DATE: January 13, 2020

TO: County Executive Leaders

FROM: John P. Mills, Director, Employee Services Agency
George P. Doorley, Controller-Treasurer

SUBJECT: Instructions for Submitting an Online Annual Leave Cash Out Request in CY 2020

You received a memorandum from the Employee Services Agency and the Finance Agency entitled “Changes to Annual Leave Hours Installment for July 1, 2019 to December 31, 2019 and beginning Calendar Year 2020” dated June 4, 2019 (attached). You also received a memorandum from the Employee Services Agency and the Finance Agency entitled “Instructions for Election to Cash Out Annual Leave Hours in CY 2020,” dated October 31, 2019 (attached).

The purpose of this memorandum is to provide instructions on how to submit a request to cash out Annual Leave hours, online. In the first full pay period of calendar year 2020 that falls entirely in January, the allotment of 288 hours of Annual Leave will be credited and will be available for use or for cashout. Executive Leaders who have made their irrevocable election to cash out Annual Leave hours by December of 2019, may begin to request cashout of hours by submitting an Online Annual Leave Cashout Request, starting January 13, 2020.

Executive Leaders may continue to submit Online Annual Leave Cash Out requests throughout calendar year 2020, until November 29, 2020. Hours that have been elected for cashout for calendar year 2020, that still remain uncashed, will be cashed out to the Executive Leader by the Controller’s Office in pay period 20/26, with payday on Friday 12/18/2020.

If you have questions, please call or email Patty Carrillo at 299-5897 (patricia.carrillo@esa.sccgov.org) or Irene Yang at 299-5263 (irene.yang@fin.sccgov.org).

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Susan Ellenberg, S. Joseph Simitian
County Executive: Jeffrey V. Smith
DATE: June 4, 2019

TO: County Executive Leaders

FROM: John P. Mills, Director, Employee Services Agency
George Doorley, Controller-Treasurer

SUBJECT: Changes to Annual Leave Hours Installment for July 1, 2019 to December 31, 2019, and beginning Calendar Year 2020

On July 1, 2019 the County will implement changes to the Annual Leave benefit provided to Executive Leadership. These changes, necessary to comply with IRS Regulations, will not diminish Annual Leave amounts and are instead intended to preserve to the greatest extent possible the ability to cash-out up to half of the Annual Leave benefit. The changes will (1) alter the schedule for providing the Annual Leave benefit, to begin in January of each calendar year instead of July; and (2) require Executive Leaders to notify the County in advance regarding the amount of leave, if any, the Executive Leader will cash out during the next calendar year. The rest of this memorandum explains why the County is implementing these changes and the timing and process that Executive Leaders can expect.

Under IRS Regulation § 1.451-2(a), an employee’s unconditional ability to convert leave to cash constitutes constructive receipt of income and subjects the recipient to taxes even if the leave is not converted. The County’s previous Annual Leave benefit was not structured with this regulation in mind.

To manage the Annual Leave benefit and to enable Executive Leaders to better account for possible tax implications, the County will begin administering Annual Leave on a calendar year basis instead of a fiscal year basis, beginning in January 2020. This means that Annual Leave amounts will be credited 1 to Executive Leaders in January of each year, rather than July. In the year before the Annual Leave is credited, the Executive Leader must make an irrevocable decision regarding the amount of leave that the Executive Leader will have cashed out in the coming year. Failure to timely make an election will result in the Executive Leader being unable to cash out any portion of the Annual Leave during the subsequent calendar year.

For the period from July 2019 through December 2019, Executive Leaders will be provided half of the annual allotment of Annual Leave (i.e., 144 hours) and may cash out up to half of that amount (i.e., 72 hours) before the end of this calendar year. Annual Leave hours cashed out between July 2019 and December 2019 will be subject to tax. Hours remaining at the end of 2019 shall be carried forward to calendar year 2020 as vacation.

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1 As with prior Annual Leave benefits, although the entire amount is credited at the beginning of the (now, calendar) year, it is earned proportionately until the first full pay period of the following (now, calendar) year.

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Susan Ellenberg, S. Joseph Simitian

County Executive: Jeffrey V. Smith
In Pay Period 20/03 (the first full pay period in January 2020), the Executive Leader will be credited the full Annual Leave amount of thirty-six (36) days (i.e., 288 hours). Up to half of this amount may be cashed out in calendar year 2020, but to do so, the Executive Leader must make an irrevocable election in November 2019 of the number of hours to cash out in calendar year 2020. An Executive Leader’s failure to elect a specific cash-out amount in November 2019 for the following year shall preclude the Executive Leader from cashing out any Annual Leave in 2020.

All Executive Leaders will be provided forms and further instructions in order to make an irrevocable election to cash out Annual Leave hours in 2020. The changes to the Annual Leave benefit will be reflected in the Executive Leadership Master Salary Ordinance adopted by the Board of Supervisors this month. The remaining provisions related to the Annual Leave benefit remain unchanged.

