

**DATE:** March 5, 2026

**MEMO TO:** Gina Roberts, Chair  
Finance Committee

**FROM:** Mary E. Kann  
Director of Administration

**RECOMMENDATION:** Approve amendments to the Procedures Sections of Personnel Policies 3.2 – Overtime and 4.1 – Paid Holidays.

**STRATEGIC DIRECTION SUPPORTED:** Leadership

**FINANCIAL DATA:** There is no immediate direct financial impact to these changes.

**BACKGROUND:** The proposed Procedure amendments are recommended for conformity with recent changes in federal tax law. In 2025, federal legislation was enacted to exempt from federal income taxes certain qualified overtime pay (including use of compensatory time earned in lieu of legally-required overtime pay) under the Fair Labor Standards Act (FLSA). This exemption is in place for tax years 2025 through 2028. Beginning in 2026, employers must report any overtime that is eligible for this exemption on an employee’s W-2.

Changes are recommended to the Procedures sections of the District’s Policy 4.1 – Paid Holidays and Policy 3.2 – Overtime to clarify the FLSA standard for overtime earnings and to ensure that FLSA-related overtime is tracked separately from other benefits. In general, FLSA-related overtime is earned by eligible non-exempt, non-union employees for time worked over 40 hours per week or, for Public Safety staff, over 86 hours in a 14-day pay period.

Current District Policies also provide certain benefits to qualified employees that are more generous than FLSA requirements, including additional monetary compensation or time off earned for hours worked on designated fixed and floating holidays. The proposed changes will alter the manner in which these benefits are administered so that they can be tracked separately from FLSA-related overtime to allow for reporting on the W-2.

For fixed holidays, eligible employees will continue to receive an additional 1½ hours of pay for each hour worked. However, the proposed changes eliminate an option for regular non-exempt full-time employees to elect to receive time off in lieu of additional monetary compensation for hours worked on a fixed holiday. For floating holidays, eligible employees will continue to receive one hour of time off for each hour worked. This benefit will be tracked in a “floating holiday bank,” separate from FLSA-related overtime.

The proposed changes do not impact union employees, who will continue to earn overtime in accordance with their applicable Collective Bargaining Agreements.

It is the recommendation of staff that the Procedures Sections of the District's Personnel Policies & Procedures 3.2 – Overtime and 4.1- Paid Holidays be amended retroactively to February 9, 2026.

**REVIEW BY OTHERS:** Deputy Director of Finance, Deputy Director of Human Resources & Risk, Manager of Board Operations, Corporate Counsel.

**MOTION:** Motion to approve amendments to the Procedures Sections of Personnel Policy 3.2 – Overtime and Personnel Policy 4.1 – Paid Holidays in the form attached to staff's memo dated March 5, 2026, which amendments shall apply retroactively on and after February 9, 2026.

**APPROVAL:**

Date: \_\_\_\_\_  Roll Call Vote: Ayes: \_\_\_\_ Nays: \_\_\_\_

Voice Vote Majority Ayes; Nays: \_\_\_\_



## 3.2 Overtime

*Effective Date: August 15, 1980*

*Revision Date: February 20, 1981, October 16, 1981, June 19, 1987, May 27, 1994, August 14, 1998, December 14, 2001, June 21, 2002, December 12, 2003, October 14, 2005, November 12, 2013, [March 5, 2026](#)*

### **Procedure**

The Administration Department will determine the exempt and non-exempt status of District positions and their eligibility for overtime payment consistent with the federal and state wage and hour laws.

Non-exempt employees required to work beyond forty (40) hours per week will receive either monetary compensation at one and one-half times their regular rate of pay or compensatory time at one and one-half hours for every hour worked in excess of forty. This will be provided after forty (40) hours worked in a week, regardless of the hours worked in one (1) day. Only hours worked will be used to determine eligibility for overtime compensation. Any absence with pay shall not be considered as time worked. Overtime shall be authorized in advance by the Department Director.

[Non-exempt, non-union Public Safety staff earn overtime based on the Fair Labor Standards Act guidelines of time worked over 86 hours in a 14-day pay period.](#)

[Compensatory time is only earned in legally required overtime situations and not when a District policy or rule is more generous than the Fair Labor Standards Act.](#)

The smallest increment of working time that may be credited as overtime is one-quarter hour. Compensatory time shall not be accrued beyond forty hours. Because of the seasonal operational needs of various Departments, the Executive Director may authorize accruing additional compensatory time, however, compensatory time for those employees shall be reduced to under 40 hours by March 15 of each year.

Consistent with the federal and state wage and hour laws, employees may accrue up to 240 (480 for law enforcement) compensatory time hours in a calendar year. Once an employee has accrued 240 (480 for law enforcement) compensatory hours, regardless of deletions, no further accrual may be made to the compensatory time balance. All hours in excess of the above maximums will be paid at their regular rate of pay.

When authorizing compensatory time off, the Department Director shall consider when the employee desires the time off. The decision of the Department Director shall be final.

Those employees who are members of a collective bargaining unit shall follow that unit's contract as it relates to overtime.



## 4.1 Paid Holidays

*Effective Date: August 15, 1980*

*Revision Date: February 20, 1981, June 14, 1984, June 19, 1987, June 18, 1993, May 13, 1994, August 14, 1998, April 14, 2000, May 19, 2000, December 14, 2001, June 21, 2002, November 7, 2013, January 14, 2020, September 14, 2021, May 4, 2023, [February 9, 2026](#)*

### Procedure

1. When an authorized holiday falls on Sunday, the following Monday shall be observed as the holiday. When an authorized holiday falls on Saturday, the preceding Friday shall be observed as the holiday.
2. Employees who observe a religious holiday on days which they normally work should use earned compensatory or floating holiday time, vacation leave or personal leave for such time. If the employee does not have paid leave available such religious holidays may be taken without pay, with the approval of the Executive Director.
3. To be eligible for holiday pay, an employee must have worked or have been on paid authorized leave on the workday before and after the paid holiday.
4. Regular part-time employees who are IMRF eligible shall be compensated for holidays, on a pro-rated basis. The holiday must fall on a day normally scheduled as a workday for regular part-time employees to be eligible for compensation.
5. When a holiday occurs during paid leave, the employee's leave record will reflect that day as a holiday rather than other paid leave.
6. Eligible employees working on a floating holiday will receive one (1) hour of time off for each hour worked. ~~For non-exempt employees, this time will be placed in their compensatory time bank. For exempt employees, this time will be placed in their a floating holiday bank.~~ This time will be placed in their a floating holiday bank. At no time may a floating holiday bank exceed 40 hours.
7. An eligible regular part-time employee working on a fixed holiday will receive one (1) hour of pay for each hour worked in addition to their holiday pay. A regular non-exempt full-time employee required to work on a fixed holiday may will receive ~~either 1½ times the rate of pay or 1½ hours of time off for each hour worked~~ for each hour worked in addition to their holiday pay.
8. If the employee is covered by a collective bargaining agreement, refer to the agreement for information regarding the payment of holidays.