

**CITY OF PALO ALTO**  
**COMPENSATION PLAN**

**Management and Professional Personnel  
And Council Appointees**

Effective July 1, 2016 through June 30, 2019,  
except where specifically noted.

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## **COMPENSATION PLAN FOR THE CITY OF PALO ALTO**

### **Management and Professional Personnel**

As used in this Plan, the term “Management and Professional” refers to all employees, including Confidential employees, previously classified as “Management and Confidential” by the City. This group will hereafter be identified as “Management and Professional” personnel.

### **SECTION I. COMPENSATION**

This section applies to all management and professional employees and does not include Council Members or Council-appointed officers. Each Council-appointed officer shall be the responsible decision-maker under this Plan for those employees in departments under his/her control.

#### **A. MANAGEMENT AND PROFESSIONAL COMPENSATION POLICY**

The City's policy for management and professional compensation is to establish and maintain a general structure based on marketplace norms and internal job alignment with broad compensation grades and ranges. Structures and ranges will be reviewed and updated as necessary based on marketplace survey data, internal relationships, and City financial conditions.

Individual compensation adjustments will be considered by the Council-appointed officer based on (1) performance factors including achievement of predetermined objectives; (2) pay structure adjustments; and (3) City financial conditions.

#### **B. BASIC PLAN ELEMENTS**

1. Structure. The compensation plan includes separate multi-grade structures for both management and professional employees. Each grade will have a salary range with a mid-point which is 20% above the minimum, and 20% below the maximum of the range. All management and professional positions will be assigned an appropriate pay grade based on salary survey data and internal relationships. Actual salary within the range is determined by experience and performance.

Competitive marketplace studies will be conducted as needed by surveying a maximum of 14 organizations similar to Palo Alto in number of employees, funding mechanisms, population and services provided. A market study is planned to be completed by January 2017. These studies will focus on total compensation for management positions such as first line supervisors, administrative, confidential, professional and top management. Periodically, studies will include position-by-position comparisons using market research and internal equity data. The results of these studies may indicate that the entire pay grade structure be adjusted, that individual positions be reassigned to different pay grades, or that no change

takes place. Such adjustments will only affect the salary administration framework. No individual salaries will be automatically changed because of structural adjustments.

A department director may request that HR reevaluate a job or jobs in his or her department based on significant and permanent changes in job content. In doing so the director will supply needed information and will provide a position description questionnaire as requested. The Chief People Officer will respond to such requests within his or her discretion.

2. Compensation Adjustment Authorization. In consultation with feedback received from the Management and Professional Compensation Committee, the City Manager may propose as part of the budget process for Council approval of a compensation adjustment based on (1) competitive market data, (2) changes in internal position relationships, (3) the City's ability to pay, and (4) a recommendation received from the Chief People Officer. Effective the first pay period following Council adoption of this plan all classifications will receive a two and one-half percent (2.5%) salary increase. Effective the pay period including July 1, 2017, all classifications will receive a two and one-half percent (2.5%) salary increase. Effective the pay period including July 1, 2018, all classifications will receive a two and one-half percent (2.5%) salary increase.

a) Base Compensation. Compensation for management and professional employees includes bi-weekly base salary and is paid on a continuing basis. On a fiscal year basis, the bi-weekly base salary must fall within pay grade limits of no less than 20% below the mid-point and no more than 20% above the mid-point.

Base salary increases are earned and authorized in accordance with administrative guidelines based upon growth within the position and performance, which must meet or exceed position standards defined through the performance planning and appraisal process described in subsection b below, the salary structure and the City's ability to pay.

Management/professional employees who have received an overall rating of "Meets", "Higher" or "Exceeds" expectations on their annual review and who have not been on a performance improvement plan during the preceding fiscal year will be eligible for an adjustment to base compensation. Nothing herein shall preclude an employee's manager from awarding a mid-point adjustment increase to an employee on a performance plan at a later date should employee's performance improve.

b) Performance Planning and Appraisal. Performance appraisals will be conducted at the end of each fiscal year during the months of July through September 30 each year prior to determining individual employee fixed compensation. 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 a manner that will achieve the following objectives:

- 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;
- Evaluate and document past performance to serve as a basis for establishing and obtaining future performance standards/objectives;
- 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;
- 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 or appropriate Council appointed officer who will then determine individual fixed adjustments according to the provisions of the compensation plan. Each department will ensure that metrics tie to the performance appraisal. The performance planning and appraisal process should be completed by September 30.

