



CITY OF BETHLEHEM

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To: City Council
From: Eric R. Evans, Business Administrator
Date: September 8, 2025
RE: 27th Pay in 2026

There is an unusual payroll issue that occurs every 11 years for bi-weekly employers. It happens because 26 bi-weekly paychecks only cover 364 days in a year, not 365 (or 366 in Leap Years). Those extra days add up for employees over the course of time and create the 27th pay in the 11th year. The City of Bethlehem experienced this in 2016 and faced an increase in its expenses for the year of \$1.5 million as a result. The chart below shows how the accumulation of additional days adds up over the 11-year period.

Year	Number of Days	Additional Days Over 364
2016	366	2
2017	365	1
2018	365	1
2019	365	1
2020	366	2
2021	365	1
2022	365	1
2023	365	1
2024	366	2
2025	365	1
2026	365	1
Total Days Carried Over Into 2027		14

The next occurrence of 27 paydays for the City would be 2027. However, since the timing of the first payday in 2027 would fall on Friday, January 1 (a holiday), that payday will actually occur on Thursday, December 31, 2026, creating 27 paydays in 2026, rather than 2027.

Fortunately, since 2016, the city has taken steps in order to prepare for the next 27th payday. Over the past 9 years we have incrementally built an escrow account labeled “27th Pay.” The account was built by identifying non-reoccurring revenue events, such as the residual balance of the 9-1-1 Fund in 2019 (after it was consolidated to Northampton County), savings from the 2019 bond refinance, and the residual balance of the EIT/BP/LST accounts in 2021 (after collections moved to the County). By allocating these non-reoccurring revenue sources to the 27th Pay escrow account when they presented themselves, the balance of the account has grown to \$2,005,000. From that balance, approximately \$2 million will be placed onto the revenue line Escrow (#30904) of the 2026 proposed budget in order to cover this once in an 11-year occurrence. Any remaining balance of the 27th Pay escrow account will become the beginning balance for the next occurrence, which will be in 2038.

cc: Mayor Reynolds
Controller Yasso
Linnea Lazarchak, Director of Budget and Finance
Michelle Cichocki, Director of Human Resources
Chrisie Meckes, Compensation Coordinator
Douglas Shadle, IS Programming Manager