

Policy on Use of Employee Furloughs for Budget Balancing

(Approved by the Board of Supervisors on May 6, 2009)

Introduction

The purpose of this policy is to establish guidelines for balancing budgets with employee furlough savings for departments so that they can reduce expenditures while maintaining a sustainable, structurally-balanced budget.

Background

An employee furlough is mandatory unpaid leave imposed on employees by a department facing a severe financial crisis. An employee furlough may be imposed as an alternative to, or in conjunction with, a Reduction in Force. Employee furloughs are a means of reducing expenditures in response to a shortage of revenue and/or a lack of work.

The *Budgeting for Results Policy Guidelines* require the County to maintain a sustainable, structurally-balanced budget in which recurring expenditures and other uses are fully supported by recurring revenues and other sources.

The *Funded Positions Policy* requires that the full annualized cost of positions be supported by ongoing funding sources. During the budget process, Departments and the Office of Management and Budget (OMB) must verify that budgets and funding are adequate to support all authorized positions.

By themselves, employee furloughs are not consistent with a sustainable, structurally-balanced budget, and therefore do not comply with the *Budgeting for Results Accountability Policy* and the *Funded Positions Policy*. Expenditure savings from employee furloughs are non-recurring, and become an unfunded payroll liability in subsequent fiscal years because the full-time equivalent value of the affected positions is not reduced, and use of employee furloughs must be approved by the Board of Supervisors.

Policy:

1. Employee furloughs are not encouraged, but may be used under certain circumstances to reduce a department's operating expenditures so long as there is a plan to make sustainable, recurring adjustments that will restore the budget to structural balance within one to two fiscal years.
2. In order to implement an employee furlough, Departments must prepare and submit a furlough budget plan that must be approved by the Board of Supervisors.

3. Furlough budget plans must be presented in a format to be specified by the Office of Management and Budget. Furlough budget plans will include the following information:
 - a. An explanation of why the employee furlough is necessary, either in addition to, or instead of reductions in force,
 - b. A list of all Market Range Titles that will undergo furloughs, as well as the anticipated frequency and duration of the proposed furloughs.
 - c. Estimated furlough savings.
 - d. A plan for implementing longer-term expenditure or revenue adjustments that will restore structural balance
 - e. Estimated impacts on performance and results for the Activities that will be affected by the proposed furlough.
4. Furlough budget plans will include a hiring freeze that will, over a period of no longer than two fiscal years, generate vacant positions through employee attrition that can be permanently eliminated to restore structural balance. Furlough budget plans will identify any critical positions that will be exempted from the hiring freeze, and will demonstrate how elimination of other positions that become vacant will be sufficient to offset the annualized payroll liability from the employee furlough.
5. Departments with Activities that are supported by fees may reduce or eliminate the requirement to eliminate vacant positions based on a conservative forecast of future revenue growth.
6. The Office of Management and Budget will review all proposed department employee furlough budget plans. OMB will forward its recommendations to the Board of Supervisors.
7. Upon implementation of an employee furlough, Departments will prepare and submit quarterly progress reports of savings generated by the furlough and progress toward achieving the expenditure and/or revenue goals established in the furlough budget plan. Department reports will be consolidated and presented to the Board of Supervisors by OMB.
8. As vacant positions are eliminated through the course of the fiscal year, the number of planned employee furlough days may be reduced if the ongoing savings will offset the cost, and the department is not forecast to exceed its appropriated expenditures.

9. Notwithstanding this policy, all employee furloughs must comply with applicable employee merit rules and personnel policies.