

SUCCESSOR MOU NEGOTIATIONS

Between

CITY OF SANTA CRUZ

And

**SUPERVISORY EMPLOYEES OF THE CITY OF SANTA CRUZ
OPERATING ENGINEERS, LOCAL #3**

CITY'S TOTAL PACKAGE TENTATIVE AGREEMENT PROPOSAL #4

JANUARY 7, 2026

The City submits this Total Package Tentative Agreement Proposal #3 pursuant to ground rule 15. A rejection of any one of the proposals set forth below will be deemed a rejection of the Total Package Proposal in its entirety. The City reserves the right to modify any of the below proposals based on any subsequent individual proposal or any additional subsequent Total Package Proposal.

1. TERM PROPOSAL

2.00 TERM

This Memorandum of Understanding shall be effective on December 6, 2025, or when Council approves the successor MOU in open session, whichever is later, and shall expire on December 8, 2028.

Unless otherwise stated herein, all payroll related changes identified in this agreement will commence with the pay period beginning December 6, 2025, or the pay period when Council approves the successor MOU in open session, whichever is later.

2. SALARY PROPOSAL

13.00 PAY RATES AND PRACTICES

Effective the pay period that begins on December 6, 2025, or when Council approves the successor MOU in open session, whichever is later, the salary for all bargaining unit members shall be increased by three percent (3.0%).

Effective the pay period that begins on November 21, 2026, the salary for all bargaining unit members shall be increased by three percent (3.0%).

Effective the pay period that begins on December 4, 2027, the salary for all bargaining unit members shall be increased by four percent (4.0%).

3. LONGEVITY PROPOSAL

13.05 LONGEVITY

Upon completion of ten (10) years of continuous regular service employees shall receive a two and one-half percent (2.5%) longevity pay increase. Upon completion of fifteen (15) years of continuous regular service employees shall receive an additional two percent (2%) longevity pay increase.

Effective November 21, 2026, upon completion of twenty (20) years of continuous regular service employees shall receive an additional two percent (2%) longevity pay increase. Longevity is calculated from the date of hire into a regular status position or a fully benefited special status position. It is understood that longevity pay is considered "additional compensation" for purposes of PERS and tax computations.

4. STATE DISABILITY INSURANCE PROPOSAL

NEW SECTION

Effective the pay period inclusive of December 6, 2025, or when Council approves the successor MOU in open session, whichever is later, the City will provide to represented employees CA SDI and STD Plan Option #9 (30 day EP to dovetail with LTD 90 day EP, 24-hour coverage). To cover the cost of SDI benefits, employees shall contribute 1% of their base salary through payroll deductions.

5. FIXED HOLIDAYS PROPOSAL

14.01 FIXED HOLIDAYS

Employees within the unit shall have the following specific holidays with pay:

Twelve (12) 8 Hour Holidays

New Year's Day
Martin Luther King's Birthday
Presidents' Day
César Chavez Day
Memorial Day
Independence Day
Juneteenth
Labor Day
Veterans' Day
Thanksgiving Day
Friday after Thanksgiving
Christmas Day

Four (4) Hour Holidays

The last four (4) hours of the work shift are Holiday hours for Christmas Eve.

The last four (4) hours of the work shift are Holiday hours for New Year's Eve.

Except as provided for on Christmas Eve and New Year's Eve, when a holiday falls on Sunday, the following Monday shall be observed. When a holiday falls on Saturday, the proceeding Friday shall be observed.

6. WORKING OUT OF CLASS PROPOSAL

13.06 WORKING OUT OF CLASSIFICATION PAY DIFFERENTIAL

The term "working out of classification" is defined as a management authorized full-time assignment on a temporary basis of an employee in a lower classification to a budgeted higher classification. Assignments will be made by the Department Head or City Manager to qualified employees assuming a significant number of duties of the higher classified position. Employees must work a minimum of one (1), eight (8) hour day to qualify for out-of-classification pay.

The employee so assigned shall be entitled to receive a minimum of five percent (5.0%) above the employee's current base rate of pay for another supervisory or management position.

Best efforts will be made to equally offer working out of classification opportunities to all qualified staff on a rotating basis. When a particular employee has worked out of classification for more than 90 consecutive workdays in a position that is vacant, including vacancies resulting from an employee's long-term leave; and the assignment exceeds 90 consecutive workdays, an additional five percent (5.0%) will be added to the above pay for the duration of the assignment.

All initial working out of class assignments will be submitted as determined by the HR Director or their designee.

In accordance with the Public Employees Pension Reform Act (PEPRA), working out of classification pay is not pensionable compensation for employees who are "New Members" of CalPERS, as defined by California Government Code Section 7522.04(±).

