

## **Staffing Variances (FY 2005-06 compared to FY 2004-05)**

As part of streamlining and reorganizing efforts, in FY 2004-05, the Public Works Department was created, combining the Engineering & Transportation and Operations & Maintenance Departments. This allowed the elimination of one Department Director. As part of this reorganization, the Parks, Recreation & Neighborhoods Department took over responsibility of the Building Services Division as well as Park Maintenance.

Due to budget restraints, City Council has approved staffing reductions in FY 2005-06. The City's position allocation will decrease just over 40 employees from its current count (from 1295.225 to 1255.10 employees). Most departments are affected by these reductions and they will have an impact on service levels.

## **Employee Compensation Packages**

FY 2004-05 has seen the expiration of four of the City's five employee labor contracts. The fifth contract will expire shortly thereafter, in July 2005. These multi-year contracts have covered periods ranging from 2-5 years, and have provided a measure of predictability in budgeting for salary and benefit expenses. One of these contracts has since been extended by mutual agreement with the Modesto City Fire Fighters agreeing to a two-year extension, to December 2006. The Modesto Police Officers also recently reached agreement on a new four-year contract, expiring in December 2008. The City hopes to complete negotiations with the three remaining bargaining units shortly before the beginning of FY 2005-06.

Of the contracts already settled, the across-the-board salary increases range from 2½% - 3% for each of the first two years.

In addition to salary, the two key economic issues relating to employee compensation are health coverage and retirement costs. Employees' out-of-pocket premium costs for family HMO health coverage in FY 2004-05 have ranged from \$26/month to \$360/month, depending on plan and bargaining unit. These out-of-pocket costs for FY 2005-06 are estimated to increase to over \$400/month for some employee groups.

The City's employer costs for retirement plans have increased dramatically over the past several years. The City's employer rate for the Safety Plan (sworn police and fire employees) has increased from 14.8% in FY 2002-03 to 25.4% in FY 2005-06. The employer rate for the Miscellaneous Plan (covering all non-sworn employees) has increased from 0% in FY 2002-03 to 9% in FY 2005-06.