

**Metropolitan Domestic Water Improvement District
Board of Directors Study Session**

May 29, 2012

Sick Leave Pay-Out Policy

Synopsis

The Board of Directors is requested to discuss the attached scenarios and decide how it wants to modify the sick leave pay-out policy.

Background

As discussed at the April 30, 2012 study session and the May 14, 2012 meeting, it was determined that the sick leave pay-out policy ought to be revisited due to its short and long-term financial liability exposure to the District. Established in 2003, the initial concept of the policy was to reward those District employees who have benefitted the District by not calling in sick on a frequent basis. However, the liberal nature of the policy has potentially created a financial burden for the District as a number of staff are preparing for their retirements. The current policy as included in the District's Personnel Manual reads:

“A portion of, or all of, accrued sick leave will be paid to an employee upon voluntary or “no-cause” separation from employment only under the following scenarios: 1) An employee who was with the District for ten (10) years shall receive fifty-percent (50%) of unused sick accrued leave. 2) An employee who was with the District for fifteen (15) years shall receive seventy-five percent (75%) of unused accrued sick leave. 3) An employee who was with the District for twenty (20) years shall receive one hundred (100%) of unused accrued sick leave.”

Staff has researched what the other local jurisdictions have in regards to sick leave pay-out at retirement. Attached is a description of those policies. None of the other jurisdictions pay-out at 100% of total sick leave at any of their levels or years of service. Also, only the City of Tucson and the Town of Oro Valley do not have a cap on the amount of time that is paid out at retirement but they are paid at 50% of the total amount.

Based on Board member comments, it appears that a change to the sick leave policy is prudent to avoid having a significant financial burden in the coming years as our workforce begins to look at retirement. At the May 14, 2012 meeting, the Board requested a study session to continue the discussion of the sick leave pay-out policy. Staff was requested to develop additional scenario's that could be used to modify the policy.

Attached is a description of the District's current policy along with six scenarios that could modify the sick leave pay-out policy and reduce the financial liability. The scenarios were developed from comparing with other regional entities, Board member suggestions, and staff ideas. Obviously, the Board can also consider developing a new scenario.

Staff Recommendation

Staff recommends that the Board of Directors discuss the six scenarios and determine which one would be best to utilize as the sick leave pay-out policy for the District.

Suggested Motion

I move to adopt Scenario ____ as the policy for sick leave pay-out for only employees who are entering the Arizona State Retirement System.

Respectfully submitted;

Mark R. Stratton
General Manager