Travis County Commissioners Court Agenda Request

Meeting Date: April 15, 2014
Prepared By/Phone Number: Nicki Riley – 854-9125
Elected/Appointed Official/Dept. Head: Nicki Riley, County Auditor
Commissioners Court Sponsor: Bruce Todd, Commissioner Precinct 2

AGENDA LANGUAGE: Consider and take appropriate action to change the County's payroll cycle from semi-monthly to bi-weekly.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS: For many years now Travis County employees have been paid on a semi-monthly basis. However with the implementation of SAP it has become clear that the County would be better served to move to a biweekly pay schedule. This would help employees reconcile their paycheck and help managers control their overtime budgets.

STAFF RECOMMENDATIONS: We recommend approval of a change to a bi-weekly payroll cycle and direct staff to return to Commissioners Court with detailed implementation options for final approval.

ISSUES AND OPPORTUNITIES: Currently a customization is required in SAP to correctly calculate overtime pay in certain scenarios in accordance with the Fair Labor Standards Act that will cost approximately $40k; however, this would be negated by a switch to bi-weekly payroll. Also with a switch to bi-weekly payroll, the ability exists in SAP to accelerate the pay period for all employees so that an extra week of pay is distributed to all employees upon implementation, which is at no cost to the County.

FISCAL IMPACT AND SOURCE OF FUNDING: N/A

REQUIRED AUTHORIZATIONS:
Leroy Nellis, Acting County Executive, Planning and Budget
Debbie Maynor, Director, Human Resources Management Department

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR

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To: Members of Commissioners Court

From: Nicki Riley, County Auditor

Subject: Request for Conversion to Bi-weekly Payroll

Date: April 15, 2014

For many years now Travis County employees have been paid on a semi-monthly basis, the 15th and last business day of each month. In 2011, the Court was asked to change the payroll schedule to bi-weekly, which was not approved because the timing of the bi-weekly pay dates and pay amounts would have resulted in negative cash flow for several months at a time for all employees. With the implementation of SAP, it is now possible to remedy this situation.

Also, with a bi-weekly payroll schedule in SAP, employee pay could be accelerated by one week so that all employees would only be paid one week in arrears (i.e., lag time would decrease from one pay period to one week). This means that all employees would receive an extra week of pay upon implementation of the bi-weekly payroll schedule, and this would be at no additional cost to the County.

Currently the County pays employees two weeks in arrears. For example, a paycheck received on March 15th is for the pay period February 16-28; a paycheck received on March 31st is for the pay period of March 1-15, and so on. This can be a problem, especially for new hires, as they will not receive a full paycheck for at least a month.

Besides employees receiving an extra week of pay upon implementation, there are many other advantages that come with a bi-weekly payroll schedule:

- Employees are paid more frequently and consistently (every other Friday).
- Employees receive overtime pay more quickly.
- Employees can calculate and verify their paycheck amounts easier.
- Payroll Liaisons and Managers can eliminate partial week approvals.
- Managers can project, manage and analyze overtime pay easier.

- New employees will receive a full paycheck sooner.
- Eliminates expensive SAP customizations and extensive modifications.
- Negates need to maintain/test required semi-monthly payroll customizations for future SAP upgrades.
- Pay period aligns with the Fair Labor Standards Act (FLSA) resulting in total compliance with their standards.

Currently, the standard SAP configuration requires a manual process in the calculation of overtime for certain situations. However, this manual process does not address all situations and is not a feasible process for the long-term. An SAP expert was contracted to determine if a solution could be developed. They have concluded that a customization would be necessary to fully automate the calculation of overtime at a cost of approximately $40K. A switch to a bi-weekly payroll schedule would negate the need for this customization.

Overall, a bi-weekly schedule would help resolve many issues that County employees, managers and time administrators are all currently experiencing. Plus, it would help alleviate the undue burden of future payroll customizations in SAP.

cc: Leroy Nellis, Acting County Executive, Planning and Budget Office
Debbie Maynor, Director, Human Resources Management Department

BI-WEEKLY PAYROLL PROPOSAL

Prepared by:
Travis County Auditor's Office
April 15, 2014

Bi-weekly Payroll Proposal

Current Payroll is Semi-monthly

- **Pay dates are the 15th and last business day of each month.**
- **24 pay checks are issued each year for each employee.**
- **A lag of one pay period (approximately two weeks) exists.**

Bi-weekly Payroll Proposal

What are the ISSUES with Semi-monthly Payroll?

