

**THE WORK SESSION MINUTES OF THE MAYOR AND CITY
COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 15TH DAY OF MARCH 2010**

CALL TO ORDER-Mayor Gerald W. Lindsey called the work session meeting to order on Monday, March 15, 2010 at 6:00 p.m.

ROLL CALL-City Clerk Cristina G. Whelan called the roll.

PRESENT

Mayor Gerald W. Lindsey
Vice Mayor Larry Schultz
Councilman Elwood A. Johnson
Councilman Jimmy L. Norris
Councilwoman Monika Cronberg
Councilman Stephen Klump
Councilman Christopher Donahue

STAFF

City Manager Pat McCourt
City Attorney Hector Figueroa
City Clerk Cristina G. Whelan, CMC
Public Safety Director Jake Weaver
Library Director Tom Miner
Finance Director Ruth Graham
Public Services & Works Director Dave Bonner
Building Inspector Jeff Stoddard

PLEDGE OF ALLEGIANCE TO THE FLAG-Mayor Lindsey.

DECLARATION ON CONFLICT OF INTEREST-There was no response from the Mayor and Council members or staff.

ADOPTION OF THE AGENDA-It was moved and seconded to adopt the agenda as presented. **CARRIED.**

DISCUSSION BUDGET PRESENTATION ON CONTRACTING CITY PERSONNEL SERVICES

City Manager McCourt stated that due to his interest in these programs Ms. Sherry Van Allen, Human Resources Generalist, is the contact person and will make the presentation this evening. Ms. Van Allen explained the programs relating to Volunteer Phased Retirement. This concept was first introduced to the school systems in Arizona. These programs allow an eligible Arizona State Retirement (ASRS) employee the benefit of retirement while continuing to work under a contract, and each contract must be approved by the Mayor and Council, and at a lower percentage of their original wages. Usually this is a reduction in a negotiated salary based on job title and experience level and staff recommendation to these programs, from 20% to 30% of their original salary. Example: an employee paid \$25/hour would be rehired at \$20 (80%) a savings of \$5/hour or \$10,400 per year. This is a completely voluntary program available only to ASRS employees who have earned their 80 points and are eligible for normal retirement benefits. (80 points = Age plus Years of Service). Of the two providers staff has checked their references, talked with Human Resource Department and Finance all seemed satisfied with this concept.

Due to budget restraints in all the State this allows the City, if the eligible employee volunteers to participate, to save as high as 30% of that employee's original salary and their benefits. The City would retain the same knowledge and service currently provided by that person. The retiring employee is rewarded for dedicating their lives to their job and shows the employee we appreciate their loyalty and dedication which we do not want to lose. Accepting of this plan allows the City to implement a succession plan and begin the necessary training to replace key positions. Also the retiree and the successor are comfortable that information has been properly passed on. The retiree leaves without guilt or remorse and successor can face their new job responsibilities with confidence. The succession plan is a win-win for everyone. This training could be paid from through the savings on the original employee's basic salary.

Ms. Van Allen explained Cost Savings to City example: Current Employee Salary \$50,000; Contracted back at 80% is \$40,000; Savings to City is \$10,000 plus Benefits, therefore, approximate savings to City is \$18,757.80. The Basic Cost for an employee making 50K to the City is: Base Wage \$50,000; FICA \$3,825; Fed Unemployment \$112; Workers Comp. \$245; ASRS \$4,700; and Single Medical \$5,100 Total cost to City is \$63,982.00. A Contracted Services Employee at 80% Salary whose contracted salary is \$40,000; the breakdown is: FICA \$3,060; Federal unemployment \$112; Arizona Unemployment \$256.20; Workers Comp \$196; Administration Fee (4%) \$1,600; ASRS Contribution -0- (zero) Medical Single -0- (zero) Total Contracted costs \$45,224.20 and the approximate savings to City is \$18,757.80.

