

STAFF REPORT
City of Lancaster, California

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10/25/11
MVB

Date: October 25, 2011

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager

Subject: **Amendment to Approved Voluntary Separation Incentive Program (VSIP)**

Recommendation:

Adopt **Resolution No. 11-71**, authorizing the City Manager to amend the Approved Voluntary Separation Incentive Program (VSIP) for employees within twenty four months of City retirement eligibility.

Fiscal Impact:

Ongoing, full year savings for separated positions under the enhanced program would be approximately 91% of full year salaries and benefits annually. For example, if 6 employees were to participate in the enhanced VSIP program, the program would cost an estimated \$67,000 annually for 15 years and save approximately \$770,000 annually. The total cost of the program is recovered in 16 months. No additional funds are needed in the current fiscal year as funding for the program comes entirely from budgeted salary savings as a result of the position vacancy.

Background:

Part of the City's adopted FY 2011/2012 Budget contemplated a continued reduction in City staffing. Since 2007, staffing is down approximately 60 positions, resulting in a savings of over \$7 million annually. The City has been able to achieve this reduction, and maintain a motivated and productive staff, by utilizing voluntary separation incentives, attrition, and a hiring freeze as the primary means of reductions.

In June 2010, the City Council authorized the City Manager to offer a severance package to employees who voluntarily separate from the City no later than December 31, 2011 and results in a minimum savings of three month's salary of the position separated in the 2011-12 fiscal year and full year savings in the subsequent fiscal year. A few employees who have expressed interest in the program, and are within approximately 24 months of City retirement eligibility, were not able to participate because they would forego 25% of the retirement benefits they have already accrued along with retiree health benefits by separating from the City prior to City retirement eligibility.

The proposed amendment to the VSIP program would allow employees in this situation to retain accrued retirement and retiree health benefits based on years of service with the City. It is anticipated that 4 to 6 employees might participate in the amended program, helping the City to continue to reduce staffing through voluntary means.

Attachment:

Resolution No. 11-71