



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Date: September 3, 2025

Subject

Approve July 1, 2025, through June 30, 2028, Memorandum of Understanding setting the salary and terms and conditions of employment for the Operating Engineers Local No. 3 Union, AFL-CIO (OE3); Approve and update the salary and terms and conditions of employment for the Unrepresented (Management and Confidential) Employees and Appointed Employees Compensation Programs; Approve and update the terms and conditions of employment for the Elected Officials.

Recommended Action

1. Adopt Resolution 25-XXX amending the Memorandum of Understanding (MOU) for the Operating Engineers Local No. 3 Union, AFL-CIO (OE3) based on the attached tentative agreements; and
2. Approve the corresponding Salary Schedule for OE3 employees effective July 12, 2025; and
3. Adopt Resolution 25-XXX amending salary and terms and conditions of employment for the Unrepresented (Management and Confidential) Employees and Appointed Employees Compensation Programs; and
4. Approve the corresponding Salary Schedules for Unrepresented and Appointed employees effective July 12, 2025; and
5. Adopt Resolution 25-XXX amending terms and conditions of employment for the Elected Officials' Compensation Program; and
6. Adopt Resolution 25-XXX to approve budget modification number 2526-405 increasing appropriations by \$1,216,473 ensuring that there are sufficient budget appropriations to cover the costs associated with the negotiated contracts.

Background

The City has reached a tentative agreement with the Operating Engineers Local No. 3 Union, AFL-CIO (OE3). The negotiated packages are within City Council parameters for the Fiscal Years (FY) 2025 - 2028. Historically, Council has aligned the compensation plans for the Unrepresented and Appointed employee groups with the proposed terms and

conditions of employment of the City's bargaining units. Key provisions of the tentative labor agreements are summarized below:

- Term – 3 years, July 1, 2025, through June 30, 2028
- Cost of Living adjustments (COLAs): retroactive to the first full pay period after July 1, 2025, a 5.0% salary increase. Effective the first full pay period after July 1, 2026, a 3.0% salary increase. Effective the first full pay period after July 1, 2027, a 3.0% salary increase; and
- A one-time \$1,000 non-pensionable lump sum payment; and
- Effective July 1, 2025, for each participating employee, the City shall contribute toward premium cost the following amount per month during the term of this agreement.

July 1, 2025	City Max Health Contribution	City Max Dental Contribution	City Total Max Contribution
Employee	\$1,112.90	\$114.30	\$1,227.20
Employee + 1	\$2,225.80	\$114.30	\$2,340.10
Employee + 2	\$2,893.54	\$114.30	\$3,007.84

- With regards to any change in the monthly medical plan premium charged by CalPERS in the plan years subsequent to 2025 (specifically, the CalPERS healthcare rate increases effective January 1, 2026, January 1, 2027 and January 1, 2028), the City's maximum contributions shall be tied to the CalPERS Kaiser Permanente plan increases and shall be capped at no more than 20% of any such total increase in aggregate during the course of this 2025 – 2028 MOU. Any required contribution amounts exceeding the premium contribution of the City are the responsibility of the employee.

Title 2 of the California Code of Regulations, section 570.5, requires that the pay schedule of every CalPERS agency be approved and adopted by the agency's governing body pursuant to public meeting laws. The City's Salary Schedules for OE3, Unrepresented and Appointed employees are attached for the Council's review and approval, effective July 12, 2025.

Reasons for Recommendation and Available Options

Based on the findings outlined above, staff recommends Council approve July 1, 2025, through June 30, 2028, Memorandum of Understanding setting the salary and terms and conditions of employment for the Operating Engineers Local No. 3 Union, AFL-CIO (OE3), approve and update the salary and terms and conditions of employment for the Unrepresented (Management and Confidential) Employees and Appointed Employees

Compensation Programs and approve and update the terms and conditions of employment for the Elected Officials' Compensation Program.

Sustainability Impact

No sustainability impact.

Fiscal Impact

For OE3, Unrepresented and Appointed employees and Elected Officials, the City will incur an additional cost of \$1,216,473 in the first year (FY 2025-26), an additional cost \$2,280,585 in the second year (FY 2026-27) and an additional cost \$ 2,967,155 in the third year for a total cumulative cost of \$6,464,213 in ongoing costs (starting FY 2027-28). Costs listed are cumulative to show the total fiscal impact over the three year agreement. A budget adjustment for increased costs in the first year is recommended. At the time of the adopted budget, costs related to the labor contracts were unknown and not included in the adopted budget.

Costs for these changes to the compensation programs are summarized in the table below:

	Year 1 Costs	Year 2 Costs	Year 3 Costs	Total Costs
GENERAL FUND	\$ 1,014,271	\$ 1,801,662	\$ 2,344,052	\$ 5,159,985
ALL OTHER FUNDS	\$ 202,202	\$ 478,923	\$ 623,103	\$ 1,304,228
Total Costs	\$ 1,216,473	\$ 2,280,585	\$ 2,967,155	\$ 6,464,213

City Work Program (CWP) Item/Description

None

Council Goal:

None

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Vanessa Guerra, Human Resources Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, Interim City Manager

Attachments:

A – Appointed Employee's Compensation Program (Clean)

B – Appointed Employee's Compensation Program (Redline)

C – Draft Resolution Appointed Compensation Program

D - MOU- OE3 2025-2028 (Clean)

E - MOU- OE3 2025-2028 (Redline)

F – July 30, 2025 OE3 Signed Tentative Agreement

G - Draft Resolution OE3 MOU

H - Elected Officials Compensation Program (Clean)

I – Elected Officials Compensation Program (Redline)

J - Draft Resolution Elected Compensation Program

K - Unrepresented Comp (Clean)

L - Unrepresented Comp (Redline)

M – Draft Resolution Unrepresented Compensation Program

N – Draft Resolution for Budget Modification