### **C. MANAGEMENT AND PROFESSIONAL COMPENSATION ADJUSTMENT AUTHORIZATION**

1. Council-appointed officers are authorized to pay salaries in accordance with this plan to non-Council-appointed management and professional employees in an amount not to exceed the aggregate of approved management and professional positions in the Table of Organization for the applicable fiscal year.
2. Individual management and professional compensation authorized by a Council-appointed officer under the Management and Professional Compensation Plan may not be less than 20% below nor more than 20% above the mid-point for the individual position grades authorized in Salary Schedule attached.
3. The Council-appointed officers are authorized to establish such administrative rules as are necessary to implement the Management and Professional Salary Plan subject to the limitations of the approved compensation adjustment authorization and the approved grade and mid-point structure.
4. Notwithstanding any other provision of this Compensation Plan, in the event a downward adjustment of a position grade assignment indicates a reduction in the established salary of

an individual employee, the Council-appointed officer may, if circumstances warrant, continue the salary for such employee in an amount in excess of the revised grade limit for a reasonable period of time. Such interim salary rates shall be defined as "Y-rates." Employees in "Y-rated" positions shall not be eligible for any increase to base salary unless and until the amount of the "Y-rated" salary is equal to or less than the published pay rates. Employees assigned to work above class duties shall not be eligible for "Y-rated" pay on conclusion of a work above class assignment.

## **SECTION II. SPECIAL COMPENSATION**

This section applies to all eligible regular management and professional positions including Council Appointed Officers as applicable and including Council Members where indicated. Eligibility shall be in conformance with the Merit Rules and Regulations and Administrative Directives issued by the City Manager for the purposes of clarification and interpretation.

### **A. OVERTIME**

Compensation for overtime work shall be in conformance with the Merit Rules and Regulations and Policies and Procedures.

### **B. IN LIEU HOLIDAY PAY**

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.

### **C. WORKING ABOVE CLASSIFICATION PAY**

Where management and professional employees, on a temporary basis, are assigned to perform all significant duties of a higher classification for a period of one month or more, the City Manager may authorize payment within the range of the higher classification for the specified time frame. Working above classification will not exceed six months, unless renewed at the discretion of the City Manager. On expiration of that timeframe, working above classification pay will cease and the employee will return to his or her former pay level. Working above classification pay is not to exceed 10% more than the employee's current salary and shall be documented on a Personnel Action Form, with a description of the additional duties in the higher classification to be performed and an end date.

#### **D. STAND-BY PAY**

Employees eligible for overtime may be entitled to stand-by pay, approved by the City Manager on a case by case basis, in extreme circumstances involving unavailability of non-management staff. Compensation is as follows:

Monday through Friday \$40 per day

Saturday, Sunday, Holidays \$58 per day

#### **E. CALL OUT PAY**

Effective pay period beginning February 26, 2011, Exempt 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 directly to the location of the problem.

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

Monday through Friday: \$140 per day

Saturday and Sunday: \$200 per day

#### **F. NIGHT SHIFT PREMIUM**

Night shift differential shall be paid at the rate of five percent (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.

#### **G. UNIFORM PURCHASE PLAN - SWORN POLICE, FIRE PERSONNEL, and OPEN SPACE PERSONNEL**

Uniforms, including cleaning, will be provided with replacement provisions on an as-needed basis in conformance with department policy.

#### **H. GROUP INSURANCE**

##### **1. Effective Date of Coverage for New Employees**

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.

2. Dual coverage. When a City employee is married to or has a registered domestic partner with the California Secretary of State with another City employee, each shall be covered only once (as an individual or as a spouse of the other City employee, but not both) and dependent children, if any, shall be covered by only one spouse.

