



City of Sebastopol

CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: April 7, 2026

=====

To: Honorable Mayor and City Councilmembers
From: Mary Gourley, Interim City Manager
 Deborah Muchmore, Human Resources, Muchmore Than Consulting
Subject: Adoption of Catastrophic Leave Bank Policy

=====

RECOMMENDATIONS:

That the City Council adopt a resolution approving a Catastrophic Leave Bank Policy to formalize procedures for voluntary leave donations when an employee experiences a qualifying catastrophic event.

EXECUTIVE SUMMARY:

The proposed Catastrophic Leave Policy establishes a formal framework that allows City employees to voluntarily donate accrued leave to a coworker who has exhausted their own leave due to a serious illness, injury, or other qualifying catastrophic event. The City does not currently have a formally adopted Catastrophic Leave Bank Policy. Adoption of this policy establishes a clear framework for eligibility, administration, and safeguards should the City choose to allow voluntary leave donations in the future. Adoption of this policy provides clarity, consistency, and transparency for employees and administration while ensuring appropriate internal controls and compliance with existing personnel rules.

BACKGROUND:

Catastrophic events—such as serious illness or injury—may require an employee to be absent from work for an extended period. In limited circumstances, employees may exhaust all available paid leave and may not qualify for short-term disability or other benefits.

DISCUSSION

The proposed Catastrophic Leave Policy:

- Establishes clear eligibility criteria for recipients and donors
- Confirms that leave donations are strictly voluntary
- Limits donations to specified leave types to protect donor employees
- Provides an administrative review and approval process
- Aligns with existing Personnel Rules, MOUs, and applicable labor laws

Formal adoption ensures consistent administration across departments and participating labor organizations and provides employees with a clear, equitable process during times of significant personal hardship.

STAFF ANALYSIS:

In developing this policy, staff met and conferred with the SEIU bargaining unit and provided the SPOA an opportunity to review and provide input. The intent is for the policy to apply citywide and, over time, be incorporated into the City’s Personnel Rules and Regulations to avoid maintaining a standalone policy and the associated administrative burden.

The proposed policy defines eligibility, administrative oversight, and safeguards to ensure consistent and equitable application if catastrophic leave donations are permitted. The policy does not create an entitlement or expand leave



City of Sebastopol

benefits; instead, it establishes an orderly and transparent process that balances compassion with fiscal and operational responsibility.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment on this item. However, if staff receives public comment from interested parties following the publication and distribution of this staff report, such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of this item.

COMMUNITY OUTREACH:

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:

There is no fiscal impact associated with the adoption of the Catastrophic Leave Bank Policy. Leave donations consist of existing accrued leave voluntarily transferred between employees and do not create additional City liability beyond normal payroll staff processing costs. The policy does not increase leave accruals or authorize additional compensation.

RESTATED RECOMMENDATION:

That the City Council adopt a resolution approving the City’s Catastrophic Leave Bank Policy to formalize procedures for voluntary leave donations when an employee experiences a qualifying catastrophic event.

OPTIONS:

1. Adopt the resolution approving the Catastrophic Leave Bank Policy, establishing a clear and consistent framework to address rare catastrophic circumstances with appropriate administrative oversight and safeguards. (Recommended)
2. Take no action at this time and continue without a formal Catastrophic Leave Bank Policy, with the option to consider incorporating such a policy into the City’s master Personnel Rules and Regulations at a future date.

ATTACHMENTS:

1. Catastrophic Leave Policy
2. Catastrophic Leave Donation Form
3. Catastrophic Leave Request Form
4. Resolution

APPROVALS:

Department Head Approval: Approval Date: 3/25/26
 CEQA Determination (Planning): Approval Date: N/A

Administrative Services (Financial) Approval Date: 3/25/26

Costs authorized in City Approved Budget: Yes No N/A

Account Code (if applicable) _____

City Attorney Approval: Approval Date: 4/2/26

City Manager Approval: Approval Date: 3/30/26



City of Sebastopol

Voluntary Catastrophic Leave Bank Policy & Procedures

(IRS-Compliant Version — Medical Emergency Only)

Purpose

This policy establishes a voluntary Catastrophic Leave Bank consistent with IRS guidance for medical emergency leave-sharing plans.

