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**City of Carson City
Agenda Report**

Date Submitted: September 11, 2006

Agenda Date Requested: September 21, 2006

Time Requested: 15 minutes

To: Board of Supervisors

From: Linda Ritter, City Manager

Subject Title: Action to approve a Voluntary Separation Program effective October 1, 2006 through December 31, 2006.

Staff Summary: Since learning of the operating results from FY 2006, staff has discussed methods by which we can successfully re-engineer our processes and work loads in order to reduce operational costs. We have determined that the best persons in the position to help us successfully adopt change in process and production are the employees currently carrying out those tasks. The question was posed - how can we motivate employees to develop new processes that could culminate in the elimination of their position? The result of that discussion is a Voluntary Separation Program. This Program, as proposed, would provide a separation benefit to those employees who help us identify new methods of doing business. The benefit is based upon years of service to Carson City, but in no case can it exceed \$25,000. The program will be managed and implemented through the Human Resource Department, however, Department Heads and supervisors will be deeply involved in determining the feasibility of the proposed changes in operations.

Type of Action Requested: (check one)
 Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to approve a Voluntary Separation Program effective October 1, 2006 through December 31, 2006.

Explanation for Recommended Board Action: As we look at staffing issues facing us in the future, we must recognize the fact that with the retirement of the Baby Boomer generation, we will face a shortage of manpower available to fill positions. With that in mind, now is the time to examine operational efficiency and the possibility of reducing overall headcount. At the very least, this program will give us the opportunity to re-allocate staff resources as business practices change and service demands shift.

Applicable Statue, Code, Policy, Rule or Regulation:

Fiscal Impact: Unknown

Explanation of Impact: Impact is dependent upon the number of successful applications received. We have targeted a 6 month payback where any separation payment made will be recouped within 6 months through the ensuing vacancy.

Funding Source: All Funds

Alternatives: Do not approve.

Supporting Material: Voluntary Separation Program

Prepared By: L. Ritter

Reviewed By: *J. Minton, Acting* Date: 9/12/06
(City Manager)
[Signature] Date: 9-12-06
(HR Director)
[Signature] Date: 9-12-06
(District Attorney)
[Signature] Date: 9-12-06
(Finance Director)


Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____

(Vote Recorded By)

CONFIDENTIAL

To: Linda Ritter

From: Ann Silver, Tom Minton 

Date: August 4, 2006

Re: Voluntary Separation Program

The purpose of this memo is to summarize Carson City's proposed Voluntary Separation Program (VSP) and to provide a concise outline of program design and eligibility factors, separation incentives, financial impact, personnel implications, and the implementation timeline.

PROGRAM DESIGN:

The purpose behind this voluntary separation program is two-fold: to realign staffing in order to maximize productivity and organizational efficiencies, *and* to accomplish financial objectives in the best interests of Carson City.

All employees are eligible without regard to age, years of service, PERS participation, department or any other criteria protected by federal and state law. However, the City reserves the right to decline applications for voluntary separation if the individual occupies a critical position or possesses skills or knowledge deemed critical to the safety and/or security of Carson City.

Any employee who elects voluntary separation and is deemed eligible will be required to sign a separation release document. Such a document will be prepared by the District Attorney's Office and contain the appropriate legal waivers that serve to protect the city from discrimination or other wrongful termination claims.

No employee who elects voluntary separation will be eligible for reemployment by the City of Carson City, under any circumstances, in any capacity (fulltime, part-time, consultant, hourly) for a minimum of eighteen (18) months from the date of separation of employment.

The voluntary nature of this program is in sharp contrast to any mandatory lay-off or early retirement program. Reductions in our workforce will be better accomplished by requesting departments to utilize reengineering and realignment strategies rather than exercising "bumping" provisions required by our collective bargaining agreements.

Ideally, the process of determining acceptable, voluntary separations will require our department directors to analyze productivity and efficiency gains and to ensure superior service to the citizens of Carson City without compromise.

SEPARATION INCENTIVES

It is critical that in addition to maintaining the voluntary nature of this program, each employee, if selected, is provided with a financial incentive that is easily calculated, well understood, and equitable, based on salary and length of service.

The following separation cash payment formula is proposed:

For employees who have completed 5 or more years of service:

20% of base salary + 1.5% of base for every year of service of 5 years or more, not to exceed a maximum separation payment of \$25,000.00.

For employees who have completed 3 or more years of service:

20% of base salary not to exceed a maximum separation payment of \$25,000.00.

For employees who have completed up to 3 years of service:

10% of base salary not to exceed a maximum separation payment of \$25,000.00.