7. HAZARDOUS MATERIAL PAY PROPOSAL

13.19 HAZARDOUS MATERIAL PAY

The City will provide a fifty (\$50.00) per month premium pay for all employees who may be exposed to dangerous chemicals and/or biohazardous materials as indicated in the job classification description. The list of qualifying classifications will be confirmed at a subsequent meeting.

8. LIFE INSURANCE PROPOSAL

18.07 LIFE INSURANCE

The City shall provide a twenty-five thousand dollar (\$25,000) term life insurance policy for employees.

9. VACATION PROPOSAL

15.01 ACCRUAL

Vacation accrual will be on a monthly basis beginning at date of hire. Employees within the probationary period may use accrued paid vacation upon approval of the department head; such time will not be counted as qualifying service toward completion of the probationary period.

An employee must be in paid status for at least fifty percent (50%) of a pay period to earn their vacation accrual. Annual vacation accrual shall be based on continuous regular service, as follows:

Up to five (5) years:	80 hours
Six (6) to ten (10) years:	120 hours
Eleven (11) or more years:	160 hours plus 8 hours for each year of service after 10 years to a maximum of 200 hours

10. OVERTIME PROPOSAL

13.08 OVERTIME

The Union understands that from time to time employees may be directed to work overtime hours. To the extent possible, employees will be given advance notification. An employee may be excused from overtime work for legitimate reasons.

Overtime shall be defined as all management authorized hours in a paid status in excess of forty (40) hours per week, which are contiguous with the employee's regular work schedule, excluding voluntary training. Overtime shall be computed at the rate of one and one-half (1-1/2) times the base hourly rate or may be converted to compensatory time off at the rate of one and one-half (1-1/2) times the hours worked.

Compensatory time off shall not be allowed to accumulate beyond one hundred sixty (160) hours at any given time. Any accrued and unused compensatory time earned during the calendar year will be paid out on the last pay date in December each year and employees will not be permitted to carry over unused compensatory hours at the conclusion of the calendar year.

Employees with accrued compensatory time off may choose from the following options:

- To use such time within a reasonable period in the same calendar year as it was earned after making the request, unless such time off will unduly disrupt the operations of the department.
- To roll over any accrued and unused compensatory time earned during the calendar year into a City-sponsored deferred compensation plan anytime during the calendar year.
- To cash out all or part of the accrued and unused compensatory time anytime during the calendar year.
- Any remaining balance will be either rolled over to deferred comp or paid out as described

above on the last payday in December.

11. SHIFT DIFFERENTIAL PROPOSAL

13.07 SHIFT DIFFERENTIAL

Any employee who is required and authorized by management to work, and actually works, a regularly scheduled shift at least one hour or more of which fall between the hours of 6:00 p.m. and 6:00 a.m. shall be paid a shift differential of ninety cents (\$.90) per hour or five percent (5%), whichever is greater, for each hour worked within the shift differential period of 6:00 p.m. and 6:00 a.m.

Evening differential shall not apply to:

- a. Paid leave hours, including vacation, sick leave, holidays, and other paid leaves provided in Section 17.01.
- b. Hours that are worked between 6:00pm and 6:00am as a result of call-back, duty assignment, or overtime.
- c. Hours that are worked which weekend differential is paid.

13.07.01 Weekends

Part-time and Regular employees assigned to 24-hour operations and required and authorized by management to work a regularly scheduled shift with at least one hour or more that falls between 6:00 p.m. Friday and 6:00 a.m. Monday shall be paid a shift differential of ten percent (10%) the employee's regular rate of pay for each hour worked within the shift differential period of 6:00 p.m. Friday and 6:00 a.m. Monday. Work on a Fixed Holiday, as outlined in Section 14.01, results in hours being banked. This provision applies to the following classifications: Senior Wastewater Plant Operator III/IV, Water Treatment Supervisor IV/V, and Wastewater Treatment Operations Supervisor.

Weekend differential shall not apply to:

- A. Paid leave hours, including vacation, sick leave, holidays and other paid leaves, provided in Section 17.00-Leaves of Absence.
- B. Hours that are worked between 6:00 p.m. and 6:00 a.m. as a result of call-back, duty assignment, or overtime.

13.07.02 Water Plant Lone Operator

The Water Treatment Supervisor IV/Water Treatment Supervisor V - Chief Plant Operator assigned to the Water Treatment Facility will receive fourdollars (\$4.00) per hour additional shift differential subject to meeting all the conditions listed below:

- A. Fully qualified to operate the Graham Hill Treatment plant without direct supervision as determined by the Superintendent of Water Treatment and Production.
- B. Works at least six hours without any other qualified Treatment Operators present.