3. Active Employee Health Plan

a) During the term of this compensation plan, the maximum City contribution towards medical premiums for eligible full-time employees per category shall be up to a maximum of the following for any plan:

<u>Medical Premium Category (Coverage Level)</u>	<u>PEMHCA contribution *2016/2017/ 2018/ 2019 (projected for 2018 and 2019)</u>	<u>Additional City Contribution 2016/2017/ 2018/ 2019 (projected for 2018 and 2019)</u>	<u>Up to a Total Maximum City Contribution Effective as soon as administratively possible following plan adoption</u>	<u>Up to a Total Maximum City Contribution Effective January 1, 2017</u>	<u>Up to a Total Maximum City Contribution Effective January 1, 2018</u>	<u>Up to a Total Maximum City Contribution Effective January 1, 2019</u>
Single (EE only) 2016 2017 2018 2019	\$125 \$128 \$131 \$135	\$618 \$645 \$673 \$702	\$743	\$773	\$804	\$837
2- Party (EE +1) 2016 2017 2018 2019	\$125 \$128 \$131 \$135	\$1360 \$1416 \$1475 \$1536	\$1,485	\$1,544	\$1606	\$1671
Family (EE + 2 or more) 2016 2017 2018 2019	\$125 \$128 \$131 \$135	\$1806 \$1880 \$1957 \$2037	\$1,931	\$2,008	\$2088	\$2172

\*The PEMHCA minimum changes per statutory determination. Any increases to the PEMHCA minimum during the term of this plan will result in a corresponding decrease to the amount of the additional City contribution, so that the total maximum City contribution never exceeds the amount listed in the “Total Maximum City Contribution” columns above.

b) The City's total maximum contribution towards medical premiums for eligible part time employees shall be prorated based on the number of hours per week the part-time employee is assigned to work.

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 and will be eligible for the Alternative Medical Benefit Program in paragraph 3 below.

2) Domestic Partnership 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 People Strategy and Operations Department, will be eligible for a stipend of two hundred and eighty four dollars (\$284.00) per month toward the cost of an individual health plan. Evidence of premium payment will be required with request for reimbursement.

4. Alternative Medical Benefit Program

If a regular employee and/or the employee's dependent(s) are eligible for and elect to receive medical insurance through another non-City of Palo Alto employer-sponsored or association medical plan, the employee may choose to waive his/her right to the City of Palo Alto's medical insurance and receive cash payments in the amount of \$284.00.

Examples of waivers eligible for this payment are:

- Employee waives all applicable City medical coverage; or
- Employee is eligible to enroll his or her spouse or register his or her domestic partner with the California Secretary of State and waives medical coverage for the spouse or domestic partner; or
- Employee has additional eligible dependents and waives family-level medical coverage.

Participation must result in a health insurance cost savings to the City and payments per employee shall not exceed a total of two hundred eighty four dollars (\$284.00) per month. To participate in the program the employee and dependents must be eligible for coverage under PEMHCA medical plans, complete a waiver of medical coverage form, and provide proof of eligible alternative medical coverage. When a City employee is married to or has a registered domestic partner with the California Secretary of State with another City employee, each shall only be eligible once (as an individual or as a spouse of the other City employee, but not both) and not eligible for a waiver.

Payments will be made in the employee's paycheck beginning the first month following the employee's completion of the waiver form. Payments are subject to state and federal taxes and are not considered earnings under PERS law. Employees are responsible for notifying the

City of any change in status affecting eligibility for this program (for example, life changes affecting dependent's eligibility for medical coverage through the employee) and will be responsible for repayment of amounts paid by the City contrary to the terms of this program due to the employee's failure to notify the City of a change in status.

5. Retiree Health Plan

a) 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 monthly employer contribution for each employee retiring on or after January 1, 2007 and prior to March 31, 2011 shall be the amount necessary to pay for the cost of his or her enrollment in a health benefits plan up to the monthly premium for the second most expensive plan offered to management and professional personnel during the contract term (among the existing array of plans.) The City's contribution for an employee hired before January 1, 2004 who retires on or after March 30, 2011 shall be the same contribution amount it makes from time to time for active City employees.

