



ROUTT COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA COMMUNICATION FORM

ITEM DATE: January 13, 2020	ITEM TIME: 2:30 PM

FROM:	Dan Strnad - Accounting
TODAY'S DATE:	January 7, 2020
AGENDA TITLE:	Bi-Weekly Arrears Payroll
CHECK ONE THAT APPLIES TO YOUR ITEM:	
<input type="checkbox"/> ACTION ITEM	
<input checked="" type="checkbox"/> DIRECTION	
<input type="checkbox"/> INFORMATION	
I. DESCRIBE THE REQUEST OR ISSUE:	
Review of bi-weekly arrears cash flow options and draft implementation plan.	
II. RECOMMENDED ACTION (<i>motion</i>):	
Direction as to bi-weekly cash flow options.	
III. DESCRIBE FISCAL IMPACTS (VARIATION TO BUDGET):	
PROPOSED REVENUE (<i>if applicable</i>): To be determined part of 2021 Budget Process	
CURRENT BUDGETED AMOUNT: To be determined part of 2021 Budget Process	
PROPOSED EXPENDITURE: See Attached	
FUNDING SOURCE: To be determined as part of 2021 Budget Process	
SUPPLEMENTAL BUDGET NEEDED: YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	
Bi Weekly arrears would be part of 2021 budget process.	
IV. IMPACTS OF A REGIONAL NATURE OR ON OTHER JURISDICTIONS (IDENTIFY ANY COMMUNICATIONS ON THIS ITEM):	
NA	
V. BACKGROUND INFORMATION:	
See attached	
VI. LEGAL ISSUES:	
Review of loan agreement	
VII. CONFLICTS OR ENVIRONMENTAL ISSUES:	
NA	
VIII. SUMMARY AND OTHER OPTIONS:	
Bi Weekly cash flow option include volunteers, savings assistance, compensated time off accruals, loan, pay half a pay check, use the 2021 compensation plan salary survey inflation adjustment and step increase or a combination of the above options.	



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IX. LIST OF ATTACHMENTS:

- Proposed Cash Flow Options for Change to Bi Weekly
- 2021 Personnel Budget Discussion
- 2021 Bi-Weekly Payroll Implementation
- Tasks Associated with 2021 Bi Weekly Implementation Plan

Proposed Cash Flow Options for Change to Bi Weekly Arrears

1. Volunteers
 - a. Employees that can absorb the loss of 13 days to transition to bi-weekly without cash flow assistance. This 13 day period will be called the Bridge Period.
 - b. Need to determine how payroll deduction will be made during the Bridge Period. For example a deduction for the employee's share of health insurance. The options for employee health insurance payments could include doubling the health insurance deduction in a future pay period or staying with the 24 pay period deductions in order to receive the tax benefit of the flexible spending account. Then in 2022 the deductions could be allocated over 26 pay periods. To be determined.
2. Savings Assistance
 - a. The County could provide employees the ability to set aside money as necessary through a payroll deduction and direct deposit to a specific account to provide for the Bridge Period.
 - b. The deduction could start at any time, one year out, or some other point in time from the Bridge Period.
3. Compensated Time Off Accruals - Employees could be paid for earned compensated time off accruals to provide for the Bridge Period.
 - a. Use of personal days.
 - i. Limited to the three personal days.
 - b. Use of accrued vacation.
 - i. Limited to Bridge Period based on normal work schedule without overtime.
 - c. Use of accrued sick balance.
 - i. Limited to Bridge Period based on normal work schedule without overtime.
 - ii. Sick leave balance will not go below 80 hour balance at the time of the election.
 - iii. No donations of sick time to other employees will be allowed for this process.
 - iv. Be in conformance with existing County payout policies. What does the previous statement mean? The statement needs to be specific.
 - d. Use of compensatory time.
 - i. Limited to Bridge Period based on normal work schedule without overtime.
 - e. Should employees be allowed an exception to carryover more than 80 hours of vacation and compensatory time at the end of 2020?
 - f. The cost of this option could be approximately \$1.13 million for Governmental Funds and \$0 for Business Funds. Governmental funds do not have compensated time off accruals per Generally Accepted Accounting Principles, whereas business funds have compensated time off accruals per GAAP.
4. Loan
 - a. Each employee would need to consider how much to request.
 - b. Loan total would be no more than Bridge Period based on normal work schedule without overtime.
 - c. Loan term would be six months, but in no event would the term go beyond the end of the year 2021. Payments on the loan would be per pay period and deducted from the employees pay check.
 - d. Loan would not bear interest.
 - e. Any employee using a loan would sign a loan agreement. The loan agreement could be similar to the existing firearm loan agreement.
 - f. The loan agreement would provide an option to pay off the outstanding balance of the loan at any time prior to end of the year 2021.
 - g. Outstanding balance of loan would be due at termination if employee separates before full payment of the loan.
 - h. There would be no cost to the County for the loan, other than administration.

