



Legislation Text

File #: 18-0186, **Version:** 1

Resolution Appropriating An Amount Not to Exceed \$855,000 from Committed Fund Balance - Budget Savings to Fund the Voluntary Retirement Incentive Program ("VRIP") Payout Incentive of \$373,000 and Separation Pay of \$482,000

PURPOSE/BACKGROUND:

The City Manager has consulted with the City Council prior to and during the development of the fiscal year 2019 budget on the opportunity to offer a voluntary retirement incentive program ("VRIP") for employees eligible for full retirement. The incentive was offered in the hope that salary and fringe benefit cost savings realized from such an offering would assist in balancing the fiscal year 2019 budget.

Discussion:

Over the past several fiscal years, the City of Hampton ("the City") has reorganized departments to streamline and create efficiencies. Although the City ranks as one of - if not - the most efficient governments in Hampton Roads relative to population size, continued efforts are made to identify opportunities to be more efficient.

The fiscal year 2018 VRIP was budgeted to generate \$435,944 in recurring savings. This amount would have likely been higher; however, not all of the savings generated by the VRIP was taken due to the public safety promotional process. While only one of the positions vacated by retirement have been slated for elimination, several of the other vacated positions will be downgraded and filled at lower pay rates. Included in the vacated positions are several department heads, including one Assistant City Manager. Although the collective experience and institutional knowledge of these seasoned leaders can not be immediately replaced, taking the proactive step to offer the VRIP and being able to plan for it well in advance, facilitates a smoother transition.

Impact:

Without the recurring savings generated from the VRIP, more significant reductions would have been necessary to balance the fiscal year 2019 budget. The General Fund portion of the incentive payout is \$373,000 and separation pay is valued at \$482,000. Please note that the City traditionally budgets for separation pay (the payout of earned annual and sick leave) for those who leave City employment. Separation pay is due to the employee when they separate employment, regardless of their participation in the VRIP. However, the budgeted amount for FY18 did not include any funding in anticipation of a voluntary retirement incentive program since the VRIP was developed and approved after the FY18 budget was adopted.

Recommendation:

Approve.

WHEREAS, the City Council has been advised by the City Manager of the fiscal challenges in developing the fiscal year 2019 budget;

WHEREAS, the City Council recognizes that the City Manager, in meeting her Charter responsibility to prepare and present a balanced budget, must pursue a number of budget balancing strategies;

WHEREAS, the City Council further recognizes that personnel costs constitute approximately fifty percent (50%) or half of the City's operating budget;

WHEREAS, the City Manager had proposed to offer a voluntary retirement incentive program ("VRIP") to employees who are eligible for full retirement in the hope that salary and fringe benefit cost savings realized from such an offering will assist in balancing the fiscal year 2019 budget;

WHEREAS, the City Council had determined that offering a VRIP was in the best interest of the City as a one-time measure;

WHEREAS, the fiscal year 2019 budget included \$435,944 in recurring saving generated from the VRIP;

WHEREAS, this was a conservative number and savings is likely to be higher;

WHEREAS, the cost of the VRIP incentive payment is \$373,000;

WHEREAS, the City must also pay out accumulated annual and sick leave in an estimated amount of \$482,000, which is due to employees when they leave City employment regardless of whether they participated in the VRIP; and

WHEREAS, the recurring savings generated by the VRIP, were instrumental in balancing the fiscal year 2019 budget and will help balance future budgets.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hampton, Virginia as follows:

1. The City Manager, with the affirmation of City Council, implemented a voluntary retirement incentive program ("VRIP") in the form of an offer of a one-time bonus of twenty percent (20%) of the base salary of employees who are eligible for full retirement under the Virginia Retirement System ("VRS") requirements with an effective retirement date of July 1, 2018.

2. The City Council appropriates an amount not to exceed Eight Hundred Fifty-Five Thousand Dollars (\$855,000) from Committed Fund Balance - Budget Savings to Retirement and Employee Benefits to support the costs of the VRIP and separation pay due to employees who participated in the FY18 VRIP.

3. This resolution shall be effective upon its adoption.

