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Title: Approve the recommended changes to add sick leave to the PTO-11 time off plan and add paid parental leave as a City benefit.

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Date	Ver.	Action By	Action	Result
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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Approve the recommended changes to add sick leave to the PTO-11 time off plan and add paid parental leave as a City benefit.

DEPARTMENT: City Manager’s Office

SUBMITTED BY: Doug Krieger, City Manager

BOARD/COMMISSION REVIEW:

NA

BACKGROUND:

During a recent budget workshop, Councilwoman Brodhead requested that staff provide a recommendation to City Council offering additional time off for Tier II employees with a focus on maternity/paternity leave and sick time. This memo outlines staff’s recommendation for revisions to the PTO-11 time off plan and an addition of a citywide parental leave benefit.

Current Plans

The City offers two tiers of time off benefits for employees. Tier I employees participate in either the Traditional Plan or TOP Plan. All sworn Police and Fire personnel are on Tier I time off plans, as are employees hired before July 1, 2011. Both the Traditional Plan and the TOP Plan provide an accrual bank for vacation/PTO time and a separate accrual bank for sick time, as well as floating holidays as part of their available time off.

Employees (non-sworn personnel) hired after July 1, 2011 are in the Tier II time off plan, PTO-11. For employees in some bargaining units, the timing of Tier II may have been delayed depending on when the change to PTO-11 was negotiated into their contract. Currently, 43% of all non-sworn employees are on the PTO-11 Plan. The PTO-11 Plan allows for one accrual bank of time off. Employees in this plan do not have separate sick leave benefits.

Time-off plan participation is as follows:

Employee Group	Traditional	TOP	PTO-11
Union - Public Safety Sworn	346	1	0
Union - Non-Public Safety	28	144	91
Non-Union	37	112	150
TOTAL	411	257	241

When initiated, the PTO-11 plan was intended to accomplish a number of different goals including reducing the cash payouts associated with time off plans, reducing the City’s future financial liabilities of these plans, and modifying the amount and type of time off benefits to reflect the marketplace. The recommendations within this memo are consistent with these efforts with no change in the ability to cash out sick leave and only adding to accruals that are not financial liabilities to the City.

In 2011, the City also strived to right size and simplify our time off benefits by creating a singular bucket of time (PTO) for employees to access for their time off needs. However, the PTO-11 Plan consistently falls short of our comparable communities in the total amount and type of time off available to use and causes challenges in the recruitment and retention of employees.

In the context of this conversation, it’s important to note that the terms sick leave and FMLA are used interchangeably. The City of Naperville complies with the Family and Medical Leave Act (“FMLA”) which provides eligible employees with a right to *unpaid* leave and job protection for specified family and medical reasons. Eligible employees are entitled to 12 weeks of leave in a 12-month period for qualifying situations (e.g. their own serious medical condition; to care for their spouse, child or parent with a serious medical condition; or the birth or adoption of a child). However, the City requires paid leave (e.g. vacation, PTO, sick time, etc.) to run concurrent with FMLA leave, and employees utilize all accrued paid leave before going into an unpaid status. The City uses an outside vendor to administer and ensure compliance with FMLA regulations, documentation and requirements.

As noted above, City Council asked staff to introduce a paid parental leave benefit citywide.

DISCUSSION:

The City of Naperville is an extraordinary community to work for, professional, innovative and forward thinking. As an organization, the City is in the service delivery business and the quality of our services are dependent on the skills, experience and competencies of the people that deliver them. We work aggressively to recruit and retain the best people to be a part of our team. We also realize that creating an appropriate work life balance in conjunction with this work environment is a critical part of building a family supportive workplace culture.

During recruitment, job candidates are offered a comprehensive compensation and benefits package. While the City aims to be a competitive employer, one area where we have challenges is the lack of sick time for PTO-11 participants and overall quantity of available time off. Recruits regularly request additional time off, negotiate unpaid leave, and/or negotiate a salary increase to accommodate the lack of time. In addition, we have lost candidates due to our current benefits package.

Further data on the time off plans was received from a recent employee survey. The City's Emerging Leaders group surveyed employees about the City's Core Values (People, Trust, Pride and Respect). The survey revealed that the vast majority of the survey participants have strong job satisfaction and value being part of the City's workforce, with 72% recommending the City as a great place to work. However, improvement to the PTO-11 program was the highest priority (36% of respondents) when employees were asked "What changes would you like to see at the City?".

