



CITY OF EL CERRITO
INTEROFFICE MEMORANDUM

TO: EL CERRITO CITY COUNCIL
FROM: KAREN PINKOS, CITY MANAGER
SUBJECT: UPDATE ON BUDGET AGENDA ITEM
DATE: 5/5/2020

Staff is providing additional information to the City Council for the May 5, 2020 City Council meeting regarding cost reductions for the current and upcoming fiscal year. Because affected staff were still being notified as of the publication of the May 5, 2020 City Council agenda, this memo was delayed to ensure that all employees were properly noticed in advance of this action becoming public.

FURLOUGH SALARY REDUCTIONS

On April 30, 2020, the City provided notice of unpaid furloughs to two groups of full-time employees. The groups included in this round of furloughs are Management and Confidential staff and the SEIU bargaining unit. The furloughs will be the equivalent of one unpaid day per two-week pay period. These furloughs will begin this fiscal year and at a minimum will extend to the end of the calendar year, December 2020. This represents roughly a 5% reduction in pay for these employees for the 2020-21 fiscal year. As the budget picture becomes clearer, these furloughs could be extended through June 2021 if necessary to achieve a 10% reduction.

The City's Personnel Rules and Regulations and the MOU with SEIU are silent on furloughs, however City staff is following the noticing requirements as outlined for layoff procedures in order to ensure fair labor practices. For each group, the notice is as follows:

- Management and Confidential staff are unrepresented. Per our Personnel Rules, the City is required to provide two weeks notice. The notice includes three (3) unpaid furlough days off between May 22, 2020 and June 30, 2020, and thirteen (13) additional unpaid furlough days off between July 1, 2020 and December 31, 2020.
 - In addition, effective July 12, 2020, all Management and Confidential employees will be required to contribute an additional 1.0% of pensionable compensation via pre-tax deduction toward their CalPERS pension.

- SEIU: Per the MOU, the City is required to provide 30 days notice. The notice includes two (2) unpaid furlough days off between June 1, 2020 and June 30, 2020, and thirteen (13) additional unpaid furlough days off between July 1, 2020 and December 31, 2020.
 - At this time, we are not proposing that the SEIU bargaining unit will be subject to an additional CalPERS contribution.
 - The notification initiates a meet-and-confer process with the SEIU bargaining unit, which will begin later this week. We intend to work with SEIU to ensure that the process goes smoothly and achieves an outcome that results in cost savings.

We are working in consultation with our attorneys as to this process and to make sure we are honoring our Personnel rules, the MOUs, and our Civil Service system as well as the provisions of the new state and federal laws related to this emergency.

The cost savings for furlough days beginning this fiscal year through December 31, 2020 are equivalent to a 5% reduction in salary for the affected employees, shown in Table 1:

Table 1: Furlough Costs through December 31, 2020 (5% Reduction)

Unit	1-day Furlough Cost	FY 19-20 Furlough Days	FY 19-20 Furlough Amount	5% FY 20-21 Furlough Days	5% FY 20-21 Furlough Amount	Total Amount (FY 19-20 & 20-21)
Mgmt/Conf/Unrep	\$26,631	3	\$79,893	13	\$346,203	\$426,096
SEIU	\$24,062	2	\$48,124	13	\$312,806	\$360,930
Total	\$50,693		\$128,017		\$659,009	\$787,026

During the budget amendment process that will occur during the first quarter of FY 2021, staff will consider if the furloughs should be extended through June 30, 2021. If the furloughs are extended through the entire FY 2021, the cost savings is equivalent to a 10% salary reduction for the affected employees, as shown in Table 2:

Table 2: Furlough Costs through June 30, 2021 (10% Reduction)

Unit	1-day Furlough Cost	FY 19-20 Furlough Days	FY 19-20 Furlough Amount	10% FY 20-21 Furlough Days	10% FY 20-21 Furlough Amount	Total Amount (FY 19-20 & 20-21)
Mgmt/Conf/Unrep	\$26,631	3	\$79,893	26	\$692,406	\$772,299
SEIU	\$24,062	2	\$48,124	26	\$625,612	\$673,736
Total	\$50,693		\$128,017		\$1,318,018	\$1,446,035

The Management/Confidential/Unrepresented group is governed by City Council resolution. At an upcoming meeting, the City Council will consider a resolution that will include the modified employment terms for this group to include the previously discussed cost reductions in addition to the furloughs. Assuming a 5% salary reduction through furloughs, the cost reductions for the Management/Confidential/Unrepresented group (including the City Manager) is as follows:

Table 3: Cost Reductions for Management/Confidential/Unrepresented

Description	Cost Savings
No COLA	\$180,787
Furloughs (5% reduction)	\$346,203
Suspend Auto Allowance	\$101,700
1% Contribution to CalPERS	\$33,800
Total Mgmt/Conf/Unrep	\$662,490

Should the furloughs for this unit be extended through the end of FY 2021 for a 10% salary reduction, the additional savings would be \$346,203, for a total savings of **\$1,008,693**.

The City Manager’s compensation mirrors the Management/Confidential group, therefore these furloughs and associated reductions apply to the City Manager. Further, I am proposing that instead of a 1% contribution to CalPERS, that the City Manager will contribute 3% beginning FY 2020-21. This will result in a further savings of approximately \$7,000.

In addition to these furloughs, City staff continues to implement the following items with respect to the current fiscal year:

- Furloughs of 90 part-time staff: these will continue until the County health order is lifted and City facilities reopen.
- Hiring freeze: positions will be left vacant indefinitely.
- Non-essential spending freeze: only operational and emergency expenses are approved at this time; travel/training, supplies, programs, meetings, mailings, and similar expenses are on hold indefinitely.
- City events (Earth Day, Egg Hunt, July 4) have been cancelled; this will continue through the current County health order and beyond in order to consider safety for participants.

As detailed in the April 7, 2020 agenda packet, City staff has identified **\$2,031,848** in cost reductions for FY 2020-21. This number did not include all bargaining units agreeing to forgo their COLA for FY 2020-21; if agreement is reached with the other bargaining units the cost savings totals **\$2,381,848**.

- Adding the cost reductions for Management/Confidential with furloughs at a 5% salary reduction (\$662,490), along with furloughs for SEIU at a 5% reduction (\$312,806), provides a **\$3,357,144** cost savings for FY 2020-21.
- If the furloughs are extended through June 2021 to achieve a 10% reduction, this provides **\$4,016,153** in cost savings for FY 2020-21.

However, as previously discussed, City staff is reviewing further cuts in addition to those previously identified as they examine programs, staffing, and services to achieve a higher cost savings. These scenarios are being evaluated in consultation with our financial advisors and consultants in order to respond to the ongoing financial impacts due to the public health crisis. Staff is completing our work with Management Partners by creating a Fiscal Response Plan, in order to develop the budget over the next several months.

Staff will provide this update with a presentation that will discuss these details and next steps during the City Council meeting on May 5, 2020. Should the Council have any questions, please let me know.