5. Pay a Half Paycheck
 - a. The City of Dubuque, IA did the pay period change in 2017 and offered half a pay check, reducing the amount needed to cover the missing pay by 50%.
 - b. The one-time half pay check could be followed by a full check after the week.
 - c. This option causes the payroll staff to run two check cycles back to back.
 - d. This option does not provide cash flow for the second week of the payroll period or the three days to transition to bi-weekly pay periods.
 - e. The cost of this options is approximately \$528,000 for Governmental Funds and \$76,000 for Business Funds. Total for Governmental and Business \$604,000.
6. Use the 2021 Compensation Plan Salary Survey, Inflation Adjustment, and Step Increase
 - a. The Bridge Period represents approximately 5.8% of an employee's total compensation.
 - b. The last salary survey included a 6% market adjustment, a 2% cost of living adjustment and a 1.85% step increase for a total of 9.85%.
 - c. The 2020 budget included approximately 3% for a market adjustment and step increase.
 - d. The range of this option could include only the inflation adjustment and step increase in a typical non salary survey year to including the market adjustment associated with the salary survey. In any event a portion of the cost of the Bridge Period would be covered by the cost of the compensation increase.
 - e. Not every employee will receive an increase in compensation from the salary survey or a large enough increase in total from the salary survey, inflation adjustment and step increases to cover the 5.8% or 13 day Bridge Period. One or a combination of the above options 1 – 5 could be used to provide for the remaining amount.
 - f. The salary survey will need to be completed as soon as possible in order to determine the amount of the compensation the salary survey would provide for the Bridge Period.
7. A combination of the above options.
 - a. A form is needed for the authorization of the above options and signed by the employee.
 - b. A loan agreement will need to be drafted. The loan agreement will need to be signed by the employee.
 - c. The total of the above options would be no more than the Bridge Period based on a normal work schedule without overtime.

2021 Personnel Budget Discussion

(all dollars include 14% benefit assumption)

Bi-Weekly Transition

Calendar days due to bi-weekly timing
 Get staff on same two week pay cycle (last 3 days of June)
 Two weeks in arrears

County Budget		Employee Cashflow	
Days	Hours	Days	Hours
2	16		
3	24	3	24
<u>10</u>	<u>80</u>	<u>10</u>	<u>80</u>
15	120	13	104

Scenarios:

	County -0- Emp Vol/Ln	County 40 Emp Vol/Ln	County 40 Emp PTO	County All Emp -0-
Days:				
County Covers	2	2+5	2+5	2+3+10
Employee Covers	<u>13</u>	<u>3+5</u>	<u>3+5</u>	<u>0</u>
	15	15	15	15
Hours:				
County Covers	16	16+40	16+40	16+24+80
Employee Covers	<u>104</u>	<u>24+40</u>	<u>24+40</u>	<u>0</u>
	120	120	120	120
Total Bi-Weekly Transition Cost:				
Governmental	150,816	527,855	1,131,118	1,131,118
Business	21,779	76,227	-	163,343
Total (based on 2020 budgeted compensation)	<u>172,595</u>	<u>604,082</u>	<u>1,131,118</u>	<u>1,294,460</u>

Compensation Plan

Governmental:

Market Adjustment (to 2020 salary survey)	6.00%	1,176,363	1,176,363	1,176,363	1,176,363
Cost of Living Adjustment (for 2021)	2.00%	415,648	415,648	415,648	415,648
Anniversary Step (employees not stepped out 12/31/20)	1.83%	388,716	388,716	388,716	388,716
	<u>9.83%</u>	<u>1,980,727</u>	<u>1,980,727</u>	<u>1,980,727</u>	<u>1,980,727</u>

Business:

Market Adjustment (to 2020 salary survey)	6.00%	204,237	204,237	204,237	204,237
Cost of Living Adjustment (for 2021)	2.00%	72,164	72,164	72,164	72,164
Anniversary Step (employees not stepped out 12/31/20)	1.92%	70,600	70,600	70,600	70,600
	<u>9.92%</u>	<u>347,001</u>	<u>347,001</u>	<u>347,001</u>	<u>347,001</u>

Total Compensation Plan Cost:

Market Adjustment (to 2020 salary survey)	6.00%	1,380,599	1,380,599	1,380,599	1,380,599
Cost of Living Adjustment (for 2021)	2.00%	487,812	487,812	487,812	487,812
Anniversary Step (employees not stepped out 12/31/20)	1.85%	459,315	459,315	459,315	459,315
	<u>9.85%</u>	<u>2,327,726</u>	<u>2,327,726</u>	<u>2,327,726</u>	<u>2,327,726</u>

TOTAL Bi-Weekly Transition + Compensation Plan

Governmental	2,131,542	2,508,582	3,111,845	3,111,845
Business	<u>368,780</u>	<u>423,227</u>	<u>347,001</u>	<u>510,343</u>
Total	<u>2,500,322</u>	<u>2,931,809</u>	<u>3,458,845</u>	<u>3,622,188</u>

2021 BI-WEEKLY PAYROLL IMPLEMENTATION

Tentative Dates	Task	Dept Assigned	Who	Plan
Dec2019-Jan 2020?	Make final decision on what options to provide to employees in regard to Bridge Payroll options	BCC	BCC	Decide how to proceed with Bridge Payroll
Feb-Mar 2020	Create A new PR Run Control for Bi-weekly Payroll Processing	Accounting	Lori L	Review initial setup and work with Munis Support to accurately set up new PR Run Control
Jan-Apr 2020?	Create new Salary Tables in TEST for bi-weekly payrolls	HR		Create new salary tables based on 80hrs/26 pays in TEST, use the 2020 budgeted salary amounts
Jan-Apr 2020?	Review Deductions and Benefits to reflect 26 deductions instead of 24 in TEST	HR		Update to reflect 2020 rates in TEST
Jan-Apr 2020?	Decide Which Deductions would be skipped in a 27 cycle payroll year	HR/PR		
Mar-Apr 2020?	Review settings in TEST	HR/PR	Lori L, Gina N, & ?	Run test payrolls to verify imports will happen correctly
Mar-Apr 2020?	Decide how deductions for benefits are paid if employee opts out of a loan or accrual payouts	HR/PR		
Prior to meeting with Change Agents & Individual Depts	Cash Flow Model-Salary Current Employees	Accounting	Chris C	Create models showing cash flow for Salary-Current Employees moving to Arrears

2021 BI-WEEKLY PAYROLL IMPLEMENTATION

Tentative Dates	Task	Dept Assigned	Who	Plan
Prior to meeting with Change Agents & Individual Depts.	Cash Flow Model-Hourly Arrears Employees	Accounting	Chris C	Create models showing cash flow for Arrears Employees to show removal of 3-week reporting periods
Mar-Apr 2020?	Meet with BCC to explain cash flow models, calendars, and options	HR/PR		Get approval for accurate information to be given to ALL employees, regarding pays and processes
Mar-Apr 2020?	Meet with Change Agents to explain cash flow models, calendars, and options	HR/PR	Lori L, Gina N, & ?	Share information with Change Agents in order to start the dialog with depts.
Apr-June 2020?	Meet with Individual Departments to explain cash flow models, calendars, and options	HR/PR	Lori L, Gina N, & ?	Meet with ALL departments, on a one-on-on basis to answer questions and provide direction on how to understand and use cash flow models and calendars, etc.
June-Aug 2020?	Modify Job Class Master for each employee to reflect new salary table	HR		This can be done in TEST but cannot be done in LIVE. Should be able to utilize imports to make this easier when we go LIVE
June- Oct 2020?	Modify Position Control records. This may be part of a bigger project in HR.	HR		This can be done in TEST but cannot be done in LIVE. Should be able to utilize imports to make this easier when we go LIVE
June- Aug 2020?	Modify Job Salary records to reflect new pay frequency	HR/IT		This can be done in TEST but cannot be done in LIVE. Should be able to utilize imports to make this easier when we go LIVE
Sept-Oct 2020?	Create loan repayment agreement if this is the direction of the BCC	BCC/HR/PR		Time of Repayment, etc. needs to be decided
Oct-Dec 2020?	Provide loan agreement to each employee needing agreement.	HR/PR		PR will need provide loan amounts for each employee?

