employee's pay range to the employee as a longevity incentive pay allowance.

13.7 Credit Union

The City will accommodate payroll deduction to Operating Engineers' Local No. 3 Credit Union, within the limitations of City payroll system. Any modification costs will be borne by Operating Engineers' Local No. 3.

13.8 Education, Training and Development

The City will provide internal and external training programs on a wide variety of subjects. Employee participation will be based on subject matter relevance to job requirements, budgetary constraints and workload demands. Tuition or registration and other related costs will be paid by the City at one-hundred percent (100%) in accordance with City directives HR-21 and Finance-08.

13.9 Certification, Certification Training and Special Certifications

(a) Certification dues or fees required of employees in their specialized fields of work will be reimbursed by the City at the actual costs. Pre-approved training(s) to maintain a job related certification will be paid at one-hundred percent (100%) by the City. The City will pay for two attempts at passing the test.

(b) The City will offer a one time add pay off the salary line for employees who receive State certification for water, wastewater, distribution, or California Water Environment Association ("CWEA"). All employees are eligible to obtain certification in Water and Wastewater.

<table>
<thead>
<tr>
<th>Water, Wastewater</th>
<th>Water Distribution</th>
<th>CWEA</th>
<th>One Time Add Pay</th>
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<tbody>
<tr>
<td>Grade 5</td>
<td>Grade 5</td>
<td>Grade 4</td>
<td>$1,000.00</td>
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<tr>
<td>Grade 4</td>
<td>Grade 4</td>
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<td></td>
<td></td>
<td>Grade 1</td>
<td>$100.00</td>
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A maximum of two certification levels will be paid by the City in a calendar year to any one employee. Certifications (at State specific levels) will be required for some positions. Loss of certifications shall result in the employee being demoted to the level according to their certification level. The employee will be moved back to his or her former level if he or she obtained the necessary
certification within 12 months. Any employee who loses or is denied a certification shall notify his or her supervisor within seven (7) calendar days, and shall submit a copy of any notice received from the state or any other agency.

(c) Waste Water Operator Certification. An employee who receives and maintains a Level IV or V Waste Water Operator Certification will receive the following quarterly amounts added to his or her monthly paychecks for Level IV and V certifications.

<table>
<thead>
<tr>
<th>Level</th>
<th>Amount</th>
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<tr>
<td>IV</td>
<td>$1,000.00</td>
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<tr>
<td>V</td>
<td>$2,000.00</td>
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</table>

13.10 Mileage Reimbursement for Private Vehicle Use

Employees who use their own vehicle on City business on a consistent and repetitive basis will be compensated at the current Internal Revenue Service (IRS) rate and in accordance with the City Manager's Administrative Directive, MAN-016, Section III. B.

13.11 Use of City Vehicles

Supervisors who perform emergency response and/or standby call-out duty shall have the option of taking home their assigned City vehicle on a daily basis.

14.1 Health and Welfare Benefits

(a) The City will provide for hospitalization, medical, dental, prescription, and vision benefits.

(b) All bargaining unit members shall be covered under the Operating Engineers' Health and Welfare Trust Fund or the City of Stockton Employee Health Benefits Plan, which consist of medical and prescription coverage administered by Blue Cross for Medical Care, Delta Dental or Pacific Union Dental Plan, and Vision Care Plan (VSP). The City’s health benefits plan include the medical plan as described in the Modified Employee Medical Plan.

The City shall pay for the full cost of the health benefits package for those employees who choose the City’s health benefits plan.

The City will continue the above stated medical coverage benefits for spouse and eligible dependents upon the death of an employee while employed with the City of Stockton. At age sixty-five (65), the spouse’s City medical coverage shall be secondary (supplemental) to Medical.

The orthodontic benefits coverage shall be TWO THOUSAND DOLLARS ($2,000.00) lifetime maximum for those employees who choose the City’s health benefits plan.

The annual dental maximum coverage shall be ONE THOUSAND AND FOUR HUNDRED DOLLARS ($1,400.00).

Employees in this bargaining unit shall elect their choice of either Operating Engineers' Health and Welfare Trust Fund or the City of Stockton's Employee Health Benefits Plan during the City's open enrollment period. Those employees changing benefits plans shall be transferred effective with the benefit plan year.

