



# COUNTY OF SONOMA

575 ADMINISTRATION  
DRIVE, ROOM 102A  
SANTA ROSA, CA 95403

## SUMMARY REPORT

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**Agenda Date:** 7/11/2023

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**To:** Sonoma County Board of Supervisors  
**Department or Agency Name(s):** Human Resources Department  
**Staff Name and Phone Number:** Jeremia Mills, 707-565-3228  
**Vote Requirement:** Majority  
**Supervisorial District(s):** Countywide

**Title:**

Memorandum of Understanding between the County of Sonoma and the International Union of Operating Engineers - Local 39 and Government Code 7507 Disclosure

**Recommended Action:**

- A) Adopt a Concurrent Resolution approving the Memorandum of Understanding (MOU) between the County of Sonoma and the International Union of Operating Engineers - Local 39 for the period July 11, 2023 through July 1, 2026.
- B) Receive and review the actuarial valuation of the impact of proposed changes to Article 16 (Medical Benefits for Future Retirees) of the Successor Memorandum of Understanding between the County of Sonoma and the International Union of Operating Engineers - Local 39.

**Executive Summary:**

Representatives of the County and the International Union of Operating Engineers - Local 39 (Local 39) met and conferred and reached a Tentative Agreement regarding negotiated changes to the terms and conditions of employment for a successor Memorandum of Understanding (MOU) to be effective July 11, 2023 through July 1, 2026 (Attachment A).

Representatives of the County and Local 39 also met and conferred and reached a Tentative Agreement regarding certain changes to retiree medical benefits for Local 39 members, as specified in Article 16 of the MOU (Attachment D).

Local 39 membership has voted and ratified the Tentative Agreements.

All negotiated changes for the 2023-2026 successor MOU must be noticed at a public meeting (Cal Gov't Code 23026) and become effective upon adoption by the Board of Supervisors, unless otherwise specified in the Tentative Agreement. The actuarial valuation of the impacts of salary changes on the funding status of the Sonoma County Employees Retirement Association (SCERA) are outlined below and in Attachment B (Cal Gov't Code §7507 and §31515.5).

The actuarial valuation of the impact of negotiated changes on the County's liability for Other Post-Employment Benefits (OPEB) and future costs, in Article 16 of the Tentative Agreement related to medical benefits for future retirees are outlined below and in Attachment C (Cal Gov't Code §7507 and §31515.5). In accordance with Government code section 7507, today's recommendation is to receive and review the

actuarial information from Segal Consulting, and staff will return at a later date with the recommendation to approve the changes specific to Article 16. All required public information and disclosures have been made.

**Discussion:**

Representatives of the County and Local 39 met and conferred and reached a Tentative Agreement regarding the terms and conditions of employment, for a three-year term.

The following is a summary of the major provisions negotiated in this agreement:

Term of Successor MOU:

July 11, 2023 - July 1, 2026

Salary - Cost of Living Adjustments (COLA):

During the three-year term, all job classifications covered by this MOU will be provided annual cost-of-living adjustments based upon the following schedule:

- Effective July 25, 2023 - 5% COLA
- Effective July 9, 2024 - 4% COLA
- Effective July 8, 2025 - 4% COLA

Salary - Market/Equity Adjustments:

Effective the pay period beginning July 11, 2023, contingent upon Board approval, the County will provide market equity adjustments by increasing the adjusted A-I Steps of each job classification in Appendix B of the Local 39 MOU, where the benchmark for those classifications was below the market average. All increases are outlined in Appendix B of the Local 39 MOU. The County will concurrently increase the A-I Steps of each non-benchmark classification salary scale based on the County's internal salary administration alignments.

Salary - Hourly Cash Allowance:

- Effective August 8, 2023, the hourly cash allowance will be rolled into salary

Pension/Retiree Medical:

- No later than April 30, 2024, the parties agree to re-open Article 18 to discuss pension cost sharing, employee contributions, unfunded liability, and explore future retiree pension cost of living adjustments
- Retiree Medical - Revises Article 16 to allow portability of retiree medical contributions to pre-2009 hired employees who retire on or after July 11, 2023 and move out of a medical plan service area

Health & Welfare:

The County's monthly contribution towards medical plan premiums will be based upon the following schedule:

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Effective Date	July 11, 2023	May 14, 2024	May 13, 2025
Employee Only	\$851/mo.	\$893/mo.	\$938/mo.
Employee + 1	\$1701/mo.	\$1786/mo.	\$1876/mo.
Employee + 2 or more	\$2405/mo.	\$2525/mo.	\$2652/mo.

