

Bay Area public officials break bank with unused sick time

[By Thomas Peele, Daniel Willis and John Woolfolk Staff writers](#)

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By taking advantage of one of public employment's most lucrative and little-known perks, more than 370 Bay Area government workers who retired last year took home final paychecks that topped \$50,000 apiece, and often considerably higher.

Six of them received payments of more than \$200,000, including a city finance director who walked away with more than \$354,000.

How'd they do it? By amassing hundreds -- and in a few instances, thousands -- of unused hours of vacation, sick, comp and personal time over the years, and then cashing it in on their way out the door at what is almost always the highest pay rate of their careers.

From Silicon Valley to the Wine Country, top administrators, police officers, firefighters, government lawyers, engineers, clerks, nurses and others received more than \$50,000 each, combining last year for more than \$30 million, most of it for unused sick days. That is enough money to add about 190 police officers to Bay Area streets for a year or about 375 teachers to local classrooms.

"These amounts are staggering," said Kris Vosburgh, executive director of the Howard Jarvis Taxpayers Association, a watchdog group. "It's like you just won on 'The Price Is Right.'"

The payouts are revealed in a new Bay Area News Group analysis of an unparalleled collection of government compensation data compiled by this newspaper.

Two hundred ninety-six local agencies have responded to the newspaper's request for

2011 compensation figures, which are now posted on Bay Area News Group websites. The analysis of retirees' final paychecks is a snapshot from about 54 percent of 541 agencies in the

region, because dozens have yet to respond. Of the 296 agencies that released data, 48 of them paid at least one person more than \$50,000.

That money represents only a fraction of what governments shelled out for unused time last year. Payroll data also shows hundreds of Bay Area public employees received smaller payouts totaling millions of dollars more for time off they didn't use.

Those payments are an expensive reminder of an enduring legacy of benefits negotiated in rosier economic times that are now plaguing local governments across the country. And while public employees are quick to argue they earned every penny by giving up vacation and not calling in sick, allowing workers to bank so much unused time off is a practice seldom seen outside government.

Firefighters top list

Firefighters averaged the highest payouts in the newspaper's survey, about \$93,000 each. Government administrators averaged about \$87,000 and police about \$86,000. Workers with other job titles averaged \$71,000 in payouts.

While school employees can retire with banked time off, they tend to take home much smaller lump sums.

In San Jose alone, 126 workers cashed out more than \$50,000 each -- to the tune of \$11.8 million. And that wasn't even the city's total bill for unused time off last year. Combined with others who received buyouts of less than \$50,000, San Jose paid out \$21.2 million in 2011 -- enough to pay the average salary and benefits of 120 city police officers for a year. Ironically, 2011 was the first year in the city's history that it was forced to lay off cops, 66 in all.

The East Bay's biggest city, Oakland, paid out \$50,000 or more to 12 retirees last year.

Even a single six-figure final check for a retiree can put a severe dent in the finances of a smaller government. Take the struggling Solano County city of Fairfield, which uses volunteers to help keep City Hall operating only four days a week. As its veteran finance director, Robert Leland, neared retirement last year with more than two years of banked time off, the city had to budget for his final check. The damage: \$354,000.

Like officials at many governments, current Fairfield Finance Director David White said he didn't have records to show from which years his predecessor saved that time or what his pay rate was when he banked it.

"The time was accrued throughout his tenure with the city. The rate of pay was his final rate of pay," White wrote in an email when asked for year-by-year details.

Paying more for past

And therein lies the great benefit to employees of saving time off: Governments pick up the tab based on a retiree's final rate of pay, not what he was paid when the time was accrued.

"It's a huge issue," said Mountain View Mayor Mike Kasperzak, who heads the League of California Cities. "(Governments) have to put money aside" for payouts. "People earn (time off) at \$10 an hour and cash it in at \$25. You make money on your time."

Hayward police Lt. Mark Mosier's final paycheck tells that story: He received \$143,000 from 47 weeks of unused vacation and sick time when he retired in 2011. It was time he'd saved over a 26-year career that began when he was paid \$12.50 an hour, city records show. All 47 weeks were paid at Mosier's top hourly rate at retirement of \$75.15, more than six times higher than his starting pay. Mosier did not respond to repeated phone calls.

At most agencies, the one-time payments don't affect employees' pensions or their overall retirement package. Yet the ability to accrue thousands of hours of time and turn it into, in effect, a bonus at retirement is unique to government work, said Mark Johnson, an Arlington, Texas-based benefits consultant.

"Building up banked vacation at a limitless rate is just not seen in the private sector," he said. "It dates back 30 or 40 years, historically, when municipal employee pay was much lower than the private sector, but the benefits were better."

But as government pay became more lucrative in large states, vacation and sick time policies were slow to change.

Even as local agencies now scurry to limit accruals for new hires, payouts to veteran employees have reached "crisis level in a lot of states, especially California and Illinois," Johnson said.

The local data shows most money appears to be for unused sick time. Mountain View, for instance, paid eight people a total of \$397,482 for sick time and \$169,692 for unused vacation. Richmond paid \$275,359 in sick time to five workers and \$196,018 for other time.

San Jose's dilemma

Leaders in San Jose have wrestled for years with how to curb payouts. The city caps vacation accumulation at 320 hours but has what deputy city manager Alex Gurza called a "very generous" sick leave policy that allows most employees who have worked at least 15 years to bank as many as 30 weeks -- 1,200 hours -- of unused time.

Police and firefighters get more: unlimited sick time buyouts after 20 years of employment at their final pay rate.

The City Council last year voted to impose limits on four unions in 2012, but a former librarian sued, calling her \$28,080 of banked sick pay a guaranteed retirement benefit. The suit remains unresolved.

Many of San Jose's top policymakers sit atop substantial leave nest eggs themselves. Police Chief Chris Moore expects to get close to \$200,000 for unused time and has said he'd retire and claim it rather than lose the windfall if the city tries to modify its policy.

"I have a significant amount tied up in that," Moore said. "It's not something I would just walk away from."

Smaller governments are dealing with similar issues, the newspaper's analysis shows.

In Fairfield, no policies were in place to limit how much time Leland could bank or force him to use it.

"He worked a lot of hours," City Manager Sean Quinn said. "(Leland) was a one-man operation."

His payout, plus those to two other 2011 retirees who received more than \$203,000 combined, forced Fairfield to negotiate union agreements that limit employees to 350 additional vacation hours on top of what they currently have on the books, Quinn said.

But even with caps, governments can still owe retiring employees six-figure payouts.

When Kevin Duggan retired as Mountain View city manager in 2011, he received \$135,000 for unused vacation, sick time and personal leave, the newspaper found. Each had been capped.

Duggan had more than 1,800 hours of banked sick time, but was paid for only 528 of those hours, at 55 percent of his final pay, according to the city. His vacation payout was similarly limited.

Governments must balance the need to compensate employees fairly with efforts to limit costs, Duggan said. Caps on vacation accruals might be fair, he said, but public servants should be allowed to save up enough time to take an occasional extended vacation.

Paying for unused time off at intervals throughout a career -- say, every five or 10 years -- is another option some governments are considering. Not only does that avoid massive payouts when an employee leaves, it means they are paid at a rate closer to their salary when the time was accrued, Duggan said.

Six-figure final paychecks are only part of the problem as governments across California face mounting retirement expenses and scramble to reform runaway pension costs. Few foresaw the dilemma when most of today's government retirees were new on the job.

"The reforms don't have to be draconian to reform this issue," said Vosburgh of the taxpayer group. "We want to be fair to the public employees. But cashing out at the highest rate of pay? We just can't afford it."