Request for City Council Committee Action
From the Department of Community Planning and Economic Development

Date:	September 20, 2004
To:	Council Member Barbara Johnson, Ways & Means/Budget Committee
Referral to:	None
Prepared by:	Chuck Lutz, Deputy CPED Director, 673-5196
Approved by:	Lee Sheehy, CPED Director ______________
Presenters in Committee:	Chuck Lutz, Deputy CPED Director
Subject:	**Incentive for CPED employees who are members of AFSCME Local 3419 (including those employees who pay fair share) or General Laborers Local 563 (including those employees who pay fair share) who elect to retire voluntarily by December 24, 2004**

Recommendation:

1. Approve the retirement incentive as outlined in this report.
2. Amend the 2004 General Appropriation Resolution by increasing the appropriation in Fund SPH (Hilton Legacy) by $1.8 million (SPH0-890-8940)

Previous Directives:

None.

Financial Impact (Check those that apply)

___ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

___ Action requires an appropriation increase to the Capital Budget
_x__ Action requires an appropriation increase to the Operating Budget
___ Action provides increased revenue for appropriation increase
___ Action requires use of contingency or reserves
___ Other financial impact (Explain):

___Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)	
Neighborhood Notification:	NA
City Goals:	NA
Comprehensive Plan:	NA
Zoning Code:	NA
Other:	NA

Background/Supporting Information

The Community Planning and Economic Development department (CPED) proposes to create an incentive program for eligible, as defined in the Program Description, CPED employees who are members of AFSCME Local 3419 (including those employees who pay fair share) or General Laborers Local 563 (including those employees who pay fair share). It's important to note that unlike other City employees who were offered a retirement incentive package in 2003, former MCDA employees were not.

The retirement incentive program has a payback over four years. Positions that are vacated by retiring employees will likely be filled with employees at lower grades and steps, which will result in substantial annual reductions in personnel costs. Added benefits are that this program will help to create effective career ladders for employees and will recognize the evolving needs of CPED.

Program Description

The incentive program would provide eligible employees with contributions into the employee's health care savings account plus payment of health care premiums. To be eligible, an employee must:

- Be a member of (or pay fair share to) AFSCME Local 3419 or General Laborers Local 563
- Be employed by the City of Minneapolis during the election period as described below
- Have years of service plus age equal to or greater than 80 OR have at least 20 years of service. Years of service is defined as follows: service to MCDA, its predecessors, and the City of Minneapolis. Expansion of the program to include employees who have 20 years of service regardless of age was a recommendation by the labor representatives of CPED's labor-management committee.

Approximately 42 employees meet these criteria and are eligible to participate in the program. All eligible employees can elect to participate during the election period.

Eligible employees can select one of two options:

Option 1

- A payment of $25,000.00 into a health care savings account
- Payment of twenty-four (24) months of the City's portion of health care premiums to Blue Cross/Blue Shield (or other City sponsored group health care plan) paid by beginning on the date of retirement, up to a maximum amount of $22,393.00. Employees would be required to pay the employee's share of the premium. The City would not pay for dental care or other health care-related costs.

Option 2

- A payment of $15,000.00 into a health care savings account
- Payment of thirty-six (36) months of the City's portion of health care premiums to Blue Cross/Blue Shield (or other City sponsored group health care plan) paid by beginning on the date of retirement, up to a maximum amount of $36,696.00. Employees would be required to pay the employee's share of the premium. The City would not pay for dental care or other health care-related costs.

(The City's maximum contribution to health care premiums to Blue Cross/Blue Shield was calculated as follows. The total premium for family coverage in 2005 is $10,272. City Human Resources advised staff to assume an increase of 18% per year for 2006 and 2007, which results in the above amounts.)

Under both options, employees would also receive payments for unused sick leave and vacation time according to their union contracts or Minneapolis ordinance.

Staff's intention is to provide information to all eligible employees once the program is approved. Upon completion of the informational session, which will be held the week of September 27, each eligible employee would receive an election form. The election period will begin on October 1, 2004 and will run until November 15, 2004. Once an employee elects to participate, the employee may choose a retirement date for a date after a 15-day rescission period. Therefore, the earliest that employees could retire would be October 16, 2004. Thus, each employee can designate his or her retirement date between October 16 and December 24, 2004. No employee may designate a retirement date later than December 24, 2004.

Employees have 45 days from October 1 to decide if they want to participate in the program. Employees must submit their election forms no later than November 15, 2004.

All employees have five additional days from the date of their last day of work to withdraw their resignation according to Civil Service Rule 13.03.

Depending on level of employee participation, the 2004 costs for this program would range from $600,000 (30% participation under Option 2) to $1.8million, which is the maximum available funding and assumes 100% participation under Option 1. However, it is unlikely that costs will exceed $1.4 million, which assumes 75% participation.

In 2004, there would be one-time costs (i.e. payments for accrued sick leave and vacation time, and the contributions to the employee's health care savings account). These one-time costs would be paid for from a 2004 advance from the Hilton Legacy Fund, which would be paid back in no more than four years through reduced personnel costs in the benefiting CPED funds or, if necessary, reductions in CPED annual Legacy Fund allocation. This report requests an appropriation increase sufficient to cover 100% participation with the understanding that lower participation would reduce the amount needed and that unneeded appropriation would lapse at year end.