The current employee that qualifies for this phased retirement program has the potential to gross more money per month than they do actively working for the City. They would draw ASRS retirement and be re-hired under a service agreement and the combination of wages and retirement in most cases gives the employee more gross earnings. Example with an employee with

**THE WORK SESSION MINUTES OF THE MAYOR AND CITY
COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 15TH DAY OF MARCH 2010**

ASRS pension (30 years & \$50K wage) they would received approximately \$34,500 from ASRS; contracted pay at 80% is \$40,000; FICA @ 7.65% (\$3,060); Payment of Insurance-COBRA (\$3,300) total \$33,500 plus the \$34,500 from ASRS the employee total Contract & ASRS is \$68,440.00. Volunteer participation in a phased retirement plan will allow the employee to retain that social part of their life and gives them the reward for years of services they gave to the City.

Financial consulting is offered by the programs to eligible employees and also ASRS determines if this is a good time for them to pursue this venue. The representative from the program will meet with employee to go over all the numbers to ensure that they are making the best choice for their particular situation. Once the program is accepted the participant can begin at anytime through out the year. If the employee is 5 months from hitting a significant mark in ASRS that will increase their retirement pension they may choose to wait until they have reached that mark to gin the contracting process.

This is a voluntary program, employee is allowed to sign a contract with the service provider for a year or less or more if the employee and employer agree to renew. If the contract is not going to be renewed the employee is given a thirty day written notice.

Employees' eligible the City is looking at large retirement payouts on vacation and sick leave upon retirement. The payouts are whether or not the program is used. The payout could be optional and negotiable when the eligible employee expresses interest in returning as a contracted employee. All eligible positions must have a recommendation from staff to be eligible for this type of program and all contracts would have to be approved by the Mayor and Council.

Councilman Johnson wants staff to prepare a mock payout of an individual on what spending and/or savings. Ms. Graham stated we still need to pay that package out. Savings about 20% on pay and 4% fee and does not understand how the City would be paying more. 20% salary and 9% ASRS savings and argument heard is double dipping. Person retiring is drawing from their retirement ledger are no longer growing with ASRS and stops that argument. Mayor Lindsey concern as far as control of employee when they do come back to work in the City since they are working for someone else. Ms. Graham explained the City would continue to act as employer and it is less secure for the employee because they can be given notice and gone in 30 days or remedy the problem. Ms. Van Allen added the retiring employee would still abide by our policy manual and rules and Ms. Graham said they still have vacation and sick days. Councilman Johnson asked what the feedback staff has received. Ms. Van Allen replied of the four (4) eligible two (2) are interested and two (2) are not at this time. They do not have to jump in now they can wait. Other cities contacted that they found more participation as the eligible employees watch what has happened.

Ms. Graham said Yuma looked at this program as succession planning and in Safford there is a lady planning on staying 10 years. She has her 30 points and she can draw more money and City saves. Councilman Johnson asked if employee goes on retirement and starts drawing on ASRS and asked if early withdrawal penalty and higher tax and Ms. Graham replied not as long as a regular payment and not in a lump sum. Employee save on State taxes on annuity because smaller portions, therefore, less tax. They offer financial consultations to everyone beforehand. Few years down the road there will be a number of employees eligible. Mr. Dave Bonner comments are on the payout at the time of the retirement. That is when the payout ends and if someone continues to work they continue to build vacation and sick leave and likely higher sum later. Also add to that amount if raise was given. Mayor Lindsey asked if they would continue to accrue vacation and sick leave at same rate. Ms. Van Allen explained that is negotiated in the contract. Once employee on contracted employment it is their responsibility and not the City's. The City can negotiate the rate to either keep it as is or decrease the hours they can accrue. ESI program is "use it or lose it." Smartworks accrue over longer period. Councilman Johnson asked what if City employees are given a raise and Ms. Graham replied the contract is set for that year. Mayor Lindsey asked what the fringe benefits would be once they come back. We still pay FICA unemployment, workers comp, no medical, and no contribution to ASRS. Those are the two (2) main areas of savings to the City in addition to salary. Councilman Norris asked if the employee is working for another company how do we pay for FICA and Ms. Graham replied that is part of the price of 80% salary, 4% fee and half FICA to the contractor. Employee would no longer be on the City's payroll. Mayor Lindsey said that the contract would be negotiated before the person retires. Councilman Johnson said staff would recommend individual to this program and the Mayor and Council approves each and every contract.