If the above conditions are met, then the shift differential will be paid for all hours actually performing the duties as the "stand-alone" Treatment Operator.

13.07.03 Wastewater Plant Lone Operator

A Senior Plant Operator assigned to the Wastewater Treatment Facility will receive four dollars (\$4.00) per hour additional shift differential subject to meeting all the conditions listed below:

- A. State Water Resources Control Board Grade 3 Wastewater Plant Operator Certification.
- B. Fully qualified to work at the City of Santa Cruz Wastewater Treatment Plant as the Lone Operator.
- C. Works at least four (4) hours alone as the only operator (except for callback responses).

If the above conditions are met, then the shift differential will be paid for all hours worked on assigned "lone operator" shift.

12. RETIREMENT PROPOSAL

13.04 RETIREMENT

13.04.01 Employees Hired on or Before May 11, 2012 (Tier I)

This section 13.04.01 shall apply to employees hired on or before May 11, 2012 who are contributing members of CalPERS.

- A. Final Compensation Based on the Single Highest Year

For purposes of determining a retirement benefit, final compensation for employees covered by this section 13.04.01 shall be based on the single highest year.

- B. 2.0% @ 55 Pension Formula

The 2.0% @ 55 pension formula shall be available to all employees covered by this section 13.04.01 who are contributing members of CalPERS. Additionally, the City provides the Pre-Retirement Optional Settlement 2W Death Benefit to employees covered by this section 13.04.01.

C. Required Employee Contribution

Members covered by this section 13.04.01 will contribute the employee contribution amount established by CalPERS for the 2.0% @ 55 pension formula. The required contribution amount was seven (7.0%) as of the date of this MOU.

D. Additional Required Employee Contribution

In addition to the required employee contribution, starting with the pay period containing August 17, 2013 members covered by this section 13.04.01 will contribute an additional four percent (4.0%) (total of eleven percent (11.0%) as of the date of this MOU).

Effective the pay period that begins on November 21, 2026, employees covered by this section shall have their payment of the employer's retirement share reduced by 1.0% (total 10.0%) on a pre-tax basis.

13.04.02 Employees Hired On or After May 12, 2012 (Tier II)

This section 13.04.02 shall apply to employees hired after May 12, 2012 but on or before January 1, 2013 who are contributing members of CalPERS.

A. Final Compensation Based on Three Year Average

For purposes of determining a retirement benefit, final compensation for employees covered by this section 13.04.02 shall be based on the employee's highest three-year average.

B. 2.0% @ 60 Pension Formula

The 2.0% @ 60 pension formula shall be available to all employees covered by this section 13.04.02 who are contributing members of CalPERS. Additionally, the City provides the Pre-Retirement Optional Settlement 2W Death Benefit to employees covered by this section 13.04.02.

C. Required Employee Contribution

Members covered by this section 13.04.02 will contribute the employee contribution amount established by CalPERS for the 2.0% @ 60 pension formula. The required contribution amount was seven percent (7.0%) as of the date of this MOU.

D. Additional Required Employee Contribution

In addition to the required employee contribution, starting with the pay period containing August 17, 2013 members covered by this section 13.04.02 will contribute an additional four percent (4.0%) (total of eleven percent (11.0%) as of the date of this MOU).

Effective the pay period that begins on November 21, 2026, employees covered by this section shall have their payment of the employer's retirement share reduced by 1.0% (total 10.0%) on a pre-tax basis.

13.04.03 Employees Hired On or After January 1, 2013 (Tier III)

This section 13.04.03 shall apply to employees hired on or after January 1, 2013 who are contributing members of CalPERS.

A. Final Compensation Based on Three Year Average

For purposes of determining a retirement benefit, final compensation for employees covered by this section 13.04.03 shall be based on the employee's highest three year average.

B. 2.0% @ 62 Pension Formula

The 2.0% @ 62 pension formula shall be available to all employees covered by this section 13.04.03 who are contributing new members of CalPERS. Additionally, the City provides the Pre-Retirement Optional Settlement 2W Death Benefit to employees covered by this section 13.04.03. Employees covered by this section 13.04.03 who are classic members as defined by CalPERS may be eligible for a different pension formula.

C. Required Employee Contribution

Members covered by this section 13.04.03 will contribute the employee contribution amount established by CalPERS for their pension formula. The required contribution amount for the 2.0%@ 62 was seven and one quarter percent 7.25% as of the date of this MOU. In the event employee contribution rates are adjusted by CalPERS during the term of this MOU, the employee contribution will be recalculated based upon the updated required employee contribution rate established by CalPERS.