The premium amount contributed towards the Operating Engineers' Health and Welfare Trust Fund will not decrease during the term of this agreement regardless of any decrease premium that may occur to the City's Modified Employee Medical Plan.

For those employees who choose to remain in Operating Engineers' Health and Welfare Trust Fund, the City will contribute toward their premium, the same
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

amount as it contributes toward the City's health benefits plan. The employee is responsible for the difference each month if the Operating Engineers' Health and Welfare Trust Fund premium is higher.

(c) This agreement expires pursuant to Section 19, then and in that event, any and all subsequent increased premium costs required to maintain the benefits as provided for in this Section shall be the responsibility of the employees and said increased costs shall be withheld from the employee's paychecks as may be necessary for the months subsequent to December 31, 2008, unless otherwise agreed to by the parties hereto.

(d) Regular employees shall become eligible for the benefits stated in this Section on the first day of the month subsequent to completion of thirty (30) days of continuous service with the City. Employees must enroll eligible dependents within thirty (30) days of eligibility.

(e) Provisional and temporary employees are not eligible for any of the above benefits.

(f) Employees that promote, demote, or transfer from a classification in the Supervisory Unit to an unrepresented classification shall continue to have the option to retain the Operating Engineers' Local No. 3 Health and Welfare Plan.

14.2 Long Term Disability Insurance

The City shall provide, at no cost to the employee, long term disability insurance coverage which provides the following:

(a) Each disability - sixty-six and two thirds percent (66 2/3%) of salary.

(b) A 30-day waiting period before eligibility for benefit.

(c) Benefit payable until age sixty-five (65).

(d) The City will provide, at no expense to the employee, medical coverage for a period of ninety (90) days.
14.3 **Life Insurance**

The City shall provide, at no cost to the employee, a term life and accidental death and dismemberment insurance policy, equal to two (2) times the employee’s annual salary.

14.4 **Retirement Medical Allowance**

The City will contribute all premiums necessary for the purpose of providing hospital-medical and prescription benefits for each City employee who has retired. Such coverage shall include one (1) dependent and shall be determined by the eligible date noted below.

1. **Normal Service Retirement**

   Eligibility for the allowance provided by this section is limited to employees who retire from the City of Stockton at age fifty (50) or later, with a minimum of five (5) years of continuous service with the City. At age sixty-five (65), the benefit shall be pursuant to section 14.5.

2. **Disability Retirement**

   Eligibility for the allowance provided by this section shall be limited to a maximum of fifteen (15) years or the attainment of age sixty-five (65), whichever occurs first. At age sixty-five (65), the benefit shall be pursuant to section 14.5.

14.5 **Retirement-Medicare Supplemental Plan**

Employees who become eligible for the Retirement Medical Allowance, pursuant to section 14.4, will, at age 65, become eligible for Medicare Supplemental Coverage under the City’s Modified Employee Medical Plan. Coverage will be supplemental and secondary to Medicare (reduced by any amounts payable to Medicare). This lifetime benefit is provided to the employee and the employee’s spouse. The employee shall be responsible for paying any associated costs for obtaining Medicare coverage Part A and Part B.
14.6 Long-Term Care

Employees can purchase optional long term care coverage from the Public Employees' Retirement System ("PERS") to cover home care and nursing home care. The premiums rates are established by PERS based on the age of the participant.

14.7 Re-opener Clause

The parties agree to begin negotiations on the issue of Retirement Medical Allowance no later than August 2008, notwithstanding any other notice to re-open for a successor agreement to this Memorandum of Understanding.

Section 15. Salaries

15.1 Salary Rates

The salary table for all employees in the aforementioned representation unit will be as set forth in Appendix "A," which is attached hereto and made a part hereof.

All salary rates hereby established and explained in other parts of section 15 shall no longer be fitted to the Stockton Salary Matrix as set forth in the City of Stockton Salary Schedule. Instead, all salary rates hereby established and explained in other parts of section 15 shall be assigned a fixed percentage of 5.00% between salary steps.

The rates of pay set forth in Appendix "A" do not include reimbursement for actual and necessary expenses for traveling, subsistence and general expenses authorized and incurred incident to City employment.

