

*We are a welcoming, active and business-friendly rural
foothill community built on California's rich gold rush history.*



City Manager's Report
January 10, 2023, City Council Meeting
Prepared by: Cleve Morris, City Manager
Item #: 7.5

Subject: Adopt a Resolution:

1. Approving an IRC Section 457 Pre-Retirement Catch-Up Policy.
2. Approving a \$18,313 budget appropriation from the General Fund unassigned fund balance for the IRC Section 457 Pre-Retirement Catch-Up Program; and
3. Approving a \$1,041 budget appropriation from Water Enterprise Fund Contingency for Unforeseen Expenditures for the IRC Section 457 Pre-Retirement Catch-Up Program; and
4. Approving a \$1,041 budget appropriation from Sewer Enterprise Fund Contingency for Unforeseen Expenditures for the IRC Section 457 Pre-Retirement Catch-Up Program.

Purpose: To provide a program for employees to contribute additional amounts to the ICMA 457 plan through the Pre-Retirement Catch-Up Program, using excess vacation balance hours above the maximum accrual of 320 hours.

Strategic Plan Strategy: Good Governance 4. Strategy - Provide support to staff through behaviors and actions a. Complete studies and develop options to provide competitive salary and benefits to employees to attract and retain the best talent

Background: During last year's meet and confer discussions with the Executive Management Unit, it was requested that the City consider allowing employees to contribute toward the IRC 457 Pre-Retirement Catch-Up Plan. The IRC 457 Plan is a Deferred Compensation plan which the City currently participates in.

During the Great Recession, the City expanded on a Mandatory Time Off (MTO) program as a cost saving measure due to the poor economy and declining revenues. When this was implemented, a policy was provided that allowed employees to exceed the annual vacation accrual amount, which at that time was 240 hours. In 2014, due to cost cutting measures and an improving economy, the MTO program was eliminated. However, some employees who had not taken vacation during this time accrued large amounts of unused vacation balances. Most of those large vacation banks have been reduced below the cap through attrition or normal use of vacation. However, five employees have vacation balances that exceed the current vacation cap of 320 hours.

Discussion: The IRC 457 Pre-Retirement Catch-Up Program is available to all staff. The purpose of this particular program is to allow employees with large amounts of vacation time on the books, to use a limited amount of that vacation toward the IRC 457 Pre-Retirement Catch-Up Program. This provides an advantage to the employee by allowing them to contribute more toward the deferred compensation program, benefitting the employee's retirement account. It also assists the City by reducing the liability created by the excessive vacation accruals over a period of time rather than having it hit at the time of retirement. The primary goal is to hopefully reduce these vacation balances under the maximum cap.

Attached to this report are the Resolution adopting the program and the proposed City Policy.

Options:

1. Approve the program as recommended by staff.
2. Approve the program with amendments.
3. Do not approve the program at this time.

Environmental:

This program does not qualify as a project under the California Environmental Quality Act (CEQA) and therefore no Environmental Statement is necessary.

Cost: If all eligible employees were to participate in the program, the total cost would be approximately \$20,395. However since it is voluntary, it is not known how many employees will participate in the program.

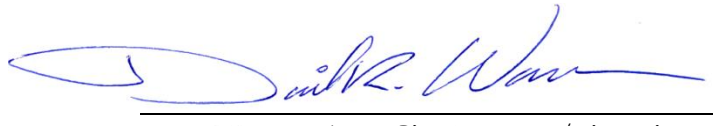
Budget Impact: This program was not included in the adopted Fiscal Year 2022/2023 Operating Budget. Staff is recommending that the Council approve \$20,395 in budget appropriations to cover the cost of the program as shown below:

General Fund	\$	18,313
Water Enterprise Fund		1,041
Sewer Enterprise Fund		1,041
Total	\$	<u>20,395</u>

Recommendation: Adopt a Resolution:

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 M. Cleve Morris, City Manager


 Dave Warren, Asst. City Manager/Fin. Dir.

Attachments:

- A. Resolution
- B. Draft Policy
- C. IRC 457 Form and Guidelines