Example:

Mary Smith

Annual salary: \$25,000

2.6 years of service

$\$25,000 \times 10\% = \$2,500$

Total payment = \$2,500.00

Example:

Joe Smith

Annual salary: \$55,000

12.5 years of service

$\$55,000 \times 20\% = \$11,000$

$7 \text{ years} \times 1.5\% \text{ of } \$55,000 = 5,775$

Total payment = \$16,775.00

Example:

Larry Smith

Annual salary: \$68,000

20.8 years of service

$\$68,000 \times 20\% = \$13,600$

$15 \times 1.5 \times \$68,000 = \$15,300$

Total = \$ 28,900.00

Maximum payment = \$25,000.00

As an alternative to a cash payment, an employee may elect the purchase of PERS credit, if vested. This alternative arrangement would be coordinated by the Human Resources Department in conjunction with PERS.

POTENTIAL FINANCIAL SAVINGS

The separation payment formulas were established in order to achieve an annual payback to Carson City of six (6) months or less, including the cost of employees' annual and sick leave payouts.

Approximately half of our current employees have less than ten (10) years of service and the average annual salary for all employees is \$52,000.00. Assuming we qualify a minimum of ten (10) employees for the program, the first and second year savings for the city resulting from these voluntary separations is shown below:

Assumptions:

Average annual salary	\$52,000
Average length of service	15
Maximum sick leave payout	240 hours
Average vacation payout	160 hours

1st year savings:

Salaries	\$520,000
PERS & Medicare	@1.2120
Subtotal	\$630,240.00
Health Insurance	\$ 88,000
Total	\$ 718,240.00

LESS:

Retiree Health	\$ 10,800
Annual leave	\$ 40,000
Sick leave	\$ 60,000
Separation payout	\$ 182,000

NET SAVINGS: \$ 425,440.00

2nd year savings:

\$ 535,000 (3% COLA)
@1.2120
\$ 649,147.00
\$ 95,040 (8% increase)
\$ 744,187.00

\$ 10,800

\$ 733,387.00

Payback period: 4.9 months

Please note that the calculations above are for illustrative purposes only and do not represent any assumptions as to which employees may elect to apply for the voluntary separation program.

PERSONNEL IMPLICATIONS

In order to realize the full benefits of this program, no position vacated as a result of an employee's voluntary separation will be refilled nor will an independent contractor be permitted to substitute for a vacated position unless the financial savings criteria is met (e.g. a six month payback period). Simply stated, staff reengineering will have been analyzed in advance of any employee separation and each department director will have determined how to best achieve and implement organizational efficiencies without the separated employee(s).

All applications for voluntary separation will be submitted to the VSP Committee, comprised of the City Manager, Finance Director, Human Resources Director and other

designated personnel. Each Director will be asked to present each application submitted by an employee in his/her department and to comment on the organizational impact of the employee's voluntary separation. The potential for organizational efficiencies and effectiveness will be reviewed by the full committee prior to the approval of any application.

Subsequent requests for reclassifications may be submitted to and reviewed by the Human Resources Department only in cases where an employee has assumed greater responsibilities or additional duties *as a result of* another employee's voluntary separation. In these cases, additional compensation will only be provided on an exception basis where the savings of a fulltime position more than pay for an appropriate, equitable adjustment.

IMPLEMENTATION TIMELINE

A proposed schedule with assigned responsibilities is listed below:

Monday, August 14	Program presentation to all department Directors by City Manager – Finance – Human Resources
Thursday, September 21	Presentation to Mayor and Board of Supervisors
Monday, September 25 through Wednesday, September 27	Director-Supervisor training on program details
Monday, October 2 through Friday, October 6	Employee Information Meetings conducted by Human Resources Department; program components are explained and applications are distributed.
Friday, November 17	Voluntary Separation Applications due in to the Human Resources Department
Monday, November 27 through Tuesday, November 28	Voluntary Separation Program Panel convenes to review employee applications
Friday, December 1	Notify employees of selection; present voluntary selection agreement/waiver to each employee; employees provided with five (5) days to sign and return executed agreement.
Friday, December 8	Separation date
Friday, December 15	Separation payments due and payable

Special attention will be paid to the manner in which communication regarding the Voluntary Separation Program is conducted.

To avoid possible employment discrimination claims, the Human Resources Department will provide *all* information, written or otherwise, to city employees. Directors will be advised to refrain from any conversation, formal or informal, that might be perceived as an attempt to coerce or pressure an employee to apply for the program and will be advised not to conduct staff meetings or group discussions during which any employees are identified as a potential candidates for separation. The voluntary nature of this program must be maintained at all times.