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Palo Alto Online News

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Palo Alto signs new deal with police union

Two-year contract with Palo Alto Police Officers' Association requires employee contributions for pensions, medical costs

by **Gennady Sheyner**
Palo Alto Weekly Staff

The nine-month standoff between Palo Alto and its police union came to an end early Tuesday morning when the City Council approved a new contract that imposes benefit reductions on the 82-member union.



The council unanimously accepted [an agreement](#) with the Palo Alto Police Officers' Association that forces the police officers to contribute 10 percent of their medical costs and to pick up the "employee share" of pension contributions -- a share that the city had previously covered. The new agreement, which the union ratified late last week, also trims salaries by 1.3 percent, eliminates three of the 12 paid holidays and creates a second pension tier for newly hired employees.

The city estimates that the new agreement would save about \$1.4 million in costs annually.

The two-year agreement is a major milestone in the city's three-year quest to achieve structural cuts in employee compensation, an effort that began in 2009 when the City Council imposed benefit reductions on its largest union, the Service Employees International Union (SEIU), Local 521. Since then, the SEIU had agreed to an extension of the new terms and other labor groups, including the firefighters union and the non-unionized group of managers and professionals, have made similar concessions.

But contract talks with the police union have proved contentious for the city, which in February declared an impasse with the police officers. The two sides remain at an impasse but the deadlock is now restricted to one issue -- the contributions that future retirees would have to make to retiree benefits, said Marcie Scott, assistant director of the Human Services Department.

"This agreement is a significant step in the city's effort to strive for equity across bargaining units, to make similar changes to compensation," Scott told the council Tuesday morning.

The city's prior agreement with the union expired on June 30, 2011, but the terms remained in place during the negotiations.

The changes in the new agreement are meant to address the two trends that are contributing to the projected deficits in Palo Alto's budget -- the rising pensions and medical costs. Each has gone up by about \$300,000 in the past year, according to data from the Administrative Services Department. The rising costs, along with the city's growing contribution toward retiree medical benefits, are the main drivers behind the \$3.9 million increase in the General Fund expenditures in City Manager James Keene's proposed budget for fiscal year 2013.

Employees in the new pension tier would have their pension calculated on a "3 percent at 55" formula (3 percent of the highest salary for every year of service after retirement at 55). The payments for new employees would be determined based on the average of the three highest-paid consecutive years. Existing employees would remain on the "3 percent at 55" formula with payments based on the single year with the highest salary.

Though the contract took more than 16 meetings to reach, the council approved it swiftly with little discussion at about 1 a.m. Tuesday. Mayor Yiyaw Yeh and Councilwoman Nancy Shepherd both praised the city's negotiating team for working hard with the union to reach a resolution.

"Things are starting to fold together the way we wanted them to last year," Shepherd said. "We're getting there."

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