The bank allows employees to donate accrued vacation, compensatory time off (CTO), administrative leave, and sick leave for use by eligible employees who experience a medical emergency resulting in prolonged absence and substantial income loss after exhausting paid leave.

A medical emergency may involve the employee or an eligible family member.

Policy

The City maintains an employer-administered leave bank. Donations are made to the bank and not to specific individuals. Donors may not designate a recipient.

Donors do not realize income and may not claim a tax deduction for donated leave. Recipients are paid at their normal rate, and such payments are taxable wages to the recipient.

Only medical emergencies qualify under this plan. Bereavement (death of a family member) is excluded to maintain IRS compliance.

This policy does not alter any City policies regarding vacation, CTO, administrative leave, holidays or holiday pay, sick leave, or FMLA/CFRA, or any legally mandated state or federal leave.

The City will maintain the confidentiality of medical information in a manner consistent with the law.

Procedures

1. Donation Criteria / Eligibility to Donate

- Regular employees who have completed their initial probationary period may donate accrued vacation, CTO, administrative leave, or sick leave in full-hour increments to the Leave Bank.
- Donors can donate up to 40 hours of sick leave each calendar year
- Donors must retain at least 40 hours of the specific donated accrued leave (vacation, CTO, administrative leave or sick) after donation.
- Total leave donated in a calendar year shall not exceed what the employee normally accrues in that year.

- Donor leave is converted to dollars at the donor's base hourly rate when deposited; awards are drawn at the recipient's base hourly rate.
- Donors may not claim an expense, tax deduction, or charitable contribution for donated leave.
- Donated leave may be used only for medical emergencies and may not be converted to cash by the recipient.
- Donors may not designate or suggest a specific recipient.

2. Eligibility Criteria for Recipients

- Employees must have completed their initial probationary period.
- A Request for Leave Donation Form must be submitted with required documentation.
- All available paid leave, except the 30 hours of sick and 30 hours of vacation allowed by City Policy, must be exhausted prior to use of catastrophic leave.
- The condition must meet the definition of a medical emergency involving the employee or an eligible family member.
- Employees must have been off work for at least 30 calendar days due to the qualifying medical condition.
- Leave received may not be converted to cash.
- Unused donated leave must be returned to the Leave Bank.

3. Approval Process and Time Frames

- Administrative Services reviews all applications for eligibility; the City Manager approves or denies requests.
- Approved leave is generally granted in 10-hour increments, up to a maximum of 240 hours per qualifying event.
- When requests exceed available bank balances, the City Manager may allocate available leave equitably in amounts less than the standard increment.
- Applicants will receive written notice of approval or denial within 10 calendar days of their request
- Applicants who disagree with the written approval or denial provided to them by the City Manager may appeal to the City Manager for an explanation of how the decision was made. Within seven calendar days from the date the explanation is received, the employee may submit a statement or request for reconsideration and may enlist a representative to assist them in the reply. In such cases, the City Manager will make a final determination, and the City will reply to the employee with a final written decision within 10 calendar days of receiving the written statement or rebuttal. The final written response to request for consideration shall be final and not grievable.

Termination of Catastrophic Leave

- The employee returns to work and is no longer in need of intermittent or other leave related to the same event or illness.
- The approved leave of absence ends.
- The employee separates from City employment.
- The Leave Bank has insufficient funds.

- Fraudulent use is discovered.

Definitions

- Medical Emergency: A medical condition of the employee or eligible family member that requires prolonged absence and results in substantial income loss after exhaustion of paid leave.
- Donor Employee: An employee who donates accrued leave to the Catastrophic Leave Bank and meets donation requirements.
- Leave Recipient: An employee approved to receive catastrophic leave from the Leave Bank.
- Eligible Family Member: Spouse/domestic partner, dependent child, parent, or another household member for whom the employee has a dependent obligation.

References

IRS Revenue Ruling 90-29 (medical emergency leave-sharing plan).

IRS Notice 2006-59 (major disaster leave-sharing plans).



