

EXHIBIT "A"

THIS AGREEMENT made and entered into this _____ day of _____, 1980, by and between WILBUR L. JURDEN, JR., hereinafter referred to as "Consultant", and the CITY OF PORTLAND, OREGON, a municipal corporation of the State of Oregon, hereinafter called "City",

W I T N E S S E T H:

For and in consideration of a sum not to exceed \$15,000, including related expenses, Consultant agrees to assist the City of Portland to develop, qualify and implement a Social Security sick pay exclusion, with a minimum of one-time and ongoing administrative effort for the City, through the accomplishment of the following tasks:

THE SCOPE OF THIS AGREEMENT AND THE AGREEMENTS OF THE PARTIES ARE AS FOLLOWS:

1. Provide a summary of the legal background and references for use by the City Attorney.
2. Assist the City Attorney, Director of Personnel and the Finance Officer to determine the most practical approach to develop a "qualified" plan under Social Security regulations, and develop a workplan for the development, qualification and implementation of the sick pay exclusion.
3. Review written documentation of the existing sick leave plans to identify any conflict with applicable regulations or any gap in documented coverage; recommend any desirable changes.
4. Counsel with budget, payroll and data processing personnel to determine the most feasible approach to meeting Social Security requirements. Develop a statement of system requirements and agreed-upon approach. Assist payroll personnel in developing revised processing, reconciliation and adjustment procedures.
5. Assist the Personnel Director in notifying and explaining the effect of the Social Security sick pay exclusion to bargaining group officials and employees.
6. Document the City's sick leave plans, policies and procedures and obtain an informal review by personnel at the Regional and/or Commissioner's Office of the Social Security Administration. Draft any recommended changes.
7. Document the City's sick leave plans, policies and procedures for submission to the District Social Security Office and the State of Oregon Social Security Administrator (P. E. R. S.). Assist the City in obtaining the desired approval as a "qualified" plan.
8. The development of a Social Security sick pay exclusion shall be started as soon after this agreement is executed as is agreeable to the parties hereto.

- 9. The compensation to be paid by the City to Consultant shall be for the professional fee of \$15,000; one-third of the fee shall be due and payable following completion of the first four (4) tasks, and the remaining two-thirds of the fee shall be contingent on and due and payable following the earlier of either implementation of the sick pay exclusion or approval as a "qualified" plan by responsible authority.

IN WITNESS WHEREOF, Consultant has executed this agreement in triplicate and the City of Portland by the Mayor as Commissioner of Finance and Administration, and the Auditor, all on the day and year first above written and pursuant to Ordinance No. _____.

 WILBUR L. JURDEN, JR.
 729 Chinook Drive
 Fox Island, Washington 98333

CITY OF PORTLAND

By _____
 Mayor, as Commissioner of Finance
 and Administration

By _____
 City Auditor

APPROVED AS TO FORM:

 City Attorney

Wilbur L. Jurden, Jr.

729 Chinook Drive
Fox Island, Washington 98333
(206) 549-2291

February 8, 1980

Mr. Ron Lappi, Jr.
Finance Officer
Bureau of Financial Affairs
The City of Portland
City Hall
Portland, Oregon 97204

Dear Mr. Lappi:

I appreciated the opportunity to meet with you and Mr. Bual to discuss an approach to reducing Social Security taxes for the City of Portland and City employees. As you requested, this letter summarizes the major points of our discussion and constitutes a proposal to assist the City in developing and qualifying a Social Security sick pay exclusion.

BACKGROUND

The Social Security Amendments of 1977 have significantly increased Social Security taxes and revised the benefits formulas such that:

- while the Social Security program may be cost beneficial for the City and City employees,
- marginal Social Security taxes are not cost beneficial for the City or City employees as a group.

In other words, even though there may be economic justification for the City of Portland to participate in the Social Security program, there is solid economic justification for the City and

Mr. Lappi
February 8, 1980
Page Two

City employees to reduce Social Security taxes to the minimum allowed by law.

A second effect of the Social Security Amendments of 1977 is to significantly increase the potential savings from a Social Security tax reduction program because of the higher tax rate and higher maximum tax.