D. Additional Required Employee Contribution

In addition to the required employee contribution, starting with the pay period containing August 17, 2013 members covered by this section 13.04.03 will contribute an additional 4.0% (total of eleven and one quarter percent 11.25% as of the date of this MOU).

Effective the pay period that begins on November 21, 2026, employees covered by this section shall have their payment of the employer's retirement share reduced by 1.0% (total 10.25%) on a pre-tax basis.

13. PERFORMANCE EVALUATIONS PROPOSAL

11.02 PERFORMANCE EVALUATIONS

It is compulsory that all regular employees receive an annual written performance evaluation from their supervisors. Employees will be evaluated at the completion of their third and sixth month of service. For original and re-hire appointments, employees will receive an informal evaluation at their third month of service and a formal written evaluation at six and twelve months of service. Thereafter, all regular employees will be evaluated annually on their merit review date.

Evaluations are intended to be a summary of the employee's performance over the course of the evaluation period. Evaluations are also to be used as a tool to motivate the employee to work at their highest capacity and to communicate and document the employee's level of performance. To this end, the supervisor and the employee will meet and discuss work responsibilities, job standards and objectives, review progress and plan for the employee's future development prior to the evaluation being placed in the employee's personnel file. Supervisors will make every effort to address performance issues in a timely manner throughout the evaluation period and provide appropriate feedback to employees on an ongoing basis.

Any additions, corrections, deletions or changes on the original evaluation form require initialing by both the maker of the amendment and the employee to indicate that the changes have been discussed and understood. No evaluation shall be made on hearsay statements. Employees may also choose to discuss performance evaluations with their department heads and/or the Chief People Officer (Human Resources Director) and formally enter a response to the evaluation in their personnel file. Disputes regarding performance reviews shall not be subject to the grievance process.

14. PROBATION PROPOSAL

11.03 PROBATION

11.03.01 Probationary Period

All original and re-hire appointments shall be subject to a probationary period of twelve (12) months. Successful completion of the six-month evaluation of an original and rehire appointment qualify for a merit increase. Promotional appointments shall be subject to a probationary period of six (6) months at which they qualify for a merit increase.

Any time spent by an employee on paid or unpaid leave exceeding five (5) consecutive workdays shall not be counted as qualifying service toward completion of the probationary period.

11.03.02 Objective of Probationary Period

The probationary period shall be regarded as part of the selection process and shall be utilized for training the new employee on work assignments and standards and observing and evaluating the employee's performance.

11.03.03 Rejection of Probationary Employee

During the probationary period, an employee may be rejected at any time by the appointing authority without the right of appeal. Notification of rejection shall be served to the probationary employee in writing.

Any promoted employee who is rejected during the probationary period shall be reinstated to the position from which promotion occurred; unless the rejection is due to discharge in which case no reinstatement shall occur.

11.03.04 Extension of Probation

All efforts will be made to sufficiently evaluate the probationary employee during the assigned period. An extension of the probationary period may, however, be recommended by the appointing authority and approved by the Chief People Officer (Human Resources Director) when good cause exists. Such extensions shall be for a specific period of time not to exceed six (6) months for original hire and re-hire appointments, and not to exceed three (3) months for promotional appointments. The employee shall be informed in writing of the reasons for the period of the extension at least seven (7) calendar days prior to the scheduled end of the probationary period.

15. LIGHT DUTY ASSIGNMENTS PROPOSAL

12.07 LIGHT DUTY ASSIGNMENTS

If an employee's medical condition temporarily precludes the performance of their normal duties and management determines modified work is available and necessary to be performed, they may, with medical authorization from the employee's personal physician, be temporarily assigned to such work for a period not to exceed six months unless an extension is approved by the Human Resources Director or their designee. No change in base pay will result from this temporary assignment.

16. SALARY RATES UPON APPOINTMENT PROPOSAL

13.02 SALARY RATES UPON APPOINTMENT

New employees shall be hired at the first step of the classification's salary range; unless a higher starting step is recommended by the appointing authority based on the employee's advance qualifications for the position and such recommendation is approved by the Human Resources Director or their designee.

Promoted employees shall be appointed to the first step in the salary range for the new classification. However, if such employee is already being paid at a rate equal to or higher than the first step of the higher range, they shall be placed at the next higher step in the new range to provide the employee an increase of at least two and one-half percent (2.5%).

