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DEPARTMENT OF
FINANCE

BETTY MASUOKA
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

June 19, 1991

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DIVISIONS:
ACCOUNTING
BUDGET
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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Back on Labor Cost Reduction Options

SUMMARY

This report is in response to a request by Council Member Fargo at the May 15, 1991 Operating Budget Hearing regarding the possibility of work furloughs and halting salary/promotion increases to help balance the General Fund deficit.

BACKGROUND

The State of California has introduced several measures to balance their budget. The State is currently negotiating new labor contracts and several labor reduction options are being proposed. Council Member Fargo asked staff to report back on similar cost containment measures to help offset the City's budget deficit.

Unlike the State, the City has one five year agreement and ten three year agreements with its labor unions that do not expire until June 1992 and 1993 respectively. These agreements address the issues of salaries, benefits, and work hours. Proposed changes in these areas are meet and confer issues that require both parties to agree to such discussions. Management, confidential, and unrepresented employees are not subject to meet and confer procedures.

Several measures were considered relative to salaries and benefits during the development of the Proposed Budget. The above measures were not included in the Proposed Budget due to the

requirements of opening discussions, the potentially lengthy period needed to resolve these issues, and the need to propose a balanced budget by May 1. If these labor options were not available citywide, the reductions on only those not covered by labor agreements was not proposed due to equity considerations.

With respect to delaying or eliminating promotions, the City has some latitude so long as the duties are not assigned to lower classifications. Employees assigned to perform higher level duties would have to be paid out-of-classification pay.

Early retirement incentives were also examined to reduce labor costs. This option requires the City to pay higher retirement related costs but overall lower costs compared to active wages and benefits. This option was not proposed because although the City could negotiate such an option for employees covered by the Public Employees Retirement System (PERS), the same option for the Sacramento City Retirement System (SCERS) would require a change to the City Charter.

POLICY ISSUES

The City must adopt a balanced budget. Several options are available to balance the General Fund budget. The City Council may direct staff to pursue any of the above options or provide other alternative directions to maintain a balanced budget. However, any change to negotiated benefits requires the agreement of the employee organization to even begin discussions on benefit reductions. Alternative reductions, revenue sources, capital improvement projects are listed in the appendix of the Proposed Budget document.

FINANCIAL

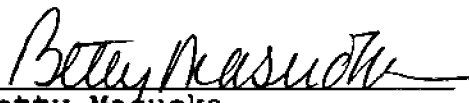
Labor costs citywide total \$225 million, of which \$176 million is in the General Fund. Management, confidential, and unrepresented labor costs total \$32 million of which approximately \$28 million is in the General Fund.

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RECOMMENDATION

This report is for informational purposes, no action is required.

Respectfully submitted,


Betty Masuoka
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Finance Director

APPROVED FOR COUNCIL INFORMATION:


WALTER J. SLIPE
WALTER J. SLIPE
City Manager

June 19, 1990
All Districts

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