

July 25, 2023

*Via Email*

John Tucker  
1150 N. First Street #101  
San José, CA 95112

Elizabeth Kamyra  
4 N. Second Street #430  
San Jose, CA 95113

Kristen Schumacher Nascimento  
1167 Mission Street, 2nd Floor  
San Francisco, CA 94103

**Re: IFPTE and MEF's Joint Letter dated July 11, 2023, and Emails dated July 17, 2023**

Dear John, Liz, and Kristen:

The City is in receipt of your joint letter, dated July 11, 2023, and the emails from Kristen Schumacher and John, dated July 17, 2023. The City does not agree with the statements contained in your letter and your assertion that the City's [letter to IFPTE](#) and [letter to MEF](#), each dated June 26, 2023, contained misstatements and we restate the information contained therein.

Regarding various requests for information that MEF and IFPTE have submitted since July 11, 2023, please see the following responses:

- 1. Please provide the Union with the actual realized salary savings from vacancies for each fiscal year for the last ten fiscal years and an explanation of how the savings were calculated.**

While the City does not historically track savings attributed to just salaries from vacant positions, it regularly reports on General Fund personal services expenditure savings in the City Manager's Annual Report. We do not have information readily available for personal services savings across all funds, however.

Below is a table that shows the amount of personal services savings in the General Fund, and the savings expressed as a percentage of the total General Fund personal services budget. The savings amount is the Modified General Fund Personal Services budget less the General Fund personal services expenditures. While a small portion of the savings is attributable to other factors, such as the differences between positions' budgeted assumptions for salary and benefits and employees' actual salary and

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benefits, the savings is primarily attributed to vacancies. Please note that these figures do not differentiate between the amount of expenditure savings assumed with the development of the Forecast or Proposed Budget development and any additional savings realized at Annual Report. Fund balance assumptions are a combination of assumed excess revenue and savings across several expenditure categories. Nor do these figures identify the amount of savings that were rebudgeted as part of the Adopted Budget or Annual Report processes; however, personal services rebudgets are not common and are generally done in relatively small amounts.

Fiscal Year	Personal Services Expenditure Savings Amount (\$ Million)	Savings as a Percentage of Personal Services Budget
2021-2022	15.2	1.6%
2020-2021	6.5	0.7%
2019-2020	16.4	1.9%
2018-2019	18.5	2.1%
2017-2018	7.6	0.9%
2016-2017	8.7	1.2%
2015-2016	12.7	1.8%
2014-2015	11.4	1.7%
2013-2014	9.2	1.5%
2012-2013	9.9	1.7%

- Your team has provided costing estimates from the city’s actuary for restoration of the 5% non-pensionable wage increase. It is not clearly stated in your correspondence to the unions whether the costing provided represents the total change to the federated plan’s unfunded liability or amortized costs of restoring the 5% non-pensionable wage increase. Please clarify if the costing estimates provided are total changes to the Federated fund’s unfunded liability or forecasted annual cost increases to the city. If the estimates provided are not amortized, please provide the projected costs on an annual basis for restoration of the 5% non-pensionable wage increase. Please detail these costs separately for all Local 21 units and for MEF.**

The amounts provided in the City’s letters are the full amount of the unfunded liability incurred by the conversion and are not amortized costs. The estimates are based on the City of San José Federated City Employees’ Retirement System Actuarial Valuation Report as of June 30, 2022, produced by Cheiron and dated December 2022, as well as additional detailed valuation information provided by Cheiron. The City’s actuary projects that if all assumptions adopted by the Federated Board are met, then the costs for converting the 5.00% ongoing non-pensionable compensation increase to a pensionable pay would be approximately:

Unit	Total Increase to Unfunded Liability	City's Annual Amortized Contribution Cost	Employee's Annual Amortized Contribution Cost
AEA	\$1,900,000	\$200,000	\$100,000
AMSP	\$1,700,000	\$190,000	\$60,000
CAMP	\$5,200,000	\$600,000	\$200,000
MEF	\$8,500,000	\$1,000,000	\$200,000

These figures are not inclusive of any unfunded liability incurred by any other pensionable increase received by these units.

**3. All correspondence with the city's actuary related to management's cost estimate of restoring the 5% non-pensionable wage increase.**

Above, the City has provided information relating to its actuary's cost estimate of converting the 5.00% ongoing non-pensionable compensation increase to a pensionable pay. With respect to the request for all correspondence with the City's actuary on this subject of current negotiations, the City will not produce such correspondence as they are exempt from disclosure based on the deliberative process and balancing test under Government Code Section 7922.000 of the California Public Records Act.

**4. Please also provide the following information related to the Salaries and Benefits Reserve fund:**  
**a. Current balance of the Salaries and Benefits Reserve**

The Salaries and Benefits Reserve totals \$29.3 million. Funding will be reallocated from this reserve to departmental budgets as part of the Annual Report, Mid-Year, and Year-End budget adjustment processes to pay for anticipated health care costs, management pay for performance, retirement contributions, negotiated compensation increases related to approved labor agreements, for ongoing increases to compensation ranges for certain classifications, and to address potential payroll errors, as appropriate.

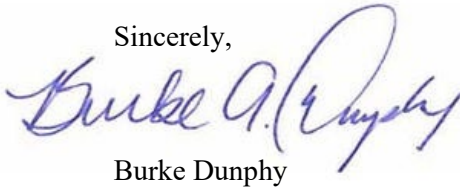
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**b. Amount of funds in the Salaries and Benefits Reserve, if any, that would be allocated or assigned under management's current economic proposals**

After taking into consideration the future anticipated disbursements from the reserve as described above, the City's LBFO would leave a remaining amount in the Salaries and Benefits Reserve of approximately \$1 million.

Sincerely,

A handwritten signature in blue ink, appearing to read "Burke A. Dunphy".

Burke Dunphy

cc: Jennifer Schembri, Director of Employee Relations and Human Resources  
Elsa Cordova, Assistant to the City Manager