

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

631



**FROM:** Human Resources

**SUBMITTAL DATE:** July 3, 2003

**SUBJECT:** Budget Saving Recommendation of the Countywide Labor Management Committee and Board Policy C-31 Voluntary Furlough Program

**RECOMMENDED MOTION:** That the Board of Supervisors approve Policy C-31, Voluntary Furlough Program, for immediate implementation, as proposed by the Countywide Labor-Management Committee (Attachment "A").

**BACKGROUND:** As your Board is aware, the County is facing potentially significant cuts in funds, due to the State Budget Deficit.

(continued on page 2)

Ronald W. Komers  
Asst. County Executive Officer/  
Human Resources Director

**FINANCIAL DATA:**

**CURRENT YEAR COST:**

**ANNUAL COST:**

**NET COUNTY COST:**

**IN CURRENT YEAR BUDGET:**

**BUDGET ADJUSTMENT:**

**FOR FY:**

**SOURCE OF FUNDS:**

**C.E.O. RECOMMENDATION:**

**APPROVE**

**COUNTY EXECUTIVE OFFICER SIGNATURE**

Consent Policy  
 Consent Policy

Department Recommendation:  
Per Executive Office:

Prev. Agn. Ref.

Dist.

AGENDA NO.

3.4

**Background (continued)**

On December 10, 2002, Agenda Item No. 3.29, your Board approved a special all-union Countywide Labor Management Committee, to discuss the looming State Budget crisis and develop union/management initiatives to help offset these cuts - - or help affected employees avoid lay-off. The Committee has four broad goals:

1. The joint development of "coping mechanisms" to help the County deal with any revenue shortfalls, or employee lay-offs.
2. The joint sponsorship of legislation and/or lobbying for the preservation of the important County revenue sources, to protect County services.
3. The development of programs to harness employee ideas and suggestions of ways the County can reduce expenditures and waste, or enhance revenue to help offset State cuts.
4. To foster open communications and partnership in dealing with the current fiscal crisis.

The Countywide Labor Management Committee had its first meeting Thursday, January 16, 2003. Since that time the Committee has met 11 times. Under the auspices of the Countywide Committee, 31 departmental sub-committees, involving nearly 300 County employees have been meeting with a singular purpose – saving money and jobs. To date, hundreds of money saving ideas have been generated and are currently being analyzed for possible adoption.

On June 30, 2003, the Countywide Committee met and agreed, by consensus, to forward to the Board of Supervisors the attached proposal to implement a Voluntary Furlough Program, effective July 1, 2003. The Committee feels that there may be a substantial number of employees who may be willing and able to reduce their hours and thereby produce savings for departments, without significant effects on work production.

The proposed program allows employees to reduce their work hours each pay period for a three-month period, or take unpaid time off as a block of time. Both of these options are already within the discretion of the department head to grant. The difference is that employees in this program will be able to keep their benefits, service credits, and leave accruals at the level of a full-time employee while participating in the program. In addition, their voluntary reduction will be tracked in OASIS, so that they will be exempt, or be able to use their leave banks if the buildings are closed, in the event that a mandatory furlough becomes necessary within the next two years. Department heads will retain the ability to limit the options available to their employees, based on the department's business needs.

In addition, a third option is proposed to allow those unrepresented employees who cannot reduce their hours to participate. They will be able to contribute their flexible benefit credits back to their department, while retaining all of their benefits, or contribute their car allowance, for a period of three months. In the event of a mandatory furlough, their dollar contribution will allow them to be exempt for an equivalent number of hours, or use that number of hours from their leave bank in the event that the buildings are closed.

The first quarterly enrollment period would take place from July 16<sup>th</sup> to July 31<sup>st</sup>, but we also propose that those employees who have volunteered to take time off during the month of July, 2003, be given the same credit, since there are a couple of departments with pending layoffs right now.

This program is the first major proposal to come from the Countywide effort to develop cost savings, and recognizes that such programs can offer flexibility and choices to employees, and ensure ongoing service to the public, while responding to the need to reduce costs.