If you have questions, please call or email Annie Tom at 299-5265 (annie.tom@fin.sccgov.org) or Patty Carrillo at 299-5897 (patricia.carrillo@esa.sccgov.org).
DATE: October 31, 2019

TO: County Executive Leaders

FROM: John P. Mills, Director, Employee Services Agency
George P. Doorley, Controller-Treasurer

SUBJECT: Instructions for Election to Cash Out Annual Leave Hours in CY 2020

You received a memorandum from the Employee Services Agency and the Finance Agency entitled “Changes to Annual Leave Hours Installment for July 1, 2019 to December 31, 2019 and beginning Calendar Year 2020” dated June 4, 2019 (attached).

The purpose of this memorandum is to provide instructions for making an irrevocable election to cash out Annual Leave hours in calendar year 2020. In Pay Period 20/03 (the first full pay period in January 2020), the Executive Leader will be credited the full Annual Leave amount of thirty-six (36) days (i.e., 288 hours). Up to half of this amount may be cashed out in calendar year 2020, but to do so, the Executive Leader must make an irrevocable election of the number of hours to be cashed out. This election must be made between November 1 through December 15 of 2019. An Executive Leader’s failure to elect a specific cash-out amount, or failure to submit an election form at all, during the designated election window for the following calendar year shall preclude the Executive Leader from cashing out any Annual Leave in 2020.

The Executive Leader will make the election to cash out Annual Leave hours by completing the Annual Leave Cash-Out Election Form, using DocuSign. This election form can be found at Annual Leave Cashout Request Form. This election form is used for the sole purposes of declaring the intent to cash out Annual Leave hours and designating the number of hours to be cashed out, in calendar year 2020. The election form does not constitute a request to cash out hours. A separate cash-out request process will be used to cash out Annual Leave hours. Any number of hours that have been declared for cash-out, that are not cashed out during calendar year 2020, will be automatically paid out to the Executive Leader prior to the end of the calendar year.

All Executive Leaders will be provided forms and further instructions detailing the action to cash out Annual Leave hours in calendar year 2020. This information will be provided in December 2019.

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Susan Ellenberg, S. Joseph Simitian
County Executive: Jeffrey V. Smith
DATE:       June 4, 2019

TO:        County Executive Leaders

FROM:      John P. Mills, Director, Employee Services Agency
           George Doorley, Controller-Treasurer

SUBJECT:  Changes to Annual Leave Hours Installment for July 1, 2019 to December 31, 2019, and beginning Calendar Year 2020

On July 1, 2019 the County will implement changes to the Annual Leave benefit provided to Executive Leadership. These changes, necessary to comply with IRS Regulations, will not diminish Annual Leave amounts and are instead intended to preserve to the greatest extent possible the ability to cash-out up to half of the Annual Leave benefit. The changes will (1) alter the schedule for providing the Annual Leave benefit, to begin in January of each calendar year instead of July; and (2) require Executive Leaders to notify the County in advance regarding the amount of leave, if any, the Executive Leader will cash out during the next calendar year. The rest of this memorandum explains why the County is implementing these changes and the timing and process that Executive Leaders can expect.

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To manage the Annual Leave benefit and to enable Executive Leaders to better account for possible tax implications, the County will begin administering Annual Leave on a calendar year basis instead of a fiscal year basis, beginning in January 2020. This means that Annual Leave amounts will be credited¹ to Executive Leaders in January of each year, rather than July. In the year before the Annual Leave is credited, the Executive Leader must make an irrevocable decision regarding the amount of leave that the Executive Leader will have cashed out in the coming year. Failure to timely make an election will result in the Executive Leader being unable to cash out any portion of the Annual Leave during the subsequent calendar year.

For the period from July 2019 through December 2019, Executive Leaders will be provided half of the annual allotment of Annual Leave (i.e., 144 hours) and may cash out up to half of that amount (i.e., 72 hours) before the end of this calendar year. Annual Leave hours cashed out between July 2019 and December 2019 will be subject to tax. Hours remaining at the end of 2019 shall be carried forward to calendar year 2020 as vacation.

¹ As with prior Annual Leave benefits, although the entire amount is credited at the beginning of the (now, calendar) year, it is earned proportionately until the first full pay period of the following (now, calendar) year.
In Pay Period 20/03 (the first full pay period in January 2020), the Executive Leader will be credited the full Annual Leave amount of thirty-six (36) days (i.e., 288 hours). Up to half of this amount may be cashed out in calendar year 2020, but to do so, the Executive Leader must make an irrevocable election in November 2019 of the number of hours to cash out in calendar year 2020. An Executive Leader’s failure to elect a specific cash-out amount in November 2019 for the following year shall preclude the Executive Leader from cashing out any Annual Leave in 2020.

All Executive Leaders will be provided forms and further instructions in order to make an irrevocable election to cash out Annual Leave hours in 2020. The changes to the Annual Leave benefit will be reflected in the Executive Leadership Master Salary Ordinance adopted by the Board of Supervisors this month. The remaining provisions related to the Annual Leave benefit remain unchanged.

If you have questions, please call or email Annie Tom at 299-5265 (annie.tom@fin.sccgov.org) or Patty Carrillo at 299-5897 (patricia.carrillo@esa.sccgov.org).