

MINUTES OF THE SPECIAL CITY COUNCIL MEETING
TUESDAY- -OCTOBER 30, 2012- -7:00 P.M.

Mayor Gilmore convened the meeting at 7:07 p.m. Councilmember deHaan led the Pledge of Allegiance.

ROLL CALL – Present: Councilmembers Bonta, deHaan, Johnson, Tam and Mayor Gilmore – 5.

Absent: None.

ORAL COMMUNICATIONS, NON-AGENDA

(12-512) Ken Peterson, Alameda, discussed employee compensation and the City's financial situation.

AGENDA ITEMS

(12-513) Receive a Report from the Pension/Other Post-Employment Benefits (OPEB) Task Force and Provide Direction on Next Steps.

The City Manager and Assistant City Manager gave a Power Point presentation.

Councilmember Tam inquired why the use of wind fall monies would be rejected, to which the Assistant City Manager responded she does not have direct insight; stated there was hesitation to use windfall monies of the sale of Alameda Point or other City assets when the City has a lot of need in other areas; suggested Task Force members present could give feedback.

The City Manager stated the community was divided about whether windfall money should be used to help pay down the PERS liability; 75% were in favor of using windfall funds to start paying the OPEB liability; the assumption is if PERS does not recover, the City would not have independence and would be paying down an advance into a system outside City control; OPEB is completely the City's problem; OPEB is a problem for the tax payers and the employees as well because if the money is not there at some point there is a moral and legal obligation; no money is very real in the long term; the Task Force was very successful in having a consensus on what the scope of the problem is and can now argue using the same numbers.

The following Task Force Members made brief comments: Kevin Kennedy, City Treasurer; Kevin Kearney, City Auditor; Jeff Bratzler, Community Member; Domenick Weaver, International Association of Fire Fighters Local 689 President; Gretchen Lipow, Community Member; Mike Noonan, Police Chief; and Bill Schaff, Community Member.

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During Mr. Shaff's comments, Vice Mayor Bonta left the dais at 8:39 p.m. and returned

at 8:41 p.m.

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Expressed concern about non-public safety bargaining units being excluded from the Task Force: Bill Garvine, Management and Confidential Employees Association.

Expressed concern about spiking: David Maxcy, Alameda.

Urged caution in implementing the State mandate: Tony Daysog, Alameda.

Expressed that the City needs to reduce the amount spent, growth and unfunded liabilities: Jane Sullwold, Alameda.

Encouraged reading certain books: Ken Peterson, Alameda.

Stated the City tools from the State to raise revenue and self-fund the obligations: Jon Spangler, Alameda.

Vice Mayor Bonta inquired whether the issue was fully vetted or if an additional [Task Force] meeting is needed, to which the Assistant City Manager responded there has not been extensive discussion on brainstorming solutions.

Vice Mayor Bonta inquired if the Assistant City Manager was comfortable saying this was the Task Force's best thinking and advice on the OPEB issue and potential solutions.

The Assistant City Manager responded it was their best thinking at the time; stated having members reconvene to look at additional options would be a big time commitment.

Vice Mayor Bonta stated the information is very valuable and it seems an additional meeting is not necessary.

The City Manager stated the starting point is presenting options to Council; there were two labor representatives on the Task Force; having two labor representatives that had the most dollars at stake made sense; most of the OPEB issue is tied up with public safety; staff intends to come back to the Council in March or April with a more focused discussion just on how to go forward with OPEB; a policy change to have a two year budget will come to Council in December.

Councilmember Johnson inquired if the Task Force agreed that there is a possible situation where PERS contributions or OPEB payments could be defaulted.

The City Manager responded the OPEB payment is \$7 million a year, which is a large amount of money that requires planning.

Councilmember Johnson inquired if there was agreement about the \$7 million amount, to which the City Manager responded in the negative; stated agreement was broad and within a range.

Councilmember Johnson inquired whether impacts of the Affordable Care Act was analyzed.

The City Manager responded understanding how the Affordable Care Act will actually work is difficult; stated the assumption used was that health care costs will continue to rise.

Councilmember Johnson inquired whether current employees would face changes, to which the Assistant City Manager responded the PERS recommendations have been superseded by the pension reform legislation; stated changes included additional contributions from current employees; 14 Task Force members voted to ask safety employees to pay more towards the employer share; OPEB solutions included: increasing vesting and eligibility rules for new hires; participating in the Voluntary Employees' Beneficiary Association (VEBA) or the 401(a)(h); capping benefits for retirees, current or future employees; working with employee bargaining groups to negotiate down the liability.