- Discontinues County Health Plan PPO and EPO to new enrollment

Time Off/Leaves:

- Adds qualifying family members for using sick leave and Paid Parental Leave
- Ensures employees properly move to COBRA benefits when on unpaid leaves

Various Economics:

- Change for Standby for Water Agency employees to 2x hourly wage rate for a 14-hour standby shift and 4x hourly rate for 24-hour standby shift
- Increased boot allowance to \$300
- Add the California Water Treatment Plant Operator Grade T5 to the certifications for Senior Plant Operator
- Add a 2% Premium for WA Lead Mechanic, Plant Operators, and Senior Plant Operator
- Minimum Rest Period Pilot- Provide a minimum rest period of eight hours between shifts after working more than 16 hours within a 24-hour period

Miscellaneous Changes:

- Updates and clarifies various articles/sections
- De-genders contract language consistent with the County's pillars, goals and objectives

Government Code Compliance Requirements:

Various provisions of the California Government Code require certain disclosures before the Board can adopt changes in salaries or benefits, with additional disclosures required for changes in pension and other post-employment benefits. Any changes in salaries and benefits must be adopted at a public meeting of the Board (Cal Gov't Code §23026). Notice of the consideration of such increases must be provided prior to the meeting and shall include "an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system." (Cal Gov't Code §31515.5).

In addition, when considering changes in retirement benefits or other postemployment benefits, the Board "shall secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits." (Cal Gov't Code §7507). When there are changes in retirement benefits or other postemployment benefits, the statement of actuarial impacts shall be provided by an enrolled actuary and shall be made public at a meeting at least two weeks before the adoption

of the increase in benefits. (Cal Gov't Code § 7507, 31516).

This staff report recommends the Board adopt changes in the Local 39 MOU, including changes to salary and benefits contributions only, with no changes to pension benefits and a slight change to other post-employment benefits (retiree medical).

Segal Valuation Analysis of Cost of Living/Market/Equity Adjustments

Based on the analysis conducted by Segal Consulting (Segal), the actuaries for the Sonoma County Employees Retirement Association (SCERA), the net impact over the term of the three-year MOU results is an increase in the County's annual contributions, as the actuarial assumptions included in prior valuations are not sufficient to cover the costs of all negotiated cost of living and equity adjustments over the three-year term.

The analysis compares proposed labor changes to the following Sonoma County Employees' Retirement Association (SCERA) adopted salary assumptions:

- 3.0 % applied to the December 31, 2021 Actuarial Valuation used to establish employer and employee pension contribution rates for FY 2023-24. and was used to illustrate the potential cost impact of salary increases in FY 2024-25 and FY 2025-26

The actuarial assumption variations from year to year offset some annual increases and decreases, resulting in a net increase of \$223,000 over the three-year term of the MOU. Staff's review of the average annual increase spread over the current and next two fiscal years is approx. \$74,333 which should not materially impact the ongoing cost of the plan or the funding status of SCERA. Segal's analysis of the annual impact for each of the three years of the MOU are included in Attachment B, and the following table summarizes the annual impact and net overall increased County costs over the three fiscal years:

	Change in Annual Employer Normal Cost	Change in Annual UAAL* amortized cost	Total Increased Annual Contribution
	(a)	(b)	(a + b )
Year 1 - 2023/24	+ \$51,000	+\$92,000	+\$143,000
Year 2 - 2024/25	+ \$15,000	+\$27,000	+\$42,000
Year 3 - 2025/26	+ \$14,000	+ \$24,000	+ \$38,000
Net Increased Costs over 3-year term	+ \$80,000	+ \$143,000	+ \$223,000