**COUNTY OF RIVERSIDE, CALIFORNIA**  
**BOARD OF SUPERVISORS POLICY**

<b>SUBJECT:</b>	<b><u>Policy Number</u></b>	<b><u>Page</u></b>
<b>VOLUNTARY FURLOUGH PROGRAM</b>	<b>C - 31</b>	<b>1 of 5</b>

**POLICY:**

It is the policy of the Board of Supervisors to allow for a Voluntary Furlough Program (VFP) to reduce and/or defer payroll costs on a short-term basis. The purpose of the VFP is to help reduce expenditures during challenging budget shortfalls, yet maintain critical County services. The VFP offers employees the opportunity to pursue education goals, address family issues, or handle other needs that require time off from work, without loss of health benefits or seniority. The VFP is available to all full-time employees, irrespective of the funding sources for their positions. Agency/department heads may determine, however, which of the options to allow, based on the operational needs of their department. This policy is effective July 1, 2003, and will remain in effect until June 30, 2005.

**Eligibility:**

This program is available to all full-time regular County employees who have completed at least two full pay periods of employment who request to participate, subject to approval by their agency/department heads. Part-time, seasonal and temporary employees are not eligible to enroll in this program. In addition, employees must be on a paid status at the time of enrollment and on the workday prior to first taking time off. They must also ensure that they have adequate wages to cover their normal payroll deductions and the contributed benefit amounts, if applicable.

**Voluntary Time Off:**

There are two ways to participate in this option: (a) the employee's scheduled work hours or workdays are reduced on a biweekly basis, or (b) a block of time off is scheduled as unpaid leave. The employee and the department manager/supervisor mutually determine the amount of time reduced and the scheduling required (i.e., the reduced work day, work week or scheduled block of time off).

Note: Department heads already have the ability to grant these two types of work/pay reductions. The difference in this program is that certain benefits and leave accruals will not be reduced to reflect the temporary reduction in hours.

Employees participating in the VFP will be allowed to maintain the same level of employer contributions for flexible credit allowance, as well as continuation of their other employee benefit plans. They will retain their full-time work status for benefit purposes. Voluntary furlough hours will have no effect on the following benefits:

- Flexible benefit allowance
- Medical/dental/vision/life insurance eligibility and coverage
- Retirement eligibility and benefit level (unless retirement is within 12 months)
- Rate of differential and premium pay that is included in the compensation base for pension calculation, except to the extent that they are based on the actual number of hours worked. This includes bilingual pay, shift differentials, etc.

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**BOARD OF SUPERVISORS POLICY**

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Furlough hours will not cause a break in service, nor a reduction in employees' service credit for the purposes of seniority, probationary period, retirement, leave accumulation, or anniversary date/merit salary adjustment. When a person reduces their work hours, these service credits are unaffected unless they are off for a full pay period.

VFP participants who take a block of time off will be protected from losing their service credits and flexible benefit credits for the period, as well as their leave accrual for the period. Normally, if a person takes a full pay period off without pay, the flex credit, leave accruals, and service credits would not be given. For those who choose a biweekly reduction in hours, there will be no harm, because their regularly-scheduled hours will not change; they will simply report a number of unpaid hours each pay period.

A special time entry code will be established to capture all voluntary time off hours taken under this program, and to facilitate continuation of seniority, health and retirement benefit accruals, contributions and payments. Employer taxes and withholdings will be calculated based on the actual hours worked and benefits received. Eligibility for overtime during the period that the furlough is taken will be calculated based on actual hours worked; furlough hours will not count toward the 40 hours required before overtime is paid.

Voluntary time off must be taken in increments of full hours per pay. For a block of time, it must be full days. Total voluntary time off should not exceed 160 hours in any six-month period, in order to prevent an effect on PERS service accumulations for pension purposes.

**Voluntary Furlough Enrollment:**

Agency/department heads are encouraged to promote the VFP in order to reduce departmental expenditures. Agency/department heads may determine, however, which options to allow based on the operational needs of the department.

All eligible employees will be made aware of the VFP described herein, and will be notified of the quarterly enrollment periods. New hires may enroll during enrollment periods following two full pay periods of employment. Employees enrolled in the VFP for a reduced work schedule must agree to participate for a minimum of three months, with three-month extensions allowed during subsequent enrollment periods if the department head approves. The employee must complete the Voluntary Furlough Program Enrollment & Cancellation Form, which must be submitted to Human Resources for processing.

**Election Changes:**

An employee whose application/agreement has been approved may not reduce or cancel the agreed schedule/amount except: 1) if s/he transfers to another agency or department; 2) if s/he terminates employment with the County; 3) if s/he demonstrates a personal hardship; or 4) after three months of participation. Any changes to the agreement will require a completed Voluntary Furlough Program Enrollment & Cancellation Form, which must be submitted to Human Resources for processing.