**THE WORK SESSION MINUTES OF THE MAYOR AND CITY
COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 15TH DAY OF MARCH 2010**

Councilman Klump asked if employee is gone could they come back to work for the City. Ms. Graham replied ASRS allows them after a 12 month break they can come back as regular employee. Mayor Lindsey if we had employee that has been away for a year and not necessarily on this program can they come back to work for City and would that employee come back to ASRS. Ms. Van Allen replied it would be at half the rate because still receiving full ASRS check. Employee could come back as contracted employee or Arizona State Retirement. City Attorney Figueroa added they can come back to work for the City which is what happened with the City Manager of South Tucson. After retired he waited the allowable period and came back and the employee and City does not pay as much contribution to ASRS but still full retirement from ASRS.

The City Attorney's concern was on legislation heard and from all indications they are not much hope that it will pass. Also, third party companies that want to collect Sales Tax and Legislatures wants to preclude anyone other than Arizona Department of Revenue to collect. Mr. Figueroa reviewed the City Code as amended and City Manager is appointed position and there is no statute that precludes the Mayor and Council from doing this program if they want to do it and if the employee wants to. The City Clerk is statutory position. There is some things innumerate by Statute other than statute that established the position. Responsible for issuing licenses, and about 20 others under statute responsible for and unless something to preclude her from doing it and it is voluntary and it would be up to Christy Whelan if she wants to participate. She is in no way or fashion to be forced to participate and has told her personally because first thing people think is they are being phased out. And this does not mean she is being phased out. Did review the City Code, Statutes, and did have some concerns initially and after did some research it is strictly up to Mayor and Council if they want to do that. In one point somebody did put in City Attorney position and if had full time would do that but that is statutory decision. Mayor Lindsey asked if Court could be included and Mr. Figueroa said no since both contracted employees

Mr. William "Bill" Holloway stated ESI wrote the law in 1998 and they have covered their bases very well. Only thing different he heard tonight is discussion was school employees lose their tenure and on 30 days they can be gone. They can be gone by School District or contractor and there is no recourse: you are gone. This program gives the employer a highly motivated employee that doesn't want to fail. The City would be saving more than the school district because they continue to pay the health insurance. It was a win-win for the School and for him too.

Mayor Lindsey would like to see this brought back to the Council for a vote and would like to see a copy of a contract or a completed contract on a hypothetical person on the way it would work out. Ms. Graham also said staff can look at different alternatives because we can write the contract how we want to and bring those to Council. Councilwoman Cronberg asked if this were not something we were looking at are we still looking at Contingency payouts on sick leave and vacation pay so that we are not taking huge hits all at once would that still be in thought process and discussion on effected employees. Ms. Graham replied staff is still looking to budget some positions that are potentially able to retire this year just so that we have a cushion and it is something we do every year as part of our audit we have to allow for that. Councilwoman Cronberg said School District seemed looked at several years in advance

ADJOURN

There being no further business before the Mayor and Council, Mayor Lindsey adjourned the meeting at 6:43 p.m.

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the work session meeting of the City Council of the City of Willcox held on the 15th day of March 2010. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 29th day of March 2010

/s/ Cristina G. Whelan, CMC
City Clerk Cristina G. Whelan, CMC

**THE WORK SESSION MINUTES OF THE MAYOR AND CITY
COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 15TH DAY OF MARCH 2010**

PASSED, APPROVED AND ADOPTED this 5th day of APRIL 2010.

/S/ GERALD W. LINDSEY
MAYOR GERALD W. LINDSEY
Signed: April 6, 2010

ATTEST:

/s/ Cristina G. Whelan, CMC
City Clerk Cristina G. Whelan, CMC