

## MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 8/29/2016

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** Request for authorization to amend the Agreement for Products and Services with Ceridian Corporation to enter into a third Extended Term Amendment through December 31, 2017.

**FISCAL EFFECT:**

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|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input checked="" type="checkbox"/> Decrease Operating Expenditures<br><input type="checkbox"/> Increase Operating Revenues<br><input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures<br><input type="checkbox"/> Decrease Capital Expenditures<br><input type="checkbox"/> Increase Capital Revenues<br><input type="checkbox"/> Decrease Capital Revenues<br><input type="checkbox"/> Use of contingent funds |
|---|--|

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	Expenditure or Revenue Category	Current Year	Subsequent Year
<b>Operating Budget</b>	Expenditure	(\$199,509)	(\$181,308) *
	Revenue	0	0
	Net Cost	(\$199,509)	(\$181,308)
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

\* This assumes adoption of the 2017 budget request. The 2016 Adopted Budget and the 2017 budget request plan for \$1,252,593 annually for these services from Ceridian. The calculations above reflect projected spending of \$446,369 from August through December 2017 and \$1,071,285 in 2017, resulting in less expenditures than planned.

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The second Extended Term Amendment has expired, so the Office of the Comptroller would like Milwaukee County to enter into a third Extended Term Amendment in order to continue receiving services including essential services for the Payroll Division from August 1, 2016, through December 31, 2017. The pending Extended Term Amendment reflects that Ceridian no longer provides many human resources functions. It includes a 3% increase in fees for services effective August 1, 2016. It would allow another 3% increase twelve months later, but Ceridian has assured the County that it will not exercise this increase.

B. Services in the third Extended Term are projected to cost a total of \$1,517,654. Of that amount, \$446,369 would correspond to the period of August through December 2016 and \$1,071,285 would correspond to 2017.

2016 actual and projected use of services from Ceridian is less than was budgeted for 2016. 2017 projected use of services from Ceridian is less than the 2017 budget request.

C. In the current year, the third Extended Term Amendment is projected to cost \$446,369 (for the period from August through December 2016). Entire current year expenditures (corresponding with the end of the second Extended Term Amendment and the beginning of the third Extended Term Amendment) are projected to be \$606,715 and \$446,369 respectively for a total of \$1,053,084 which is less than the \$1,252,593 that was budgeted for this contract.

In 2017, the third Extended Term Amendment is projected to cost \$1,071,285.

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

<sup>2</sup> Community Business Development Partners' review is required on all professional service and public work construction contracts.

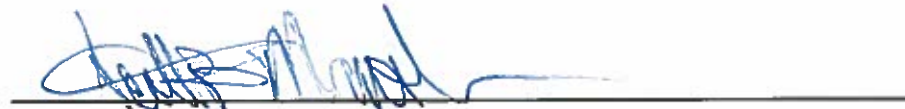
D. This analysis assumes that the County will continue to require the same amount of services as it has in the past contract year (August 2015 through July 2016). Actual expenses may vary depending on the volume of requests for employee payroll updates, per employee per month charges, maintenance fees, and other factors.

Fees will increase by 3% on August 1, 2016. We assumed, per Ceridian's assurance, that Ceridian will not be increasing fees by an additional 3% on August 1, 2017, nor for the remainder of 2017. If (contrary to this assurance), Ceridian were to increase fees by another 3% on August 1, 2017, projected expenditures would increase by \$13,391.

The analysis above does not contemplate the County possibly deciding to terminate the agreement for convenience. Such termination would result in the County paying Ceridian a cancellation charge equal to 50% of the average monthly fees for services to the County during the three months preceding the County's notice to Ceridian of its intent to cancel, times the number of whole or partial months between the effective date of cancellation and the expiration of the third Extended Term. To illustrate, assuming average monthly fees of \$89,274 and termination of services six months early, Milwaukee County would be subject to a cancellation charge of \$267,821.

Department/Prepared By Alexis Gassenhuber

Authorized Signature



Did DAS-Fiscal Staff Review?  Yes  No

Did CBDP Review?<sup>2</sup>  Yes  No  Not Required

