

City of East Ridge

Combined Annual Vacation, Sick, and Personal Leave Study

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Acknowledgement

MTAS Human Resources Consultant Bonnie Jones contributed to this study.

Introduction

This report reviews the history of the present combined leave policy of the city, outlines the present cost of the program and presents alternatives for the city's consideration.

Methodology

MTAS compared the present cost of the city's combined leave program with the cost of a vacation and sick leave program that is more predominantly used in Tennessee cities.

Background

The present leave program that provides employees the opportunity to sell back accumulated sick, vacation and personal leave in excess of 320 hours was approved on the recommendation of City Manager Mike Nettles at a workshop retreat on February 5, 1994. It was approved by the city council by Ordinance Number 575 on February 10, 1994.

MTAS searched the minutes of that period for a report or recommendation outlining the need for the new leave policy. We were looking for a report indicating the sick leave usage rate to compare with the present usage rate in order to determine if the present policy is effective in limiting the use of sick leave, which is a common problem in many cities. The only report that we found was a recommendation from the city manager stating that the old personnel policies allowed accumulated leave of 1600 hours with no accumulation cap. He recommended that leave be capped at 320 hours with a provision for employees to sell back accumulated hours in excess of three hundred and twenty (320) hours. It appears that the decision was based on reducing the 1600 hours to 320 hours of accumulated leave. The effect of the new policy was that there is no cap on accumulated leave and employees may sell back all accumulated leave in excess of 320 hours. After approximately 18 years, it appears that employees consider the selling of accumulated leave as part of their annual compensation.

Cost of the Current Program

The current program includes approximately 96 full-time employees receiving accumulated vacation, sick and personal leave time computed by years of service in accordance with the following schedule:

Years of Service	Hrs. Earned/Pay Period	Hrs. Earned Per Year	Days Earned Per Year
Up to 1 yr. complete	4	104	13
Up to 3 yrs. Complete	5	130	16.25
Up to 7 yrs. complete	6	156	19.5
Up to 11 yrs. complete	7	182	22.75
Up to 15 yrs. complete	8	208	26
Up to 20 yrs. complete	9	234	29.25
Over 20 yrs. complete	10	260	32.5

There are presently 96 employees participating in the city's combined leave program. The 2011 cost of the sell back of accrued leave (over 320 hours) was \$202,839.04. (See Appendix "A") After the sell back of vacation, sick and personal leave, the cost of the remaining leave was \$116,112.10. (See Appendix "B") Adding these together we have the approximate cost of the current leave program of \$318,951.14.

For comparison purposes, MTAS used an example sick and vacation leave program that is more predominantly used in Tennessee cities. The program accumulates vacation leave from 2 weeks to 4 weeks depending on length of service. Sick leave is accumulated at 96 hours per year. Since the national usage rate of sick leave is 8 to 9 days, MTAS used 9 in computing the cost of the more predominant program. Based on current salaries and years of service the cost of the more predominant program is \$417,132.80. (See Appendix "C")

Based on the comparison, it appears that the current combined incentive leave program is approximately \$98,182 less costly than the more predominant vacation and sick leave program currently used in many Tennessee cities.

Jay D. Peacock, Strategies to Positively Impact Sick Leave Usage within the Fort Worth Fire Department, stated that sick leave records do indicate that the vacation sell back incentive program established in 1994 has had a positive effect on reducing the total number of sick leave hours used within a given year. In 1997 total sick leave usage had been reduced by 14% compared to usage prior to the

implementation of this program. In addition to reducing the number of sick hours that are used in a given year, the vacation sell back also reduced the number of vacation days that were available to an employee to use as leave days. By allowing employees to convert vacation days to cash, total leave usage is reduced. Of those departments with sick leave sell back programs, 14% sold back on an annual basis. Fifty-seven (57) percent were allowed to sell back only upon retirement, while 29% could do both. Of those departments that had an incentive program, 16% indicated that sick leave usage was reduced by 25% or less. Twenty-two (22) percent of those with incentive programs indicated that sick leave usage was reduced between 26% and 50%, while 62% of respondents could not determine effectiveness of this program.

Alternatives

Following are alternatives that the city may want to consider:

1. Continue the existing incentive leave program.
2. Continue the existing incentive leave program for present employees and adopt an alternate program for new employees.
3. Continue the existing incentive leave program with a cap on the amount of annual leave and sick leave that can be sold back to the city. Capping leave sell back as a percentage of salary could be effective.
4. Discontinue the present combined incentive leave program and adopt a new leave program that separates sick leave and vacation leave. Place a cap on accrued vacation and no cap on accumulated sick leave with a provision applying accumulated sick leave to years of service for retirement purposes.

Recommendation

Since the current combined leave program has been used since February of 1994 and appears to have reduced the use of leave time taken; and since many employees consider it a part of their compensation; and the cost is approximately \$98,182 less than a more predominantly used vacation and sick leave program, MTAS recommends that the city continue the present combined incentive leave program for current employees and establish leave caps for sell back for all new employees for the future.