The staff recommendation for modifications to PTO-11 and the addition of a citywide paid parental leave benefit have three primary goals while also being fiscally responsible:

1. Provide a competitive benefit package
2. Improve consistency in benefits across the organization
3. Improve the City's commitment to our employees work life balance

Recommended Changes:

To further the above goals, staff recommends two changes to the City's benefit offerings, the addition of sick time to the PTO-11 time off plan and the addition of a citywide parental leave benefit.

Sick Time

Employees on PTO-11 currently do not receive any sick time. The lack of available time to use for extended sick leaves (e.g. maternity/paternity leave, extended illness for the employee or their family member) forces employees to exhaust all their available PTO time or go unpaid. Although the focus of the conversation on sick time has been related to date around parental leave, experience shows that 80% of the City's FMLA claims are due to an employee's own health issues or taking care of an immediate family member.

Survey data shows that our comparable communities and other local government entities (e.g., counties and school districts) offer a complete suite of paid time off benefits, including vacation/PTO time, sick time, personal time/floating holidays and observed holidays. There were no comparable communities that had a time off plan as restrictive as the City's PTO-11 Plan.

Staff recommends the following changes to the PTO-11 time off plan to include a sick leave component as follows:

- Employees accrue 2 weeks of sick time each year.
- Total sick time accruals are capped at 12 weeks.
- There is no cash value or financial liability to the sick leave accruals. Employees on the PTO-11 Plan would not be allowed to cash out their sick time during employment or at retirement,

nor will they be able to use their sick accruals for IMRF service credit at retirement.

- A “one-day elimination period” would be implemented so employees may only access sick leave after first using one PTO day. This has been an effective deterrent to the misuse of sick leave in other time off plans. (The City also has rights within the Employee Policy Manual requiring documentation from a physician to curb sick leave misuse.)
- Include the sick leave incentive program mirroring the TOP plan. Employees who utilize three or less workdays of sick leave are eligible for a sick leave incentive through a contribution to a 401(a) account established for the employee. The benefit ranges from 8 hours of pay to a maximum of 16 hours of pay at 30 years of service. In 2019, 73% of employees in the TOP program received this incentive at a cost of \$81,000. Staff estimates that the additional cost for this program would be approximately \$31,000 for PTO-11 employees.
- For existing employees on the PTO-11 Plan, staff recommends crediting sick time equal to the amount they would have earned had the sick leave for the PTO-11 Plan been in place at their hire.
- Staff does not recommend any changes to the current structure of how PTO-11 employees accrue PTO time or how much PTO time they accrue.

Parental Leave

As noted earlier, employees can utilize FMLA for a variety of covered leaves, including the birth, adoption or becoming a foster parent of a child. However, FMLA is unpaid leave. The addition of a parental leave benefit improves both competitiveness in the marketplace and furthering a culture that respects employees needs both in and outside the workplace.

In recent years, parental leave benefits have become an increasing marketplace trend across the country. Communities including Cary, NC; Pueblo County, CO, Minneapolis, MN, and Columbus, OH have implemented parental leave programs. States including Kansas, New York and North Carolina have implemented parental leave for state employees with more considering the benefit. Private sector leaders including Ernst and Young, GE, Lowes, Walmart, Ecolab, Netflix, and Google all have parental leave programs. Recently, the federal government passed legislation that will provide 12 weeks of paid parental leave for federal workers for the birth or adoption of a child or becoming a foster parent. City Council requested that staff look at paid parental leave (maternity and paternity) as part of the overall review of the City’s time off plans.

Staff is recommending the following paid parental leave benefits be established citywide:

- Twelve weeks of paid parental leave for the birth mother
- Six weeks of paid parental leave for all other new parents including adoptions and foster placements
- Must be taken within a year of the birth or placement of a child
- Offered to all employees employed for 12 months and eligible for FMLA and meeting all FMLA

documentation requirements

- Must be taken consecutively
- Parental leave would be separate from any other leave provided by the City

FISCAL IMPACT:

The direct costs associated with addition of sick leave to the PTO-11 program and parental leave are anticipated to be minimal since the City will only incur additional costs beyond regularly budgeted salaries if a department is required to bring on temporary or replacement staffing. In conversations with our Department Directors, this is projected to be a rare occurrence outside certain positions in public safety. From an indirect cost perspective, we may see limited operational impact or delay, dependent on the position or department.

Indirect benefits of parental leave programs, in particular, are documented to show a positive impact on productivity, turnover/retention and employee morale.

The estimated impact of the inclusion of the 401(a) program for PTO-11 employees is \$31,000.

The adjustments to PTO-11 will be effective for non-union and qualifying union employees on the first pay period in April; and the parental leave benefit will be effective immediately for non-union and qualifying union employees. Moving forward the parental leave benefit and the PTO-11 changes would need to be bargained into union contracts.