



City of Palo Alto

City Council Staff Report

(ID # 3939)

Report Type: Action Items

Meeting Date: 6/24/2013

Summary Title: UMPAPA adoption of resolution

Title: Adoption of a Resolution Implementing Terms for Utilities Managers and Professionals Association of Palo Alto Pursuant to California Government Code Section 3505

From: City Manager

Lead Department: Human Resources

Recommendation

Staff recommends that Council hold a public hearing and adopt the attached resolution implementing the changes described in the City's Last, Best, and Final Offer to employees in the Utilities Managers and Professionals Association of Palo Alto (UMPAPA).

Motion

Council adopt the attached resolution implementing the changes described in the City's Last, Best, and Final Offer to employees in the Utilities Managers and Professionals Association of Palo Alto (UMPAPA)

Background

UMPAPA petitioned to form a bargaining unit in November 2009, and following proceedings before the State Mediation and Conciliation Service, the City certified UMPAPA as a bargaining unit in 2011. This unit consists of 43 managers and administrative staff earning an average salary of \$128,352 with an average total compensation of \$194,450. The City and UMPAPA started meeting and conferring in good faith in July 2011. On April 30, 2013, UMPAPA declared impasse and requested that the City hold a public hearing to implement its Last, Best and Final offer.

The Meyers Milius Brown Act (“MMBA”) requires the City to bargain in good faith, and prohibits it from changing terms and conditions of employment for represented employees without completing good faith negotiations and legally mandated impasse procedures. Following the completion of any applicable impasse procedures, the City may implement changes consistent with its Last, Best, and Final offer to the Association. Implementation does not establish a Memorandum of Agreement (MOA). Following implementation, the parties are still required to negotiate matters within the scope of representation. In other words, even after implementation, either party may request that negotiations resume at any time if there is some indication that the impasse may be broken. At a minimum, the parties must meet and confer prior to adoption of the budget the next fiscal year, FY 2015 in this instance. Thus, the parties will likely resume negotiations in early calendar year 2014.

In addition, because the parties’ duty to bargain continues even after implementation, the City may not implement any terms that amount to a waiver of UMPAPA’s right to request bargaining. For example, language contained in the “Management Rights” and work stoppage provisions of the City’s Last, Best, and Final Offer will not operate as a waiver of UMPAPA’s rights, and will not grant the City any greater rights than it possesses under state law.

New state law effective January 1, 2012 allows a union to request fact-finding as an impasse procedure within 30 days of the declaration of impasse. If fact-finding is requested, the City must complete that process prior to implementing terms. Here, UMPAPA declined fact-finding and the time period has run. Therefore, section 3505.7 allows the City to implement terms after holding a public hearing.

Discussion

The parties have been bargaining for an initial MOA for two years and have held 29 formal meetings. During these negotiations the City has focused on negotiating three key concessions consistent with those established with other Management employee groups including the Management and Professional unit, and the Fire Chiefs’ Association: (1) an employee cost share for medical premiums of 10% for active employees, (2) paying the full CalPERS employee retirement contribution and (3) decreasing the professional development benefit from \$1500 to \$500. SEIU and IAFF have also agreed to contracts with two of these three concessions not including this specific professional development change.

In Dec. 17, 2012, the parties appeared to reach a tentative agreement on all issues, including the concessions outlined above. However, the agreement dissolved after the City proposed several minor clarifications throughout the contract and UMPAPA raised new concerns over the “Management Rights” provision. In particular, UMPAPA objected to language asserting the City’s unilateral rights to: promulgate work rules; determine work schedules; determine job classifications and the allocation of positions; and determine the methods, means and personnel by which services are provided, including the right to contract out. Although the City

attempted to address UMPAPA's concerns, it became clear that the parties would not be able to reach a final agreement. On April 30, 2013, UMPAPA declared impasse.

Prior to UMPAPA's declaration of impasse, the parties were able to draft and sign tentative agreements on most subjects, and the City's Last, Best and Final Offer achieves many of the City's goals in negotiations, with the exception of the City's right to manage. Therefore staff recommends implementing the City's Last, Best, and Final Offer, which is included with the attached resolution. The following provides a summary of the key terms for this unit, all of which were tentatively agreed to by both parties prior to UMPAPA's declaration of impasse:

Pension

- UMPAPA employees to pay full employee CalPERS retirement contribution, eight percent (8%) or seven (7%) depending on retirement formula employee is enrolled in (employees currently paying two percent of the employee contribution and the City is paying the difference); and

Salary

- Three percent (3%) salary increase for all classifications, similar to Management and Professional unit to offset the increased employee contribution to pension, effective within three pay periods following adoption of attached resolution;
- Additional salary increases to bring below-market classifications to market based on the Koff and Associates 2012 Management and Professional Total Compensation Study, in two phases: the first phase is effective within three pay periods following adoption of attached resolution; and the second phase effective in the pay period including December 1, 2013.

Medical Cost sharing increase and other health-related benefit changes

- Employee health plan contribution increase to ten percent (10 %) medical contribution similar to other employee units, City to pay up to 90% of second highest CalPERS plan;
- All part-time UMPAPA employees will begin to pay pro-rated contributions for benefits
- Reduce alternative medical waiver cash out to \$284 per month flat rate; and
- Future retirees will pay the same contribution as actives, as it changes from time to time

At-will status

- New Division Managers and Assistant Department Directors will be hired under "At-will" status with ability to separate or be asked to resign at any time with or without cause.

Upon involuntary separation, UMPAPA employees will be eligible for severance up to 90 days.

- Other employees in this bargaining group not considered “At-will” shall be subject to twelve (12) month probation (at-will employees do not have a probation period).

Professional Development

- Similar to Management and Professional unit, reduce amount per employee per year from \$1500 to \$500 per fiscal year, with remaining \$1,000 per person to be allocated to Utilities department for training and development as determined appropriate by department head.

New staffing changes

Effective July 1, 2013, changes in staffing to two positions were proposed by the Utilities Department in FY14 budget process. One reclassification was requested changing a Senior Resource Planner to Manager, Utilities Credit and Collection. The other reclassification requested was to change an Inspector, Field Services to Supervisor, Inspection Services. These requests were approved by Council in budget adopted June 13, 2013, and the newly created positions are now listed in attached salary schedule.

Resource Impact:

The cost for adoption of this resolution is outlined as follows:

3% increase	\$164,887
Targeted salary increases	\$452,290
Annualized Subtotal	\$617,177
Variable Benefits – pension, Medicare, life insurance - (28.5%)	\$175,895
Total Adjustments Cost	\$793,073
Savings – PERS, medical	(\$344,641)
Annualized Net cost	\$448,432
*This grand total does not include the savings from NOT retroactively implementing the agreement	

Attachments:

- ATTACHMENT A - Reso UMPAPA Imposing Last Best Final Offer (PDF)
- ATTACHMENT B - UMPAPA and Salary Schedule 2013 (PDF)

ATTACHMENT A
NOT YET APPROVED

Resolution No. ____
Resolution of the Council of the City of Palo Alto Imposing the
City's Last, Best, and Final Offer to Utility Management
Professional Association Pursuant to Government Code
Section 3505.7

R E C I T A L S

A. The Utility Management Professional Association (hereinafter "Union") filed to form a bargaining unit pursuant to the City's Merit Rules, which was ruled by an arbitrator to be a unit with the broadest feasible grouping based upon the internal Utilities community of interest; and

B. Union was certified by the City of Palo Alto (hereinafter "City") on April 13, 2011; and

C. Since July 2011, the City and Union have met and engaged in extensive negotiations over the terms of their first Memorandum of Agreement, meeting approximately twenty-nine (29) times in an effort to agree on the terms of an initial Memorandum of Agreement; and

D. On April 30, 2013, the Union declared Impasse; and

E. The Union did not request Factfinding pursuant to PERB regulations; and,

F. Notwithstanding all of the efforts described above the Parties remain at an impasse after the 30-day time period has been exhausted; and

G. In such circumstances Government Code section 3505.7 authorizes the City to unilaterally implement its last, best, and final offer; and

H. On June 13, 2013 the City gave the Union written notification that the City Council would consider a resolution to unilaterally implement the terms of the City's last, best and final offer at the City Council meeting on June 17, 2013.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. Implementation of Last, Best, and Final Offer. The implementation of the City's Last, Best, and Final Offer, attached hereto and incorporated herein, is approved. The City Manager is authorized to implement the terms of the Last, Best and Final Offer effective immediately upon adoption of this resolution.