Councilmember Tam inquired whether the Beverly Hills OPEB solution required a reserve.

The City Manager responded cash is one approach; stated another option is to finance a large buyout with a low interest rate to secure budget; what the premiums are going to be in the future is not known.

The Human Resources Director provided an overview of the Beverly Hills program; stated Beverly Hills did financing; the method would help in Alameda for safety, but not for miscellaneous employees; the fixed amount paid to PERS is currently \$115 and will increase by approximately 3% every year; safety has an agreement where an additional amount is paid to employees upon retirement, the amount is calculated and a lump sum is given rather than continuing to pay, which is where there are some savings.

The Controller stated the Beverly Hills plan was a multifaceted plan; an actuarial evaluation would be done to determine what the pay would be as the value of those benefits; if paying all costs up front is a significant dollar amount, which the City does not have; pension bonds can be issued, but are more expensive than the sewer bonds the Council recently approved; pension bond rates are between 6 and 7%, a lot of cost analysis would have to be done to determine if the option makes sense for the City; one of the big benefits from the Beverly Hills program other than the one-time cash out for employees is the defined contribution plan; with VEBA, once employees leave the City there is no OPEB liability going forward.

Councilmember Tam inquired if the City's 1079 and 1082 plans are essentially a

pension obligation bond, to which the Controller responded in the negative; stated the 1079 and 1082 plans are another pay-as-you-go plans included in the General Fund as part of the budget each year; the amount is going down over time because the average age of the pensioners is rising and people pass away.

In response to Councilmember deHaan's inquiry about the City's obligation, the Controller responded the City is currently paying approximately \$2 million a year.

Councilmember deHaan inquired if the City's obligation was around \$5 million in 2005 and has dropped, to which the Controller responded in the affirmative; stated the average age of the participants is 85 years old.

Councilmember deHaan stated every year in our budget the shortfalls are around \$3 to \$6 million; one-time windfall money has been used; sometimes staffing adjustments have been made, fire stations have been closed, programs have been eliminated; the City is not going to see a big recovery; that he is concerned services keep deteriorating; health benefits increase a good 14% every year; employees have not had raises.

Councilmember Tam stated not increasing public safety salaries since 2007 was really a reduction in salary because the last contract included contributing more into pension; employees are paying the employer's share; that she supports the findings to create a sustainable solution through negotiating with employee bargaining units.

In response to the Assistant City Manager's comments regarding different options, Mayor Gilmore and Vice Mayor Bonta stated all the options should be placed on the table to allow comparison of the full pro formas and financial analysis.

Councilmember Johnson inquired if the OPEB solutions were directed at both current and future employees, to which the Assistant City Manager responded the Task Force did not discuss whether changes should apply to new or current employees.

Mayor Gilmore stated that she wanted to remind members of the public that the problem is long-term; tonight is the first step in reaching a solution that everyone wants; there is a lot of work to be done researching possible solutions and figuring out how some of the vehicles would work; numbers have to be crunched and then there has to be discussion with employee groups; there is no quick fix; every journey starts with a single step; the Council is determined to get the problem under control.

(12-514) Recommendation to Receive Input from the Community and Provide Direction to Guide the City's Future Labor Negotiations with Public Safety Bargaining Groups.

The Human Resources Director gave a brief presentation.

The City Manager stated staff intends to move the process as quickly as possible and try to complete negotiations in the month of November 2012; one of the most important reasons to not be out of contract with public safety is that the 11% PERS contribution

returns to 9% at the end of the contract.

Councilmember Johnson inquired if staff would be addressing OPEB, to which the City Manager responded that he did not know at this point; stated the issue would come back for the entire City in the spring; OPEB is a difficult issue.

Councilmember Johnson inquired how reopeners with the bargaining groups would be handled, to which the City Manager responded reopeners are a possibility and occurred in other cases; stated that he does not think there is a solution to OPEB that does not involve talking; the City does not want to fall out of contract or not know impacts on the budget.

Councilmember Tam inquired if the Memorandum of Understanding (MOU) spell out the new employees tiering in terms of the retirement age and averaging the highest three years.

Mayor Gilmore stated in the past, issues have been in side letters which were not part of the MOU; stated her preference is to have an MOU that somebody could pick up and read it and know exactly what was included and agreed to; that she would not want someone to have to go to another document to look up the new law.

