

## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** February 26, 2016

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** Authorization to implement new pay ranges for classified employees, including adjustments to minimums as submitted by the Compensation Division of the Department of Human Resources.

**FISCAL EFFECT:**

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| <input type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input checked="" type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input checked="" type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input 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 |
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*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	0	\$1,854,987
	Revenue	0	\$288,855
	Net Cost	0	\$1,566,132
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

## 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. To begin repairing and modernizing the County's current compensation system, the Department of Human Resources has proposed a new pay structure that is based on "ranges" rather than "steps." The migration of classified positions to the new pay ranges requires County Board approval. With the exception of a few unclassified positions, a majority of the County's unclassified positions have been migrated to the new pay ranges. The migration of the remaining unclassified positions to the new pay ranges requires an appropriation by the County Board, since these positions are currently paid below the minimum of the new pay ranges.

In addition to the migration to new pay ranges, the Department of Human Resources will begin implementation of equity/compression adjustments for employees.

- B. There are three direct costs relating to this request.

The direct costs to the County for adjusting pay due to market minimums is \$1,177,590. Approximately 440 classified employees will have their pay adjusted so that their pay will be at the proposed minimum. In addition, 42 unclassified employees will have their pay adjusted so that their pay will also be at the proposed minimum. There will also be \$87,416 revenue offset for the Department of Transportation – Airport and Highways Division, as well as the Department of Family Care. This results in a total direct cost of the \$1,090,174 for the County.

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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.

In addition, the 2016 Adopted Budget assumed that Highway Maintenance Workers would also be brought to minimums through this process, and funds were transferred to org. 1972 to account for this adjustment. However, Highway Maintenance Workers were adjusted through another HR mechanism in late 2015 and their salaries were subsequently raised. Therefore, although the total cost to move employees to market minimums no longer includes Highway Maintenance Workers, the funding should be reallocated to the Department of Transportation – Highway Division to offset these costs. In total, \$199,704 in expenditure and \$159,763 in revenue was allocated for this purpose.

Lastly, it is estimated that the total investment to move all employees to the appropriate pay through equity adjustments is \$3,096,153. There is an estimated \$297,511 in offsetting revenue, resulting in a total cost of \$2,798,642.

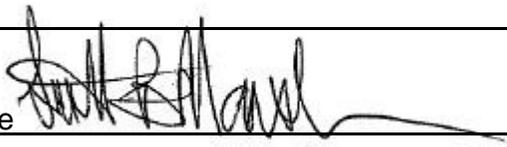
In total, this initiative (pay range minimum, including Highway workers, and equity adjustments) will cost \$3,928,757 after revenue offsets.

Cost of Proposal - by Year							
	2016				2017		
	Highways Adj	Market Minimums	Equity	Total	Equity	Total	ALL YEARS
<b>Expenditure</b>	\$ 199,704	\$ 1,177,590	\$ 1,241,166	<b>\$ 2,618,460</b>	\$ 1,854,987	<b>\$ 1,854,987</b>	\$ 4,473,447
<b>Revenue</b>	\$ 159,763	\$ 87,416	\$ 8,656	<b>\$ 255,835</b>	\$ 288,855	<b>\$ 288,855</b>	\$ 544,690
<b>Tax Levy</b>	\$ 39,941	\$ 1,090,174	\$ 1,232,510	<b>\$ 2,362,625</b>	\$ 1,566,132	<b>\$ 1,566,132</b>	\$ 3,928,757

- C. For 2016, a total expenditure amount of \$2,618,460 was budgeted, with offsetting revenue of \$255,835 for changes to the compensation system. When taking into consideration the Highway Maintenance Workers and the current estimate for the market minimum adjustment, there is \$1,241,166 in budget authority remaining for 2016 for equity adjustments. The remaining amount necessary for equity adjustments would need to come from a subsequent year budget.
- D. The fiscal estimates were created using an employee roster at a specific point in time. Employee's affected by these changes may leave the employment of the County, may be promoted, or have some other action that occurs that could affect the dollar amounts estimated here. To calculate the equity adjustment, it was assumed that the pay of each individual should be 1.25 percent above the minimum for each year worked for Milwaukee County. Additionally, FICA was assumed to remain at 7.65 percent over the project life.

Lastly, although the proposed compensation system expands current pay ranges, this fiscal note does not address the increase in total potential salary liability. For further information on the changes in salary liability, please see the comprehensive fiscal analysis provided for by the Office of the Comptroller.

Department/Prepared By CJ Pahl

Authorized Signature Scott B. Manske 

Did DAS-Fiscal Staff Review?  Yes  No

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