Town Council of the Town of Paradise this 12^h day of April, 2011, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

ALAN WHITE, Mayor

ATTEST:

By: _____
Joanna Gutierrez, Town Clerk

APPROVED AS TO FORM:

Dwight L. Moore, Town Attorney

Attachment No.1

1. **CDD/PW Office Supervisor** – Suzanne Whalen, hired May 2, 1994.
 - This is the only position in this classification.
2. **CDD/PW Projects Coordinator** - Kari Eurotas, hired June 5, 2000.
 - This is the only position in this classification.
3. **Civilian Fire Prevention Inspector** – Yvette Streeter, hired September 23, 2003.
 - One other Civilian Fire Prevention Inspector, hired August 12, 2002.
4. **Deputy Town Clerk** – Cheri Masse was hired August 28, 2006.
 - This is the only position in this classification.
5. **Public Works Maintenance Supervisor** – Ron Morris, hired June 28, 1981.
 - This is the only position in this classification.