



Department: Human Resources
Cost Center: 3001
For Agenda of: 2/17/2026
Placement: Consent
Estimated Time: N/A

FROM: Nickole Domini, Human Resources Director
Prepared By: Jeff Andrews, Human Resources Manager

SUBJECT: APPROVE A SIDE LETTER TO THE JULY 1, 2025, TO JUNE 30, 2028, MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF SAN LUIS OBISPO AND THE SAN LUIS OBISPO CITY EMPLOYEES' ASSOCIATION REGARDING STANDBY PAY

RECOMMENDATION

Adopt a Draft Resolution entitled "A Resolution of the City Council of the City of San Luis Obispo, California, approving a Side Letter to the July 1, 2025, through June 30, 2028, Memorandum of Understanding between the City of San Luis Obispo and the San Luis Obispo City Employees' Association." (Attachment A)

POLICY CONTEXT

A side letter is a supplemental agreement between the City and a recognized employee organization that addresses specific matters related to an existing Memorandum of Understanding (MOU). The Side Letter Agreement of the San Luis Obispo City Employees' Association (SLOCEA) MOU is in alignment with Council adopted [Compensation Philosophy](#) and [Labor Relations Objectives](#).

DISCUSSION

Background

On June 17, 2025, the City Council [adopted a resolution](#) entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, adopting and ratifying the Memorandum of Understanding between the City of San Luis Obispo and the San Luis Obispo City Employees' Association for the period of July 1, 2025, to June 30, 2028." SLOCEA is the largest bargaining unit in the City, representing 218 positions in classifications providing a wide variety of services to the community. Key changes in the successor MOU included annual cost-of-living adjustments and annual health insurance contribution increases through cost-sharing, the City assuming responsibility and costs for providing and administering a plan for long-term disability insurance, and changes to overtime and standby compensation.

The City and SLOCEA have been working collaboratively to test and implement various

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terms and changes to the MOU, including provisions related to Standby and Callback assignments. Standby is defined as a circumstance which requires an employee so assigned to be ready to respond immediately to a call for service; and be readily available at all hours by telephone or other agreed upon communication equipment; and refrain from activities which might impair their assigned duties upon call. Callback is a circumstance requiring an employee to unexpectedly return to work duties after the employee has left work at the end of the employee's work duties.

During the testing period, SLOCEA raised concerns regarding the City's interpretation of the Standby language in the MOU. Specifically, SLOCEA asserted that a week-long (168 hour) standby assignment requires eight days of compensation, rather than seven, due to shift overlap. In addition, SLOCEA asserted that employees eligible for Holiday-in-Lieu hours are entitled to the higher daily standby rate when assigned to standby on designated holidays.

As a result of these concerns, SLOCEA submitted a formal grievance on December 5, 2025. A grievance is defined as an alleged violation, misinterpretation, or misapplication of the employer-employee resolution, the Personnel Rules and Regulations, any MOU, or any existing written policy or procedure relating to wages, hours, or other terms and conditions of employment, excluding disciplinary matters. While grievances are sometimes perceived negatively, they can serve as an important tool to identify contractual ambiguities and provide a structured process for resolution. In this instance, the grievance process highlighted areas of the MOU requiring clarification and constructive dialogue between the parties.

The City and SLOCEA have reached a tentative agreement, pending City Council approval, to resolve the grievance through a Side Letter Agreement amending the Standby Article in the SLOCEA MOU. While it is atypical for the City to agree to modify an MOU provision that results in an ongoing fiscal impact outside of a formal renegotiation period, the change in this instance is limited and results in a minimal ongoing cost of less than \$500 annually.

The Side Letter clarifies two key provisions: (1) employees assigned to standby on designated holidays will receive the higher daily standby rate (\$75 per day compared to \$55 per day), and (2) employees assigned to a seven-day (168 hour) standby shift will be eligible for seven daily standby rates.

Under applicable statutes and regulations, the City Council must approve the labor agreement containing any item of special compensation reported to CalPERS. Based on this requirement, City staff prepared a Side Letter Agreement with the revised language for Standby for Council approval.

Previous Council or Advisory Body Action

The City Council [adopted the 2025-28 SLOCEA MOU](#) on June 17, 2025.

Public Engagement

This report is on the consent agenda for February 17, 2026. The agenda and report will be posted seven days in advance of the meeting, and the public will have an opportunity to provide feedback in writing or during public comment in advance of the Council voting on the consent agenda.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: No

Budget Year: 2025-26 and ongoing

Funding Identified: Yes

Fiscal Analysis:

The ongoing costs amount to \$440 per year (eleven (11) fixed holidays x two (2) employees x \$20 per holiday date). The fiscal forecast in the water and sewer funds includes adequate budget to cover the costs as part of the 2025-27 Financial Plan and the ongoing increases will be built into future fiscal forecasts. There is no impact to the General Fund; employees eligible for Holiday-in-Lieu are only in the Utilities department.

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$0		\$0
Water Fund	\$0	\$220		\$220
Sewer Fund	\$0	\$220		\$220
State				
Federal				
Fees				
Other:				
Total	\$0	\$440	\$	\$440

ALTERNATIVES

Do not approve the side letter. Instead, direct staff to continue discussions with SLOCEA. Should this alternative be chosen and additional discussions conclude unsuccessfully, this may lead to impasse.

ATTACHMENTS

A - Draft Resolution approving a Side Letter to the July 1, 2025, through June 30, 2028, Memorandum of Understanding between the City of San Luis Obispo and the San

Luis Obispo City Employees' Association.
B - Exhibit A to the Draft Resolution – Side Letter Agreement