August 21, 2013

The Honorable Darrell Steinberg
Pro Tem, California State Senate
State Capitol, Room 205
Sacramento, California 95814

The Honorable Bob Huff
Minority Leader, California State Senate
State Capitol, Room 305
Sacramento, California 95814

The Honorable John Pérez
Speaker of the California State Assembly
State Capitol, Room 219
Sacramento, California 95814

The Honorable Connie Conway
Minority Leader, California State Assembly
State Capitol, Room 3104
Sacramento, California 95814

Re: Tentative Agreement/ Memorandum of Understanding (MOU) for Bargaining Unit 12, International Union of Operating Engineers (IUOE) (Craft and Maintenance)

Dear Senators Steinberg and Huff, and Assembly Members Pérez and Conway:

Recently, the Department of Human Resources (CalHR) reached a new Tentative Agreement/MOU with Bargaining Unit 12, the International Union of Operating Engineers (IUOE, Craft and Maintenance). Upon approval of the Legislature and the Governor, and ratification by the membership, this agreement will be effective July 1, 2013 through July 1, 2015.

The agreement will roll over language from past agreements and make changes primarily in the area of employee compensation. This agreement provides a one-time bonus, and a prudent general salary increase contingent upon the projected revenues of the 2014-2015 budget. There are no mandatory furloughs or Personnel Leave Program (PLP) days in this contract.

In accordance with Government Code Sections 3517.5, 19829.5, and Senate Rule 29.4, I am forwarding copies of this tentative agreement, including a legislative and fiscal summary. The Legislative Analyst will be forwarded a copy for analysis, and the Secretary of the Senate and the Clerk of the Assembly will be forwarded copies to make them noted as available for review in the daily journals.

The above mentioned tentative agreement and summaries can also be found by going to the following link: http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx

Currently, there is not a vehicle to approve the terms of this agreement.

Respectfully,

Jolie Chapman
Director

Attachments
cc: Gareth Elliott, Legislative Affairs Secretary, Office of the Governor
    Gregory Schmidt, Secretary of the Senate
    E. Dotson Wilson, Chief Clerk of the Assembly
    Joint Legislative Budget Committee
    Mac Taylor, Office of the Legislative Analyst
    Department of Finance

ecc:

    Marianne O'Malley, Director Gen. Government
        Office of the Legislative Analyst
    Nick Schroeder, Consultant
        Office of the Legislative Analyst
    Richard Gillihan, Asst: Program Budget Manager
        Department of Finance
    Craig Cornett, Chief Fiscal Policy Advisor
        Office of the Pro Tem
    Charles Wright, Chief Consultant
        Office of the Pro Tem
    Chris Woods, Budget Director
        Office of the Speaker
    Nick Hardeman, Chief Consultant
        Office of the Speaker
    Sören Taylor, Staff Director
        Senate Republican Fiscal Office
    Chantele Denny, Consultant
        Senate Republican Fiscal Office
    Anthony Archie, Consultant
        Assembly Republican Fiscal Office
    Peter Schaafsma, Staff Director
        Assembly Republican Fiscal Office
    Keely Bosler, Staff Director
        Senate Budget Committee
    Mark Ibele, Consultant
        Senate Budget Committee
    Christian Griffith, Staff Director
        Assembly Budget Committee
    Mark Martin, Consultant
        Assembly Budget Committee
    Mark McKenzie, Staff Director
        Senate Appropriations Committee

    Maureen Ortiz, Consultant
        Senate Appropriations Committee
    Geoff Long, Chief Consultant
        Assembly Appropriations Committee
    Roger Dunstan, Consultant
        Assembly Appropriations Committee
    Pamela Schneider, Consultant
        Senate PE&R Committee
    Karon Green, Chief Consultant
        Assembly PER&SS Committee
    Gary Link, Consultant
        Senate Republican Caucus
    Terry Mast, Consultant
        Assembly Republican Caucus
    Alene Shimazu, Chief
        Fiscal Analysis, CalHR
    Pam Manwiller, Deputy Chief
        Labor Relations, CalHR
    Randy Fischer, Assistant Deputy Director
        Labor Relations, CalHR
    Cindie Fonseca, LRO
        Labor Relations, CalHR
CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
SUMMARY OF COLLECTIVE BARGAINING AGREEMENTS
FOR BARGAINING UNIT 12

Exclusive Employee Representative
International Union of Operating Engineers

Number of Employees: Approximately 10,819 full-time equivalents

I. Retirement

Benefit Formula Calculation

• Bargaining Unit 12 employees who become CalPERS members on or after January 1, 2013, are subject to the Public Employees' Pension Reform Act (PEPRA) Retirement Formula of 2% at age 62.

• Bargaining Unit 12 employees who become CalPERS members on or after January 1, 2013, are subject to the State Safety PEPRA Retirement Formula of 2% at age 57.

• Bargaining Unit 12 employees who become CalPERS members on or after January 1, 2013, are subject to the Second Tier PEPRA Retirement Formula of 1.25% at age 67.

• Pensionable compensation caps will apply to new CalPERS members subject to PEPRA as defined under PEPRA.

Employee Pension Contribution

• Effective July 1, 2013, all Second Tier members shall contribute 1.5% of monthly pensionable compensation and the contribution will increase by 1.5% points annually. The final annual increase in the contribution rate shall be adjusted as appropriate to reach fifty percent (50%) of normal cost.

II. Compensation

Cost of Living Increase

• Effective July 1, 2014, Unit 12 employees shall receive a one-time bonus of $1200 (pro-rated for seasonal employees and employees with a time-base of less than full-time) and a 3% General Salary Increase (GSI) effective July 1, 2015.

• The 2014 one-time bonus and GSI increase is contingent on the projected State revenues in the 2014-2015 Budget. If the funding is determined to be insufficient to fund the one-time bonus and GSI then all employees shall receive a 3.25% GSI effective July 1, 2015.
• The following increases are also contingent upon the projected State revenues in the 2014-2015 Budget:
  
  • Dependent Vesting of 75% (initial enrollment) and 100% (after 12 months)
  • Footwear Allowance increase of $32
  • Uniform Reimbursement – CDF increase of $20
  • Uniform Reimbursement – DPR increase of $20

  If these sections are not implemented on July 1, 2014, based on the conditions described above, they shall be effective July 1, 2015.

III. Health Benefits

*Employer Contribution*

• Upon ratification, the State’s monthly contribution to the health insurance portion of each employee’s allowance will be set at a dollar amount that equals the 80/80 formula. The amounts shall be increased on January 1, 2014, and January 1, 2015.

IV. Miscellaneous

• CalTrans employees not currently on a monthly pay cycle will be changed to the monthly pay cycle on July 1, 2014.

• The DWR Dispatcher Differential is removed from this Contract.

• Subject to Departmental approval and fiscal viability, employees may cash out up to 20 hours of Vacation/Annual leave per fiscal year. Each department head (Director, Executive Officer, Etc.) or designee will advise department employees whether the department has funds available for the purpose of cashing out accumulated Vacation/Annual Leave.

• Employees shall be allowed to Post and Bid into permanent positions that are being temporarily filled with temporary staff.

• The State and the Union will meet to review retirement plans for employees working at CalTrans and State Hospitals.

• The State and the Union will meet to review the uniform requirements for BU 12 employees at CALFire and State Parks.

• Business and Travel Reimbursements, the State increased the breakfast rate to $7.00, lunch to $11.00, dinner to $23 and incidentals to $5.00. The State increased lodging rates as follows:
<table>
<thead>
<tr>
<th>County</th>
<th>Lodging Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All counties except those listed below.</td>
<td>$90</td>
</tr>
<tr>
<td>Los Angeles, Orange, Ventura, Edwards AFB, less</td>
<td>$120</td>
</tr>
<tr>
<td>the city of Santa Monica</td>
<td></td>
</tr>
<tr>
<td>Sacramento, Napa, Riverside</td>
<td>$95</td>
</tr>
<tr>
<td>San Diego, Monterey County, Alameda, San Mateo,</td>
<td>$125</td>
</tr>
<tr>
<td>Santa Clara</td>
<td></td>
</tr>
<tr>
<td>San Francisco, City of Santa Monica</td>
<td>$150</td>
</tr>
</tbody>
</table>

V. Duration

- July 1, 2013 through July 1, 2015

VI. Fiscal

- FY 13/14 Cost: $1.6 million (GF = $0.5 million and OF = $1.1 million)
- Total Incremental Cost: $44.8 million (GF = $14.3 million and OF = $30.5 million)
- Total Budgetary Cost: $53.4 million (GF = $17.1 million and OF = $36.3 million)

VII. Agreement

- The complete Tentative Agreement between the State and IUOE (BU 12) is posted at: http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx
# 2 Year Agreement (Trigger Met)

## IUOE Budgetary MOU Summary

### (Dollars in Thousands)

<table>
<thead>
<tr>
<th>Rank and File</th>
<th>Effective Date</th>
<th>FY2013-14 GF</th>
<th>FY2013-14 OF</th>
<th>Total</th>
<th>FY2014-15 GF</th>
<th>FY2014-15 OF</th>
<th>Total</th>
<th>FY2015-16 GF</th>
<th>FY2015-16 OF</th>
<th>Total</th>
<th>Total Budgetary GF</th>
<th>Total Budgetary OF</th>
<th>Total Budgetary Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Health Flat Rate 80/80</td>
<td>1/1/2014</td>
<td>$516</td>
<td>$1,081</td>
<td>$1,597</td>
<td>$2,218</td>
<td>$4,648</td>
<td>$6,864</td>
<td>$3,770</td>
<td>$6,641</td>
<td>$9,711</td>
<td>$5,904</td>
<td>$12,369</td>
<td>$18,273</td>
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<td>$1,200 Bonus</td>
<td>7/1/14</td>
<td>$4,468</td>
<td>$9,350</td>
<td>$13,813</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$32 Increase Footwear Allowance</td>
<td>7/1/14</td>
<td>$1</td>
<td>$122</td>
<td>$123</td>
<td>$1</td>
<td>$122</td>
<td>$123</td>
<td>$3</td>
<td>$245</td>
<td>$247</td>
<td>$14</td>
<td>$29</td>
<td>$43</td>
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<tr>
<td>$20 Increase Uniform Allowance</td>
<td>7/1/14</td>
<td>$7</td>
<td>$14</td>
<td>$21</td>
<td>$7</td>
<td>$14</td>
<td>$21</td>
<td>$14</td>
<td>$29</td>
<td>$43</td>
<td></td>
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<tr>
<td>3% GSI</td>
<td>7/1/15</td>
<td>$6,692</td>
<td>$14,348</td>
<td>$21,040</td>
<td>$6,692</td>
<td>$14,348</td>
<td>$21,040</td>
<td>$6,692</td>
<td>$14,348</td>
<td>$21,040</td>
<td>$17,075</td>
<td>$36,340</td>
<td>$53,416</td>
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<tr>
<td><strong>Total Costs</strong></td>
<td>7/1/15</td>
<td>$516</td>
<td>$1,081</td>
<td>$1,597</td>
<td>$6,689</td>
<td>$14,133</td>
<td>$20,822</td>
<td>$9,870</td>
<td>$21,126</td>
<td>$30,996</td>
<td>$17,075</td>
<td>$36,340</td>
<td>$53,416</td>
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<tr>
<td><strong>Non-adds</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEPRA - New Employees Future Savings</td>
<td>1/1/15</td>
<td>($43)</td>
<td>($91)</td>
<td>($134)</td>
<td>($87)</td>
<td>($182)</td>
<td>($268)</td>
<td>($130)</td>
<td>($272)</td>
<td>($402)</td>
<td>($130)</td>
<td>($272)</td>
<td>($402)</td>
</tr>
<tr>
<td>Health - Dependent Vesting 75/100</td>
<td>7/1/14</td>
<td>$159</td>
<td>$333</td>
<td>$492</td>
<td>$164</td>
<td>$344</td>
<td>$508</td>
<td>$323</td>
<td>$677</td>
<td>$1,000</td>
<td>$323</td>
<td>$677</td>
<td>$1,000</td>
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<tr>
<td>Travel reimbursement increases</td>
<td>7/1/13</td>
<td>$55</td>
<td>$116</td>
<td>$172</td>
<td>$55</td>
<td>$116</td>
<td>$172</td>
<td>$166</td>
<td>$349</td>
<td>$515</td>
<td>$166</td>
<td>$349</td>
<td>$515</td>
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<td>($280)</td>
<td>($414)</td>
<td>($30)</td>
<td>($63)</td>
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<td>$164</td>
<td>$243</td>
<td>($85)</td>
<td>($179)</td>
<td>($264)</td>
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<tr>
<td><strong>Total Non-adds</strong></td>
<td>1/1/2015</td>
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<td>($164)</td>
<td>($242)</td>
<td>$141</td>
<td>$296</td>
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<td>$211</td>
<td>$443</td>
<td>$654</td>
<td>$274</td>
<td>$574</td>
<td>$849</td>
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</tbody>
</table>

