



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

April 19, 2011

Honorable Mayor and
Members of the City Council
915 I Street - Fifth Floor, New City Hall
Sacramento, CA 95814-2604

This letter is in response to the April 12, 2011 request from the Audit Committee for additional information related to our Audit of Employee Health and Pension Benefits. The request was made by the Committee in response to concerns raised by two speakers during the public comment portion of the Audit Committee meeting. Speakers questioned our choice of comparables and asserted that the audit should have limited its comparisons to the three California cities next larger and the three California cities next smaller in population than Sacramento. Based on the 2010 Census figures, the three California cities larger than Sacramento are Fresno, San Francisco and San Jose while the three smaller are Long Beach, Oakland and Bakersfield. Two of these cities, San Jose and San Francisco, were included in our analysis as well as other government entities that are located within the Sacramento metropolitan area. Although I disagree with the assertion that our analysis should be limited to the cities listed above, in order to be as responsive as possible, I have quickly gathered information regarding the above listed cities that were excluded.

Health Benefits

In selecting government entities to compare to, we chose comparable entities that we believed would yield meaningful comparisons. Comparisons were presented in order to provide context related to health and pension costs. Our audit compared the City of Sacramento's least expensive Kaiser health benefits to those offered by CalPERS Sacramento region; the State of California; cities of Elk Grove, San Francisco, San Jose, West Sacramento, and the County of Sacramento. We considered including other cities, but did not do so for various reasons. Fresno and Long Beach, for example, do not offer Kaiser insurance plans while Sacramento and the other chosen governments do. We also considered including Oakland, but excluded this City as its medical benefits are purchased through CalPERS and we had already included the Sacramento regional CalPERS rates in our analysis. Therefore, of the six cities noted by the speakers as desirable, only Bakersfield remains as a viable candidate to perhaps draw some additional comparisons to for health benefits.

A quick review of the Bakersfield health benefits in response to the Audit Committee's request showed employees are required to contribute 20 percent of the premium costs. As noted in the Audit, that amount is the same as the contribution amount required by Sacramento County.

Pension Contributions

For consistency, we used the same government entities identified for comparison in the health benefits portion of our analysis for the analysis of pension contributions.

In response to the Audit Committee's request, we have compiled pension benefits for the additional cities specified above. This information is detailed in Attachment A and expands on exhibits 27 and 28 from the audit to estimate the employee pension contributions for both Miscellaneous and Safety employees who earn \$60,000 per year. Additions are highlighted in yellow. We should note that the information is not complete and additional work would be needed in order to disclose key differences that should be taken into consideration for the comparison.

Background

At the April 12, 2011 Audit Committee meeting, Dick Mayberry, who represents the Sacramento Area Fire Fighters Local 522, said that he believed the numbers in the report may be "skewed" because the audit did not compare Sacramento to cities historically used for other comparisons in labor negotiations.

Dee Contreras, who said at the meeting that she was presenting on behalf of both the City's retirees and the Sacramento City Exempt Employees Association, stated that the auditor should have used the three California cities larger than Sacramento and three cities smaller than Sacramento per the City Charter and the Employer Employee Relations Policy. She stated "those are required to be used when we do comparative data from the union side and the City side when you're determining what benefits and where health insurance and benefits ought to be and what retirement plans are normal for those groups of people."

The section of the City Charter that denotes the use of these cities is under §503 and §603 of the Impasse Resolution Procedures for Police and Fire only. To be clear, the sections of the City Charter that reference the six city comparisons specifically state (emphasis added):

The Arbitration Board shall decide each issue by majority vote by selecting whichever last offer of settlement on that issue it finds most nearly conforms to those factors traditionally taken into consideration in the determination of wages, hours, benefits and terms and conditions of public and private employment, including, but not limited to the following: changes in the average consumer price index for goods and services; the wages, hours, benefits and terms and conditions of employment of employees performing similar services to the extent that such can be reasonably done, including comparable classifications in public employment in the Sacramento metropolitan area, and in the three California cities next larger and the three California cities next smaller in population than Sacramento; and

the financial condition of the City of Sacramento [and] its ability to meet the costs of the decision of the Arbitration Board.

The Employer Employee Relations Policy has similar language under its Impasse procedures section that states (emphasis added):

City job classifications shall be compared to comparable job classifications in private and public employment in the Sacramento metropolitan area, and in the three California cities next larger and the three California cities next smaller in population than Sacramento, to the extent such can reasonably done.

While I appreciated the speakers' comments and perspective, I find such statements misleading and respectfully disagree with their assertions. My office was well aware of the City documents referenced by the speakers, and considered its applicability to our audit during our review. As our audit is not part of the impasse process, we did not consider this language a limitation on our sampling choices.

As the Mayor and City Council's independent auditor, my staff and I rely on our professional judgment to plan, conduct, and complete audits within terms set forth in Generally Accepted Government Auditing Standards. We take this responsibility seriously and appreciate this opportunity to clarify our position. If you would like us to provide additional information related to this audit or our audit process in general, please feel free to contact me.

Respectfully submitted,



Jorge Oseguera
City Auditor

Miscellaneous Worker Earning \$60,000	Employee Share (Misc.)	Employee Pays Per Month
<i>Sacramento (Misc, No Share)</i>	0%	\$0
<i>Sacramento (Misc, 4% Share)</i>	4% ^D	\$194.67
Elk Grove	0%	\$0
Sacramento County Administrative ^A	4.87% ^D	\$226.51
San Francisco	7.50%	\$375.00
San Jose	4.54%	\$227.00
State Of California ^B	8% ^D	\$358.96
West Sacramento ^C	1%	\$50.00
Bakersfield ^E	Unclear	Unclear
Fresno ^F	7.92%	\$396.00
Long Beach ^G	5%	\$250.00
Oakland ^H	5%	\$250.00

Source: Generated from respective governments' pension and labor agreement information and Auditors' analysis

A. Assumes Miscellaneous 3rd Tier employees paying Social Security

B. Based on Local 1000 agreements

C. Specialists and Professional Classification

D. Actual employee amounts for the City of Sacramento, 4 percent of salary over \$133.33 per month; Sacramento County, 4.87 percent of biweekly salary over \$161; State of California, 8 percent of salary over \$513 per month.

E. Unclear from initial review of labor agreements. Additional work would be needed to determine amount

F. May not apply to all Miscellaneous employees

G. Applies to Miscellaneous management employees, but not Safety management

H. Based on Local 1021 agreement

Safety Worker Earning \$60,000	Percent of Salary (Safety)	Employee Pays Per Month
Sacramento	0%	\$0
Elk Grove	0%	\$0
Sacramento County Safety	5.46% ^A	\$253.95
San Francisco	7.50%	\$375.00
San Jose	9.81%	\$490.50
State of California	9 % ^B	\$421.47
West Sacramento	0%	\$0
Bakersfield ^C	Unclear	Unclear
Fresno (Police) ^D	8%	\$400.00
Fresno (Fire) ^E	9%	\$450.00
Long Beach	2%	\$100.00
Oakland ^F	0%	\$0

Source: Generated from respective governments' pension and labor agreement information and Auditors' analysis

A. Actual employee amounts for Sacramento County are 5.46 percent of biweekly salary over \$161

B. Actual employee amount is 9 percent of monthly salary over \$317 per month and percent does not apply to all State Safety employee classifications

C. Unclear from initial review of labor agreements. Additional work would be needed to determine amount

D. Some employees pay slightly more

E. Employees under this scenario will pay about \$350 per month starting in July 2012

F. Police only. Employees under this scenario will pay about \$100 per month starting in 2013