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Document **G60**

ROI CASE STUDY KRONOS WORKFORCE LEAVE CITY OF EL PASO

THE BOTTOM LINE

The city of El Paso deployed Kronos Workforce Leave to ensure a consistent way to track FMLA-related employee leave time, resulting in increased productivity, reduced staffing and benefits costs, and reduced legal liability.

ROI: 463%

Payback: 3 months

THE COMPANY

Located in the western corner of Texas along the Rio Grande River, El Paso is a mix of American and Mexican culture. Discovered by Spanish explorers in 1581, El Paso del Norte was colonized by Don Juan de Onate in 1598. Today, the city of El Paso, Texas is home to more than 500,000 residents. Six thousand city employees manage the daily operations of city affairs and programs for a culturally diverse metropolitan area.

THE CHALLENGE

The city of El Paso had been using an automated timekeeping system, but it had no automatic means to monitor employees' use or compliance with the Family and Medical Leave Act (FMLA). Under FMLA, eligible El Paso city employees were allowed a total of 12 work weeks of unpaid leave during any 12-month period without being penalized, but it was often unclear how many employees were taking more leave than allowed:

- With the current timekeeping system, city clerks were spending a significant amount of time manually recording and tracking absenteeism and FMLA cases. Because city clerks were managing other projects, tracking and updating paper documents regarding employee absences was often postponed.
- As a result, some employees would take advantage of the system's management and develop a pattern of long-term absenteeism that was difficult to track. City employees would then claim FMLA status to avoid consequences or to prolong leave time despite their eligibility status. However, because the city was unable to identify eligible and ineligible FMLA candidates, cases were often approved that should not have been, resulting in increased payroll costs and understaffing.

To avoid the growing cost and complexity of managing FMLA-related leave and compensation issues, the city needed to develop a consistent, auditable process.

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THE STRATEGY

In November of 2005, El Paso began looking for an automated leave solution and discovered Kronos had an application that could manage El Paso's FMLA challenges. Because the city was already using Kronos Workforce Timekeeper, managers were comfortable with Kronos and felt the Workforce Leave application would be an appropriate complement to their existing workforce management solution.

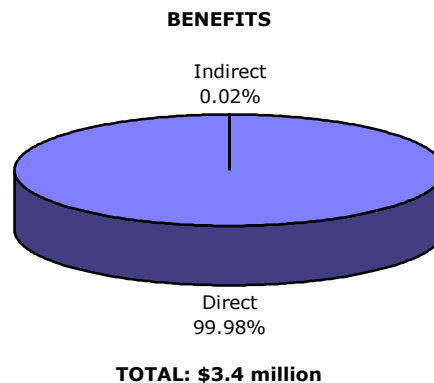
Implementation of Workforce Leave started in May 2006, with a Kronos technician working onsite for two to three weeks.

Initially, 80 clerks had two hours of training. Currently, the city of El Paso is rolling out training to the other 35 departments so that everyone can access and track employee absenteeism in the system.

With about 250 employees each year requesting FMLA leave, Workforce Leave helps the city monitor and track employees on FMLA leave, enabling payroll clerks to determine when employees exceed their FMLA time limits and should be removed from the payroll. Because payroll clerks have access to up-to-date and accurate information, any questionable FMLA-related cases can be quickly resolved with the legal department. In addition, the application has a built-in feature to alert managers when an employee has been out for more than three days so they can begin to properly document each case or determine whether or not an employee's absence qualifies for FMLA.

KEY BENEFIT AREAS

The city of El Paso achieved a number of benefits from its Workforce Leave deployment.



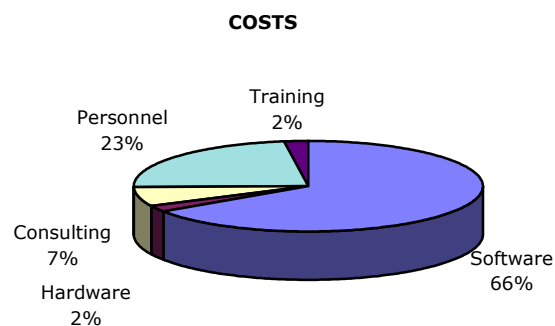
Key benefits included:

- Reduced monthly payroll and payroll overpayments. Workforce Leave's automated tracking system allows the city to better manage and reduce FMLA cases. As a result, El Paso has a clearer picture of staffing needs and can reduce overtime costs and temporary staffing costs that were driven by approved cases of ineligible leave.

