
Budget Solutions--Suggestions for Balancing Vallejo's Budget--4/2/09

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Suggestions for Balancing Vallejo's Budget

Our City Council is now trying to figure out how they are going to balance next year's budget with a projected \$12 million deficit. As the city has already filed for bankruptcy and Judge McManus has issued a ruling that the contracts may soon be set aside, what was the rush to approve new contracts for police and CAMP? The city is bankrupt, so the leverage is on the city's side. We are now burdened with paying the police union \$1 million for voiding the current contract and paying their future legal fees if we try to void any future contracts.

If that was the best the city could do, we need a new labor negotiating team.

Our city leaders seemed to be oblivious of the looming deficit as they approved these contracts with a 5 to 2 vote. Only council members Schivley and Gomes had the courage to vote no on these extensions. The remaining five say " we can't cut public services" but have no realistic way to balance the budget except for imposing more taxes.

Every day concessions are being offered by unions across the country including the UAW to keep Ford out of bankruptcy. Other city unions are doing the same, but here in Vallejo it seems to be more important to maintain high salaries and benefits than to provide needed city services.

Unless all the unions are prepared to offer significant concessions, there is no way the citizens are going to approve more taxes.

There are still four big areas that haven't been addressed in the current negotiations.

Here some suggestions for solving our problems:

- Prepare a salary and benefit survey for all positions in the city and instruct our labor negotiator to offer to pay the average of the total compensation package of our neighboring communities. The survey used in the recent VPOA (Vallejo Police Officers Association) negotiations only included the base pay of highest paying cities, and not total pay. That omission has kept VPOA in the 25% highest percentile.

- Roll back the pension plan to 60% of base pay rather than the 90% currently required. The 60% program was in place in 1999 and would still be substantially better than anything in the private sector. Pension costs of \$9.3 million next year represent 21% of salaries and 13% of revenue. A roll back to 1999 levels would make a substantial reduction in the budget. Our military forces serving in Iraq don't receive anything close to what our public safety employees receive and many private sector employees like the airline pilots had their pensions eliminated or severely curtailed when their companies went bankrupt.

Here are some examples of annual payouts for military retirement:

- A Master Sergeant in the US Army receives a pension of \$25,679 with 20 years service or \$45,536 with 30 years service

- A Lt. Colonel with 20 years receives \$44,548 and \$71,358 at 30 years.

- A three star general receives \$77,081 with 20 years or \$130,091 with 30 years.

Compare this to Vallejo's IAFF (International Association of Firefighters) local 1186 Union Members whose jobs only require a high school education.

- 76 fire union members earned an average of \$123,000 (excluding overtime) in 2007 and would receive a pension of \$73,800 with 20 years service or service or \$110,700 with 30 years service.

- 118 police union members earned an average of \$118,000 (excluding overtime) in 2007 and would earn a pension of \$70,800 with 20 years service or \$106,200 with 30 years service.

Something seems sadly out of line with public safety pensions in California when a Vallejo firefighter holding a high-school diploma and employed by the City for 30 years is paid an annual pension of \$110,700— or \$65,164 more a year— than a master sergeant with the same amount of years served. If they both collect retirement for 20 years,

the firefighter will be receive \$1.3 million more than the master sergeant.

The Federal Pension Benefit Guarantee Corporation guarantees the pensions of corporations that go bankrupt with underfunded pension plans. This program pays a maximum pension of \$54,000 at age 65, \$35,100 at age 60 or \$24,300 at age 55. The program does not insure public pension plans like Vallejo's but it shows what happens when a corporation goes bankrupt. Thousands of airline pilots are now receiving significantly lower pension benefits after their airlines went bankrupt.

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Modify the health benefit program so that both current and retired employees pay a larger portion of the cost. Health costs are estimated at \$5.5 million for current employees and \$3.2 million for retired employees. The city has an unfunded liability of \$135 million for retiree health benefits and no way to pay for it. The program should be eliminated completely for retirees age 65 or over when the federal Medicare program kicks in.

Medicare Part B plus Kaiser Senior Advantage costs less than \$2,000 per year. With the generous retirement program in place the retirees should certainly be able to pay their own premiums just like millions of other Americans.

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Modify the policies on accumulation of sick, vacation and holiday pay. There is no reason to allow accumulations that result in pay outs in excess of a hundred thousand dollars on retirement. The city has an unfunded liability of \$21.6 million for accumulated sick, vacation and holiday pay and no money to pay for it. At the time of the bankruptcy filing 49 employees had accumulated balances over \$100,000 including 6 with over \$200,000 and one over \$300,000. Private industry generally has a use it or lose it program with a modest accumulation to provide for unexpected emergencies. Vallejo needs to do the same.

California has an unemployment rate in excess of 10%, so there is no shortage of qualified individuals to staff our city. It is time for Vallejo's unions to step up and offer meaningful concessions. No one wants to close two more fire stations or lay off 30 police officers, but if the unions continue to demand the highest pay and benefits there is no other solution. Without concessions made from these Unions—and all City Employees—the citizens will likely not be inclined to vote for higher taxes. This would leave the city completely unable to pay for the necessary services we all expect to have.