The most common approach to reducing Social Security taxes in the private sector is to exclude sick pay from the computation of Social Security "wages" and taxes. Social Security regulations for the public sector differ from those for the private sector, and the public sector regulations have effectively prevented state and local governments from excluding sick pay in the past. As a result, the City of Portland and City employees pay more Social Security taxes than their private sector counterparts. A very rough estimate is that implementation of the Social Security sick pay exclusion for the upcoming fiscal year would reduce Social Security taxes by over \$130,000 each for the City and City employees.

As you and Mr. Bual are well aware, the City faces a practical problem in that Social Security requirements to exclude sick pay are not well documented and many of the purported requirements are administratively impractical. A second practical problem is that the State Public Employees Retirement System, who administers the Social Security program for all public sector organizations in the State of Oregon, has not provided any meaningful assistance to political subdivisions of the State who have inquired about the Social Security sick pay exclusion. In spite of similar problems, several large Cities around the country have successfully implemented the Social Security sick pay exclusion over the past year.

Mr. Lappi
February 8, 1980
Page Three

PROPOSAL

This letter constitutes a proposal to assist the City of Portland develop, qualify and implement a Social Security sick pay exclusion, with a minimum of one-time and ongoing administrative effort for the City, through the accomplishment of the following tasks:

1. Provide a summary of the legal background and references for use by the City Attorney.
2. Assist the City Attorney, Director of Personnel and yourself determine the most practical approach to developing a "qualified" plan under Social Security regulations, and develop a workplan for development, qualification and implementation of the sick pay exclusion.
3. Review written documentation of the existing sick leave plans to identify any conflict with applicable regulations or any gap in documented coverage; recommend any desirable changes.
4. Counsel with budget, payroll and data processing personnel to determine the most feasible approach to meeting Social Security requirements. Develop a statement of system requirements and agreed-upon approach. Assist payroll personnel in developing revised processing, reconciliation and adjustment procedures.
5. Assist Personnel Director in notifying and explaining the effect of the Social Security sick pay exclusion to bargaining group officials and employees.
6. Document the City's sick leave plans, policies and procedures and obtain an informal review by personnel at the Regional and/or Commissioner's Office of the Social Security Administration. Draft any recommended changes.

Mr. Lappi
February 8, 1980
Page Four

7. Document the City's sick leave plans, policies and procedures for submission to the District Social Security Office and the State of Oregon Social Security Administrator (P.E.R.S.) Assist the City in obtaining the desired approval as a "qualified" plan.

We discussed an implementation date of July 1, 1980 for the Social Security sick pay exclusion. Such a date appears reasonable, but because there will likely be a minor change to the budgeting process and because Social Security response time is often quite slow, the project should be initiated as soon as possible. The seven tasks above can be accomplished in time for a July 1, 1980 implementation for a professional fee of \$15,000; one-third of the fee shall be due and payable following completion of the first four tasks, and the remaining two-thirds of the fee shall be contingent on and due and payable following the earlier of either implementation of the sick pay exclusion or approval as a "qualified" plan by responsible authority.

QUALIFICATIONS

Mr. Jurden has extensive experience in all phases of the design, qualification and implementation of Social Security tax reduction programs with local governments. He received his BA in Economics and MBA from the University of Washington, is a Certified Public Accountant, and a member of the American Institute of Certified Public Accountants, the Municipal Finance Officers Association and the American Association of School Business Officials. Please feel free to discuss his qualifications with the following:

Mr. Reynard Rochon
Chief Administrative Officer
City of New Orleans
(504) 586-4335

Mr. Lappi
February 8, 1980
Page Five

Mr. Louis Friedrich
Deputy Director
Office of Management and Budget
City of New York
(212) 566-1003

Mr. Pat Moyer
Director of Fiscal Management
Seattle Public Schools
(206) 587-5040

Mr. Richard Sokolowski
Director of Personnel
City of Tacoma
(206) 593-4250

* * * * *

Social Security is a highly specialized area in which the City has only infrequent need for expertise. In the case of the sick pay exclusion project, the use of an experienced consultant will assure the City of the earliest possible implementation date, thereby maximizing the total savings, with a minimum of one-time and ongoing administrative effort and expense.

I look forward to the opportunity to be of service to you and to the City of Portland on this project.