- Increased productivity. By implementing a way to consistently manage and track employee absenteeism, clerks avoided wasting time tracking down leave request forms that were often confusing to read and difficult to understand, enabling the city to exhibit significant time savings and increase productivity by no longer having to track FMLA cases manually.
- Reduced insurance costs. Employees who exceeded FMLA leave time could be removed from the city's payroll into a COBRA account, which dissolved the city's responsibility to pay health insurance for those employees. In addition, once released from the payroll, the city no longer was subject to pay worker's compensation insurance to ineligible employees.
- Reduced legal fees. With up-to-date information, lawyers no longer had to question the accuracy of city records and could confidently proceed with an actionable process to address approved ineligible FMLA cases.

KEY COST AREAS

Key cost areas for implementing Workforce Leave were software, hardware, personnel, training, and consulting. Software made up the largest portion of costs, followed by personnel.



TOTAL: \$242,466

LESSONS LEARNED

El Paso found during its deployment that Workforce Leave required Microsoft Office 2003, so its deployment process was somewhat delayed to ensure the appropriate versions of Microsoft Office were in place to support the system.

El Paso also found that city clerks using the system had varying degrees of skill levels; therefore, training requirements varied per employee. In addition, to promote user adoption, infrequent users such as department clerks required only partial system knowledge and would have benefited from quick guides or short Web training modules on specific tasks.

CALCULATING THE ROI

Nucleus Research quantified the initial and ongoing costs of software, hardware, personnel, consulting, and training to analyze the return on investment for El Paso. Direct benefits quantified in the analysis included reductions in payroll overpayments through improved FMLA management, reduced legal fees and

insurance costs, and avoided additional hires. Indirect benefits included increased productivity.

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DETAILED FINANCIAL ANALYSIS

CITY OF EL PASO

SUMMARY

| | |
|-----------------------------------|-------------------------------|
| Project: | Kronos Workforce Leave |
| Annual return on investment (ROI) | 463% |
| Payback period (years) | 0.22 |
| Net present value (NPV) | 1,163,672 |
| Average yearly cost of ownership | 80,822 |

| ANNUAL BENEFITS | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|------------------|---------------|---------------|---------------|
| Direct | 0 | 1,139,040 | 1,139,040 | 1,139,040 |
| Indirect | 0 | 225 | 225 | 225 |
| Total Benefits Per Period | 0 | 1,139,265 | 1,139,265 | 1,139,265 |

| DEPRECIATED ASSETS | Pre-start | Year 1 | Year 2 | Year 3 |
|---------------------------|------------------|---------------|---------------|---------------|
| Software | 97,719 | 0 | 0 | 0 |
| Hardware | 5,000 | 0 | 0 | 0 |
| Total Per Period | 102,719 | 0 | 0 | 0 |

| DEPRECIATION SCHEDULE | Pre-start | Year 1 | Year 2 | Year 3 |
|------------------------------|------------------|---------------|---------------|---------------|
| Software | 0 | 19,544 | 19,544 | 19,544 |
| Hardware | 0 | 1,000 | 1,000 | 1,000 |
| Total Per Period | 0 | 20,544 | 20,544 | 20,544 |

| EXPENSED COSTS | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|------------------|---------------|---------------|---------------|
| Software | 0 | 20,475 | 20,475 | 20,475 |
| Hardware | 0 | 0 | 0 | 0 |
| Consulting | 17,063 | 0 | 0 | 0 |
| Personnel | 15,300 | 13,600 | 13,600 | 13,600 |
| Training | 5,160 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total Per Period | 37,523 | 34,075 | 34,075 | 34,075 |

| FINANCIAL ANALYSIS | Year 1 | Year 2 | Year 3 |
|--|---------------|---------------|------------------|
| Net cash flow before taxes | 1,105,190 | 1,105,190 | 1,105,190 |
| Net cash flow after taxes | 562,867 | 562,867 | 562,867 |
| Annual ROI - direct and indirect benefits | | | 463% |
| Net cash flow after taxes (direct only) | 562,754 | 562,754 | 562,754 |
| Annual ROI - direct benefits only | | | 463% |
| Net present value (NPV) | | | 1,163,672 |
| Payback (years) | | | 0.22 |
| Average annual cost of ownership | | | 80,822 |
| 3-year cumulative ROI | | | 958% |
| 3-year IRR | | | 461% |

FINANCIAL ASSUMPTIONS

| | |
|----------------------|-----|
| All government taxes | 50% |
| Discount rate | 15% |