



**City of Milwaukee
Budget and Management
Intra-Office Memo**

**To: Members, Finance & Personnel Committee
Budget and Management Director**

**From: Mark Nicolini, *MN*
Budget and Management Director**

Date: September 18, 2006

Subject: Follow-up: Unemployment Compensation Costs

DRAFT

This memo is a follow-up response to the question about 2006 seasonal labor reductions and the resulting impact on unemployment compensation costs that Alderman D'Amato raised at the July 10th Finance and Personnel meeting.

The 2006 budget summary for the Department of Public Works (DPW) indicates a net savings by the shortening of some seasonal labor position employment durations by 2-3 weeks. Ald. D'Amato inquired regarding how much the City actually saves by shortening the working season because these workers may collect unemployment benefits from the City for a relatively longer period of time.

After considering this question further, we developed the following analysis:

1. In our opinion, the elimination of the boulevard flower planting positions would likely not significantly add to the City's unemployment costs. This reduction, which was estimated to save about \$142,000 including estimated fringe benefits, results from a 10% reduction to the area of plants beds. Since the positions were removed from the 2006 Budget completely, as opposed to having their 2006 seasonal work duration reduced, it is probable that the affected employees would have exhausted their maximum unemployment benefits by the opening of the summer "callback." Therefore, we estimate that this service reduction resulting in savings of \$142,000.
2. In regards to the street maintenance labor reductions, we have concluded that there may be some impact on unemployment costs. As mentioned in the 2006 budget summary, the plan is to reduce 47 labor positions by 2 weeks for a total salary savings of \$94,000 and an overall savings of \$133,480, which is salary costs plus estimated fringe benefits. The possible unemployment costs to the City would be approximately \$32,054—the cost of paying 47 employees the maximum \$341 per week benefit for two additional weeks. Therefore, these labor reductions would result in a maximum net savings of \$101,426. The actual impact would depend on how many employees work in other employment after their seasonal term ends.

3. The Budget office is working with the Department of Employee Relations to develop a more precise method of estimating the unemployment costs associated with seasonal workforce layoffs.

In closing, we believe that the shorter Department of Public Works labor seasons will have a moderate impact on 2006 unemployment compensation costs.