



CITY OF  
**PALO ALTO**

**COMPENSATION PLAN**

**FOR**

**Management and Professional Personnel  
And Council Appointees**

Effective July 1, 2025, 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 employees within classifications listed in the Management and Professional Salary Schedule.

### **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 their 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 are 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.**

All management and professional classifications are assigned an appropriate pay range based on salary survey data and internal relationships. Actual salary within the range for individual employees is determined by experience and performance.

##### **2. Compensation Adjustment Authorization.**

Council-appointed officers are authorized to pay salaries in accordance with this plan to non-Council-appointed management and professional employees within the City Council authorized salary schedule.

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 salary schedule.

### **C. GENERAL SALARY INCREASES**

As part of the budget process and subject to Council approval, the City Manager may propose 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 Human Resources Director.

Effective the first full pay period following July 1, 2025, salary ranges and salaries of all classifications will be increased by three percent (3.0%).

Effective the first full pay period following July 1, 2026, salary ranges and salaries of all classifications will be increased by three percent (3.0%).

Effective the first full pay period following July 1, 2027, salary ranges and salaries of all classifications will be increased by three percent (3.0%).

Effective the first pay period of January 2024, all classifications received two hundred dollars (\$200) monthly flexible compensation payment built into base hourly rate of pay.

### **D. ANNUAL PERFORMANCE REVIEW AND MERIT INCREASES**

Individual base salary merit increases are earned and authorized in accordance with administrative practices based upon growth within the position, performance, and the City's financial conditions. Merit pay adjustments are at the discretion of the Council-Appointed Officers and at amounts set on an annual basis during the fiscal year budget process.

Annually, performance appraisals will be conducted after the conclusion of the fiscal year for all employees who have been with the City for over one year. Employees in their first year as a Management and Professional employee with the City will receive their performance appraisal after 12 months.

These appraisals review performance over the prior fiscal year and provide goals and expectations for the new fiscal year. Performance plans are jointly prepared by the employee and supervisor with the concurrence of the department head or Council-appointed officer. Progress toward meeting objectives shall be monitored periodically.

Management/professional employees who have received an overall rating of "meets expectations" or above on their annual review and who have not been on a performance improvement plan during the preceding fiscal year will be eligible for a Merit increase to base compensation, if applicable for that year. Recommended ratings will be provided to Department Heads, the Human Resources Department, and the appropriate Council-Appointed Officer for final review.

Nothing herein shall preclude an employee's manager from recommending a mid-point adjustment increase to an employee on a performance plan at a later date should employee's

performance improve.

## **E. CLASSIFICATION COMPENSATION REVIEW**

The City will periodically survey classifications to determine their competitive market placement. The results of a total compensation study may indicate that a pay range be adjusted, or that no change takes place. Such adjustments may only affect the salary administration framework. No individual salaries will be automatically changed because of structural adjustments.

A department director may request that Human Resources reevaluate a classification(s) in their 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 Human Resources director or designee will respond to such requests within their discretion. Individual employees are not eligible to request a classification compensation review. 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. Eligibility shall be in conformance with the Merit Rules and Regulations, Personnel Policies and Administrative guidance 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.

### **F. WORKING ABOVE CLASSIFICATION PAY**

Where 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. All qualified and interested employees within a work group should be considered for the working above classification

opportunity whenever feasible. 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 their 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.

#### **G. 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

#### **H. 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

#### **I. 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.

#### **J. 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.

## **K. 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:

- a) P.O.S.T. Intermediate Certificate: five percent (5%) above base salary
- b) P.O.S.T. Advanced Certificate: seven and a half (7.5%) 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:

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

## **SECTION III. BENEFIT PROGRAMS**

This section applies to all eligible regular management and professional positions including Council-Appointed Officers as applicable and including Council Members for Section III A – I as applicable. Eligibility shall be in conformance with the Merit Rules and Regulations, Personnel Policies and Administrative guidance issued by the City Manager for the purposes of clarification and interpretation.

### **A. MEDICAL**

#### **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.

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.

#### **2. 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:

Medical Premium Category (Coverage Level)	Maximum City Contribution Effective July 1, 2025
Single (EE only)	\$943
2- Party (EE +1)	\$1,885
Family (EE + 2 or more)	\$2,444

Effective January 1, 2027, the City will increase its maximum contribution to medical premiums by the following percentages:

- Employee only: 2%
- Employee plus one: 3%
- Employee family: 5%

Medical Premium Category	Total Maximum City Contribution (inclusive of PEMHCA contribution*) effective January 1, 2027
Employee only	\$962
Employee plus one	\$1,942
Employee family	\$2,566

\*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 “Maximum City Contribution” columns above.