1. **The lag time in getting paid makes employees wait to receive the pay they've earned.**
   - ***Example: Pay date of March 15th is for pay period February 16-28.***
   - ***New employees wait up to a month for first paycheck.***

     Hire date March 1st → First pay check March 31st

2. **Non-exempt employees wait 1 – 2 pay periods to receive OT.**

3. **Paychecks are difficult to understand due to "smoothing."**

Bi-weekly Payroll Proposal

Proposed Payroll is Bi-weekly

- **Pay dates are every other Friday.**
- **26 pay checks are issued each year for each employee.**
- **Every pay period is 80 hours.**

Bi-Weekly Payroll Proposal

What are the BENEFITS of Bi-weekly Payroll?

1. **Employees are paid more frequently and consistently.**
   - *Every other Friday.*

Benefit # 1: Employees are Paid More Frequently

Fiscal Year 2015 Example (Semi-Monthly)

OCTOBER 2014						
S	M	T	W	T	F	S
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DECEMBER 2014						
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JUNE 2015						
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JULY 2015						
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Benefit # 1: Employees are Paid More Frequently

Fiscal Year 2015 Example (Bi-Weekly)

OCTOBER 2014						
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NOVEMBER 2014						
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DECEMBER 2014						
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JANUARY 2015						
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FEBRUARY 2015						
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MARCH 2015						
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APRIL 2015						
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26	27	28	29	30		

MAY 2015						
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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JUNE 2015						
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21	22	23	24	25	26	27
28	29	30				

JULY 2015						
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19	20	21	22	23	24	25
26	27	28	29	30	31	

AUGUST 2015						
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

SEPTEMBER 2015						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
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27	28	29	30			

Bi-Weekly Payroll Proposal

What are the BENEFITS of Bi-weekly Payroll?

2. Employees receive overtime pay sooner.

- *Paid in the same pay period as earned.*
- *Checks are easy to understand.*

Benefit # 2: Employees receive Overtime pay sooner

Example: Employee works Overtime (OT) week of April 12-18, 2015:

- 2 hours overtime earned on April 15th
- 10 hours overtime earned from April 16-17

Week of April 12 - 18

TOTAL	SU 04/12	MO 04/13	TU 04/14	WE 04/15	TH 04/16	FR 04/17	SA 04/18
52	8	16	8	10	8	2	0
Cumulative total:	*8*	*24*	*32*	*42*	*50*	*52*	*52*

APRIL 2015						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	**24**	25
26	27	28	29	**30**		
MAY 2015						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	**15**	16

Bi-Weekly:
All 12 hours OT paid

Semi-Monthly:
4/30: 2 hours OT paid
5/15: 10 hours OT paid

Bi-Weekly Payroll Proposal

What are the BENEFITS of Bi-weekly Payroll?

3. New employees receive first paycheck earlier.

- *SAP allows bi-weekly pay period lag to be* ***reduced to one week****.*

Benefit # 3: New Employees receive first paycheck earlier

Example: Employee starts work December 1, 2014:

DECEMBER 2014						
S	M	T	W	T	F	
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

First Bi-Weekly Paycheck for Pay period 12/1 – 12/13

First Semi-Monthly Paycheck

Bi-weekly Payroll Proposal

Question:

How is this Proposal different from previous Proposals?

