

San Geronio Pass Water Agency

DATE: March 14, 2022
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Tom Todd, Jr., Chief Financial Officer
SUBJECT: Draft Vacation and Sick Leave Buy-Out Policy

RECOMMENDATION

The Board approve the Draft Vacation and Sick Leave Buy-Out Policy.

PREVIOUS CONSIDERATION

- Finance and Engineering Workshop – November 15, 2021: The Board reviewed, discussed, and made recommendations.

BACKGROUND

As the Board is well aware, the Agency has just a few staff employees, and the Board and General Manager have been careful not to add employees unless necessary. This practice limits employee expense but has the downside of limiting the “depth” of employees covering any particular Agency activity. If one employee goes on vacation, some jobs don’t get done or are covered at the expense of other activities.

In addition, most staff employees have been working at the Agency for a number of years and have built up a significant vacation accrual or are nearing their maximum vacation accrual. This also builds up a liability for the Agency, which will need to be paid out upon their retirement or whenever they leave the Agency.

Management has limited tools in dealing with this situation. If a staff member gets too close to their maximum vacation accrual, they must take some vacation or lose their vacation time. Also, some employees have responsibilities that do not lend themselves to taking extended time for vacations. This can cause scheduling issues for Management when a staff member needs to take vacation at times that coincide with heavier workloads or critical operations.

On the other hand, accrued sick leave does not have the same implications for Management. Sick leave is not generally considered a discretionary leave, so it often occurs at awkward times, but Management has no influence over when it is taken. A sick

leave buy-out policy would be primarily a benefit to Staff, and a lesser benefit to the Agency to limit overall liability at retirement

While vacation is the focus of this proposal, per Board recommendation, sick leave has also been included in the policy.

Additionally, a vacation and sick leave buy-out policy is perceived as a positive recruiting tool by Management. Subject policies are often perceived as an additional incentive by potential employees, and subject policies are becoming a standard business practice.

ANALYSIS

Staff is proposing a policy to help alleviate both the financial liability and the management issues associated with these vacation and sick leave situations.

Staff presented a draft proposal at the November 15, 2021 Board meeting. Staff received input from the Board and the public.

In response to input, Staff began by reviewing the current employee policy manual, then considered current employment practices, and reviewed current management considerations.

In comparison to other governmental entities, the Agency employee policy manual appears to be compact and simple. With only 4 full-time staff employees, there are not multiple classes of employees to consider as with other organizations.

The current vacation policy makes the following provisions:

Accrual rates:

80 hours for employees with between 1 year and 4 years of continuous service

120 hours for employees with between 5 years and 9 years of continuous service

160 hours of employees with over 10 years of continuous service

Maximum accrual: 360 hours

The current sick leave policy makes the following provisions:

Accrual rate:

8 hours per month, which is 96 hours annually

Maximum accrual, regular full-time employees: 1,440 hours

Maximum accrual, General Manager: no limit

Payout at termination: ½ of accrued sick leave, up to a maximum of 480 hours

Guiding principles of employment policies generally try to balance management needs with employee benefits. Some employee benefits are mandated, others are generally established to enhance employee satisfaction and retention. Overall, benefits need to be similar to other organizations within an industry in order to recruit and retain quality staff.

In formulating the initial vacation buy-out policy, other organizations' policies were reviewed. In terms of industry standards, there are some general guidelines, which are met in these proposals, but there is considerable variability in the specific provisions from organization to organization. Again, the main guiding principles balance management need with employee benefit.

The proposed vacation buy-out part of the policy allows Management to offer the option of payment for future vacation hours instead of taking vacation. This gives Management more flexibility in managing staff resources and reduces the overall financial liability of the Agency. The proposed policy also sets limits on the amount of future vacation that can be paid out and provides other safeguards so that staff is required to take some actual vacation, and not just get paid for all of it.

The total amount of time that staff would normally be out of the office (including the proposed vacation buy-out provisions) amounts to more than 3 weeks out of 52 work weeks each year. This includes 12 holidays, 2 personal time-off days, and 5 vacation days, for a total of 19 days annually. It would appear that sufficient time away from the office is provided by the proposed policy.

