



Legislation Text

File #: 0294-2009, Version: 1

In light of the extraordinary challenges facing the City of Columbus' general fund budget in fiscal year 2009 it was imperative that a number of cost containment measures be considered and, where feasible, implemented. Salary and benefits costs represent approximately 80-85% of the general fund budget. The implementation of voluntary employee severance plans in municipalities and school districts have proven to be effective cost containment measures that reduce personnel costs and potentially reduce the number of layoffs that may result from any projected budget deficit.

To that end, on October 27, 2008 Council authorized the Human Resources Department to enter into contract with Educators Preferred Corporation (EPC) to design and implement a one-time voluntary employee severance plan. Pursuant to this contract EPC, on behalf of the City, extended the opportunity to participate in a voluntary severance plan to approximately 450 eligible (20 years or more service) general fund employees. The enrollment period was from November 4 to December 26, 2008. During this period, EPC conducted counseling sessions, prepared PERS retirement projections where applicable, and coordinated all the administrative and procedural aspects of the severance plan implementation for eligible participants.

Sixty-five (65) city employees elected to participate in the plan resulting in a cost saving to the City of approximately \$3.3 million in 2009. Plan participants will receive a lump sum or incremental payments for a period of up to 5 years (depending on age). As a component of the plan implementation process EPC utilizes Metropolitan Life Insurance Company (MetLife) to secure monthly payments to participants and establish a severance plan "Funding Account" from which payments and appropriate withholdings are made for plan participants.

This ordinance authorizes the transfer of \$35,000 from the Department of Recreation and Parks to the Department of Human Resources. Adjustments to reconcile the Department of Recreation and Parks severance figures necessitate this appropriation transfer.

This ordinance authorizes the transfer within the general fund of \$159,939.02 from the citywide account within the Department of Finance and Management to the Department of Human Resources. This transfer is necessary to fund required withholdings payments in 2009.

This ordinance authorizes the Human Resources Director to enter into an agreement modification with EPC and MetLife to secure monthly payments to participants and establish a severance plan "Funding Account" from which payments and appropriate withholdings are made for plan participants. Under the agreement, the City of Columbus will make these payments to an escrow account with EPC on or before March 15, of each year of the plan. EPC will then make the payments to MetLife on behalf of The City of Columbus as described. However, in years 2012, 2013, and 2014 only withholding payments will be required. Administrative fees payable to EPC are also due on or before March 15, 2009, 2010 and 2011. (Legislation 1622-2008 authorized payment of administrative fees and encumbered required funds to make these payments.) A deposit of \$20,000 was made toward the administrative fees in December 2008. As a result, no payment of administrative fees is due in 2009. In 2009 the benefits funding payment and required withholdings total \$1,814,673.25.

This ordinance authorizes the expenditure of \$1,814,673.25 or so much thereof as may be necessary from Human Resources Department General Fund in order that payments may be made through the first year of the plan.

This ordinance authorizes \$1,193,851.56 to be appropriated and encumbered within the Special Income Tax Fund. However, it is the intent of the City to fund these costs each year in the General Fund. The appropriate amounts will be included in the Department of Human Resources' General Fund budget each year. At that time, the SIT encumbrance will be reduced by the same amount.

The amount of \$1,193,851.56 is comprised of the amounts needed to make severance plan payments and appropriate withholdings for plan participants in years 2010-2014. While the plan is only a five-year plan, it spans six fiscal years requiring payments in 2009-2014.

This ordinance is submitted as an emergency so as to allow the financial transaction to be posted in the City's accounting system as

soon as possible. Up to date financial posting promotes accurate accounting and financial management.

Contract compliance number:

Educators Preferred Corporation (EPC): 382365785

Metropolitan Life Insurance Company (MetLife): 135581829

To authorize the transfer of \$35,000 from the Department of Recreation and Parks to the Department of Human Resources; to authorize the transfer of \$159,939.02 from the Department of Finance and Management to the Department of Human Resources; to authorize the Human Resources Director to enter into an agreement modification with Educators Preferred Corporation (EPC) and Metropolitan Life Insurance Company (MetLife) to establish a severance plan "Funding Account" from which payments and appropriate withholdings are made for plan participants; to authorize the expenditure of \$1,814,673.25 from the General Fund, or so much thereof as may be necessary to pay the cost of said agreement; to authorize the appropriation, encumbrance and expenditure of up to \$1,193,851.56 from the Special Income Tax Fund; to waive the Columbus City Code provisions for competitive bidding; and declare an emergency.

