



COUNTY OF SONOMA

HUMAN RESOURCES DEPARTMENT

ANN GOODRICH, HR Director

Employment • Classification • Employee Relations • EEO • Training • Risk Management

Date: October 15, 2008

To: All SEIU 1021 Represented Employees

From: Ann Goodrich, Human Resources Director

Subject: County's Last, Best and Final Offer to SEIU 1021

After meeting and conferring since February of 2008, a mediation process that was unsuccessful despite the efforts of both parties, and further bargaining since that time, the parties remain far apart on several economic issues. These negotiations come at a time of great fiscal uncertainty from the local to the international level, and projected impacts on our budget over the next two years that will seriously erode our ability to provide the same level of services to our communities. Despite the economic challenges, the County has provided the union with an offer that is equal to or better than the average total compensation of our comparable counties. In addition, the offer addresses one of the fundamental objectives of the County Strategic Plan in that it provides a means to contain health care costs while providing opportunities to re-evaluate the impact of such costs on active and retired employees into the future. The County believes that it is important for you to know that the same process for determining salary and benefit comparisons with our comparable counties is used for management and line staff alike.

The attached memo, which we encourage you to read in full, provides you with the details of the County's Last Best and Final Offer (LBF) to the SEIU. This is a one page brief summary of that offer for your convenience.

Summary of the Major Economic Enhancements

The County has offered two options, a one year agreement and a two year agreement for the union's consideration.

The major economic proposal in the County's one-year agreement includes:

- One year term effective upon adoption and ending on June 30, 2009;
- Upon adoption a 2.25% pick up of the employee's retirement contribution by the County (gives the same take home pay as approximately a 3% salary increase);
- A new \$3.45 hourly cash allowance (\$600 a month for a full time employee) for all classifications effective the pay period beginning on May 19, 2009;
- Medical Contributions for Active Employees will be at 85%/y of the lowest cost plan until June 1, 2009 and effective June 2, 2009 will be a maximum monthly amount of \$500.00;
- Medical Contributions for Retirees will be tied to the same County Contribution for the Unrepresented Administrative Management employees through the County's Salary Resolution including the additional contributions to retirees;
- New Defined Contribution Plan for Retiree Medical for New Hires after January 1, 2009 of a maximum monthly amount of \$100.00 into an HRA.

The added major economic proposal in the County's two-year agreement includes:

- A two year term effective upon adoption and ending on June 30, 2010 and includes the proposals above and
- Effective the first pay period in July 2009, 1.5% COLA salary increase and a 1.25% additional pension pick up by the County (gives the same take home pay as approximately a 3% salary increase); and
- Market Equity Salary Adjustments effective July 2009 to 100% of average salary of the survey agencies for SEIU benchmarks.





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Date: October 15, 2008

To: All SEIU 1021 Represented Employees

CC: All County Department Heads
Board of Supervisors Members

From: Ann Goodrich, Human Resources Director

Subject: County's Last, Best and Final Offer to SEIU 1021 Represented Employees

Introduction

This memo is to provide you with the details of the County's Last Best and Final Offer (LBF) to the SEIU 1021 represented employees dated October 8, 2008. The County has asked the SEIU negotiating team to take the County's offer (it consists of 2 options) to the membership for a vote and respond to the County by October 22, 2008.

Contrary to rumors that the County has not been moving during negotiations, the County's October 8, 2008 Last Best and Final is an improvement over the County's July 9, 2008 offer as it increases the pension pick up by .25% each year of the contract, increases the COLA by .5% in year 2 of the contract, moves the effective date of the market salary increases to the beginning of year 2 of the contract and doubles the amount that the County will contribute towards a defined contribution plan for retiree health for employees hired on or after January 1, 2009.

Status of Negotiations

As you are aware, the County and SEIU 1021 have been bargaining since February 14, 2008. On July 14, 2008, the County declared impasse because the parties were far apart despite 27 bargaining sessions lasting over 5 months. The County called in the services of the State Mediator and during the next 2 months the County and SEIU representatives participated in 5 mediations sessions. On September 7, 2008, the mediator advised the parties that further mediation would not be fruitful. The parties again met in negotiation sessions on September 11th, 17th, October 1st and 8th. These additional negotiation sessions did not result in an agreement.

