

## SALARY BASIS POLICY

The Fair Labor Standards Act (FLSA) is a federal law that requires overtime at the rate of time and one half of regular pay for all hours worked over forty (40) hours in a workweek for employees who are non-exempt from overtime payment. This policy will define how rate of pay and a work week are defined for salary employees who do not fit the criteria for overtime exemptions. This policy also defines tests are applicable to salary employees who are not exempt from overtime payment.

Further, this policy will establish certain expectations for salary payments, hours of work, absences, pay deductions, inclement weather procedures and rules for working outside normal business hours.

### Definitions:

The Authority's "work week" is defined as \_\_\_\_\_ through \_\_\_\_\_ . Payment for wages will be made every two weeks??

Salary employees are expected to report for work from \_\_\_\_\_ a.m. to \_\_\_\_\_ p.m., from Monday through Friday unless their work week is altered by a job description or work rule. These hours are considered an employee's "work day." In the event such hours must be altered for business needs, permission must be granted by \_\_\_\_\_ .

"Overtime" is defined as authorized hours worked by a nonexempt employee in excess of 40 hours in a workweek and should be recorded to the nearest tenth of an hour. Overtime must be approved in advance by the employee's manager; if not, an employee is not authorized to work the overtime.

Overtime for non-exempt salary employees may not be worked unless specific permission is granted by \_\_\_\_\_. Similarly, no work from home may be undertaken by non-exempt employees unless prior permission is granted and whether such work may mean overtime may be necessitated. Work from home is discussed more in this paragraph. In the event that employees cannot complete work assignments during the work week as defined, they should advise their supervisor.

All employees, regardless of salary or hourly basis must record their time in the payroll system accurately. Abuse of payroll recording or false reporting will be subject to discipline, up to and including termination. Employees are expected to be on time for their work day, but not permitted to come early for work to complete tasks or stay later than their work time to complete tasks unless written permission is granted pursuant to this policy.

### Eligibility for Overtime:

In accordance with the FLSA, nonexempt employees are eligible to receive overtime pay at a rate of one and one-half times their regular pay for time worked in excess of 40 hours per “work week.”

Exempt employees are not eligible for overtime; they are expected to work as many hours as required to perform the duties of the position within normal standards for reasonable work place protocol. For purposes of quantifying overtime, this policy considers only time “actually worked”. Therefore, vacation time or other leave time does not count toward the overtime calculation.

#### Scheduling and Working Overtime:

Before overtime is worked, an employee must have a written approval from his or her supervisor. Overtime is considered a condition of employment, and if an employee refuses to accept it when reasonable notice has been given, it is cause for discipline, up to and including termination. At the supervisor’s discretion, an employee’s work schedule may be adjusted during a workweek to avoid overtime.

Unapproved overtime will be paid under this policy, however, the employee who works such unauthorized overtime is subject to discipline as set forth in this policy.

#### Exemptions:

Earned overtime will be paid to all non-exempt employees, regardless if they are salary employees or paid on an hourly basis unless they are exempt from overtime payments as defined by FLSA.

To qualify as a non-exempt employee, that employee generally must be paid at not less than \$913 per week and have job criteria that meet the Executive Exemption, the Administrative Exemption, Professional Exemption or other exemption as defined by the FLSA.

Being paid on a “salary basis” means an employee regularly receives a predetermined amount of compensation each pay period on a weekly, or less frequent, basis. The predetermined amount cannot be reduced because of variations on the quality or quantity of the employee’s work. Subject to the exemptions set forth below, an employee must receive the full salary in any work week in which the employee performs work.

#### Circumstances When the Authority May Make Deductions in Pay:

Deductions in pay may be made for an exempt employee or non-exempt employee, if an employee is absent from work for more than one or more full days for personal reasons other than sickness or disability and which absences exceed any allotted personal or vacation days. Employees are expected to report for work during their scheduled time or face pay deductions or discipline, regardless of whether an employee is an exempt or non-exempt employee.

Deductions in pay may occur for sickness and disability reasons, if the deduction is made in accordance with a bona fide plan for absences that exceed allotted sick time.

Approved paid absences, including sick leave, vacation leave, holiday leave, Family and Medical Leave Act (FMLA) leave, witness duty, funeral/bereavement leave, and voting time off are paid at an employee's regular rate of pay, but are not counted as "time worked" for the purposes of computing overtime.

Deductions in pay will also occur for any pay received for jury duty or military duty pay.

In the case of workplace infractions, pay will be deducted based upon the Authority's progressive discipline policy for any suspensions issued under said conduct policy. Deductions may also be made for any weeks and/or absences under unpaid FMLA leave. In these cases either partial day or full day deductions may be made.