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SECTION 2. **Summary of Terms.** This section provides a summary of the terms and conditions of employment of members of the Utility Management Professional Association bargaining unit. A more complete description of the terms and conditions of employment for members of the Utility Management Professional Association bargaining unit is contained in the attached Last, Best, and Final Offer.

- Compensation.

The City Manager will determine each employee's actual salary relative to the control point for a classification. The City Manager has sole discretion to adjust salaries within control point range. Increases within the control point range shall only be awarded to employees who achieved an overall rating of "meets" or "exceeds" expectations on their respective most recent annual performance evaluation who have not been subject to a performance improvement plan or disciplinary action during that evaluation period.

Effective the pay period including on the first day of the first pay period following adoption of this resolution, or as soon as administratively possible, control points for all classifications in the Association bargaining unit shall increase three percent. Such increases are in addition to the selective control point adjustments that will take effect on the same date, as reflected on Exhibit A to the City's Last, Best, and Final Offer. Except for employees hired or promoted into the bargaining unit less than one hundred twenty (120) days before this resolution is implemented, each employee's base salary will increase to the control point, provided that if an employee is being compensated above control point at the time a control point increase takes effect, the City Manager has the sole discretion to determine whether the employee's pre-existing above-control point salary level shall be increased.

Effective December 1, 2013 the salary control points set forth in Exhibit B to the City's Last, Best, and Final Offer attached hereto and incorporated herein, for the classifications covered by this agreement will take effect. Also effective December 1, 2013 employees in the bargaining unit before August 3, 2013 will receive a percentage adjustment in base salary equal to the percentage increase, if any, in the control point on that date as set forth in Exhibit B to the City's Last, Best, and Final Offer; provided that if an employee is being compensated above control point at the time a control point increase takes effect, the City Manager has the sole discretion to determine whether the employee's pre-existing above-control point salary level shall be increased.

- Performance Appraisal.

Performance appraisals will be conducted in accordance with the terms contained in the City's Last, Best, and Final Offer.

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- Overtime and in-lieu holiday pay.

Compensation for overtime work, and scheduled work on paid holidays for certain designated non-exempt employees shall be in conformance with the Merit Rules and Regulations and Policies and Procedures.

- Working out of classification pay.

If employees are assigned on a temporary basis to perform all significant duties of a higher classification the City Manager may authorize payment within the range of the higher classification for the specified time frame.

- Call Out Pay.

Exempt utility management and professional classifications will be compensated for Call Out as outlined in the City's Last, Best, and Final Offer, with Management approval (and will not be eligible for overtime pay).

- Night Shift Premium.

Night shift differential shall be paid at the rate of 5% to regular full-time employees who are regularly assigned to shift work between 6:00 p.m. and 8:00 a.m., or to employees who are temporarily assigned to work a full shift between 6:00 p.m. and 8:00 a.m.

- Professional Development.

Reimbursement for authorized self-improvement activities may be granted each unit employee up to a maximum of five hundred dollars (\$500) per fiscal year. In addition, a departmental training fund of one thousand dollars per employee (\$1,000) will be established for subject matter, leadership or other training that the Department Director identifies as a need for employees within that Department.

- Active Employee Health Plan.

- a) Effective on the first of the calendar month falling sixty (60) days after adoption of this resolution, City health premium contributions (medical, dental and vision) will be prorated for part-time employees based on the number of hours per week the part-time employee is assigned to work. Until that time, part-time

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employees will remain subject to the practice in effect at adoption of this resolution.

Active employees participating in City sponsored health plans will contribute ten percent (10%) of the premium cost for the employee-selected plan, and the City shall contribute ninety percent (90%) with maximum City contribution of ninety percent (90%) of the second highest plan.

If a regular employee and/or the employee's dependent(s) are eligible for medical insurance through another employer-sponsored or association medical plan, the employee may opt for alternative medical insurance coverage through the other employer-sponsored or association plan and waives his/her right to the City of Palo Alto's medical insurance coverage for same individuals. Employees waiving City coverage may receive a stipend of \$284 per month.

- Retiree Health Plan

1. Employees Hired Prior to January 1, 2004

Monthly City-paid premium contributions for a retiree-selected health plan through the CalPERS Health Benefits Program will be made as provided under the Public Employees' Medical and Hospital Care Act. The City's contribution for an employee hired before January 1, 2004 and whose retirement date is on or after May 1, 2011 shall be the same contribution amount it makes from time to time for active City employees.

2. Post – 1/1/04 Hires

Government Code section 22893 applies to those Unit members hired after January 1, 2004, and provides that, upon retirement from the City an employee is eligible for 50% of the specified employer health premium contribution after ten (10) years of service credit, provided at least five of those years were performed at the City of Palo Alto. After ten years of service credit, each additional service credit year increases the employer contribution percentage by 5% until, at twenty (20) years' service credit; the employee will be eligible upon retirement for 100% of the specified employer contribution and 90% of the contribution for their dependent coverage. The City of Palo Alto's health premium contribution for eligible post – 1/1/04 hires shall be the minimum contribution set by PERS under section Government Code section 22893.

- Dental Plan and Vision Care.

The City shall pay covered dental plan charges on behalf of all eligible employees and dependents. The City shall provide vision care coverage for employee and dependents. Coverage is administered by Vision Service Plan (VSP).

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- Additional Insurance Coverage.

The City shall provide a basic group term life insurance with Accidental Death and Dismemberment (AD&D) coverage, supplemental life and AD&D insurance, and long term disability insurance, as provided in the City's Last, Best, and Final Offer.

- Employee Assistance Plan

The City shall provide employees access to an Employee Assistance Plan (EAP).

- Excess Benefit.

The City shall provide an "Excess Benefit" in an amount not to exceed \$2,500 per employee per calendar year, through a plan designed to meet the requirements of Section 125 of the Internal Revenue Code.

- Pension Benefits

Effective the pay period including on the first day of the first pay period following adoption of this resolution, or as soon as administratively possible, employees under the 2.7%@55 retirement formula will pay the full eight percent (8%) employee contribution.

Effective the pay period including on the first day of the first pay period following adoption of this resolution, or as soon as administratively possible, employees under the 2%@60 retirement formula will pay the full seven percent (7%) employee contribution.

Employees hired on or after January 1, 2013 who are "new members" as defined by the California Public Employees' Pension Reform Act (PEPRA), will be subject to the terms of that statute including but not limited to the following provisions:

1. Retirement formula. Effective for employees hired on or after January 1, 2013, the PEPRA requires the City to provide new employees, as defined in that law, the CalPERS retirement formula two percent of final salary at age 62 (2%@62).
2. Employee contributions. Employees under the 2%@62 formula shall pay at least 50 percent of the total normal cost or the same contribution rate as "similarly situated" employees, whichever is higher.
3. Final compensation. Final compensation for employees under the 2%@62 benefit shall be as set forth in PEPRA, including calculation based on the average of three highest consecutive years and a cap on pensionable

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compensation (currently \$136,440) based on IRS limits for employers that do not participate in social security.