**COUNTY OF RIVERSIDE, CALIFORNIA**  
**BOARD OF SUPERVISORS POLICY**

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**Payroll Contributions/Deductions:**

Participation in the Voluntary Furlough Program will reduce the employees' immediate take home pay. In determining the amount of time off to request, an employee needs to ensure that s/he has adequate wages to cover his/her normal payroll deductions (e.g., tax withholdings, credit union deposits, deferred compensation contributions and loan payments, union dues, life insurance, dependent care and health care Flexible Spending Accounts). If electing a block of time off greater than one pay period, the employee needs to arrange payment of the normal required employee contributions for benefit plans.

**Furlough Credits:**

In the event that a mandatory furlough is implemented, employees who volunteered to participate in the Voluntary Furlough Program may either use accrued vacation, holiday, or compensatory time, or continue to work (if the department/building is open), and be paid during a mandatory furlough in recognition of their voluntary furlough time, using their furlough credits on an hour-for-hour basis.

**Costs/Savings/Advantages:**

The savings to the County from this option include direct salary savings, reduction in FICA/Medicare taxes, and reduction in PERS pension contributions in the current fiscal year (both employer portion and employee pick-up). The advantage for the employee is a reduction in work hours to accomplish other goals, without the loss of employee benefits. In addition, the payroll savings will help to lessen or avert the need for reductions in work force or mandatory furloughs. In the event of a mandatory furlough, the employees who elect to participate in this program will not suffer a double loss of income.

**Program Reporting:**

Each department will receive a quarterly summary of payroll savings achieved as a result of employee participation in the VFP, based on the tracking of hours in OASIS. The summary shall be included in the departmental quarterly reports submitted to the Executive Office.

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**Furlough Alternative – Benefit Contribution Credit**

An alternative method of participation in this program may hold interest for a limited number of employees. Under this alternative, the employee continues to work his/her normal schedule, but signs an agreement to contribute either their flexible benefit contribution or their car allowance to the County. In the case of flexible benefits, the employee would then be able to continue to pay the charges for their flexible benefit elections with pre-tax dollars, but the department would not provide the County's contribution; all employee flexible benefits are continued during the period of the contribution furlough.

Employees participating in this option will maintain their full-time work hour status for salary and benefit purposes.

**Eligibility:**

This program is available only to Management, Confidential, and Unrepresented employees who have completed at least two full pay periods of employment and who request to participate. In addition, employees must be on a paid status at the time of enrollment and on the workday prior to first contributing their employer contribution amount. If a collective bargaining unit elects to make this option available to its members, the "contribution furlough" will be made available to its members.

**Contribution Furlough Enrollment:**

All eligible employees will be made aware of the VFP option described herein, and will be notified of the quarterly enrollment periods. New hires may enroll during enrollment periods following two full pay periods of employment. The employee must complete a Benefit Contribution Credit Authorization form specifying the benefit(s) to be "contributed", and indicate in which pay periods the reduction is to take place.

**Election Changes:**

An employee whose application/agreement has been approved may not reduce or cancel the agreed schedule/amount except: 1) if s/he transfers to another agency or department; 2) if s/he terminates employment with the County; 3) if s/he demonstrates a personal hardship; or 4) after three months (6 pay periods) of participation. Any changes to the agreement will require a new Benefit Contribution Credit Authorization, which must be submitted to Human Resources for processing.

**Payroll Benefit Contributions/Deductions:**

Participation in this option of the Voluntary Furlough Program will reduce the employees' immediate take home pay, because his/her benefits will be charged as pre-tax payroll deductions. However, the pre-tax nature of these deductions will result in a pay decrease that is somewhat less than the amount contributed. For example, if a person's payroll taxes are 30% of gross pay, and the flex contribution is \$184 biweekly, the net loss in pay would only be \$129 (due to the reduction in taxes). In determining the reduction to request, an employee needs to ensure that

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s/he has adequate wages to cover his/her normal payroll deductions (e.g., tax withholdings, credit union deposits, deferred compensation contributions and loan payments, union dues, life insurance, dependent care and health care Flexible Spending Accounts).

**Furlough Credits:**

In the event that a mandatory furlough is implemented, employees that selected participation in this option may apply the dollar amounts contributed, on a dollar-equivalent basis, toward their mandatory furlough obligation. To the extent that an employee contributed benefit dollars, s/he will be able to either use accrued vacation, holiday, or compensatory time, or continue to work (if the department/building is open), and be paid during a mandatory furlough in recognition of their voluntary participation. For example, if a person contributed their benefit credit of \$184 per pay period for three months, the County would have saved \$1,104 ( $\$184 \times 6$  pp). If that person's hourly pay is \$25, s/he could work and be paid for up to 44 hours ( $\$1104 / \$25 = 44.16$ ) during a mandatory furlough, or use that amount from leave banks in the event that buildings/offices are closed during the furlough.

