

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of the Shoreline Supplemental Paid Family Leave and the Washington State Paid Family and Medical Leave Programs		
DEPARTMENT:	Human Resources		
PRESENTED BY:	Don Moritz, Human Resources Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

In 2017, the City Council adopted a new Supplemental Paid Family Leave policy via Council Resolution No. 402. Supplemental Paid Family Leave provides employees with the assurance that they will continue to receive their full pay if they, or a family member, experience a serious health condition that requires the employee to be off work for an extended period of time and are at risk of going into an unpaid leave status. Under this program, an employee's leave accruals are supplemented so that they receive the equivalent of their full pay for up to a total of twelve (12) weeks when taking time off for a qualified medical or family reason.

Tonight's discussion is in response to Council's request that staff return and report on the City's experience and employee utilization of this leave benefit following the first two years of the benefit usage. Additionally, with the implementation of the new Washington State Paid Family and Medical Leave program, which became effective January 1, 2020 and provides similar benefits as the City's Supplemental Paid Family Leave, staff is recommending that the City's Supplemental Paid Family Leave benefit be modified to run concurrent with the new State leave program, which will result in the elimination of duplicative benefits and will reduce costs to the City.

RESOURCE/FINANCIAL IMPACT:

Overall, between 2017 and 2019, 3,273 leave hours were applied to the paychecks of the 20 employees who utilized the City's Supplemental Paid Family Leave so that they could continue to receive their full paycheck. The equivalent dollar value of the hours contributed was \$131,477 over this three-year period. For 2019, there were 1,574 additional supplemental paid hours provided to eleven (11) employee leaves, which equated to a cost of \$59,436. This dollar figure represents the amount that the City contributed to employees' pay when they would have otherwise received a partial paycheck due to insufficient leave accruals.

When first proposed, the projected cost of the program was estimated to be between \$50,000 to \$100,000 per year. Actual costs experienced with this leave benefit have

been consistent with these original projections. The actual annual expense of the program has run between \$12,000 to \$60,000. These costs are attributed to the supplementation of the employee's leave accruals, but do not reflect any additional costs related to loss productivity or backfilling of the position.

The original cost projections assumed that an employee who was on a medical leave of absence would be "backfilled" with temporary staff. This has not been the experience thus far. When employees have taken a leave of absence, it has been management's practice to cover the employee's work by reallocating resources, redistributing the work, or the work has gone undone. The costs associated with these strategies and the corresponding loss of productivity have not been calculated and are not reflected in this summary report.

RECOMMENDATION

Staff recommends that Council direct staff to prepare revisions to the City's Supplemental Paid Family Leave policy contained in the City's Employee Handbook by modifying the Supplemental Leave Benefit policy to serve as a supplement to State's Paid Family and Medical Leave program by filling the gap between what the State pays and what the City current provides employees.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

On February 27, 2017, the City Council adopted a new Supplemental Paid Family Leave policy via Resolution No. 402. This leave benefit was intended as a financial safety net for employees. Supplemental Paid Family Leave provides employees with the assurance that they will continue to receive their full pay if they, or a family member, experience a serious health condition that requires the employee to be off work for an extended period of time and are at risk of going into an unpaid leave status. The staff report for the adoption of Resolution No. 402 can be found at the following link: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport022717-8a.pdf>.

This leave benefit provides financial security by “supplementing” an employee’s paycheck when they are on Family and Medical Leave Act (FMLA) qualified leave and their leave accrual banks (sick leave, vacation, comp time, management leave, personal days) are insufficient to cover the entire period of their absence. Under this program, an employee’s leave accruals are supplemented so that they receive the equivalent of their full pay for up to a total of twelve (12) weeks when taking time off for a qualified medical or family reason.

Eligibility for this benefit requires that the employee experience a qualifying FMLA event, be benefits eligible, have worked for the City of Shoreline for at least 12 months and have a combined leave accrual bank of 80 hours or less. If an employee meets these eligibility requirements, they may request to use the Supplemental Paid Family Leave benefit to augment their FMLA leave when their earned leave accruals fall below 80 hours.

Tonight’s discussion is in response to Council’s request that staff return and report on the City’s experience and employee utilization of this leave benefit following the first two years of the benefit usage. Additionally, with the implementation of the new Washington State Paid Family and Medical Leave program, which became effective January 1, 2020 and provides similar benefits as the City’s Supplemental Paid Family Leave, staff will address how the City’s Supplemental Paid Family Leave benefit should interact the new State leave program.

DISCUSSION

Employee FMLA and Supplemental Paid Family Leave Utilization

Between 2017 and 2019, there were 36 FMLA leaves authorized for City employees. Of these, 20 also included a request to use the City’s Supplemental Paid Family Leave benefit. Thus, just over half (56%) of the employees who had FMLA qualifying events also requested to use the City’s Supplemental Paid Family Leave benefit. Table 1 below summarizes this leave program utilization between 2017 and 2019.

Table 1 – City of Shoreline Leave Utilization 2017-2019.

Year	FMLA Leaves Approved	Paid Supplemental Leaves Approved	Supplemental Hours Contributed	Equivalent Dollar Value of Supplementation
2017	11	5	1,375	\$59,589
2018	8	4	325	\$12,452
2019	17	11	1,574	\$59,436
Total	36	20	3,273	\$131,477

While three years of experience with this program is an insufficient amount of time to determine long-term trends, 2019 did show a marked increase in the number of employees utilizing Supplemental Paid Family Leave in conjunction with their FMLA leave. As Table 1 above shows, almost three-quarters (73%) of those employees who were on an FMLA leave in 2019 also utilized Supplemental Paid Family Leave.

