

# STAFF REPORT



Date: April 12, 2017  
To: Personnel Committee  
From: Michelle Lacy, General Manager  
Re: Review Recommended Changes to the Limitations on Vacation Leave Accrual

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## **BACKGROUND:**

The Pleasant Hill Recreation and Park District (District) has established Personnel Policies which should be updated. The District's Vacation Accrual and Limitation Policies should be amended to address issues related to practical accounting for employee accrued vacation, adjusting limitations based on accrual rate, and current accrued balances which exceed the currently established accrual limitations. At its March 24, 2017 meeting the Personnel Committee reviewed proposed changes to the Vacation Accrual and Limitation Policy. Committee members provided feedback and requested staff return with a revised proposal for review.

## **DISCUSSION:**

It was requested staff compile the accrual limit policies from agencies which we have established as comparable agencies. Below is the information for each of those agencies:

<b>Agency</b>	<b>Maximum Vacation Accrual Policy</b>
City of Concord	2x's current employee's annual vacation accrual rate. Upon approval of Dept. Head, up to 40 additional days of vacation may be accumulated for a period not to exceed one anniversary year.
City of Martinez	30 times (or 2.5x's annual) current rate of monthly accrual.
City of Pleasant Hill	300 hours- 40 days at 7.5 hr work day
City of Walnut Creek	540 hours, or 72 days at a 7.5 hour work day.
Contra Costa County	2x's current employee's annual accrual rate.
East Bay Regional Park District	Can add up to 12 days annually to previous year's accrual without any cap.
Hayward Area Recreation and Park District	2x's current employee's annual accrual rate up to a maximum of 40 days.
Livermore Area Recreation and Park District	2x's current employee's annual accrual rate up to a maximum of 48 days.

It is recommended the District consider a policy similar to Hayward Area Recreation and Park District's accrual limit which is 2x's the employee's annual accrual rate up to a maximum of 320 hours (40 days).

With the proposed limitation of 320 hours, as of March 31, 2017 the District has six employees over the proposed cap. The overage varies from 4 to 308 hours. Since the District has not adhered to its current policy any change or enforcement of the limitation policy will require adequate noticing to the employees. It is recommended the District provide employees who are over the cap an opportunity to cash-out up to 80 hours per fiscal year for the next 3 years. If the six employees who are currently over the cap cash-out 80 hours prior to June 30, 2017, then we will have only three employees over the proposed cap.

As of June 30, 2016 the compensated absence liability was \$298,000 which is \$28,000 less than the June 30, 2015 balance. The compensated absence liability is calculated at the end of each fiscal year and included in the District's annual audit.

Exhibit 1 is the recommended policy for Vacation, Paid-Time-Off Accrual and Limitations and includes the following changes:

1. Changes accrual accounting method from days per month to hours which is the District's current method of accounting for vacation. There is no change in benefit.
2. Changes accrual limit from a maximum of 25 days or 200 hours to a maximum of two-times the annual accrual rate up to a maximum of 320 hours.
3. It is recommended the District adopt the new policy and notify the employees that as of January 1, 2018 the District will enforce the new policy with the exception of two employees that have current accrued vacation levels of 475 and 629 hours. These two employees would be required to comply with the new policy by Jan 1, 2020. This two year extension would give them a reasonable time to reduce their accrued balances to the new policy limits.

Exhibit 1: Proposed Policy Vacation Leave and Limitations on Vacation Accrual

# PLEASANT HILL RECREATION & PARK DISTRICT

## 802.01 – Vacation, Paid-Time-Off Leave

Eligible full-time and part-time employees, **[with the exception of temporary/seasonal and extra help employees,]** earn vacation leave while in paid status until they reach the applicable vacation accrual cap. Employees accrue vacation time according to their full or part-time status and the number of consecutive years the employee has worked for the District as follows:

### 1. Full-Time Employee Accrual Rate:

Consecutive Full Time Years of Service	Received Per Pay Period of Paid Status	Received per Year of Paid Status
Less than 5 years	4.00	96 hours
6-10 years	5.66	136 hours
11-15 years	6.66	160 hours
16-20 years	7.33	176 hours
21-25 years	8.00	192 hours
26-30 years	8.66	208 hours
31 + years	9.33	224 hours

2. Part-Time Salaried Employee Accrue Pro-rated Vacation: Part-time employees [who are budgeted to work at least 20 hours per week] earn vacation leave while in paid status in a pro-rated amount based upon the accrual applicable to full time employees. Part-Time Hourly Employees scheduled to work at least 1000 hours per year earn Paid Time Off (PTO) at the rate of 1 hour for every 10 hours worked.

### **Commentary**

**No Law Requires Vacation Leave:** California law does not require public agencies to provide employees with vacation leave. Your agency can decide whether to provide vacation at all, and to which categories of employees.

**“Use It or Lose It” Vacation Policies in Personnel Policies Are Illegal:** Unless your agency’s employees are covered by an MOU, once an employee accrues vacation, that vacation cannot be forfeited. (Labor Code § 227.3.) Conversely, “use it or stop earning/ accruing” vacation policies like the above Policy are lawful.

3. Unless otherwise approved by the General Manager, all vacation and PTO must be taken in lieu of scheduled hours worked. All accrued vacation and or PTO will be paid to the employee upon separation of employment with the District.

## 802.02 - Limitations on Vacation Leave Accrual

No employee may accrue more than the equivalent of **two times** the employee's annual vacation leave accrual rate up to a maximum of 320 hours, or for part-time employees, the equivalent of **two times** the pro-rated accrual rate up to the pro-rated maximum. When an employee reaches the equivalent of **two times** the employee's annual vacation leave accrual rate or 320 hours, he/she shall cease earning vacation leave until his or her leave balance falls below the equivalent of **two times** the employee's annual vacation leave accrual rate or 320 hours. Vacation leave will not accrue during leaves of absence without pay unless required by law.

### **Commentary**

*Your agency has discretion to set any specific "stop earning-accrual limit" to meet its needs. This Policy also prevents vacation from accruing during unpaid leave unless required by law, as is the case for some military leaves. (See Mil. & Vet. Code § 395.05; Mil. & Vet. Code § 395(d).)*