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Chandler + Arizona  
Where Values Make The Difference

## MEMORANDUM

**DATE:** March 12, 2009

**TO:** Mayor and Council

**THRU:** W. Mark Pentz, City Manager   
Richard Dlugas, Assistant City Manager

**FROM:** Debra Stapleton, Director, Human Resources Division   
Dennis Strachota, Management Services Director 

**SUBJECT:** Voluntary Separation Package

**RECOMMENDATION:** Adopt Resolution 4263 to approve the voluntary separation package and authorize use of General Fund contingency.

**BACKGROUND:** Based upon revenue projections and our forecast for the upcoming year, we are predicting a sizeable General Fund budget deficit in FY 09/10. City staff and management have been evaluating a broad range of budget balancing initiatives to address current and future budget deficits. The voluntary separation program is an important element to the City's overall plan to prevent future budget deficits.

**DISCUSSION:** The goal of this program is to provide an attractive incentive for employees to separate from City of Chandler employment. The financial goals of this program are to create vacancies that will enable the City to realize base budget reductions during the next and ensuing fiscal years. Timely implementation of this program will allow a majority of the one-time costs for the program to be realized in FY 08/09.

The proposal includes the following:

- All regular employees that participate in the Arizona State Retirement System (ASRS) are eligible to apply.
- The process is voluntary and selective, with the initial application period beginning March 16, 2009 and ending June 1, 2009.
- An employee who is approved for this program and accepts the separation incentive package will be considered to have voluntarily resigned from the City in good standing.

- The program is for employees that are not retirement-eligible. Retirement-eligible employees will be eligible to apply for the Retirement Incentive Program should that program be approved by Council.
- The program requires the employee's position or another position to be eliminated as a result of the employee's separation. This will ensure that operating savings are realized to pay for the incentive and reduce positions from next year's budget.
- All applications will be reviewed by the appropriate Department Director to assess the needs of the department and the ability to maintain services to our citizens and internal customers should the employee separate from the City. Staff from Human Resources and Management Services will evaluate applications and make recommendations. The City Manager will make the final decision on all applications.
- Employees will be required to sign a Separation Agreement stating that their participation in the program is fully voluntary and waive any claims against the City in order to receive the incentive package.
- Employees who are approved under this program will receive 20 weeks of separation pay and may continue their medical, dental and vision insurances for up to 12 months' at the employee contribution rate.
- Employees who are approved under this program will be required to separate from the City no later than August 31, 2009.

Upon City Council approval, eligible employees will receive a packet of information outlining the specifics of the program.

**FISCAL IMPACT:**

While there will be short-term costs associated with this program, there will be long-term, permanent budget reductions as a result of eliminating positions regardless of how many applications are accepted.

It is hard to project how many employees will apply for this program. City staff anticipates that approximately 10 applications will be approved through this process. Under such circumstances, the separation incentive cost would be estimated at \$433,000 for the current fiscal year. However, an estimated \$808,000 in salaries/benefits would be eliminated from our budget beginning in FY 09/10 resulting in an average of six months to recoup the costs.

**PROPOSED MOTION:**

Adopt Resolution 4263 to approve the voluntary separation package and authorize use of General Fund contingency or other appropriate fund contingencies to pay for voluntary separation program costs.

**RESOLUTION 4263**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER,  
AUTHORIZING THE CREATION AND IMPLEMENTATION OF A  
VOLUNTARY SEPARATION PROGRAM.**

**BE IT RESOLVED** by the City Council of the City of Chandler, Arizona, as follows:

**WHEREAS**, the City Manager has determined that the current economic conditions have resulted in significant budgetary constraints; and

**WHEREAS**, the City Manager proposes to implement a voluntary separation program in order to eliminate positions in the City's workforce; and

**WHEREAS**, the City Manager proposes, as part of the voluntary separation program, that the City will offer certain employees a severance payout of 20 weeks of base pay and continued coverage of medical, dental and vision benefits at the employee's contribution rate for up to 12 months; now, therefore, be it

**RESOLVED** by the City Council of the City of Chandler, Arizona as follows:

Section 1. That the City Council authorizes the City Manager to establish a voluntary separation program that includes a financial incentive of 20 weeks of base pay and up to 12 months coverage of medical, dental and vision benefits at the employee's contribution rate.

Section 2. That the City Council authorizes the City Manager to establish all plans and procedures necessary and appropriate to implement the voluntary separation program.

Section 3. That the City Council authorizes the use of General Fund contingency or another fund's contingency as appropriate to finance the voluntary separation program.

**PASSED AND ADOPTED** by the City Council of the City of Chandler, Arizona this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_

Mayor

ATTEST:

\_\_\_\_\_

City Clerk

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4263 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 2009, and that a quorum was present thereat.

\_\_\_\_\_

City Clerk

APPROVED AS TO FORM:

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City Attorney