



# COUNTY OF SONOMA

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

## SUMMARY REPORT

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**Agenda Date:** 5/9/2023

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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 Service Employees International Union, Local 1021

**Recommended Action:**

- 1) Adopt a Concurrent Resolution approving the Memorandum of Understanding (MOU) between the County of Sonoma and Service Employees International Union, Local 1021 (SEIU) for the period May 9, 2023 through February 28, 2026.
- 2) Receive and review the actuarial valuation of the impact of the proposed changes to Article 13 (Medical Benefits for Future Retirees) of the Memorandum of Understanding ("MOU") between the County and SEIU for the period July 1, 2023 through February 28, 2026.

**Executive Summary:**

Representatives of the County and Service Employees International Union, Local 1021 (SEIU) met and conferred and reached a tentative agreement regarding negotiated changes to the terms and conditions of employment for a successor MOU to be effective May 9, 2023, through February 28, 2026, hereinafter referred to as Tentative Agreement 1 (Attachment A).

Representatives of the County and SEIU Local 1021, also met and conferred and reached a tentative agreement regarding certain changes to retiree medical benefits for SEIU members hired before 1/1/2009, as specified in Article 13.D of the MOU, hereinafter referred to as Tentative Agreement 2 (Attachment B).

All changes negotiated for the 2023-2026 successor MOU become effective upon adoption by the Board of Supervisors, unless otherwise specified in Tentative Agreement 1. The actuarial impact of cost of living and market adjustments are outlined below, and in Attachment C.

Proposed changes to Article 13 related to medical benefits for future retirees in Tentative Agreement 2, makes changes to the health plan enrollment rules for future retirees which has a minor impact to the valuation of OPEB, as outlined below and in Attachment D. These changes will become effective July 1, 2023 through February 28, 2026, upon approval by the Board of Supervisors at a later date, in accordance with California Government code disclosure requirements outlined below.

On April 21, 2023, the SEIU membership voted and ratified the tentative agreement.

Various provisions of the California Government code require certain disclosures before the Board may adopt changes in salaries and benefits, with additional disclosures required for changes in pension and other post-employment benefits (retiree medical). This report includes details of the Tentative Agreements between the County and SEIU, as well as required reports and actuarial valuations conducted by Segal Consulting, the designated actuary for the Sonoma County Employees' Retirement Association (SCERA) and the County of Sonoma for other post-employment benefits, in compliance with California law.

The actuarial valuation and estimated impacts of salary changes contained in Tentative Agreement 1, in accordance with California Government code sections 23026 and 31515.5, are outlined in Attachment C. The actuarial valuation of the impact of Tentative Agreement 2 on the County's liability for Other Post-Employment Benefits (OPEB), are outlined in Attachment D.

**Discussion:**

Representatives of the County and SEIU met and conferred and reached these tentative agreements 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:

May 9, 2023 - February 28, 2026

Salary - Cost of Living Adjustments (COLA):

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

- Effective May 16, 2023 - 5% COLA
- Effective March 5, 2024 - 4.5% COLA
- Effective March 5, 2025 - 4% COLA

Salary - Market Adjustments:

Market adjustments will be made to bring each benchmark job classification to 100% of the comparable agencies market average based upon the County's 2022 Total Compensation Study as of December 31, 2022. Effective upon Board approval, all recommended adjustments to each benchmark classification, and concurrent adjustments to non-benchmark classifications consistent with internal salary administration alignments, will occur May 2, 2023.

Salary - Hourly Cash Allowance:

- Effective May 30, 2023, the hourly cash allowance of \$3.45 will be rolled into the I-step of the salary scale and scaled backwards for all job classifications covered by the MOU.
- Annual lump sum payments to permanent employees, hired on or before June 30, 2023, in A-H step to offset the difference between cash allowance roll-in and the \$3.45 per hour (Effective July 1, 2023, and