- Sick Leave.

Sick leave shall be accrued at the rate of 3.7 hours per bi weekly pay period for those employees working a forty hour duty schedule, provided the employee has been in a pay status for 50 percent or more of a bi weekly pay period.

- Management Annual Leave.

At the beginning of each calendar year designated exempt employees will be credited with 80 hours of management annual leave.

- Vacation.

Vacation will be accrued when an employee is in pay status and will be credited on a bi-weekly basis. Total vacation accrual at any one time may not exceed three times the annual rate of accrual. Employees are eligible to cash out vacation accrual balances in excess of 80 hours pursuant to the provisions contained in the City's Last, Best, and Final Offer.

- Bereavement.

Leave of absence with pay of three days may be granted an employee by the head of his/her department in the event of death in the employee's immediate family.

- Probation.

Employees who are not At-Will shall serve an initial probationary period of twelve (12) months. During the probationary period the employee serves at the will of the City and may be terminated for no reason or for any lawful reason, and such termination is not subject to appeal.

- At Will Status.

Certain unit positions are designated as having "at-will" employment status. Employees who hold at-will positions shall have no constitutionally protected property or other interest in their employment with the City. Notwithstanding any provision in the Merit System Rules and Regulations or any other City rule, policy or procedure, at-will employees have no right or expectation to continued employment or pre-or post-disciplinary due process and work at the will and

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pleasure of the hiring authority. Work for an at-will employee may be eliminated and/or the employee may be terminated, or asked to resign, at any time, with or without cause, upon notice to that employee, and the employee may resign at any time upon written notice to the hiring authority.

Effective on the date of adoption of this MOA, new employees hired or promoted to the following classifications shall be at-will employees: Assistant director, engineering manager, communications manager, manager electric operations, manager customer service & meter reading, manager utilities marketing services, manager utilities operations WGW, utilities compliance manager.

At-will employees will be eligible for, and shall receive, all regular benefits (i.e., health insurance, CalPERS contribution to the extent paid by City, etc.) and vacation, sick leave, and management leave as are generally provided to unit employees.

- Reimbursement.

The City may provide a basic relocation benefits package for new employees, upon approval of the City Manager or designated subordinate, and in accordance with the City's Relocation Expense Policy.

- Meal Allowance

Employees assigned to attend night meetings or who travel for business purposes are eligible to receive reimbursement as described by City Policy.

- Reduction in Workforce

The City will make every effort to provide written notice of its intent to lay off employees in this unit and will meet with Association upon request to discuss alternatives to layoff.

SECTION 3. Nothing in this Resolution shall be construed as depriving the Union of its right to meet and confer on matters within the scope of representation, whether or not such matters are included in this Resolution, prior to adoption of the City budget or as otherwise required by law.

SECTION 4. If any provision or any part of a provision of this Resolution shall be finally determined to be invalid, illegal, or otherwise unenforceable, such determination shall not impair or otherwise affect the validity, legality, or enforceability of the remaining provision or parts of the provision this Resolution, which shall remain in full force and effect as if the unenforceable provision or part were deleted.

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SECTION 5. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

Deputy City Attorney

City Manager

Chief People Officer

ATTACHMENT B

TENTATIVE

**City of Palo Alto
and
Utility Management Professional Association of Palo Alto
(UMPAPA)**

Memorandum of Agreement

[Date of Council Adoption], 2013-December 31, 2014

PREAMBLE

This memorandum of Agreement between the City of Palo Alto, hereinafter referred to as the "City", and the Utilities Management and Professional Association of Palo Alto, hereinafter referred to as the "Association", has been prepared and entered into in accordance with Title I, Division 4, Chapter 10, Sections 3500-3510 of the California government Code and Chapter 12 of the City of Palo Alto Merit System Rules and Regulations.

ARTICLE I – RECOGNITION

The City recognizes the Association as the exclusive representative of employees occupying positions in the bargaining unit certified by the City in accordance with the decision of Arbitrator Kagel dated April 13, 2011.

ARTICLE II – NO DISCRIMINATION

The Association and the City hereby agree that there shall be no discrimination because of race, color, age, handicap, sex, national origin, sexual or gender orientation, political or religious affiliation under this Agreement. There shall be no discrimination in employment conditions or treatment of employees on the basis of membership or non-membership in the Association, or participation in the lawful activities of the Association.

ARTICLE III – PAYROLL DUES DEDUCTION

The City shall deduct Association member dues, and any other mutually agreed upon payroll deduction from the bi-weekly pay of bargaining unit employees. The dues deduction must be authorized in writing by the employee on an authorization form acceptable to the City and to the Association. City shall remit the deducted dues to the Association as soon as possible after deduction.

ARTICLE IV – WORK STOPPAGE AND LOCKOUTS

The Association, its representatives or members shall not engage in or cause, instigate, encourage, sanction or condone a work stoppage or sympathy work stoppage, withholding of services, leave of absence abuse or work slowdown of any kind against the City of Palo Alto or its citizens by its members during the term of this MOA. No Association member shall refuse to cross any picket line in the conduct of the Utility business, nor shall the Association, its representatives or members discriminate in any way towards anyone who refuses to participate in a work stoppage or any of the job actions cited above. The City agrees that it will not lock out Association members.

ARTICLE V – CITY RIGHT TO MANAGE

The City retains and reserves, without limitation, all powers, rights, authority, duties, and responsibilities to manage the City including, but not limited to:

1. Management and administrative control of the City, its operations, and its properties and facilities;
2. Evaluate, hire, promote, transfer, demote, discipline, and discharge employees;
3. Promulgate, enforce and periodically revise or rescind reasonable work rules, operational and administrative policies, qualitative and quantitative standards, and procedures
4. Assign and distribute work;
5. Determine the methods, means, and personnel by which services are carried out including the right to ~~subcontract or contract out, contract in,~~ transfer duties between City employees whether or not they are in the bargaining unit, and to subcontract or contract out, subject to the provisions of Article XIII, section 4 of this MOA;
6. Establish and revise reasonable standards of attendance, conduct, and performance and to enforce such standards;
7. Determine and implement technology and equipment used in the performance of work, and to determine work locations;
8. Determine job classifications and the allocation of positions to those classifications;
9. Determine work schedules including, but not limited to, the hours of work and rest;
10. Determine payroll practices,
11. All rights conferred upon and vested in it by the law and the Constitutions of the State of California and the United States, and
12. Any other right traditionally and historically exercised by the City with respect to employees and operations within the scope of the bargaining unit.

Nothing in this Agreement is to be interpreted as constituting a waiver of the City's rights and responsibilities to manage the City and create and maintain programs and services that reflect its public's wishes. The intent of this MOA is to establish wages, working hours, and conditions of employment with the Association.

ARTICLE VI – COMPENSATION

Section 1 – Compensation.