**Costs/Savings/Advantages:**

The savings to the County from this option include savings from payroll benefit charges, and a possible reduction in FICA/Medicare taxes (if the employee's calendar year salary is less than the Social Security Wage Base of \$87,000). The advantage for the employee is immediate tax deferral, and a way of participating in the VFP without reducing work hours. In addition, the employee would not have a reduction in PERS compensation for the year, which would be important to those planning to retire within the next twelve months.

**Program Reporting:**

Each department will provide a quarterly summary of payroll savings achieved as a result of employee participation in this option of the VFP. The summary shall be included in the departmental quarterly reports submitted to the Executive Office.



VOLUNTARY FURLOUGH ENROLLMENT AND CANCELLATION FORM Fiscal Year 2003 – 2004



TO: County of Riverside, Human Resources Department 4080 Lemon St. Riverside, Ca 92502

ATTN: Employee Services, Stop #1150

I, \_\_\_\_\_, (print name) request to enroll in the Voluntary Furlough Program (VFP) under the following option:

- Option 1 Voluntary Time Off Reduced work hours or workdays per pay period... Option 2 Reduced block of time off (minimum of two consecutive days during the three month period).

I understand that I must make a commitment to participate in the VFP for a minimum of three months (six pay periods). I affirm that I have read, understand, and agree to the terms of the program, as stated in the Board of Supervisors Policy Number C-31 (Voluntary Furlough Program).

Employee Signature Employee ID Date

- Please specify the quarter in which the reduction is to occur: July - September, October - December, January - March, April - June

Department Head Approval: YES NO Department Head Signature

Department Name Date

Cancellation/Reduction

Enrollment in the VFP will automatically terminate after the end of the quarter (6 pay periods), transfer to another agency or department, or termination of employment with the County.

Please attach substantiating documentation for either request:

- I request to cancel my participation from the VFP due to a personal hardship. I request to reduce my participation from the VFP as follows due to a personal hardship. Specify the pay period(s) and amount:

HR Use Only Full-time regular employee: Adequate wages to cover deductions: Worked at least 2 pay periods: in a paid status: Approved: Disapproved: Reason:



**BENEFIT CONTRIBUTION CREDIT AUTHORIZATION**  
**Fiscal Year 2003 – 2004**



TO: County of Riverside, Human Resources Department  
4080 Lemon St. Riverside, Ca 92502

ATTN: Employee Services, Stop #1150

I, \_\_\_\_\_, (*print name*) request to enroll in the Voluntary Furlough Program (VFP) under the alternative benefit contribution option, as follows:

- I waive the County's contribution toward my Flexible Benefits Credit, with the understanding that my benefit elections will remain unchanged, and my salary will be reduced to the extent necessary to pay for my benefit elections.
- I waive the County's contribution toward my automobile allowance.

I understand that I must make a commitment to participate in the VFP for a minimum of three months (six pay periods). I affirm that I have read, understand, and agree to the terms of the program as stated in the Board of Supervisors Policy Number C-31 (Voluntary Furlough Program).

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee ID

\_\_\_\_\_  
Date

*Please specify the quarter(s) in which the reduction is to occur:*

- July – September (pay periods 17 - 22)
- October – December (pay periods 23 - 2)
- January – March (pay periods 3 – 8)
- April – June (pay periods 9 – 14)

Department Head Approval:  YES  NO

\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
Department Name

\_\_\_\_\_  
Date

**Cancellation/Reduction**

Enrollment in the VFP will automatically terminate after the end of the quarter (6 pay periods), transfer to another agency or department, or termination of employment with the County. Employees may also request to cancel or reduce the agreed schedule/amount by demonstrating a personal hardship.

Please attach substantiating documentation for either request:

- I request to **cancel** my participation from the VFP due to a personal hardship.
- I request to **reduce** my participation from the VFP as follows due to a personal hardship. Specify the pay period(s) and amount: \_\_\_\_\_

**HR Use Only**

Full-time regular employee: \_\_\_\_\_ Management, Confidential, or Unrepresented Unit: \_\_\_\_\_

Adequate wages to cover deductions: \_\_\_\_\_ Worked at least 2 pay periods: \_\_\_\_\_ in a paid status: \_\_\_\_\_

Approved: \_\_\_\_\_ Disapproved: \_\_\_\_\_ Reason: \_\_\_\_\_