City of Sebastopol

**CITY OF SEBASTOPOL
CATASTROPHIC LEAVE DONATION FORM**

Instructions:

- Donations must be made in full hour increments.
- Donor employee can donate leave up to once each quarter.
- Donated leave will be credited to the Catastrophic Leave Bank.

Please refer to the Catastrophic Leave Policy for complete details of the program.

Employee Name:

Employee Title:

Department/Division:

Primary Phone Number:

I wish to donate hours from the following selected category/categories.

Vacation leave hours (Indicate number of hours):

Compensatory time off hours (Indicate number of hours):

Administrative Leave Hours (Indicate number of hours):

Sick Leave Hours (Indicate number of hours):

Employee Statement.

I understand that participation in the catastrophic leave program is voluntary, and the hours I donate will be transferred to the leave bank. I also understand that I must maintain a balance of at least hours of leave after the donation and the donated hours will be deducted from my leave balances once transferred to the leave bank has been completed.

Employee's Signature:

Date:

TO BE COMPLETED BY THE OFFICE OF ADMINISTRATIVE SERVICES

Hours Received:

Hours Approved:

Hours not approved:

HR Official Signature:

Date:



City of Sebastopol

**CITY OF SEBASTOPOL
CATASTROPHIC LEAVE REQUEST FORM**

Requested Start Date:

Expected Duration:

Please refer to the Catastrophic Leave Policy for complete details of the program.

Employee Name:

Employee Title:

Department/Division:

Primary Phone Number:

Check if leave is for you, personally

Check if leave is for a family member

Description of catastrophic event or need for leave:

Employee Statement.

I understand that participation in the catastrophic leave program is voluntary, and the hours I receive will be transferred to me my leave bank based on the prevailing policy and the balance available in the leave bank. I also understand that when I return from leave or when my catastrophic need has ended, any unused hours must be returned to the leave bank.

Employee's Signature:

Date:

TO BE COMPLETED BY THE OFFICE OF ADMINISTRATIVE SERVICES

Approved:

Denied:

Reduced:

City Manager Signature:

Date:

Notes:

Admin Services Signature

Resolution NUMBER: XXXX-2026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL ADOPTING
A CATASTROPHIC LEAVE BANK POLICY

WHEREAS, the City of Sebastopol does not currently have a formally adopted Catastrophic Leave Bank Policy; and

WHEREAS, in rare circumstances, an employee may experience a serious illness, injury, or other qualifying catastrophic event that results in the exhaustion of available paid leave; and

WHEREAS, adoption of a Catastrophic Leave Bank Policy establishes a clear framework for eligibility, voluntary leave donations, administrative oversight, and safeguards should the City choose to allow catastrophic leave donations; and

WHEREAS, the proposed policy is intended to apply citywide and, over time, may be incorporated into the City's Personnel Rules and Regulations to ensure consistency and reduce administrative burden; and

WHEREAS, in developing the proposed policy, staff met and conferred with the SEIU bargaining unit and provided the Sebastopol Police Officers' Association (SPOA) an opportunity to review and provide input; and

WHEREAS, the proposed policy does not create an entitlement, expand leave benefits, or increase leave accruals, but establishes an orderly and transparent process that balances compassion for affected employees with fiscal and operational responsibility; and

WHEREAS, there is no fiscal impact associated with the adoption of the Catastrophic Leave Bank Policy, as leave donations consist of existing accrued leave voluntarily transferred between employees.

NOW, THEREFORE, BE IT RESOLVED the City Council of the City of Sebastopol hereby adopts the Catastrophic Leave Bank Policy, attached hereto as *Exhibit A* and incorporated by reference, and authorizes the City Manager to administer the policy and establish any necessary administrative procedures consistent with the policy.

The above and foregoing Resolution was duly passed, approved, and adopted at a meeting by the City Council on the 7th day of April 2026.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

VOTE:

Ayes:

Noes:

Absent:

Abstain:

APPROVED:

Jill McLewis, Mayor

ATTEST:

Mary Gourley, Interim City Manager | City Clerk, MMC

APPROVED AS TO FORM:

Alex Mog, City Attorney