- a) Classifications allocated to salary control points. The classifications in the Utilities Department that are covered by this MOA and the salary control points for those classifications are listed on Exhibit A, which is attached hereto and incorporated herein. The City Manager will determine each employee's actual salary relative to the control point for a classification based on a variety of factors including but not limited to adaptive performance, achievement of pre-determined objectives, experience, City financial conditions, etc.
- b) City Manager Sole Discretion. The City Manager has sole discretion to adjust salaries within control point range. The City Manager may increase or decrease an employee's salary if, in the City Manager's sole judgment, such adjustments are warranted based on factors such as those described in subsection A above, provided that the salary rate resulting from such adjustment may not exceed one hundred twenty percent (120%) or fall below eighty percent (80%) of the salary control point for the classification. Increases within the control point

range shall only be awarded to employees who achieved an overall rating of "meets" or "exceeds" expectations on their respective most recent annual performance evaluation who have not been subject to a performance improvement plan or disciplinary action during that evaluation period.

c) Initial Control Point Increases. ~~Effective the pay period including on the first day of the first pay period following adoption of this MOA, or as soon as administratively possible, control points for all classifications in the Association bargaining unit shall increase three percent, as shown on Exhibit A. In no event will such increase take effect later than the beginning of the third full pay period following adoption of this MOU by the City Council.~~ Such increases are in addition to the selective control point adjustments that will take effect on the same date, as reflected on Exhibit A. Except for employees hired or promoted into the bargaining unit moreless than one hundred twenty (120) days before this subsection c) is implemented, each employee's base salary will increase to the control point, provided that if an employee is being compensated above control point at the time a control point increase takes effect, the City Manager has the sole discretion to determine whether the employee's pre-existing above-control point salary level shall be increased, based on the factors such as those set forth in subsections A and B above.

d) Additional Targeted Control Point Adjustments. Effective December 1, 2013 the salary control points set forth in Exhibit B, attached hereto and incorporated herein, for the classifications covered by this agreement will take effect. Also effective December 1, 2013 employees in the bargaining unit before August 3, 2013 will receive a percentage adjustment in base salary equal to the percentage increase, if any, in the control point on that date as set forth in Exhibit B; provided that if an employee is being compensated above control point at the time a control point increase takes effect, the City Manager has the sole discretion to determine whether the employee's pre-existing above-control point salary level shall be increased, based on the factors such as those set forth in subsections A and B above.

Section 2 – Performance Appraisal. Performance appraisals will be conducted each fiscal year between July 1 and September 30, inclusive. This process includes both review of previous performance plan and preparation of the performance plan for the next planning period (usually the fiscal year). Performance plans are jointly prepared by the employee and supervisor with the concurrence of the department head or Council-appointed officer. The performance plans shall contain measurable objectives which place special emphasis on position description duties or specific assignments. Progress toward meeting objectives shall be monitored periodically. The performance appraisals should be implemented in manner that will achieve the following objectives.

1. Define the employee's job duties and expected level of performance for the next review period to ensure that both the employee and supervisor have a clear understanding of the employee's role and responsibilities;
2. Evaluate and document past performance to serve as a basis for establishing and obtaining future performance standards/objectives;

3. Facilitate two-way communication and understanding between the employee and his or her supervisor, counsel and encourage employees to work toward a learning development plan and realize their full potential; and
4. Establish future work plan objectives.

Work plans should include job related projects or special goals related to regular job duties when applicable. At the conclusion of the fiscal year (or review period), supervisors shall make a final determination of the overall performance rating. Recommendations shall be forwarded to department heads and to the Chief People Officer who will then determine individual fixed adjustments according to the provisions of the compensation plan.

Section 3 – Overtime and in-lieu holiday pay. Compensation for overtime work, and scheduled work on paid holidays for certain designated non-exempt employees shall be in conformance with the Merit Rules and Regulations and Policies and Procedures. Overtime eligible employees shall be paid at the rate of time and one-half times the employees' basic hourly salary unless called out for an emergency arising out of situations involving real or potential loss of service, property or personal danger, in which case additional pay will be at the rate of two times the employees' basic hourly salary. Employees who work a schedule where a regular day off falls on a holiday will be paid for the hours they would have normally worked on that day. If the holiday falls on a non-workday for an exempt employee, the employee may, with supervisory approval, take another day off within the pay period or the following pay period.

Section 4. – Working out of classification pay. If employees are assigned on a temporary basis to perform all significant duties of a higher classification the City Manager may authorize payment within the range of the higher classification for the specified time frame. Working out of class pay is normally not to exceed ten percent (10%) more than the employee's current salary and shall be documented on a Personnel Action Form, with a description of the additional duties to be performed and an end date.

Section 5 – Call Out Pay. Exempt utility management and professional classifications will be compensated for Call Out as outlined below with Management approval (and will not be eligible for overtime pay). Call out applies when:

1. An employee previously left City premises,
2. Is called back to the work location outside of regularly scheduled working hours, and
3. The Call Back is for an emergency arising out of situations involving real or potential loss of service, property or personal danger. Employees called back will be expected to respond to the location of the problem.

Compensation is per Call Out as reported on timecard and will paid as follows:

Monday through Friday	\$140 per day
Saturday, Sunday, Holidays	\$200 per day

Section 6 – Night Shift Premium. Night shift differential shall be paid at the rate of 5% to regular full-time employees who are regularly assigned to shift work between 6:00 p.m. and 8:00 a.m., or to employees who are temporarily assigned to work a full shift between 6:00 p.m. and 8:00 a.m.

Section 7 – Professional Development. This program provides employees with resources to improve and supplement their job and professional skills. Reimbursement for authorized self improvement activities may be granted each unit employee up to a maximum of five hundred dollars (\$500) per fiscal year. In addition, a departmental training fund of one thousand dollars per employee (\$1,000) will be established for subject matter, leadership or other training that the Department Director identifies as a need for employees within that Department.

The following items are eligible for reimbursement:

1. Civic and professional association memberships
2. Conference participation and travel expenses, which must occur within the fiscal year in which the funds are encumbered
3. Educational programs, books and videos, and tuition reimbursement designed to maintain or improve the employee's skills in performing his or her job or future job opportunities, should support the City's mission or be necessary to meet the educational requirements for qualification for employment. Permissible educational expenses are refresher courses, courses dealing with current developments, academic or vocational courses, as well as the travel expenses associated with the courses as defined by the City's travel expense report from the Policy & Procedures Manual Section 1-02 ASD
4. Professional and trade journal subscriptions not to exceed 12 months.

Approval will be at the discretion of the department head and signature is required on the reimbursement form. Amounts under this professional development program will be pro-rated in the first year of employment or promotion into a position covered by this MOA.

ARTICLE VII – HEALTH BENEFITS

Section 1 – Group Insurance.

- a) **Effective Date of Coverage.** For newly-hired regular employees coverage begins on the first day of the month following date of hire for the health plan, dental plan, vision care plan, long term disability and life insurance plans if these benefits are elected. Effective on the first of the calendar month falling sixty (60) days after adoption of this MOA, City health premium contributions (medical, dental and vision) will be prorated for part-time employees based on the number of hours per week the part-time employee is assigned to work. Until that time, part-time employees will remain subject to the practice in effect at adoption of this MOA.

b) Active Employee Health Plan.

1. Based on an employee's family status and choice of City sponsored health plan, the City shall contribute toward the monthly medical premium on behalf of eligible employees and eligible dependents, as provided in subsection b)2. below. Eligible dependents include spouses, children under age 26 and never married (natural, adopted, or stepchildren), and domestic partners registered with the Secretary of State.
2. Beginning on the same date that wage adjustments pursuant to Article VI, Compensation, section 1 subsection c of this MOA take effect participating employees will contribute ten percent (10%) of the premium cost for the employee-selected plan, and the City shall contribute ninety percent (90%) with maximum City contribution of ninety percent (90%) of the second highest plan.

c) Coverage for Domestic Partners.