b) Post – 1/1/04 Hires

For those Management and professional employees hired after January 1, 2004, the PERS law vesting schedule set forth in Government Code section 22893 will apply. Under that law, an employee is eligible for 50% of the specified employer health premium contribution after ten (10) years of service credit, provided at least five (5) of those years were performed at the City of Palo Alto. After ten (10) years of service credit, each additional service credit year increases the employer contribution percentage by 5% until, at 20 years' service credit, the employee will be eligible upon retirement for 100% of the specified employer contribution and 90% of 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 22893 based on a weighted average of available health plan premiums.

c) Effective upon ratification and adoption of this compensation plan, the City shall provide active Management employees who were hired before January 1, 2004 with a one-time opportunity to opt-in to retiree health benefits provided under California Government Code section 22893. Eligible employees who wish to exercise this option shall inform the Human Resources department of their election in writing no later than 90 days following the ratification and adoption of this compensation plan.

6. Dental Plan

a) The City shall pay covered plan charges on behalf of all eligible employees and dependents. (Domestic partners who are either registered with the Secretary of State or who meet the requirements of the City of Palo Alto Declaration of Domestic Partnership, and are registered with the Human Resources Department are considered

dependents under the plan.) Benefits for regular part-time employees hired or assigned to a part-time schedule will be prorated in accordance with his/her percentage of a full-time work schedule.

b) The City's Dental Plan provides the following:

- Maximum Benefits per Calendar Year- \$2,000 per person
- Lifetime Maximum for Orthodontics- The City will pay up to \$2,000.00 for orthodontia coverage (not included in annual dental maximum)
- Major Dental Services 50% UCR\*
- Orthodontics 50% UCR\*
- Basic Benefits (All other covered services)  
First Calendar Year of Eligibility 70% UCR\*  
Subsequent Calendar Years 70%-100%  
\*Usual, Customary, and Reasonable
- Composite (tooth covered) fillings for posterior teeth

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 utilize the plan during the current year, the percentage of coverage for the next calendar year shall remain unchanged from the current year.

If a dental plan member ever 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 would 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.

## 7. 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).

## 8. 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.

9. Long Term Disability Insurance

- a) The City shall provide long term disability (LTD) insurance with a benefit of 2/3 monthly salary, up to a maximum benefit of \$10,000 per month. The City shall pay the premium for the first \$6,000 of base monthly salary. For employees whose base monthly salary exceeds \$6,000, the employee shall pay the cost of the required premium based upon their monthly salary between \$6,000 and \$15,000.
- b) For employees whose base monthly salary exceeds \$6,000 and who have no eligible dependents covered under the City's medical, dental or vision plans, the City will pay up to \$17.50 per month towards the employee's cost for LTD coverage.

10. Vision Care

- a) The City shall provide vision care coverage for employee and dependents. Coverage is administered by Vision Service Plan (VSP). The plan provides an exam every 12 months; lenses every 24 months; frames every 24 months, all subject to a \$20 co-payment as defined in the Vision Services Benefits Plan A schedule. Benefits for regular part-time employees will be prorated as follows:

Employees hired after January 1, 2004, who will work less than full time, will receive prorated premium costs for vision benefits in accordance with his/her percentage of a full-time work schedule. Vision benefits for regular part-time employees hired or assigned to a part-time schedule will be prorated in accordance with his/her percentage of a full-time work schedule.

- b) Effective July 1, 1996, dependents include eligible domestic partners who are either registered with the Secretary of State.

**I. 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 24 hours a day, seven days a week. Guidance is also available online.

**J. SAFETY DIFFERENTIALS**

- 1. Police Department - Personnel Development Program

Pursuant to administrative rules governing eligibility and qualification, one of the following differentials, whichever is higher, may be granted to sworn police personnel:

- P.O.S.T. Intermediate Certificate: five percent (5%) above base salary
- P.O.S.T. Advanced Certificate: seven and a half (7 ½%) above base salary

## 2. Fire Department - EMT Differential

Pursuant to administrative rules governing eligibility and qualification, the following differential may be granted to sworn Fire personnel:

- EMT Differential: three percent (3%) above base salary

## **K. MANAGEMENT and PROFESSIONAL BENEFIT PROGRAM**

Management and professional employees are eligible for Sections 1, 2, and 3 of the Management Benefit Program below. City Council Members are not eligible for benefits under Section 1 and 2 below.

