



HUMAN RESOURCES DEPARTMENT

Date: November 26, 2008

To: All SCLEA Represented Employees

From: Ann Goodrich, Human Resources Director

Subject: County's Last, Best and Final Offer to Sonoma County Law Enforcement Association (SCLEA)

After meeting and conferring since March of 2008, and a mediation process that was unsuccessful, the parties remain far apart on several issues. These negotiations come at a time of great fiscal uncertainty from the local to the international level, and projected impacts on the County's budget over the next two years will seriously erode the County's ability to provide the same level of services to its communities. Despite the economic challenges, the County has provided the Association with an offer that is equal to or better than the average total compensation of their 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 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 SCLEA. The following is a one page brief summary of that offer for your convenience.



Summary of the Major Economic Enhancements

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

- One year term effective upon adoption and ending on June 18, 2009;
- Upon adoption a 1.0% pension pick-up by the employer and a 1.75% Cost of Living Adjustment (gives the same take home pay as approximately a 3% salary increase); and
- 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; and
- Medical Contributions for Active Employees will continue to be at 85%/y rated of the lowest cost plan until June 1, 2009; and
- Medical Contributions for Active Employees by the County, effective June 2, 2009 will be a maximum monthly amount of \$500.00; and
- 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; and
- 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.



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Date: November 26, 2008

To: All SCLEA 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 Sonoma County Law Enforcement Association (SCLEA) represented employees.

Introduction

This memo is to provide you with the details of the County's Last Best and Final Offer (LBF) to the SCLEA represented employees dated November 25, 2008. The County has asked the SCLEA negotiating team to take the County's one year offer to the membership for a vote and respond to the County by 4:30 pm on December 4, 2008.

Status of Negotiations

As you should be aware, the County and SCLEA have been bargaining since March 13, 2008. On October 2, 2008, the County declared impasse because the parties were far apart despite 19 bargaining sessions lasting over 7 months, the last three of which SCLEA refused to make any counter proposals to the County's proposal of July 30, 2008. The County called in the services of the State Mediator. The first meeting on October 30th ended after approximately four hours with no movement in the direction of a settlement. Further, the SCLEA bargaining team was not available to meet again until December 2nd, almost five weeks later even though the County offered to meet in the evenings and on weekends to continue the negotiations process prior to December 2, 2008. On November 14th the County provided SCLEA with a Final Offer in preparation for mediation scheduled for December 2nd. When the Mediator indicated that the mediation session on December 2nd would have to begin in the early evening, SCLEA was no longer available that day or any day prior to December 2, 2008. All efforts on the part of the County were unsuccessful in moving the process forward.

Because the parties are still far apart with no material change in the parties' position on compensation or medical insurance, the County on November 25, 2008 gave the SCLEA negotiating team the County's One Year Last Best and Final offer. The following is a summary of the Last Best and Final Offer:

Term: The County is proposing a one year term effective upon adoption and ending on June 18, 2009.

Compensation increases:



1. Cost of Living Adjustment (COLA) 1.75%

Effective the pay period after ratification by both parties a Cost of Living Adjustment of 1.75% for all represented classifications. The County's offer is not retroactive.

2. Pension Pick Up

In addition to a 1.75% Cost of Living Adjustment (COLA), the County is proposing a 1.0% 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.

3. Additional Compensation Increase

New \$600.00 Cash Allowance Effective May 19, 2009: 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 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.

Health Care:

Medical Insurance for Active Employees:

- The County proposes to continue its contributions for employee medical of 85% of lowest cost plan Y rated until June 1, 2009. The current contributions above the Kaiser plan would be frozen at the current 2008 – 2009 rates. The County Health Plan and Kaiser rates did not change for FY 08-09, only PacifiCare rates did.
- 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, the County is challenged to create the most equitable way to treat all employees within available financing. The County believes that treating all the employees in the same way is the most equitable way to address 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:

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 the current contribution amounts to the new contribution amount of \$500 a month over a five year period starting on June 1, 2009, and ending on May 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 \$407 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:

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 \$0.58 per pay status hour for approximately \$100.00 per month for full time employees into an HRA program during the



employee's working career with the County. Just like a deferred compensation program these monies over the employee's working life grow through investments.

Upon retirement, eligible employees would receive these 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" (OPEB) liability.

Dental Benefits:

Effective the beginning of the pay period following adoption of this agreement, the employee contribution for dental benefits will be \$12.00 per pay period.

Elimination of Dual coverage:

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 two County health plans. This reduces the unfunded liability and brings the County's practices in line with almost every other employer in the state.

Tentative Agreements and County Proposals on the Table

Additionally, the County's Last Best and Final offer include tentative agreements related to sick leave and family leave; compassionate leave; grievance procedure; and association security. Also included are County proposals related to association rights; County Safety Program; County Staff Development; Specialty Compensation; Standby and Callback; and distribution of the successor MOU.

The County's One Year Last Best and Final offer has been posted for your information on the County's website at:

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

Summary

The County believes their proposal is fair, especially at a time when the FY 08-09 budget is eliminating or unfunding 120 positions, the 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.