WHEREAS, with the extraordinary challenges facing the City of Columbus' general fund it was imperative that cost containment measures be considered; and

WHEREAS, the Human Resources Department entered into contract with Educators Preferred Corporation (EPC) to design and implement a one-time voluntary employee severance plan; and

WHEREAS, sixty-five (65) city employees elected to participate in the severance plan; and

WHEREAS, it is necessary to transfer funds from the Department of Recreation and Parks to the Human Resources Department to reconcile severance plan related expenses; and

WHEREAS, it is necessary to transfer funds from the Department of Finance and Management to the Human Resources Department to fund required withholdings payments in 2009; and

WHEREAS, Educators Preferred Corporation (EPC) utilizes Metropolitan Life Insurance Company (MetLife) to establish a severance plan "Funding Account" from which payments and appropriate withholdings are made to plan participants and to secure monthly payments to participants; and

WHEREAS, it is necessary to modify an existing agreement between the City of Columbus, Educators Preferred Corporation (EPC), and Metropolitan Life Insurance Company (MetLife) to accurately reflect costs associated with establishing a severance plan "Funding Account" from which payments and appropriate withholdings are made for plan participants, and the administrative costs of the severance plan;

WHEREAS, the expenditure of \$1,814,673.25 is required to cover the costs associated with the severance package for the first year of the plan; and

WHEREAS, these funds are budgeted in the 2009 Department of Human Resources general fund budget; and

WHEREAS, it is necessary to appropriate, encumber and expend \$1,193,851.56 for costs associated with the severance payments in years 2010 - 2014 within the Special Income Tax Fund; and

WHEREAS, implementation of the severance plan is expected to generate a cost savings to the City of Columbus of approximately \$3.3 million in 2009; and

WHEREAS, it is necessary to waive Columbus City Code competitive bidding provisions; and

WHEREAS, this ordinance is submitted as an emergency so as to allow the financial transaction to be posted in the City's accounting system as soon as possible; now, Therefore

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

SECTION 1. That the City Auditor is hereby authorized and directed to transfer \$35,000 as follows:

From:

Department of Recreation and Parks | Department: 51 | Division: 51-01 | Fund: 10 | OCA Code: 900050 | OL1: 05 | OL3: 5501

To:

Department of Human Resources | Department: 46 | Division: 46-01 | Fund: 10 | OCA Code: 460188 | OL1: 03 | OL3: 3336

SECTION 2. That the City Auditor is hereby authorized and directed to transfer \$159,939.02 as follows:

From:

Department of Finance and Management | Department: 45 | Division: 45-01 | Fund: 10 | OCA Code: 904508 | OL1: 10 | OL3: 5501

To:

Department of Human Resources | Department: 46 | Division: 46-01 | Fund: 10 | OCA Code: 460188 | OL1: 03 | OL3: 3336

SECTION 3: That the Director of the Department of Human Resources is hereby authorized to enter into an agreement modification with EPC and MetLife to establish a severance plan "Funding Account" from which payments and appropriate withholdings are made for plan participants.

SECTION 4: That the expenditure of \$1,814,673.25 or so much thereof as may be necessary is hereby authorized and directed as provided below:

Department of Human Resources | Department: 46 | Division: 46-01 | Fund: 10 | OCA Code: 460188 | OL1: 03 | OL3: 3336

SECTION 5. That from the unappropriated monies in the Special Income Tax Debt Fund No. 430, and from all monies estimated to come into said fund from any and all sources and unappropriated for any other purpose during the fiscal year ending December 31, 2009, the sum of \$1,193,851.56 is appropriated as follows:

Department of Human Resources | Department: 46 | Division: 46-01 | Fund 430 | OCA Code: 430046 | OL1: 10 | OL3: 5502

SECTION 6. That the City Auditor is hereby authorized to establish an Auditor's Certificate within the Special Income Tax Debt Fund, as described above, for the payment of the severance plan for years 2010 and 2014.

SECTION 7. That the expenditure of up to of \$1,193,851.56 or so much as thereof as may be needed, be and is hereby authorized from the Special Income Tax Debt Fund to pay costs associated with the severance plan 2010 through 2014 as follows:

Department of Human Resources | Department: 46 | Division: 46-01 | Fund: 430 | OCA Code: 430046 | OL1: 10 | OL3: 5502

SECTION 8: That the Columbus City Code competitive bidding provisions, Sections 329.13 and 329.14, are hereby waived.

SECTION 9: That the reasons state in the preamble hereto, which is hereby made a part of hereof, this ordinance is declared to be an emergency and shall take effect and be in force from and after its passage and approval by the Mayor, or ten days after passage, if the Mayor neither approves nor vetoes the same.