Because the parties are still far apart with no material change in the parties' position on compensation and on medical insurance, the County on October 8th gave the SEIU negotiating team the County's Last Best and Final offer in the form of two alternates, either as a two year or one year MOU.

Summary of County Last Best and Final Alternate Two and One Year Proposals

Term: The County is now proposing two options for SEIU's consideration, either a 2 year term (Option 1, ending June 2010) or a 1 year term (Option 2, ending June 2009).

Compensation increases:

2. Year 1. Pension Pick up in lieu of a Pay Increase (available in both Options)

In lieu of an across the Board salary increase for all classifications, **the County is proposing a 2.25% pick up of the employee contribution to retirement (pension pick up), to go into effect the pay period after ratification by both parties. The County's offer is not retroactive.**

- This offer is made for several reasons. First, our goal for all employees, whether they be management or line staff, is to transition to 100% of the average for our labor market comparators. All market adjustments and COLA's etc. for all employees are driven from that premise. In total compensation surveys conducted for negotiations, all but 3 of SEIU's benchmark classifications were over market in salary only comparisons and all were over in total compensation comparisons (see website for survey). This is in part due to the fact that over the 5 years of the last MOU, Sonoma's increases in salaries have exceeded the CPI by 6.2% (see website).
- The one area in the total compensation study for SEIU classes where Sonoma County shows below the market is in the area of pension pick up (this is where the employer pays some share of the employee's retirement cost(s)). The County is attempting to right-size its compensation, increasing in areas it is on the low side and managing increases in areas where we are considerably over market.
- A 2.25% pension pick up gives an employee very close to the same take home pay as a 3% salary increase would.

2. Year 2 Pension Pick up and COLA Increases (Option 1 only):

Effective the first full pay period in July 2009, the County will pick up an additional 1.25% of the employee contribution to retirement, plus a 1.5% across the board COLA salary increase. Again, this combination results in take home pay amount approximately the same as a 3% COLA.

Additional Compensation Increase (available in both options)

New \$600.00 Cash Allowance Effective May 19, 2009 (both Options):

The County is offering a new compensation component **effective May 19, 2009 in the form of an hourly cash allowance of \$3.45. This represents approximately \$600.00 per month (\$7200 a year) cash allowance for a full time employee, (prorated for part time employees) for each permanent employee in the bargaining unit.** This allowance, like your regular salary, is paid in cash each pay period.

- This new pay component represents approximately a 12.77% increase in pay based on the average salary for the SEIU unit. This new cash allowance will be included in the employee's base salary for retirement purposes and will increase the employee's retirement allowance in the future when they retire. For example, an employee making \$40,000 a year will have the \$7,200 included in retirement wages which equals an 18% increase in their retirement benefits.
- This approach gives employees in lower paid classifications a greater percentage increase than higher paid employees. 75% of SEIU members see either a net increase in take home pay or the same take home pay under this proposal.

100% of Average Market Survey Salary Adjustments (Option 1 only):

Again, consistent with the County's policy with all other units, the County proposes **effective July 2009 to move all SEIU benchmarks to 100% of the market average in salary only** (based on the March 12, 2008 survey). This 100% goal would be higher than the current 98% of average and would be the policy goal in future surveys for this group.

Medical Insurance for Active Employees (available in both Options):

The County proposes **effective upon agreement to change its contributions for employee medical from 85% of any plan to 85% of lowest cost plan Y rated.**

- This would only be in effect until June 1, 2009. The current contributions above the Kaiser plan would be frozen at the current 2008 – 2009 rates. We also propose to make the co-pays and deductible changes that have already been implemented for unrepresented management and other bargaining units. (Kaiser \$10 office visit co-pay, for example). The County Health Plan and Kaiser rates did not change for FY 08-09, only PacifiCare rates did. Thus, only those in that one plan will experience a change in premium contribution from the County.

Effective June 2, 2009, the County proposes changing its contribution to a maximum flat dollar amount of \$500.00 a month regardless of plan choice or coverage type.

