Department of Administration
Budget and Management Division

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June 13, 2023

MEMORANDUM

To: Steering & Rules Committee Members

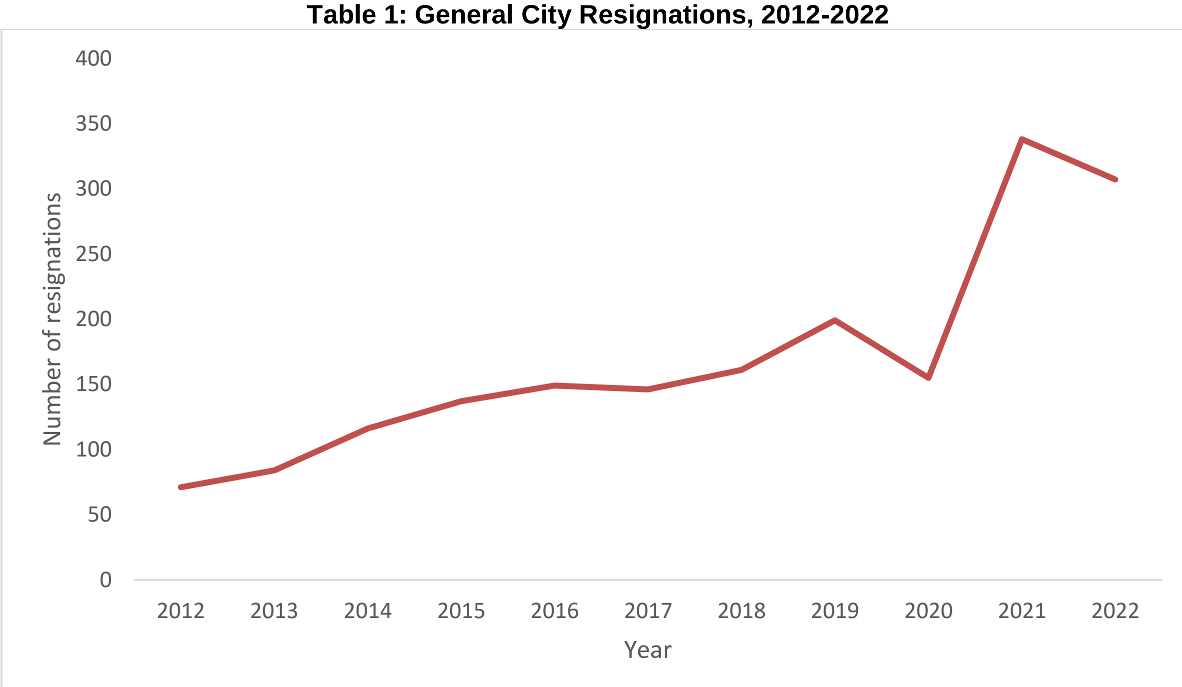
From: Nik Kovac, Budget and Management Director

Subject: File 230257: Communication from the Department of Administration - Budget and Management Division relating to the current rate of vacancy in funded positions city-wide and the value of those positions

Why is the current vacancy rate so historically high?

After Act 10 was passed by the Wisconsin State legislature in 2011, all non-sworn city employees lost the right to collectively bargain over wages and were required to pay a portion of their benefit costs. Mandatory deductions from each paycheck resulted in an immediate reduction in real wages. Further, without collective bargaining, the City began freezing pay progression and automatic annual raises. These changes hurt the City's ability to competitively hire and retain staff. From 2012 to 2022, the number of people resigning from General City employment increased by over 300 percent (see Table 1 below).

Table 1: General City Resignations, 2012-2022



In 2012 and 2013 there were under 100 resignations per year. By 2021 and 2022 those annual departures exceeded 300 in both years. This trend slowly built up over time but exploded after COVID-19. When the national job market tightened, wages in the private sector and in neighboring municipalities began to far outpace the City's reduced and frozen pay scales.

How high is the current vacancy rate?