17. COMPACTION PROPOSAL

13.21 COMPACTION

The City agrees to meet and confer with the union quarterly with a pledge of preventing and addressing compaction between a supervisor and the position they supervise. The Parties will meet at least quarterly to resolve compaction and implement all applicable changes by the second full pay period of July annually. All changes, including implementation timing, must be made upon mutual agreement of the Parties.

Salary compaction is defined as any percentage less than ten percent (10%) between top step salary of the supervisory and the top step salary of the classification it primarily supervises. A list of supervisor positions and the associated positions they supervise will be discussed at the meeting.

18. ADVANCEMENT WITHIN THE RANGE PROPOSAL

13.03 ADVANCEMENT WITHIN THE RANGE

- A. Advancement within a classification's salary range shall normally be granted on the employee's scheduled merit review date. Such advancements shall be based solely on meritorious job performance as documented by a satisfactory performance evaluation submitted by the department head and approved by the Chief People Officer (Human Resources Director).
- B. All new and promoted employees shall be granted their first merit increase upon successful completion of the probationary period (see "Probation"). The employee shall then be eligible for subsequent merit increases after each full-year on paid status, continuing until the top of the salary range is attained.
- C. Merit increases shall be from one pay step to the next higher pay step. Increases of greater than one step may, however, be recommended by the department head when exceptional performance has been demonstrated by the employee. Increases of greater than one step must be approved by the Chief People Officer (Human Resources Director).
- D. A merit increase may be denied by the department head when an employee's job performance falls below the acceptable work standards for the duties

assigned. The department head may, in such a case, recommend that the employee's work performance be reviewed again at a specific time before the next review date. If a merit increase is granted at that time, the employee's original review date shall change and they shall be eligible for the next merit increase after one year on paid status from the new review date.

- E. An employee's scheduled merit review date shall be adjusted for any time spent by the employee on paid or unpaid status.
- F. When an employee's position is reclassified to a classification with a higher salary range, the employee's pay shall be set at the beginning salary of the range or be placed at a salary in the new range that provides the employee a salary increase of at least five percent (5%). This increase shall have no effect on the employee's original merit review date.

19. MEDICAL BENEFITS PROPOSAL

18.01 MEDICAL BENEFITS

A. City Cafeteria Plan Contributions

The City will provide medical insurance through the California Public Employees' Retirement System (CalPERS). The City will contribute a monthly amount to CalPERS pursuant to Government Code Section 22892 of the Public Employees Medical and Hospital Care Act (PEMHCA).

In accordance with IRS Code Section 125, the City will provide a Flexible Benefits Plan ("Cafeteria Plan") to all eligible employees. If an employee elects to participate in a CalPERS medical plan, the maximum monthly City contribution*, including the PERS required minimum, shall equal 90% of the cost of the highest medical premium between the Blue Shield Access+ HMO and PERS Choice PPO plans and employees will contribute the remaining premium balance, based upon the plan level in which they are enrolled (i.e., employee only, employee plus one, or employee plus family). Employees shall pay their contribution on a pre-tax basis. In no event will the maximum monthly City contribution exceed the premium for the plan in which the employee is enrolled.

Each employee participating in a medical plan will make an additional \$35.00 contribution per pay period towards the cost of health care benefits. This pre-tax contribution is made during pay periods where employee deductions for health care benefits are taken (24 pay periods).

*Note: The monthly contribution is based on the CalPERS regional pricing for the Bay Area/Sacramento area, Region 1). In the event an active employee relocates to another regional area, or a newly hired employee resides in another regional area, it is the City's intent to provide a contribution based on the Bay Area/Sacramento area CalPERS regional pricing (Region 1 Area regional pricing) with the understanding that in no event

will the maximum monthly City contribution exceed the premium for the plan in which the employee is enrolled.

20. TENTATIVE AGREEMENTS

Individual Tentative Agreements: The Parties also mutually agree to incorporate the individual tentative agreements signed by their respective bargaining teams during these negotiations for a successor MOU, pursuant to ground rule 15.

For the City of Santa Cruz

DocuSigned by:
Sara De Leon
6DC5292DB2554DF...
Sara De Leon, Lead Negotiator
Date: 1/7/2026

Signed by:
Timothy L. Davis
D0D9EF95B60A456...
Timothy L. Davis, Co-Lead Negotiator
Date: 1/9/2026

Supervisory Employees of the City of Santa Cruz Operating Engineers, Local #3

Signed by:
Michael Moore
38507A3FBBAE474...
Michael Moore, OE3 Lead Negotiator
Date: 1/12/2026

Signed by:
Daniel Lawson-Thomas
E8CFCD3AC4BA4FB...
DC Lawson-Thomas, OE3 Vice President
Date: 1/7/2026