

IMPASSE HEARING – CORONA GENERAL EMPLOYEES ASSOC. CORONA SUPERVISORS ASSOC.



November 14, 2017



WHY ARE WE HERE TODAY?

- In California, changes to public employees compensation and benefits must be collectively bargained pursuant to the Meyers Miliias Brown Act (MMBA)
- For the past 18 months, the City has engaged in that process with its Corona General Employee Association (CGEA) and Corona Supervisors Association (CSA)
- Unfortunately, the process did not result in an agreement
- The City's finances require significant adjustments to employee benefits, which have been described as 'very generous'
- The Associations were unwilling to accept those adjustments

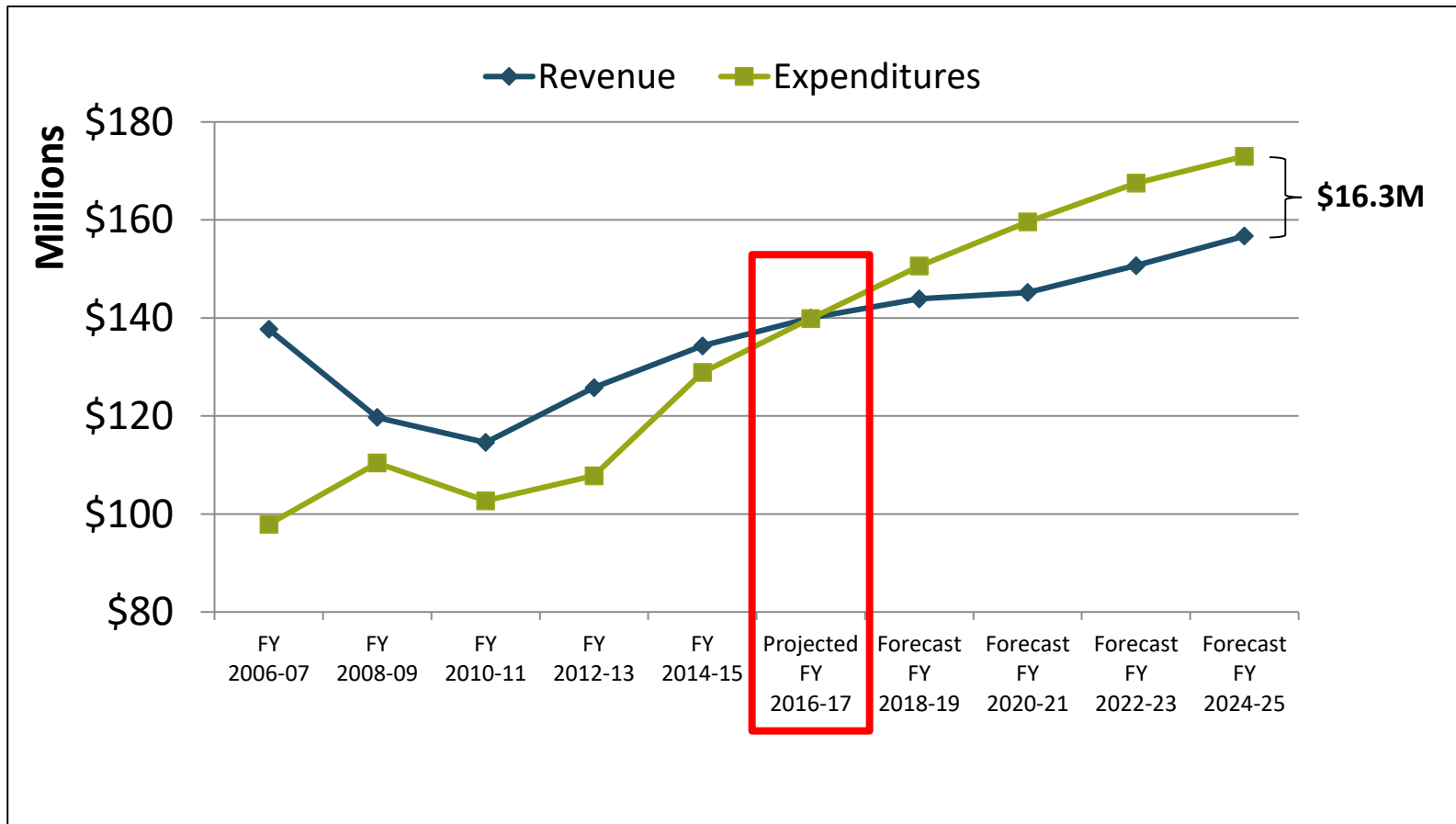


KEY PRIORITIES

From the onset of negotiations, the City has emphasized three key priorities:

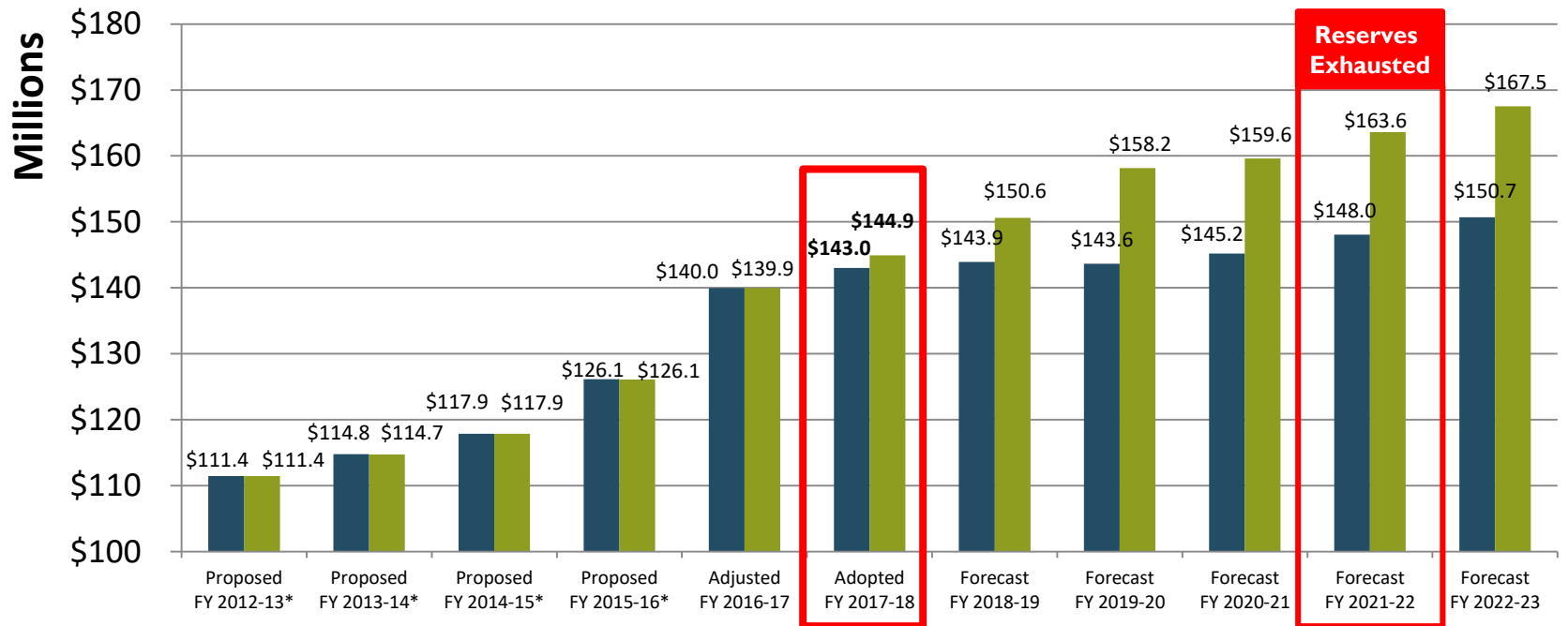
- Transparency
 - The entire process has been heavily data driven
 - Vast amounts of detailed financial information had been shared with the Associations
- Restructuring salary and benefits to be more comparable
 - Total compensation at Corona is at or near the top compared to other cities in the region
- Overall need for cost savings
 - We need recurring expenses to not exceed recurring revenue
 - We need to close a large and growing structural budget deficit
 - The City has substantial unfunded liabilities that must be paid down
 - Most notably, a \$253,522,944 unfunded PERS liability

GENERAL FUND - REVENUE AND EXPENDITURES



GENERAL FUND – REVENUE AND EXPENDITURE OVERVIEW

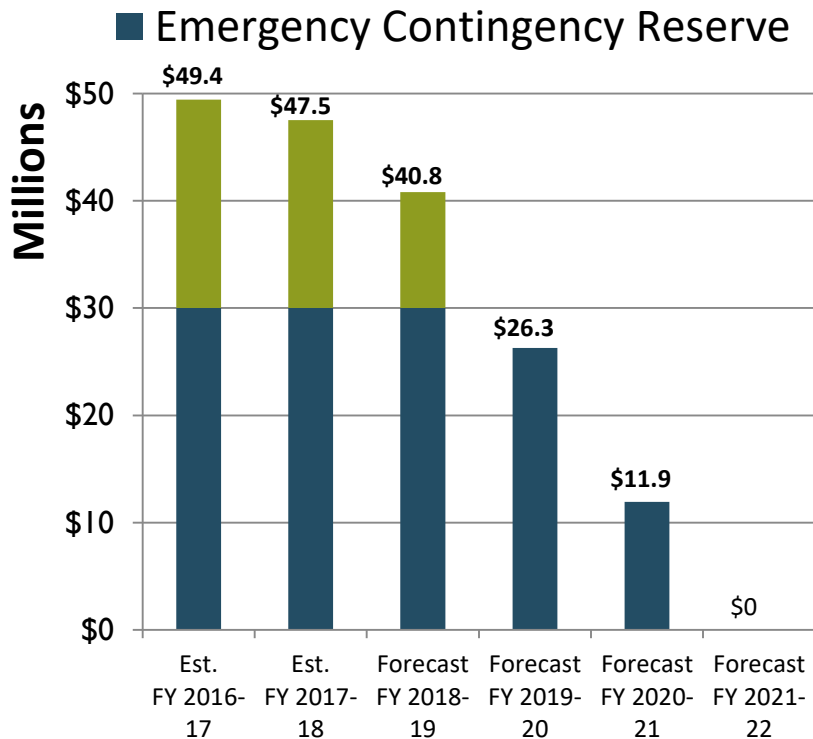
■ Revenue/Net Transfers In ■ Expenditures



* As presented at the Budget Workshop for each year.

**Growing gap between revenue and expenditures.
\$1.9 Million in FY 2017-18 to \$15.6 Million in FY 2021-22.**

GENERAL FUND - RESERVE BALANCES



	Budget Balancing Measures Reserve	Emergency Contingency Reserve	Reserves Running Total
Est. FY 2016-17	\$ 19,432,843	\$ 30,000,000	\$ 49,432,843
Est. FY 2017-18	(1,892,421)		47,540,422
Forecast FY 2018-19	(6,711,358)		40,829,064
Forecast FY 2019-20	(10,829,064)	(3,701,826)	26,298,174
Forecast FY 2020-21		(14,382,626)	11,915,548
Forecast FY 2021-22		(11,915,548)	\$ -
Reserve Balance	\$ -	\$ -	

WHY DO WE NEED AN EMERGENCY CONTINGENCY RESERVE?

Canyon Fire

Canyon Incident Cost Estimate Summary				
Resource Type	Total Estimated Charges to the E-Fund To-date	Estimated Daily Costs		
		Day- Dates	Total Costs	
CAL FIRE Ground Attack	\$ 373,649	1- 9-25-17	\$	1,110,770
CDCR/CCC/CDF Handcrews	\$ 455,212	2- 9-26-17	\$	2,743,422
Air Attack: FW/RW/CWN/CNG	\$ 1,731,999	3- 9-27-17	\$	3,033,830
CAL FIRE Support Resources	\$ 188,178	4- 9-28-17	\$	2,160,759
CAL FIRE Overhead Personnel	\$ 350,670	5- 9-29-17	\$	1,324,959
OH Personnel Transportation	\$ 20,004	6- 9-30-17	\$	327,219
Personnel Support Costs	\$ 691,715	7- 10-1-17	\$	221,519
Facility Rental	\$ -	8- 10-2-17	\$	209,335
Miscellaneous	\$ 217,162	9- 10-3-17	\$	83,891
Hired Equipment	\$ 389,773	10-	\$	-
Contract Counties	\$ 1,741,153	11-	\$	-
Federal Assistance ABH	\$ 443,110	12-	\$	-
Other State Agencies ABH	\$ 46,050	13-	\$	-
OES & Local Government ABH	\$ 3,474,640	14-	\$	-
Estimated E-Fund Total	\$ 10,123,315	Acres To-date:	2,677	
Estimated CAL FIRE Base Costs	\$ 4,092,389	(Base costs are salaries and equipment costs from the CAL FIRE general fund.)		
Estimated Total Costs	\$ 11,215,704			

We must maintain an Emergency Contingency Reserve

CLASSIFICATION OF FUND BALANCE

GENERAL FUND – FY 2015-16

Fund Balance

Nonspendable:

Inventory and Prepayments	\$ 390,010
Interfund Advances Receivable	25,686,325
Long-term Receivables	8,048,642
Subtotal Nonspendable	34,124,977

➤ Nonspendable fund balance is restricted and can be spent only for the specific purposes stipulated by constitution, external resource providers, and through enabling legislation.

Committed to:

Emergency Contingency	30,000,000
Designated Revenues	3,511,464
Subtotal Committed	33,511,464

➤ Committed fund balance is restricted and can be used only for the specific purposes determined by a formal action determined by City Council.

Assigned to:

Developer Agreements	1,111,616
Budget Balancing Measures	19,429,676
Continuing Appropriations	10,711,124
City Equipment	122,647
Other Purposes	1,766,562
Subtotal Assigned	33,141,625

➤ Assigned fund balances are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed.

