COUNCIL AGENDA: 03-06-12
ITEM: 3.5

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Vice Mayor Madison Nguyen
Councilmember Pete Constant
Councilmember Rose Herrera
Councilmember Sam Liccardo

SUBJECT: **REVISED PENSION REFORM BALLOT MEASURE**

DATE: March 2, 2012

APPROVED: Chuck Reed **DATE:** 3/2/12

Madison Nguyen Y.C.N.

RECOMMENDATION

Approve the revised pension reform ballot measure as recommended by the City Manager.

BACKGROUND

The City's two retirement plans have billions of dollars in unfunded liabilities, and this year's retirement costs totaled $245 million across all funds ($192.8 million in the General Fund) and consumed more than 20% of the General Fund. Our retirement costs are likely to remain flat next year due to cuts in employee compensation and the elimination of hundreds of positions in recent years; however, the independent retirement boards' actuaries are expecting costs to rise for another dozen years after that.

These enormous costs have forced the City to close libraries and community centers, watch our streets and infrastructure deteriorate, and shrink our workforce by more than 2,000 positions, including hundreds of police officers and firefighters.

The City and its eleven employee bargaining units commenced negotiations around retirement reform more than eight months ago. The original ballot measure proposal has undergone seven major revisions in response to that process.

Since the Council voted on December 6, 2011 to place pension reform on the June 5, 2012 ballot, the city and its employee bargaining units have conducted 20 mediation sessions with a state mediator. Today's recommendation from the City Manager includes many changes that reflect concerns raised by our bargaining units.

These reasonable reforms will allow us to bring our retirement costs under control and restore vital services to the community - while also ensuring that we have healthy retirement systems that will be able to pay current and future retirees the benefits they have earned.

While next year's budget situation shows improvement, the City Manager is projecting a deficit the following year, and we still need tens of millions of dollars to restore services that have been cut in recent years. In addition, San José has significant unfunded liabilities for pension and retiree healthcare costs, as well as for deferred infrastructure maintenance on roads, bridges, and other city facilities.

A negotiated solution alone will not solve our long-term pension problems. The City Charter guarantees minimum retirement benefits, and the only way to change the Charter is with a vote of the people. Thus, we must go to the voters to achieve lasting change and gain control of pension costs that have already cost services and city jobs.