

Response to Questions on the FY 2012 Budget

Request By: Supervisors Frey and Smyth

Question: Please provide several options for compensation-related adjustments for employees with both gross cost and net take-home amount for employees.

Response: Several options are available for Board consideration for employee compensation adjustments. The costs cited below are for County employees only. It should be noted that with the payroll module of the new system scheduled to go live in January 2012, the timing of any compensation changes would need to be carefully planned in order to prevent conflicts with implementation.

- **Increases to Base Pay** – A 1% across-the-board increase to base pay for all merit employees would cost the County approximately \$9.4 million. Costs to the County would include the cost of the compensation adjustment, Social Security and Medicare taxes, and retirement contributions which would be paid on these wages. Additionally, as the adjustment would change base pay, this would be a recurring cost to the County in FY 2013.
- **Flat-Dollar Bonus** – A flat \$1,000 bonus provided to all merit employees would cost the County approximately \$12.0 million. As a bonus, the County would not be required to make retirement contributions on these wages. The net take-home amount for employees would range from approximately \$636 (for most employees) to approximately \$678 (for Police Officers who do not contribute to Social Security).

Bonuses are considered supplemental wages, and taxes are withheld at flat rates of 25% (federal) and 5.75% (state), plus applicable Social Security and Medicare taxes. However, it should be noted that bonuses are treated no differently than regular wages when determining an individual's total tax liability at year-end. If an employee's wages are subject to a tax withholding rate in excess of the employee's tax liability, the employee may claim a refund on his or her individual income tax return for the year he or she received the wages.

Because each employee's tax situation is unique, it is not feasible from an administrative standpoint to provide a flat bonus which would result in each employee receiving the same net dollar amount.

- **Bonus as Percent of Pay** – A 1% bonus provided to all merit employees would cost the County approximately \$7.8 million. As a bonus, the County would not be required to make retirement contributions on these wages. The net take-home amount would vary for each employee depending on their base salary; it is estimated that the average take-home amount would be approximately \$417.