Total Fund Balance	\$ 100,778,066
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GENERAL FUND FINANCIAL FORECAST

UPDATED JULY 27, 2017 (ADOPTED BUDGET + PERS ACTUARIAL DATA)

Description	Adopted 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Total Revenues	\$141,602,007	\$ 142,516,188	\$142,185,592	\$ 143,734,832	\$ 146,569,900
Expenditure Categories					
<i>Subtotal Current Employees-Salaries</i>	(57,911,634)	(58,211,444)	(58,498,089)	(58,861,142)	(59,225,612)
<i>Subtotal Current Employees-Benefits</i>	(37,895,179)	(40,771,739)	(43,932,547)	(46,982,776)	(49,598,076)
<i>Subtotal Retiree/OPEB Costs</i>	(8,117,431)	(8,239,629)	(9,644,175)	(9,937,807)	(10,222,217)
<i>Vacancies</i>	1,990,568	2,067,556	2,077,894	2,088,283	2,098,724
Personnel Costs	(101,933,676)	(105,155,256)	(109,996,917)	(113,693,442)	(116,947,181)
Operating Costs + Capital Outlays	(37,735,441)	(38,161,060)	(38,626,000)	(39,548,100)	(40,339,062)
Debt Service / Principal Payments	(4,251,022)	(4,255,872)	(4,247,472)	(4,241,372)	(4,243,272)
Capital Improvement Projects (CIP)	(1,000,000)	(2,854,500)	(5,169,260)	(1,982,711)	(2,000,000)
Total Expenditures	(144,920,139)	(150,426,688)	(158,039,649)	(159,465,625)	(163,529,515)
Net Transfers In / (Out)	\$ 1,425,711	\$ 1,396,149	\$ 1,448,000	\$ 1,473,000	\$ 1,499,368
Pending Decision Items		(197,007)	(124,833)	(124,833)	(98,333)
Change in Fund Balance	\$ (1,892,421)	\$ (6,711,358)	\$ (14,530,890)	\$ (14,382,626)	\$ (15,558,580)

Budget Balancing and Emergency Contingency Reserves based on adopted budget:

Budget Balancing Measures - Beginning of Year	19,432,843	17,540,422	10,829,064		-
Use of Reserves to balance budget	(1,892,421)	(6,711,358)	(10,829,064)		-
Budget Balancing Measures - End of Year	\$ 17,540,422	\$ 10,829,064	\$ -		-
Emergency Contingency Reserve	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 26,298,174	\$ 11,915,548
Use of Reserves to balance budget			(3,701,826)	(14,382,626)	(15,558,580)
Combined Reserve Balances - End of Year	\$ 47,540,422	\$ 40,829,064	\$ 26,298,174	\$ 11,915,548	\$ (3,643,032)

Budget balancing
reserve depleted

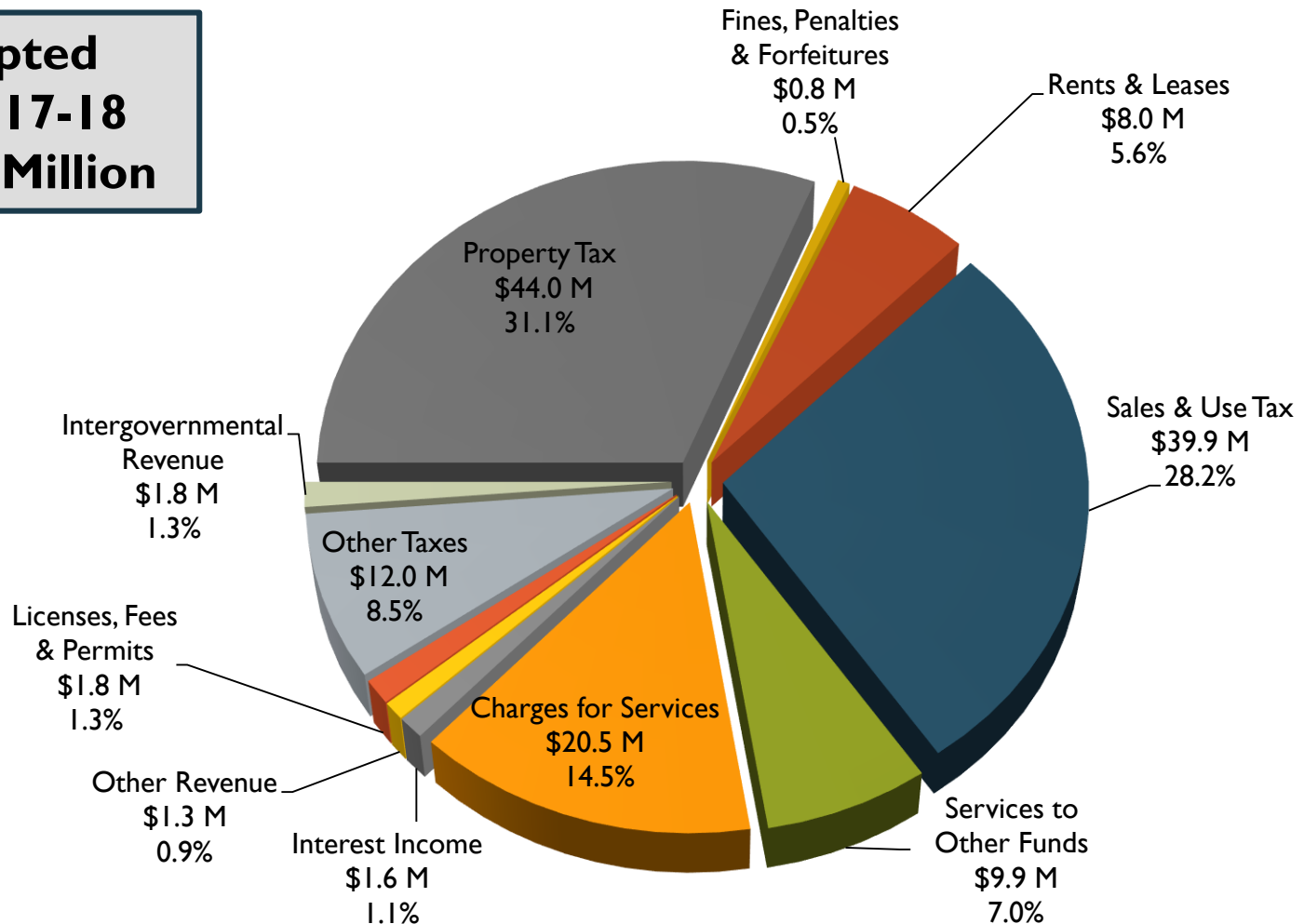
Emergency
contingency
reserve
depleted

WHY DO WE HAVE A PROBLEM?

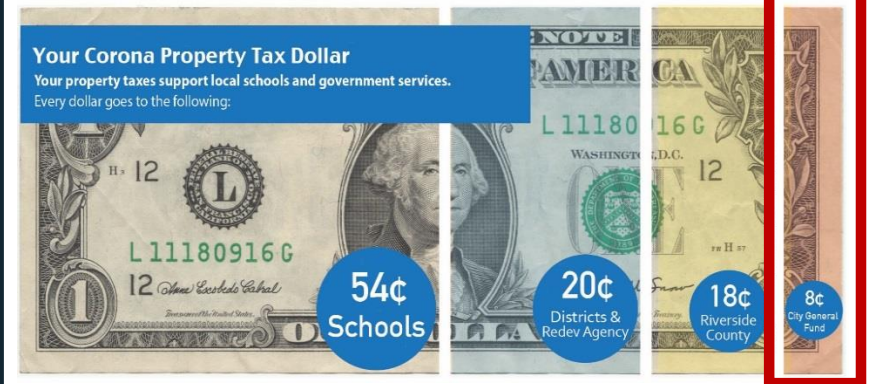
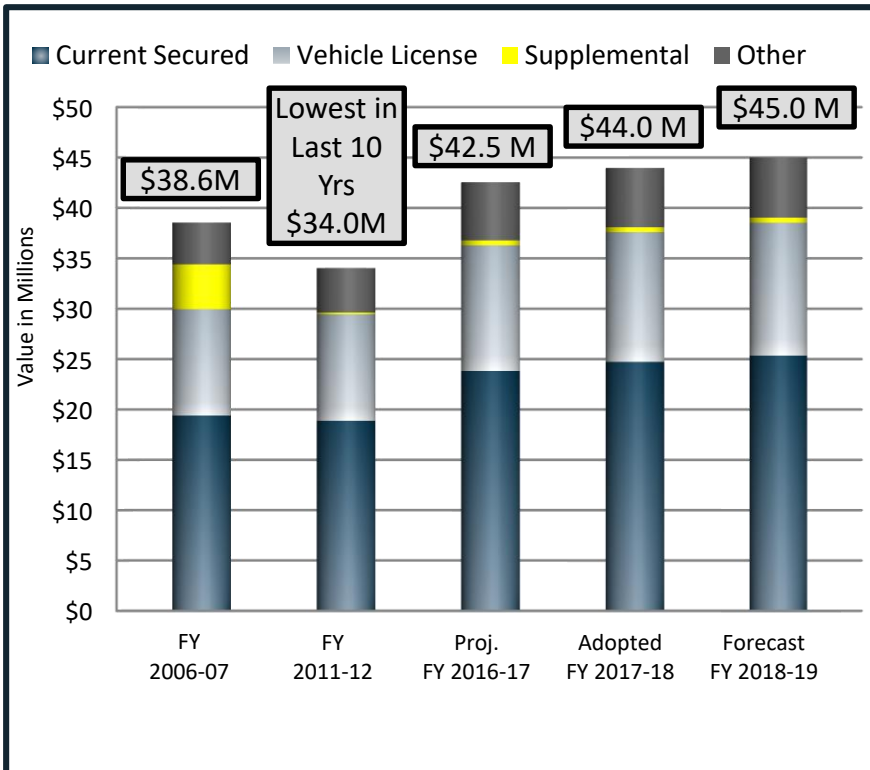
- Changes at the State level – e.g., dissolution of Redevelopment Agency
- Unable to grow revenue at the same rate as increased expenses
 - Sales tax is flat – shoppers behavior is changing
- Personnel costs - 70% of operating budget
- **CalPERS is the biggest issue**
- Medical insurance continues to rise
- New FLSA decision (*Flores case*) which increases the cost of overtime
- We are a full-service City with only 26% of the revenue being available for service and supply costs
- Deferring necessary maintenance and repairs – more expensive in the long run

REVENUES – GENERAL FUND

**Adopted
FY 2017-18
\$141.6 Million**



PROPERTY TAXES – GENERAL FUND



Example:
Home valued at \$500,000
1% secured property tax = \$400 to City of Corona General Fund

Corona's Median Home Price - \$460,000
(3rd Qtr 2016 data)

SALES TAXES – GENERAL FUND



The City's sales tax rate is 7.75%. This means for every \$100 you spend, you spend another \$7.75 in sales tax.

Taxable Sales Sales Tax Receipts

FY 2006-07
\$3.6 Billion

\$39.7
Million

Est. FY 2017-18
\$3.6 Billion

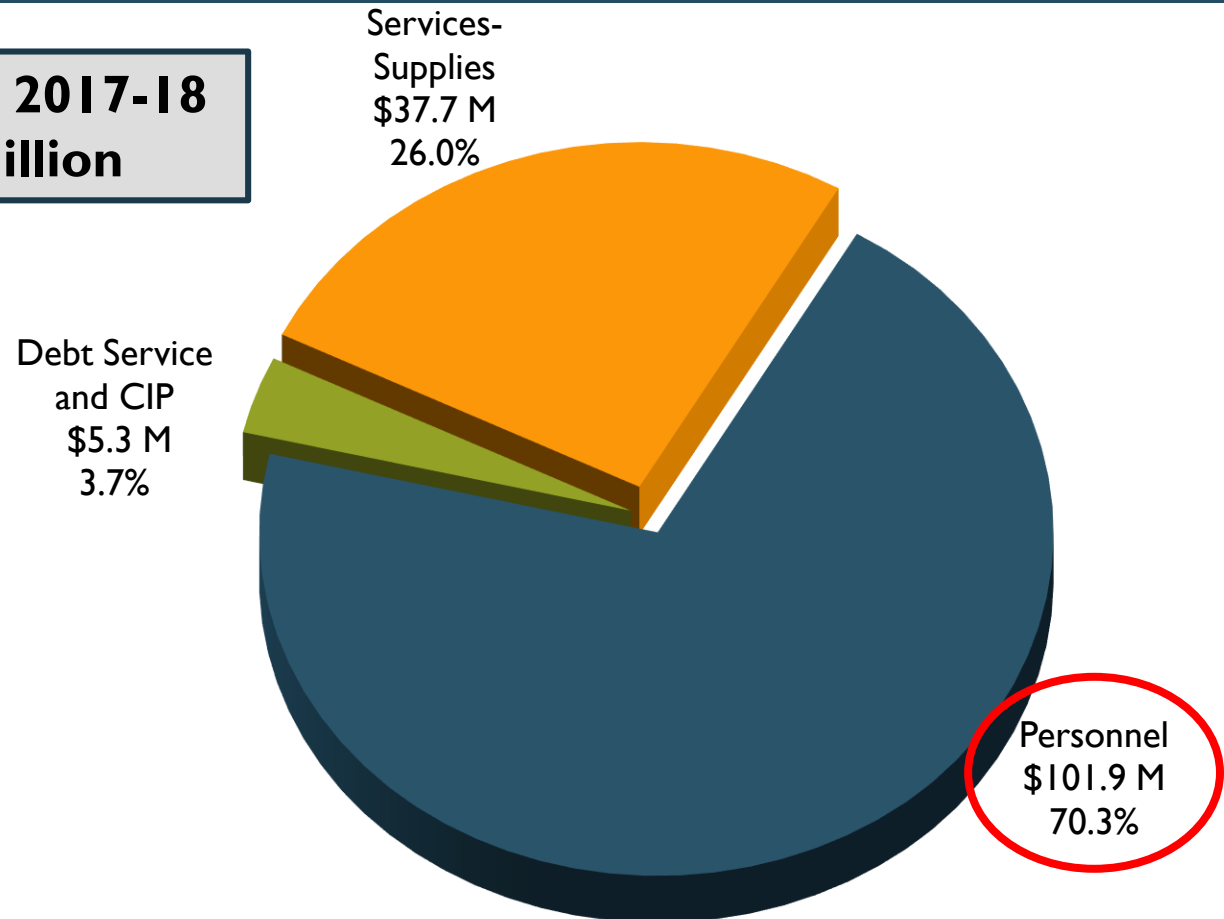
Estimated
\$39.9
Million

County Transportation	\$0.25
Measure A	\$0.50
City General Fund	\$1.00
State of California	\$6.00

Total Tax Paid **\$7.75**
(on a \$100 purchase)

EXPENDITURES – GENERAL FUND BY EXPENSE CATEGORY

**Adopted FY 2017-18
\$144.9 Million**



RISING PENSION COSTS

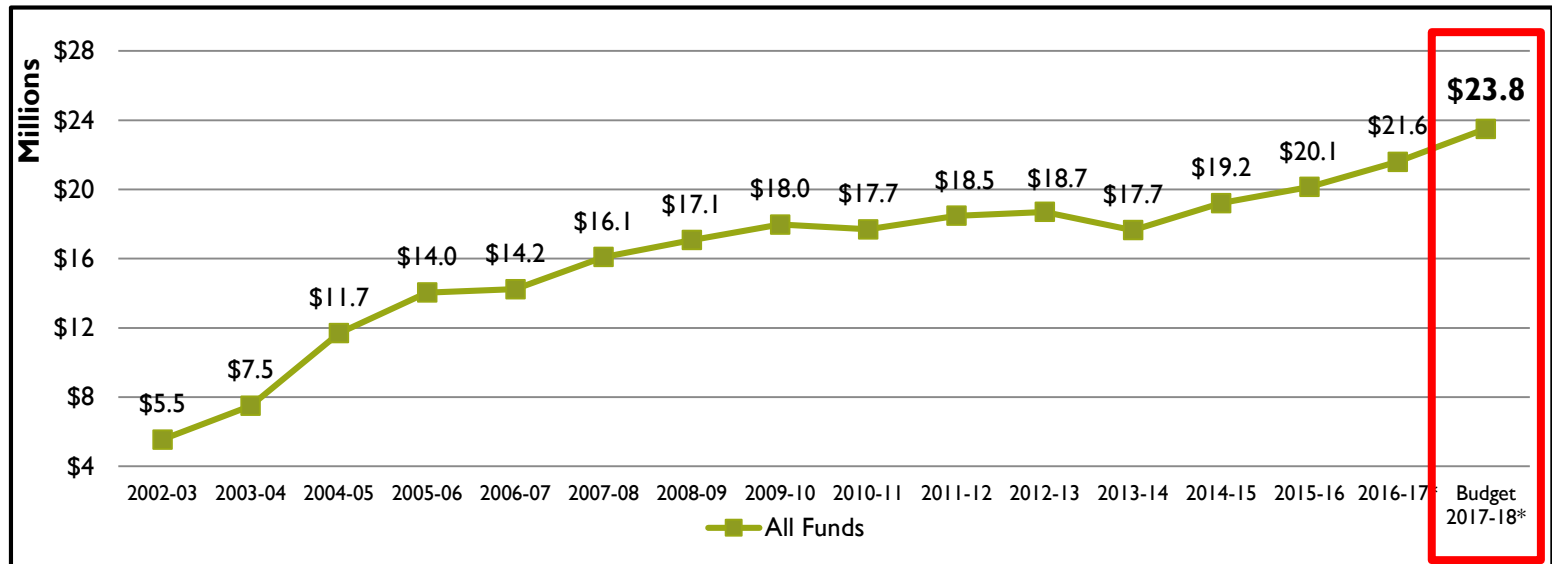
Major factor impacting personnel costs in all funds