1. Domestic Partnership Registered with the California Secretary of State: Employees may add their domestic partner as a dependent to their elected health plan coverage if the domestic partnership is registered with the Secretary of State.
2. Domestic Partner Not Registered with the California Secretary of State;; Domestic partners who meet the requirements of the City of Palo Alto Declaration of Domestic Partnership , and are registered with the Human Resources Department, will be eligible for reimbursement of the actual monthly premium cost of an individual health plan, not to exceed the maximum monthly city employer contribution for one-party coverage under the CalPERS Health Benefits Program for an employee covered under this agreement. Evidence of premium payment will be required with request for reimbursement.

d) Alternative Medical Benefit Program

If a regular employee and/or the employee's dependent(s) are eligible for medical insurance through another employer-sponsored or association medical plan, the employee may opt for alternative medical insurance coverage through the other employer-sponsored or association plan and waives his/her right to the City of Palo Alto's medical insurance coverage for same individuals. Employees waiving City coverage may receive a stipend of \$284 per month.

e) Retiree Health Plan

1. Employees Hired Prior to January 1, 2004

Monthly City-paid premium contributions for a retiree-selected health plan through the CalPERS Health Benefits Program will be made as provided under the Public Employees' Medical and Hospital Care Act. The City's contribution for an employee hired before January 1, 2004 and whose retirement date is on or after May 1, 2011

shall be the same contribution amount it makes from time to time for active City employees.

2. Post – 1/1/04 Hires

Government Code section 22893 applies to those Unit members hired after January 1, 2004, and provides that, upon retirement from the City an employee is eligible for 50% of the specified employer health premium contribution after ten (10) years of service credit, provided at least five of those years were performed at the City of Palo Alto. After ten years of service credit, each additional service credit year increases the employer contribution percentage by 5% until, at twenty (20) years' service credit; the employee will be eligible upon retirement for 100% of the specified employer contribution and 90% of the contribution for their dependent coverage. The City of Palo Alto's health premium contribution for eligible post – 1/1/04 hires shall be the minimum contribution set by PERS under section Government Code section 22893.

f) **Dental Plan**

1. The City shall pay covered plan charges on behalf of all eligible employees and dependents. Dependents include eligible domestic partners as defined in Section 1 subsection c of this Article VII, Health Benefits.
2. The City's Dental Plan provides the following:
 - a. Maximum Benefits per Calendar Year- \$2,000 per person
 - b. Lifetime Maximum for Orthodontics- The City will pay up to \$2,000.00 for orthodontia coverage (not included in annual dental maximum)
 - c. Major Dental Services 50% UCR*
 - d. Orthodontics 50% UCR*
 - e. Basic Benefits (All other covered services)
 - i) First Calendar Year of Eligibility 70% UCR*
 - ii) Subsequent Calendar Years 70%-100%
 - iii) *Usual, Customary, and Reasonable
 - iv) For each dental plan member, the percentage of coverage for basic benefits will begin at 70% for the first calendar year of coverage and increase by 10% (up to a maximum of 100%) effective the first day of the next calendar year as long as the member utilizes the plan at least once during the current year. Per the Delta Dental contract effective October 1, 2005, if the member does not use the plan during the current year, the percentage of coverage for the next calendar year shall remain unchanged from the current year.

v) If a dental plan member loses coverage under the plan, the applicable percentage of coverage for basic benefits provided during any future period of coverage will commence at 70% as if the dental plan member was a new enrollee. Examples of when a member might lose coverage under the plan include:

- Employee goes on an unpaid leave of absence and elects not to pay the required dental premiums for his/her family's coverage during the leave.
- Employee elects to drop one or more covered dependents from the plan during an open enrollment period so that they might be covered on a spouse's non-City of Palo Alto dental plan.

g) Vision Care

1. The City shall provide vision care coverage for employee and dependents. Coverage is administered by Vision Service Plan (VSP). The plan will provide an exam every 12 months; lenses every 24 months; frames every 24 months, all subject to a twenty dollar (\$20) co-payment as defined in the Vision Services Benefits Plan A schedule.
2. Dependents include eligible domestic partners as defined in Section 1, Subsection c of this Article VII, Health Benefits.

h) Basic Life Insurance

The City shall provide a basic group term life insurance with Accidental Death and Dismemberment (AD&D) coverage, in an amount equal to the employee's annual basic pay (rounded to the next highest \$1,000) at no-cost to the employee. AD&D pays an additional amount equal to the employee's annual basic pay (rounded to the next highest \$1,000).

i) Supplemental Life And AD&D Insurance

An employee may, at his/her cost, purchase additional life insurance and additional AD&D coverage equal to one- or two-times his or her annual salary. The maximum amount of life insurance available to the employee is up to \$325,000 and the maximum amount of AD&D coverage available is up to \$325,000.

j) Long Term Disability Insurance

The City shall provide long term disability (LTD) insurance with a benefit of 2/3 monthly salary, up to a maximum benefit of ten thousand dollars (\$10,000) per month. The LTD plan will have a waiting period of sixty days, as provided by the applicable carrier agreement. The City shall pay the premium for the first six thousand dollars (\$6,000) of base monthly salary. For employees whose base monthly salary exceeds six thousand

dollars (\$6,000), the employee shall pay the cost of the required premium based upon their monthly salary between six thousand dollars (\$6,000) and fifteen thousand dollars (\$15,000).

For employees whose base monthly salary exceeds six thousand dollars (\$6,000) and who have no eligible dependents covered under the City's medical, dental or vision plans, the City will pay up to seventeen dollars fifty cents (\$17.50) per month toward the employee's cost for LTD coverage.

k) Physical Examinations

All employees are eligible to receive an annual physical examination as follows:

1. Use the periodic health exam benefit as provided under the CalPERS Health Plan option you have selected. Each of the CalPERS Health Plans provides for a periodic physical examination. The examination must be performed by your primary care physician—unless he/she refers you to another physician.
2. The types of tests and the frequency of the tests cannot exceed AMA guidelines. The guidelines are a suggested minimum based on research studies concerning preventative care. The judgment of your physician is the final determinant for your care.
3. Any additional necessary asymptomatic tests that are required by your physician that are not covered by your health plan, will be reimbursed by the City. Any symptomatic tests will be covered under your CalPERS Health Plan.

The Reimbursement for Periodic Physical Exam Form is available on the Human Resources Intranet site. This benefit will not be pro-rated.

l) Employee Assistance Plan

The Employee Assistance Plan (EAP) provides employees with confidential personal counseling, work and family related issues, eldercare, substance abuse, etc. In addition, EAP programs provide a valuable tool for supervisors to refer troubled employees to professional outside help. This service staffed by experienced clinicians is available to employees and their dependents by calling a toll-free phone line twenty-four (24) hours a day, seven days a week. Guidance is also available online.

Section 2 – Parties to Meet and Confer Regarding Health Benefits During Term of MOA. Association understands and agrees that City may, upon written notice to Association, reopen negotiations at any time during its term for the purpose of negotiating over the terms of a possible cafeteria plan for active employees and retirees pursuant to IRS Code Section 125 in lieu of the existing contribution funding system. In addition, during those negotiations, the parties may by mutual written agreement, agree to negotiate other related benefits including impacts on total compensation. Upon receipt of notice from City, Association and City agree to negotiate in good faith.

ARTICLE VIII – EXCESS BENEFIT

Section 1 – IRS compliant plan. This benefit is designed to meet the requirements of Section 125 of the Internal Revenue Code. Every calendar year, each employee will be provided with \$2,500 that they can designate among the following options:

Section 2 – Medical Flexible Spending Account (Medical FSA). The Medical FSA provides reimbursement for excess medical/dental/vision, or expenses that are incurred by employees and their dependents which are not covered or reimbursed by any other source, including existing City-sponsored plans. This includes prescribed medications and copayments as well as over-the-counter drugs, including antacids, allergy medicines, pain relievers and cold medicines. However, nonprescription dietary supplements (e.g. vitamins, etc.) toiletries (e.g. toothpaste), cosmetics (e.g. face cream), and items used for cosmetic purposes (e.g. Rogaine) are not acceptable.