- Currently the County spends on medical insurance between \$3,800 a year on one employee (who is single and chooses the least expensive health plan) to \$19,200 for another employee who chooses the most expensive plan and has employee plus two or more dependents. This is a considerable difference in cost from one employee to the next (4 times from the lowest to the highest). Since the County cannot afford to continue to pay the increasing costs of medical insurance under our current benefit system, we are challenged to create the most equitable way to treat all employees within available financing. We believe that treating all the employees in the same way is the most equitable way to deal with this budgetary challenge.
- For employees whose total plan premium is under \$500 a month, like single employees under Kaiser for example, the County contribution will cover the full cost and the employee will not have any out of pocket premium costs. The flat \$ amount is a mandatory subject of collective bargaining and would be subject to future negotiations as MOU's are renegotiated.

Medical Benefits for Future Retirees Hired Before January 1, 2009 (both options):

The County is proposing to continue the 22 year past practice of providing the same retiree medical contribution as what is provided to unrepresented management employees as defined by the County's salary resolution. This benefit is currently 85% of the lowest cost plan Y rated until May 31st 2009, at which time the County's contribution will transition to a flat \$500 a month towards the cost of retiree medical insurance, notwithstanding what plan is selected or coverage type. The County will also continue to reimburse the over age 65 retirees' Medicare Part B payment at the current rate of \$96 a month.

However, understanding the effect this change will have on existing retirees, the salary resolution provides that the County will gradually reduce from our current contribution amounts to the new contribution amount of \$500 a month over a five year period starting on 6/1/09 and ending on 5/31/2013. This will allow retirees several years to adjust to the change in the County's contributions.

- The County's goal is to preserve a fiscally sustainable retiree medical benefit program, not only for current retirees but for employees who will retire in the future. The County's retiree medical benefits are some of the highest in the state and will still be higher than what most public agencies or private employers provide even when they are reduced to \$500 a month.
- The Board of Supervisors has adopted an AD HOC COLA policy for any future retiree medical increases. The County is mindful that it cannot exacerbate its current OPEB liability; however the County wants to provide a structure to review retirees' health care contributions. An AD HOC COLA policy provides a process for the County to consider future increases that are fiscally sustainable.
- The County emphasized, in extensive discussions with all employee groups, that in order to maintain its current employee/retiree medical program, the County would jeopardize its ability to continue to fund essential public services (Strategic Plan, Finding #1) and viable solutions to address the County's \$414 million unfunded liability for retiree medical benefits (OPEB) would need to occur.

Retiree Medical Benefits for Future Employees Hired On or After January 1, 2009 (both options):

In order to control the future growth of the County's retiree health (OPEB) liability, which directly impacts the amount of contributions the County can make for current retirees and current employees for retiree medical, the County is proposing to discontinue the current retiree medical benefit program for any employee hired after January 1, 2009. Instead, the County will offer these new employees a defined retiree medical contribution plan, a Health Reimbursement Arrangement (HRA). **The County will contribute a flat amount of \$100.00 per month for a full time employee into an HRA program during the employee's working career with the County.** Just like a deferred compensation program those monies over the employee's working life grow through investments.

Upon retirement, eligible employees would receive those funds for their use toward purchasing retiree medical benefits. This approach would ensure funds are allocated on an ongoing basis to ensure future financial sustainability of the program while not increasing the County's future unfunded other post employments benefit liability.

Elimination of Dual coverage (both options):

Effective June 1, 2009, employees and retirees who are married or are domestic partners with other County employees or retirees will no longer be allowed to double cover themselves and their dependents on 2 County medical plans. This reduces the unfunded liability and brings our practices in line with almost every other employer in the state.

County Proposals on the Table

A summary list of the County's Last Best and Final offers has been posted for your information on the County's website at:

<http://www.sonoma-county.org/hr/countyoffertoseiu.htm>

Additionally, at that website you will find copies of the County's materials related to negotiations as well as the Union's August 25 and October 2nd proposals and the County's responses.

Summary

We believe the County proposal is fair, especially at a time when our FY 08-09 budget is eliminating/unfunding 120 positions, proposed state budget impacts will negatively impact many county departments, and where the Fiscal Year 09-10 budget will likely be dramatically worse than this year.

The County's proposal presented is the same structure and based on the same evaluation process as the County's management classifications.