Bi-Weekly Payroll Proposal

2011 Proposal

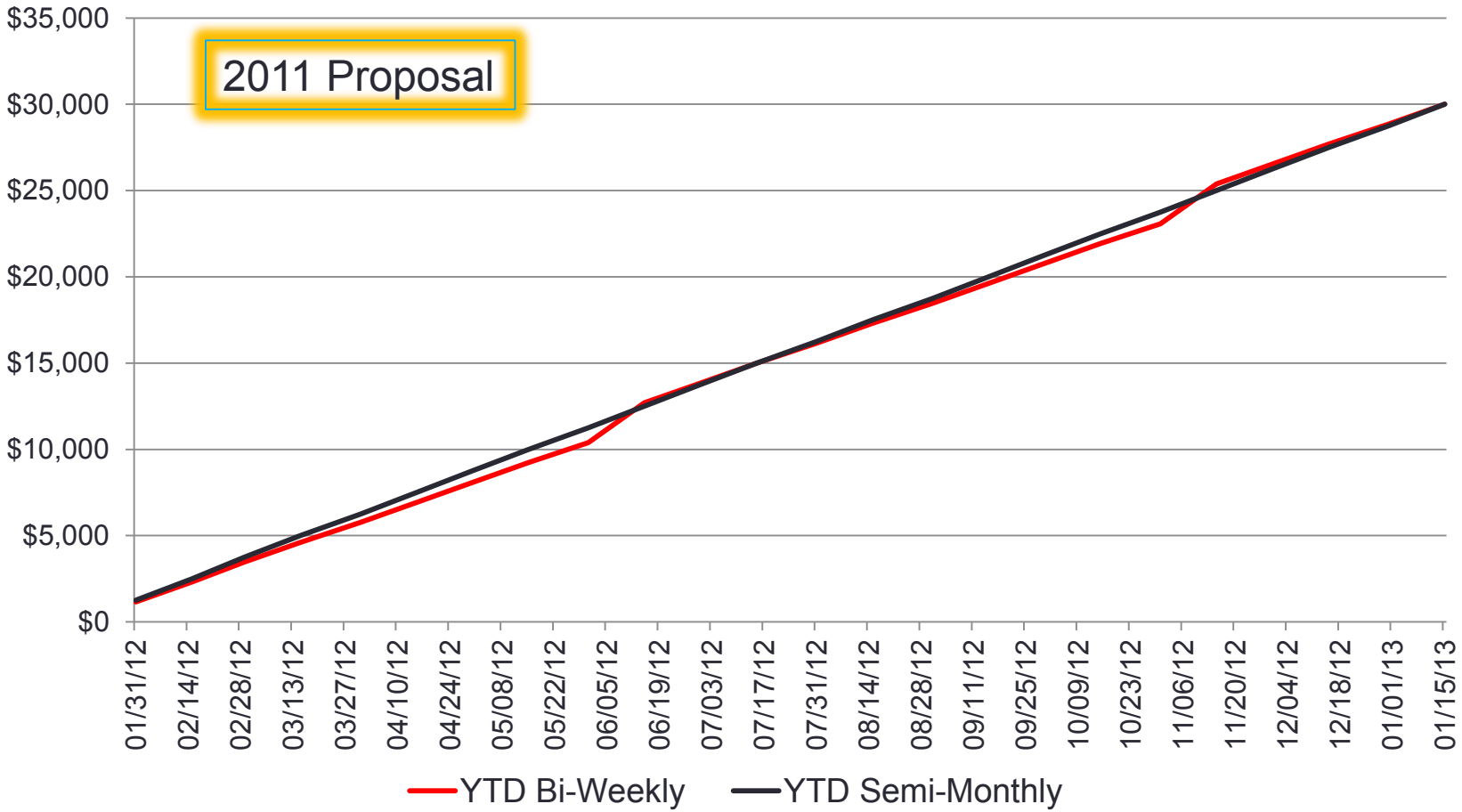
Example: Annual Salary of $30,000

Employees' pay immediately falls short because they stay on a two-week lag using this method of implementation.

