SIDE LETTER AGREEMENT NO. 5
TO AGREEMENT NO. C-7112
BETWEEN
NAPA CITY EMPLOYEES ASSOCIATION
AND
CITY OF NAPA

Budget Reduction Sideletter

1. The City of Napa ("City") and the Napa City Employees' Association, Service Employees International Union, Local 614, AFL-CIO, CLC ("NCEA") are parties to a Memorandum of Understanding ("MOU") with a term of March 1, 2002 through February 28, 2011. However, the parties are committed to maintaining cooperative labor relations, including discussions over matters outside of the MOU, now and in the future.

Compensation

2. Section 3 of the MOU is modified as follows:

Section 3. Compensation

3.1 Salary and Classification Pay Plan: It is the desire of the City to have a competitive Compensation Plan. For purposes of determining market competitiveness, the City and NCEA have agreed to the following nine (9) survey jurisdictions:

Fairfield
Heyward
Average of the City of Livermore and City of Pleasanton
Newark
Petaluma
Richmond
Santa Rosa
Vacaville
Vallejo

In the event both Livermore and Pleasanton do not have the classification to be surveyed (in a year when Market Salary Survey methodology is to be applied) the jurisdiction that has the comparable classification will be the one surveyed.

For Average Market Movement Survey: If a survey city does not have an increase or the increase is unknown at the time the survey is performed, "0" will be used in the calculations. If the next survey undertaken involves the "average market movement" methodology, that figure will be updated at the next survey and added to the survey figure for the known salary increase when tabulating the average on the next "market movement" survey. If the next survey involves the total compensation methodology, the actual top step monthly salaries are used in the total compensation formula and, by definition, will ensure that any previously unknown adjustments are reflected in the survey data.

3.2 March 1, 2003 Market Movement Salary Adjustment: On February 1, 2003, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made
between February 1, 2002 and January 31, 2003. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA).

**March 1, 2005 Market Movement Salary Adjustment:** On February 1, 2005, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made between February 1, 2004 and January 31, 2005. Any salary adjustments effective for the period from February 1, 2004 through January 31, 2005, which become known after February 1, 2005, shall be used in determining the COLA for 2006. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA).

**March 1, 2006 Market Movement Salary Adjustment:** On February 1, 2006, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made between February 1, 2005 and January 31, 2006. Any salary adjustments effective for the period from February 1, 2004 through January 31, 2005, which become known after February 1, 2005, shall be used in determining the COLA for 2007. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA). **These adjustments will be a minimum increase of one percent (1%) and capped at a maximum increase of two percent (2%) of base salary. Increases over two percent (2%) may be rolled into the 2006-07 salary increase up to the cap for 2006-07.**

**March 1, 2007 Market Movement Salary Adjustment:** On February 1, 2007, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made between February 1, 2006 and January 31, 2007. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA). **These adjustments will be capped at three percent (3%) of base salary with prior year excess increase included up to the three percent (3%) cap. [For example, if the March 1, 2006 survey indicates an increase of 3%, 2 of which is granted as a salary increase, and the 2007 survey indicates an increase of 1%, the classification will be granted an increase of 2% in 2006 and 2% in 2007.]**

**March 1, 2009 Market Movement Salary Adjustment:** On February 1, 2009, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made between February 1, 2008 and January 31, 2009. Any salary adjustments effective for the period from February 1, 2008 through January 31, 2009, which become known after February 1, 2009, shall be used in determining the COLA for 2010. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA).

**March 1, 2010 Market Movement Salary Adjustment:** On February 1, 2010, the City shall survey the survey cities in Section 3.1 to determine any known salary adjustments made between February 1, 2009 and January 31, 2010. Any salary adjustments effective for the period from February 1, 2010 through January 31, 2011, which become known after February 1, 2011, shall be used in determining the COLA for 2012 if the market
movement methodology is agreed to by both parties for the March 1, 2012 salary adjustment. The City and NCEA shall meet to determine the data to be used and how it shall be applied. The average of these adjustments shall be determined by the following formula: Total of adjustment percentages, divided by nine (9) - the total number of survey jurisdictions - equals average increase (COLA).

3.3 Market Salary Survey.

Exhibit A records the results of the Market Salary Survey for April 15, 2002 as met and conferred and agreed upon by the parties. The salary survey has an effective date of July 1, 2002 for implementation.

Pursuant to Section 26.3 sub items (2) and (3), the parties will develop the market salary survey to be used for the March 1, 2004 and March 1, 2008 salary adjustments. The parties agree for the purposes of the jurisdictions to be used in the survey those are identified in Section 3.1. Any positions found to be over the market in 2004 will have such average reduced by deducting one-half of the 2004 average from the 2005 market movement survey and by deducting one-half of the 2004 average from the 2006 market movement survey. Any positions found to be over the market in 2008 will have such average reduced by deducting one-half of the 2008 average from the 2009 market movement survey and by deducting one-half of the 2008 average from the 2010 market movement survey.

Labor-Management Committee

3. The City and NCEA have a shared interest in exploring options to reduce the cost of City-provided Health Benefits and Welfare Benefits. NCEA agrees to participate in a multi-unit Labor-Management Committee that will explore options and discuss Health Benefits issues through the term of this Agreement. The Committee may make recommendations to the parties regarding appropriate modifications to the current benefits provided by the City.

Layoffs

4. The City agrees not to lay off any member of NCEA bargaining unit during the period from March 1, 2005 through June 30, 2006.

5. The City intends not to lay off any member of the NCEA bargaining unit during the 2006-07 fiscal year. However, the City Council retains the exclusive discretion to determine whether changes in the City's fiscal condition warrant the imposition of layoffs in the 2006-07 fiscal year and beyond. In the event that the City Council deems necessary to impose layoffs during the 2006-07 fiscal year, the City will so inform NCEA and the salary cap set forth above shall not apply for the 2006-07 fiscal year.

6. None of the paragraphs of this Agreement shall obligate either the City or NCEA to reopen the MOU or to meet and confer over the proposed topics.

7. This Agreement sets forth the entire agreement between the parties and supersedes any and all prior agreements between the parties, written or oral, pertaining to the subject matter of this Agreement. It is hereby understood agreed that, other than those that are expressly contained herein; no party has made any promises,
representations, understandings or warranties. The terms of this Agreement are contractual and not a mere recital.

8. This Agreement shall be part of the current MOU and shall expire with the current MOU (June 30, 2008).

Dated: \underline{March}, 2005

By: \underline{Nancy Weiss}, Assistant City Manager
    City of Napa

Dated: \underline{July 12}, 2005

By: \underline{Steve Crego}
    Napa City Employees’ Association

Approved by Council \underline{July 19, 2005}