



Legislation Text

File #: 15-0640, **Version:** 3

Chief Administrative Office recommending the Board consider the following:

- 1) Approve the attached list of applications recommended for approval for the early separation incentive program;
- 2) Deny the applications of the remaining applicants;
- 3) Approve the attached budget transfer increasing use of fund balance in the Retiree Health Account and increasing special department expense by \$750,000 to cover the approved employee separation incentive payments and any fees related to setting up the Health Savings Accounts (4/5 vote required); and
- 4) Direct Departments to absorb the leave balance payout costs related to the separations resulting in no additional costs to the General Fund.

DEPARTMENT RECOMMENDATION

Chief Administrative Office recommending the Board approve the attached list of applications recommended for approval for the Early Separation Incentive Program for Fiscal Year 2015-16; Deny the applications of the remaining applicants; Approve the attached budget transfer; and Direct departments to absorb the leave balance payout costs related to the separations.

DISCUSSION / BACKGROUND

The County is facing a General Fund fiscal deficit. While through the Budget hearings, the Board was able to adopt a proposed budget that was balanced, the proposed budget called for some reductions in the workforce. In order to eliminate and/or mitigate the need for reductions to the workforce due to a lack of funds and to bring the County closer to a structurally balance budget into the future, the County is attempting to reduce salary and benefits expenditures by offering an opportunity for attrition through an early separation incentive.

On June 2, 2015 the Board approved the Early Separation Incentive ("ESI") program and directed the Chief Administrative Office to return on July 14, 2015 with a recommended list of employees to participate in the ESI program.

The ESI program in its simplest form provides as follows for those approved applications:

If the participant separates from County service no later than September 11, 2015 they will receive \$2,500 per year of full time equivalent service, not to exceed \$50,000 deposited into a Health Savings Account.

If the participant separates from County service no later than October 9, 2015 they will receive \$1,500 per year of full time equivalent service, not to exceed \$50,000 deposited into a Health Savings Account.

During the application period 62 applications were received. In order to determine whether to recommend or not recommend the applications for acceptance, Human Resources conferred with

affected Department Heads to determine whether sustainable savings could be achieved if the application was approved by the Board. The recommendations for approval being brought forward are based on the County's ability to achieve salary savings in the General Fund. Where no such savings could be realized, the recommendation is that the Board not approve those applications. As a result of this review, 16 applications are recommended for approval and 46 applications are not recommended for approval. Attachment 3A sets forth the applications recommended for approval and the General Fund savings attributable to that approval. Attachment 3B sets forth the applications not recommended for approval and the reason for the recommendation. The primary reasons for the recommendation that an application be denied were that (1) there was no General Fund savings demonstrated because the position is not a General Fund position or (2) the position could not be deleted or alternatively staffed and therefore did not demonstrate long term sustainable General Fund savings.

The contributions to the Health Savings Accounts will come from the Retiree Health Fund, not from the General Fund. These appropriations were not included in the FY 2015-16 Recommended Budget, therefore a budget transfer is required to appropriate Retiree Health funds to cover the cost of the incentives.

ALTERNATIVES

The Board can approve or disapprove any application on the recommended list. Savings would not be achieved until the employee separates from employment. Likewise, the Board could approve or deny any application on the "not recommended" list.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

The County completed the meet and confer process regarding the ESI program with the bargaining groups. Additionally, the Auditor-Controller has affirmed that Retiree Health Funds were used in the past for a similar program but does reiterate that there is some risk in using these funds for this purpose.

FINANCIAL IMPACT

If the attached list of employees is approved, the General Fund could achieve salary savings of approximately \$587,501 in FY 2015-16 and approximately \$815,351 beginning in FY 2016-17. This annual savings amount does not assume step increases and assumes that positions are either deleted, held vacant, or replaced with lower level positions. In addition, there is one non-general fund position on the recommended list. This position is an Airport Technician which if not deleted could result in a future General Fund contribution as the Airport budget is not sustainable.

There are leave balance payout costs for accumulated vacation and sick leave associated with the separations. This liability was discussed during the budget hearings. Departments do not budget for leave balance payouts, so as has been the practice, these costs must be absorbed by the Departments. The total cost of the leave payouts is estimated to be \$382,680. This amount was a liability of the County regardless of the ESI program. Three of the positions on the recommended list are being deleted, but the remaining twelve positions are being replaced with a lower level position.

Departments will need to ensure that they hold positions vacant long enough to re-coup any leave balance payouts or identify other budgetary savings to cover these costs. There should be no additional General Fund cost in FY 2015-16 as a result of the leave balance payouts.

The total cost to the Retiree Health Fund for the ESI is approximately \$674,575. This is not a General Fund cost.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

This action falls within the Financial Sustainability portion of the strategic plan.

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