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.

b) 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 Human Resources Department, will be eligible for a stipend of up to 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.

c) 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 their right to the City of Palo Alto's medical insurance and receive cash payments in the amount of \$284.00. Council Members are not eligible for the Alternative Medical Benefit Program.

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. Employees are required to annually submit waiver forms in order to continue to receive these payments. Failure to submit annual waiver may result in loss of this alternative medical benefit.

## **B. 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) **Employees Hired after January 1, 2004**

For 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 employees shall be the minimum contribution set by PERS under section 22893 based on a weighted average of available health plan premiums.

c) **On July 6, 2016 the City provided active 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.**

**C. DENTAL**

- a) The City will maintain the present level of benefits on the City-sponsored dental program. The City provides a base dental plan for all eligible employees and dependents. Additionally, eligible employees will have the option to enroll in a dental "buy-up" plan.
- b) The City shall pay all premium payments on behalf of employees and dependents who are eligible and enrolled for coverage under the base dental plan. Dependents will include domestic partners. Employees will be responsible for premium payments required to enroll in the "buy up" dental plan.

**D. LIFE INSURANCE**

a) **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).

b) Supplemental Life And AD&D Insurance

An employee may, at their cost, purchase voluntary life insurance and voluntary AD&D coverage equal to one- or two-times their annual salary. The maximum amount of life insurance available to the employee is up to \$500,000 and the maximum amount of AD&D coverage available is up to \$500,000. Employee may, at their cost, purchase voluntary spousal and child life insurance.

**E. DEPENDENT CARE ASSISTANCE PROGRAM (DCAP) AND HEALTHCARE FLEXIBLE SPENDING ACCOUNT (HCFSa)**

The City shall continue to provide a Dependent Care Assistance Program (DCAP) and Medical Flexible Spending Accounts (FSA) for employees as permissible under Section 125 of the Internal Revenue Code. Calendar year limits are set by the IRS.

- a) DCAP: The City will provide a dependent care assistance program for employees subject to the provisions of applicable law. Disputes regarding the administration of the plan shall be subject to the dispute resolution procedure provided by the plan document.
- b) HCFSa: The City will provide healthcare flexible spending program for employees subject to the provision of applicable law. Disputes regarding the administration of the plan shall be subject to the dispute resolution procedure provided by the plan document.

**F. VISION**

- a) The City provides a base vision plan for all eligible employees and dependents. Additionally, eligible employees will have the option to enroll in a vision “buy-up” plan. The City shall pay all premium payments on behalf of employees and dependents who are eligible and enrolled in coverage under the base vision plan. Employees will be responsible for premium payments required to enroll in the “buy up” vision plan. Dependents include domestic partners.
- b) 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 their 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 their percentage of a full- time work schedule.

## **G. DEFERRED COMPENSATION**

The City will continue to provide a 457 Deferred Compensation Plan for employees to make pre or post tax contributions.

## **H. EMPLOYEE ASSISTANCE PROGRAM**

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.

## **I. 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 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, Parking and Vanpool. The City provides tax-free commute incentives up to the current IRS limit, as may be amended from time to time. Administration of this 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.

## **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 \$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.

## **K. 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. Effective January 1, 2026, every calendar year, each employee will be provided with \$3,000 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, subject to the provision of applicable law.
- 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 provision of applicable law.
- 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.

Amounts designated by employees to either the Medical FSA, Dependent Care FSA, Gym or Health Club Membership 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 calendar 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.

## **L. PROFESSIONAL DEVELOPMENT**

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 their 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.

Approval is at the 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

## **M. MEAL ALLOWANCE**

Management and professional employees assigned to attend night meetings are eligible to receive reimbursement for up to \$38.00 per dinner, or as otherwise defined in Policy 1-66/ASD. This provision covers only receipted meals actually taken and submitted for reimbursement.

## **IV. LEAVES**

This section applies to all management and professional employees and does not include Council Members or Council-appointed officers.

### **A. 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 thirty (30) 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 or 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) Sick leave may be used for illness in the immediate family, including a registered domestic partner or other individuals required by applicable law.
- e) 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.

