

Balanced Budget - HR / Payroll Solutions for City and Local Government.

Can't Get the Data You Need for Tough Budget Decisions?

All levels of government today face the challenge of trying to operate within severe budgets. Administrators, Finance and Budget Officers must come up with innovative scenarios to perform this juggling act. Is there an easier way to get at the right data for planning without painstaking manual work, jeopardizing the current knowledge base while preventing legal risks? Yes, you can! Read on to find out how.

Gordon scanned his budget for the coming fiscal year for the umpteenth time that month. As the finance officer for a mid size city, he had been asked by the City Manager, Phil and the Mayor, to be prepared for yet another budget tightening. The only thing that would get any increase in funding was infrastructure renewal. He would have to find opportunities for job sharing, reducing even more services and cutting protection staff payrolls (despite the constant demand for more of it) as well as looking at closing facilities completely. The balancing headaches were just going to get worse. Who should he lay off? Who could he get to job share? What extra costs would they probably rack up in repairs and maintenance later if he closed municipal buildings or shelters and furloughed workers? Probably vandalism. Maybe those repairs would be covered under all the stimulus funds for infrastructure, Gordon speculated cynically.

This time last year, a reduction in the budget was the furthest thing from anyone's mind. Back then, the city and surrounding communities as well as the state was awash in property tax revenues and their city was experiencing record growth as new families rushed for the better lifestyle in a smaller city. They couldn't find the protection staff they needed then, with the chief of police constantly saying he needed more officers. Gordon and the HR Manager, Jennifer, worried about finding qualified and skilled police, fire and ambulance crews to deal with the rapidly growing population. Now they still had an influx of



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“...we can’t shirk our responsibilities. We are the people charged with finding solutions and managing to this hard budget and I expect us to work through the issues and find the best solutions possible...”

new kids, teenagers, adults and the elderly and were facing not being able to keep the officer to resident ratio anywhere near manageable. Then the bottom fell out of the property market. Even the econometric forecasts he had used to predict revenues for the fiscal year were not good enough to see the combined challenge of declining property taxes and the huge reduction in sales tax as the community stopped shopping. He even noticed that the golf course revenues were down 25%. People weren’t even relaxing anymore with golf or recreation as member fees had also dropped.

Phil had called a Monday morning all staff meeting that week and asked Gordon to attend with his scenario plans for how they would cope with the cutbacks. Phil expected everyone to come up with ideas. As Gordon watched his colleagues file into the big council room, Gordon thought through what was likely to happen. While he was exhausted trying to figure out how and where to cut anymore but on the other hand, he wasn’t up for the endless hours of debate that all this idea generation was going to cause. He would have to justify every line item, every cent and every pet project of all the elected officials that hounded him regularly.

Maybe after the endless hours of meetings, and the grim truth, people would take it easy on him this time.

Taking a deep breath, Phil started to sketch out their city’s predicament in his PowerPoint presentation. It wasn’t a pretty picture; the district stared at a potentially grim future. “For the past five years we’ve managed 30% year-over-year growth in our community,” Phil explained. “But now, we have the growth and don’t have the budget to support it. We received a report from the County Assessor’s Office this week.” Gordon looked over at Phil and noted his look of resignation. “It seems that we had a 20.9% reduction in property tax revenue that will put us another \$3.2 million in the red. All in all that’s about a \$6.5 operating deficit so far this year.” Gordon cleared his throat. “And this is after the \$5 million in cuts that city council has already approved. Our rainy day reserve account only has \$3.2 million left. Folks two years ago we were projecting revenues of \$48 million. I thought, worst case we’d get a 10 -12% reduction in property tax revenue. I know that this was my department and I stood by that forecast. Econometric models couldn’t have predicted this. We now have \$11 million less to work with. It’s our job to figure out where to make the cuts so we can get through this people. Time to get creative folks.”

Everyone nodded, used to the perpetual cycle of bad news and started to fidget. “When I look at the cuts we will need to make we can shed \$6.5 million in costs from our already lean system,” Phil shook his head, “I know we’ll be losing experienced people, much loved and proven programs, ‘can’t do without’ support workers and we’ll have to make some hard tradeoffs. We have to find opportunities everywhere. We can’t cut entire programs. That’s the short term easy way out.



