

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 11/21/2011

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	-115,000
	Revenue	0	0
	Net Cost	0	-115,000
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. Earned Retirement is the calculation of the sick leave payout due at retirement, based on current rate of pay, accrued sick leave hours, and the formula for the calculation of that payment based on the union designation. As of January 1, 2012, the new policy would discontinue the addition of annual sick leave earned to earned retirement. 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 earned retirement hours as of January 1, 2012, before reducing new sick leave hours earned after January 1, 2012. As a result, the sick leave payout (earned retirement) is capped from an hours perspective. Sick leave payout dollars would continue to be adjusted based on the current pay rate of employees.

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.

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:

B 1. a. Sick Leave Accrual Limit of 960 hours - Change in Accrued Hours - 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 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 4,150 employees who accrue sick leave hours. Their are 550 employees who currently have a sick leave balance greater than 960 hours. These 550 employees are accruing an additional 37,000 hours of sick leave each year, or 67 hours per employee. These hours can either be used as sick leave or are adding to the accrued balances of employees. The remaining 3,600 employees have balances less than 960 hours and added 85,000 hours for 2011, or an average of 23 hours per employee. These additional accrual hours will continue to be added to the accrual balances.

B 1.b. Sick Leave Accrual Limit of 960 hours- Change in Liability: These additional accrued sick leave hours for the 550 employees that have over 960 hours could turn into a payable upon the retirement of the employees. Approximately 6,200 hours are being added to the payable balance at retirement for these employees. This is a potential added earned retirement liability of \$300,000 per year, if all accrued hours were added to an employees accrued sick leave balance. Therefore, under this ordinance change the liability per person would no longer increase by \$550 per person per year (\$300,000 divided by 550). The earned retirement liability does not equate into budgetary savings, since savings only occur when earned retirement is paid out, at the retirement date. Assuming that 30 of these employees retire per year, the policy change would result in a savings of \$16,500 (\$550 x 30 retirees) per year for the 960 hour limit.

B 1.c. Sick Leave Accrual Limit of 960 hours - Assumptions and Cost Savings - 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 \$16,500 (per previous paragraph) in the second year.

B 2. a. Earned Retirement Sick Leave Payout - Sick leave usage reduces Earned Retirement- Change in Accrued Hours - There would be no change in the accrued hours for sick leave usage as a result of this policy. This only impacts the Earned Retirement payout due when an employee retires from the County.

B 2.b. Earned Retirement Sick Leave Payout - Sick Leave usage reduces earned retirement- Change in Accrued Liability - There are 4,150 employees who have sick leave balances, in the unions impacted by this ordinance change. Between 2009 and 2010, the accrued sick leave hours, payable at retirement, increased by 65,000 hours or on average 15.5 hours per employee. However, this increase is a net number, reflecting both the increase from additional sick leave hours earned and sick leave usage. In the future, employees cannot add to their sick leave earned for retirement. Therefore, the fiscal impact in the future, will be a reduction in earned retirement due to sick leave usage. In 2010, Sick Leave absences would have reduced the earned retirement by \$2.1 million. If we consider this level of absences in the future, we should see a similar reduction in the earned retirement liability, and a possible reduction in the earned retirement liability of \$500 per person per year (\$2.1 million divided by 4,150). The annual fiscal impact will be a reduction in the actual payout of earned retirement liability each year. Assuming that 200 people retire each year, the savings to the County could be \$100,000 per year (\$500 x 200 retirees).

B.2.c.Earned Retirement Sick Leave Payout - Assumptions and Cost Savings - This calculation is based on a comparison between 2010 sick leave and 2009 sick leave, and the associated increase to the Earned Retirement. Based only on the sick leave earned analysis between 2010 and 2009, the County would save \$100,000 of payout costs based on an average 200 retirements each year. This direct budgetary savings would increase each year by a factor of the number of years that has passed since the adoption of this resolution, which means that in two years, the savings would be double the \$100,000 or \$200,000. In three years the savings would be tripled or \$300,000. The \$100,000 of savings does not include the savings from item 1 of \$16,500, so the total Earned Retirement savings would be \$116,500. The earned retirement savings factor of \$100,000 per year for sick leave usage, would not continue indefinitely, because eventually people would reduce their earned retirement sick leave balance to zero, while still maintaining a positive sick leave accrual for sick days, which are not available for earned retirement.

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

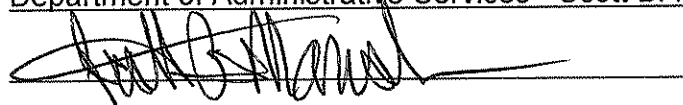
1. Sick Leave Accrual Limit - limit would reduce sick leave hours added to employee balances, which could reduce sick leave payout to retirees in future years. This could save \$0 for the remainder of the year, and \$16,500 in the subsequent year.

