

VB CITY BUDGET PUBLIC HEARING
APRIL 22, 2010

Good evening, my name is Tom Langley. I have 2 comments to make:

First - The city town hall meetings and respondents to the online survey supported a real estate rate adjustment in lieu of further reduced services by a 2:1 margin. City Manager Spore listened and responded with a sensible budget proposal that balances revenue adjustments and service reductions. I applaud his efforts.

Second - I am a life-long VB resident and the owner of a Civil Engineering firm in VB. My firm is actually a little smaller now than it was a year ago. We had some layoffs last year. We also had salary reductions, and I have been working without a salary. We also stopped matching employees' 401K contributions. In short, we are positioning ourselves to survive.

I currently serve on Mayor Sessoms' Pension Committee and I am Chairman of the Virginia Beach Vision Employee Benefits Task Force. I have learned in detail how rewarding and expensive the city's pension program is. An overwhelming majority of private businesses have evolved away from Defined Benefit pension plans to Defined Contribution plans, like 401K, because Defined Benefit plans have proven to be financially unsustainable. Pension costs have crippled many businesses, and are crippling many cities and states now.

In the 2011 budget, the city's pension costs will exceed \$50M for the first time. This cost has doubled in the past 6 years. This cannot continue.

The city pays both the employer's and the employee's contribution to the pension plan. VA is one of just a couple states who pay the employee portion. Its reason to do so, to compete with private sector wages and benefits, no longer exists. The Bureau of Labor Statistics reports that Hampton Roads public sector employees today are paid higher wages than comparable positions in the private sector, and have a better benefits package to boot.

To change this, the General Assembly must allow the city the option to amend its current benefits program. The 2010 legislature, supported by Virginia Beach Vision and the Virginia Beach Business Roundtable, passed legislation moving in that direction, but Governor McDonnell interceded to significantly limit those options. City Council should embrace the remaining option requiring new employees to contribute to their own pension fund, and the City should actively support greater pension plan design flexibility be adopted in the next legislature.