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Phil paused and let out a big sigh. “We’re going to have to make some tough decisions about where to cut even the smallest costs, not renewing contracts, more salary reductions, asking employees to chip in on their own health care and probably switch to a four day week. We will need more cuts in every service we offer from code enforcement…”

Gordon watched the chief of Police cringe.

“to landscaping, maintenance, libraries and even waste management. Maybe we drop a shift, and increase penalties for dumping… oh, right, we’d have less enforcement. Maybe we need to rethink anything that could be cut and deliver another revenue source.” Phil ran his fingers through his hair. “Well we have to look at everything. We’ll be shifting resources like crazy and we know that’s going to be hard on everyone.” Phil stopped and looked over at Gordon.

The District’s legal counsel, Brad, was also present that day. “If you’re talking about more cutbacks on salary and cutting jobs, we’re going to have watch our employee and collective agreement contracts or we risk lawsuits. And we have to respect the seniority laws,” he added. “We don’t want to put the city at risk by taking too many short cuts. First in, last out.” Brad saw Gordon shake his head. “I know, I know, but that’s the law. Merit and performance layoffs aren’t in the cards until we come up with a new law and system that the unions will agree to. In the meantime Gordon, you will have to work your budget magic and give us a variety of scenarios that fit the seniority system and the budget cuts.”

“But already, my people spend all their time trying to figure out how to manually override our financial system to just to make all these adjustments to payroll based on different seniority labor laws,” Gordon knew no one understood this better than Brad who watched his department like a hawk. “Now you want us to also figure out who to get rid of without burdening current other departments?” Gordon was already exasperated. “Well let’s start by cutting out whole departments like parks and recreation, seniors centers and all arts and festival spending and stick to the departments that with enforcement earn us more revenue, then. There is one idea.” Gordon avoided everyone’s gaze.

Cutting Costs, Not Quality of Life

That was two days ago. Now it was Wednesday and Gordon’s brain didn’t seem to be cooperating with Phil’s request. His normally quick mind just couldn’t seem to find the right answers to the questions circling around his. Where to cut without impacting quality of service to citizens? Where to slice off without undermining operational effectiveness? Who to let go without demoralizing their staff and losing key knowledge that made their city one of the best to work for?

Gordon’s largest line item was wages. He looked at wages across all his departments and noticed a strange trend: overtime was on the increase everywhere last year except for office salaries which were fixed. Why was that? He placed a call to Jennifer. “I’m trying to find out what’s causing the variance between estimated labor hours and actual labor hours. It seems to be coming from all are hourly staff. What can you tell me?”

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Jennifer felt the muscles in her neck tighten. "I'd like to be able to give you that answer, Gordon. I'm wondering myself. The staff that get overtime respond to work as it's needed, I guess. You know, police officers, office administration, transportation drivers work when they're asked to or have to. We've never had to track any of that... back in the good old days."

"But surely we know more than that about how our people are used? I mean I can do an across the board ban on overtime but that seems like a blanket decision that will come back to bite us. I need to understand how we use our hourly people in order to know what and where to cut back on overtime." Gordon exclaimed. "What about our payroll records?" Gordon thought about all the new fire halls they'd installed in new development areas. Were those all busy? Maybe he could take a couple off line for the time being as the developments sure had stopped? He kept his comments to himself.

"Well, we've been growing so fast we just haven't put in any tracking systems for that level of detail. Your own people should know, shouldn't they? Call Sharon in HR/payroll for that info." Jennifer paused. "And Gordon, I just wanted you to know that our admin people are working just as hard as the police and fire crews are. Talk to me before you make any big decisions, will you?"

Gordon reminded himself that the grapevine was the only thing that wasn't shrinking at city hall.

Accurate Payroll Data Key to Managing Costs

Labor costs can often be one of the largest line items of a city's yearly budget, yet many struggle with being able to reconcile actual labor costs with their budgeted costs. In some instances, the problem may be unforeseen costs that arise during the fiscal year, but more often, the inability to reconcile is directly linked to incomplete or inaccurate payroll data.