15.2 Salary upon Appointment

Except as herein otherwise provided, the entrance salary for a new employee entering the classified service shall be the minimum salary for the class to which appointed. When circumstances warrant, the Director of Human Resources may approve an entrance salary which is more than the minimum salary for the class to which an employee is appointed. Such a salary may not be more than the maximum salary for the class to which that employee is appointed.
15.3 Salary Equivalents

Any monthly, daily or hourly rate of pay may be converted into an equivalent rate of pay or to any other time bases when, in the judgment of the City Manager, such a conversion is advisable. In determining equivalent amounts on different time bases the City shall provide tables or regulations for the calculation of payment for service of less than full time, and for use in converting monthly salaries to hourly rates, as well as for calculating hourly rates. Overtime rate and premium pay shall be calculated according to the provisions of the Fair Labor Standards Act.

15.4 Salary Step Plan

There shall be six (6) salary steps in each range.

The first step shall be the minimum rate and shall be the normal hiring rate for the class. (In a case where a person possesses unusual qualifications, the Director of Human Resources may authorize appointment above the first step after receiving the recommendation of the department head. The same provision shall apply to hourly paid and part-time employees.)

If a department head recommends to withhold increases to salary steps two (2) through six (6) because an employee has not achieved the level of performance required, notice must be received by the Human Resources Department at least four (4) weeks in advance of the employee’s eligibility date. The affected employee shall be furnished a copy of the department head’s recommendation. Failure to abide by the above four-week limitation shall not automatically cause a step increase to be granted; however, if an employee does not receive notice by the actual anniversary date, the increase shall be automatically granted.

The second step shall be paid upon the satisfactory completion of six (6) months service at the first step.

The third step shall be paid upon the satisfactory completion of one (1) year service at the second step.

The fourth step shall be paid upon the satisfactory completion of one (1) year service at the third step.

The fifth step shall be paid upon the satisfactory completion of one (1) year service at the fourth step and upon written recommendation of the department head.
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

The sixth step shall be paid upon the satisfactory completion of one (1) year service at the fifth step and upon written recommendation of the department head.

Regardless of an employee's length of service, step advancements in any given class may be made upon recommendation of the department head with the approval of the Director of Human Resources, but not above Step No. 6 for a given range.

Salary step increases shall be effective the first day of the pay period following appointment or revision. If the date of appointment or revision is the first day of a pay period, salary step increases shall be as of that date.

Changes in an employee's salary because of promotion, demotion, postponement of salary step increase or special merit increase will set a new salary anniversary date for that employee, which date shall be as stated in the preceding paragraph.

Salary range adjustments for a classification will not set a new salary anniversary date for employees serving in that classification.

15.5 Salary Step after Military Leave

All employees who have been granted military leave shall, upon their return to the City service, be entitled to the automatic salary advancements within the range of their classification for the period they were in the military service.

15.6 Salary Step When Salary Range is Increased

Whenever the monthly schedule of compensation for a class is revised, each incumbent in a position to which the revised schedule applies shall be entitled to the step in the revised range which corresponds to the employee's step held in the previous range, unless otherwise specifically provided for by the Director of Human Resources.

15.7 Salary Step After Promotion or Demotion

(a) When an employee is promoted from a position in one class to a position in a higher class, and at the time of promotion is receiving base salary equal to, or greater than, the minimum rate for the higher class, that employee shall be entitled to the next step in the base salary of the higher class which is a minimum
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

of five percent (5.0%) above the employee's current salary, except that the next step shall not exceed the maximum salary of the higher class.

(b) When an employee is demoted, whether such demotion is voluntary or otherwise, that employee's compensation shall be adjusted to the salary prescribed for the class to which demoted.

(1) If the salary of the employee is reduced for cause or disciplinary reasons, the employee shall receive the salary at the same step prior to promotion.

(2) If the salary of the employee is reduced through no fault of the employee (i.e., layoff), the salary at demotion shall be at the nearest lower salary to that which was received prior to the demotion.

15.8 Transfer

An employee may be transferred from a class in one department, or to a position of the same class in another department, or to a comparable class, with the approval of both the employee and Department Heads. In the case of a comparable class, the employee must be qualified, as determined by the Director of Human Resources. The Director of Human Resources, in making such a determination, must assure that the maximum salary rate for the classes in question must be equal to or less than the employee’s current top step salary, and shall consider, among other things, whether the employee possesses the minimum qualifications for such class, and is able to demonstrate through education, experience, or successful completion of pertinent tests, that he/she is qualified for the transfer. If the transfer involves a change from the jurisdiction of one appointing authority to another, both must consent thereto.

