



Common Council Agenda Item

Meeting Date: July 28, 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 proposal does not increase employees' annual vacation entitlement.

Instead, it allows the City to reduce its accrued vacation liability by converting a limited amount of earned leave into current payroll expense. Because payments are made from existing accrued liabilities rather than creating new benefits, the program is expected to have minimal long-term financial impact while improving liability management.

STAFF COMMENTS

The proposed policy balances employee flexibility with responsible fiscal management. Eligibility requirements are intentionally limited to employees with larger accumulated vacation balances, ensuring that the program serves as a liability management tool rather than an alternative form of compensation.

The annual election period, minimum usage requirement, and minimum remaining balance also help reinforce the City's expectation that employees regularly use vacation leave while providing a structured mechanism to reduce unusually large accrued balances.

ATTACHMENT(S) INCLUDED

(If none, state N/A)

Proposed Vacation Cash-Out Policy