When managing funding shortfalls or downturns in revenue, financial and budget officers should be able to rely on accurate budgeting to control the district through choppy waters. For administrators to have that kind of finely tuned information that Gordon was searching for about overtime to make relevant decisions, it is crucial that payroll data be detailed and accurate. This means employees' time needs to be entered at source (ideally through a scheduling system that employees use) and costed to a specific activity such as travel time, specific incidents, safety or overtime. Once time and activities are entered correctly, analysis of that time and cost becomes a much more straightforward exercise.

Gordon was starting to get a little frustrated with the lack of information he had to make these strategic cost cutting decisions. He immediately gave Sharon a call as Jennifer had suggested. "How do I find out why we have ballooning overtime, why our managers aren't scheduling to the budget, what departments do we have bigger O/T issues than others and who is making these decisions? I mean really, Sharon, are we really in the dark here or do we have a flawed budget process?"

Sharon had heard about the latest budget cut meetings and wondered if her job was also at risk. As Manager of HR and Payroll she had wondered when she'd be getting the call to start sending out layoff notices. She didn't expect the kinds of questions Gordon was asking. "Well I can't really answer those questions myself. I would have to do some investigation and call the managers of our facilities to find out about the security, fire and police policies on scheduling and overtime. Overtime is just part of running a city Gordon, as far as I can tell. When a situation arises and you have to pull people in, or keep going you just do it."

“Well, I don’t want to make their lives even worse by banning all over time. I just don’t know how to justify who to cut, what to cut, without all the data. If we don’t get it, I’m going to have to make blanket cut backs and its going to hurt everyone.” Gordon wasn’t quite ready to start ‘browning out’ entire departments without first examining more complicated but better reasoned options.

Then Sharon started to speak more quickly. “I know, I know Gordon. I don’t know what to tell you. We don’t have that kind of detail. And you have to remember the contract rules. Some people get called in first and others can’t be called in. You can’t override our employment agreements and they specify overtime rules. The best I can get you are the payroll records for each facility or project and we can go through them and see if there are any trends.” Sharon hesitated, “I think I can start that project by Friday”.

Gordon sank into his desk chair. His spirits were already in the dumps. Now it sounded like it might be days or weeks before he could even begin to get a handle on their financial situation. Phil would want his game plan with multiple scenarios for budget cutting while he would still be sitting on the floor sorting timecards with Sharon.



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Signs it’s Time to Review Your HR/Payroll System

So how do you know it is time to investigate your labor costing and make a change?1.) You can’t seem to get the data you need or want from the system. When you do pull data, it requires a large amount of massaging to fit the reporting requirements.

2.) Your time collection and entry is centralized; therefore double entry is occurring and mistakes are made because you are not capturing time at the source.

3.) Your Payroll department spends a large amount of time creating, correcting and managing the accuracy of employee schedules and time entry transactions.

4.) Employees are frustrated with the scheduling process and even more frustrated with inaccuracies on their paycheck.

5.) It’s difficult to manage the skills needed on shifts, which increases your risk liability.

6.) You have a large volume of complex rules surrounding schedules and pay, and it is becoming increasingly difficult to handle the volume of changes each pay period let alone analyze data for budgeting purposes and answer questions from other departments.

The Solution: Integrated Scheduling and Payroll System

If you find yourself faced with some of the challenges listed above, it may be time to re-view your time collection and scheduling procedures. An integrated scheduling and payroll system offers several significant benefits:

- You can eliminate double entry and capture detailed time transactions at source in real time, allowing for analysis of time and cost on a minute-by-minute basis.
- By putting the time entry in the hands of employees and/or supervisors, you greatly reduce the corrections needed after the pay has already processed.
- If you use schedules that directly link to payroll, you can simply change the schedule and have that pass directly to payroll for processing. Employees only enter what is different than their standard schedule; they only enter the exceptions.

Gordon realized that their financial situation was just the beginning of a much larger challenge. They would have to upgrade their systems in order to be able to make the right kind of cuts to steer the city through the downturn without pulling the rug out from underneath their future. How counterintuitive was that? Spend money to save money. What would Phil say about all this? They'd have to find a pretty compelling software system that was affordable and quick to implement. Maybe they could use their rainy day reserve fund? Or maybe software could be thought of as infrastructure stimulus. And when would he find the time to find and implement a new system?