There are primarily three conditions that resulted in an employee having low leave accruals and therefore why they would seek to use Supplemental Paid Family Leave benefit:

1. The employee was new to the organization and have not yet built up a large bank of leave accruals,
2. The employee had prior FMLA leaves that used up their earned leave banks, or
3. The employee experienced numerous FMLA qualifying events over the course of time that depleted their leave accruals.

Table 2 below summarizes the reasons employees requested FMLA between 2017 and 2019. This data shows that bonding/placement of a new child into the employee's home was the primary reason and accounted for seven of the 20 leave requests.

Table 2 – Reasons for Using Supplemental Paid Family Leave.

Leave Reason	Number of Leaves
Child Bonding/Placement	7
Employee's Serious Health Condition	5
Care of Family Member with a Serious Health Condition	5
Combination of Self/Family Care	3
Total	20

Table 3 below shows the number of supplemental leaves that were taken on an intermittent basis (sporadically) vs. taken consecutively (on-going). As one can see, they were evenly split between the two types of leave.

Table 3 – Intermittent and Consecutive Supplemental Leave Usage.

Year	Intermittent Leaves	Consecutive Leaves
2017	0	5
2018	2	2
2019	8	3
Total	10	10

Washing State Paid Family and Medical Leave

In 2017, the Washington State Legislature approved the creation of the Paid Family and Medical Leave (PFML) benefit that provides workers with up to 18 weeks of paid leave for certain qualifying events. This new leave benefit took effect on January 1, 2020. All organizations with 50 or more employees are required to participate in the plan. This program is funded through premiums shared by employees and their employers. The premium assessment is 0.4 percent of employee's gross wages, with the contribution divided between the employee (63.333%) and the employer (36.667%). Employers are required to pay these premiums regardless of whether employees use the State's plan. Table 4 below shows the premiums paid by the City and its employees in 2019. Premiums were assessed beginning in 2019 even though the benefit did not become available until January 1st of this year.

Table 4 – 2019 PFML Premiums Paid to the State of Washington.

Who Pays	Premium 0.4% of Gross Wages	Costs
Employer Portion	36.67%	\$23,546
Employee Portion	63.33%	\$40,747
Total	100%	\$64,293

The Washington State Paid Family and Medical Leave benefit provides similar benefits as those offered through the City's Supplemental Paid Family Leave benefit. Both benefit programs provide paid time off when an employee experiences an FMLA qualifying event, including an employee's serious health condition, care for a family member who experiences a serious health condition, the birth or placement of a child and certain military events.

As noted above, under the State's plan, an employee may be eligible for up to 18 weeks of paid time off when they experience a FMLA related qualifying event. The specific length of the leave is dependent upon the event experienced by the employee or their family member. This plan provides a benefit payment amount equivalent to approximately 90% of the employee's wages, to a maximum of \$1,000 per week. The program is administered by the Washington State Employment Security Department (ESD) and benefit payments are paid directly to the employee by ESD. A comparison between the City's Supplemental Paid Family Leave and the State's Paid Family and Medical Leave program is provided in Table 5 below:

Table 5 – City and State Supplemental Leave Benefit Comparison.

City Supplemental Paid Family Leave	State Paid Family and Medical Leave
Requires FMLA qualifying event	Requires FMLA qualifying event
Supplements leave accruals to ensure full paycheck	Provides payment of 90% of wages to a max of \$1,000 per week
Must have worked for the City at least 1 year and 1,250 hours	Must have worked for any WA State employer at least 820 hours in past year
Provides job protection	Provides job protection
Treated as paid leave	Treated as unpaid leave
Earns retirement credit	Does not earn retirement credit
Used in conjunction with FMLA	Can be used in addition to FMLA
Requires employee to have no more than 80 hours of accruals available	Allows an employee to supplement State benefit with accruals to receive full paycheck
Administered and paid by the City	Administered and paid by State
Allows for intermittent use as small as 15 minutes increments	Intermittent use no smaller than 8-hour increments

Currently, when a qualifying event occurs, an employee may choose to use the City's Supplemental Paid Family Leave in conjunction with FMLA and receive their full paycheck or use the State's Paid Family and Medical Leave program and receive 90% of their regular earnings. While the State does allow an employer to offer use of leave accruals to supplement the State's benefit so that the employee receives their full paycheck, the City's policy, as it exists today, does not allow this option. This policy limitation has the effect of steering employees toward the City's Supplemental Paid Family Leave benefit instead of the State's benefit. The City is charged premiums to support the State's plan regardless of the number of employees that use that plan. The 2019 costs incurred by the City for providing both leave benefits are noted below in Table 6.

Table 6 – Costs Incurred by the City for Both Leave Programs.

Leave Program	Expense Incurred
City Supplemental Paid Family Leave Contributions to Employee Paychecks	\$59,436
State Paid Family and Medical leave Premiums Charged to the City	\$23,546
Total Costs Incurred	\$82,982

Staff Recommendation and Next Steps

The Washington State Paid Family and Medical Leave Plan provides similar leave benefits as the City's Supplemental Paid Family Leave, with the exception of a cap on the amount that the State will pay. The City is required to pay premiums to the State for this new leave program, regardless as to whether employees use the State's leave program or the City's. Both offer financial security to employees by ensuring that the

employee continues to receive a paycheck when on a medical or family leave. Given this duplication of leave benefit, staff is recommending that the City's Supplemental Paid Family Leave policy be modified to serve as a supplement to State's leave plan by filling the gap between what the State pays (90% of an employee's wages) and the employee's full paycheck.

If Council concurs, staff would begin working on modifications to the City's Employee Handbook to amend the City's Supplemental Paid Family Leave policy. Staff would then return to Council this fall with these proposed Employee Handbook updates for Council review and adoption.

RESOURCES/FINANCIAL IMPACT

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