

**SIDE LETTER OF AGREEMENT
TO THE 2010-2013 MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF ONTARIO AND THE
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES**

The City of Ontario ("City") and American Federation of State, County and Municipal Employees ("Union") are concluding negotiations for a proposed successor Memorandum of Understanding ("MOU"). In light of the current economic downturn, this side letter of agreement includes the cost reduction and containment measures to which the City and the Union have agreed. Specifically, the parties agree to suspend merit increases for employees with anniversary dates occurring between July 1, 2009 and June 30, 2011. This agreement also gives the City Manager the ability to implement unpaid furloughs in Fiscal Year 2010-11 if needed due to a significant reduction in revenues or increase in costs beyond that which has already been projected.

I. Merit Increases

A. City Personnel Rules – Salary Adjustments

Merit increases are administered in accordance with the City Personnel Rule XI, as repeated below.

SECTION 1. APPLICATION OF RATES

Employees occupying a position in the City service shall be paid at the rate established for their position. All original appointments shall be made at the minimum wage for the position, except when in the opinion of the City Manager circumstances warrant appointment at a higher step.

SECTION 2. ANNIVERSARY DATE

Each employee's anniversary date will coincide with his/her appointment to a new position in a different classification. All employees will retain their current anniversary dates until appointed to a new classification provided, however, that no employee shall receive more than one merit increase within any six months period. Any employee who is within ninety (90) days of achieving a merit raise at the time of promotion shall be entitled to an increase for the promotion and an increase for the merit step. All future increases while in that classification shall be in accordance with Section 3 below. The date of appointment shall be used to compute vacation, sick leave, and retirement benefits.

The anniversary date of employees who take a leave of absence without pay for more than sixty (60) continuous calendar days will be extended by the length of the absence from work over sixty (60) days adjusted to the start of the nearest pay period.

SECTION 3. ADVANCEMENTS

The advancement of an employee is not automatic, but the result of increased service value to the City. Service value shall be determined by recommendation of the department head, length of service, personal performance record, special training, and any other evidence that illustrates the desire of the employee to do a better job.

The five levels of advancement for each full-time and part-time position are granted according to the conditions outlined in Section 1 and 2 and the preceding paragraph. The merit increase effective date is the closest payroll period to the employee's anniversary date.

- Step 1 - Entrance Level
- Step 2 - After six months service
- Step 3 - After one year at Step 2
- Step 4 - After one year at Step 3
- Step 5 - After one year at Step 4

B. Merit Increase Delay

1. As a cost savings measure, the parties agree that merit increases shall be suspended for employees with anniversary dates occurring between July 1, 2009 and June 30, 2011.
2. The City shall continue with the current practice of evaluating employees prior to the end of probation and annually upon the employee's anniversary date.

II. Furlough Leave Program

A. General Provisions

1. During the term of this agreement, the parties agree that the City Manager may implement unpaid furloughs if needed in Fiscal Year 2010-11 because there is a significant reduction in revenues and/or increase in costs beyond that which has already been projected. The intent is to provide immediate fiscal relief to the City and minimize impact to employees.
2. All unit employees shall be required to participate in the furlough program, if implemented.
3. Furloughs will not be implemented unless all miscellaneous City employees participate in a furlough program in the same or comparable manner.
4. Prior to implementing the furlough, the City shall notify the Union and provide supporting financial justification at least two weeks in advance.

B. Furlough Implementation

1. Employees shall be required to take a specified number of unpaid furlough hours in accordance with the schedule below:

Employee Notification Date	Implementation Date (PPE)	Total Hours of Furlough
7/9/2010	7/31/2010	80
7/23/2010	8/14/2010	80
8/6/2010	8/28/2010	80
8/20/2010	9/11/2010	80
9/3/2010	9/25/2010	76
9/17/2010	10/9/2010	72
10/1/2010	10/23/2010	68
10/15/2010	11/6/2010	64
10/29/2010	11/20/2010	60
11/12/2010	12/4/2010	56
11/24/2010	12/18/2010	52
12/10/2010	1/1/2011	48
12/22/2010	1/15/2011	44
1/7/2011	1/29/2011	40
1/21/2011	2/12/2011	36
2/4/2011	2/26/2011	32
2/18/2011	3/12/2011	28
3/4/2011	3/26/2011	24
3/18/2011	4/9/2011	20
4/1/2011	4/23/2011	16
4/15/2011	5/7/2011	12
4/29/2011	5/21/2011	8
5/13/2011	6/4/2011	4

2. Furlough leave shall be credited to the employee at the time of implementation. The employee may use the unpaid furlough leave as soon as it is credited and must take all of the required furlough leave by July 2, 2011. All furlough leave shall be taken without pay.
3. Employees must provide a requested furlough leave schedule to their supervisor within two weeks of receiving notification of the implementation of the furlough program. Supervisors will review all of the furlough leave requests and will respond back to each employee within 2 weeks after receiving all of the employee requests. Supervisors may either approve the requests as submitted or work with the employee(s) to find other dates that will have less impact on operations. If an employee does not submit his/her request for furlough leave within two weeks of implementation, the supervisor shall have the right to schedule days off for that employee. Upon mutual agreement of the supervisor and the employee, the initial furlough leave schedule may be modified.
4. To the extent practical, furlough leave should be spread throughout the furlough period.
5. Employees hired after the implementation date and before June 30, 2011 will be required to participate in the furlough program. The number of unpaid furlough hours they are required to take will be determined based on the schedule in Section II(B)(1) using the pay period of hire as the implementation date.