Gordon thought he'd better arm himself with some facts before he broke the news to Phil that they wouldn't be able to respond as rapidly to this situation as he wanted. He placed a call to a colleague he had met at a Municipal Finance Officers' conference. Larry was the Finance Officer at a larger city in another state. Larry seemed to be quite innovative in what they had done in their city when faced with similar revenue declines and tough budget cuts. They'd passed their budget and weren't likely to have to do another round, or at least that's what Larry hoped. Gordon laid out the problem for him.

"I know exactly what you are talking about, Gordon," Larry replied. "We had to do two things. We first had to locate a HR Payroll system that could do both scheduling and budgeting and work with payroll without us manhandling it until it produced the right rules for the right person in each of our budget scenarios, which would never happen with our old system. Second, until we integrated scheduling, budgeting and payroll, we were in the same boat as you. It was like being lost in the fog. I'd think we would be making the right decisions, and each time we'd put a new plan in place to manage to budget, those decisions would have unintended consequences. Then our staff spent a lot of time cleaning up the mess – the wrong resources let go, good people leaving because they were overworked and conflict between departments over who was now supposed to be responsible for particular areas and then there was the overtime problems. I had the police and fire chiefs breathing down my neck." Larry changed his tone. "You don't want to go down that route."

"Well I certainly don't, but what is the right solution, Larry? I'm afraid that installing a new software system is going to cost a fortune and take years to put into place. I was just reading about how one county tried to implement an ERP system and the price tag was ballooning to \$3,000 per employee. That would sink us." Gordon's throat felt constricted.

"You don't need a whole new financial system," Larry reassured him. "You probably just need to augment the one you have with the right HR/Payroll system that includes scheduling, budgeting and tracking. There are some great ones on the market that have that kind of functionality. But what you really want to pay attention to is how well the company does implementation and knows how to get you up and running quickly and then keep you there. That was the critical link for us. Our implementation only cost \$100 per employee."

Gordon started to breathe more easily. He listened to Larry as he identified the steps they would need to take to get ready for a new HR/Payroll system.

How to Prepare for a New HR/Payroll System

You can take several steps to ensure success with your new system.

1.) Get an idea of how big the problem is. How much effort is going into scheduling the workforce and then capturing and correcting time? Even if you deem that with current resource levels, the schedules and time changes are manageable, you may be limiting your potential future growth.



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- 2.) Consider your needs for time entry. If employees will now be entering their own time and managing their own schedules, your organization will need an interface that works for all employees. That may be a kiosk in the lunchroom, a handheld device with internet access or their work computers if everyone has access to one.
- 3.) If you have more than one facility, ensure they are networked together so that the time and scheduling data can be compiled on the main office computer,
- 4.) Review resource levels. Staff who will be directly involved with managing schedules and entering time will have to be trained.
- 5.) Once a system is selected, utilize the expertise of the vendor. They can offer valuable suggestions and help with the rollout of the functionality.

Benefits of an Integrated Scheduling and Payroll System

You should expect your new system to allow you to:

- 1.) Access detailed information to assist in budgeting and planning. You will be able to drill down and dissect overtime, sick time, and better understand resource utilization.
- 2.) Manage the skills of your workforce and thereby mitigate the risk of not having the right people on the job at the right time.
- 3.) Reduce the amount of data entry the payroll staff must do, freeing them for more analysis type tasks.
- 4.) See the schedule patterns and resource requirements more easily. This will help you with your workforce planning and will also allow you to be more creative with your schedules to accommodate worker needs and requests.
- 5.) Have a happier, more satisfied workforce. Employees will be able to view and update their own schedules. Processes will be transparent and accountability will shift to where it belongs...at source.
- 6.) Gain insights for decision making as trend analysis and forecasting reports will be easier to produce.
- 7.) Hold managers accountable with incentives/compensation which can be tied to supervisor's ability to effectively manage their workforce.

Armed with a game plan, Gordon made an appointment to see Phil. He gathered his notes and left his office, confident that when he returned, he would have his backing to get going on this system upgrade project. There was not a moment to waste if they were going to maintain their future viability as a city, make it through the downturn without alienating their citizens and relieve all his own headaches.