COUNTY OF SACRAMENTO
CALIFORNIA

For the Agenda of:
June 9, 2009
9:30 a.m.

To: Board of Supervisors

From: Department of Personnel Services

Subject: Report Back – Estimate Of Cost Savings From Eliminating Management Sick-Leave Payment At Retirement

Supervisorial District: All

Contact: David Devine, Director of Personnel Services, (916) 874-6388

Overview
During the Fiscal Year 2009-10 Proposed Budget workshops held on May 13 -15, 2009, the Board of Supervisors requested a report back regarding estimated cost savings from eliminating management sick-leave payment at retirement.

Recommendation
Receive and file this budget hearing report back.

Measures/Evaluation
Not applicable to this report.

Fiscal Impact
Between Fiscal Years 2005-06 and 2008-09, an average of 86% of retiring County managers/management-parity employees per year have opted to be paid for one-half of their accrued sick leave, resulting in an average County cost of $2.4 million per fiscal year. Assuming no unusual increase or decrease in management retirements in Fiscal Year 2009-10, and taking into account that management/management-parity salaries will not increase in that fiscal year, elimination of the sick leave payment option could result in savings/cost avoidance of approximately $2.4 in Fiscal Year 2009-10 (estimated General Fund portion of $1.6M with an estimated net county cost of $840,000); however, their time would still be counted towards service credit and could result in a cost increase to retirement for the life of the employee. Savings/cost avoidance would continue in future fiscal years unless the payment option is restored.

BACKGROUND

Historically, unrepresented management employees (and employees in represented classifications subject to bargained provisions calling for parity with unrepresented management classifications) retiring from County service have had the option to (1) be paid for one-half of their accrued sick leave and have the remaining half counted toward retirement service credits, or

(2) waive the sick leave payment and count all accrued sick leave toward retirement service credits. Authorization for this option is contained in Management Compensation Ordinance section 2.100.100(b):

> *"A management employee who retires shall be paid the monetary value of one-half of accrued sick leave at the time of retirement. Payment shall be made as soon as practical after the retirement board has approved the amount of the employee's retirement allowance. Remaining sick leave shall be counted as credit toward retirement in accordance with Chapter 2.84. The employee shall retain the option of waiving the sick leave payoff and instead applying all accrued sick leave toward retirement credit. Sick leave payoff shall apply only to persons who actually retire from County service. Persons who separate from County service without retiring shall lose all right to sick leave payoff, whether or not such person receives a deferred retirement."*

DISCUSSION

Management employees, like other County employees, are expected to be normally on the job performing their duties during assigned hours. Unlike other employees, however, managers receive no additional compensation (i.e., overtime or compensating time off) for overtime worked. Compensation for managers is not affected by the amount of time required, on an individual basis, for successful performance. Full-time management positions will typically require a minimum of 80 hours per biweekly pay period, and frequently and routinely many hours more. In recognition of this, the County's total management compensation package includes certain provisions that are not available to the County's non-management employees, with the exception of employees in represented classifications subject to bargained provisions calling for parity with unrepresented management classifications. The option for sick leave designation at retirement is one of the management-specific/management-parity-specific provisions. Cash payout is taken from the existing budget resources of the retiring employees' departments.

FINANCIAL ANALYSIS

Between Fiscal Years 2005-06 and 2008-09, an average of 86% of retiring County managers/management-parity employees per year have opted to be paid for one-half of their accrued sick leave, resulting in an average County cost of $2.4 million per fiscal year. Assuming no unusual increase or decrease in management retirements in Fiscal Year 2009-10, and taking into account that management/management-parity salaries will not increase in that fiscal year, elimination of the sick leave payment option could result in savings/cost avoidance of approximately $2.4 in Fiscal Year 2009-10 (estimated General Fund portion of $1.6M with an estimated net county cost of $840,000); however, their time would still be counted towards service credit and could result in a cost increase to retirement for the life of the employee. Savings/cost avoidance would continue in future fiscal years unless the payment option is restored.

CONCLUSION

Elimination of the sick leave payment option for retiring management/management-parity contribution to retirement employees could result in savings/cost avoidance of approximately $2.6 in Fiscal Year 2009-10, and in continued savings/cost avoidance in the future; however, the elimination of the sick leave payment will then count as service credit and that amount has not been quantified as to the cost of retirement for the life of the employee.

Respectfully submitted,

APPROVED:
TERRY SCHUTTEN
County Executive

By:_______________________

David Devine, Director
Department of Personnel Services

MARK NORRIS, Administrator
Internal Services Agency