City of Craig

Memo

Date: June 24, 2016

To: City Council

CC: Department Heads

From: Bruce M. Nelson, Finance Director

SUBJECT: Maximum Vacation Accrual

At a staff meeting towards the end of 2015, we had a discussion on how to better handle and process vacation accrual at year-end. Employees cannot carry over more than 240 hours of vacation at the end of the year. This presents a few problems every year since the city is on a bi-weekly pay period.

A. On the time sheet for the first pay period ending in December, the employee must write on a sticky note as to the amount of vacation time they will be using to December 31.
B. Also, since the employees are trying to use vacation before year-end, it becomes a problem in scheduling the time off.

Solution:
Since the city is on a bi-weekly pay period, it would make perfect sense to have a maximum vacation accrual not to exceed their maximum vacation allowed as of the end of any pay period. This would solve both problems mentioned above. No more sticky notes and employees would be reaching their maximum accrual throughout the year.

Since the employees could accrue over 240 hours during the year, we needed to determine what the maximum vacation accrual should be at the end of a pay period that would be fair to the employees. After lengthy discussion, the majority of staff felt that the maximum vacation at the end of any period should be 432 hours. With the approval of the City Manager, a flyer was given to all the employees of this change the beginning of 2015.

In April 2016, the auditor's reviewed the change in maximum vacation accrual (432 hours). Since the maximum vacation accrual results in a substantial increase in liability to the city, the auditor's felt that the change should be approved by the City Council.

In May 2016, the maximum vacation accrual was reviewed again at the Staff meeting. After review of other cities policies on maximum vacation accrual, it was determined that the maximum vacation accrual would be two (2) times their annual accrual rate as of the end of any pay period. This would result in less liability to the city and varies the maximum vacation accrual rate between 208 hours and 384 hours depending on length of service.

Since this would still result in a slight increase in liability to the city, it is recommended that the City Council approve this change. We would recommend this change to be effect as of January 1, 2017.

Years Employed	Hours/Pay Period	=	Hours/Year	Maximum Balance end of pay period
1	3.7		96	
2-5	4		104	208
6-10	4.93		128	256
11-15	6.16		160	320
16-20	6.77		176	352
21+	7.39		192	384

Maximum accural is 2 times their annual accrual rate as of the end of any pay period.