



M E M O R A N D U M

DATE: February 19, 2014
TO: Chairman Benner, members of the Jt. Fire Finance & Personnel Committee
FROM: City Attorney Jim Godlewski & Finance Director Michael Easker
RE: 27 Pay Period Issue

The following information is provided to the committee for background and to make the committee aware of budget surplus that may exist in the NMFR 2014 budget.

When the first consolidated Fire Department contract with Local 275 of the International Association of Firefighters was negotiated between the Local and the Cities of Neenah and Menasha in the fall of 2002, a provision was added to the contract that requires the annual pay of the firefighters to be divided by 27 when there are 27 pay days in the calendar year. This provision corresponded to the same language that existed in the Menasha fire contract prior to consolidation. The 27-payday schedule occurs once every 11 years under a bi-weekly pay period system. Under Neenah's payroll schedule, the 27 pay period year last occurred in 2003, the first year of consolidation. However, the 27 pay period provision was not invoked that year because the time compensated in the first pay day of 2003 covered periods prior to the consolidation under the prior individual contracts between the two cities and their respective firefighter unions. Since 2014 is 11 years later, the 27 pay period schedule occurs again this year meaning that by contract the annual pay of firefighters are divided by the 27 paydays occurring this year, not 26, as provided for in the contract.

At present, the City of Menasha approaches all salary bi-weekly pay to its employees in this manner because the City has historically viewed the salary as compensating for an annual or monthly basis. The 27-payday year last occurred in Menasha in 2008. In contrast, the City of Neenah has never dealt with the bi-weekly pay in this manner and instead always divides the annual pay by 26 to come up with a bi-weekly pay rate because the pay has been viewed as compensating a 14-day period, not as an annual or monthly salary. As a result of this view, Neenah's bi-weekly pay during a 27 pay period year actually compensates for time corresponding to a year and two weeks, not for one year. Another way to explain this calendar quirk is to understand that in a normal 26 pay period year, the pay periods (26 fourteen day periods) covers 364 days (26x14=364) or 1 day short of a full year (2 days in leap years). During the 11-year cycle, the 26 pay period schedule builds up a deficit of 13 days that is adjusted in the 11th year by the 27th payday.

Neenah officials were reminded of this contractual provision and the need to implement it for NMFR union members by the union president when it was discovered that payroll inadvertently failed to account for this 27-payday adjustment in the January 2nd paychecks. We also agreed that to consistently apply the term “payperiod” in all provisions of the contract, the December 2013 increase was applied two weeks late. Both adjustments were made and any overpayment due to the change to a 27 pay period schedule will be accounted for on the February 27th paycheck.

With that backdrop, the financial implications are as follows: In adhering to its conservative budgeting principles, the City of Neenah has historically, for all City departments, set aside a proportionate share of funds each year (ten years) leading up to the year in which the 27th pay period occurs (eleventh year). Those funds are then applied to fund the cost of the additional pay period in that year. Neenah-Menasha Fire/Rescue has been included in those budgeting protocols. As such, approximately \$200,000 has been budgeted and set aside over the past ten years to fund the cost of wages and benefits for unionized employees to fund the cost of the additional pay period. Since by contract that will not occur, those funds are available to each City based upon either a) the 2014 distribution formula; b) averaging of the formula from the ten years in which the funds were budgeted, or c) by some other means.

In terms of timing, staff felt it important to disclose this information as soon as the facts were verified and fully vetted. While no immediate action is required by the committee and Common Councils at this time, action will be necessary at some point to resolve the issue of the set aside funds.

Please contact us if you have any questions regarding this matter.