

The County Connection

Inter Office Memo

To: A&F Committee

Date: September 30, 2010

From: Kathy Casenave *KC*
Director of Finance

Reviewed By: *AK*

SUBJECT: Steps Taken to Control Labor Costs

Local governments have seen an unprecedented drop in tax revenues and are taking steps to control labor costs. CCCTA has already done much of what other local governments are contemplating and the Board should feel good about being ahead of the curve on this issue. Here are some example:

1. The non-represented Admin group and the Teamsters union are in the second year of a two year wage freeze. The mechanics union agreed last year to a wage freeze and there a strong likelihood that the union will agree to a second year wage freeze.
2. The ATU contract expires in January 2011 and steps will be taken to negotiate a two year wage freeze.
3. CCCTA has resisted the trend to enhance the PERS pension plan. The plan is 2% at 60- the least costly PERS plan with the average of three years of final compensation.
 - CCCTA's average covered wage is \$46,260. An employee retiring at 60 at that wage with 20 years of service would receive a pension of \$22,000.
 - The employer rate has been lower than the social security rate since 1999, including 6 years with zero rate.
 - Employees pay 3.5% of their wages into the PERS plan.
4. CCCTA does not contribute to a 457 plan or social security.
5. The cost of retiree health care has been substantially reduced by freezing contribution rates and setting up a cafeteria plan for active employees which will be used for any future increases in the employer share. The change decreased the unfunded liability from \$10 million to \$4 million, and the annual contribution from almost \$1million to \$234,000.
6. The Administrative & Maintenance staffing level has decreased by 16 through attrition and layoffs since 2003.
7. The employee's share of medical premiums has been increasing each year. The non-represented Administrative Employee pays on average 17% of the monthly premium for Employee only coverage and 37% of the monthly premium for Family coverage.

For example: a mid-level administrative employee, with family coverage, making \$4500 per month gross is paying \$700.73 (or 15% of their salary) for medical benefits.

RECOMMENDATION:

Staff recommends that the Administration and Finance Committee forward this to the Board for information and discussion.