15.9 Salary on Reinstatement

If a former employee is reinstated in the same position previously held or to one carrying a similar salary range, the employee's salary shall not be higher than the salary at the time of separation unless there has been an increase within the salary range.

If a former employee is reinstated to a position in a lower class, the employee's salary shall be set at the same step previously held, but in the pay range of the lower classification.
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

15.10 "Y" Rate

When an employee's classification is changed to a lower paid classification as the result of a classification study or other action, the employee may be placed on a "Y" rate. A "Y" rate means that the monthly compensation for the employee shall remain in effect until such time as further changes in the pay range of the new classification exceeds the "Y" rate.

15.11 Acting Pay

Any employee in this unit who is assigned by a supervisor to work in a higher paid classification for two (2) or more hours in one (1) day, shall receive the rate of pay in the step of the higher classification which would have been received if the employee had been promoted into that classification, or at least five percent (5%) more than the employee's salary in the present classification, whichever is greater. Out-of-class assignment pay during overtime status will commence at the first hour worked.

15.12 Special Assignment Pay

The department head with the concurrence of the Director of Human Resources may approve additional compensation in an amount not to exceed one additional salary step when an employee is assigned in writing by the supervisor to perform additional duties and responsibilities for the duration of the special assignment.

15.13 Special Certification Pay

Water Operations Supervisor who possesses a Distribution Operator Certificate issued by the California Department of Health Services shall receive an additional three percent (3.0%) of base pay.

15.14 Salary Adjustments

The City recognizes that there may be a need for special salary adjustments for selected classifications as a result of recruitment problems, reclassifications, and/or organizational changes. The City, in its sole discretion, may make such adjustments, but agrees to discuss with the Supervisory Unit.

In the event that any provision of this Memorandum of Understanding is declared by a court of competent jurisdiction to be illegal or unenforceable that provision of the Memorandum of Understanding shall be null and void but such nullification shall not affect any other provisions of this Memorandum of Understanding, all of which other provisions shall remain in full force and effect.

In the event that Federal legislation changes the current applicability of the Fair Labor Standards Act, both parties agree to consult and/or confer on the impacts of such legislation to the extent required by law.

Section 17. Past Practices and Existing Memoranda of Understanding

Continuance of working conditions and practices not specifically authorized by ordinance or by resolution of the City Council is not guaranteed by this Memorandum of Understanding.

This Memorandum of Understanding shall supersede all existing Memoranda of Understanding between the City and the Union.

Section 18. Scope of Agreement

Except as otherwise specifically provided herein, this Memorandum of Understanding including Appendices "A" and "B", which are attached to this Agreement and by this reference incorporated herein, and fully and completely incorporates the understanding of the parties hereto and constitutes the sole and entire agreement between the parties on any and all matters subject to meeting and conferring. Neither party shall, during the term of this Memorandum of Understanding, demand any change therein nor shall either party be required to negotiate with respect to any matter, provided that nothing herein shall prohibit the parties from changing the terms of this Memorandum of Understanding by mutual agreement.

Section 19. Duration of Agreement

This Memorandum of Understanding shall be effective the date of execution, and shall remain in full force and effect to and including the 31st day of December 2008 and shall continue thereafter from year to year unless at least sixty (60) days prior to December 1 either party shall file written notice with the other of its desire to amend, modify, or terminate this Memorandum of Understanding.
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

Section 20. Maintenance of Operations/City Rights

(a) It is recognized that the need for continued and uninterrupted operation of City services is of paramount importance. Therefore, the Union and each employee represented thereby agrees that from the date of execution, through exhaustion of the impasse process/mediation/fact finding as set forth in the Employer/Employee Relations Resolution, the Union or any person acting in its behalf, or each employee in a classification represented by the Union, shall not cause, authorize, engage in, encourage, or sanction a work stoppage, slowdown, refusal of overtime work, refusal to operate designated equipment (provided such equipment is safe and sound), or picketing, other than informational picketing, against the City or the individual or concerted failure to report for duty or abstinence from the full and faithful performance of the duties of employment, including compliance with the request of another labor organization or bargaining unit to engage in such activity in an attempt to induce a change in wages, hours, and other terms and conditions of employment.

