

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: April 3, 2015

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request to designate the birthday of Cesar Chavez, March 31st, as a minor holiday for County employees to permit workers to observe this day with service, community, and educational programs in honor of the legacy of the American civil rights and labor movement activist.

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 checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input checked="" type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input checked="" 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	\$100,275
	Revenue	\$0	\$17,047
	Net Cost	\$0	\$83,228
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. This request amends Milwaukee County Ordinances to observe Cesar Chavez Day as a minor holiday. If this request is adopted, all County employees, with the exception of employees within the Behavioral Health Division, will have the opportunity to either work on the holiday or take the day off paid. If the employee chooses to work on the holiday, non-FLSA exempt employees can use the accrued holiday time on a different day or be paid out 14 pay periods later. FLSA exempt employees who choose to work on the holiday will carry the holiday as accrued holiday time until the employee uses the time on a different day or is paid out for the accrued holiday time upon separation from employment.

B. There are two direct costs associated with this change: 1) results from a non-FLSA exempt employee working the minor holiday and being paid for the accrued holiday time 14 pay periods later; and 2) results from a FLSA exempt employee working the minor holiday and being paid for the accrued holiday time at separation of employment.

The direct cost of #1 can be estimated by reviewing past minor holidays and the amount of accrued holiday time paid out 14 pay periods later. Based on payouts for Veterans Day (2014) and Presidents Day (2014), the additional payout associated with Cesar Chavez Day will be approximately \$96,275.

The direct cost associated with #2 is estimable by reviewing the hours worked on previous minor holidays and accrued holiday time banks of FLSA exempt employees. Because FLSA exempt employees are only eligible for a payout of accrued holiday time at separation from employment, any minor holiday worked by an FLSA exempt employee increases the County's overall liability. Based on the hours worked by FLSA exempt employees for Veterans Day (2014) and Presidents Day (2014), the increase in liability would be approximately \$76,737 for the Cesar Chavez holiday. However, accrued holiday time banks of FLSA exempt employees indicate that a majority of these employees use this accrued time as paid time off. Therefore,

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.

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

it is likely that only a small percentage of this would ever be paid out as cash at the time of separation from employment. Based on these factors, it is estimated that only 5 percent of this liability would be paid out as cash. The direct cost is then approximately \$4,000.

Based on a general County revenue offset percentage of 17 percent, the direct costs of this change would be offset by \$17,047 of additional revenue from departments such as DOT – Airport, DOT – Highways, Department of Child Support and Department of Family Care.

Other indirect costs are also associated with this change, including interrupted work flow and lower productivity. The financial impact of these indirect costs is impossible to calculate, but should be considered in the larger policy decision.

Because this policy would not take effect until 2016, there is no direct fiscal impact for 2015. Currently, costs related to the payout of other minor holidays is absorbed within the budgeted salary appropriations and is not separately budgeted. It is assumed that this practice would continue in 2016 and that budgeted salary appropriations would cover the increase in costs.

It should be noted that departments can mitigate the direct financial impact of the change by requiring all employees to schedule and use their accrued holiday time. If all employees were to use the accrued holiday time before payout, this change would have no direct fiscal impact.

- C. As stated above, this ordinance would not have an impact until 2016. It is assumed that the payout of accrued holiday time that results from this change would be paid for within budgeted salary appropriations in departments, just as departments currently do with other accrued holiday time payouts. Departments typically have excess salary appropriations due to vacancies and other changes within positions. These excess salary appropriations are then used to provide increases to certain employees, to hire new employees at higher steps than budgeted or for other salary-related changes. This change will limit a department's ability to use surplus salary appropriations for these types of salary-related changes in the future.
- D. Several assumptions were used in this analysis. For purposes of calculating a dollar estimate for payouts related to non-FLSA exempt employees, only the payouts of Veterans Day 2013 and Presidents Day 2014 were used. Additional data could show higher or lower direct costs.

A 5 percent assumption was used to determine the amount of accrued holiday time paid out for FLSA exempt employees. This assumption is based on the small number of employees that continue to build large accrued holiday time balances likely to increase their retirement payout. It is also meant to take into account the smaller balances that may be paid out due to resignations of current employees.

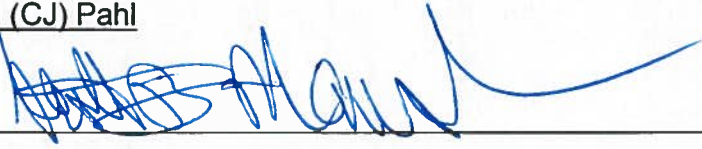
A 17 percent revenue offset was used based on the larger County budget. Depending on where these employees actually work at the time of payout, the actual revenue could be more or less.

It was also assumed that departments would not change current practices that allow for the expiration and payout of unused accrued holiday time. A department could choose in the future to require employees to use their time prior to payout.

It was also assumed that "normal" budgeted salary appropriations would be sufficient in the future to cover the additional costs of this payout. Most departments have shown through year-end results to have surplus salary appropriations even after all salary-related changes throughout the year. Therefore, there was no expectation of additional salary appropriations needed in future budgets.

Department/Prepared By Cynthia (CJ) Pahl

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No

Did CBDP Review?²

Yes

No

Not Required