PAY COMPARISON				CUMULATIVE DIFFERENCE	
BI-WEEKLY		SEMI-MONTHLY		BI-WEEKLY	SEMI-MONTHLY
Paydate	Gross Pay	Paydate	Gross Pay	Pos (Neg)	Pos (Neg)
01/27/12	1,154	01/31/12	1,250	($96)	$96
02/10/12	1,154	02/15/12	1,250	($192)	$192
02/24/12	1,154	02/29/12	1,250	($288)	$288
03/09/12	1,154	03/15/12	1,250	($385)	$385
03/23/12	1,154	03/30/12	1,250	($481)	$481
04/06/12	1,154	04/13/12	1,250	($577)	$577
04/20/12	1,154	04/30/12	1,250	($673)	$673
05/04/12	1,154	05/15/12	1,250	($769)	$769
05/18/12	1,154	05/31/12	1,250	($865)	$865
06/01/12	1,154	-	-	($962)	$962
06/15/12	1,154	06/15/12	1,250	$192	($192)
06/29/12	1,154	06/29/12	1,250	$96	($96)
07/13/12	1,154	07/13/12	1,250	$0	($0)
07/27/12	1,154	07/31/12	1,250	($96)	$96
08/10/12	1,154	08/15/12	1,250	($192)	$192
08/24/12	1,154	08/31/12	1,250	($288)	$288
09/07/12	1,154	09/14/12	1,250	($385)	$385
09/21/12	1,154	09/28/12	1,250	($481)	$481
10/05/12	1,154	10/15/12	1,250	($577)	$577
10/19/12	1,154	10/31/12	1,250	($673)	$673
11/02/12	1,154	-	-	$481	($481)
11/16/12	1,154	11/15/12	1,250	$385	($385)
11/30/12	1,154	11/30/12	1,250	$289	($289)
12/14/12	1,154	12/14/12	1,250	$192	($192)
12/28/12	1,154	12/31/12	1,250	$96	($96)
01/11/13	1,154	01/15/12	1,250	$0	($0)
	30,000		30,000		

Note: Actual amount of bi-weekly pay is $1,153.85.

Comparison: Bi-Weekly vs Semi-Monthly ($30K salary)



Year-to-date bi-weekly payroll amount is "behind" semi-monthly year-to-date most of the time.

