

To the Mayor and Members of the City Council**June 7, 2016****Page 1 of 2****SUBJECT: FAIR LABOR STANDARDS ACT CHANGES**

The purpose of this report is to discuss the changes recently announced to the Fair Labor Standards Act (FLSA) and their impact on the City of Fort Worth.

Background

On March 13, 2014 President Obama directed the Secretary of the U.S. Department of Labor to prepare and propose new regulations focused at the rules for exemptions of certain employees from the FLSA overtime requirements. The most common exemptions from the FLSA overtime requirement are known as the "white collar" exemptions pertaining to executives, administrative and professionals. These overtime exemptions apply if: (1) they are paid a fixed minimum salary for each workweek regardless of the number of hours they work or the quality or quantity of work (the "salary basis" test) and, (2) they perform specific executive, administrative and professional job duties outlined by current regulations (the "job duties" test). The primary reason why these types of positions were targeted is to capture those workers whose pay has crept up over the salary threshold and to decrease the substantial litigation regarding employees for whom employers assert the "white collar" exemption.

Final Regulations

On May 17, 2016, the Department of Labor unveiled the final regulations. The most significant changes include the following:

- Salary Test Changed to \$913/week (\$47,476 per Year) - This threshold doubles the current salary threshold level (\$455/week or \$23,660/year).
- Automatic Salary Threshold Increases Every 3 Years (Not Annually)
- Duties Test is Unchanged
- Effective Date is December 1, 2016

Impact

The City of Fort Worth has been prepared for quite some time for these regulation changes by performing the below:

- Reviewing exempt positions;
- Identifying individuals that may be affected;
- Determining the impact of change on wages/budget; and
- Considering alternatives for compliance.

Based on the final regulations and consideration of implementation alternatives, as it currently stands today, approximately 144 employees will be affected by the changes. Of these 121 will have their classification changed from exempt to non-exempt and be eligible for overtime. In

To the Mayor and Members of the City Council

June 7, 2016

Page 2 of 2



SUBJECT: FAIR LABOR STANDARDS ACT CHANGES

addition, another 23 employees while maintaining their exempt status, will have their wages increased to the statutory threshold of \$47,476. All the changes are expected to cost approximately \$114,000 annually including associated benefit costs and affected employees will be notified in advance to comply with the December 1, 2016 implementation requirement.

Should you have any questions regarding this Informal Report, please let me know.

David Cooke
City Manager