The City's current financial management and human resources information systems do not automatically track vacancy rates, nor do they track how long positions are vacant, but our budget analysts are able to periodically summarize the data. The below chart reflects our best available estimates of the vacancy rates by department as of June 2023:

Department	2023 FTEs	Filled in June	Vacancy Rate
DOA	151.51	123.70	18%
Assessor	49.00	38.00	22%
Attorney	59.00	51.00	14%
DCD	92.75	79.23	15%
CCCC	97.47	96.00	2%
Comptroller	51.00	45.00	12%
Court	30.00	24.53	18%
Election Commission	9.75	9.00	8%
Emergency Communications	240.20	173.00	28%
DER	62.37	47.00	25%
Fire & Police Comm.	25.10	21.00	16%
Fire	854.00	775.00	9%
Health	350.51	234.80	33%
Library	304.90	255.50	16%
Mayor	13.75	9.00	35%
DNS	250.18	195.25	22%
Police	2,380.95	1,831.60	23%
Port	21.00	18.00	14%
DPW Admin	44.00	40.00	9%
DPW-Operations	731.34	641.34	12%
DPW-Infrastructure	698.00	542.00	22%
BOZA	4.33	1.00	77%
Treasurer	30.08	28.00	7%
ERS	51.00	46.00	10%
Deferred compensation	3.00	2.00	33%
Parking/Transportation	119.00	109.00	8%
Water	423.92	314.00	26%
Sewer	142.50	96.00	33%
TOTAL	**7,290.61**	**5,845.94**	**20%**

It is important to note that vacancy rates are a point in time metric. It is very challenging to calculate annual savings from vacancies without being able to track vacancies over time and by source of funds. Actual vacancy savings are unknown until the end of the calendar year.

Additionally, many of these positions are fully or partially funded by non-levy sources, such as grants. Our current financial and HR systems do not enable us to determine which vacant positions would be levy-funded.

How has the City responded to this crisis?

In the 2022 budget, all non-represented City employees received a 2% raise. The 2023 budget repeated that annual raise, along with a 1% longevity increase for employees with at least five years of service. Concurrently, the City's Department of Employee Relations (DER) began an aggressive effort to reclassify position categories across departments.

The goal of those efforts was to reduce the growing vacancy rates in several key categories, most notably in the construction trades like electricians, technicians, laborers, and other field workers, but also including many desk jobs.

Has the recent spike in vacancy rates led to budgetary savings?

The answer to this question is complicated, but mostly no, largely because of two major factors.

The first factor is personnel cost adjustments (PCA). Annual departmental budgets already deduct projected savings from turnover. The PCA is historically about 1-3% of overall salaries, but recently raised in certain departments (like the Library, City Attorney, Health, and DPW-Sewers) that have experienced sustained multi-year vacancy increases. It is a general principle of prudent budgeting to include a conservative PCA (i.e., below actual vacancy rates) to avoid year-end borrowing.

The second factor is that departments cannot maintain service levels with high vacancy rates. To avoid service reductions, departments resort to:

- Increasing overtime assignments for remaining employees
- Bringing back retired employees on an hourly basis
- Hiring temporary or auxiliary employees
- Contracting out the work

All of these methods can reduce and even reverse savings from vacancies.

Additionally, a third longer-term factor that should be considered: The only way that high vacancy rates can lead to long-term budgetary savings is if the City makes a strategic decision to reduce services in departments with high turnover rates.

If the City does not want to reduce services, they must hire and retain employees

In the last several years, the City has made the strategic decision to maintain services despite high vacancy rates, which means relying on overtime, temporary/auxiliary, and contracted labor - often leading to mid-year transfers of budgeted money from salary to operating accounts (where temporary and contract expenses are funded) within departments. In the longer term DER has been reclassifying positions to meet market rate salary conditions with the goal of eventually reversing the current resignation/separation trends.

If City leaders strive to achieve budgetary savings based on unusually high vacancy rates in certain departments, the City would have to reduce services.

The Budget and Management Division would not recommend this approach, since it would cede all decisions about service priorities to the unknown future rates of employee attrition, and not to strategic decisions made by elected officials and informed by resident feedback and performance/equity metrics. In other words, services would be reduced in an unpredictable and haphazard manner, and the future savings would be unknown.

NK: awc

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