Bi-weekly Payroll Proposal

Current Proposal

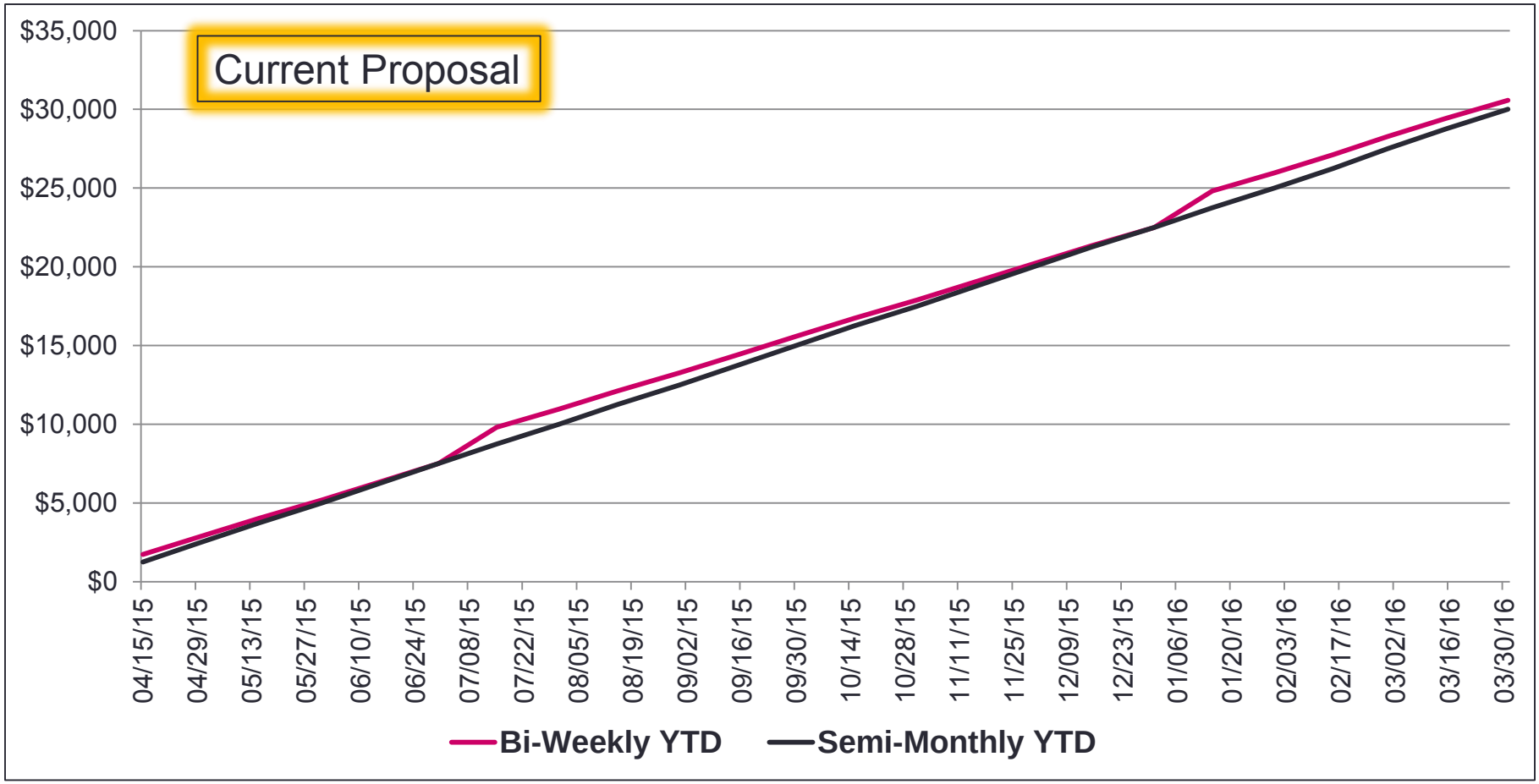
Example: Annual Salary of $30,000

Employees' pay will never fall short because they will receive an extra week up front using this method of implementation.

PAY COMPARISON				CUMULATIVE DIFFERENCE	
BI-WEEKLY		SEMI-MONTHLY		BI-WEEKLY	SEMI-MONTHLY
Paydate	Gross Pay	Paydate	Gross Pay	Pos (Neg)	Pos (Neg)
04/10/15	1,731	04/15/15	1,250	$481	($481)
04/24/15	1,154	04/30/15	1,250	$385	($385)
05/08/15	1,154	05/15/15	1,250	$288	($288)
05/22/15	1,154	05/29/15	1,250	$192	($192)
06/05/15	1,154	06/15/15	1,250	$96	($96)
06/19/15	1,154	06/30/15	1,250	$0	($0)
07/03/15	1,154	-	-	$1,154	($1,154)
07/17/15	1,154	07/15/15	1,250	$1,058	($1,058)
07/31/15	1,154	07/31/15	1,250	$962	($962)
08/14/15	1,154	08/14/15	1,250	$865	($865)
08/28/15	1,154	08/31/15	1,250	$769	($769)
09/10/15	1,154	09/15/15	1,250	$673	($673)
09/25/15	1,154	09/30/15	1,250	$577	($577)
10/09/15	1,154	10/15/15	1,250	$481	($481)
10/23/15	1,154	10/30/15	1,250	$385	($385)
11/06/15	1,154	11/13/15	1,250	$289	($289)
11/20/15	1,154	11/30/15	1,250	$192	($192)
12/04/15	1,154	12/15/15	1,250	$96	($96)
12/18/15	1,154	12/31/15	1,250	$0	($0)
12/31/15	1,154	-	-	$1,154	($1,154)
01/15/16	1,154	01/15/16	1,250	$1,058	($1,058)
01/31/16	1,154	01/29/16	1,250	$962	($962)
02/12/16	1,154	02/15/16	1,250	$865	($865)
02/26/16	1,154	02/29/16	1,250	$769	($769)
03/11/16	1,154	03/15/16	1,250	$673	($673)
03/25/16	1,154	03/31/16	1,250	$577	($577)
	30,577		30,000		

Note: Actual amount of bi-weekly pay is $1,153.85 except first payment which is $1,730.78.

Comparison: Bi-Weekly vs Semi-Monthly ($30K salary)



Year-to-date bi-weekly payroll amount is <u>never</u> less than semi-monthly year-to-date.

Bi-Weekly Payroll Proposal

Questions?