

City of Imperial Beach

News Updates & Information



WEEK OF JULY 18, 2011

This publication is meant to give you the latest and greatest news and information from around the City.

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SECTION 1 LEASH-FREE DOG BEACH

This week Council decided not to have a leash-free dog beach between Palm and Carnation, but instead, wants to review at a future Council meeting, other locations and ideas for leash-free dog parks.

SECTION 2 REDEVELOPMENT ACTIONS

City Council took the first step to preserve the City's redevelopment agency by introducing an ordinance that will keep the agency alive until at least May 2012. The ordinance, in effect, says that the city will pay the ransom amount to the county. This payment substitutes for what the state would normally pay and thus helps balance the state's budget.

In the meantime, the California League of Cities and the California Redevelopment Association have filed suit in the state's Supreme Court challenging the state's new redevelopment laws which they contend violate the state's constitution because the new laws take local funds to help balance the state budget. It may take years for the courts to decide on the lawsuits.

Unfortunately, the taking of local redevelopment funds or killing the agencies will not resolve the state's budget problems for more than a year. It's likely that the state legislature will face another fiscal crisis very soon and will have ended a very effective economic development tool, local redevelopment programs.

SECTION 3 PENSION REFORM

Cities throughout California are working on changes to their pension systems to make them sustainable in the long-term, provide a fair retirement income to municipal staffs, while cities also continue to deliver good public services. Hindsight now shows that about a decade ago,

during an excellent economic period, cities and the state started unsustainable pension practices that became tenuous during the great recession of the last few years.

Imperial Beach, in contrast to many cities, did not take-up unsustainable practices to the same extent followed by many other cities. For example, when the pension benefit for 'miscellaneous' staff was increased here, employees also started to pay 6% of the employee share. Other cities continued to pay their employees' contribution.

Since the great recession, most cities including Imperial Beach have re-assessed their pension plans. Cities have taken steps such as creating a tier of reduced pension benefits for new employees, employees paying more of the pension costs, and basing the final average earnings calculation on three highest years rather than the single highest year. (For a broader perspective on pension reform, see the attached article from Western City Magazine)

Over the last several months Imperial Beach staff has been discussing similar reforms which are important to the City's long-term fiscal health, especially in light of our lean revenues and the state's new redevelopment laws which force local redevelopment agencies out of business or pay an exorbitant ransom, \$2.86 million, to help the state's budget and stay alive.

In addition to pension reforms, staff has been reviewing potential changes to payments for medical insurance.

SECTION 4 SANDCASTLE DAYS

It seems like 4th of July was just yesterday and now the biggest weekend of the year arrives.

Again, thanks to everybody who makes this gigantic event a success-

Public Safety: Lifeguards, Firefighters, Paramedics, Deputies, Fire Inspectors, Events Management

Community Development- Inspections

Public Works- Tidelands crew, streets, and everybody who pitches in.

Volunteers- Amazing work by the Sandcastle Committee and help from outside public safety organizations.

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Is the Bell Tolling for Pension Reform?

No man is an island, entire of itself; every man is a piece of the continent, a part of the main. If a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were. Any man's death diminishes me, because I am involved in mankind, and therefore never send to know for whom the bell tolls; it tolls for thee.

— John Donne, Meditation XVII

When I first tried to recall who wrote “the bell tolls ... for thee,” I thought of Ernest Hemingway's famous novel, *For Whom the Bell Tolls*. A little research led me to the correct source: John Donne, the 16th-century Englishman of letters, prolific author and product of the Renaissance. Donne's passage provides a proper, broad context for understanding why a policy issue like pension reform is a matter affecting the public good and not just public employees.

Common Values

Donne wrote eloquently about the values and goals that bind us together as a community and how they are affected by the fate of one of its parts or members. These connections include not only our common moral values that form the basis of our system of criminal and civil laws, but they also implicate the values of fairness and sustainability in the financing and delivery of our public services.

Whether it is the greed of Wall Street financiers, the repackaging of imprudent and unsupportable home mortgages by mortgage bankers or the abusive compensation practices of a few local officials, we are prompted by our in-born suspicion of privilege in this country to sniff out anything fishy and unfair. That is exactly why the bell seems to be tolling for public employee pension reform in California.