### 1. Professional Development - Reimbursement

The purpose of this program is to provide employees with resources to improve and supplement their job and professional skills. Reimbursement for authorized self-improvement activities may be granted each management and professional employee up to a maximum of five hundred dollars (\$500) per fiscal year. 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:

- a) Civic and professional association memberships
- b) Conference participation and travel expenses, which must occur within the compensation plan period.
- c) 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.

- d) Professional and trade journal subscriptions not to exceed 12 months.
- e) Approval will be at discretion of department head and signature is required on 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 Compensation Plan

## 2. Excess Benefit

This benefit is designed to meet the requirements of Section 125 of the Internal Revenue Code, with exception of Gym or Health Club Membership. Every calendar year, each employee will be provided with \$2,500 that they can designate among the following options, subject to caps pursuant to IRS regulations:

- a) Medical Flexible Spending Account (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. 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.
- b) 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 (6) 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.
- c) 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.
- d) Gym or Health Club memberships. Provides reimbursement for annual or monthly memberships, including personal trainers. Reimbursement of this expense is taxable to the employee.
- e) Deferred Compensation. Provides a one-time contribution to the employee's City-sponsored 457 Deferred Compensation plan with either ICMA-RC or Mass Mutual.

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.

Specified amounts under this benefit will be applied on a pro-rated 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.

- 3. City will explore options including a deferred compensation match up to \$4000 through a pre-tax retirement savings account as a replacement for Professional Development in Section 1 and Excess Benefit as provided under Section 2.

## **L. LEAVES**

### **1. Sick Leave**

- a) Sick leave shall be accrued bi-weekly provided the employee has been in a pay status for 50% 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 40-hour duty schedule. Those assigned work schedules which are greater or lesser than 40 hours will accrue sick leave at the ratio of their work schedule to 40 hours.

- b) Employees may use up to 20 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 15 or more years of continuous service shall receive compensation for unused sick leave hours in a sum equal to two and one-half percent (2½%) 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 (9) days of sick leave per calendar year may be used for illness in the immediate family, including a registered domestic partner.
- f) Management and Professional 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.
- g) In accordance with the City Merit Rules and Regulations, a new employee may, if necessary, use up to 48 hours or shift equivalent of sick leave at any time during the first six (6) months of employment.

## 2. Management Annual Leave

### a) Exempt Employees

Regular management and professional employees will be credited with 80 hours of annual leave. This leave is granted in recognition of the extra hours Management and Professional 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; 24-hour shift workers will receive one-half (½) shift off for each 8 hours charged.

In 2012, the City transitioned this benefit from a fiscal to calendar year basis for administrative purposes. Beginning in 2013 and each calendar year thereafter, employees will be credited with 80 hours of management annual leave.

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 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 year will be paid in cash unless a different option as indicated above is elected by the employee.

b) Non-Exempt Employees

Based on an audit recommendation to eliminate payment of overtime as well as management leave for non-exempt employees in the management group, the City is transitioning away from providing management leave to non-exempt employees. As part of the transition, and in order to minimize impacts to current employees, the City will phase-out elimination of the 80 hours of management leave for all current non-exempt Management and Professional employees (those eligible to earn overtime). Beginning on July 1, 2014 all employees in non-exempt positions will receive overtime pay for hours actually worked, but will no longer receive management leave.

Employees hired into non-exempt management positions on or after February 26, 2011 will receive overtime only and will not be eligible for management leave.

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 (3) 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 (9) years. For employees completing less than nine (9) years continuous service: 120 hours vacation leave per year; provided that:
  - i. The City Manager is authorized to adjust department head annual vacation accrual to provide for a maximum of 160 hours for those hired between July 1, 1996 and June 30, 2001; and
  - ii. 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 (9), but less than fourteen (14) years. For employees completing nine (9), but not more than fourteen (14) years continuous service; 160 hours vacation per year.
- c) Fourteen (14), but less than nineteen (19) years. For employees completing fourteen (14), but not more than nineteen (19) years continuous service; 180 hours vacation leave per year.
- d) Nineteen (19) or more years. For employees completing nineteen (19) 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. For the 2012 calendar vacation year, employees will make their election for vacation hours to cash out no later than November 1, 2012. 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-designates on the election form.