(b) An employee shall not be entitled to any wages or City paid benefits whatsoever if the City Council, by majority vote, determines to its satisfaction, that the employee is, or has, engaged in any activity prohibited by subsection (a) of this Section. The City may take other action which it deems appropriate.

(c) If the City Council, by majority vote, determines to its satisfaction, that subsection (a) of this Section has been violated by the Union, the City may take such remedial action as it deems appropriate.

(d) The Union recognizes the duty and obligation of its representatives and members to comply with the provisions of this Memorandum of Understanding and to make every effort toward inducing all employees in this unit to fully and faithfully perform their duties. In the event of any activity prohibited by subsection (a) hereinafore, the Union agrees to take supererogatory steps necessary to assure compliance with this Memorandum of Understanding.

The rights of the City as set forth in Section 5 of Resolution No. 32,538, dated August 4, 1975, are incorporated herein by reference.

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CITY OF STOCKTON

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MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Understanding on this 15th day of Oct 2008.

OPERATING ENGINEERS LOCAL UNION NO. 3 of the International Union of Operating Engineers, AFL-CIO

By: JOE SANTELLA
   Its: Business Representative

By: RICHARD STIFFLER
   Its: Member

CITY OF STOCKTON, a municipal corporation

By: J. GORDON PALMER, JR.
   Its: City Manager

By: DIANNA R. GARCIA
   Its: Director of Human Resources & Employee Relations Officer

By: DI SMITH
   Its: Assistant Director of Human Resources

By: ETHEL FRANCOIS
   Its: Deputy Director of Human Resources

APPROVED AS TO FORM:
RICHARD E. NOSKY
CITY ATTORNEY

By: MICHON JOHNSON
   Its: Deputy City Attorney

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City of Stockton
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT - MUNICIPAL UTILITIES DEPARTMENT)

Appendix “A”
Supervisory Unit – Municipal Utilities Department

<table>
<thead>
<tr>
<th>Position Number</th>
<th>Title</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>70006</td>
<td>Collection Systems Supervisor</td>
<td>70D</td>
</tr>
<tr>
<td>70002</td>
<td>Laboratory Supervisor</td>
<td>70C</td>
</tr>
<tr>
<td>70010</td>
<td>Occupational Health &amp; Safety Compliance Spec</td>
<td>70E</td>
</tr>
<tr>
<td>70007</td>
<td>Plant Maintenance Supervisor</td>
<td>70D</td>
</tr>
<tr>
<td>70008</td>
<td>Plant Operations Supervisor</td>
<td>70D</td>
</tr>
<tr>
<td>70000</td>
<td>Regulatory Compliance Officer</td>
<td>70A</td>
</tr>
<tr>
<td>70003</td>
<td>Senior Plant Maintenance Supervisor</td>
<td>70C</td>
</tr>
<tr>
<td>70004</td>
<td>Senior Plant Operations Supervisor</td>
<td>70C</td>
</tr>
<tr>
<td>70005</td>
<td>Senior Water/Collection Systems Supervisor</td>
<td>70C</td>
</tr>
<tr>
<td>70001</td>
<td>Technical Services Supervisor</td>
<td>70B</td>
</tr>
<tr>
<td>70011</td>
<td>Utilities Safety and Training Specialist</td>
<td>70E</td>
</tr>
<tr>
<td>70009</td>
<td>Water Operations Supervisor</td>
<td>70D</td>
</tr>
</tbody>
</table>
APPENDIX B

SUPERVISORY UNIT (MUNICIPAL UTILITIES DEPARTMENT)

SIDE-LETTER OF AGREEMENT

Pursuant to the Special Agreement between Operating Engineers' Local Union No. 3 ("Union") and the City of Stockton ("City") dated June 18, 2003, authorized by Stockton City Council Resolution No. 03-0393, adopted on July 8, 2003, regarding the Transfer of Services, the provisions contained in Appendix B, Side-Letter of Agreement, pertains to only the Employees covered by the Special Agreement.

