

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 10/19/2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Sick Leave Capitation at 960 Hours Resolution

FISCAL EFFECT:

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

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
Operating Budget	Expenditure	0	-80,000
	Revenue	0	0
	Net Cost	0	-80,000
Capital Improvement Budget	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.¹ 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 County is proposing changes to the ordinances that would change the following as of January 1, 2012 for all unions except Nurses (January 1, 2013) or Deputy Sheriffs or Firefighters:

1. County ordinance 17.18 - Sick Leave Accrual Limit - New employees or employees with a balance of less than 960 hours will only be entitled to sick leave accumulation of up to 960 hours. Employees who currently have more than 960 hours of accrued leave will not earn any additional sick leave until their accrued unused sick balance drops below 960 hours.

2. County Ordinance 17.184 - Retirement Payout - In addition, all sick leave hours earned after January 1, 2012 will not be eligible for payout at retirement under County Ordinance 17.184. All sick leave hours used after January 1, 2012 shall reduce outstanding sick leave accrual balances on a First-in, First out (FIFO) basis, which means that sick leave hours earned and unused prior to January 1, 2012 shall be reduced before new sick leave hours earned are reduced by sick time.

B. The cost for each of the changes to the proposed ordinance is as follows: The provisions will apply as of January 1, 2012 for non-represented employees and all unions (AFSCME, Attorneys, TEAMCO, Trades, and Machinists) except Nurses (January 1, 2013), Deputy Sheriffs, and Firefighters:

1. Sick Leave Accrual Limit - New employees or employees with a balance of less than 960 hours will only be entitled to sick leave accumulation of 960 hours. Employees who currently

¹ 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.

have more than 960 hours of accrued leave will not earn any additional sick leave until their balance drops below 960 hours. There are a total of 4,100 employees who accrue sick leave hours. Their are 535 employees who currently have a sick leave balance greater than 960 hours. These 535 employees are accruing an additional 44,200 hours of sick leave each year, or 82 hours per employee. These hours can either be used as sick leave or are adding to the accrued balances of employees. These additional accrued sick leave balances could turn into a payable upon the retirement of the employees. Approximately 7,600 hours are being added to the payable balance at retirement for these employees. This is a potential added liability of \$355,000 per year, if all accrued hours were added to an employees accrued sick leave balance. All hours will not be added to accrued balances due to the use of sick leave by employees. In addition, the increase in liability does not mean an increase in annual cost, because the cost only occurs if an employee retires from the County. An assumption of cost savings of \$0 is being made for purposes of this fiscal note in the first year, and \$20,000 in the second year. However, it should be noted with this new policy, the County may experience an increase in annual leave taken by employees, since they cannot earn more than 960 hours.

2. Retirement Sick Leave Payout - No Additional Hours added to Payout - The new policy would, as of January 1, 2012, no longer add sick leave hours to the potential payout at retirement for unused accrued sick leave balances. All future sick leave hours earned would not add to the unused accrued sick leave balances that employees would have as of January 2, 2012. Future sick leave accrual hours would be available for sick leave usage, but not for payout at retirement. In addition, future use of sick leave would reduce the balance of accrued hours as of January 1, 2012, before reducing new sick leave hours earned after January 1, 2012. As a result, the sick leave payout is capped from an hours perspective. Sick leave payout dollars would continue to be adjusted based on the current pay rate of employees. There are 4,100 employees who have sick leave balances. Between 2009 and 2010, the accrued sick leave hours, payable at retirement, increased by 77,000 hours or on average 19 hours per employee. The increase in accrued hours payable at retirement is equivalent to \$1.6 million in an increased liability. The County does not incur any cost for this increased liability until an employee retires. Assuming that the number of sick leave hours payable at retirement increases similarly each year, the County would saved \$80,000 of payout costs based on an average 200 retirements each year. This savings would be a factor each year, which means that in two years, the savings would be double the \$80,000 or \$160,000. In three years the savings would be tripled or \$240,000. Since the wage rate is adjusted each year the accrued liability would continue to increase by \$300,000 each year due to step increases and wage increases. The \$80,000 of savings would include the savings from item 1, so the savings specifically related to item 2 is \$60,000.

C. The savings in the current year would be limited under the two changes being made, but would provide savings over a longer period.

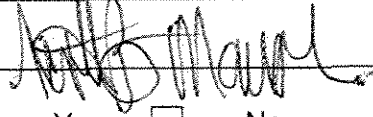
1. Sick Leave Accrual Limit - limit would reduce sick leave hours added to employee balances, which could reduce sick leave payout to retirees in future years. This could save \$0 for the remainder of the year, and \$20,000 in the subsequent year.

2. Retirement Sick Leave Payout - No Additional Hours added to Payout - limit would reduce sick leave hours added to employee balances, which could reduce sick leave payout to retirees in future years. This could save \$0 for the remainder of the year, and \$60,000 in the subsequent year.

D. Calculations were based upon a report of sick and vacation accruals as of December 31, 2010 and December 31, 2009. The analysis is based on all employees, except Deputy Sheriffs, firefighters and nurses. An assumption of 200 retirees per year was made to calculate this estimate.

Department/Prepared By Department of Administrative Services - Scott B. Manske

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No