

**Side Letter of Agreement
Between the
City of Petaluma and the Petaluma Professional &
Mid-Managers Association – Unit 11**

**Salary Reduction / Leave Program and Furlough Leave Program
December 28, 2009 – December 23, 2013**

Representatives of the City of Petaluma and the Petaluma Professional & Mid-Managers Association (“Association”) Unit 11 have met and conferred and reached agreement on this Side Letter of Agreement.

The City of Petaluma continues to face financial shortfalls and impending layoffs. In response to this challenging and difficult financial and economic condition the City and representatives of Unit 11 have agreed to implement a salary reduction and special leave program (exempt employees) and a furlough leave program (non-exempt employees) to reduce the city’s operating costs during FY 2009-2010 and FY 2010-2011.

The parties acknowledge that the Unit 11 Memorandum of Understanding (MOU) is not yet in place. The parties continue to operate under the terms and conditions of the Unit 4 and 9 Compensation Plan until agreement is reached on the terms and conditions of the new MOU. It is the intent of the parties to agree to the terms of this Side Letter separate from the negotiation process and the final adoption of an MOU. This Side Letter shall be effective December 28, 2009 through December 23, 2013.

The parties agree to the following for Exempt - Mid-Management Employees

1. Effective December 28, 2009 through June 26, 2011 employees shall receive a 3.1% reduction in salary.
2. Special pays which will not be subject to the 3.1% salary reduction are Bilingual Pay and Temporary Assignment Pay.
3. In exchange for that 3.1% reduction in salary, effective December 28, 2009 through June 26, 2011, employees shall receive ninety-six (96) hours of special administrative leave over thirty-nine (39) payroll periods in accordance with the schedule below:

Six-Month Period	Maximum Special Administrative Leave Hours Available	Payroll periods
12/28/2009 to 06/27/2010	32	13
06/28/2010 to 12/26/2010	32	13
12/27/2010 to 06/26/2011	32	13
Total	96	39

4. Employees will receive thirty-two (32) hours of special administrative leave on December 28, 2009, June 28, 2010 and December 27, 2010. Employees are encouraged to use their special administrative leave in the period specified in the schedule above. At the end of every six-month period the special administrative leave will be zeroed and any unused special administrative leave on the books as of June 27, 2010, December 26, 2010 and June 26, 2011 will be eliminated.

5. An employee may take special administrative leave hours upon mutual agreement of the supervisor and the employee.
6. If an employee separates employment having used more special administrative leave hours than its value in salary reduction, any hours owed shall be deducted from the employee's final paycheck.
7. An employee may use special administrative leave hours in lieu of vacation or sick leave hours.
8. Special administrative leave hours have no cash value.
9. Employees hired after the implementation date of December 28, 2009 and before June 26, 2011 will be required to participate in the salary reduction/ leave program. Special administrative leave hours will be prorated based upon date of hire.
10. An employee who was hired on or before December 27, 2009 and separates employment during the salary reduction period December 28, 2009 through June 26, 2011 shall have any final leave balances paid out at his/her salary rate in effect as of December 27, 2009 or the reduced salary rate at separation whichever is higher.

The parties agree to the following for Non-exempt Professional Employees

11. To reduce employee pay by 3.1% for an 18-month period December 28, 2009 through June 26, 2011, accomplished through unpaid furlough hours.
12. Ninety-six (96) hours of unpaid furlough leave is closely equivalent to a 3.1% pay reduction. The furlough leave program will not exceed that 3.1% equivalent reduction unless mutually agreed upon by the parties.
13. Effective December 28, 2009 and through June 26, 2011 employees are required to take ninety-six (96) unpaid furlough leave hours over thirty-nine (39) payroll periods December 28, 2009 through June 26, 2011. The furlough leave shall be taken in accordance with the schedule below:

Six Month Period	Maximum Furlough Hours Available	Payroll periods
12/28/2009 to 06/27/2010	32	13
06/28/2010 to 12/26/2010	32	13
12/27/2010 to 06/26/2011	32	13
Total	96	39