Unsustainable Costs Concern the Public

How bad is the pension sustainability problem? In a recent draft Pension Reform Action Plan, the League's City Managers Department wrote that the rapidly rising pension costs for cities over the next few years will threaten the delivery of public services, compromise General Fund budgets and push some cities to the brink of fiscal collapse. The managers point out that “a California

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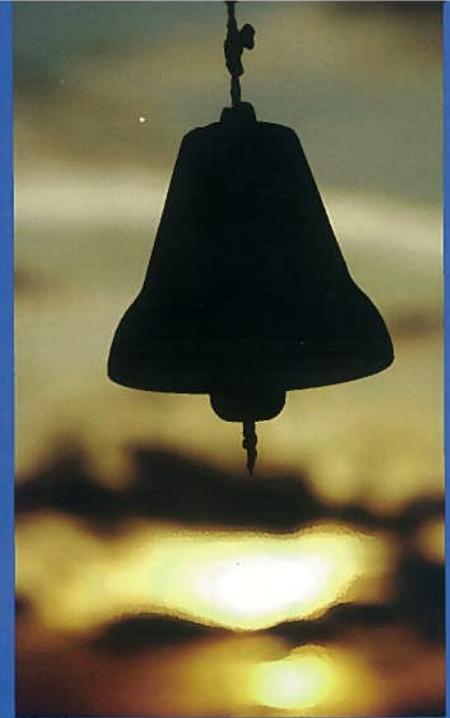
Public Employees Retirement System (CalPERS) actuary warned that by 2014 it will be common for local governments to budget 50 percent of police officers', 40 percent of firefighters' and 24 percent of miscellaneous employees' salaries for pensions; contributions that are fiscally unsustainable." And this problem does not even include what may be the far more important issue facing local governments: unfunded liability costs for retiree health care.

Voters have indicated that they are also concerned about public pensions. A Public Policy Institute of California poll in January 2010 found that three out of four Californians view the amount of money being spent on the public employee pension systems as a problem. The percentage calling it a "big problem" grew 10 percent since January 2005. A poll conducted by the *Los Angeles Times* and University of Southern California in April 2011 showed that 70 percent of California voters support caps on pensions for current and future public employees, and nearly the same number support raising employee contributions to their retirement plans.

Seeking Solutions: A Promising Start

The good news is that cities and their employees are joining together to tackle this serious problem before it gets even worse. A League survey conducted earlier this year revealed that about 25 percent of responding cities have adopted a new pension tier for new employees. Almost 40 percent of the responding cities reported they have increased cost-sharing with employees picking up more, if not all, of the employees' share of the contribution rate. Some are actually negotiating agreements for the employees to pick up anywhere from 1 to 4 percent of the employer's contribution rate. Finally, 12 percent of the cities reported that they have negotiated changes in the final average earnings (FAE) calculation, with most increasing it from the single highest year to an average of the three highest years.

In his book, *The Tipping Point*, author Malcolm Gladwell explains how a combination of factors — including who delivers a message, how it is delivered and the context in which it is delivered — can cause an idea to take on "epidemic" proportions and become "sticky" or "hot" to public opinion. Clearly the same message about pension reform has been received



Rapidly rising pension costs for cities over the next few years will threaten the delivery of public services, compromise General Fund budgets and push some cities to the brink of fiscal collapse.

differently during times of economic prosperity than in times of fiscal pain. For years a few voices have been sounding the alarm about the need for action, but it took the worst recession since the Great Depression to galvanize public opinion and for decision-makers to respond.

Gladwell's analysis suggests that the public interest in pension reform is fueled also by the messenger. The fact is that four and even two years ago the only people who were talking about the need to reform pensions were either soothsayers or anti-tax advocates. Consider who the common messengers are today, and you will find that city council members and mayors, city managers, some labor leaders and business leaders are all part of the chorus. Thus, it comes as no surprise that one of

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the League's three strategic goals this year is pension reform for greater sustainability.

One of the ways you can tell an idea like pension reform is getting "sticky" is to listen to labor union officials who have an extremely important role to play in helping ensure the survival of a fair and sustainable public employee retirement system — fair to the employees *and* to the public. To their credit, a growing number of public employee labor unions are becoming part of the solution to the pension sustainability problem in many cities, suggesting approaches and agreeing to substantial changes in benefits and increases in employee cost-sharing responsibilities. Those who do not will likely face deep staff cuts and an increasingly irate electorate that is primed to approve drastic changes to traditional defined benefit pensions.

Taking a page from John Donne, no public employee retirement system is an island any more than it is an employee entitlement. Its health and its very existence require that it first serve the public welfare and not require drastic reductions in public staffing levels and services to finance unsustainable benefits for the public servants. No public employee would defend such a system either. Each of them came to work in the public sector out of a strong desire to serve their community and state. At the end of the day, we are going to solve this problem together or it is going to bury us. I hope it is the former.

The bell is tolling. Let's get to work on reforming pensions. ■

Three out of four Californians view the amount of money being spent on the public employee pension systems as a problem.

“Napa Sanitation District believes that recycling water is an environmentally responsible way to conserve scarce water supplies in the Napa Valley. Meyers Nave’s assistance in assuring compliance with Federal and State regulatory schemes in this area has been invaluable.”

~ Jill Techel, Chair

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