



CITY OF DEL REY OAKS

Staff Report

DATE: October 25, 2022

TO: Honorable Mayor and Members of City Council

FROM: John Guertin, City Manager

SUBJECT: Consider Approval of a Vacation Leave Buy Back Policy

CEQA: This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378 as it is an administrative activity of the city that will not result in direct or indirect physical changes in the environment.

Background

A vacation buyback or cash-out program is an employee benefit program that gives employees an option to receive cash in lieu of accrued vacation time. Past practice of the City of Del Rey Oaks has been for the City Manager to approve cash out requests on a case-by-case scenario. The proposed policy establishes set guidelines, eligibility criteria, and procedures for a formal vacation leave buy back program that adheres to Internal Revenue Service guidelines.

Summary & Discussion

A vacation buy-back plan is a program that allows an employee to sell his or her unused vacation time back to the City. This is a common practice in many government agencies.

As time progresses, employees can accumulate a large number of vacation days, and for many employees, it is simply impossible to utilize all of these days. Vacation buy-back plans mitigate this problem by facilitating a mutually beneficial exchange between workers and employers. Employees benefit from more flexibility in how they can utilize earned time off. The City benefits by providing a way to keep leave banks lower, reducing the risk of large payouts when an employee leaves the City.

The following guidelines will govern the proposed program:

1. A maximum of four hundred (400) hours of Vacation Leave may be accrued after which no further accrual shall be made until the employee's bank is reduced to below the four hundred (400) hours by the use of Vacation Leave.
2. All eligible employees are expected to use at least 80 (eighty) hours of vacation leave in each calendar year following the calendar year in which they were hired.
3. Permanent, full-time employees with over 1 (one) year of service in their current position may cash out up to 80 (eighty) hours of Vacation Leave time per calendar year. However, at least 40 (forty) hours must remain in the employee's Vacation Leave bank after the payout.
4. An eligible employee must elect to pre-designate an irrevocable cash-out amount of up to the maximum number of hours of vacation leave for the upcoming calendar year. Requests for cash out must be made prior to December 1 of the calendar year before the cash out

will be made (for example, requests for the 2023 calendar year will be made before December 1, 2022).

5. Cash out designation shall be made in hours, not dollar amounts, and must be in increments of 8 hours. Any such request will be subject to the following:
 - a. Any employee utilizing this provision will be required to submit an irrevocable election by December 1st of the calendar year prior to the calendar year in which the vacation leave hours to be cashed out are earned.
 - b. An employee who elected to receive the cash out as set forth above, may request a full or a partial payment of the cash out at any time in the designated calendar year, but only once per calendar quarter.
 - c. For employees who have pre-designated cash out amounts and who have not requested actual payment(s) of the entire designated cash out amount by December 1st of that calendar year, the City will automatically pay out the pre-designated amount (or the remaining amount designated but not paid) by the last paycheck of the calendar year.
 - d. Employees who have not elected to pre-designate a cash out by the applicable deadline (December 1st of the prior calendar year) will be deemed to have waived their right and will not be eligible to cash out any vacation leave in the following calendar year (for example, if no designation is made by December 1, 2022, no cash out is available in 2023).

Fiscal Impacts

No negative fiscal impact is anticipated with the approval of this program. Additional payments of cash in lieu of taking time off will be offset by a reduced need for overtime to cover employees on vacation as well as mitigating the large payouts that come when employees retire or resign with large leave banks.

Recommended Action

Authorize the City Manager to implement the proposed Vacation Leave Buy Back Policy.

ATTACHMENTS:

- New Vacation Leave Buy Back Policy

Respectfully Submitted,

John Guertin
City Manager

ADMINISTRATIVE POLICY

SUBJECT: VACATION LEAVE PAYOUT

Policy:

Vacation Leave Balance: Eligible employees shall accrue vacation leave at the rates defined in the City of Del Rey Oaks Personnel Manual. A maximum of four hundred (400) hours of Vacation Leave may be accrued after which no further accrual shall be made until the employee's bank is reduced to below the four hundred (400) hours by the use of Vacation Leave.

Vacation Leave Usage: Each Department Head shall be responsible for scheduling the Vacation periods of his or her employees in such a manner as to achieve the most efficient functioning of the department.

All eligible employees are expected to use at least 80 (eighty) hours of vacation leave in each calendar year following the calendar year in which they were hired.

Vacation Leave Payout: Permanent, full-time employees with over 1 (one) year of service in their current position may cash out up to 80 (eighty) hours of Vacation Leave time per calendar year. However, at least 40 (forty) hours must remain in the employee's Vacation Leave bank after the payout.

In order to cash out vacation leave, an employee must first meet the eligibility criteria described above. If such criteria are not met by December 31st of the calendar year in which the election is required to be made, the employee has no right to elect to cash out accrued time in the next calendar year.

1. An eligible employee must elect to pre-designate an irrevocable cash-out amount of up to the maximum number of hours of vacation leave for the upcoming calendar year. Requests for cash out must be made prior to December 1 of the calendar year before the cash out will be made (for example, requests for the 2023 calendar year will be made before December 1, 2022).
2. Cash out designation shall be made in hours, not dollar amounts, and must be in increments of 8 hours. Any such request will be subject to the following:
 - a. Any employee utilizing this provision will be required to submit an irrevocable election by December 1st of the calendar year prior to the calendar year in which the vacation leave hours to be cashed out are earned.
 - b. An employee who elected to receive the cash out as set forth above, may request a full or a partial payment of the cash out at any time in the designated calendar year, but only once per calendar quarter.
 - c. For employees who have pre-designated cash out amounts and who have not requested actual payment(s) of the entire designated cash out amount by December 1st of that calendar year, the City will automatically pay out

the pre-designated amount (or the remaining amount designated but not paid) by the last paycheck of the calendar year.

- d. Employees who have not elected to pre-designate a cash out by the applicable deadline (December 1st of the prior calendar year) will be deemed to have waived their right and will not be eligible to cash out any vacation leave in the following calendar year (for example, if no designation is made by December 1, 2022, no cash out is available in 2023).