This Side-Letter of Agreement cannot be amended, changed, or deleted unilaterally by either party. However, nothing contained herein prohibits the parties from mutually agreeing to changes, but neither party can be compelled to negotiate and/or agree to any changes to this Appendix B, Side-Letter of Agreement.

Section 1 – Re-employment and Employment

The City shall provide regular full-time employment at the City's municipal wastewater utility and water utility to all of the employees listed in Agreement electing to accept such employment effective March 1, 2008.

Section 2 – Terms and Conditions of Re-employment and Employment

(a) City's offer of employment and re-employment shall be unconditional, and shall not be subject to other health, competency or other test, fact, or circumstances relating to an individual employee.

(b) All service with OMI/Thames Water will be counted as service with the City.

(c) Transfer of Leave Balances – City will accept all sick leave and vacation balances transferred from the OMI/Thames Water to City for the employees in this Agreement.

(d) Waste Water Certification – Employees outside of the Waste Water Division who hold Waste Water II or higher certification and are available for short-term assignment to the waste water facility will receive an additional five percent (5%) of the top step, which shall be PERS reportable earnings. Certification must be kept current. Employees who decline short-term assignments to the waste water facility subject to department guidelines will lose this additional pay.
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

Section 3 - Deferred Compensation

The City shall provide, at no cost to the employee, deferred compensation as a supplement to voluntary deferred compensation plans, if any, for which the individual employee may be eligible. The City shall contribute an amount equal to five and one-half percent (5.5%) of the employee’s current base salary.

<table>
<thead>
<tr>
<th>Peggy Barnett</th>
<th>Occupational Health/Safety Compliance Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jim Butler</td>
<td>Senior Plant Maintenance Supervisor</td>
</tr>
<tr>
<td>Randy Cornell</td>
<td>Collection Systems Supervisor</td>
</tr>
<tr>
<td>Larry Huber</td>
<td>Laboratory Supervisor</td>
</tr>
</tbody>
</table>

Section 4 - Longevity Incentive

Employees possessing twenty-five (25) years or more of continuous City service shall be entitled to receive Longevity Incentive payments in the amount referenced below and up to a maximum of $10,000.00.

<table>
<thead>
<tr>
<th></th>
<th>March 1, 2009</th>
<th>March 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Randy Cornell</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Larry Huber</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
</tr>
</tbody>
</table>

The amounts shown above shall be paid to the employee on paycheck March 7th of each year, respectively, upon completion of one (1) year of continuous City services commencing March 1, 2008, for a maximum of two (2) years. If the employee terminates City employment prior to or is in an unpaid status for a period less than one (1) month, the amount referenced shall be prorated for the days in a paid status including paid sick and annual leave. The employee shall not be entitled to Longevity Incentive payment for days or hours not earned (unpaid leaves of absences, termination).

The Longevity Incentive shall be reported to the Public Employees’ Retirement System as “PERSable” income by the City.

Section 5 - Public Agency Retirement System (“PARS”) Supplemental Retirement Plan

The City shall contribute an amount necessary to fund a supplemental retirement benefit for the following employees in Municipal Utilities Department.
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT - MUNICIPAL UTILITIES DEPARTMENT)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
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<td>Laboratory Supervisor</td>
</tr>
</tbody>
</table>

The supplemental retirement benefit shall be developed and administered by the Public Agency Retirement Services ("PARS") benefit and shall be based on the following criteria:

(a) Only employees listed in this Agreement shall be eligible to participate;

(b) Commencing March 1, 2008, employees must complete at least one (1) year of continuous City of Stockton service to be eligible for the PARS benefit;

(c) The PARS benefit shall be paid only to those employees listed in this Agreement who retire from the City in accordance with rules and criteria established pursuant to PERS and the MOU in effect between the City and the OE3; and

(d) The benefit level paid to each eligible employee shall be based on the following formula:

(1) All actual years of service (prior City of Stockton, OMI and City of Stockton years of service as of March 1, 2008 prospectively) x 0.6%.

Section 6 – Compensation and Benefits

(a) Sick Leave – Sick leave accrual shall be unlimited. Accrued sick leave transitioned from OMI/Thames Water in excess of 240 hours shall be available to employees for the sole purpose of use in the event of illness and/or service credit with PERS.

