

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: MARCH 26, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 43: THE IMPACT OF FURLOUGHING EMPLOYEES

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This memo is in response to a request from Councilman Gaines that the City Council be provided additional details on the financial, workload and administrative impacts furloughing employees would have on the City.

A furlough is generally defined as the temporary placement of an employee on non-duty, non-pay status. Employees under this status do not report for work and their pay is reduced for the amount of time they are furloughed. If a furlough was implemented in the City of Alexandria, we would recommend exempting uniformed public safety employees and those employees required to work because their department must maintain minimal staffing levels. Based on these criteria, we estimate that the budget savings from a one-day furlough would be \$565,058.

The impact to employees' workloads would vary depending on the length of the furlough and the time of the year the furlough is implemented. For example, if only one furlough day was taken, the impact on workloads would likely be minimal. In contrast though, multiple furlough days would likely create strains on employees' ability to conduct their work in the time remaining.

The time of year a furlough is instituted can also impact workloads differently. If a furlough was implemented around a major holiday or during a holiday season, when many employees are likely to already schedule leave, then the impact on workloads could be reduced. An example of this is Fairfax County's decision to furlough January 2, a date which fell on a Friday, directly after New Years Day. Such a schedule also minimizes the disruption of services to the public if the expectation that and need for City offices to be open is low.

Finally, the impact on workload may be felt differently depending on the department. For example, implementing a furlough day(s) in January would certainly affect the Office of Management and Budget's ability to produce the budget document. Conversely, a furlough day(s) in August-September would impact the Finance Department's ability to complete the Comprehensive Annual Financial Report (CAFR). The scenarios noted above also show that the magnitude of a furlough will be the main driver for how greatly the decreased days of work impact employees' workloads.

Currently the City does not have any Administrative Regulations on furloughs. Implementing a

furlough would require the City to develop new regulations and policies. If this process was initiated it may be useful to review policies our counterparts throughout the region have developed for administering furloughs. Three examples<sup>1</sup> of how a furlough could be administered include, but are not limited to:

- Furlough employees for a select number of hours or days.
- Furlough employees through a percent reduction of their scheduled weekly hours. Under this option, the number of hours individual employees would be furloughed would differ depending on their scheduled weekly hours. For example, if scheduled weekly hours were reduced by 20% then a full-time employee working 40 hours per week would be furloughed for 8 hours. A part-time employee working 20 hours per week would be furloughed for 4 hours.
- Furlough employees during the period where employees receive three pay checks, which occur two times per year, to minimize the impact on pay in any single month.

When Fairfax County implemented their furloughs the temporary reduction in work hours did not impact the following:

- Leave accrual rates or holiday pay
- Health insurance eligibility (the County continued to pay employees' premium contributions)
- Length of service (there was no break in employees' service or impact to anniversary dates)
- Pay period schedule

It should be noted that Fairfax County employees' retirement earnings and service credit were reduced due to the furlough but the County believes the actual impact to employees will be negligible.

Budget savings from furloughs were not built into the FY 2010 Proposed Operating Budget because we believe that furloughs should not be relied on to balance the City's budget in a prospective fashion. We recommend that furloughs only be considered for emergency budget situations that arise unexpectedly during the current fiscal year. For example, if toward the end of a fiscal year, the City is projecting a funding shortfall that could be addressed through a one-time savings, then a furlough could be considered as a reasonable option to use. If the City was to implement a furlough, we would need to further consider and plan for the impacts to ensure that the utilization of this tool does not create any administrative complications.

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<sup>1</sup> All three examples would exempt public safety employees and other employees deemed essential due to their department's requirement to maintain minimal staffing levels.