### **B. HOLIDAY**

The following holidays are recognized as municipal holidays for pay purposes, and regular, employees shall have these days off with pay, except as otherwise provided in these rules:

January 1	Veterans' Day, November 11
Third Monday in January	Thanksgiving Day
Third Monday in February	Day after Thanksgiving Day
Last Monday in May	December 25
July 4th	
First Monday in September	
Second Monday in October	

In the event that any of the aforementioned days fall on a Sunday, the following Monday shall



be considered a holiday. In the event that any of the aforementioned days falls on a Saturday, the preceding Friday shall be considered a holiday for pay purposes.

Winter Floater (formerly Either December 24, or December 31). Employees shall be excused with pay for a full work shift on a day mutually agreed to by the employee and their supervisor during the month of December. If employees are not excused pursuant to this provision, one shift of vacation credit will be added to their vacation accrual.

Floating Holiday – Days of historical significance. Employees will be provided one floating holiday each calendar year in acknowledgement of days of historical significance. The employee with prior approval from their supervisor can use this floating holiday at any time during the year. This holiday has no cash value and will expire if unused.

### **C. 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.

### **D. MANAGEMENT ANNUAL LEAVE**

#### **a) Exempt Employees**

Regular management and professional exempt 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 ( $\frac{1}{2}$ ) 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 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.

Council appointed Officers can, at their discretion, award additional management annual leave to employees. Award of additional leave is intended to acknowledge and recognize excellent performance and/or longevity in alignment with the annual merit cycle.

## E. VACATION

Vacation is accrued when an employee is in pay status and is credited on a bi-weekly basis. Total vacation accrual 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 eighty (80) hours. An employee may cash out a minimum of eight (8) hours to a maximum of one hundred twenty (120) hours of accrued vacation provided the employee has taken eighty (80) vacation hours in the previous twelve (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 one hundred twenty (120) hours. For the following calendar year, employees will make their election for vacation hours to cash out during the annual Benefit Open Enrollment period. The election will apply only to vacation hours 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 during the annual Benefit Open Enrollment period of the prior calendar year waive the right to cash out any leave in the following 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.

## **F. BEREAVEMENT**

Leave of absence with pay of three (3) days may be granted an employee by the head of their department in the event of death in the employee's 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. Employees may supplement paid bereavement leave with accrued leave (including vacation or sick leave) or unpaid leave to reach a total of five (5) workdays of time off per incident of bereavement. Requests for leave in excess of five (5) days shall be subject to the approval of a Council-Appointed Officer for employees under their control.

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.

## **V. RETIREMENT**

### **A. 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.

## **B. 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 June 8, 2012 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.

## **C. 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:
  - a. Employees in Safety Pension Group A shall pay the full nine percent (9%) PERS employee contribution.
  - b. Employees in Safety Pension Group B shall pay the full eight percent (9%) PERS employee contribution.
  - c. 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.

#### **D. 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.

#### **E. 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.

a) 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 July 1, 2012, 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 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 their 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 their position the employee shall fully reimburse the City as set forth in Government Code section 53243.3.

b) 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.

c) 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.

## **F. HIRING PROVISIONS**

### **a) Reimbursement For Relocation Expense**

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.

### **b) Hiring Incentive**

Council Appointed Officers may authorize a hiring incentive for critical Management and Professional personnel vacancies. Hiring incentives must be funded through department salary savings.

## **G. 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 they consider appropriate.

## **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 - All departments

#### Administrative Services

Director, Administrative Services/Chief Financial Officer  
Director, Office of Management & Budget  
Assistant Director, Administrative Services  
Division Managers such as:  
Budget Manager; Finance Manager; Chief  
Procurement Officer; Manager, Real  
Property; Treasury Manager; Principal  
Analyst; Revenue Collections Manager

#### City Attorney

Chief Assistant City Attorney  
Assistant City Attorney  
Deputy City Attorney  
Legal Fellow

#### City Clerk

Assistant City Clerk  
Deputy City Clerk

#### City Manager

Assistant City Manager  
Chief Operating Officer  
Deputy City Manager  
Assistant to the City Manager  
Assistant to City Manager  
Chief Communications Officer  
Communications Manager



Chief Transportation Official  
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 & Development Services

Director, Planning & Development Services  
Assistant Director, Planning & Development Services  
Planning Manager Division Manager,  
Chief Planning Official  
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  
Chief Operating Officer