#### Calculating Overtime Rate for Salary Employees:

Overtime is 1 ½ times an employee's "regular rate of pay" which is defined by the Regulations of the FLSA. Regular pay does not include any overtime payments from year to year, or certain benefits payments. Regular pay for purposes of overtime calculation is the hourly equivalent of all straight time compensation received by an employee for work. In other words, it is the straight time compensation received by the employee for work, divided by the number of hours that money is intended to compensate. So if an employee's regular work week is 35 hours, their salary would be divided by 1,820. However, even if a regular work week is 35 hours, overtime still is not paid until the 40 hour threshold set forth in this policy.

#### On-Call Time:

Agencies should decide how they want to handle this based upon the nature of the employment, what an employee may do while on call and their freedom of movement.

#### Time Calculation:

A “work hour” is any hour of the day that is worked and authorized to be worked and should be recorded to the nearest tenth of an hour.

Time Record Procedures:

Employees will submit their time records weekly as directed by their managers, either online or in hard copy. Time records must show all hours worked with project codes or departmental codes and labor distribution codes (e.g., hours worked, vacation time, sick time) that were incurred for the week. Time records should not be completed in advance.

Exempt employees who are eligible for premium pay should indicate the premium pay authorization code provided by their managers for all eligible hours.

Responsibilities:

Each employee is to:

- Maintain an accurate daily record on his or her time record of hours worked and the correct charge codes. All absences from work schedules should be appropriately recorded. Entries should be made daily.
- Obtain approval for any overtime or premium pay adjustments to be made in the workweek.
- Sign and submit the completed time record in the format required (electronic or paper) to supervisors in the time period required for approval.

Each manager is responsible for:

- Ensuring that all employees maintain accurate time records.
- Providing approval for overtime or premium pay.
- Approving time records and submitting them to payroll.

Payroll will:

- Ensure that all employees are paid earned wages/salaries on appropriate dates in accordance with federal and state regulations.

Enforcement:

Employees who are found to be offenders of this policy will be subject to disciplinary action as follows:

- First-time offenders will be:
  - Counseled to ensure that time reporting requirements are understood.
  - Advised of the consequences of further infractions.
  - Provided with a copy of this policy and acknowledgement receipt that it has been communicated and understood.
- Second-time offenders will:
  - Receive a written warning in their personnel files.
  - Be subject to spot checks by their supervisor during the 30-day period following the infraction.
- Third-time offenders will meet with their Supervisor and HR Director to be advised that this infraction will be noted in the employee's next annual performance evaluation, and they will receive a second written warning in their personnel files.
- Fourth-time offenders will have their case presented by their Supervisor to the disciplinary review committee for review of disciplinary actions up to and including termination.

Telecommuting employees who are not exempt from the overtime requirements of the Fair Labor Standards Act will be required to record all hours worked in a manner designated by the organization. Telecommuting employees will be held to a higher standard of compliance than office-based employees due to the nature of the work arrangement. Hours worked in excess of those specified per day and per workweek, in accordance with state and federal requirements, will require the advance approval of the supervisor. Failure to comply with this requirement can result in the immediate cessation of the telecommuting agreement.

Telecommuting Privileges:

Employees are only permitted to work from home in two situations:

- If approved for a telecommuting arrangement (see telecommuting policy).
- With prior permission from their immediate supervisor.

Before granting permission for short-term, work-at-home arrangements, supervisors should know the specific work to be performed and the projected amount of time expected. If the work at home will cause a nonexempt employee to work enough hours per day or week to become eligible for overtime under federal and state law, then the supervisor should consult the overtime policy before granting permission.

Under no circumstances are employees permitted to work at home without prior written permission.

Inclement weather:

In circumstances where the Authority closes for business, non-exempt employees will pay an employee for their regular work time on that date. However, that time will not be considered worked. However, in the case of an employee's decision to not come to work when the Authority is open for business, they will not receive pay for that day.

Compensatory Time:

The Authority does not allow accrual of compensatory time by exempt or nonexempt employees.

Improper Deductions:

If you believe an improper deduction has been made to your salary, you should immediately report this information to your direct supervisor. Reports of improper deductions will be promptly investigated. In the event it was determined improper deductions were made, they will be promptly reimbursed.

IT IS THE AUTHORITY'S POLICY TO COMPLY WITH THE SALARY BASIS REQUIREMENTS OF THE FLSA. THEREFORE, WE PROHIBIT ALL COMPANY MANAGERS FROM MAKING ANY IMPROPER DEDUCTIONS FROM THE SALARIES OF EXEMPT EMPLOYEES. WE WANT EMPLOYEES TO BE AWARE OF HTI SPOLICY AND THAT THE AUTHORITY DOES NOT ALLOW DEDUCTIONS THAT VIOLATE THE FLSA.