Employees who do not elect a cash-out amount by November 1 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 in a paycheck issued on or after the payroll date including November 1.

#### 4. Bereavement

Leave of absence with pay of three (3) 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.

5. Use of accrued leave credits during leaves of absence.

During unpaid leaves of absence for disability or other reasons, the employee may elect and the City may require the employee to use accrued paid vacation and sick leave in a manner consistent with state and federal law. Requests for leaves without pay shall not be unreasonably denied. In order to avoid misunderstandings, all leaves without pay must be in writing to be effective.

## **M. RETIREMENT PENSION**

1. Miscellaneous Pension Formulas:

- a. Miscellaneous Pension Group A: 2.7% at 55. The City provides retirement benefits under the California Public Employees Retirement System at the level of 2.7% at age 55 for employees hired before July 17, 2010, with a one year final compensation period.
- b. Miscellaneous Pension Group B: 2% at 60:For miscellaneous employees hired on or after July 17, 2010, and before January 1, 2013, and employees hired on or after January 1, 2013 who are not "new members" of CalPERS as defined in the Public Employees' Pension Reform Act (often referred to as "Classic" CalPERS members)the City offers the CalPERS retirement formula two percent (2.0%) of final salary at age sixty (60), with a one (1) year final compensation period.
- c. Miscellaneous Pension Group C: 2% at 62. Employees hired on or after January 1, 2013 meeting the definition of "new member" under the Public Employees' Pension Reform Act (Gov't. Code s. 7522 et seq.) shall be subject to all of the provisions of that law, including but not limited to the two percent at age 62 (2%@62) retirement formula with a three (3) year final compensation period.

2. Safety Pension Formulas:

- a. Safety Pension Group A: 3% at 50. For Safety members, the City currently offers the CalPERS "3% at 50" full formula (Section 21362.2) benefit, with a one (1) year final compensation period.

- b. Safety Pension Group B: 3% at 55. Local Fire Safety members newly hired after 6/08/12 will be placed in the 3%@55 formula. As soon as administratively possible, the City intends to modify the Local Police Safety formula for new hires to 3%@55 formula.
- c. Safety Pension Group C: New 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, with a three (3) year final compensation period.

3. Employee PERS Share.

a. Miscellaneous Employee Shares:

Employees in Miscellaneous Pension Group A shall pay the full eight percent (8%) employee contribution.

Employees in Miscellaneous Pension Group B shall pay the full seven percent (7%) employee contribution.

Employees in Miscellaneous Pension Group C shall pay the employee contribution required by the Public Employees Pension Reform Act, calculated at fifty percent (50%) of the normal cost.

- b. Safety Employee Shares. Employees in Safety Pension Group A shall pay the full nine percent (9%) PERS employee contribution. Employees in Safety Pension Group B shall pay the full eight percent (8%) PERS employee contribution. Employees in Safety Pension Group C shall pay the employee contribution required by the Public Employees Pension Reform Act, calculated at fifty percent (50%) of the normal cost.

Employees under the 2%@62 benefit shall pay at least 50 percent of the total normal cost or the same contribution rate as “similarly situated” employees, whichever is higher.

4. Employer Share

a. Miscellaneous (Non-Safety) Management and Professional:

As soon as administratively possible, but no sooner than pay period including July 1, 2017 each Miscellaneous (non-Safety) Management and Professional employee shall pay one-half percent (0.5%) of their salary toward the employer cost of retirement in accordance with Section 20516 of the California Government Code.

Effective the first full pay period including July 1, 2018, each Miscellaneous (non-Safety) Management and Professional employee shall pay an additional one-half percent (0.5%) of their salary toward the employer cost of retirement in accordance with Section 20516 of the California Government Code.

This will result in Miscellaneous (non-Safety) Management and Professional employees paying a total of one (1) percent of the employer share in addition to their employee contribution .

b. Safety Management:

As soon as administratively possible, but no sooner than pay period including July 1, 2017 each Safety Management employee shall pay one and one-half percent (1.5%) of their salary toward the employer cost of retirement in accordance with Section 20516 of the California Government Code.