The proposed sick leave buy-out part of the policy allows staff to receive a payment for future sick leave hours. The provisions are fairly straightforward: after an initial threshold is reached, an employee may get paid for a certain maximum amount of future sick leave, providing they maintain a certain level of accrued sick leave. The benefit to the Agency is a reduction of the long-term liability associated with accrued sick leave. The proposed policy sets limits on the amount of future sick leave that can be paid out and provides safeguards so that staff will have sick leave available when it is needed.

The Agency is planning to update its employee manual in the coming fiscal year, and if this policy is approved, it will be added to the updated employee manual.

FISCAL IMPACT

There will be a limited but undetermined, shift from long-term liability to salaries expense, depending on the amount of vacation and/or sick leave buy-out requested.

For FY 2021-22, the maximum amount of buy-out possible if all employees that are eligible request payment for all future vacation and sick leave hours would be about \$17,500. This would be divided between the General Fund and the Debt Service Fund.

General Fund Budget: increase in Staff Salaries up to \$10,000. Because staff salaries are expected to be less than the budgeted amount at year-end, there would be no increase in this budget category.

Debt Service Fund Budget: increase in Staff Salaries up to \$7,500. This represents 3% of Debt Service payroll for the rest of the fiscal year, or about 1.5% of the combined

amounts of Salaries, FICA and Benefits, or a negligible amount of the total Debt Service Budget.

ACTION

The Board approve the Draft Vacation and Sick Leave Buy-Out Policy.

ATTACHMENTS

Draft Vacation and Sick Leave Buy-Out Policy

Excerpts from the current employee policy manual with the proposed policies inserted

DRAFT #3 Vacation and Sick Leave Buy-out Provision to be added to Personnel Manual

The following section would be added to the Vacation portion of the current employee manual:

Employees who have been employed with the Agency for a minimum of 2 years may elect to get paid for future vacation hours that would be accrued in upcoming pay cycles. The following rules apply:

The employee must have taken 40 hours in vacation in the previous 12 months.

The employee must maintain 80 hours of vacation accrual after buy-out.

The employee must request the buy-out in advance of accrual of vacation hours.

The request may be made annually or at time-intervals to be determined by the General Manager.

The request will be fulfilled annually or at time-intervals to be determined by the General Manager.

Emergency requests that are inconsistent with this policy may be approved at the discretion of the General Manager. Emergency requests are construed as unforeseeable emergencies including, but not limited to the following situations: medical bills, eviction, foreclosure, and casualty loss.

Employees will be compensated at the salary rate in effect at the time of the request. Vacation hours for which the employee receives compensation will not be added to the employee's accumulated total.

Vacation accruals that exceed the maximum allowable as set forth in the Employee Guide for the employee's classification will be automatically paid during the pay cycle in which the accrual would exceed the maximum allowable.

The following section would be added to the sick leave section of the current employee manual:

Employees who have been employed with the Agency for a minimum of 2 years may elect to get paid for future sick leave hours that would be accrued in upcoming pay cycles. The following rules apply:

The employee must maintain 96 hours of sick leave accrual after buy-out.

The employee must request the buy-out in advance of accrual of sick leave hours.

The request may be made annually or at time-intervals to be determined by the General Manager.

The request will be fulfilled annually or at time-intervals to be determined by the General Manager.

Emergency requests that are inconsistent with this policy may be approved at the discretion of the General Manager. Emergency requests are construed as unforeseeable emergencies including, but not limited to the following situations: medical bills, eviction, foreclosure, and casualty loss.

Employees will be compensated at the salary rate in effect at the time of the request. Sick leave hours for which the employee receives compensation will not be added to the employee's accumulated total.

Sick leave accruals that exceed the maximum allowable as set forth in the Employee Guide for the employee's classification will be automatically paid during the pay cycle in which the accrual would exceed the maximum allowable.

Employee Guide: Proposed Vacation Buy-Back Policy Inserted Next to Vacation Policy and Proposed Sick Leave Buy-Back Policy Inserted Next to Sick Leave Policy

3.3 VACATION

All regular full-time employees are entitled to accrue paid vacation time on a semimonthly basis according to the following annual accrual schedule:

1 through 4 years of continuous service	10 days per year
5 through 9 years of continuous service	15 days per year
10+ years of continuous service	20 days per year

Regular part-time employees will accrue vacation based on a pro-rata basis.

Vacation time shall accrue but may not be taken until three months after the date of hire. Vacation time may be taken after it is accrued subject to the advance approval of the General Manager. The maximum vacation time accruable for any employee is 360 hours.

