

1. The employee is given a lump-sum payment, then the employee's portion of taxes is deducted and the employee receives the net amount. For example, employee receives a \$500 lump-sum payment, then 22% federal tax is withheld and 7.65% SS/MCR is withheld. The net the employee would receive is \$352.00. The expense to the City is the \$500 plus the employer's taxes of SS/MCR and workers comp or \$552.15.
2. The employee is given a lump-sum payment, then the City pays the employees taxes (both federal and SS/MCR). The employee would then receive the full lump sum. For example, employee receives a \$500 lump-sum payment, then the City pays 22% federal tax, 15.3% SS/MCR and 2.78% workers comp. The net the employee would receive is \$500. The expense to the City is the \$500 plus all taxes or \$834.45.

The original list of 13 employees who did not receive any increase with the adjustments in July, is now reduced to 11 because of promotions and retirements. The impact to the General Fund is minimal because most of the 11 employees are paid from the Utility enterprise funds.

Public Safety employees do not pay into social security so the public service employees would see an increase in their net pay if they pay the taxes or the City's expense, if the taxes are absorbed, would be less than for a general City employee.

Finally, the General Fund would also need to support recreation, grant funds, Metro & PSCC, and the internal service funds through a transfer to those funds. The only funds which would not be supported from the General Fund is Weed & Pest and the Utility/Solid Waste Enterprises.

An interactive tool has been developed for the Council to see the impact of one-time payments on the general fund assuming an excess unassigned cash balance from FY22 of \$2,800,000.

Oversight/Project Responsibility

Jill Johnson, Financial Services Director