Effective the first full pay period including July 1, 2018, each Safety Management employee shall pay an additional one and one-half percent (1.5%) of their salary toward the employer cost of retirement in accordance with Section 20516 of the California Government Code.

This will result in Safety Management employees paying a total of three (3) percent of the employer share in addition to their employee contribution.

5. 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, except as may otherwise be required by PEPR.

6. Employee PERS 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.
7. Final compensation for employees under the 2%@62 benefit shall be as set forth in PEPR, including calculation based on the average of three highest consecutive years and a cap on pensionable compensation based on IRS limits for employers that do not participate in social security.

**N. COMMUTE INCENTIVES and PARKING**

1. Civic Center Parking. Employees assigned to Civic Center and adjacent work locations. The City will provide a Civic Center Garage parking permit. Employees hired after June 30, 1994 may initially receive a parking permit for another downtown lot, subject to the availability of space at the Civic Center Garage.
2. Alternative Commute Incentives: Employees who qualify may voluntarily elect one commute incentives, including but not limited to the following options, for those using an eligible commute alternative on 60% or more of their scheduled work days per month:
  - a) Public Transit and Vanpool. The City provides tax-free commute incentives up to the current IRS limit, as may be amended from time to time, (currently \$125/month) are available through the Commuter Check Direct (CCD) website for employees

using Bay Area public transportation or riding in a registered vanpool at least 60% of their scheduled work days. Administration of the Commuter Check benefit shall be subject to the rules and regulations of the third-party administrator.

- b) Go Pass. The Go Pass program will offer civic center and other downtown-based employees a Caltrans Go Pass that allows unlimited rides on Caltrain in all zones seven days per week, to any City of Palo Alto employee.
- c) Bicycle. The City will provide employees with a tax-free incentive of \$20 per month to eligible employees who ride a bicycle to work.
- d) Carpool. The City will provide with a taxable incentive of \$30 per month to each eligible employee in a carpool with two or more licensed drivers.
- e) Walk. The City will provide employees with a taxable incentive of \$20 per month to eligible employees who walk to work.

## **O. AT-WILL STATUS**

Certain Management and Professional Positions are designated as having “at-will” employment status. Employees hired into “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 to continued employment or pre-or post-disciplinary due process and work at the will and pleasure of the hiring authority (City Council, City Manager or Council-Appointed Officer). 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.

### **1. At-will Management & Professional positions.**

Department heads hired after July 1, 2004 and prior to the date of adoption of this plan were hired as at-will employees whose terms of employment are specified by an employment contract that includes a severance package.

Effective on the date of adoption of this plan, new employees hired or promoted to department head, assistant department director, and all other positions listed on Attachment B shall be at-will employees.

At-will employees will be eligible for, and shall receive, all regular benefits (i.e., health insurance, PERS contribution to the extent paid by City, etc.) and vacation, sick leave, and management leave as are generally provided to management employees and described in this compensation plan, as amended from time to time. 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). No severance shall be paid if the employee 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 set forth in Government Code section 53243.3.

2. Provisional employees.

The City has created a program for Provisional employment when funding is available. The program's purpose is to create limited duration senior management level work for the City Manager's Office or as designated by the City Manager. A Provisional Employee will be an "at will" employee whose term of employment shall be no more than two (2) years. A Provisional Employee shall be exempt and not eligible to earn overtime. A Provisional Employee will receive limited benefits as specified in an Employment Agreement. Sections I and II of this Compensation Plan shall not apply to Provisional Employees, except as specified by the City Manager.

3. Management and Legal Fellows.

The City has created programs for Management Fellows and Legal Fellows when funding is available. The programs' purpose is to create limited duration entry level positions for management graduates and lawyers. Fellows will be "at will" employees whose term of employment shall be no more than two (2) years. Fellows shall be PERS exempt to the extent allowed by law, but may receive vacation, sick leave, health care benefits and other limited benefits, as determined by the City Manager or City Attorney. Sections I and II of this Plan shall not apply to Management and Legal Fellows, except as specified by the City Manager or City Attorney.