3.3-A VACATION BUY-OUT

Employees who have been employed with the Agency for a minimum of 2 years may elect to get paid for future vacation hours that would be accrued in upcoming pay cycles. The following rules apply:

- The employee must have taken 40 hours in vacation in the previous 12 months.
- The employee must maintain 80 hours of vacation accrual after buy-out.
- The employee must request the buy-out in advance of accrual of vacation hours.
- The request may be made annually or at time-intervals to be determined by the General Manager.
- The request will be fulfilled annually or at time-intervals to be determined by the General Manager.

Emergency requests that are inconsistent with this policy may be approved at the discretion of the General Manager. Emergency requests are construed as unforeseeable emergencies including, but not limited to the following situations: medical bills, eviction, foreclosure, and casualty loss.

Employees will be compensated at the salary rate in effect at the time of the request. Vacation hours for which the employee receives compensation will not be added to the employee's accumulated total.

Vacation accruals that exceed the maximum allowable as set forth in the Employee Guide for the employee's classification will be automatically paid during the pay cycle in which the accrual would exceed the maximum allowable.

3.4 SICK LEAVE

3.4.1 General

Regular full-time employees shall accrue sick leave at the rate of 1 day per month (12 days per year). Regular part-time employees will accrue sick leave on a pro rata basis.

Sick leave may be taken for personal illness, emergency, disability, or for illness, emergency or disability in an employee's immediate family. "Immediate family" is defined as the employee's spouse, child, parent, mother-in-law, father-in-law and domestic partner as defined in California Family Code section 297. Hours absent for medical and dental appointments will be treated as sick leave. SGPWA retains the right to request a written verification from a qualified health care provider for all absences due to the employee's illness, injury or disability or the ability of the employee to return to work following the use of sick leave as provided in Section 3.4.2. SGPWA also reserves the right to request appropriate verification for the employee's use of sick leave in connection with a member of the employee's immediate family. Employees may accrue a maximum of 180 days of sick leave. Upon termination of employment, employees will be paid for one-half of their sick time not to exceed sixty (60) days.

An employee who is unable to work due to illness, emergency or disability is required to notify his/her supervisor, or someone designated to receive such notice, as promptly as possible. Notification should be given on a daily basis at the beginning of the work day.

Accrued sick leave must be taken by eligible employees in at least one-hour increments for non-exempt employees. Exempt employees shall not be charged against their accrued sick leave balance for absences of less than four hours.

3.4.2 Verification of Health Care Provider

SGPWA reserves the right to require a satisfactory statement of a qualified health care provider whenever an employee misses 5 or more consecutive days of work due to an illness, injury or disability. The employee may be asked to provide a statement which verifies that an illness, injury or disability existed, its beginning and ending dates, and/or the employee's ability to return to work without presenting an immediate and significant risk to his own health or safety or the health or safety of others. The employee may also be asked to provide a statement which verifies the need for continued leave which shall include the probable duration of the need to remain off work due to illness, injury or disability and a statement that due to the illness, injury or disability the employee is unable to perform the functions of his or her position. When requested, such verifications and release may be a condition to receiving sick leave benefits and returning to work. This provision does not apply to leaves under Section 3.5, 3.6 and 3.7.

3.4-A SICK LEAVE BUY-OUT

Employees who have been employed with the Agency for a minimum of 2 years may elect to get paid for future sick leave hours that would be accrued in upcoming pay cycles. The following rules apply:

The employee must maintain 96 hours of sick leave accrual after buy-out.

The employee must request the buy-out in advance of accrual of sick leave hours.

The request may be made annually or at time-intervals to be determined by the General Manager.

The request will be fulfilled annually or at time-intervals to be determined by the General Manager.

Emergency requests that are inconsistent with this policy may be approved at the discretion of the General Manager. Emergency requests are construed as unforeseeable emergencies including, but not limited to the following situations: medical bills, eviction, foreclosure, and casualty loss.

Employees will be compensated at the salary rate in effect at the time of the request. Sick leave hours for which the employee receives compensation will not be added to the employee's accumulated total.

Sick leave accruals that exceed the maximum allowable as set forth in the Employee Guide for the employee's classification will be automatically paid during the pay cycle in which the accrual would exceed the maximum allowable.