July 1, 2024)

| Salary Step as of 6/30/23 | Hourly Roll-In* | Payment July 2023 | Payment July 2024 |
|---------------------------|-----------------|-------------------|-------------------|
| A-step                    | \$2.84/hr       | \$1,268.80        | \$811.20          |
| B-step                    | \$2.91/hr       | \$1,123.20        | \$540.80          |
| C-step                    | \$2.98/hr       | \$977.60          | \$374.40          |
| D-step                    | \$3.05/hr       | \$832.00          | \$208.00          |
| E-step                    | \$3.13/hr       | \$665.60          | \$20.80           |
| F-step                    | \$3.21/hr       | \$499.20          | -                 |
| G-step                    | \$3.29/hr       | \$332.80          | -                 |
| H-step                    | \$3.37/hr       | \$166.40          | -                 |

*\*Hourly Roll-In may vary by a few cents in either*

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 - Revised Article 13 to allow portability of retiree medical contributions to pre-2009 employees who retire on or after July 1, 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:

| Effective Date       | June 1, 2023 | June 1, 2024 | June 1, 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.   |

- Discontinue County Health Plan PPO and EPO to new enrollments

Time Off/Leaves:

- Holiday - Includes a one-time, floating holiday of 8 hours effective January 1, 2024
- Increased maximum accumulated hours for vacation leave
- Extra Help Sick Leave - Increased accrual rate and maximum accumulation cap

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- Side Letter to explore State Disability Insurance (SDI) to occur by October 31, 2024
- Adds qualifying family members for using sick leave and Paid Parental Leave
- Ensures employees properly move to COBRA benefits when on unpaid leaves

Classification Differential Evaluation:

County agrees to evaluate up to 15 classifications within the bargaining unit to determine appropriate differential between classifications.

Staff Development/Wellness:

- Effective June 30, 2025, Staff Development and Wellness Benefit Allowance will no longer be available. Salary increases in year 3 of this agreement consider the discontinuance of this benefit
- Annual Regional Parks General Memberships will be made available upon request beginning July 1, 2023

Bilingual Premium:

Applies now to all paid status hours. County created a fluent bilingual premium and established a \$1.50 per hour premium for employees who are in a fluent bilingual assignment

Various Economics:

- Increased and added classifications to uniform allowance and cleaning allowance
- Increased and added classifications for boot allowance
- Increased some special assignment stipends and on-call premiums

Miscellaneous Changes:

- Updated and clarified various articles/sections within the contract
- Added new Sections related to Disaster and Emergencies
- De-gendered 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 (OPEB). 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 the Board acts and shall include "an explanation of the financial impact 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 §31516).

Segal Valuation Analysis of Cost of Living and 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 three-year MOU results in an increase in the annual employer 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 cost of living and equity adjustments to the following Sonoma County Employees’ Retirement Association (SCERA) adopted salary assumptions:

- 3.25% applied to the December 31, 2020 Actuarial Valuation used to establish employer and employee pension contribution rates for FY 2022-23
- 3.00% applied to the December 31, 2021 valuation used to establish employer and employee contribution rates for FY 2023-24, and will be used to establish contribution rates for 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 \$3,298,000 over the term of the MOU. Staff’s review of the average annual increase spread over the current and three fiscal years is approx. \$824,500, 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 the current and each of the three fiscal years of the MOU are included in Attachment C. The following table summarizes the annual impact and net overall increased County costs over the four fiscal years:

|                                      | Change in Annual Employer Normal Cost | Change in Annual UAAL amortized cost | Total Annual Increased Contribution |
|--------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|
|                                      | (a)                                   | (b)                                  | (a + b)                             |
| Remaining 2022/23                    | +\$34,000                             | +\$60,000                            | +\$94,000                           |
| Year 1 - 2023/24                     | +\$878,000                            | +\$1,550,000                         | +\$2,428,000                        |
| Year 2 - 2024/25                     | +\$298,000                            | +\$527,000                           | +\$825,000                          |
| Year 3 - 2025/26                     | -\$18,000                             | -\$31,000                            | -\$49,000                           |
| Net Increased Costs over 3-year term | +1,192,000                            | +2,106,000                           | +3,298,000                          |

Segal Valuation Analysis of Changes to Retiree Medical

Tentative Agreement 2 adds Article 13.6.D to allow future retirees who reside out of a County offered medical plan service area, the option to place the current monthly retiree medical contribution into the Retiree Health Reimbursement Account (HRA). At present, a retiree must be enrolled in a County sponsored medical plan to receive the monthly retiree medical contribution. Any future retiree opting for a contribution into the HRA will be responsible for all premium costs, including Medicare Part B. Providing this option allows future retirees who live or move out of a service area the opportunity to access this benefit, thus participation in the benefit may increase slightly. This benefit is available to bargaining unit members who were hired before 1/1/2009.