Section 3 – Dependent Care Flexible Spending Account (Dependent Care FSA). Provides reimbursement for qualified dependent care expenses under the City's Dependent Care Assistance Program (DCAP), subject to the following limits: Dependent care expenses will be reimbursed only to the extent that the amount of such expenses reimbursed under this Management Benefit Program, when added to the amount (if any) of annual dependent care expenses that the participant has elected under the City's Flexible Benefits Plan, do not exceed the maximum permitted under the DCAP.

1. The annual amount submitted for reimbursement cannot exceed the income of the lower-paid spouse.
2. The expenses must be employment-related expenses for the care of one or more dependents who are under 13 years of age and entitled to a dependent deduction under Internal Revenue Code section 151(e) or a dependent who is physically or mentally incapable of caring for himself or herself.
3. The payments cannot be made to a child under 19 years of age or to a person claimed as a dependent.
4. If the services are provided by a dependent care center, the center must comply with all state and local laws and must provide care for more than six individuals (other than a resident of the facility).
5. Dependent care expenses not submitted under this section are eligible under the City Dependent Care Assistance Plan (DCAP). However, the maximum amount reimbursed under DCAP will be reduced by any amount reimbursed under the Excess Benefit Plan.

Section 4 – Non-taxable Professional Development Spending Account. Provides reimbursement for non-taxable professional development expenses (e.g. job-related training and education,

seminars, training manuals, etc.) to the extent they are not paid or reimbursed under any other plan of the City.

Section 5 – Deferred Compensation. Provides a one-time contribution to the employee's City-sponsored 457 Deferred Compensation plan with either ICMA-RE or an alternative.

Amounts designated by employees to either the Medical FSA, Dependent Care FSA, or Professional Development options are done so on a "use –it-or-lose-it" basis. This means that any amounts designated and not used by the end of the calendar year (or end of the extended grace period for the medical FSA) will be forfeited by the employee and returned to the plan.

Section 6 – Gym Membership. Provides reimbursement for annual or monthly memberships, including personal trainers. Reimbursement for this expense is taxable to the employee.

Specified amounts under this benefit will be applied on a pro-rata basis for employees who are part-time or who are in a management or professional pay status for less than the full fiscal year. Such benefits will be pro-rated in the first year of employment (based on hire date) but will not be pro-rated upon separation of employment.

ARTICLE IX – LEAVES

Section 1 – Sick Leave.

- a) Sick leave shall be accrued bi-weekly provided the employee has been in a pay status for 50 percent or more of a bi-weekly pay period. Sick leave shall be accrued at the rate of 3.7 hours per bi-weekly pay period for those employees working a forty-hour duty schedule. Those assigned work schedules, which are greater or lesser than forty hours will accrue sick leave at the ratio of their work schedule to forty hours.
- b) Employees may use up to twenty hours of sick leave per calendar year for personal business. The scheduling of such leave is subject to the approval of the appropriate level of Management.
- c) Employees leaving the municipal service shall forfeit all accumulated sick leave, except as otherwise provided by law and by Section 609 of the Merit Rules and Regulations. In the event that notice of resignation is given, sick leave may be used only through the day which was designated as the final day of work by such notice.
- d) Employees that were hired before December 1, 1983 and who leave the municipal service in good standing, or who die while employed in good standing by the city, and who have fifteen or more years of continuous service shall receive compensation for unused sick leave hours in a sum equal to two and one-half percent of their unused sick leave hours multiplied by their years of continuous service and their basic hourly rate of pay at termination. Full sick leave accrual will be paid in the event of termination due to disability. See Merit System Rules and Regulations, Chapter 6, Section 609.

- e) Up to nine days of sick leave per calendar year may be used for illness in the immediate family, including a registered domestic partner.
- f) Employees eligible, as specified above if hired before December 1, 1983, to be compensated for sick leave may annually convert sick leave hours in excess of 600 to cash or deferred compensation, according to the formula set forth above, up to a maximum of \$2,000 per fiscal year.

Section 2 – Management Annual Leave. At the beginning of each calendar year designated exempt employees will be credited with 80 hours of management annual leave. This leave is granted in recognition of the extra hours exempt employees work over their regular schedule. This leave may be taken as paid time off, added to vacation accrual (subject to vacation accrual limitations), taken as cash or taken as deferred compensation. When time off is taken under this provision, 10-hour shift workers will receive one shift off for each 8 hours charged. Entitlement under this provision will be reduced on a prorated basis for part-time status, or according to the number of months in paid status during the fiscal year; employees who have used more than the pro-rated share at the time they leave City service shall be required to repay the balance or have it deducted from their final check. Unused balances as of the end of the calendar year will be paid in cash unless a different option as indicated above is elected by the employee.

Section 3 – Vacation. Vacation will be accrued when an employee is in pay status and will be credited on a bi-weekly basis. Total vacation accrual at any one time may not exceed three times the annual rate of accrual. Each eligible employee shall accrue vacation at the following rate for continuous service performed in pay status:

- a) Less than nine years. For employees completing less than nine years continuous service: 120 hours vacation leave per year; provided that:

The City manager is authorized to adjust the annual vacation accrual of employees hired on or after July 1, 2001, to provide up to 40 additional hours (i.e., to a maximum annual accrual of 160 hours) for service with a prior employer.

- b) Nine, but less than fourteen years. For employees completing nine, but not more than fourteen years continuous service; 160 hours vacation per year.
- c) Fourteen, but less than nineteen years. For employees completing fourteen, but not more than nineteen years continuous service; 180 hours vacation leave per year.
- d) Nineteen or more years. For employees completing nineteen or more years continuous service; 200 hours vacation leave per year.
- e) Employees are eligible to cash out vacation accrual balances in excess of 80 hours. An employee may cash out a minimum of eight (8) hours to a maximum of 120 hours of accrued vacation provided the employee has taken 80 vacation hours in the previous 12 months and has followed the election procedures set forth in this section.

Employees must elect the number of vacation hours they will cash-out during the next calendar year, up to the maximum of 120 hours. The election will apply only to vacation hours that are accrued in the next calendar year and that are eligible for cash-out.

The election to cash-out vacation hours in each designated year will be irrevocable. This means that employees who elect to cash-out vacation hours must cash-out the number of accrued hours pre-designated on the election form.

Employees who do not elect a cash-out amount by December 31 of the prior calendar year will be deemed to have waived the right to cash out any leave in the following tax year and will not be eligible to cash-out vacation hours in the next tax year. Employees who elect cash-out amounts may request a cash-out at any time in the designated tax year by submitting a cash-out form to payroll. Payroll will complete the cash-out upon request, provided the requested cash-out amount has accrued and is consistent with the amount the employee pre-designated. If the full amount of hours designated for cash-out is not available at the time of cash-out request, the maximum available will be paid. For employees who have not requested cash-out of the elected amount by November 1 of each year, Payroll will automatically cash-out the elected amount, or the maximum available amount, in a paycheck issued on or after the payroll date including November 1.

Section 4 – Bereavement. Leave of absence with pay of three days may be granted an employee by the head of his/her department in the event of death in the employee's immediate family, which is defined for purposes of this section as wife, husband, son, son-in-law, step-son, daughter, daughter-in-law, step-daughter, mother, mother-in-law, father, father-in-law, brother, brother-in-law, sister, sister-in-law, grandmother, grandmother-in-law, grandfather, grandfather-in-law, grandchild, aunt, uncle, niece, nephew, registered domestic partner, or a close relative residing in the household of employee. Such leave shall be at full pay and shall not be charged against the employee's accrued vacation or sick leave. Requests for leave in excess of three days shall be subject to the approval of a Council-Appointed Officer for employees under his/her control.