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 \$100,000 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, and Firefighters. An assumption of 200 retirees per year was made to calculate this estimate. There is a potential for sick leave usage increasing due to this change in policy. There are limiting factors to this statement. The following conclusions are based on an analysis of 2009 and 2010 sick leave usage. Those employees with higher sick leave balances and who would receive a cash payout, tend not to use their sick leave accruals, since it has the potential to reduce their cash payout at retirement. Secondly, there is a group of employees who have a high incidence of sick leave usage per year, and this policy will probably not lead to a change in their current usage. The third group are those employees, who were saving accrued sick leave to either buy health insurance at retirement, or to maintain a sick leave balance in case they have a long term illness. It is not certain what this group would do under the revised policy. The potential fiscal impact of higher sick leave usage would be increase overtime by staff to cover position absences, especially in those units that run three shifts such as BHD and Sheriff. No fiscal impact is included in this report for this issue, due to the limiting factors as described above.

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

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Milwaukee County
Analysis of Sick Leave 2010

Unions	Count of Employees	Change for Earned Retirement Between 2009 and 2010 - Actual			Sick Leave Usage in 2010
		Sum of Sick Leave Accrued Hours Added 2010	Sum of Earned Retirement Hours Increase	Sum of \$ Increase in Earned Retirement 2010	Potential \$ Decrease in Earned Retirement for 2011
Attorneys					
<= 960	36	1,633.2	274.3	\$ 5,380	\$ (42,350)
> 960	12	1,089.7	199.3	9,960	(680)
Bldg Trades					
<= 960	63	2,261.1	(436.5)	\$ (11,250)	\$ (49,640)
> 960	21	1,342.6	(207.9)	1,420	(12,900)
AFSCME					
<= 960	2,614	58,369.2	45,180.2	\$ 458,780	\$ (1,289,280)
> 960	282	17,524.0	5,289.4	117,640	(65,580)
Machinists					
<= 960	3	77.0	77.0	\$ 2,080	\$ (4,430)
> 960	1	99.9	25.0	630	30
Non-Reps					
<= 960	588	17,051.0	10,839.5	\$ 261,920	\$ (380,170)
> 960	198	14,491.8	315.5	138,850	-
Nurses					
<= 960	316	4,494.4	1,738.6	\$ 41,060	\$ (318,250)
> 960	20	1,492.0	84.0	11,830	(2,410)
TEAMCO					
<= 960	17	1,252.8	1,028.1	\$ 25,520	\$ (4,110)
> 960	16	1,310.2	505.9	16,500	(5,440)
Grand Total					
<= 960	3,637	85,138.7	58,701.2	\$ 783,490	\$ (2,088,230)
> 960	550	37,350.2	6,211.2	296,830	(86,980)
Grand Total	4,187	122,488.9	64,912.4	\$ 1,080,320	\$ (2,175,210)

The 2009 and 2010 sick leave usage and sick leave earned was used to prepare the fiscal note on the 960 hour cap to sick leave, and the reduction in earned retirement for sick leave usage. The savings for the 960 hour cap for earned retirement used column C. The savings for earned retirement due to sick leave usage in the future used column D. Column D reflects the impact that Sick Leave usage has alone on earned retirement, if not considering additional sick leave earned as an offset.

Milwaukee County
Analysis of Sick Leave 2010

Unions	Count of Employees	E F		G H I J K				
		# of Potential Types of Payouts		# with Accrued Sick Hours Balances at 12/31/2010				
		Cash Payout	Health Care Purchase	Sick Hours <=100	Sick Hours >100 and <240	Sick Hours >240 and <=600	Sick Hours >600 and <=960	Sick Hours >= 960
Attorneys								
<= 960	36	28	8	3	8	15	10	-
> 960	12	12	-	-	-	-	-	12
Bldg Trades								
<= 960	63	63	-	13	13	27	10	-
> 960	21	21	-	-	-	-	-	21
AFSCME								
<= 960	2,614	713	1,901	1,263	566	570	215	-
> 960	282	252	30	-	-	-	-	282
Machinists								
<= 960	3	-	3	1	1	1	-	-
> 960	1	1	-	-	-	-	-	1
Non-Reps								
<= 960	588	163	425	221	110	152	105	-
> 960	198	172	26	-	-	-	-	198
Nurses								
<= 960	316	95	221	180	50	55	31	-
> 960	20	19	1	-	-	-	-	20
TEAMCO								
<= 960	17	3	14	-	1	8	8	-
> 960	16	11	5	-	-	-	-	16
Grand Total								
<= 960	3,637	1,065	2,572	1,681	749	828	379	-
> 960	550	488	62	-	-	-	-	550
Grand Total	4,187	1,553	2,634	1,681	749	828	379	550

Columns E and F reflect the number of people who are entitle to either a cash payout at retirement or contribution toward post-retirement health care costs. Columns G - K show the break down of the number of employees based on their 2010 accrued sick leave balances. The table shows a high correlation for the employees that have a balance greater than 960 hours, and cash payout eligibility. For most groups, the cash versus health insurance eligibility is an original employment date of January 1, 1994.