

Memorandum

Human Resources



Date: February 27, 2009
To: Mayor and Council
From: Lawrence LaVictoire, Human Resources Administrator (ext. 8277)
Through: Charles W. Meyer, City Manager (ext. 8884)
Renie Broderick, Human Resources Manager (ext. 8407)
Subject: **Furlough Programs**

This memorandum is in response to Council's request for information about unpaid furloughs. For purposes of this discussion, furloughs are the non-disciplinary placement of employees into a temporary non-duty and non-pay status to increase the city's salary savings. Essentially, it is unpaid leave and does not result in a reduction of employee hourly base pay. Furloughs are generally considered a temporary cost savings measure. The two categories of furloughs are voluntary and mandatory. Both types of furloughs are discussed and analyzed in this document.

Based on Financial Services estimates, each furlough day would result in a General Fund salary savings of approximately \$178,000 if the furlough includes sworn and non-sworn employees and approximately \$268,000 if the furlough includes only non-sworn employees (see attachment). The salary savings difference is because of minimum staffing requirements for sworn employees that would result in overtime pay.

Voluntary Furlough Program

A voluntary furlough program, as implied, is used at the employee's discretion while still requiring supervisor and/or department approval. Usually, guidelines are established both in the minimum amount of furloughed hours per day and in the maximum number of furloughed days that can be taken over any given period of time.

An inherent problem to a voluntary furlough program is there is little incentive to opt for unpaid leave while accrued paid leave is available. Those with little or no vacation leave are usually the only employees who request a voluntary furlough. As a result, a voluntary furlough program is likely to yield minimum salary savings.

Mandatory Furlough Program

A mandatory furlough program is driven by the employer. The employer requires a set number of furlough days for the year while either selecting the days for the employee or allowing the employee to select the days. An employee might select a block of time as an

unpaid vacation or spread it out over the year to minimize the financial impact. As with the previous program, to ensure minimal impact on city services, all furlough requests require supervisor and/or department approval, and a department might require a minimum amount of furloughed hours per day and a maximum number of furloughed days that can be taken over any given period of time.

Unlike voluntary furloughs, a mandatory furlough program's salary savings can be calculated into the budget at the beginning of the fiscal year.

Employee Impact

Allowing sworn employees to participate in either the aforementioned voluntary or mandatory furlough programs would result in no savings to the city due to the Police and Fire departments' minimum staffing requirements. Furthermore, their participation would result in a cost to the city because overtime pay will occur when another sworn employee is either called in or works additional hours to meet the minimum staffing requirements due to someone taking a furlough.

As a result, non-sworn employees bear the brunt of the economic impact because of the difficulties just outlined regarding the participation of sworn employees in furloughs.

Unpaid Holidays

Unpaid city recognized holidays is the only furlough option that allows both sworn and non-sworn employees to contribute. This option also results in a nominal impact to city services because non-essential operations are already closed. Sworn employees who are not working the holiday do so without pay. Minimum staffing requirements are met as sworn employees who are already scheduled to work contribute by not receiving additional compensation for working an unpaid holiday. Other savings occur as non-sworn employees who are already scheduled to work do not receive additional compensation for working an unpaid holiday.

As with other mandatory furloughs, unpaid holiday savings can be calculated into the budget at the beginning of the fiscal year.

Other Options:

Voluntary Reduction of Work Hours

A voluntary reduction of work hours is another method of creating salary savings for the city. This is accomplished by either working a shorter workday or fewer workdays. To minimize any impact to services and to avoid creating overtime for those not participating, all requests to reduce work hours require supervisor and/or department approval. The end result is similar to a furlough by reducing the number of payable work hours.

However, unless the hours are permanently reduced, voluntary reduction of work hours would result in temporary salary savings, and due to minimum staffing requirements, it may not be a feasible option for sworn employees.

Mandatory Pay Reduction

There is a significant drop in employee pay during a pay period with a furlough. One way to lessen the impact is to reduce base pay by a predetermined percentage which spreads the salary savings over the entire fiscal year. Mandatory pay reductions are permanent while furloughs tend to be a temporary salary savings. Mandatory pay reductions can be calculated into the budget.

Standardized Overtime

Non-exempt employee overtime is not consistently applied throughout the city. Some departments apply overtime for time worked in excess of an 8 hour workday while other departments apply the FLSA's definition of paying overtime for time worked in excess of a 40 hour workweek. Standardizing the application of overtime to the FLSA requirement would result in salary savings by reducing overtime costs. The General Fund salary savings would be approximately \$168,000 per fiscal year.

Standardizing Holiday Pay

Currently, holiday pay is based upon the number of hours normally worked versus a standard 8 hour day. So, employees who normally work 10 hours per day receive an additional 24 hours of holiday pay over the course of a year than employees who normally work 8 hours per day. Standardizing the number of hours paid per holiday to 8 hours for full-time employees would result in salary savings. The General Fund salary savings would be approximately \$180,000 per fiscal year.

Other Considerations:

Retirement

Any reduction in full-time status, whether through a furlough or reduction of work hours, could possibly impact both an employee's anticipated retirement date and earnings upon retirement. A reduction in base salary would not impact an employee's anticipated retirement date but could possibly impact earnings upon retirement.

Implementation

The city may need to meet and confer because of existing agreements in the Personnel Rules and Regulations as well as the various Memoranda of Understandings.

Assuming all union groups

	FY 08/09	Hourly amount assumes 2,080 hours	8 hour day PD and non sworn; 11.2 hour day fire sworn	less overtime cost	Net Savings
Non Sworn	59,561,885	28,636	229,084		229,084
Police	25,097,007	12,066	96,527	(144,790)	(48,263)
Fire	11,134,303	3,824	42,824	(64,236)	(21,412)
FICA	6,637,853	3,169	25,530	(12,008)	13,522
ASRS	5,598,817	2,692	21,534		21,534
PSRS-PD	5,579,065	2,682	21,458	(32,187)	(10,729)
PSRS-FD	2,680,027	920	10,308	(15,462)	(5,154)
Total	116,288,957	53,988	447,265	(268,683)	178,582

Assuming only Non Sworn, excluding Police and Fire

	FY 08/09	Hourly amount assumes 2,080 hours	8 hour day PD and non sworn; 11.2 hour day fire sworn	less overtime cost	Net Savings
Non Sworn	59,561,885	28,636	229,084		229,084
Police		-	-	-	-
Fire		-	-	-	-
FICA	4,556,484	2,191	17,525	-	17,525
ASRS	5,598,817	2,692	21,534		21,534
PSRS-PD	-	-	-	-	-
PSRS-FD	-	-	-	-	-
Total	69,717,187	33,518	268,143	-	268,143