2021 BI-WEEKLY PAYROLL IMPLEMENTATION

Tentative Dates	Task	Dept Assigned	Who	Plan
Dec 2020?	Finalize loan agreements with all employees	HR		
Dec 2020?	Create deduction code for loan repayments	HR/PR		
Jan-Apr 2021?	Create new Salary Tables in LIVE for bi-weekly payrolls	HR		Create new salary tables based on 80hrs/26 pays in LIVE, use the 2021 budgeted salary amounts
Jan-Apr 2021?	Review Deductions and Benefits to reflect 26 deductions instead of 24 in LIVE	HR		Update to reflect 2021 rates in LIVE
6/30/21?	Last Semi-Monthly PR	PR/HR		
7/16/21?	Bridge Payroll	PR/HR		
7/23/21?	First Bi-Weekly Arrears PR	PR/HR		

- (1) If bi-weekly transition is blended into compensation plan, some positions may require negative adjustment and will need to be frozen as hold harmless measure (in 2016 Comp Model, after 2015 salary survey, about 75 employees had less than 5.78% total increase which would have represented about \$70K bonus).
- (2) Need to complete salary survey and vetting as early as possible in 2020 in order to see how the compensation plan will be able to absorb the bi-weekly transition.

Tasks Associated with 2021 Bi weekly Implementation Plan

1. Create a new payroll run control for biweekly payroll processing. There are approximately 200 items to be reviewed in this process, however less than 10% of the items need to be changed for biweekly.
2. Create new salary tables based on 80 hours and 26 pay periods. These can be created ahead of time with an effective date of 6/28/21.
3. Review/modify Deduction and Benefit Master records to reflect appropriate pay cycles

Which deductions will occur only in Cycle 1 & 2 and which deductions will occur in Cycle 1, 2 & 3. Twice a year there will be 3 pay periods in a month, 26 in total for the year. Once every 5 to 7 years there will be 27 pay periods in a year. Cycle 1 & 2 will be the normal two payrolls each month and the twice a year three payrolls in a month. In the year the 27th payroll occurs it would be Cycle 3. Deductions will be distributed 1/26.

4. Modify Job Class Master records to indicate new salary tables. For example Admin 5.
5. Modify Position Control records to indicate new salary tables. There is currently a plan in the works to change the current setup of position control. For example currently there is an Accounting Admin 5 and a Road and Bridge Admin 5. The new salary tables would specify Admin 5 and not specify Admin 5 by department, however data elsewhere in the ERP system will provide the department information for reporting purposes.
6. Modify Employee Master records to indicate biweekly pay frequency. Employee records are changed from 24 pay periods to 26 pay periods.
7. Modify Employee Job/Salary records to indicate biweekly pay frequency and new salary table grade. Change employee from semimonthly to biweekly. A name change to allow reports to be produced for semimonthly and biweekly.

Tasks 1 through 3 can be done at any time as they will not affect the current payroll processing.

Tasks 4 through 7 can be completed utilizing imports, but will require planning, setup and testing to ensure accuracy prior to the first biweekly payroll.

Tasks 4 through 7 CANNOT be executed in LIVE/PRODUCTION until after the last semimonthly payroll has been completed and employee update performed. Emphasis is on timing so as not to adversely affect the last semi-monthly payroll run.