

OLIVEHURST PUBLIC UTILITY DISTRICT

RESOLUTION NO. 2194

**RESOLUTION OF THE BOARD OF DIRECTORS OF
OLIVEHURST PUBLIC UTILITY DISTRICT
AUTHORIZING ADJUSTMENT IN SALARIES
OF MANAGEMENT EMPLOYEES FOR EXTRA PAY PERIOD**

WHEREAS, Olivehurst Public Utility District authorizes payment to employees on a biweekly basis; and

WHEREAS, management employees of the District are paid a salary, distributed on a biweekly basis; and

WHEREAS, payment on a biweekly basis normally results in 26 paydays per year, but, on a reoccurring cycle of every 12 years, 27 paydays will occur; and

WHEREAS, payment of salaried employees on 27 paydays will result in an annual salary in excess of authorized salaries in that year; and

WHEREAS, the District's Board of Directors wishes to adopt a methodology for adjusting the compensation of salaried employees in order to adjust for a 27 payday year in a manner that will not unreasonably impact its salaried employees; and

WHEREAS, the year 2009 has 27 paydays.

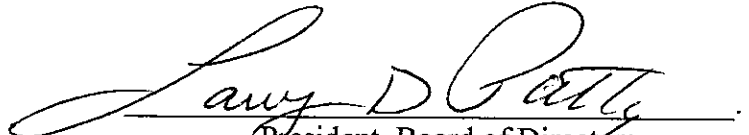
NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Olivehurst Public Utility District does adopt the methodology employed by the United States Government to reduce its salaried employees biweekly pay by an amount per paycheck such that the additional compensation paid in the year when 27 paydays occur will be recovered over a 12 year cycle.

BE IT FURTHER RESOLVED that the methodology to be used by the District is summarized as Option 3 on the attached Staff memorandum.

BE IT FURTHER RESOLVED that this resolution will be effective as of January 1, 2009.

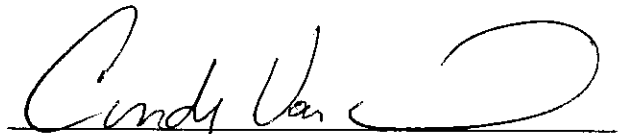
PASSED AND ADOPTED THIS 15th DAY OF JANUARY 2009.

OLIVEHURST PUBLIC UTILITY DISTRICT



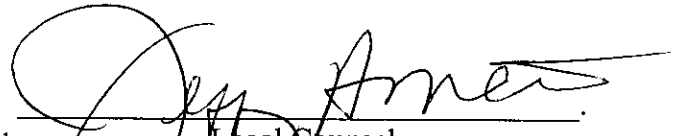
President, Board of Directors
Olivehurst Public Utility District

ATTEST:



District Clerk & ex-officio Secretary
SUFFICIENCY

APPROVE AS TO FORM AND LEGAL

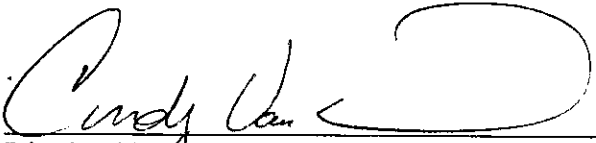


Legal Counsel

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I hereby certify that the foregoing is a full, true, and correct copy of an Ordinance duly adopted and passed by the Board of Directors of the Olivehurst Public Utility District, Yuba County, California, at a meeting thereof held on the 15th day of January 2009, by the following vote:

AYES, AND IN FAVOR THEREOF:	Director Morrison, Peeples, Hollis, Dougherty, and Patty.
NOES	: None.
ABSTAIN	: None.
ABSENT	: None.


District Clerk and ex-officio Secretary

OPUD Memorandum

To: Tim Shaw, General Manager
Cc: Board of Directors
From: Glen P. Phillips, Financial Manager
Date: December 29, 2008
Re: Potential Overpayment to Salaried Employees in 2009

OPUD employees are paid on a bi-weekly basis. Typically there are 26 paydays per year ($26 \times 2 = 52$ weeks in a year). However, there are 27 paydays in the year 2009. Why do some years end up with an extra pay day? It works like this: A biweekly pay period includes 14 days.. Multiply 26 by 14. You get 364. How many days are in a year? Of course, 365 in a normal year and 366 in a leap year. So over the years, those missing days add up to a full pay period, hence the extra pay day in some years. As a result, every 12 years, we experience a year with 27 pay periods instead of the usual 26. Calendar year 2009 is such a year. This creates a problem with salaried employees (Managers) because they are paid based on 26 pay periods. For example, a Manager with an annual salary of \$65,000.00 receives \$2,500.00 every two weeks ($\$2,500.00 \times 26 = \$65,000.00$). Next year, if we were to pay the same bi-weekly amount to this Manager, he or she would receive an extra paycheck and their total annual salary for the year becomes \$67,500.00 ($\$2,500.00 \times 27 = \$67,500.00$).

One method for avoiding the potential overpayment is to reduce the Manager's bi-weekly salary by dividing the annual salary by 27 pay periods versus 26 pay periods. Using the same annual salary of \$65,000.00, the bi-weekly salary would be reduced to \$2,407.40 ($\$2,407.40 \times 27 \approx \$65,000.00$). However, this could cause problems for some employees because the difference is nearly \$100.00 per payday.

We are not unique in dealing with this problem. Back in 1986, the Federal Government changed the number of hours used to calculate annual salary from 2,080 hours to 2,087 hours. The result is salaried employees are very slightly underpaid (seven hours of pay each year) to make up for the years when they receive an extra paycheck. To illustrate this, divide the same \$65,000.00 salary by 2,087 hours; this equals an hourly rate of \$31.15. Multiply the result by 2,080 and the annual salary becomes \$64,792.00. Thus, the employee would be underpaid approximately \$208.00 per year, or \$8.00 per pay period. This would even out in the long run on the 12th year when the employee receives the extra paycheck for \$2,492.00.

Please refer to the attached summary of these alternative methods. My recommendation is to implement Method 3 which is the method used by the Federal Government.

GLEN P. PHILLIPS,
Financial Manager

Option 1 (Requires Board Authorization):

- All salaried employees would receive an extra paycheck in 2009
- Total cost to the District next year \approx \$21,500.00

Option 2 (If Board takes no action; 3.7% reduction in salaried employee's bi-weekly compensation every 12 years):

- Salaried employees bi-weekly pay would be reduced by an average of \$100 each paycheck.
- No cost to the District; i.e. all employees receive the same annual salary
- Negative impact on employees; every check is lower for the entire calendar year and the next year it goes back up

Option 3 (Same as Federal Government. Requires Board authorization):

- Salaried employee's bi-weekly pay would be reduced an average of \$9 per paycheck.
- Total cost to the District \approx \$0 in the long run; higher initial cost this next year of \approx \$19,500 would be recouped over the next 12 years at the rate of \approx \$1875.00 per year
- Smallest impact on employees; every check is lower, but the amounts are not significant