**P. ADDITIONAL COMPENSATION FOR MAYOR AND VICE MAYOR**

The Mayor shall receive \$150 monthly, and the Vice Mayor \$100 monthly to defray additional expenses of these offices.

**Q. REIMBURSEMENT FOR RELOCATION EXPENSE**

Policy Statement

The City of Palo Alto, in rare instances, may provide a Basic Relocation Benefits Package for new management and professional 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 the approval of the City Manager or designee, or for Council-appointed officers, the City Council.

The details of the Relocation Expense program are specified in the City's Relocation Expense policy and all relocation reimbursements shall be subject to the provisions of that policy.

#### **R. MEAL ALLOWANCE**

Management and professional employees assigned to attend night meetings are eligible to receive reimbursement for up to \$20.00 per dinner. This provision covers only receipted meals actually taken and submitted for reimbursement.

#### **S. GRIEVANCES REGARDING COUNCIL APPOINTED OFFICERS**

Notwithstanding the grievance procedures provided in Chapter 11 of the City of Palo Alto's Merit System Rules and Regulations, any Management and Professional employee who is supervised by a Council Appointed Officer and has a grievance against that Council Appointed Officer or regarding the conduct of that Council Appointed Officer shall, following an attempt to resolve the grievance pursuant to Step One (informal discussion), summarize the grievance regarding the Council Appointed Officer in writing and submit it to the Director of Human Resources for review and resolution using the methods he/she considers appropriate.

#### **T. MERIT RULES**

The City will include members of the Management/Professional Compensation Committee in discussions regarding revision of the Merit Rules and Regulations.

## **Attachment B**

### **At-Will Positions Management and Professional Unit**

The intent of this provision under the Management/Professional Compensation Plan is to designate classifications at the department head, assistant director, deputy director, division manager and senior professional levels as at-will. The applicable Council Appointed Officer may designate newly created positions at those levels not included on this list as at-will. Existing classifications that shall be at-will include but are not limited to:

Department Heads- All departments  
Assistant Directors- All departments  
Deputy Directors- All departments  
Division Managers

#### Administrative Services

Director, Administrative Services/Chief Financial Officer  
Director, Office of Management & Budget  
Assistant Director, Administrative Services  
Chief Budget Officer  
Manager, Accounting  
Chief Procurement Officer  
Manager, Real Property

#### City Attorney

Senior Assistant City Attorney  
Assistant City Attorney  
Sr. Deputy City Attorney  
Deputy City Attorney  
Legal Fellow

#### City Auditor

Deputy City Auditor  
Sr. Performance Auditor

#### City Clerk

Assistant City Clerk  
Deputy City Clerk

#### City Manager

Assistant City Manager/Chief Operating Officer  
Assistant to City Manager

Chief Communications Officer  
Chief Sustainability Officer  
Communications Manager  
Manager, Economic Development  
Management Fellow

Community Services

Director, Community Services  
Assistant Director, Community Services

Manager, Community Services  
Manager, Community Services Program Senior

Human Resources Director of Human Resources/Chief People Officer

Assistant Director, Human Resources  
Human Resources Manager  
Senior Administrator Human Resources

IT

Director, IT/Chief Information Officer  
Manager, Information Technology

Library

Director, Libraries  
Assistant Director, Library Services  
Division Head, Collection & Technical Services  
Manager, Library Services

Planning & Community Environment

Director, Planning & Community Environment  
Assistant Director, Planning & Community Environment  
Planning Manager Division Manager, Chief Planning Official  
Division Manager, Chief Transportation Official

Development Services Department

Development Services Director  
Chief Building Official  
Assistant Building Official  
Planning Manager

Public Safety

Chief of Police/Director of Public Safety  
Fire Chief /Assistant Public Safety Director  
Assistant Police Chief

Emergency Services Director  
Deputy Director – Technical Services Division (police department)  
Deputy Fire Chief

Public Works

Director, Public Works/City Engineer  
Assistant Director, Public Works – Environmental Services  
Assistant Director, Public Works – Public Services  
Assistant Director, Public Works – Engineering  
Manager, Airport  
Manager, Fleet  
Water Quality Control Plant Manager

Utilities

Director, Utilities