\*Unfunded Actuarial Accrued Liability

Segal Valuation Analysis of Changes to Retiree Medical

The Tentative Agreement also revises Article 16 of the successor MOU to allow future retirees who reside or move out of a County offered medical plan service area, the option to place the \$500 monthly retiree medical contribution into the Retiree HRA. Currently, a retiree must be enrolled in a County sponsored medical plan to receive the monthly contribution. If a retiree moves outside of a service area, their only option to receive the County contribution is to enroll in the County Health Plan, or if Medicare eligible, to enroll into AARP United

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Healthcare. Due to cost factors, some retirees decide not to opt for any coverage through the County. The revisions to Article 16 provide another option to retirees to receive the monthly contribution into the Retiree HRA which can be used to enroll in any medical plan available in the area where they live. Providing this option allows future retirees who live or move out of a service area the opportunity to access this benefit, thus participation may increase slightly. Any future retiree opting for the HRA contribution will be responsible for all premium costs, including Medicare Part B. Upon Board approval at a later date, this benefit will become available to bargaining unit members who were hired before 1/1/2009 and retire on or after 7/11/2023.

Based upon the actuarial analysis by Segal Consulting, (Attachment C) this change results in a slight increase to the OPEB liability for Local 39 by 0.46% or \$10,820, as illustrated below.

<b>Local 39 OPEB Liabilities as of June 30, 2022</b>	<b>Pre-2009 Local 39 Current Benefit</b>	<b>Proposed \$500/Mo HRA</b>	<b>\$ Impact</b>	<b>% Impact</b>
Implicit Subsidy	\$672,000	\$647,378	(\$25,222)	(3.75%)
Medicare Part B	\$222,178	\$214,147	(\$8,031)	(3.61%)
Cash Subsidy	\$1,464,764	\$1,508,837	\$44,073	3.01%
<b>Total OPEB Liability</b>	<b>\$2,359,542</b>	<b>\$2,370,362</b>	<b>\$10,820</b>	<b>0.46%</b>

In accordance with Government code section 7507, it is recommended your Board receive and review this information today, and staff will return at a later date with the recommendation to adopt the negotiated changes to Article 16.

**Strategic Plan:**

This item directly supports the County's Five-year Strategic Plan and is aligned with all the pillars, goals, and objectives.

**Racial Equity:****Was this item identified as an opportunity to apply the Racial Equity Toolkit?**

No

*INSTRUCTIONS: If 'Yes' to the above, or if equity analysis was conducted, include requisite information in this section staff's discussion, findings, and recommendations as it directly relates to this item's requested action(s).*

**Prior Board Actions:**

July 30, 2019: Approved Local 39 Successor MOU, Concurrent Reso.#19-0312

October 9, 2018: Add'l Provisions to Local 39 MOU Ext, Concurrent Reso. #18-0412

June 5, 2018: Approved Local 39 MOU Extension, Concurrent Reso. #18-0242

March 20, 2018: Approved Side Letter for Vacation Purchase Plan, Concurrent Reso. #18-0100

July 19, 2016 Approved Local 39 MOU, Concurrent Reso. #16-0275

**FISCAL SUMMARY**

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<b>Expenditures</b>	<b>FY 22-23 Adopted</b>	<b>FY23-24 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses	\$1,004,027	\$1,874,911	\$2,672,405
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$1,004,027</b>	<b>\$1,874,911</b>	<b>\$2,672,405</b>
<b>Funding Sources</b>			
General Fund/WA GF	\$1,004,027	\$1,874,911	\$2,672,405
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$1,004,027</b>	<b>\$1,874,911</b>	<b>\$2,672,405</b>

**Narrative Explanation of Fiscal Impacts:**

The successor MOU represents a total estimated operational cost increase for FY 2023/24 of \$1,004,027, and the FY 2023/24 recommended budget includes appropriations for anticipated labor costs. Adjustments to individual departmental budget appropriations will be made during consolidated budget adjustments as necessary and future costs for FY 2024-25 will be incorporated into the recommended budget.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

Not applicable

**Attachments:**

1. Resolution
2. Attachment A - Tentative Agreement - Successor MOU
3. Attachment B - Four GC 31515.5 Disclosure Letters from Segal Consulting dated June 27, 2023
4. Attachment C - OPEB Actuarial Analysis Letter from Segal dated May 24, 2023 per GC §7507
5. Attachment D - Tentative Agreement - Article 16

**Related Items "On File" with the Clerk of the Board:**

None.