Section 5 – All Other Leaves. For all other leaves of absence refer to Chapters 5 and 8 of the City's Merit Rules and Regulations.

ARTICLE X – WORKERS' COMPENSATION

Section 1 – Employees unable to work due to occupational injury, illness or disease. Employees unable to work due to occupational injury, illness or disease will be required to report to management to discuss his or her status and ability to return to work on restricted or unrestricted duty, subject to the limitations imposed by applicable law. This requirement is not meant to unreasonably restrict employee's activities while off work due to such incapacity as long as such activities are cleared by the treating physician, treating program or alternative treatment program and the employee is available for restricted or unrestricted duty as soon as medical clearance can be received.

Section 2 – Temporary Disability. While temporarily disabled, employees shall be entitled to

use accrued sick leave for the first three (3) days following the date of injury and thereafter shall be paid full base salary for a period not to exceed fifty-seven (57) calendar days (including Saturdays, Sundays and Holidays), unless hospitalized, in which case employees shall be paid full base salary for a period not to exceed sixty (60) days from date of injury.

For any temporary disability continuing beyond the time limits set forth above, employees shall be paid two-thirds (66.66%) of their full base salary at the time of injury for the duration of such temporary disability in conformance with State law.

During the period of temporary disability, an employee's eligibility for health, dental, life, LTD, or other insured program will continue with City contributions at the same rate as for active employees and vacation and sick leave benefits shall continue to accrue. In case of temporary disability beyond the time limits set forth above, sick leave and vacation benefits shall not be accrued.

ARTICLE XI – RETIREMENT PENSION

a) Employees hired before July 17, 2010

1. Retirement formula. Effective pay period inclusive of 1/6/07, the City's Public Employees' Retirement System (PERS) benefits changed to the 2.7%@ 55 formula for non-safety members (from 2% @55).
2. Employee contributions. The City currently pays 6% of the employee's 8% CalPERS share. Beginning on the date that the control point adjustment specified in Article VI, Compensation, Section 1, subsection c) takes effect, employees under the 2.7%@55 retirement formula will pay the full eight percent (8%) employee contribution.
3. Final compensation. Final compensation for purposes of retirement shall be as set forth in the City's contract with CalPERS, including, when applicable, the Government Code Section 20692 Optional Benefit.

b) Employees hired on or after July 17, 2010.

1. Retirement formula. For miscellaneous employees hired on or after July 17, 2010, or on or after January 1, 2013 who are not subject to the pension formula in the Public Employees' Pension Reform Act (PEPRA), the City offers the CalPERS retirement formula two percent (2.0%) of final salary at age sixty (60).
2. Employee contributions. The City currently pays 5% of the 7% for employees under the 2%@60 retirement formula. Beginning on the date that the control point adjustment specified in Article VI, Section 1, subsection c) takes effect, employees under the 2%@60 retirement formula will pay the full seven percent (7%) employee contribution.

3. Final compensation. Final compensation for purposes of retirement shall be as set forth in the City's contract with CalPERS, including, when applicable, the Government Code Section 20692 Optional Benefit or as required by law.

c) New Employees hired on or after January 1, 2013

Employees hired on or after January 1, 2013 who are "new members" as defined by the California Public Employees' Pension Reform Act (PEPRA), will be subject to the terms of that statute including but not limited to the following provisions:

1. Retirement formula. Effective for employees hired on or after January 1, 2013, the PEPRA requires the City to provide new employees, as defined in that law, the CalPERS retirement formula two percent of final salary at age 62 (2%@62).
 2. Employee contributions. Employees under the 2%@62 formula shall pay at least 50 percent of the total normal cost or the same contribution rate as "similarly situated" employees, whichever is higher.
 3. Final compensation. Final compensation for employees under the 2%@62 benefit shall be as set forth in PEPRA, including calculation based on the average of three highest consecutive years and a cap on pensionable compensation (currently \$136,440) based on IRS limits for employers that do not participate in social security.
- d) The City shall further amend its contract with CalPERS to provide miscellaneous members hired on or after August 1, 2013 with the CalPERS retirement formula of 2%@60 with a final compensation calculation, for pension determination purposes, based on the employee's three consecutive highest years of compensation earnable, as provided by Government Code Section 20037. The City may delay the adoption or implementation of the foregoing amendment to the extent it deems such delay necessary to accommodate legal and administrative requirements. In such event, employees hired between and including August 1, 2013 and the day before the amendment's implementation date will be placed in the 2%@60 formula with the single highest year earnable compensation as described above.
- e) Employee CalPERS contributions tax deferred. Employee CalPERS contributions shall be made on a tax deferred basis, in accordance with Section 414(h)(2) of the Internal Revenue Code. All provisions of this subsection are subject to and conditioned upon compliance with IRS regulations.

ARTICLE XII – PROBATION AND AT WILL STATUS

Section 1 – Probation. Employees who are not At-Will shall serve an initial probationary period of twelve (12) months. During the probationary period the employee serves at the will of the City and may be terminated for no reason or for any lawful reason, and such termination is not subject to appeal.

Section 2 – At Will Status. Certain unit positions are designated as having "at-will" employment status. Employees who hold at-will positions shall have no constitutionally protected property

or other interest in their employment with the City. Notwithstanding any provision in the Merit System Rules and Regulations or any other City rule, policy or procedure, at-will employees have no right or expectation to continued employment or pre-or post-disciplinary due process and work at the will and pleasure of the hiring authority. Work for an at-will employee may be eliminated and/or the employee may be terminated, or asked to resign, at any time, with or without cause, upon notice to that employee, and the employee may resign at any time upon written notice to the hiring authority.

Section 3 – At-will UMPAPA positions. Effective on the date of adoption of this MOA, new employees hired or promoted to the following classifications shall be at-will employees:

Assistant director, engineering manager, communications manager, manager electric operations, manager customer service & meter reading, manager utilities marketing services, manager utilities operations WGW, utilities compliance manager.

At-will employees will be eligible for, and shall receive, all regular benefits (i.e., health insurance, CalPERS contribution to the extent paid by City, etc.) and vacation, sick leave, and management leave as are generally provided to unit employees and described in this MOA, as amended from time to time.

(Not Yet Agreed Upon) Section 4 - Severance. At-will employees who are terminated or asked to resign shall, upon execution of a release of all claims against the City, be eligible for a severance payment equivalent to four (4) weeks of salary and benefits, increasing after completion of the first full year of service by one (1) week for every completed year of service, up to a maximum of 12 weeks. For example, an at-will employee who has completed six (6) years of service would be eligible to receive ten (10) weeks of severance (4 weeks plus 1 week for each year of service after the first year).

No severance shall be paid if the employee voluntarily quits or is terminated for serious misconduct involving abuse of his or her office or position, including but not limited to waste, fraud, violation of the law under color of authority, misappropriation of public resources, violence, harassment or discrimination. If the employee is later convicted of a crime involving such abuse of his or her position the employee shall fully reimburse the City as provided by state law.

ARTICLE XIII – MISCELLANEOUS

Section 1 – Reimbursement for Relocation Expense. The City of Palo Alto, in rare instances, may, provide a Basic Relocation Benefits Package for new employees, upon the approval of the City Manager or designated subordinate. In addition, the provision of “Optional Benefits”, or portions thereof, may be extended for exceptional circumstances and only by approval of the City Manager or designee. The details of the Relocation Expense program are specified in the City’s Relocation Expense policy.

Section 2 – Meal allowance. Employees assigned to attend night meetings or who travel for business purposes are eligible to receive reimbursement as described by City policy. This provision covers only receipted meals actually taken and submitted for reimbursement.