(b) Retiree Medical - Retiree employees shall receive fully paid retiree medical with the option of either the City Health Plan (hospital, medical and prescription benefits) for the retiree and one (1) dependent, or the OE3 Medical Plan Schedule A (hospital, medical and prescription benefits) for the retiree and one (1) dependent.

(c) The maximum dental allowance per calendar year shall be $2,500 per member at 80/20 co-pay (20% co-pay per member). The lifetime maximum orthodontia (50%) allowance shall be $2,500 per member.

(d) Active employees shall receive fully paid City Health Plan (Medical, Vision, and
MEMORANDUM OF UNDERSTANDING (SUPERVISORY UNIT – MUNICIPAL UTILITIES DEPARTMENT)

Dental) or the option of the fully paid OE3 Medical Plan Schedule A (Medical, Vision, and Dental).

(e) An employee who receives and maintains a Level IV or V Waste Water Operator Certification will receive the following quarterly amounts added to his or her monthly paychecks for Level V and Level IV certifications, unless certification is required of the position.

<table>
<thead>
<tr>
<th>Level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>V</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

IN WITNESS WHEREOF, the parties hereto have executed Appendix B, Side-Letter of Agreement and shall become effective ___ day of ___ 2008.

OPERATING ENGINEERS LOCAL UNION NO. 3 of the International Union of Operating-Engineers, AFL-CIO

By: JOE SANTELLA
Its: Business Representative

By: RICHARD STIFFLER
Its: Member

CITY OF STOCKTON, a municipal corporation

By: J. GORDON PALMER, JR.
Its: City Manager

By: DIANNA R. GARCIA
Its: Director of Human Resources & Employee Relations Officer

By: DI SMITH
Its: Assistant Director of Human Resources

By: ETHEL FRANCOIS
Its: Deputy Director of Human Resources

APPROVED AS TO FORM:
RICHARD E. NOSKY
CITY ATTORNEY

By: MICHON JOHNSON
Its: Deputy City Attorney
Resolution No. _______ ___

STOCKTON CITY COUNCIL


City Council Resolution No. 08-0143, adopted April 15, 2008, approved the modification, in accordance with Section 2-215 of the Employer-Employee Relations Ordinance (Stockton Municipal Code §§ 2-200, et seq.), the Mid-Management/Supervisory Level Unit of Management B&C Association by deleting twelve (12) positions and placing them into the new representation unit, and recognized the Water Supervisory Unit of the Municipal Utilities Department as being exclusively represented by the Operating Engineers' Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO, in the wages, hours, and other terms and conditions of employment; and

From April 22, 2008, through July 3, 2008, the Employee Relations Officer along with the negotiating team met and conferred with representatives of the Water Supervisory Unit of the Municipal Utilities Department, Operating Engineers' Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO, on the wages, hours, and other terms and conditions of employment; reached a tentative agreement on July 3, 2008, and reduced the agreement to writing; and ratified on or about September 5, 2008, by a majority votes of its members; and

The City of Stockton and the Operating Engineers' Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO, representing the Water Supervisory Unit, have in good faith completed its meet and confer obligation for the wages, hours, and terms and conditions of employment for the period of March 1, 2008, through December 31, 2008; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. That the Memorandum of Understanding between the City of Stockton and the Water Supervisory Unit of the Operating Engineers' Local Union No. 3 of the International Union of Operating Engineers, AFL-CIO, attached hereto and made a part hereof by this reference, is hereby approved and adopted.

2. That the salary grades and position titles listed on Appendix A, and Appendix B Side Letter of Agreement relating to leave balances, employee benefits, and longevity

CITY ATTY
REVIEW
DATE October 21, 2008

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incentives, attached to the Memorandum of Understanding and made a part hereof and thereof by this reference, are hereby approved and adopted.

3. That the City Manager is hereby authorized and directed to execute the Memorandum of Understanding, including the applicable Appendices, on behalf of this legislative body in accordance with Government Code sections 3500, et seq., to be effective March 1, 2008, through, and including December 31, 2008.

4. That the City Manager and/or the Employee Relations Officer is/are authorized to take whatever actions that are appropriate to carry out the purpose and intent of this resolution.

PASSED, APPROVED and ADOPTED ____________________________

EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton