



DATE: March 17, 2026

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adopt a Resolution Approving Side Letter of Agreements Amending Memoranda of Understanding between the City of Hayward and Both the International Association of Firefighters, Local 1909 and Hayward Fire Officers Association and Authorizing Staff to Execute the Agreements

RECOMMENDATION

That the City Council adopts a Resolution (Attachment II) approving Side Letters of Agreement amending the Memoranda of Understanding (MOUs) between the City of Hayward and both the International Association of Firefighters, Local 1909 (Local 1909) and Hayward Fire Officers Association (HFOA) and authorizing staff to execute the agreements.

SUMMARY

The City has met and conferred in good faith with Local 1909 and the HFOA, and the respective Union and Association have agreed to corrections to existing contract language that align with compliance with the California Public Employee Retirement System (CalPERS) and the Internal Revenue Service (IRS). These changes reflect the respective intention of pensionable contributions for certain pays and align with IRS regulations and administrative process.

FISCAL IMPACT

If approved, the proposed amendments to the Local 1909 and HFOA MOUs would result in minor fiscal impact which can be absorbed into the department budget, as the corrections bring the agreements into alignment with CalPERS regulations, existing pay practices, and the intentions of the City. These items are cost neutral in the near term as proposed changes resolve for reporting compliance and administration.

BACKGROUND

As part of a review of the MOUs to ensure compliance with CalPERS regulations, the Parties identified a potential issue with application of MOU Section 8.02 Holiday Pay as applied to employees who work in 40-hour assignments that require scheduling without regard to

observed holidays. MOU Section 8.02(B) does not draw a distinction between such assignments and 40-hour assignments that allow employees to observe holidays.

The City's purpose and intent of this holiday pay section has always been to pay these employees in accordance with Gov. Code Section 20636(c), CCR Section 571 and 571.1. After an extensive review and analysis by the Parties, and in order to ensure the MOU language clearly aligns with the requirements of Gov. Code Section 20636(c), CCR Section 571 and 571.1, and the Parties' intent, the City and the Union have met and conferred on the matter to modify the holiday pay language to comply with CalPERS requirements.

In addition, the parties have identified two other contract provisions that require clarification to ensure that they are administered consistent with the Parties' intent. These include MOU Article 7.07 Change in Pay upon Promotion and MOU Article 9.03 Vacation Leave Transfer.

DISCUSSION

The City and 1909 have met and conferred in good faith to revise language to ensure compliance with CalPERS regulations. The following provisions for holiday pay, change in pay upon promotion, and vacation leave transfer were revised to align with the original intention of pension-reportable pay, compliance with applicable IRS regulations and administrative process.

Section 8.02 Payment for Holidays Worked

To address a reporting compliance issue with CalPERS, section 8.02, Payment for Holidays Worked, is updated to align with the original intention of pension-reportable holiday pay. The edits cover a two-tiered effective date to account for previous assignments. For the period effective the pay period including January 1, 2023, these edits cover the retroactive change that is intended to align the MOU language with how employees temporarily assigned in 40-hour assignments, from their regularly scheduled 56-hour assignments, were paid for holidays. The period effective after City Council adoption simplifies holiday pay and updates the section to "8.02 Payment for Holidays." This change streamlines the provision so that all covered employees whose assignments require scheduled staffing without regard to observed holidays will be paid holiday-in-lieu pay. Holiday-in-lieu pay will replace the previous provision of holiday pay and is five and seventy-seven hundredths percent (5.77%) of the regular hourly rate. Instead of paid time off on a holiday, members of these groups will be paid this Holiday-in-lieu pay. This update proactively addresses potential CalPERS concerns for reportable pay under this provision and aligns with the scheduling necessary for the operation.

7.07 Change in Pay upon Promotion

A discrepancy was identified through the administration of this provision when employees are promoted – that promotional pay may result in sometimes significantly less than a five percent (5%) increase, inconsistent with the intention of promotional placements. The parties agreed to update the language to reflect a more consistent practice of promotional pay closer to five percent (5%). Specific to the agreement, when employees are promoted, their

promotional pay will be calculated to provide at least a five percent (5%) increase as long as the increase is within the salary range of the classification to which the employee is promoted.

9.03 Vacation Leave Transfer

This section is updated to reflect internal alignment within the MOU and distinguishes between conversion of vacation leave to cash and transfer of vacation leave to a qualified 401(b) or medical retirement plan. Language was added to clarify the ability to request transfers in the same calendar year is permissible when transferring into a qualified retirement plan, subject to any future changes to IRS rules.

A summary of the agreed upon changes are outlined in Table 1 below.

Table 1: Key Proposed Changes

| MOU Section | Summary of Change | Effective Dates (as aligned with applicable pay periods) |
|--|--|---|
| 8.02 Payment for Holidays Worked | Differentiates holiday compensation for 56-hour and 40-hour schedules, including 56-hour scheduled employees who are temporarily assigned to 40-hour assignments to comply with CalPERS requirements. | January 1, 2023 |
| 8.02 Payment for Holidays | Updates section to simplify pay for holidays aligned with administrative process and CalPERS requirements. Holiday-in-lieu pay applicable for all employees regardless of schedule at 5.77% of regular hourly rate so long as the employee is scheduled to work without regard to observed holidays | After adoption by City Council |
| 7.07 Change in Pay Upon Promotion | Updating section to reflect promotional salary increases of at least 5% and no greater than the salary range of the promotional classification. | After adoption by City Council |
| 9.03 Vacation Leave Transfer | Clarifies and distinguishes request timeframes for vacation leave cashouts versus transfers, clarifies items are subject to any future changes to IRS rules. | January 1, 2024 |

STRATEGIC INITIATIVES

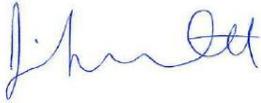
This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

Staff will finalize the side letter agreements and obtain necessary review by the City Attorney and approval by the City Manager to execute them. The Human Resources Department will work with the Finance Department to implement these changes.

Prepared and Recommended by: Ian Tecson, Director of Human Resources

Approved by:

A handwritten signature in blue ink, appearing to read "Jennifer Ott".

Jennifer Ott, City Manager