

Resolution

Memphis Voluntary Buyout Program

WHEREAS, the national economy is experiencing one of the most severe economic recessions the country has experienced in decades; and

WHEREAS, this recession has contributed to rising unemployment, falling home values and declining consumer confidence; and

WHEREAS, these conditions have also impacted the local Memphis economy and have reduced the City of Memphis' operating revenues during the 1st and 2nd quarters of FY2009; and

WHEREAS, the National Association of Business Economists forecasts a continuation of these negative economic conditions during 2009 and beyond; and

WHEREAS, in response to the current and anticipated future economic conditions, the City of Memphis believes a reduction in the number of full-time General Fund employees is required; and

WHEREAS, the City of Memphis has developed the Memphis Voluntary Buyout Program (MVBP) to achieve a reduction of at least 100 full-time, General Fund employees; and

WHEREAS, the one-time cost of implementing the MVBP during the current FY2009 is estimated to be \$7,016,426; and

WHEREAS, \$6,286,600 of the one-time MVBP implementation costs will be charged to the General Fund and the balance of \$729,800 will be absorbed by the Health Insurance Fund; and

WHEREAS, the City of Memphis will realize an on-going annual savings of \$6,428,368 after the one-time cost in FY2009; and

WHEREAS, the Memphis City Council believes the MVBP is a sound and prudent financial strategy to reduce future City of Memphis personnel expenses and align overall General Fund operating expenses with anticipated future revenues.

NOW, THEREFORE BE IT RESOLVED by the Memphis City Council that the FY 2009 Operating Budget be and is hereby amended by the following:

<u>General Fund</u>		
Revenues: Contribution from Fund Balance		\$6,286,600
Expenditures: Voluntary Buyout Program		\$6,286,600

**Memphis Voluntary Employee Buyout Program
Estimated Costs and Savings for City
01/16/09**

Estimated One-Time Cost:

4 Months Salary	\$ 17,333
\$500/Year of Service (assume 15 yrs)	7,500
Accrued Benefits	37,134
Medicare Taxes - 1.45%	899
6 Months Health Benefits (1)	7,298
Estimated Cost of Buyout Benefits per Participant	<u>\$ 70,164</u>

Estimated One-Time Cost to City for 100 Participants	\$ 7,016,426
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Estimated Annual Savings:

Annual Salary	\$ 52,000
Medicare Taxes	754
Pension Contribution	2,600
Health Benefits	8,930
Estimated Savings to City per Participant	<u>\$ 64,284</u>

Estimated Annual Savings to City for 100 Participants	\$ 6,428,368
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(1) Health benefit costs will be charged to the Healthcare Fund. All other costs will be charged to the General Fund.

Major Assumptions:

- Average Base Salary \$52,000
- Accrued Benefits based on maximum accrual of leave time
- Health Benefits based on Premier Plan Family coverage