



City of Palo Alto

City Council Staff Report

(ID # 11382)

Report Type: Consent Calendar

Meeting Date: 6/1/2020

Summary Title: Authorize the City Manager to Implement a Retirement Incentive Program

Title: Authorize the City Manager or Designee to Implement a Retirement Incentive Program With a One-time Incentive for Sworn Personnel to Retire Early to Assist in Preventing the Layoff of Police Officers and Firefighter

From: City Manager

Lead Department: Human Resources

Recommendation

Staff recommends that Council authorize the City Manager or his designee to implement the attached retirement incentive program and make any administrative changes where needed that do not substantially alter the cost or intent of the program.

Executive Summary

As the City of Palo Alto confronts the global COVID-19 pandemic and its economic impact on our economy, staff is exploring a variety of avenues to ensure our continued provision of critical services to our community.

As the City of Palo Alto works to bridge a projected \$39 million revenue shortfall there are no easy decisions. Every aspect of our organization is impacted by this sudden and precipitous drop in revenue. This revenue shortfall has led to the need to eliminate 21 sworn (e.g. police officer and firefighter) positions. Of those positions identified for elimination, 16 are filled positions within our Police and Fire Departments. The Administration will do our best to utilize existing vacancies to place displaced employees; however, it is expected at minimum 14 would be subject to separation. The establishment of a retirement incentive program can aid in eliminating the need to layoff newly hired police and fire personnel, saving the city both the investment already made into these employees and the cost associated with future recruitments.

Background

The City invests hundreds of thousands of dollars to recruit, screen and select new Police Officers and Firefighters. The effort to hire and train sworn personnel is time-intensive and critical to ensuring the continuity of services for the future. Due to significant revenue losses

and negative impacts from the COVID-19 pandemic, the most recently hired Police Officers and Firefighters are now subject to layoff in the FY 2021 budget that is currently being finalized. Given these circumstances, the City may establish a Retirement Incentive Program for sworn personnel who wish to assist their department to avoid the layoff of newly hired Police Officers and Firefighters.

Sworn personnel choosing to retire will be provided a retirement incentive in the form of a one-time lump-sum cash payment. This incentive mitigates the exiting employee's loss in earnings and overtime by retiring sooner than their personal circumstances would otherwise dictate. The City is deeply grateful to the more senior sworn personnel for considering an early exit to avoid layoffs. By participating in this program, the City's investment in recruiting and training new personnel will be protected and the Palo Alto community benefits from the knowledge and familiarity gained by these individuals.

This voluntary program aligns to the overall budget balancing strategy, by limiting the number of retirement incentives to the number of filled positions currently being recommended for elimination.

The City has an opportunity at this moment in time, to aid in the natural succession of the organization and to achieve position eliminations through attrition. In order to achieve layoffs through attrition, the incentive program is targeted specifically at retirement eligible employees.

Staff have met and conferred with the impacted labor groups and reached agreement with the Palo Alto Peace Officers Association (PAPAO) and the International Association of Fire Fighters Local 1319 (IAFF) to offer this retirement incentive.

Resource Impact

This voluntary program is capped at 16 participants which is equal to the number of filled positions that have been identified for layoff. The estimated maximum cost of this program is \$480,000 in one time funds that still need to be identified through the FY 2021 budget process as the current FY 2021 proposed budget does not contemplate these costs.

Policy Implications

Approval of the recommendation is consistent with the Council's labor guiding principles and authority received.

Stakeholder Engagement

Staff met and conferred with the impacted labor unions and reached agreement to offer this retirement incentive.

Environmental Review

Not Applicable.

Attachments:

- Attachment A: Retirement Incentive Program Sworn June 1, 2020

Retirement Incentive Program for Sworn Personnel to Avoid Layoffs of Newly Hired Police Officers and Firefighters

1. Background and Purpose

The City invests hundreds of thousands of dollars to recruit, screen and select new Police Officers and Firefighters. The effort to hire and train sworn personnel is time-intensive and critical to ensuring the continuity of services for the future. Due to significant revenue losses and negative impacts from the COVID-19 pandemic, the most recently hired Police Officers and Firefighters are now targeted for layoff in the FY 2021 budget. Given these circumstances, the City has established a Retirement incentive Program for sworn personnel who wish to assist their department to avoid the layoff of newly hired Police Officers and Firefighters.

Sworn personnel choosing a retirement incentive will be provided a recognition award in the form of a one-time lump-sum cash payment. The recognition award mitigates the exiting employee's loss in earnings and overtime from the retirement incentive. The organization is deeply grateful to the more senior sworn personnel for considering a retirement incentive to avoid layoffs. By participating in this program, the City's investment in recruiting and training new personnel will be protected and allowed to continue.

2. Program Eligibility and Conditions

- 2.1 This program is for **full-time sworn Police or Fire personnel** who are eligible for retirement.
- 2.2 A one-time **recognition award of \$30,000** is provided as a lump-sum award. This amount will not contribute toward pensionable earnings and shall not otherwise be deemed as final compensation for retirement calculation purposes.
- 2.3 Employees must have submitted notice of retirement through a Retirement incentive Agreement and have a retirement date on or before July 31, 2020.
- 2.4 Leave balances and other payouts are cashed out at rates established in applicable MOUs and standard payroll policies.
- 2.5 The employee is responsible for consulting their own financial planner, tax advisor or attorney as to potential tax or other consequences of the early separation and recognition award.
- 2.6 Applicants must voluntarily accept and sign a Retirement incentive Agreement that contains a release of all employment rights and claims.
- 2.7 The City Manager is responsible for administration and application of process, timelines and details of the program and reserves the right to terminate the program at any time.