

INITIAL PRESENTATION BY AFSCME



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CITY OF SANIBEL
ADMIN./LEGIS.

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December 8, 2010

Sanibel City Council
800 Dunlop Road
Sanibel, FL 33957

Mayor Ruane and the Members of the Sanibel City Council,

This letter will serve as the recommendation of AFSCME Local 3228 for settling the disputed issues at impasse between AFSCME and the City of Sanibel.

The sole issue at impasse is the proposed modifications to the City of Sanibel's General Employees' Retirement Plan (herein referred to as the "Pension Plan"). The parties engaged in good faith negotiations for several months and exchanged a number of bargaining proposals in an attempt to reach an agreement regarding the elements of the Pension Plan. The parties were unable to reach an agreement and the City ultimately declared an impasse in negotiations.

A hearing was held on September 22, 2010 before Special Magistrate Irving Rosenbaum. Both parties were afforded the opportunity to present their respective positions on all issues surrounding the pension plan. Both parties questioned witnesses of their choosing, cross-examined the other party's witnesses, and presented documentary evidence, all in support of the parties' respective positions. Section 447.403(3), Florida Statutes states, "The special magistrate shall hold [impasse] hearings in order to define the area or areas of dispute, to determine facts relating to the dispute, and to render a decision on any and all unresolved contract issues."

We strongly believe that Special Magistrate Rosenbaum has acted in an unbiased and diligent manner in reaching his determinations and recommendation, which were issued to the parties on or about November 11, 2010. After receiving the Special Magistrate's recommendation, the City of Sanibel timely rejected the Special Magistrate's recommendation in accordance with Section 447.403(3). The City Council is vested with the final authority to resolve all disputed issues at impasse and to "take such action as it deems to be in the public interest, including the interest of the public employees involved..." Sec. 447.403(4)(d), F.S.

We respectfully urge the City Council to consider that the well-informed, well-reasoned, and unbiased recommendation made by Special Magistrate Rosenbaum not only serves the interest of the public employees affected by the Pension Plan modification, but serves the interests of the general public, as well. The Pension Plan elements recommended by the Special Magistrate and supported by AFSCME reduce the costs to the City associated with the Pension Plan. We recognize the City's position that the current plan is not sustainable and in recognition thereof, have advocated a reduction to the benefits offered under the current Pension Plan throughout negotiations and the impasse proceedings. The Special Magistrate recognized that the position put forth by AFSCME will reduce the costs to the City associated with the Pension Plan, while preserving benefits at a level that is respectful of the hard-

working and dedicated employees who have consistently worked with the City to reduce the budget while maintaining a high level of service.

The Special Magistrate noted several important considerations that bear mention:

1. AFSCME has worked with the City to ensure fiscal stability by agreeing to a wage freeze in each of the past two fiscal years, and have prospectively agreed to another wage increase for FY 2010-2011.

The Special Magistrate specifically noted that AFSCME has "been willing to cooperate with the City in its efforts to cut costs in the face of declining revenues by agreeing to several years of wage freezes and by negotiating modifications in the Pension Plan..." AFSCME is mindful of the financial challenges that the City faces and has acted accordingly. AFSCME's proposals regarding modification to the Pension Plan were reasonable and fiscally responsible. The Special Magistrate's adoption of the AFSCME proposals speaks directly to this point, and furthers the economic goals of the City, while preserving benefits to a reasonable extent.

2. "The City of Sanibel's financial position is a healthy one." The City's cash reserves are substantial, it has been able to significantly reduce its debt, and the City has not been forced to raise millage rates.

In a time of statewide and nationwide economic crisis, the City of Sanibel has managed to reduce its debt by over \$8 million, has survived without raising millage rates for its taxpayers, and has amassed cash reserves that exceed its operating budget. Statewide, other local government entities continue to amass debt, have been forced to increase millage rates to preserve revenue levels, and have depleted cash reserves at or below the recommended 5%. In relative terms, Sanibel has emerged from the economic crisis in excellent fiscal health. And while the City presented extensive evidence regarding the unique nature of the City that has allowed it to enjoy such fiscal health, the Special Magistrate recognized that the City of Sanibel, through excellent planning and budget management, finds itself in an enviable economic position, and made his recommendations accordingly.

3. The Unfunded Liability is not a short-term liability, and while the Pension Fund has seen investment losses in the past several years, the City's return on investments are improving. The modifications recommended by the Special Magistrate will further reduce the unfunded liability. The Special Magistrate's recommendation will reduce pension costs to the City, but is less drastic than the modifications proposed by the City.

While the Pension Plan has suffered losses over the past several years, the City has already taken measures in hopes of increasing its return on investments. Both the City's and AFSCME's proposals will further help to reduce these liabilities. However, the City's proposal decimates employee benefits. The Special Magistrate's recommendation will further the City's goal of reducing liabilities, while preserving the benefits and incentives for citizens to pursue careers in public service with the City of Sanibel.

In light of these considerations, we respectfully urge that you adopt the following Pension Plan elements, which are consistent with the Special Magistrate's recommendation:

1. Multiplier – Reduce from 3.0% to 2.5%
2. Employee Contribution – Remains at 5%

3. COLA – Reduce from 2.75% to 2.0% annually after 3 years of retirement with a maximum of 20 years
4. Early Retirement – Age 62 (increase from 60) with 6 years of service <or> age 55 with 6 years of service with an adjustment of 2.5% for each year under age 62
5. New Hires – Subject to all amended Pension Plan provisions
6. Vesting Period – Increase from 5 years to 6 years (agreed to by City and AFSCME)
7. Opt-Out – Offer employees a one-time irrevocable Opt-Out Option into a defined contribution plan (agreed to by City and AFSCME)
8. Grandfather Provision – Grandfather employees with 17.5 years of service under current eligibility for normal and/or early retirement (agreed to by City and AFSCME)

While this represents a significant reduction in employee benefits, we urge the City Council to adopt this recommendation and strongly consider the public's interest in this matter, which is two-fold. With respect to the public's interest in maintaining the economic viability of the City of Sanibel, the Special Magistrate's recommendation, for which AFSCME advocates the adoption, will significantly contribute to the reduction of the Pension Plan's unfunded liability, and ultimately ease any cost burdens associated with the Plan on the City. Further, the City has never claimed that the adoption of the AFSCME proposal or the Special Magistrate's recommendation will impose any additional burden on the taxpayer. Adopting this recommendation will not deplete cash reserves and it will not require the City to impose higher property taxes. The City will remain in good economic health, while the reduction in Pension Plan benefits recommended by the Special Magistrate will reduce the strain of the unfunded liability.

We also urge the City Council to consider that economic considerations are not the only public interest here. The public also expects the high quality services that it has come to expect from the City. It is the City's dedicated employees, who on a day-to-day basis, work to maintain that level of service. While the benefits that these employees receive are not a condition of that level of service, those benefits are a tangible recognition of employees' hard work and continued dedication. We therefore respectfully urge that the City Council continue to recognize its employees' dedication and service, that the City Council recognize that its employees do understand the economic circumstances that we face, and that the City Council adopts the Special Magistrate's Recommendation, which furthers the interests of all parties.

Respectfully Submitted,



Marc A. Sugerman, Esq.
AFSCME Council 79

cc: Roy Gibson, President of AFSCME Local 3228
Judith Zimomra, City Manager