Section 3 – Reduction in Workforce. The City will make every effort to provide written notice of its intent to lay off employees in this unit and will meet with Association upon request to discuss alternatives to layoff.

Section 4 - Contracting Out.

A. As provided in subsection B, the City shall provide notice of any planned action(s) that would result in the layoff of one or more Association bargaining unit members and where neither of the following apply:

1. The planned City action(s) is to contract out work historically and exclusively performed by Association bargaining unit members;
2. The planned City action is to substantially increase the scope or amount of work historically but not exclusively performed by Association bargaining unit members (e.g. work shared with other City employees outside the Association bargaining unit or contractors).

B. The City shall deliver written notice to the Association at least thirty (30) days before it implements any action(s) described in subsection A. Within seven (7) days after it receives such notice, the Association may deliver to the City's Chief People Officer a written request to meet and discuss the effects of the City action(s). After the City's receipt of such request, the parties will promptly meet and undertake discussions. The discussions will conclude no later than the thirtieth (30th) day following the Union's receipt of the City's notice of the planned action(s), as described above. Thereafter, the City may implement the action(s) without further discussion as originally planned or as modified as a result of such discussions. If the Association does not deliver timely notice of its desire to meet and discuss the effects of the action(s) identified in the City's notice, the City may proceed with the planned action(s).

C. The City retains its right to determine the methods, means, and personnel by which services are carried out at its sole discretion in circumstances not covered by subsection A above.

ARTICLE XIV – FULL UNDERSTANDING

Section 1 – Full Understanding. The Memorandum of Agreement contains the full and entire understanding of the parties regarding the matters set forth herein.

Section 2 – Severability. If, at the conclusion of any applicable appeals, any provision of this Memorandum of Agreement is ultimately held invalid and unenforceable by a decision of the

relevant Court or Administrative Agency of competent jurisdiction such holding shall apply only to the provision(s) of this Memorandum of Agreement specified in the decision. Such decision shall not invalidate any other portion of this Memorandum of Understanding, and the unaffected provisions shall remain in full force and effect. The Parties agree that within ten (10) days after the date of such decision, they shall meet and confer in an effort to negotiate a substitute for the invalidated provision(s).

Section 3 – Good Faith. Ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement that regulate matters within the scope of representation shall, to the extent they are within the scope of representation, be administered in good faith.

Section 4 – Mid-Contract Negotiations. Subjects within the scope of representation that are not covered by this Memorandum of Agreement remain subject to the duty to meet and confer in good faith on timely notice and request. Neither party is obligated to meet and confer over matters within the scope of representation covered by this Memorandum of Agreement, except for purposes of negotiating over the terms of a successor to this Memorandum of Agreement.

Section 5 – Merit System. Merit System Rules and Regulations, during the term of this Memorandum of Agreement, Management may propose certain changes in the City Merit System Rules and Regulations. With regard to such changes which pertain to the representation unit, the parties agree to review, and upon request, meet and confer regarding the changes. (TA)

ARTICLE XVI – DURATION

This Memorandum of Agreement shall become effective once the Memorandum of Agreement is signed by the parties hereto and adopted by the City Council. This Memorandum of Agreement shall remain in effect through December 31, 2014.

Exhibit A

Annualized Adjusted Control Points of Covered Utilities Classifications

(Effective On Date of Implementation Pursuant To Article XI, Section 1, subsection c)

<i>Job Code</i>	<i>Classifications</i>	<i>Grade Codes</i>	<i>Mid - Point (hourly rate)</i>	<i>Annual Salary</i>
1003	Assistant Director Utilities - Engineering	190	\$84.05	\$174,824.00
65	Assistant Director Utilities - Resource Management	190	\$84.05	\$174,824.00
6	Assistant Director Utilities - Operations	190	\$84.05	\$174,824.00
1002	Assistant Director Utilities - Customer Support	230	\$75.82	\$157,705.60
129	Engineering Manager, Electric	231	\$73.98	\$153,878.40
120	Engineering Manager, Water, Gas & Wastewater	231	\$73.98	\$153,878.40
48	Manager, Utilities Telecommunications (Vacant)	250	\$66.83	\$139,006.40
185	Manager, Electric Operations	270	\$69.73	\$145,038.40
25	Senior Resource Planner	271	\$64.84	\$134,867.20
156	Manager, Utilities Operations WGW	290	\$68.04	\$141,523.20
188	Senior Electric Engineer	291	\$65.66	\$136,572.80
1011	Utilities Compliance Manager	290	\$68.04	\$141,523.20
179	Manager, Customer Service and Meter Reading	300	\$60.70	\$126,256.00
150	Manager, Utilities Marketing Services	300	\$60.70	\$126,256.00
13	Senior Business Analyst	340	\$54.82	\$114,025.60
27	Supervising Electrical Project Engineer	341	\$59.54	\$123,843.20
14	Senior Management Analyst	350	\$53.42	\$111,113.60
28	Supervising Project Engineer	360	\$55.88	\$116,230.40
84	Division Manager/Manager of Communications	380	\$53.32	\$110,905.60
114	Utilities Supervisor	680	\$62.98	\$130,998.40
76	Administrative Assistant	700	\$37.59	\$78,187.20
187	Senior Engineer	710	\$64.06	\$133,265.60
TBD	Manager, Utilities Credit & Collection	300	\$60.70	\$126,256.00
TBD	Supervisor, Inspection Services	TBD	\$45.89	\$95,465.30

[*Includes three percent increase]

Exhibit B

Annualized Adjusted Control Points of Covered Utilities Classifications

Effective December 1, 2013

<i>Classifications</i>	<i>Grade Codes</i>	<i>Mid – Point* (hourly rate)</i>	<i>Annual Salary</i>
1003 Assistant Director Utilities - Engineering	190	\$88.07	\$183,185.60
65 Assistant Director Utilities - Resource Management	190	\$88.07	\$183,185.60
6 Assistant Director Utilities - Operations	210	\$88.07	\$183,185.60
1002 Assistant Director Utilities - Customer Support	230	\$79.27	\$164,881.60
129 Engineering Manager, Electric	231	\$75.59	\$157,227.20
120 Engineering Manager, Water, Gas & Wastewater	231	\$75.59	\$157,227.20
48 Manager, Utilities Telecommunications (Vacant)	250	\$66.83	\$139,006.40
185 Manager, Electric Operations	270	\$74.02	\$153,961.60
25 Senior Resource Planner	271	\$67.52	\$140,441.60
156 Manager, Utilities Operations WGW	290	\$73.92	\$153,753.60
188 Senior Electrical Engineer	291	\$69.16	\$143,852.80
1011 Utilities Compliance Manager	290	\$73.92	\$153,753.60
179 Manager, Customer Service and Meter Reading	300	\$60.70	\$126,256.00
150 Manager, Utilities Marketing Services	300	\$60.70	\$126,256.00
13 Senior Business Analyst	340	\$54.82	\$114,025.60
27 Supervising Electrical Project Engineer	341	\$64.27	\$133,681.60
14 Senior Management Analyst	350	\$53.42	\$111,113.60
28 Supervising Project Engineer	360	\$59.68	\$124,134.40
84 Division Manager/Manager of Communications	380	\$57.14	\$118,851.20
114 Utilities Supervisor	680	\$64.14	\$133,411.20
76 Administrative Assistant	700	\$37.59	\$78,187.20
187 Senior Engineer	710	\$64.06	\$133,244.80
TBD Manager, Utilities Credit & Collection	300	\$60.70	\$126,256.00
TBD Supervisor, Inspection Services	TBD	\$45.89	\$95,465.30

[*Includes three percent increase]