Data Source: Position Benefits file March 2013; SCO Table 183 April 2013

General Salary Increase - 3% GSI effective 7/1/15

Per DOF, while PEPRA is in effect January 1, 2013, savings are not realized until January 1, 2015.

Travel dollars provided by DOF
# IUOE INCREMENTAL MOU Summary

## 2 Year Agreement (Trigger Met)
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Rank and File</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>Total Incremental</th>
<th>Total Budgetary</th>
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</thead>
<tbody>
<tr>
<td><strong>Proposals</strong></td>
<td><strong>Effective Date</strong></td>
<td><strong>GF</strong></td>
<td><strong>OF</strong></td>
<td><strong>Total</strong></td>
<td><strong>GF</strong></td>
</tr>
<tr>
<td><strong>Costs</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>Health Flat Rate 80/80</td>
<td>1/1/2014</td>
<td>$516</td>
<td>$1,081</td>
<td>$1,597</td>
<td>$1,702</td>
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<tr>
<td>$1,200 One-time Bonus</td>
<td>7/1/14</td>
<td>$4,468</td>
<td>$9,350</td>
<td>$13,818</td>
<td>$4,468</td>
</tr>
<tr>
<td>$32 Increase Footwear Allowance</td>
<td>7/1/14</td>
<td>$1</td>
<td>$122</td>
<td>$123</td>
<td>$1</td>
</tr>
<tr>
<td>$20 Increase Uniform Allowance</td>
<td>7/1/14</td>
<td>$7</td>
<td>$14</td>
<td>$21</td>
<td>$7</td>
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<tr>
<td>3% GSI</td>
<td>7/1/15</td>
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<tr>
<td><strong>Total Costs</strong></td>
<td></td>
<td>$516</td>
<td>$1,081</td>
<td>$1,597</td>
<td>$6,173</td>
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<tr>
<td><strong>Non-adds</strong></td>
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<td>$333</td>
<td>$492</td>
<td>5%</td>
</tr>
<tr>
<td>Travel reimbursement Increases</td>
<td>7/1/13</td>
<td>$55</td>
<td>$116</td>
<td>$172</td>
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</tr>
<tr>
<td><strong>Total Non-adds</strong></td>
<td>1/1/2014</td>
<td>($134)</td>
<td>($280)</td>
<td>($414)</td>
<td>$104</td>
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<tr>
<td></td>
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<td>($278)</td>
<td>($564)</td>
<td>($842)</td>
<td>$219</td>
</tr>
</tbody>
</table>

Data Source: Position Benefits File March 2013; SCO Table 183 April 2013

General Salary Increase - 3% GSI effective 7/1/15

Per DDF, while PEPRA is in effect January 1, 2013, savings are not realized until January 1, 2015.

Travel dollars provided by DDF