City of Whitewater	Common Council Agenda Item
Meeting Date:	August 4, 2026
Agenda Item:	Vacation – Cash Out Policy
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BACKGROUND

(Enter the who, what when, where, why)

The City currently provides employees with vacation leave to encourage rest, work-life balance, and employee wellness. Over time, some employees can accumulate vacation balances above normal operational needs, resulting in an increasing financial liability for the City.

The proposed Vacation Cash-Out Program establishes a limited annual opportunity for eligible employees to voluntarily convert a portion of accrued vacation leave into taxable wages while continuing to encourage employees to utilize vacation leave.

The proposed policy includes several safeguards designed to ensure vacation continues to be used for its intended purpose while providing flexibility to employees with larger accumulated balances. Key provisions include:

- Employees must have completed one year of City employment.
- Employees must use at least forty (40) hours of vacation during the calendar year.
- Employees must have a minimum accrued vacation balance of one hundred twenty (120) hours before becoming eligible.
- Employees may cash out up to forty (40) hours annually.
- Employees must retain a minimum balance of eighty (80) hours after the cash-out.
- Elections would occur once annually, with payment processed on the first payroll in December.

The proposed program was developed after reviewing practices utilized by the State of Wisconsin, the Universities of Wisconsin, and other public-sector employers. The policy focuses on reducing accrued vacation liability while maintaining the City's philosophy that vacation should be used for rest and wellness rather than routinely converted to compensation.

PREVIOUS ACTIONS – COMMITTEE RECOMMENDATIONS

(Dates, committees, action taken)

None

FINANCIAL IMPACT

(If none, state N/A)

The proposed policy does not increase employees' annual vacation entitlement; however, it creates an ongoing financial obligation by allowing employees to receive payment for accrued vacation prior to separation from employment. Annual cash-out payments will increase current-year payroll expenditures, including associated employer payroll taxes and Wisconsin Retirement System contributions, to the extent employees elect to participate.

At the same time, the program reduces the City's long-term compensated absence liability by converting a portion of accrued vacation balances into current payroll expense. While the policy may improve long-term liability management, it accelerates the timing of costs that otherwise may not have been realized until an employee separates from employment. The actual fiscal impact will vary annually based on employee participation.

STAFF COMMENTS
The proposed policy balances employee flexibility with responsible fiscal management. Eligibility requirements are intentionally limited to employees with larger accumulated vacation balances, providing a structured option for employees to convert a limited amount of accrued vacation into compensation while helping the City better manage its long-term vacation liability. The annual election period, minimum vacation usage requirement, and minimum remaining balance reinforce the City's expectation that employees regularly use vacation leave for its intended purpose while limiting participation to those with significant accrued balances. The Finance Committee recommended approval of this policy.

ATTACHMENT(S) INCLUDED (If none, state N/A)
Proposed Vacation Cash-Out Policy