The City Manager stated staff intends to incorporate changes into the contracts and extinguish side letters that are no longer relevant.

Councilmember deHaan inquired where the threshold is in the financial emergency of selling off Alameda Point and Alameda Municipal Power (AMP) assets; stated sales should be off the table.

The City Manager responded that he did not what the courts have defined as a fiscal emergency; stated Alameda Point is a decided issue and cannot be sold because any revenues that come from the sale of property or from lease revenues at Alameda Point is required to go back into the infrastructure and development of Alameda Point under the agreement with the Navy.

The City Attorney stated that she would not opine as to what is a fiscal emergency, but the assumption is that there have to be more debts than assets, then the City would have to marshal assets to pay off debts.

Mayor Gilmore stated a fiscal emergency would be hard to declare with a 24% fund balance reserve.

Vice Mayor Bonta inquired if letters were sent to the four public bargaining units to reopen contracts, to which the City Manager responded in the negative; stated new contracts, which will be effective July 1, are being negotiated.

Vice Mayor Bonta inquired if there are meetings next week, to which City Manager

responded in the affirmative.

Vice Mayor Bonta inquired if all bargaining units are open to moving forward, to which the City Manager responded informal responses were received from both the International Association of Fire Fighters (IAFF) and the Alameda Police Officers Association (APOA).

Councilmember deHaan stated following San Jose's open negotiation model was discussed in the past; stated he would like to see more transparency.

Councilmember Tam stated that ensuring openness in the discussions is a laudable goal; stated the City of Alameda, the Teacher's Union and the Board of Education negotiated in the open and some proposals were not fully vetted or researched, positions became so intractable that people ended up feeling very disenfranchised.

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Councilmember Tam left the dais at 9:47 p.m. and returned at 9:49 p.m.

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Urged a macro approach be taken: Jane Sullwold, Alameda.

Urged principles be developed using the previous discussion: Tony Daysog, Alameda.

Urged current staffing levels be maintained: Jon Spangler, Alameda.

Mayor Gilmore stated a former Fire Chief gave a presentation on response times; requested the City Clerk post the information on the website.

The City Manager stated all the external studies that have been done about the Fire Department have been up on the website since July.

Councilmember Tam clarified Mayor Gilmore was referring to a Council presentation comparing response times and discussing Fire Department protocol; stated the National Fire Protection Association has standards on why an ambulance is sent along with a truck and how many paramedics are on trucks.

Councilmember Johnson inquired if the Council would receive a briefing on the opening proposal.

The City Manager responded that he would get proposals from labor first and come back to Council in Closed Session.

Councilmember Tam stated the staff direction outlined is consistent with suggestions from the Pension Task Force and the Council.

Mayor Gilmore stated the Council received public input tonight and the City Manager

intends to start meeting with the bargaining units next week; last year, there was a primer on labor negotiations and how public input has to be upfront.

Councilmember deHaan inquired if input from the community is closed.

The City Manager responded the City has to be careful not to have regressive bargaining once the ground rules and areas of discussion are established; stated anyone can email the City Manager's office with suggestions or input.

Vice Mayor Bonta stated labor negotiations Closed Sessions are noticed and public input is received prior to adjourning to closed session.

The City Manger stated input is not closed but new issues are difficult to introduce after the outset.

Councilmember Johnson inquired whether each side establishes ground rules separately, to which the City Manager responded ground rules determine the point at which issues can be talked about publicly and is a process.

The Human Resource Director stated one of the rules usually sets the last day new proposals can be submitted.

The City Manager stated best practices are to put everything on the table from the beginning so there are no surprises.

CITY MANAGER COMMUNICATIONS

None.

COUNCIL COMMUNICATIONS

(12-515) Councilmember deHaan stated he attended a Restoration Advisory Board (RAB) meeting; the Navy is moving forward with the Building 5 and 5A remediation; the next RAB meeting has been moved to November 13th.

The City Manager noted the City filed a technical letter expressing concerns about the remediation program that has been proposed.

(12-516) Councilmember Tam announced that the City held an Urban Shield.

(12-517) Councilmember deHaan stated that he attended a Oakland Noise Forum meeting; next year will be a very active year for the Oakland Airport; runways will be modified.

ADJOURNMENT

There being no further business, Mayor Gilmore adjourned the meeting at 10:26 p.m.

Respectfully submitted,

Lara Weisiger
City Clerk

The agenda for this meeting was posted in accordance with the Sunshine Ordinance.