



city of san luis obispo

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May 9, 2012

Presiding Judge Barry T. LaBarbera
Superior Court of California
1050 Monterey Street
San Luis Obispo, CA 93408

RECEIVED
SLO COUNTY GRAND JURY

Subject: Grand Jury Report – City Employee Vacation and Sick Leave Accumulation Pay

Dear Judge LaBarbera:

This letter is in response to the San Luis Obispo County Grand Jury Report on City Employee Vacation and Sick Leave Accumulation Pay: “Pay Me Now or Pay Me Later”. The report commended the City of San Luis Obispo for managing its accumulated vacation time extremely well. In addition, the Grand Jury Report required a response to three findings and four recommendations. The City of San Luis Obispo’s responses are presented in the following sections.

Finding 1. *There is substantial unused accumulated vacation time in all jurisdictions in San Luis Obispo County.*

The City agrees with the Grand Jury finding. Based on the information reported, all jurisdictions in San Luis Obispo County, including the City of San Luis Obispo, appear to have substantial unused accumulated vacation time.

Finding 2. *With the exception of the Cities of Grover Beach and Arroyo Grande, all jurisdictions in San Luis Obispo County allow unlimited accrual of sick leave. All jurisdictions but one, however, have a policy allowing the buy back or payoff of accumulated sick leave either annually or upon leaving city employment.*

The City of San Luis Obispo does allow unlimited accrual of sick leave. However, the City of San Luis Obispo does not pay out any sick leave to employees who leave city employment prior to retirement. The City does allow retiring employees to cash out a portion of their sick leave based on the applicable rules in place for their bargaining group.

Finding 10. *Most jurisdictions do not update their personnel rules and regulations after MOUs are developed with each bargaining unit. All personnel rules are incorporated into any new MOUs, but personnel rules are not always updated accordingly.*

It is an accurate statement to say the City of San Luis Obispo does not update the Personnel Rules and Regulations after a memorandum of agreement (MOA) is approved after bargaining in good faith with a represented employee group. The reasoning behind this is because in order to change or update the Personnel Rules and Regulations the City must meet and confer (bargain) in good faith with all affected represented employee groups (conceivably the same group or groups that the City reached agreement with and thus initiated the update). Meeting and conferring with five represented employee groups can be

time-consuming. Further, the Personnel Rules and Regulations are meant to provide City-wide guidance, while MOAs provide more specific detail on topics that may apply to a smaller segment of the City or of the represented employee group. If every MOA change was to be reflected in the Personnel Rules and Regulations, there wouldn't be a need for one or the other document.

Recommendation 1. *All jurisdictions should review their accumulated vacation time and implement steps to address future accumulation and payment of vacation time.*

The City of San Luis Obispo's policies and practices related to accumulated vacation time were developed after negotiating in good faith with employees and are aimed at balancing employee's needs for flexibility in accumulating and taking vacation time with the City's desire to manage the liability. The City reviews all accumulated leave time, not just vacation accumulation, at least annually and works with employees to ensure compliance with the city's policies and various MOAs. As the Grand Jury notes and we agree, in the City of San Luis Obispo vacation time appears to be well managed.

Recommendation 2. *All jurisdictions that do not update their personnel rules after implementing new Memorandums of Understanding should update their personnel rules to reflect current practices.*

The City of San Luis Obispo does not believe their Personnel Rules and Regulations are in conflict with the MOAs for represented employee groups. The Personnel Rules and Regulations apply to all City employees while an MOA applies to only the employees represented by that bargaining unit. Further, if there is a conflict between the Personnel Rules and Regulations and the MOA, the MOA prevails. As described under Finding 10 above, updating the Personnel Rules and Regulations requires the City to meet and confer with every represented employee group; a time consuming process that would be counter to the bargaining with a specific employee group that provided the impetus to updating the Personnel Rules and Regulations in the first place.

Recommendation 9. *All jurisdictions in the County should constantly monitor their accumulated sick leave, vacation and compensatory time to ensure that they do not incur further unfunded liabilities.*

The City of San Luis Obispo does monitor accumulated leave balances and has policies that help ensure that these liabilities are manageable. However, it is unrealistic to think that the City will not incur further unfunded liabilities. The balance of accumulated leave time is not a static number; rather it increases and decreases as employees earn and use their accumulated time or leave city employment; it is also based upon the wages earned by employees. Further, it is quite common for there to be a two to four month lag between an employee who leaves the City and a replacement being hired, that frequently results in salary savings sufficient to fund the exiting employee's leave pay outs, if necessary.

Recommendation 10. *All jurisdictions in the County should report annually to their citizens on the status of vacation and sick leave accumulations, and compare them with the prior year to demonstrate how they are addressing the unfunded liability issue.*

We agree that citizens should be informed of the status and dollar amount of the City's compensated absences annually. The City of San Luis Obispo's liabilities for all compensated absences (vacation, sick and compensatory time) are audited and reported each year in the City's Comprehensive Annual Financial Report (CAFR). Specifically, this information is contained in Note 7 to the CAFR, which discusses long-term debt and liabilities. The schedules in the CAFR provide information about the prior year liability, the amount the liability has increased and decreased during the fiscal year and the resulting ending liability balance. In addition, it provides an estimate for the amount of the liability that the City believes will be due within one year.

The City of San Luis Obispo appreciates the efforts and findings by the Grand Jury; particularly that the City of San Luis Obispo is managing its accumulated vacation and sick leave balances extremely well. The City Council reviewed and approved this response at its regular meeting of May 8th, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Katie Lichtig", with a long horizontal flourish extending to the right.

Katie Lichtig, City Manager

Cc: San Luis Obispo County Grand Jury