Very truly yours,



ORDINANCE NO. 150009

An Ordinance authorizing the employment of Wilbur L. Jurden, Jr., Consultant, to assist the City in developing, qualifying and implementing a qualified plan for Social Security sick pay exclusion, at a cost not to exceed \$15,000, transferring \$15,000 within the General Fund from General Operating Contingencies to the Bureau of Personnel Services, providing for the drawing and delivery of warrants, and declaring an emergency.

The City of Portland ordains:

Section 1. The Council finds:

1. Social Security Amendments in 1977 have significantly increased Social Security taxes and revised the benefits formulas, providing economic justification for the City and City employees to reduce Social Security taxes to the minimum allowed by law. Social Security regulations in the past have effectively prevented State and local governments from excluding sick pay. As a result, the City of Portland and City employees now pay more Social Security taxes than their private sector counterparts. The implementation of the Social Security sick pay exclusion for the upcoming fiscal year would reduce Social Security taxes by approximately \$130,000 each, for the City and City employees.
2. The Bureau of Personnel Services have entered into discussion and negotiation with Wilbur L. Jurden, Jr., Consultant, to perform the development and implementation of a qualified program for Social Security sick pay exclusion. Mr. Jurden has submitted his proposal for this service dated February 8, 1980, a copy of which is attached to the original only of this ordinance.
3. Mr. Jurden has had considerable experience and success in working with other municipalities in implementing this sick pay exclusion. Due to his expertise in this highly specialized area, the Bureau of Personnel Services and the Finance Officer now recommend the employment of Mr. Wilbur L. Jurden, Jr., to perform the implementation of this program, notwithstanding the provisions of Chapter 5.68 of Title 5 of the City Code.
4. The transfer of \$15,000 within the General Fund from General Operating Contingencies to the Bureau of Personnel Services is required to cover the cost of Mr. Jurden's services.

NOW, THEREFORE, the Council directs:

- a. Employment of Wilbur L. Jurden, Jr., 729 Chinook Drive, Fox Island, Washington 98333, to perform services for the City resulting in the implementation of a qualified plan for Social Security sick pay exclusion, at a cost not to exceed \$15,000.

ORDINANCE No.

- b. The Mayor and Auditor to enter into an agreement with Wilbur L. Jurden, Jr., for performance of such services, said agreement to be substantially in accordance with the form of agreement attached to the original only of this ordinance, marked Exhibit "A", and by this reference made a part hereof.
- c. The Mayor and Auditor to draw and deliver warrants in payment of such services upon proper billing, said warrants to be drawn against and charged to the General Fund Appropriation, Bureau of Personnel Services (314:210).
- d. The sum of \$15,000 is hereby transferred within the General Fund from General Operating Contingencies (BUC #20100010) to the Bureau of Personnel Services (BUC #31400031:210) to fully fund the cost of these services.

Section 2. The Council declares that an emergency exists because a delay would reduce the payroll savings to be realized from the implementation of the Social Security sick pay exclusion.

Ordinance No. 2000

ORDINANCE NO. 150009

JUL 11 1980

JUL 11 1980

Auditor of the City of Portland
GEORGE GERBICH

Passed by the Council, JUL 16 1980

Mayor Connie McCreedy
RLM/me
July 7, 1980

Attest:

George Gerbich
Auditor of the City of Portland

Calendar No. 2551

ORDINANCE No. 150009

Title

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Filed JUL 11 1980

GEORGE YERKOVICH
Auditor of the CITY OF PORTLAND

By Golden Croell
Deputy

THE COMMISSIONERS VOTED AS FOLLOWS:		
	Yeas	Nays
Ivancie	1	
Jordan	1	
Lindberg	1	
Schwab	1	
McCready	1	

FOUR-FIFTHS CALENDAR	
Ivancie	
Jordan	
Lindberg	
Schwab	
McCready	

INTRODUCED BY
Mayor McCready

NOTED BY THE COMMISSIONER
Affairs
Finance and Administration <i>CM</i>
Safety
Utilities
Works

BUREAU APPROVAL
Bureau: Bureau of Personnel Services
Prepared By: David L. Sears Date: 7/9/80
Budget Impact Review: <input checked="" type="checkbox"/> Completed <input type="checkbox"/> Not required
Bureau Head: Jon D. Stephens <i>[Signature]</i>

CALENDAR	
Consent	Regular

NOTED BY
City Attorney
City Auditor
City Engineer

150009