2012-2013

City of Long Beach

Separation Pay

September 4, 2012

Introduction

- Issuance of this bond allows the City to amortize the cost of separation/retirement payments (this was included in the CSEA Memorandum of Agreement) to employees over a period of five years. Legislation was approved by the State, enabling more employees to take the Early Retirement Incentive.
- The Adopted Budget included an assumption that the NYS Legislature would approve 'Deficit Financing' for the City. This would have allowed the City to spread the pain of repaying the City's inherited deficit over 10 years. The NYS Legislature did not approve this financing during its last session. The NYS Legislature instead approved a bill allowing for the financing of payments due to employees upon their separation of employment with the City.
- As a result, of these changes in events, the City needs to make responsible changes to the Adopted Budget to make sure that the budget remains balanced.
- The City will borrow $5.65 million to pay for Separation payments incurred during the 2011-12 fiscal year.

Separation Pay

- During the prior fiscal year the City incurred the following Separation/Retirement costs.

Separation/Termination Costs:

Termination Payments:	3,686,292
Layoffs:	200,000
Early Retirement Incentive:	1,750,000
Projected Costs:	**5,636,292**

Annual Cost Savings

- The City expects to save $1,500,000 per year after paying the debt service on the Separation/Retirement borrowing.

Annual Salary Savings

	Salary*	Fringes	Total
PD	622,850	280,283	903,133
FD	215,000	96,750	311,750
All Other	1,050,000	472,500	1,522,500
Total	1,887,850	849,533	2,737,383
		Annual Debt Service	(1,225,000)
		Annual Savings (net)	**1,512,383**

Note: The amount of projected salary savings was reduced by 33% in order to conservatively estimate actions such as limited backfilling, out of title pay, overtime among other items. Fringes are estimated to be 45% of base salary.

Recent Borrowing History

- Smart management of finances leads to reduced outstanding debt.

Type of Note	Issue Date	Maturity Date	Issued	Outstanding Current	Outstanding Apr-13
Budget	12/15/2011	12/15/2012	$1,500,000	$1,500,000	Paid Off
Budget	4/19/2012	4/19/2013	$1,000,000	$1,000,000	Paid Off
Tax Anticipation	12/15/2011	8/16/2012	$1,750,000	Paid Off	Paid Off
Revenue Anticipation	4/19/2012	4/19/2013	$6,000,000	$6,000,000	Paid Off
Tax Anticipation	7/3/2012	3/1/2013	$5,000,000	$5,000,000	Paid Off
		Total Notes	$15,250,000	$13,500,000	$ -
Separation Pay Bonding	TBD				$5,650,000
		Total Debt	$15,250,000	$13,500,000	$5,650,000