Based upon the actuarial analysis by Segal Consulting, this change slightly decreases the OPEB liability by (0.08%) or (\$23,403) for the bargaining units represented by SEIU, as illustrated below and in Attachment D.

| OPEB Liabilities as of June 30, 2022 | Pre-2009 SEIU Current Benefit | Proposed \$500/Mo HRA | \$ Impact         | % Impact       |
|--------------------------------------|-------------------------------|-----------------------|-------------------|----------------|
| Implicit Subsidy                     | \$9,915,965                   | \$9,544,116           | (\$371,849)       | (3.75%)        |
| Medicare Part B                      | \$2,249,969                   | \$2,168,645           | (\$81,324)        | (3.61%)        |
| Cash Subsidy                         | \$16,780,781                  | \$17,210,551          | \$429,770         | 2.56%          |
| <b>Total OPEB Liability</b>          | <b>\$28,946,715</b>           | <b>\$28,923,312</b>   | <b>(\$23,403)</b> | <b>(0.08%)</b> |

In accordance with Government code section 7507, the recommendation is for your Board to receive and review this information and staff will return at a later date, with a recommendation to adopt Tentative Agreement 2 to be effective July 1, 2023.

**Strategic Plan:**

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

**Prior Board Actions:**

- May 7, 2019, Board adopted SEIU MOU, Resolution #19-0191
- October 23, 2018, Board adopted SEIU MOU- Side Letter (FYC), Resolution #18-0461
- July 10, 2018, Board adopted SEIU MOU Extension, Resolution #18-0263
- June 11, 2018, Board adopted SEIU MOU-Side Letter (VPP), Resolution #18-0244
- March 15, 2016, Board adopted SEIU MOU, Resolution #16-0093

**FISCAL SUMMARY**

| <b>Expenditures</b>                | <b>FY 22-23 Adopted</b> | <b>FY23-24 Projected</b> | <b>FY 24-25 Projected</b> |
|------------------------------------|-------------------------|--------------------------|---------------------------|
| Budgeted Expenses                  | \$3,345,760             | \$20,427,671             | \$32,282,356              |
| Additional Appropriation Requested |                         |                          |                           |
| <b>Total Expenditures</b>          | <b>\$3,345,760</b>      | <b>\$20,427,671</b>      | <b>\$32,282,356</b>       |
| <b>Funding Sources</b>             |                         |                          |                           |
| General Fund/WA GF                 | \$744,088               | \$4,543,060              | \$7,179,510               |

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|                      |                    |                     |                     |
|----------------------|--------------------|---------------------|---------------------|
| State/Federal        | \$1,693,533        | \$10,339,932        | \$16,340,452        |
| Fees/Other           | \$908,139          | \$5,544,679         | \$8,762,394         |
| Use of Fund Balance  |                    |                     |                     |
| Contingencies        |                    |                     |                     |
| <b>Total Sources</b> | <b>\$3,345,760</b> | <b>\$20,427,671</b> | <b>\$32,282,356</b> |

**Narrative Explanation of Fiscal Impacts:**

The successor MOU represents a total estimated operational cost increase for fiscal year 2022-23 of \$3,345,760. Current year unanticipated costs are expected to be absorbed within existing appropriations. The CAO will work with departments at year-end close should additional appropriations be necessary. The 2023-24 recommended budget includes appropriations for a portion of the anticipated labor costs. Adjustments to individual departmental budget appropriations will be made during consolidated budget adjustments as necessary and costs for 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. Concurrent Resolution
2. Attachment A - Tentative Agreement 1 - Successor MOU
3. Attachment B - Tentative Agreement 2 - Article 13
4. Attachment C - Four GC §31515.5 Disclosure Letters from Segal Consulting dated April 25, 2023
5. Attachment D - Actuarial Analysis Letter from Segal dated May 3, 2023 per GC §7507

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

None