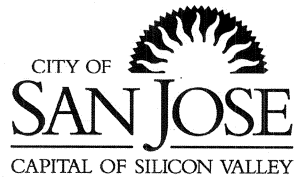
COUNCIL AGENDA: 08-28-07
ITEM #: 3.5



Memorandum

TO: City Council

FROM: Mayor Chuck Reed
Vice Mayor Dave Cortese
Councilmember Nancy Pyle
Councilmember Forrest Williams

SUBJECT: **RETIREE HEALTHCARE**

DATE: August 23, 2007

APPROVED: Forrest Williams Chuck Reed Nancy Pyle Dave Cortese

DATE: 8/23/07

RECOMMENDATION

a. Accept the staff report on retiree healthcare.

b. Direct staff to do the following:

1. Engage stakeholders in identifying strategies and alternatives to address our unfunded liability for retiree healthcare. Stakeholders will include, at a minimum, employees, City Labor Alliance, Executive Management Forum, retiree associations, retirement boards, and South Bay Labor Council.

2. Continue to survey how other cities and counties are addressing their unfunded liabilities.

3. Engage experts, identified by the Administration and stakeholders, as necessary to evaluate strategies and approaches that are identified by stakeholders or have been implemented in other cities or counties.

4. Study how pre-full funding of benefits can be accomplished through a phased approach.

BACKGROUND

The City faces an ongoing structural deficit. From our $400 million maintenance backlog to several years of annual budget deficits, the structural deficit is a tough problem and it will take hard work and resolve to fix it. The City Council is exploring options to ensure the financial stability of the City of San José and ensure that we have the ability to meet our commitments to our residents, employees, and retirees.

These discussions are the first step in the process for reviewing this issue. It will be some time before we make a decision on how to address this complex subject. These are serious issues and it's important that San José plan for the future. We are looking for options and must engage all parties involved so that we find the most effective and creative ideas for solving the structural deficit.