14. Effective December 28, 2009 and through June 26, 2011 employees shall have 2.46 hours (96 hours divided by 39 payroll periods) of pay which includes base pay and excludes the special pays indicated in section 15 below deducted from each paycheck for the thirty-nine (39) payroll periods over the 18-month period. The value of the deducted hours will not be reported as earnings to the CalPERS. However, the deducted furlough hours and value of the furlough hours does not change an employee's hourly pay rate. The City shall continue to report to CalPERS an employee's hourly pay rate.
15. Special pays not subject to reduction include Bilingual Pay and Temporary Assignment Pay.
16. Those 2.46 deducted hours shall be placed in a furlough leave hour bank.

17. An employee may take furlough leave hours upon mutual agreement of the supervisor and the employee.
18. If an employee separates employment having used more furlough leave hours than deducted, any furlough leave hours owed shall be deducted from the employee's final paycheck.
19. An employee may use furlough leave hours in lieu of vacation or sick leave hours.
20. Furlough leave hours have no cash value.
21. Employees hired after the implementation date of December 28, 2009 and before June 26, 2011 will be required to participate in the furlough leave program. Furlough leave hours will be prorated based upon date of hire.
22. Furlough leave hours taken shall count as hours worked for all purposes including the calculation of overtime, leave accrual, seniority, etc.

The parties agree to the following for Both Exempt - Mid-Management Employees and Non-Exempt Professional Employees:

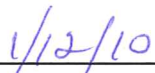
23. Effective December 28, 2009 through December 22, 2013 vacation accrual limits shall be temporarily increased by forty-eight (48) hours. Vacation hours accrued above the regular limit shall have no cash value. Effective December 23, 2013 the vacation accrual limits shall return to the regular vacation accrual limit. Any unused vacation hours on the books above the regular vacation accrual limit as of December 23, 2013 will be eliminated.
24. Effective June 27, 2011 employees shall receive forty-eight (48) hours of paid leave, called "Special Leave". Employees hired during December 28, 2009 through June 26, 2011 shall receive a prorated amount based upon date of hire and participation in the salary reduction / leave program or furlough leave program.
25. An employee may take Special Leave hours upon mutual agreement of the supervisor and the employee.
26. Special Leave must be taken between June 27, 2011 and December 22, 2013. Special Leave has no cash value. Any unused Special Leave hours as of December 23, 2013 will be eliminated.
27. Employees in a shared or half-time position shall have all leave outlined in this Side Letter implemented on a pro-rata basis.
28. The City of Petaluma agrees to review its revenue on or about June 30, 2010 and December 31, 2010. At that time the City will evaluate the need to decrease furlough hours, based on increased tax revenues that may be realized during the 18-month period. Revenues subject to consideration are any increases in property, sales, and Transient Occupancy taxes attributable to the General Fund from the Silk Mill, Regency Center, Deer Creek Project or Water Street North projects that are distributed to the City prior to the end of FY 2010-2011. New revenues subject to this provision would also include any voter-approved tax increases placed on the 2010 primary or general election ballots. Any reduction in the salary reduction and leave program or furlough hours would be implemented proportionate to ten (10) hours for every \$100,000 of new revenue that may be obtained from these sources during the term of the salary reduction and leave program or furlough.
29. Any Unit 11 employee with an outstanding Fair Labor Standards Act pay advance in place in 1985/86 will not have that advance withheld from his/her final paycheck.

30. All provisions of the Unit 4 and 9 Compensation Plan remain in effect except those agreed upon in this Side Letter of Agreement.

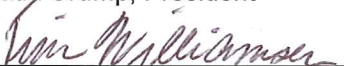
Petaluma Professional & Mid-Managers Association – Unit 11



Katie Crump, President



Date



Tim Williamsen, Vice-President




Date


City of Petaluma




John C. Brown, City Manager



Date



Scott Brodnun, Assistant City Manager



Date



Pamala Robbins, Human Resources Manager



Date