C. Payroll Procedures

1. The City will comply with California Public Employees' Retirement System (CalPERS) regulations regarding furloughs. In accordance with CalPERS' regulations; furloughs do not change the pay rate for the purpose of calculation of final compensation for retirement. The City shall continue to report to CalPERS both pay rate and actual earnings.

2. Furlough leave taken shall count as hours worked for all purposes including the calculation of overtime, leave accrual, seniority, etc.
3. Employees who are on unpaid leaves of absence or are not fully integrated with disability programs shall be given credit toward the furlough requirements equal to the number of unpaid leave hours. Employees who take a consecutive leave of absence during a designated furlough period and use their accrued leave time for full integration with disability programs will need to take furlough leave hours.
4. Furlough leave hours have no cash value.

D. Alternatives to Furlough

1. It is mutually agreed that the following classifications cannot participate in the furlough program without jeopardizing the health and safety of the residents or otherwise defeating the intent of the furlough and are therefore exempted from the furlough program:
 - Senior Solid Waste Collector
 - Solid Waste Collector
2. Employees in the above referenced classifications shall have an equivalent amount of vacation leave deducted from each employee's vacation leave bank effective the pay period the furlough leave program is implemented. If no vacation leave is available, the City shall deduct vacation leave each pay period until the employee's vacation leave deducted equals the amount of designated furlough hours.

III. Compensation

The parties agree that due to the current fiscal crisis, it is in each party's interest to defer specified cost of living increases during the term of the agreement.

The Union agrees to retain the base salary compensation rates in effect on July 1, 2009 until discussions begin in accordance with MOU Section 10.5.B. The Union's intent is to forgo these cost of living increases with the understanding that for Fiscal Years 2010-11 and 2011-12 no other employee group (represented, non-represented, or other City Officials) will receive net compensation increases beyond that which the City believes to be legally required or those related to the settlement of existing or potential claims or litigation without also granting at least the same value of net compensation increases to Union members. In the event the Union asserts such net compensation increase has occurred, the City shall respond within 30 days of receipt of written notice from the Union. If the City agrees there has been a net compensation increase, the City will have the option to either 1) correct the disputed action; or 2) meet and confer with the Union with the intent of providing the same or similar increase. The City shall take such action within 90 days of the response date. If the Union disagrees with the City's response, the Union may file a Union Grievance pursuant to Section 8.02 of the MOU within 30 calendar days of receipt of the City's written response.

IV. Solid Waste Route Assignments

The Solid Waste Department has developed procedures regarding the assignment of employees to vacant solid waste routes. Such procedures shall be consistent with current MOU practices and

shall not interfere with the City's right to assign solid waste routes in the interest of health, safety, security or efficient department operations.



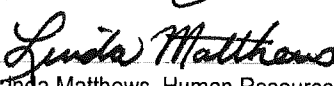

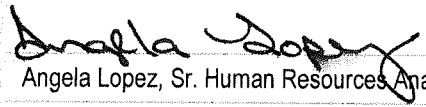


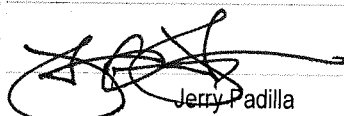

V. Contract Work

During the term of the MOU, the City will, in good faith, consider written proposals from the Union to reinstate work or services formerly performed by bargaining unit employees including: Tree Trimming, Street Sweeping, Mowing, etc. if it meets ongoing operational needs and results in net cost savings and/or service benefits to the City. Such proposals will provide sufficient detail for the City to analyze the costs, benefits and associated savings. The final decision is at the discretion of the City and is not subject to the grievance procedures.

VI. Work Schedules

During the term of the MOU, the City will, in good faith, consider proposals from the Union regarding 4-10 work schedules within individual work units. Such proposals will provide sufficient detail for the City to analyze the effect on customer service, costs, and productivity. The final decision is at the discretion of the City and is not subject to the grievance procedures.

Approved:

CITY OF ONTARIO		AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, LOCAL 3061, AFL-CIO	
			
Al C. Boling, Deputy City Manager		Ernesto Davalos	
			
Linda Matthews, Human Resources Director		Russ Fehrenson	
			
Angela Lopez, Sr. Human Resources Analyst		Jim Jimenez	
			
		Jon Martin	
			
		Jerry Padilla	
			
		Steve Koffroth, Business Representative	