- CalPERS 5 year return on investment – underperforming
- CalPERS rate calculation changes in recent years
 - Changes in mortality rate assumptions
 - Change in discount rate (investment rate of return)
 - Investment policy and strategy (socially conscious investing)
- Annual contributions will rise from **\$23.8M** currently to **\$38.3M** by FY 2022-23

UNCONTROLLABLE COST CONTRIBUTORS

Major cost increase in the following areas over past 15 years:

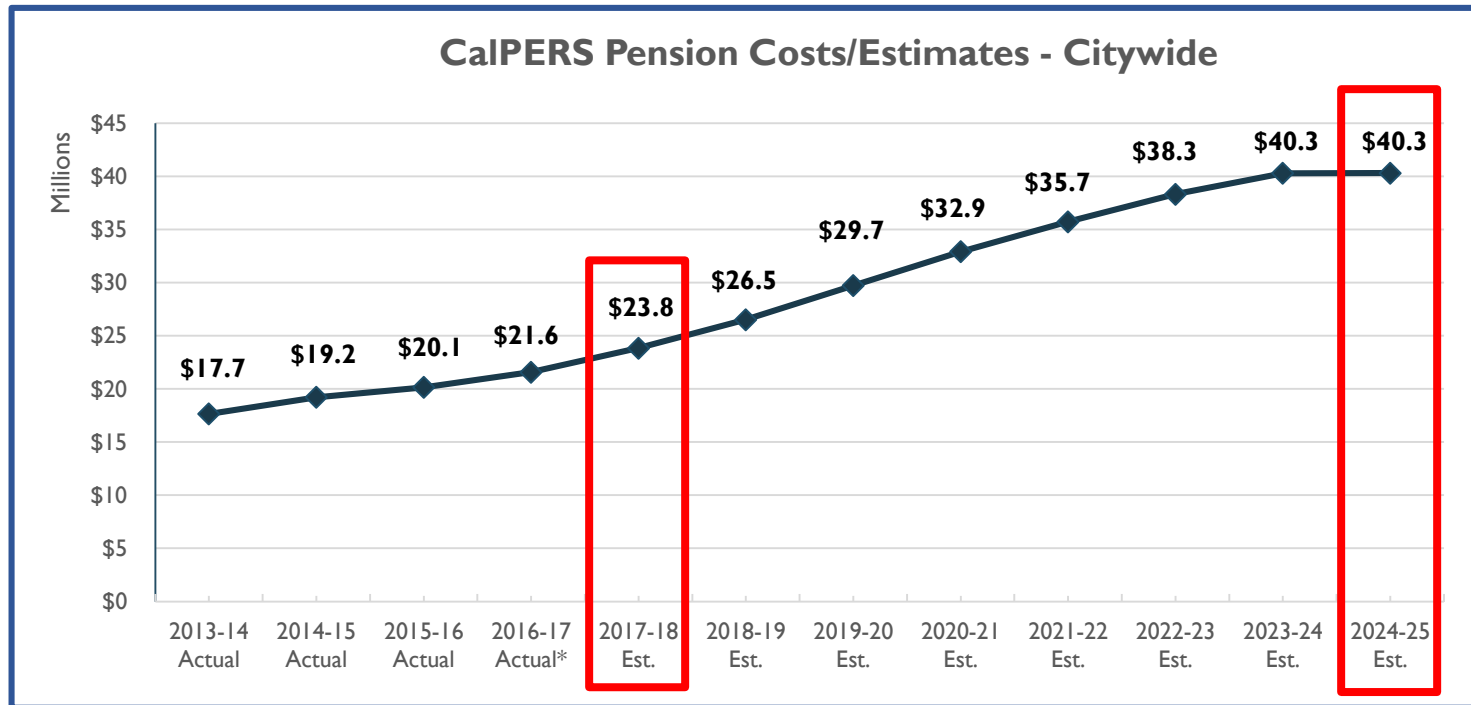
- PERS contributions have increased **304%**



*Differs from actuarial report due to prepayment option and vacant positions.

- Health costs have increased over **95%**
- Workers Comp rates have increased by over **100%**

CALPERS PENSION COSTS - CITYWIDE



*Differs from actuarial report due to prepayment option and vacant positions.

- Based on June 2016 actuarial reports received July 2017
- Includes changes to PERS discount rate approved December 2016



CALPERS ACTUARIALS

PROJECTED EMPLOYER CONTRIBUTION AMOUNT

	August 2016 Actuarial Report									Cumulative Change	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Amount	Percent
Misc.	10,571,358	\$11,530,359	\$12,612,673	\$13,739,898	\$14,490,320	\$15,286,265	\$15,937,158			\$ 5,365,801	50.76%
Police	7,854,963	8,285,412	9,004,733	9,756,670	10,310,585	10,793,410	11,195,480			3,340,517	42.53%
Fire	3,533,923	3,975,172	4,483,838	5,023,298	5,352,484	5,708,592	5,967,740			2,433,817	68.87%
Fire PEPR	53,262	52,861	52,867	53,001	53,143	53,230	53,290			29	0.05%
Total	\$22,013,505	\$23,843,804	\$26,154,111	\$28,572,867	\$30,206,532	\$31,841,497	\$33,153,668			\$11,140,164	50.61%

		July 2017 Actuarial Report								Cumulative Change	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Amount	Percent
Misc.		\$11,530,359	\$12,508,931	\$13,902,536	\$15,198,816	\$16,487,300	\$17,669,649	\$18,605,948	\$17,698,287	\$ 6,167,928	53.49%
Police		8,285,412	9,296,555	10,429,178	11,683,286	12,655,925	13,577,903	14,296,350	14,939,400	6,653,988	80.31%
Fire		3,975,172	4,619,619	5,301,909	5,937,074	6,493,074	6,971,074	7,295,074	7,569,074	3,593,902	90.41%
Fire PEPR		52,861	91,510	93,866	100,075	101,475	102,875	103,975	104,775	51,914	98.21%
Total		\$23,843,804	\$26,516,615	\$29,727,490	\$32,919,250	\$35,737,774	\$38,321,501	\$40,301,347	\$40,311,536	\$16,467,732	69.07%

	Difference								Total Increase	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
Misc.		\$ -	\$ (103,742)	\$ 162,638	\$ 708,496	\$ 1,201,035	\$ 1,732,491			\$ 3,700,917
Police		-	291,822	672,508	1,372,701	1,862,515	2,382,423			6,581,970
Fire		-	135,781	278,611	584,590	784,482	1,003,334			2,786,798
Fire PEPR		-	38,643	40,865	46,932	48,245	49,585			224,270
Total		\$ -	\$ 362,504	\$ 1,154,623	\$ 2,712,718	\$ 3,896,277	\$ 5,167,833			\$13,293,955

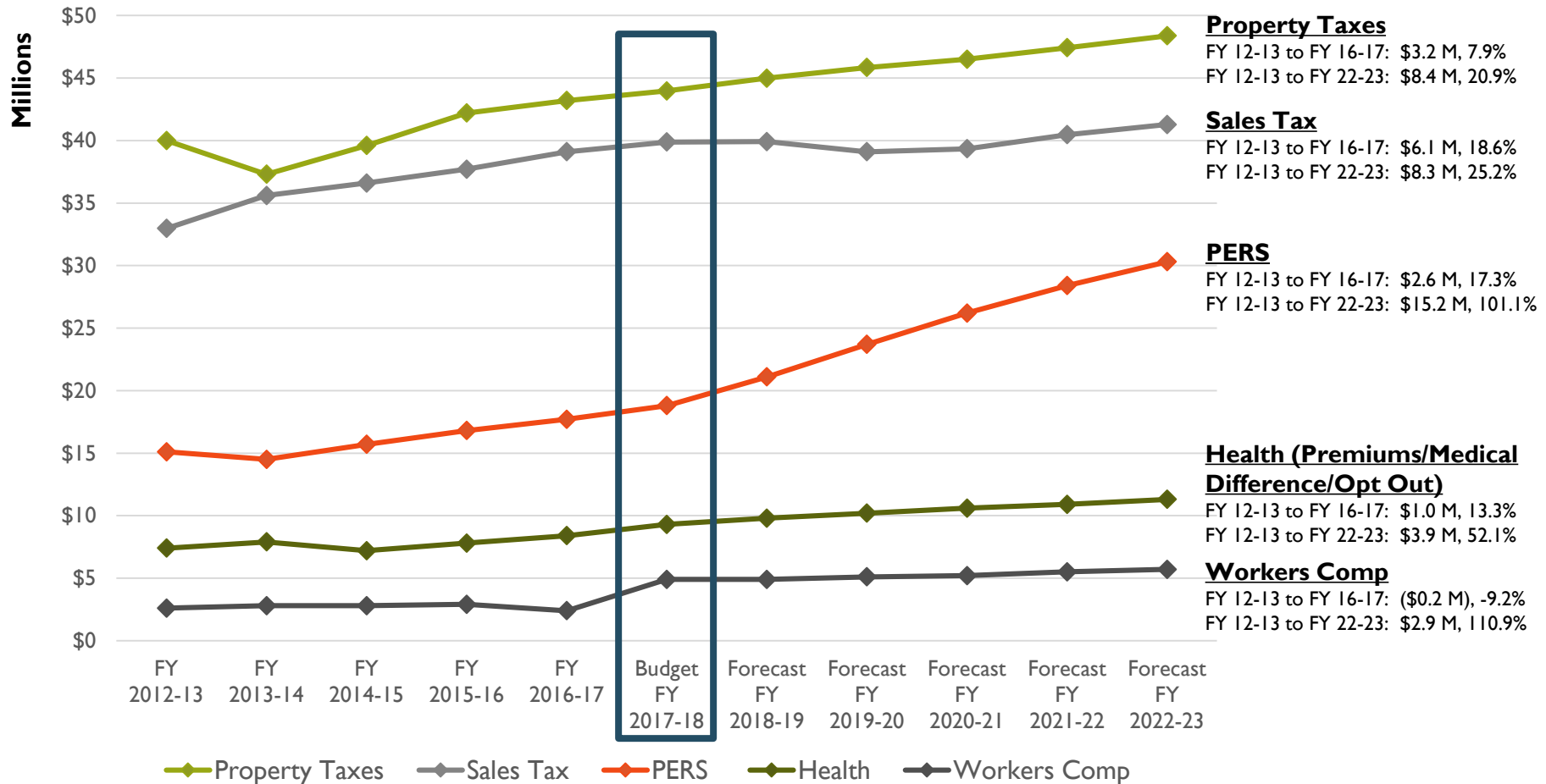
Note: Data in actuarial valuation reports for determining normal cost has changed slightly between the two years



General Fund

Major Revenue Categories and Major Personnel Expenditures

5 Year Actuals / Current Fiscal Year / 5 Year Forecast



WHY IS OUR CONTRIBUTION AMOUNT HIGH?

Why is Corona's CalPERS employer contribution rate so much higher than other agencies?

- Corona is an older City with many retirees
- Corona has the most generous formulas – 2.7 @ 55 for MISC and 3% @ 50 for classic members
- Corona has dropped to have one of the lowest funded ratios in the state – 60.1% versus a state-wide average of 68%
- Corona's personnel expense as a percentage of general fund revenue is extremely high – over 70% and growing

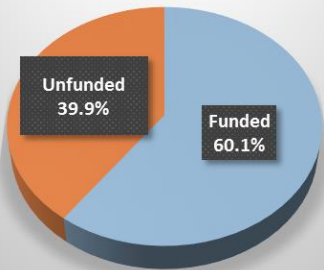
What does Corona's sky high contribution rate mean as a practical matter?

- Corona's pension problem is much worse than other agencies
- The labor argument that "other cities are experiencing CalPERS rate increases but are still giving raises" is misleading and unfair
- Corona cannot continue to offer the most generous employee benefit package in the state
- Corona cannot afford to be at or near the top in total compensation

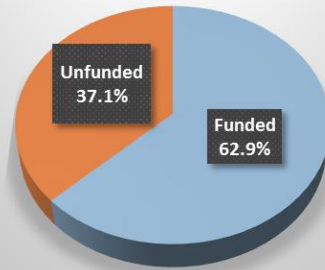
UNFUNDED CALPERS LIABILITY – JULY 2017

Plan	June 30, 2014		June 30, 2015		June 30, 2016	
	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability	Funded Ratio
Misc.	103,681,862	65.6%	113,765,363	63.6%	129,480,665	60.1%
Police	61,102,806	68.7%	67,952,480	67.0%	81,779,726	62.9%
Fire	27,846,968	80.0%	33,516,570	77.0%	42,249,164	72.6%
Fire PEPR	(34)	104.2%	2,994	91.0%	13,439	89.2%
Total	\$192,631,602		\$215,237,407		\$253,522,994	

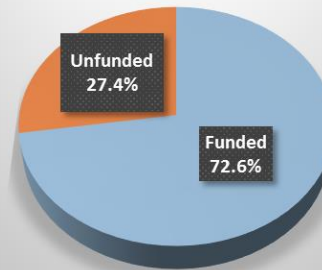
Misc. - June 30, 2016



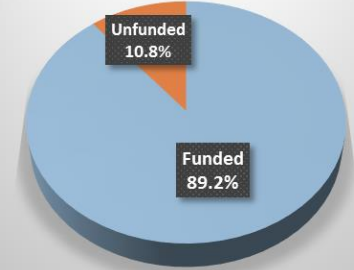
Police - June 30, 2016



Fire - June 30, 2016

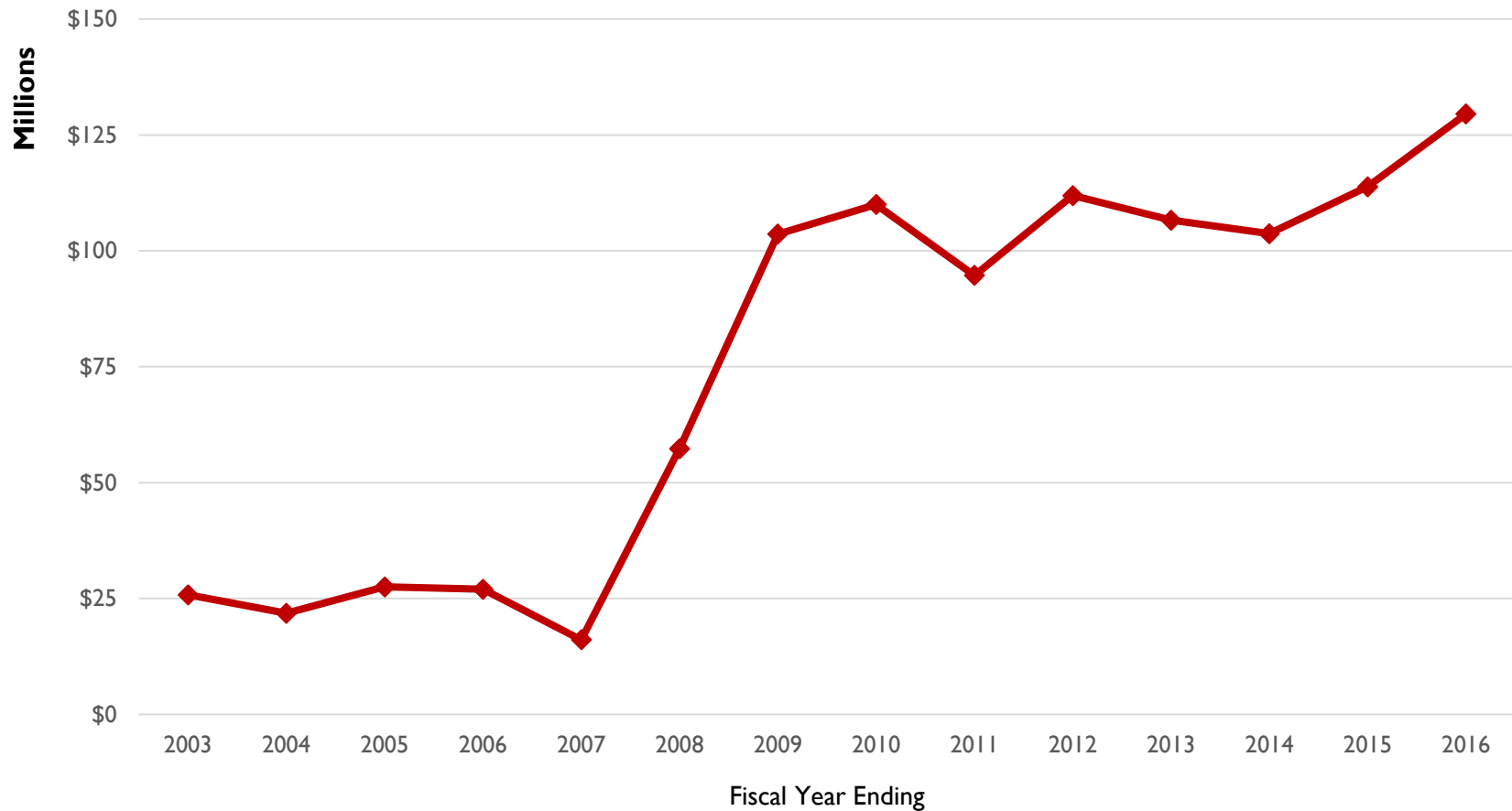


Fire PEPR - June 30, 2016

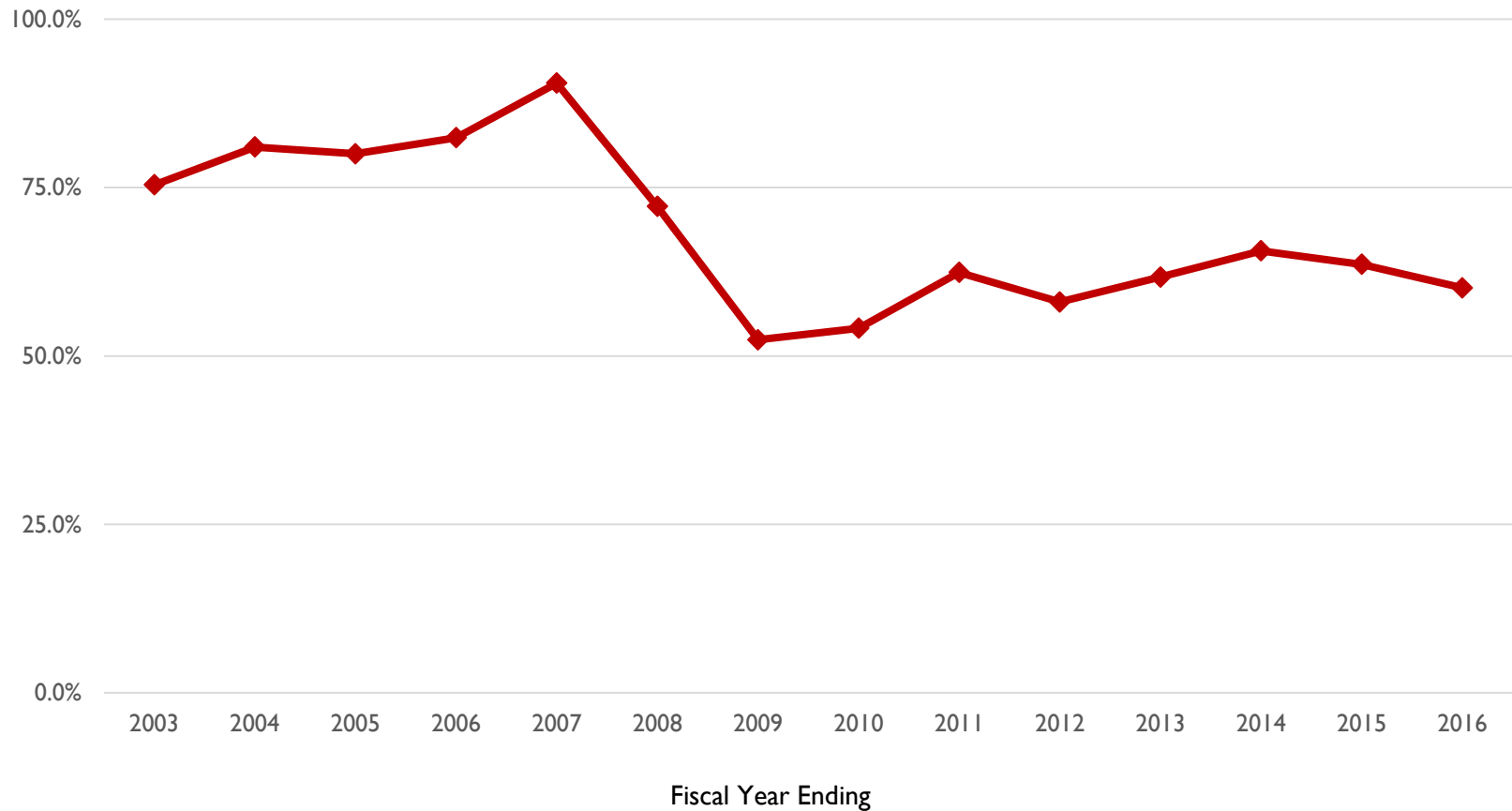


Note: Data obtained from the most recent CalPERS actuarial valuation dated July 2017

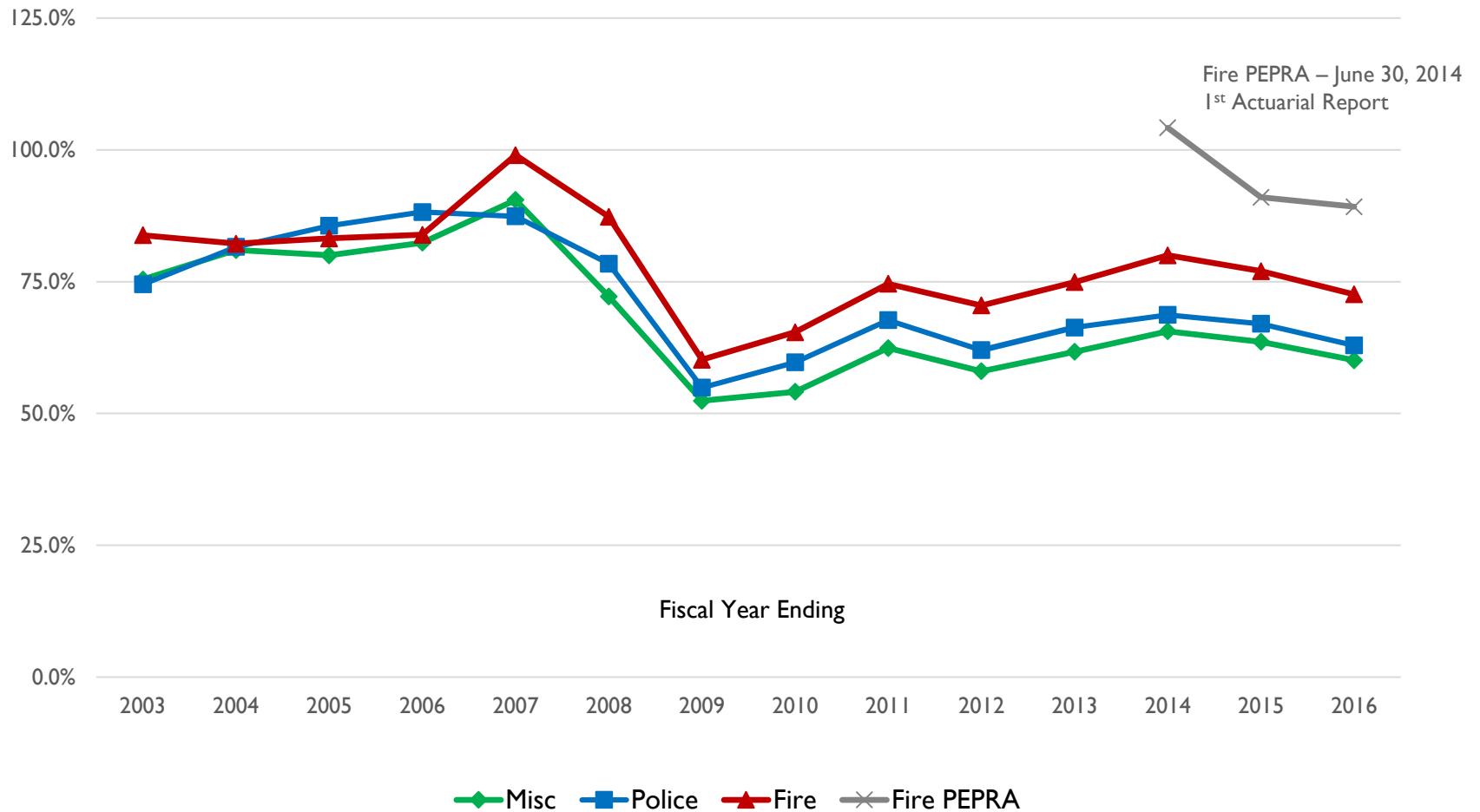
PERS UNFUNDED LIABILITY HISTORY - MISC. GROUP



PERS FUNDED RATIO – MISC GROUP



PERS FUNDED RATIO – ALL GROUPS



FINANCE AND ADMINISTRATION COMMITTEE MEETING— 9/19/17



REPORT ON PARTICIPATING EMPLOYERS

Public Agency Funded Status¹

Next year?

Corona's current funded ratio

Agency Type		0% - 50%	>50%- 60%	>60%-70%	>70%-80%	>80%-90%	>90%-100%	>100%	Total
Cities or Towns		0	1	180	248	11	8	1	449
Counties		0	1	21	16	1	0	0	39
Special Districts ²		4	8	115	520	87	41	18	793
Others									
•	JPAs	0	2	20	113	26	5	1	167
•	Non-Profits	0	0	11	35	12	2	3	66
Total		4	12	347	932	137	56	23	1,511

¹Data Source: June 30, 2016 Annual Valuation Reports;

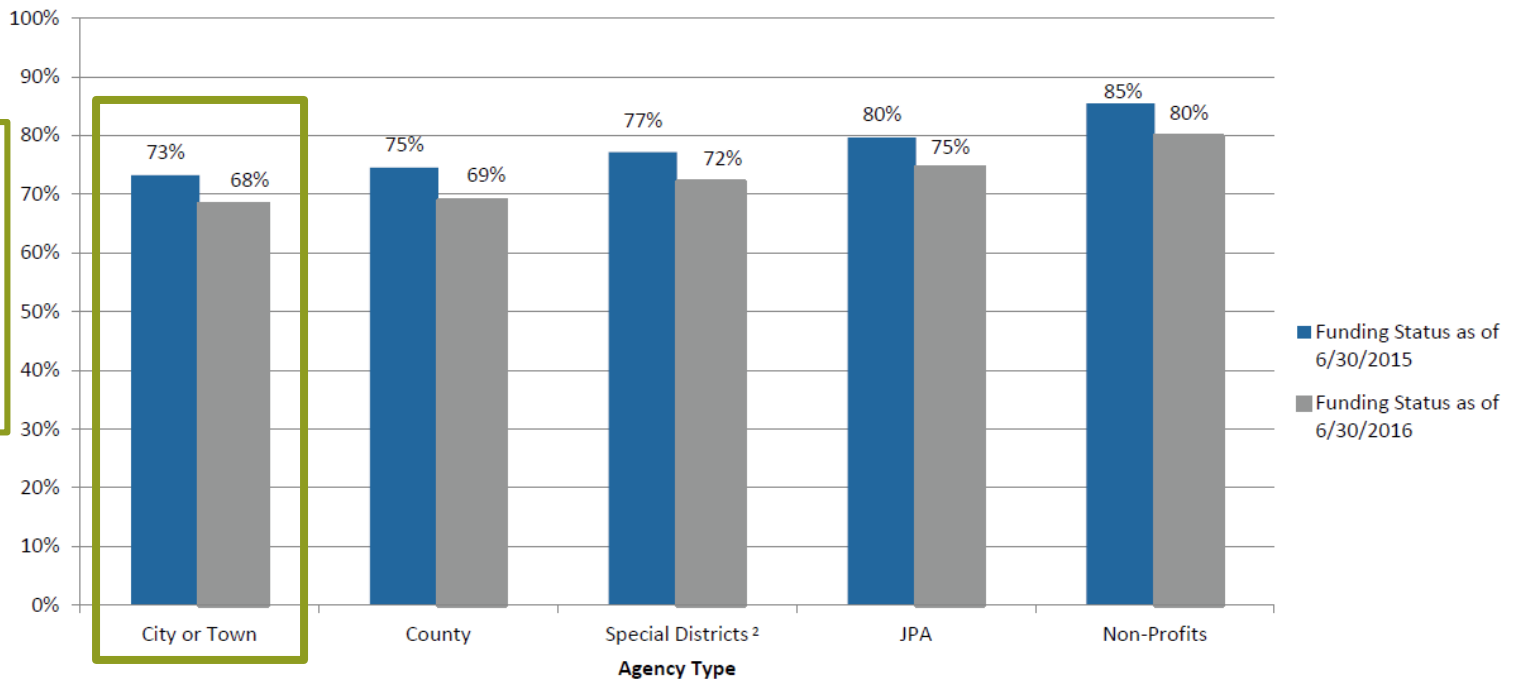
²Represents special districts in California who formed and are governed under a specific California government Code, such as Fire Protection Districts, Sanitation Districts, Transit District, Utility District and Water District.

FINANCE AND ADMINISTRATION COMMITTEE MEETING— 9/19/17



REPORT ON PARTICIPATING EMPLOYERS All Public Agency Funded Status¹

**Corona's
Misc. plan
funded
ratio -
60.1%**



¹Data Source: June 30, 2016 Annual Valuation Reports

²Represents special districts in California who formed and are governed under a specific California government Code, such as Fire Protection Districts, Sanitation Districts, Transit District, Utility District and Water District.



CALPERS REQUIRED EMPLOYER CONTRIBUTION

Every payroll
dollar requires
an additional
\$0.42 in PERS
contribution,
increasing to
\$0.48 in
FY 2018-19

CALPERS ACTUARIAL VALUATION - June 30, 2016
MISCELLANEOUS PLAN OF THE CITY OF CORONA
CALPERS ID: 1307711161

Required Contributions

	Fiscal Year	
	2017-18	2018-19
Normal Cost Contribution as a Percentage of Payroll		
Total Normal Cost	17.141%	17.496%
Employee Contribution ¹	7.782%	7.688%
Employer Normal Cost	9.359%	9.808%
Projected Annual Payroll for Contribution Year	\$ 27,549,770	\$ 26,087,903
Estimated Employer Contributions Based On Projected Payroll		
Total Normal Cost	\$ 4,722,306	\$ 4,564,340
Employee Contribution ¹	2,143,923	2,005,638
Employer Normal Cost	2,578,383	2,558,702
Unfunded Liability Contribution	8,951,976	9,950,229
% of Projected Payroll (illustrative only)	32.494%	38.141%
Estimated Total Employer Contribution	\$ 11,530,359	\$ 12,508,931
% of Projected Payroll (illustrative only)	41.853%	47.949%

For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

RECENT ARTICLES

Stanford Professor Joe Nation Talks Pension Crisis

Wed, 10/4/2017

The noose is tightening around California's cities and counties. At least one-third of local and state budgets now go toward public employee pensions. And that number is expected to climb much higher, putting a number of municipalities at risk of bankruptcy.

Public pensions are "the albatross around the necks of cities and counties," Stanford Professor of Public Policy Joe Nation told attendees at a university workshop on public retirement last month. "Unless we do something the system may not survive."

The nation's largest public pension system, CalPERS, is short by as much as \$1 trillion by some estimates, though unrealistic investment projections conceal the true extent of the problem. But the lower the projected rate of return, the more cities and counties -- and their taxpayers -- are forced to foot the bill. That puts everyone in a seemingly untenable position.

CBS San Francisco reporter Melissa Griffin recently sat down with Joe Nation to discuss the issue further.

"This is absolutely the most challenging issue facing state and local government, not just in California but across the country," Nation told her. No one is safe. No municipality should feel comfortable with the retirement system the way things are.

Nation talked about the need for leadership from both the state legislature and the public employees unions. He also discussed some of the legal aspects, including the fate of the so-called 'California rule.'



RECENT ARTICLES

State pension costs are crowding out basic services

By [The Editorial Board](#) |
October 11, 2017 at 8:16 am

Rising pension costs throughout the state will continue to crowd out resources needed for tangible services for years to come, according to a new report by the Stanford Institute for Economic Policy Research.

“There is contentious debate about what is driving these cost increases — significant retroactive benefit increases, unrealistic assumptions about investment earnings, policies that mask or delay recognition of true costs, poor governance, to name the most commonly cited,” explained former Assemblyman Joe Nation, who authored the report.

“[B]ut there is agreement on one fact: rising pension costs are making it harder to provide services traditionally considered part of government’s core mission...”

...There is no other way to look at it. The greater the share of the state budget pension costs account for, the less money there is to spend on anything else...

...It is imperative that we not allow this problem to get worse or allow squeamish politicians to keep sweeping the problem under the rug. Governments exist to serve not [sic] the public, not to sustain unsustainable pension benefits. Self-respecting taxpayers should not allow this to go on.



RECENT ARTICLES

Riverside County's pension costs could rise \$303.4 million by 2023

BY [JEFF HORSEMAN](#) | JHORSEMAN@SCNG.COM | THE PRESS-ENTERPRISE
PUBLISHED: OCTOBER 20, 2017 AT 3:07 PM | UPDATED: OCTOBER 20, 2017 AT 5:49 PM

By 2023, Riverside County expects to pay \$303.4 million a year more than it does now to cover public employee pension obligations, adding another hurdle to a county struggling to make ends meet.

After the Board of Supervisors' meeting Tuesday, Oct. 17, Jeffries added: "We – the board – knew that our pension costs would be increasing. However, the actual amount of the year-after-year increases are astounding and spell out even more trouble for our future budgets."

The pension committee put the county's unfunded pension liability at \$2.8 billion, up from about \$1 billion in 2013.

"For those folks that have been calling my office to ask for pay increases, we're looking at a \$2.8 billion unfunded pension liability," Supervisor Chuck Washington said Tuesday.

"For all of the people that are entitled to pensions, we have a number – a big number. And to meet that obligation we have a smaller number. And the gap between what we have and what we're going to pay is \$2.8 billion."...

..."It's not just here (that public agencies are struggling with pension costs). You hear it everywhere," Ashley said. "Somebody's got to step up and do something about it. It could be us to be the first one."



RECENT ARTICLES

Riverside County supervisors impose contract terms on sheriff's deputies' union

BY [JEFF HORSEMAN](#) | JHORSEMAN@SCNG.COM | THE PRESS-ENTERPRISE
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Riverside County will impose terms on the union representing sheriff's deputies after a year's worth of negotiations failed to produce a new contract.

County supervisors' Tuesday, Oct. 17, vote — which was 4-1 — came over the objections of the Riverside Sheriffs' Association, which warned the terms dictating overtime thresholds and other working conditions will cause deputies to leave the department. Supervisor V. Manuel Perez voted no. Supervisors countered that the county needs to save money in the face of rising costs that threaten to derail the county budget.

"Time's a wasting," said Supervisor John Tavaglione, who made the motion to impose terms. "We have been moving this for the last 16 months and (we have) not received one bit of savings yet."...

...The county has struggled financially as a series of new, ongoing and mandatory expenses outpace projected revenue growth. To put the county on a sustainable financial path that does not deplete savings, supervisors want to keep a tight lid on future expenses, especially labor costs.

...The county declared an impasse with the union on March 1, triggering mediation sessions and a fact-finding process that involved representatives of the county, union and a neutral third-party arbiter.

At one point, a tentative deal was reached. But union members voted it down...



WHAT HAVE WE DONE SO FAR TO ADDRESS THE PROBLEM?

- Sold unused property – land parcels and equipment
- Eliminated positions
- Eliminated fleet vehicles
- Consolidated departments for greater efficiencies and reduced costs
- Refinanced debt during favorable bond market times to lower debt payments
- Implemented zero based budgeting
- Implemented personnel vacancy rate into the budget

WHAT HAVE WE DONE TO MITIGATE BUDGET SHORTFALLS?

➤ **FY 2007-08**

- \$5 Million in reductions
- 28 vacant positions eliminated (full time)

➤ **FY 2008-09**

- \$10.5 Million in reductions
- 112 vacant and filled positions eliminated (full and part time)
- 56 vehicles eliminated

➤ **FY 2010-11**

- \$5.3 Million in reductions
- 57 vacant and filled positions eliminated (full and part time)
- 14 vehicles eliminated



WHAT HAVE WE DONE TO MITIGATE BUDGET SHORTFALLS?

➤ **FY 2011-12**

- Early Retirement Incentive Plan (PARS)
 - 72 vacant and filled positions eliminated (full time)
 - \$5.0 Million in reductions
- Refunded City Hall Lease Revenue Bonds - \$1.7 Million One Time General Fund Savings

➤ **FY 2012-13**

- Eliminated and extended life cycle of fleet vehicles – approximately \$700,000 in reductions
- Refunded several utility bonds

WHAT HAVE WE DONE TO MITIGATE BUDGET SHORTFALLS?

➤ **FY 2013-14**

- Consolidated departments to reduce costs and streamline operations
 - Maintenance Services separated from Public Works
 - Parks and LMD Maintenance merged with Maintenance Services
 - Recreation Services merged with Library
 - 14 vacant and filled positions eliminated (full and part time)
 - Approximately \$900,000 in reductions

➤ **FY 2015-16**

- Department reorganizations to reduce operating costs
 - Administrative Services
 - Department of Water and Power
 - 6 vacant and filled positions eliminated (full time)
 - Refunded Corp.Yard Lease Revenue Bonds - \$3.8 Million in One Time General Fund Savings

WHAT HAVE WE DONE TO MITIGATE BUDGET SHORTFALLS?

➤ **FY 2016-17**

- Implemented zero based budgeting
- Pre-funded PERS contribution for cash flow savings - \$522,489 in cash savings
- Formation of two Citywide Community Facility Districts (CFD)
 - 2016-1 Public Services – Potential annual tax revenue \$2.2 Million after build-out of CFD
 - 2016-3 Maintenance Services – Projected annual revenue \$20,860

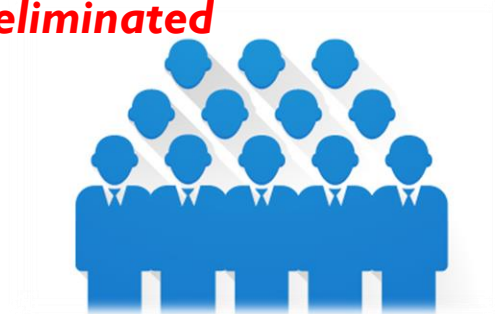
➤ **FY 2017-18**

- Established personnel vacancy factor in the budget

FULL TIME STAFFING LEVELS FY 2006-07 TO FY 2017-18

PERS Group	FY 2006-07 Authorized Full Time Positions	FY 2017-18 Proposed Full Time Positions	Change	% Change
Miscellaneous	569	368	(201)	(35.3%)
Police	191	162	(29)	(15.2%)
Fire	133	113	(20)	(15.0%)
Totals	893	643	(250)	(28.0%)

Note: Salary and benefits would be ~\$30M greater per year now if these 250 positions had not been eliminated



EXAMPLES OF CONTROLLABLE AND UNCONTROLLABLE COSTS

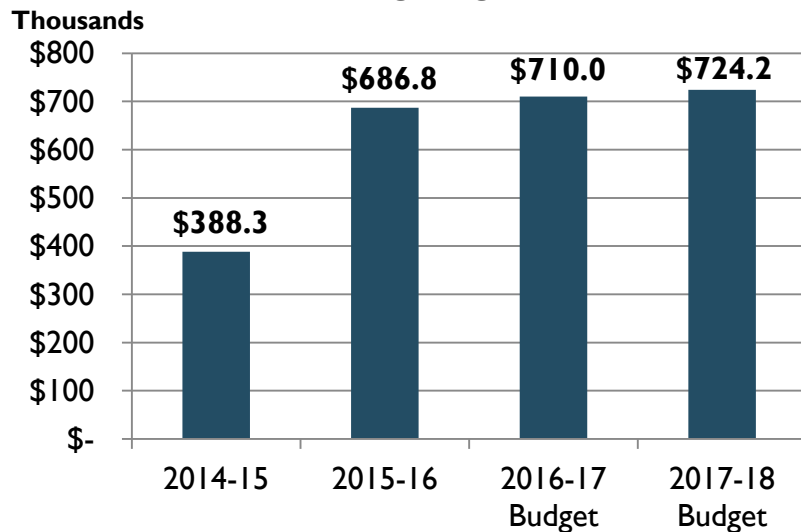
Factors Beyond our Control



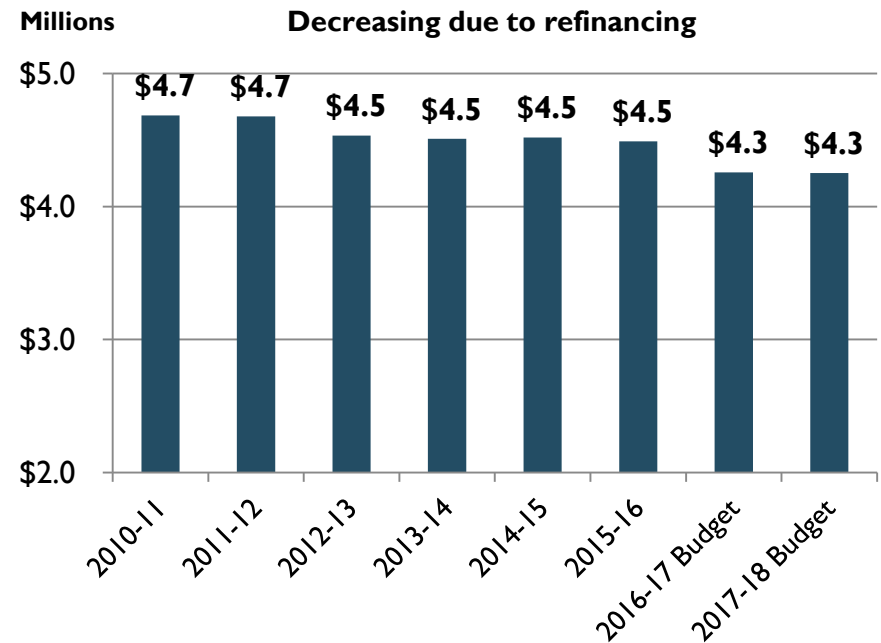
Factors Within our Control



**Landscape Maintenance Contracts
Prevailing Wage Increases**



**General Fund Debt Service
Decreasing due to refinancing**



WHAT DOES THE FUTURE LOOK LIKE?

- Continuous increase in CalPERS pension obligation
- Continuous increase in medical insurance
- Potential inability to make CalPERS annual contribution amount in future years
- Continued decline in CalPERS funded ratio - dropping below 60%
 - Impact to current credit rating of AA-
- Inability to keep up with necessary repairs and maintenance throughout the city

CHANGES MADE TO HOW WE BUDGET

- Zero based budget
- Vacancy rates
 - Miscellaneous 4%
 - Miscellaneous – DWP 10%
 - Police 2%
 - Fire 1%



Permanent Employee Salaries - BY CATEGORY - SWORN/NON-SWORN

Savings at Fiscal Year End

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	
	Percent	Percent	Percent	Percent	Percent	
Category	Remaining	Remaining	Remaining	Remaining	Remaining	5 Yr Average
Miscellaneous	4.2%	3.5%	4.7%	3.7%	9.8%	5.2%
Miscellaneous - DWP	12.8%	11.5%	10.2%	15.1%	18.7%	13.7%
Police	5.4%	4.3%	2.4%	3.0%	2.8%	3.6%
Fire	0.6%	1.1%	1.7%	2.9%	1.2%	1.5%
Grand Total	5.1%	4.6%	4.2%	5.2%	7.3%	5.3%

CHANGES MADE TO HOW WE BUDGET

- Two Year Financial Plan
 - To improve financial planning
 - Assist with forecasting for longer term
 - Enhance communication and transparency
 - Focus on goals and priorities of the organization
- Performance Measures
 - What Works Cities
 - “If you can’t measure it, you can’t manage it, and we will be a data driven City.” ~Darrell Talbert



WHAT STILL NEEDS TO BE DONE?

- We need to close the budget gap
- We need to right size the benefits and control our costs
- We need to maintain our Emergency Contingency reserve
- We need to reduce our unfunded liability
- We need a viable plan for financial sustainability

CITY'S PROPOSED CHANGES TO COMPENSATION AND BENEFITS

1. Eliminate compensatory time banking
2. Adopt FLSA definition for overtime
3. Cap medical allowance
4. Cap Tier II medical difference
5. Increase medical insurance opt out benefit
6. Create a Tier IV
7. Eliminate flex spending
8. Restructure certificate and assignment pay
9. Restructure Spanish pay
10. Cap tuition reimbursement
11. Annual leave buy-back calculated on base hourly rate only
12. 2% COLA

COMPENSATORY TIME BANKING

- The City proposes to eliminate compensatory time off (CTO)
- Currently Association members may elect, in lieu of overtime payment, to receive CTO which is calculated at a rate of 1.5 hours for each hour for which overtime is required
- Under the City's proposal, employees will be paid for all hours worked and will be ineligible to bank compensatory time in lieu of receiving overtime pay

FLSA OVERTIME

- Define overtime eligibility based on 'time worked' and not 'time in paid status'
- Currently 'time in paid status' allows an employee to take vacation, sick leave, jury duty and annual leave as a portion of the 40 hours worked and to qualify for overtime pay after 40 hours in paid status
- Under FLSA, only hours actually worked count toward OT eligibility
- Additional hours worked in excess of 40 hours to be paid at 1.5 times the regular rate and are non-PERSABLE
- The current practice unduly impairs management's ability to effectively manage OT
- This is not about employees working unscheduled nights, weekends and holidays
 - In the vast majority of situations, they will get overtime for unscheduled work
 - The only instance in which they may not is if they had paid time off that week

FLSA OVERTIME – CONT'D

- Those rare exceptions do not justify maintaining a deeply flawed and systematically abused practice
- FLSA is the standard in the private sector, and in most public agencies as well
- Riverside County recently imposed this change on its Deputy Sheriffs
- Corona can no longer afford or justify being the exception to the rule
- Corona can no longer afford to pay for 'fake' overtime

CAP MEDICAL ALLOWANCE

- Currently the City provides a medical allowance equal to the second highest PERS family plan
 - Employees without dependents still get the full family allowance
- The cost of medical insurance has roughly doubled since 2003 and continues to increase by an average of 6% annually
- Proposing to cap medical allowance at:
 - \$7,217/yr (Employee only)
 - \$14,434/yr (Employee +1)
 - \$18,764/yr (Employee +2 or more)

TIER II MEDICAL DIFFERENCE

- In addition to the City providing medical insurance to the employee, Tier II employees receive the difference between the cost of the health plan they elect and the cost of the second highest PERS family plan
 - Regardless of employee having dependents or not, medical difference is based on the value of full family plan
 - Some employees take advantage of a loophole by electing a plan they don't need solely to get more in medical difference than they would by opting out
- Medical difference has grown much larger than it was ever intended to be
 - Medical difference in 2001 - \$363 to \$4,668 annually
 - Medical difference in 2017 - \$648 to \$19,252 annually
- City proposes to close the loophole by capping the Tier II Medical difference at:
 - \$4,200 /yr (Employee only)
 - \$8,400/yr (Employee +1)
 - \$11,400/yr (Employee +2 or more)

2018 CALPERS HEALTH OPTIONS

- Potential employee premium contribution by plan if LBFO is implemented
- Based on 2017 Kaiser rates
- Informational handout provided to entire full-time workforce prior to this open enrollment cycle
- Many employees wisely adjusted their 2018 elections accordingly

HEALTH PLANS	SEMI-MONTHLY PREMIUM	MED DIFF* / OPT OUT **	EMPLOYEE PAYS***	COVERAGE LEVEL	MAX ANNUAL	MAX MONTHLY	MAX SEMI-MONTHLY
HEALTH CONTRIBUTION							
Anthem HMO Select - Employee	\$ 329.85		\$ (29.14)	Employee Only	\$7,217.00	\$ 601.42	\$ 300.71
Anthem HMO Select - Employee +1	\$ 659.69		\$ (58.27)	Employee +1	\$14,434.00	\$ 1,202.83	\$ 601.42
Anthem HMO Select - Family	\$ 857.60		\$ (75.76)	Family	\$18,764.00	\$ 1,563.67	\$ 781.84
MED DIFF							
Anthem HMO Traditional - Employee	\$ 367.54		\$ (66.83)	Employee Only	\$4,200.00	\$ 350.00	\$ 175.00
Anthem HMO Traditional - Employee +1	\$ 735.08		\$ (133.66)	Employee +1	\$8,400.00	\$ 700.00	\$ 350.00
Anthem HMO Traditional - Family	\$ 955.61		\$ (173.77)	Family	\$11,400.00	\$ 950.00	\$ 475.00
OPT OUT							
Blue Shield - Employee	\$ 347.99		\$ (47.28)	Employee Only	\$5,400.00	\$ 450.00	\$ 225.00
Blue Shield - Employee +1	\$ 695.97		\$ (94.55)	Employee +1	\$9,000.00	\$ 750.00	\$ 375.00
Blue Shield - Family	\$ 904.76		\$ (122.92)	Family	\$12,000.00	\$ 1,000.00	\$ 500.00
Health Salud y Mas - Employee	\$ 230.78	\$ 69.93					
Health Salud y Mas - Employee +1	\$ 461.56	\$ 139.86					
Health Salud y Mas - Family	\$ 600.03	\$ 181.81					
Health Net SmartCare - Employee	\$ 303.84		\$ (3.13)				
Health Net SmartCare - Employee +1	\$ 607.68		\$ (6.26)				
Health Net SmartCare - Family	\$ 789.99		\$ (8.15)				
Kaiser - Employee	\$ 333.40		\$ (32.69)				
Kaiser - Employee +1	\$ 666.80		\$ (65.38)				
Kaiser - Family	\$ 866.84		\$ (85.00)				
United HealthCare - Employee	\$ 308.33		\$ (7.62)				
United HealthCare - Employee +1	\$ 616.66		\$ (15.24)				
United HealthCare - Family	\$ 801.66		\$ (19.82)				
Pers Care - Employee	\$ 366.75		\$ (66.04)				
Pers Care - Employee +1	\$ 733.50		\$ (132.08)				
Pers Care - Family	\$ 953.55		\$ (171.71)				
Pers Choice - Employee	\$ 349.48		\$ (48.77)				
Pers Choice - Employee +1	\$ 698.96		\$ (97.54)				
Pers Choice - Family	\$ 908.65		\$ (126.81)				
Pers Select - Employee	\$ 327.37		\$ (26.66)				
Pers Select - Employee +1	\$ 654.74		\$ (53.32)				
Pers Select - Family	\$ 851.16		\$ (69.32)				
Porac - Employee	\$ 367.00		\$ (66.29)				
Porac - Employee +1	\$ 770.00		\$ (168.58)				
Porac - Family	\$ 985.00		\$ (203.16)				
Opt Out - Employee Only		\$ 225.00					
Opt Out - Employee +1		\$ 375.00					
Opt Out - Family		\$ 500.00					

* Payments for medical difference are considered taxable income and paid over 24 pay periods.

** Payments for opt out are considered taxable income and paid over 24 pay periods.

*** Deductions for medical premiums are taken over 24 pay periods.

MEDICAL INSURANCE OPT OUT

- Employees who 'Opt Out' of using the City's medical insurance receive a monthly cash payment
- Current opt out payment is:
 - \$3,552/yr (Employee only)
 - \$7,104/yr (Employee +1)
 - \$9,240/yr (Employee +2 or more)
- City proposes to increase the opt out payment to:
 - \$5,400/yr (Employee only)
 - \$9,000/yr (Employee +1)
 - \$12,000/yr (Employee +2 or more)
- The cost of providing this benefit is less than the cost of providing medical insurance
- Increasing the monthly allocation may make it more appealing to 'Opt Out'
 - Saves the City money

SUMMARY OF MEDICAL DIFFERENCE AND OPT OUT – CITYWIDE

Emp Group	Medical Difference		Opt Out		Grand Total per Pay Period	Annual Grand Total
	Total per Pay Period	Annual Total	Total per Pay Period	Annual Total		
CGEA	\$ 57,065.49	\$ 1,369,571.76	\$ 8,025.00	\$ 192,600.00	\$ 65,090.49	\$ 1,562,171.76
CSA	10,549.85	253,196.40	2,517.00	60,408.00	13,066.85	313,604.40
M&C/Exec	13,430.27	322,326.48	2,221.00	53,304.00	15,651.27	375,630.48
CPE/CPS	1,628.70	39,088.80	9,921.00	238,104.00	11,549.70	277,192.80
CFA	22,341.84	536,204.16	1,155.00	27,720.00	23,496.84	563,924.16
Total	\$ 105,016.15	\$ 2,520,387.60	\$ 23,839.00	\$ 572,136.00	\$ 128,855.15	\$ 3,092,523.60

Emp Group	Total Members	# Receiving Medical Diff	# Receiving Opt Out	Lowest Medical Diff (per Pay Period)	Average Medical Diff (per Pay Period)	Highest Medical Diff (per Pay Period)	Highest Medical Diff (Annually)
CGEA	227	136	25	\$ 26.91	\$ 419.60	\$ 802.17	\$ 19,252.08
CSA	40	24	7	\$ 26.91	\$ 439.58	\$ 764.02	\$ 18,336.48
M&C/Exec	61	27	6	\$ 26.91	\$ 503.96	\$ 739.13	\$ 17,739.12
CPE/CPS	155	11	26	\$ 73.88	\$ 148.06	\$ 206.40	\$ 4,953.60
CFA	95	68	3	\$ 15.96	\$ 328.56	\$ 802.17	\$ 19,252.08
Total	578	266	67				

Current Medical Opt Out (per Pay Period)	
Employee	\$ 148.00
Employee + 1	\$ 296.00
Family	\$ 385.00

CREATE TIER IV

- Create a new tier to reduce benefits and save money
 - Cap medical allowance up to \$947 per month, based on employee's level of coverage (employee only, employee +1, employee +2 or more)
 - No deferred compensation benefit
 - No retirement health savings benefit
 - No flex allowance
- Would only apply to employees hired on or after November 14, 2017



FLEX SPENDING ALLOWANCE

- City provides an annual allowance of \$1,500
- Benefit was suspended during the Great Recession – 2012 thru 2015
 - Reinstated January 1, 2016
- City proposes to eliminate



CERTIFICATE, ASSIGNMENT, AND SPANISH PAY

- Currently certificate, assignment and Spanish pay are a percentage of base pay
- City proposes to convert pay from a percentage to a flat dollar amount based on current average in each unit
- The City proposes to rename Spanish pay as “Bilingual Pay” and potentially to include other languages based on City’s needs

TUITION REIMBURSEMENT

- City provides financial reimbursement for tuition and textbooks for college courses
 - In most cases, reimbursed at the Cal State rate with no limit on total reimbursement
- The annual cost of this benefit is \$250,000 or more (citywide)
- City proposes to establish a cap that provides up to \$2,500 per year with a \$10,000 lifetime cap
- Employees with existing approved plans will be grandfathered

ANNUAL LEAVE BUY-BACK

- Full-time employees accrue annual leave as follows:

CGEA

<u>Years of Service</u>	<u>Post July, 1987 Hire:</u>		<u>Pre July, 1987 Hire:</u>	
	<u>Each Pay Period</u>	<u>Accrual Annual</u>	<u>Each Pay Period</u>	<u>Accrual Annual</u>
1-5	6.46	168 Hours	7.69	200 Hours
6-8	7.08	184 Hours	8.31	216 Hours
9-15	8.00	208 Hours	9.23	240 Hours
16+	9.54	248 Hours	10.77	280 Hours

CSA

<u>Years of Service</u>	<u>Accrual per Pay Period</u>	<u>Annual Accrual</u>
1-5 years	7.69 hrs.	200 hrs.
6-8 years	8.31 hrs.	216 hrs.
9-15 years	9.23 hrs.	240 hrs.
16 or more years	10.77 hrs.	280 hrs.

- City allows for employees to receive pay in lieu of using annual leave
- City proposes to convert payment of annual leave to base hourly rate, no special compensations added to rate

COST OF LIVING ADJUSTMENT (COLA)

- City Council recognizes that CGEA & CSA employees have not had an across-the-board COLA in ten years
 - However, Tier II employees have had an increase to their net pay if they receive medical difference, employees continued to receive step increases, some received large raises due to reclassifications and internal promotions, and everyone received an increase for the Employer Paid Member Contribution (EPMC) swap
 - For CGEA, benefit costs increased by 25% from 2016 to 2017
 - For CSA, benefit costs increased by 15% from 2016 to 2017
- Even with the City's proposal, total compensation will still be above average when compared to comparable cities
- An adjustment to the salary and benefits needs to occur so that total compensation is right-sized
 - Benefits need to be reduced
 - Salary will be increased by 2% under the City's proposal



CGEA BENEFIT COMPARISON – YEAR-OVER-YEAR GROWTH

	CGEA Actual 15/16		NEGOTIATION INFORMATION 16/17		Difference
	Actuals	Average	Average of Positions	Comments / Calculation method	
HEALTH INSURANCE	\$ 2,438,908.15	\$ 9,489.91	\$ 12,546.69	Current employee elections	\$ 3,056.77
SPECIAL COMPENSATION	323,345.88	1,258.16	1,175.00	Current employees with FY 15/16 actuals	(83.16)
MEDICAL DIFFERENCE	1,183,631.34	4,605.57	4,473.96	Current employee elections	(131.61)
ANNUAL LEAVE BUYBACK	194,640.10	757.35	824.20	Current employees, using FY 16/17 actuals (most recent data)	66.84
TIERED RHS BENEFITS	37,050.00	144.16	176.25	Budgeted positions, tier II and III	32.08
OPT OUT	226,296.00	880.53	770.57	Current employee elections	(109.95)
SECTION 125 FLEX PLAN	337,463.66	1,313.09	1,500.00	Budgeted positions	186.91
LONGEVITY	116,300.00	452.53	401.92	Current employees' longevity eligibility	(50.61)
LIFE INSURANCE	109,105.54	424.54	547.45	Calculated on base pay, at top step	122.92
BILINGUAL PAY	86,739.52	337.51	357.36	Current employees receiving benefit, calculated at top step	19.85
EDUCATION REIMBURSEMENT	78,390.13	305.02	271.71	Current employees with FY 15/16 actuals	(33.31)
SPECIAL DUTY PAY	133,967.68	521.28	1,011.34	Current employees with FY 15/16 actuals	490.06
DEFERRED COMP MATCH	86,648.38	337.15	500.00	Budgeted positions	162.85
TIERED DEFERRED COMP	110,250.00	428.99	528.74	Budgeted positions, tier II and III	99.75
PST DEFERRED COMPENSATION	744.67	2.90	-	N/A	-
Subtotal	\$ 5,463,481.05				
# of Employees	257	257	261		
Average	\$ 21,258.68	\$ 21,258.68	\$ 25,085.16		\$ 3,829.38
Additional employer costs not included above:					
PERS	\$ 4,518,193.23	\$ 17,580.52	\$ 24,742.07	Calculated on all items subject to PERS	\$ 7,161.55
Medicare	482,276.39	1,876.56	2,130.70	Calculated on all items subject to Medicare	254.14
Short Term Disability	31,001.60	120.63	159.93	Calculated on base pay, at top step	39.30
Long Term Disability	61,409.28	238.95	316.78	Calculated on base pay, at top step	77.83
Workers Comp	756,853.31	2,944.95	2,980.33	Calculated on base pay plus special compensation and bilingual	35.38
Unemployment Insurance	24,942.15	97.05	107.97	Calculated on all items subject to Unemployment Insurance	10.92
Safety Shoes	23,544.43	91.61	105.94	Based on eligible positions	14.33
Uniform Allowance	5,790.00	22.53	22.53	Based on eligible positions	(0.00)
Subtotal employer costs	\$ 5,904,010.39	\$ 22,972.80	\$ 30,566.26		\$ 7,593.46
Grand total	\$ 11,367,491.44	\$ 44,231.48	\$ 55,651.43		\$ 11,422.84
# of Employees	257	257	261		
Average	\$ 44,231.48				

25% increase
year-over-year



CSA BENEFIT COMPARISON – YEAR-OVER-YEAR GROWTH

	CSA Actual 15/16		NEGOTIATION INFORMATION 16/17		Difference
	Actuals	Average	Average of Positions	Comments / Calculation method	
HEALTH INSURANCE	\$ 537,617.29	\$ 10,541.52	\$ 12,220.26	Current employee elections	\$ 1,678.75
SPECIAL COMPENSATION	103,838.50	2,036.05	1,819.95	Current employees with FY 15/16 actuals	(216.10)
MEDICAL DIFFERENCE	224,595.40	4,403.83	6,012.79	Current employee elections	1,608.95
ANNUAL LEAVE BUYBACK	211,945.27	4,155.79	3,839.43	Current employees, using FY 16/17 actuals (most recent data)	(316.36)
TIERED RHS BENEFITS	17,100.00	335.29	457.14	Budgeted positions, tier II and III	121.85
OPT OUT	53,987.00	1,058.57	1,438.29	Current employee elections	379.72
SECTION 125 FLEX PLAN	66,889.09	1,311.55	1,500.00	Budgeted positions	188.45
LONGEVITY	62,700.00	1,229.41	1,266.67	Current employees' longevity eligibility	37.25
LIFE INSURANCE	38,482.25	754.55	826.45	Calculated on base pay, at top step	71.90
BILINGUAL PAY	29,144.63	571.46	335.21	Current employees receiving benefit, calculated at top step	(236.25)
EDUCATION REIMBURSEMENT	20,429.15	400.57	486.40	Current employees with FY 15/16 actuals	85.83
SPECIAL DUTY PAY	79,021.16	1,549.43	2,003.48	Current employees with FY 15/16 actuals	454.04
DEFERRED COMP MATCH	54,150.00	1,061.76	1,900.00	Budgeted positions	838.24
TIERED DEFERRED COMP	18,600.00	364.71	457.14	Budgeted positions, tier II and III	92.44
Subtotal	\$ 1,518,499.74				
# of Employees	51.0	51.0	42.0		
Average	\$ 29,774.50	\$ 29,774.50	\$ 34,563.21		\$ 4,788.71
Additional employer costs not included above:					
PERS	\$ 1,559,973.00	\$ 30,587.71	\$ 32,930.31	Calculated on all items subject to PERS	\$ 2,342.60
Medicare	154,609.92	3,031.57	3,508.40	Calculated on all items subject to Medicare	476.84
Short Term Disability	10,915.91	214.04	258.88	Calculated on base pay, at top step	44.84
Long Term Disability	21,623.49	423.99	512.81	Calculated on base pay, at top step	88.82
Workers Comp	154,552.61	3,030.44	5,314.88	Calculated on base pay plus special compensation and bilingual	2,284.44
Unemployment Insurance	7,966.88	156.21	176.69	Calculated on all items subject to Unemployment Insurance	20.48
Safety Shoes	1,183.36	23.20	37.50	Based on eligible positions	14.30
Uniform Allowance	11,880.00	232.94	306.67	Based on eligible positions	73.73
Subtotal employer costs	\$ 1,922,705.17	\$ 37,700.10	\$ 43,046.14		\$ 5,346.04
Grand total	\$ 3,441,204.91	\$ 67,474.61	\$ 77,609.36		\$ 10,134.75
# of Employees	51.0	51.0	42.0		
Average	\$ 67,474.61				

15% increase
year-over-year



UNDERSTANDING TRANSPARENT CALIFORNIA DATA

What it includes and doesn't include:

				Items not included on Transparent California
Regular pay	Overtime pay	Other pay	Total benefits	Employer Costs
Base Pay Bilingual Pay EMD Pay Supervisor Grade 5 Tier I Off Salary Schedule Shift Pay	Overtime	Stand By Medicare EE portion Medical Difference Medical Opt Out Flex (if paid in cash) Longevity Uniform Allowance Annual Leave Buyback	PERS Health Premiums Deferred Comp Match Deferred Comp Tier II / III RHS - Retirement Health Svgs	Medicare (other than EE portion) Short Term Disability Long Term Disability Workers' Comp Unemployment Insurance Life Insurance Safety Shoes Annual Leave Exceeding Max Tuition Reimbursement

SUMMARY OF ACTUAL COMPENSATION

- It is technically true that the non-sworn workforce has not received an across-the-board COLA for some time
- However, the practical reality is that nearly everyone has experienced pay increases on both the regular pay line, and even more so in employee benefits
- Total compensation is up substantially over the past several years
- Corona has been, and continues to be, a great place to work with competitive salaries and generous benefits

CGEA NEGOTIATIONS TIMELINE

- April 28, 2016 – CGEA #1
- May 10, 2016
- May 18, 2016
- June 22, 2016
- July 7, 2016 – City #1
- July 25, 2016
- August 16, 2016 – CGEA #2
- *Union requested a break to conduct its own audit of the City finances*
- *City conducted Food and Finance Educational Meeting for Employees*
- *City retained KPMG to conduct independent analysis of City's finances*
- March 14, 2017 - City #2
- March 22, 2017
- May 11, 2017 CGEA #3
- June 14, 2017 – City #3
- May 11, 2017 – CGEA # 4
- July 26, 2017 – City #4 verbal
- August 3, 2017 City Proposal #4/ Last Best and Final Offer (LBFO) by mail
- September 14, 2017 – impasse meeting CGEA #5

CURRENT PACKAGE

City	Average Salary	Average Benefits	Average Total Salary & Benefits
City of Anaheim	\$ 79,975.66	\$ 45,268.13	\$ 125,243.79
City of Corona	\$ 56,837.71	\$ 56,002.71	\$ 112,840.42
City of Moreno Valley	\$ 73,306.99	\$ 36,260.08	\$ 109,567.06
City of Orange	\$ 70,190.77	\$ 35,268.61	\$ 105,459.37
City of Fontana	\$ 60,612.59	\$ 41,732.58	\$ 102,345.17
City of Fullerton	\$ 63,248.00	\$ 37,094.71	\$ 100,342.71
City of Riverside	\$ 64,092.00	\$ 29,638.89	\$ 93,730.89
City of Ontario	\$ 63,993.29	\$ 29,669.37	\$ 93,662.67
City of Rancho Cucamonga	\$ 65,314.91	\$ 26,428.82	\$ 91,743.73
City of Pomona	\$ 60,381.60	\$ 20,362.01	\$ 80,743.61
City of San Bernardino	\$ 53,741.82	\$ 19,592.94	\$ 73,334.76
Median	\$ 63,993.29	\$ 35,268.61	\$ 100,342.71
% Above (Below) Median	-12.59%	37.02%	11.08%
Mean	\$ 64,699.58	\$ 34,301.71	\$ 99,001.29
% Above (Below) Mean	-13.83%	38.75%	12.26%

Health Benefits	Average	Corona	% Above (Below) Mean
Medical Allowance	\$ 15,608.35	\$ 22,176.60	29.62%
Flexible Benefit Allowance	\$ 1,026.29	\$ 1,500.00	31.58%

	Average	Corona	% Above (Below) Mean
Tuition Reimbursement	\$ 2,669.55	\$ 9,120.00	70.73%

UPDATED WITH LBFO**

City	Average Salary	Average Benefits	Average Total Salary & Benefits
City of Anaheim	\$ 79,975.66	\$ 45,268.13	\$ 125,243.79
City of Moreno Valley	\$ 73,306.99	\$ 36,260.08	\$ 109,567.06
City of Orange	\$ 70,190.77	\$ 35,268.61	\$ 105,459.37
City of Corona	\$ 57,974.47	\$ 44,882.76	\$ 102,857.23
City of Fontana	\$ 60,612.59	\$ 41,732.58	\$ 102,345.17
City of Fullerton	\$ 63,248.00	\$ 37,094.71	\$ 100,342.71
City of Riverside	\$ 64,092.00	\$ 29,638.89	\$ 93,730.89
City of Ontario	\$ 63,993.29	\$ 29,669.37	\$ 93,662.67
City of Rancho Cucamonga	\$ 65,314.91	\$ 26,428.82	\$ 91,743.73
City of Pomona	\$ 60,381.60	\$ 20,362.01	\$ 80,743.61
City of San Bernardino	\$ 53,741.82	\$ 19,592.94	\$ 73,334.76
Median	\$ 63,993.29	\$ 35,268.61	\$ 100,342.71
% Above (Below) Median	-10.38%	21.42%	2.44%
Mean	\$ 64,802.92	\$ 33,290.81	\$ 98,093.73
% Above (Below) Mean	-11.78%	25.83%	4.63%

Health Benefits	Average	Corona	% Above (Below) Mean
Medical Allowance	\$15,298.11	\$18,764.04	18.47%
Flexible Benefit Allowance	\$947.34	\$0.00	-

	Average	Corona	% Above (Below) Mean
Tuition Reimbursement	\$2,067.73	\$2,500.00	17.29%

*2016 Survey Data

** Updated LBFO factors surveyed as follows: salary for 2% COLA, medical allowance cap of \$18764/yr for family coverage, elimination of flexible spending allowance of \$1500/yr, and reduced tuition reimbursement to \$2500/yr.

CGEA

SUMMARY
OF SURVEY-
REFLECTING
LAST, BEST,
AND FINAL
OFFER

- Average Salary – second to lowest, below median
- Average Benefits – second highest, above median
- Total Compensation – fourth to highest, above median

2016 Survey Data

CSA NEGOTIATIONS TIMELINE

- April 2016
- April 27, 2016 – CSA #1
- July 20, 2016 – City #1
- July 25, 2016 – CSA Counter Proposal
- August 2, 2016 – City Counter Proposal
- August 2016 - Tentative Agreement Reached
- August 11, 2016 - Membership voted down Tentative Agreement
- *City conducted Food and Finance Educational Meeting for Employees*
- *City retained KPMG to conduct independent analysis of City's Finances*
- February 13, 2017
- March 23, 2017 - Food and Finance Educational Meeting for CSA members
- April 26, 2017 – CSA #3
- June 15, 2017 – City #3
- July 6, 2017 – CSA Response to City #3
- July 25, 2017 – City #4 (LBFO)
- August 17, 2017
- August 29, 2017 – CSA Comprehensive Counter Proposal
- August 30, 2017 – Declaration of Impasse



CSA

SUMMARY OF SURVEY- REFLECTING LAST, BEST, AND FINAL OFFER

CURRENT PACKAGE

City	Average Salary	Average Benefits	Average Total Salary & Benefits
City of Corona	\$ 111,375.00	\$ 78,694.73	\$ 190,069.73
City of Anaheim	\$ 121,694.25	\$ 55,082.54	\$ 176,776.79
City of Moreno Valley	\$ 123,691.26	\$ 52,795.40	\$ 176,486.66
City of Orange	\$ 109,676.00	\$ 49,584.03	\$ 159,260.03
City of Fullerton	\$ 94,875.00	\$ 59,917.63	\$ 154,792.63
City of Pomona	\$ 114,234.00	\$ 30,552.75	\$ 144,786.75
City of Fontana	\$ 94,591.44	\$ 49,830.98	\$ 144,422.42
City of Riverside	\$ 94,077.00	\$ 43,889.64	\$ 137,966.64
City of Rancho Cucamonga	\$ 99,192.00	\$ 35,194.33	\$ 134,386.33
City of San Bernardino	\$ 88,632.00	\$ 30,471.76	\$ 119,103.76
City of Ontario	\$ 76,932.00	\$ 34,985.54	\$ 111,917.54
Median	\$ 99,192.00	\$ 49,584.03	\$ 144,786.75
% Above (Below) Median	10.94%	36.99%	23.82%
Mean	\$ 102,633.63	\$ 47,363.57	\$ 149,997.21
% Above (Below) Mean	7.85%	39.81%	21.08%

Health Benefits	Average	Corona	% Above (Below) Mean
Medical Allowance	\$ 17,573.53	\$ 22,176.60	20.76%
Flexible Benefit Allowance	\$ 1,281.50	\$ 1,500.00	14.57%

	Average	Corona	% Above (Below) Mean
Tuition Reimbursement	\$ 2,746.82	\$ 9,120.00	69.88%

*2016 Survey Data

** Updated LBFO factors surveyed as follows: salary for 2% COLA, medical allowance cap of \$18764/yr for family coverage, elimination of flexible spending allowance of \$1500/yr, and reduced tuition reimbursement to \$2500/yr.

UPDATED WITH LBFO**

City	Average Salary	Average Benefits	Average Total Salary & Benefits
City of Corona	\$ 113,602.50	\$ 67,975.08	\$ 181,577.58
City of Anaheim	\$ 121,694.25	\$ 55,082.54	\$ 176,776.79
City of Moreno Valley	\$ 123,691.26	\$ 52,795.40	\$ 176,486.66
City of Orange	\$ 109,676.00	\$ 49,584.03	\$ 159,260.03
City of Fullerton	\$ 94,875.00	\$ 59,917.63	\$ 154,792.63
City of Pomona	\$ 114,234.00	\$ 30,552.75	\$ 144,786.75
City of Fontana	\$ 94,591.44	\$ 49,830.98	\$ 144,422.42
City of Riverside	\$ 94,077.00	\$ 43,889.64	\$ 137,966.64
City of Rancho Cucamonga	\$ 99,192.00	\$ 35,194.33	\$ 134,386.33
City of San Bernardino	\$ 88,632.00	\$ 30,471.76	\$ 119,103.76
City of Ontario	\$ 76,932.00	\$ 34,985.54	\$ 111,917.54
Median	\$ 99,192.00	\$ 49,584.03	\$ 144,786.75
% Above (Below) Median	12.69%	27.06%	20.26%
Mean	\$ 102,836.13	\$ 46,389.06	\$ 149,225.19
% Above (Below) Mean	9.48%	31.76%	17.82%

Health Benefits	Average	Corona	% Above (Below) Mean
Medical Allowance	\$17,263.30	\$18,764.04	8.00%
Flexible Benefit Allowance	\$1,059.28	\$0.00	-

	Average	Corona	% Above (Below) Mean
Tuition Reimbursement	\$2,145.00	\$2,500.00	14.20%

- Average Salary – fourth highest, above median
- Average Benefits – highest, above median
- Total Compensation – highest, above median

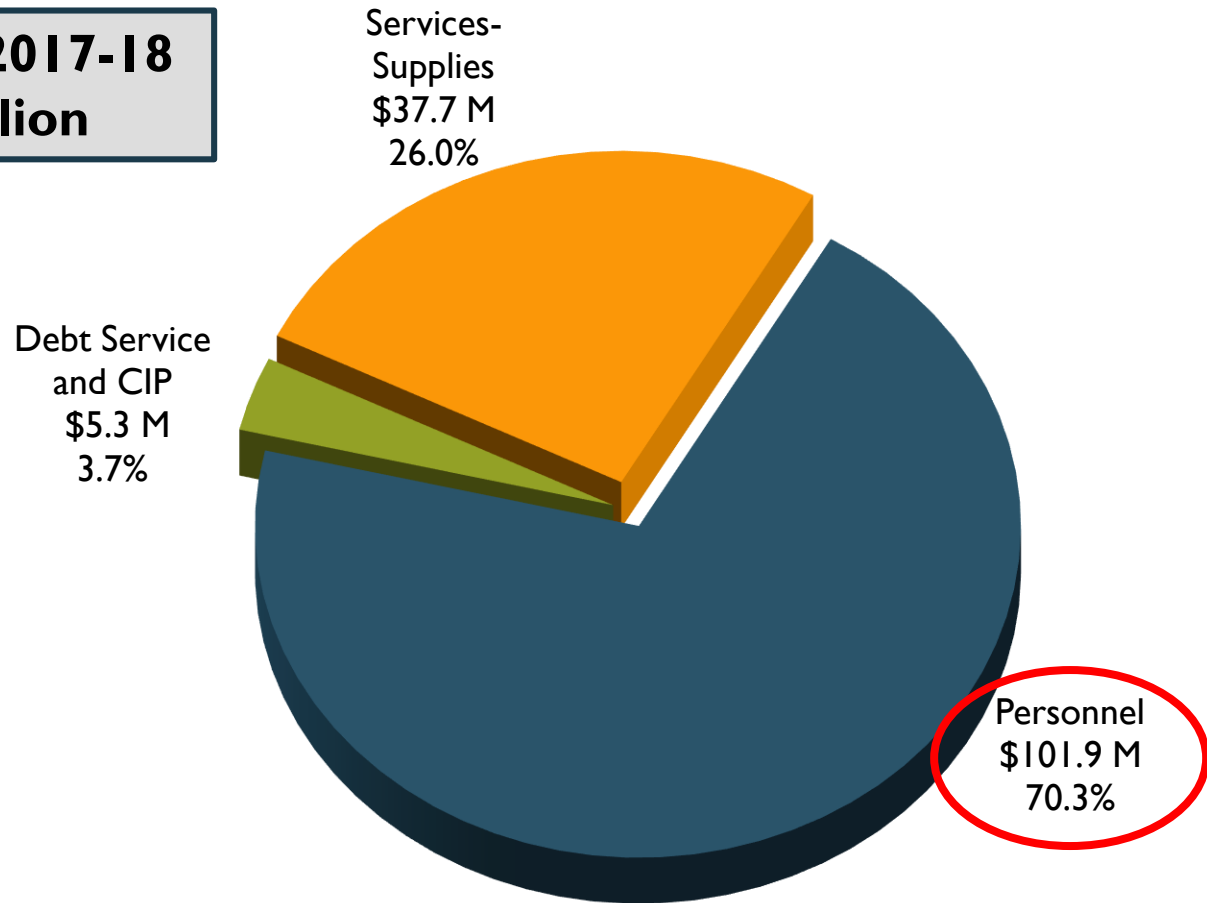
2016 Survey Data

PATH TO SUSTAINABILITY

- The structural deficit must be closed
- Otherwise, the City will be insolvent in four years
- Council is focused on fixing the structural deficit
- With personnel expenses consuming over 70% of revenue, the budget cannot be balanced without significantly reducing personnel costs – particularly benefits

EXPENDITURES – GENERAL FUND BY EXPENSE CATEGORY

**Adopted FY 2017-18
\$144.9 Million**



SERVICE AND SUPPLIES & DEBT SERVICE

- Debt service – non discretionary \$5.3M
- Service and Supplies – budgeted at operationally minimal amounts
 - Refuse and Recycling - \$7.3M
 - Professional and contractual services \$7.2M
 - Development agreements – \$4.1M
 - Utilities – gas, electricity, water (Prop. 218) \$3.0M
 - Vehicle acquisition and maintenance – \$3.0M
 - Park and landscape maintenance contracts \$1.6M
 - Liability Insurance – \$1.5M
 - Technology - \$1.4M
- Opportunities for meaningful cuts have already been exhausted

PERSONNEL COSTS – CONTROLLABLE VS. UNCONTROLLABLE

Uncontrollable

- PERS
- Workers comp
- Disability insurance
- Medicare – employer’s portion

Uncontrollable but manageable

- Health insurance
- Medicare – employee’s portion

Controllable

- Special compensation – bilingual pay, special duty pay, certificate pay
- Medical difference
- Annual Leave Buyback
- Opt out
- FLEX plan
- Longevity
- Life insurance
- Education reimbursement

- Personnel is over 70% of the budget and growing fast
 - CalPERS up more than 300% since 2003 - uncontrollable
 - Will increase from \$23.8M to \$40.0M over the next 7 years
 - Medical insurance continues to increase by about 6% annually - uncontrollable
 - Workers Compensation continues to increase at the same rate as medical insurance

FACT FINDING PROCESS

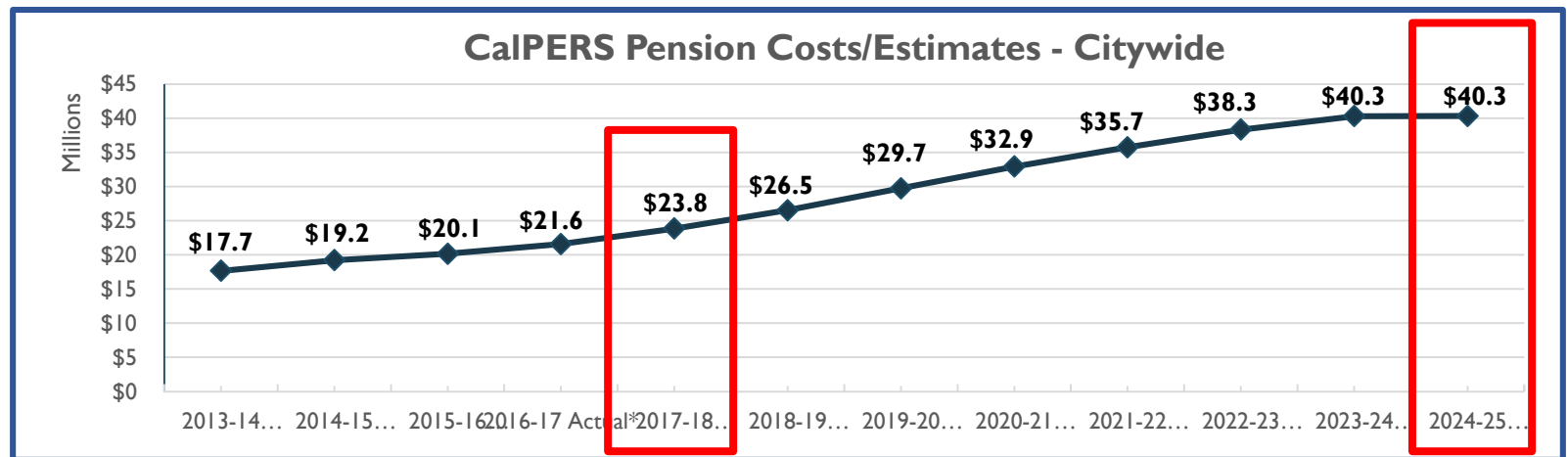
- The final step in the collective bargaining process required by State law is called Fact Finding
- Once the City declares impasse, the Association may request that the Public Employment Relations Board (PERB) appoint a neutral fact finder to help facilitate a settlement
- Unlike in a legal process or arbitration, the fact finders' role is not to call balls and strikes; rather, their objective is to encourage settlement
- In the vast majority of cases, the fact finder makes a recommendation which roughly splits the difference between the parties' positions
- The City went through the fact finding process with both CGEA and CSA
- As typically occurs, the fact finder made a 'split the baby' recommendation
- The City doesn't have the luxury of 'splitting the baby'

WHY FIXING THE PROBLEM CAN'T WAIT

- The lengthy negotiations that have already occurred have delayed cost containment
- FY 2016-17 should have been a cost savings year, but instead produced huge benefit cost increases under the expired MOU
- Benefit costs grew 25% for CGEA and 15% for CSA in just one year alone
- The budget was not balanced this year and won't be for the foreseeable future
 - We are deficit spending, meaning the expenses are more than revenue
 - We are relying on reserves to balance the budget

WHY FIXING THE PROBLEM CAN'T WAIT

- CalPERS annual required contribution amount is sky-rocketing!



- When you're four years away from insolvency you cannot postpone the savings for three, four, or five years
- The LBFO does not close the structural deficit in time to avoid insolvency, but its an important first step in that direction
- Additional steps will be needed in FY 2018-19

NON-REPRESENTED GROUPS

- The Management & Confidential Group will implement same terms from Last, Best, and Final Offers as presented to CGEA and CSA
- The Executive Group will implement the same terms from the Last, Best, and Final Offers as presented to CGEA and CSA plus unilaterally implementing additional reductions
 - In addition, the Executive Group will voluntarily reduce the automobile allowance by 20% to \$480 per month
 - Auto allowance is going from third highest when compared to comparable cities to the third lowest



CITY MANAGER EMPLOYMENT CONTRACT

- The City Manager will implement the same terms from the Last, Best, and Final Offers as presented to CGEA and CSA, and the same changes to the Executive Group Employee Resolution, including a voluntarily reduction in automobile allowance by 20% to \$480 per month
- The City Manager will also forego the 2% COLA which all other non-sworn employees will receive
- In exchange, the following additional changes will be made to the City Manager's contract:
 - Remove the cap on accumulated annual leave provided for in the Executive Group Employee Resolution
 - Amend the termination without cause provision to allow Employee to elect at any time prior to November 13, 2020 to receive an annual leave allocation of 1,600 hours to be used in accordance with the Executive Group Employee Resolution in lieu of a severance payment
 - Limit annual leave hours used to delay the date of retirement to two hundred and forty (240) hours if employee is voluntarily leaving employment and retiring
 - Eliminate auto allowance, bilingual pay, working out of class pay, annual leave hours accruals, executive leave hours accruals, deferred compensation match, quarterly contribution to the deferred compensation plan, and the Retirement Health Savings Account contributions while using unused annual leave to delay the date of retirement
 - Extend the term of the Agreement from a rolling twelve month period to a rolling twenty-four month period



CITY ATTORNEY/LEGAL & RISK MANAGEMENT DIRECTOR EMPLOYMENT CONTRACT

- The City Attorney/Legal & Risk Management Director will implement the same terms from the Last, Best, and Final Offers as presented to CGEA and CSA, and the same changes to the Executive Group Employee Resolution, including a voluntarily reduction in automobile allowance by 20% to \$480 per month
- Ratify the City Attorney/Legal & Risk Management Director's voluntary waiver of the increase in annual leave accrual scheduled to go into effect on January 1, 2017 that was authorized under his employment agreement, and replace it with the accrual rate authorized by the Executive Group Employee Resolution
- Ratify the City Attorney/Legal & Risk Management Director's voluntary agreement to eliminate the \$1,000 per month deferred compensation match authorized under his employment agreement, and replace it with the deferred compensation match amount authorized by the Executive Group Employee Resolution. Since June 2016, the City Attorney/Legal & Risk Management Director also voluntarily reduced the deferred compensation match authorized under the Employment Agreement by 20% to \$800 per month.

CLOSING REMARKS

- Large, growing structural deficits for the foreseeable future
- We are heading towards insolvency if we don't make meaningful changes now
- CalPERS is out of control
 - Employer contributions are sky-rocketing, while funded ratios are plummeting
 - Pensions are at risk
- Paying down unfunded pension liabilities requires budget surpluses, not deficits
- Citywide solution requires participation of all personnel, whether represented or not
- The Management & Confidential, Executive Management Group, City Manager and City Attorney/Legal & Risk Management Director will implement same terms
 - Executive Group, City Manager, and City Attorney are unilaterally implementing additional reductions

CLOSING REMARKS (CONT.)

- Benefits – particularly medical allowance and cash-in-lieu – are simply unsustainable
 - Benefit package increased 25% in CGEA and 15% in CSA last year alone – mostly CalPERS and medical
- City can no longer afford unlimited, uncapped medical premiums
 - Even with LBFO, cap will still be very generous and well above most comparable cities
- City can no longer afford to pay for medical insurance plus up to \$19,252 of medical difference per employee
 - Many members receive zero medical difference; only a small percentage receive an exorbitant amount (some taking advantage of a loophole)
- City can no longer afford to pay for 'fake' overtime based on time in paid status
 - Flores decision in June of 2016 makes overtime even more expensive

CLOSING REMARKS (CONT.)

- Further delay in implementation is not the solution
- 18 months of status quo during negotiations has already cost the City millions
- City is not seeking retroactivity
- Additional 'phasing in' will cost millions more
- Waiting is a luxury that the City can no longer afford
- We cannot continue to kick the can down the road
- The LBFO does not close the structural budget deficit – not even close
- The LBFO is the first of several steps to close the budget deficit

**The LBFO reflects a choice - not an easy choice, but the right choice.
And when you think about it, the only choice.
The choice to take the responsible, prudent path towards fiscal stability.**

PUBLIC HEARING - RECOMMENDED ACTION



November 14, 2017



RECOMMENDED ACTION

1. Adopt Resolution No. 2017-117, authorizing unilateral implementation of changes in wages, hours and terms and conditions of employment for employees in the Corona General Employees Association.
2. Adopt Resolution No. 2017-118, authorizing unilateral implementation of changes in wages, hours and terms and conditions of employment for employees in the Corona Supervisors Association.
3. Adopt Resolution No. 2017-112 (Governing Compensation and Benefits of Non-Represented Management/Confidential Group Employees) to incorporate the changes in wages, hour and terms and conditions of employment implemented for the non-safety employee bargaining groups.

RECOMMENDED ACTION

4. Adopt Resolution No. 2017-113 (Governing Compensation and Benefits of Non-Represented Executive Group Employees) to incorporate the changes in wages, hour and terms and conditions of employment implemented for the non-safety employee bargaining groups and to reduce the automobile allowance by 20% to \$480 per month.
5. Approve the attached Second Amendment to the Employment Agreement for Non-Represented Employee (City Manager) between the City and Darrell Talbert to incorporate the terms of the amended Compensation and Benefits Resolution for Executive Group Employees, to reduce the automobile allowance by 20% to \$480 per month and, in exchange for not increasing the base salary of Employee by 2%, to remove the cap on accumulated annual leave provided for in the Compensation and Benefits Resolution for Executive Group Employees, to limit annual leave used to delay the date of retirement upon voluntary resignation to 240 annual leave hours, to eliminate entitlement to certain additional compensation and other benefits while using unused annual leave to delay the date of retirement, to extend the term of the Agreement and to amend the termination without cause provision to allow Employee to elect to receive an annual leave allocation in lieu of a severance payment.

RECOMMENDED ACTION

6. Approve the attached Fourth Amendment to the Employment Agreement for Non-Represented Employee (City Attorney/Legal & Risk Management Director) between the City and Dean Derleth to incorporate the terms of the amended Compensation and Benefits Resolution for Executive Group Employees, to reduce the automobile allowance by 20% to \$480 per month, to ratify the employee's voluntary waiver of an increase in annual leave accrual proposed to go into effect on January 1, 2017, and to eliminate the \$1,000 per month deferred compensation match provided for under the Agreement.
7. Adopt Resolution No. 2017-114 approving the City of Corona Position Library and Compensation Plan and repealing prior Plans, including Resolution 2017-048.



LAST, BEST AND FINAL OFFER SUMMARY

1. Eliminate compensatory time banking
2. Adopt FLSA definition for overtime
3. Cap medical allowance
4. Cap Tier II medical difference
5. Increase medical insurance opt out benefit
6. Create a new tier
7. Eliminate flex spending
8. Restructure certificate pay
9. Restructure assignment pay
10. Restructure Spanish pay
11. Cap tuition reimbursement
12. Annual leave buy-back calculated on base hourly rate only
13. 2% COLA