

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
JUNE 9, 2009 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Voluntary Separation Program	Resolution Ordinance ✓ Motion Discussion Only	David Fieldman Village Manager

SYNOPSIS

A motion is requested for approval of the terms of the Village's Voluntary Separation Program.

STRATEGIC PLAN ALIGNMENT

The Village goals for 2008-2013 include *Exceptional Municipal Organization*. A supporting objective of this statement is to provide *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

The fiscal impact of the program will vary depending on actual participation, but is expected to result in significant overall personnel expense reductions. For each employee that participates in the program and separates from the organization, assuming the position is not filled, the Village can expect to realize, on average, approximately \$60,000 in annual personnel savings. The annual savings increases after the health care benefit expires.

RECOMMENDATION

Approval on the June 16, 2009 consent agenda.

BACKGROUND

During the early part of fiscal year 2009, in response to projected declines in major General Fund revenues of nearly \$2 million, the Village undertook a series of steps to reduce costs, which included approximately \$600,000 in personnel expense reductions. These reductions included furloughs and wages freezes and deferrals. At the time these actions were taken, employees were informed that the Village was in the process of developing a voluntary separation incentive program that would assist with voluntary separation from the organization, which may not otherwise occur, and result in significant personnel expense reductions.

On May 19, 2009, Village staff presented the first of a series of Long Range Financial Plan presentations. The presentation included information indicating that personnel costs within the Village's General Fund represent 74% of total expenses and have grown from \$14.7 million in FY96-97 to a projected \$29.7 million in FY09. The presentation also highlighted a projected decline of several major revenues within the General Fund. It is estimated that combination of increasing expenses and declining revenues would result in a significant deficit in FY10 and future years if not addressed. In order to address the structural deficit within the General Fund in a manner that seeks to maintain high quality services and generates significant costs savings for FY10 and beyond, it is recommended that a voluntary separation program be offered to all existing employees that meet the established criteria.

Program Criteria and Terms

Full-time and part-time employees with a minimum of five years of consecutive service as of June 17, 2009 would be eligible for participation in the program. The general terms of the program are as follows:

- Participating employees will receive one week of severance pay for each full year of consecutive service up to a maximum of 12 weeks (no credit will be given for partial years of service).
- If currently enrolled in the Village's Health Insurance Plan, an employee has two options for continuing health insurance coverage:

Option 1. An employee can select to stay on the Village's current health plan with a \$500 deductible, subject to all co-pays, without premium cost for two years from the date of separating from the Village.

Option 2. An employee can select to enroll in the Village's new retiree insurance plan which is subject to a \$2,500 deductible (includes prescription drug card) subject to all co-pays for four years at a fixed reduced premium of \$600 per month for family coverage and \$300 per month for single coverage.

Further details are provided in the attached program summary.

Based on the analysis, staff believes that the recommended program terms are sufficient enough to create an incentive for substantial participation, which will result in greater personnel expense reductions long-term. For any vacancies that must be filled, Village management will seek to reassign existing personnel to fill those positions. New hires will be considered only if the positions cannot be filled by existing staff. Any decisions regarding dates of separation will be made between the employee and supervisory staff to ensure that service levels are impacted to the least extent possible. In developing this program, staff reviewed similar programs offered by other municipalities including the City of St. Charles and the City of Naperville.

ATTACHMENTS

Program Summary

VOLUNTARY SEPARATION PROGRAM

This Voluntary Separation Program is established to provide a one time voluntary separation incentive package. Program policies and procedures are detailed below:

ELIGIBILITY:

Any full-time or part-time employee with five full years of consecutive service as of June 17, 2009 is eligible to participate in this program.

INCENTIVE PACKAGE:

- An employee will receive one week of severance pay for each full year of consecutive service up to a maximum of 12 weeks (no credit will be given for partial years of service).
- If currently enrolled in the Village's Health Insurance Plan an employee has two options for continuing health insurance coverage:

Option 1. An employee can select to stay on the Village's current health plan with a \$500 deductible, subject to all co-pays, without premium cost for two years from the date of separating from the Village.

Option 2. An employee can select to enroll in the Village's new retiree insurance plan which is subject to a \$2,500 deductible (includes prescription card) subject to all co-pays for four years at a fixed reduced premium of \$600 per month for family coverage and \$300 per month for single coverage.

Regardless of which insurance plan is selected, at the end of the described time frame (two years for Option 1 and four years for Option 2), in order to continue to enroll in the Village's health plan, the employee must meet the requirements outlined in the Personnel Manual for retiree health insurance benefits.

- The Village will provide an employee the opportunity to continue his/her dental and vision insurance through COBRA at the employee's sole expense, for the time period as required by law.
- All other accrual payouts will be made consistent with existing Village Policy and/or existing collective bargaining agreements.

APPLICATION PROCESS:

The law requires that an employer provide employees with a minimum attorney review period of forty-five (45) days for Separation and Waiver Agreements; therefore, employees are advised to contact their personal attorneys at their own expense to review the Separation and Waiver Agreement prior to execution, if they so desire. Therefore, in order to participate in this program and to meet the legal requirement of a 45 day attorney review period, an employee must submit the attached application and signed Separation and Waiver Agreement to the Human Resources Department and his/her Department Director by no later than **August 3, 2009**. This program will not be offered after this date.

Once a signed application and Separation and Waiver Agreement is submitted it shall become binding; however, an employee may revoke a signed Separation and Waiver Agreement within seven (7) days of signing the agreement. Any such revocation shall be in writing and must be received by the Human Resources Department within such seven (7) day period. An employee who timely revokes the Separation and Waiver Agreement shall not be eligible to receive the voluntary incentive plan under the program.

SEPARATION DATE:

Unless otherwise agreed upon, the separation date shall be August 14, 2009. When establishing a separation date, the Village reserves the right to consider the needs of the department and the Village in order to minimize the disruption on Village operations and to maximize the amount of savings that are generated by this program.

Please direct any questions about this program to the Human Resources Department.