

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

C.F. #20-0600

Date: June 22, 2020

To: The City Council

From: 
Richard H. Llewellyn, Jr., City Administrative OfficerSubject: **SEPARATION INCENTIVE PROGRAM – LETTERS OF AGREEMENT****RECOMMENDATION**

The City Administrative Officer (CAO) recommends that the City Council approve the eleven (11) attached Letters of Agreement (LOAs) for the following labor organizations:

- Service Employee International Union, Local 721 (SEIU)
- Los Angeles Professional Managers Association (LAPMA)
- All City Employees Association, Council 36 (AFSCME)
- Los Angeles/Orange Counties Building and Construction Trades Council
- Laborers International Union of North America (LIUNA)
- Engineers and Architects Association (EAA)
- Municipal Construction Inspectors Association (MCIA)
- Los Angeles City Attorneys Association (LACAA)
- International Union of Operating Engineers, Local 501
- Los Angeles City Attorneys Management Association
- Fiscal and Policy Professionals Association (FPPA)

These LOAs authorize the City to move forward with the implementation of a Separation Incentive Program (SIP) that offers a cash payment to eligible City employees to retire.

SUMMARY

On April 20, 2020, the Mayor's proposed budget for FY 2020/21 was released. In order to balance the budget the Mayor proposed 26 furlough days for most civilian employees. The furlough days are projected to save approximately \$150M. Since early May, the CAO has been bargaining with civilian labor organizations regarding an alternative to furloughs. During those bargaining sessions labor proposed a separation incentive plan to provide a non-retirement-related cash incentive to retirement-eligible employees to retire. The key terms of the SIP are as follows:

- A cash payment comprised of (1) a lump sum payment of \$7,500 and (2) payment equivalent to 2.0% of an employee's annual pensionable salary as of the date of retirement for each year of service. The total amount of money to be paid under the SIP by combining (1) and (2) shall not exceed \$80,000.
- The first SIP payment will be in the gross amount of ten thousand dollars (\$10,000). This payment shall be made no later than eight weeks after an employee's retirement date from City service.
- The second SIP payment will be in the gross amount of the remainder of the total amount of cash to which the SIP participant is entitled and will be paid to the employee twelve months after the employee's retirement date.
- Eligible employees shall be those who are subject to mandatory furloughs as identified in the City's FY2020-21 Adopted Budget, and are eligible for a normal retirement as of January 31, 2021. This includes both represented and non-represented employees.¹
- A minimum of one thousand three hundred (1,300) eligible employees must successfully enroll in the SIP in order for the SIP to be implemented. If the minimum 1,300 threshold is not met, the SIP will not be implemented.

After the SIP enrollment and rescission periods close, Management will calculate the estimated savings from the SIP. If the SIP savings is less than the amount targeted in furlough savings, labor and management will continue to discuss additional ways to achieve additional savings.

FISCAL IMPACT

The fiscal impact of the SIP is derived from two components. One is the number of participants and the other is when the employees actually exit the payroll. There are approximately 2850 eligible employees for the program. If savings are calculated assuming half of the participants are retired by November 7, 2020, and half are processed by January 30, 2021, and there are no backfills in FY 2020-21, then the savings are projected as follows:

- 100% participation (2850 employees) - 2020-21 savings is \$58.7 million.
- 50% participation (1425 employees) - 2020-21 savings is \$23.2 million

RHL:DB:0720178

Attachments

¹ Department General Managers are not eligible to participate in the SIP.