



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 7/11/2023

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): All

Title:

Memorandum of Understanding between the County of Sonoma and the Western Council of Engineers

Recommended Action:

1. Adopt a Concurrent Resolution approving the Memorandum of Understanding (MOU) between the County of Sonoma and the Western Council of Engineers (WCE) for the period July 11, 2023 through June 1, 2026.

Executive Summary:

Representatives of the County and the Western Council of Engineers (WCE) 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 June 1, 2026 (Attachment A).

WCE 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 outlined in Article 19 of the Tentative Agreement on the County's liability for Other Post-Employment Benefits (OPEB) and future costs, are outlined below and in Attachment C (Cal Gov't Code §7507 and §31515.5). In accordance with Government code section 7507, your Board received and reviewed the actuarial information from Segal Consulting at your Board meeting on June 12, 2023, which is required prior to acting on this change. All required public information and disclosures have been made.

Discussion:

Representatives of the County and WCE 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 - June 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 June 11, 2024 - 4% COLA
- Effective June 10, 2025 - 4% COLA

Salary - Market/Equity Adjustments:

Effective the pay period beginning July 11, 2023 for the August 2, 2023 pay date, and 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-1 of the WCE MOU, where the benchmark for those classifications was below the market average. 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.

Pension/Retiree Medical:

- The parties agree to re-open to discuss pension cost sharing, employee contributions, unfunded liability, and explore future retiree pension cost of living adjustments
- Retiree Medical - Revises Article 19 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:

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
- Ensures employees properly move to COBRA benefits when on unpaid leaves
- Add One Time 8 Hour Floating Holiday effective January 1, 2024
- Increases Vacation Leave accumulated hours

Various Economics:

- County Holiday paid time off to be counted as time worked for the purpose of calculating overtime

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 WCE 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 \$135,000 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. \$45,000 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	+ \$34,000	+\$60,000	+\$94,000
Year 2 - 2024/25	+ \$10,000	+\$16,000	+\$26,000
Year 3 - 2025/26	+ \$5,000	+ \$10,000	+ \$15,000
Net Increased Costs over 3-year term	+ \$49,000	+ \$86,000	+ \$135,000

*Unfunded Actuarial Accrued Liability

Segal Valuation Analysis of Changes to Retiree Medical

The Tentative Agreement also revises Article 19 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 Healthcare. Due to cost factors, some retirees decide not to opt for any coverage through the County. The revisions to Article 19 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. This benefit is 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 decrease to the OPEB liability for WCE by 0.01% or \$154, as illustrated below.

WCE OPEB Liabilities as of June 30, 2022	Pre-2009 WCE Current Benefit	Proposed \$500/Mo HRA	\$ Impact	% Impact
Implicit Subsidy	\$376,017	\$361,917	(\$14,100)	(3.75%)
Medicare Part B	\$86,717	\$83,583	(\$3,134)	(3.61%)
Cash Subsidy	\$627,740	\$644,820	\$17,080	2.72%
Total OPEB Liability	\$1,090,474	\$1,090,320	(\$154)	0.01%

Your Board received and reviewed the actuarial information from Segal Consulting which was made public at your Board meeting on June 12, 2023. In addition, the County Administrator has reviewed and acknowledges

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her understanding of the current and future financial impacts of the negotiated changes to retiree medical or other post-employment benefits (Cal Gov't Code §7507) (Attachment D).

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?

Choose an item.

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:

June 12, 2023: Received and Reviewed OPEB Actuarial Valuation for WCE Successor MOU.

December 02-2019: Approved WCE Successor MOU, Resolution #19-0520

October 23, 2018: Approved WCE MOU Extension, Concurrent Resolution #18-0444

July 19, 2016: Approved Successor WCE MOU, Concurrent Resolution #16-0247

July 30, 2013: Approved WCE MOU, Concurrent Resolution, #13-0296

FISCAL SUMMARY

Expenditures	FY 23-24 Adopted	FY24-25 Projected	FY 25-26 Projected
Budgeted Expenses	\$737,302	\$1,228,202	\$1,661,198
Additional Appropriation Requested			
Total Expenditures	\$737,302	\$1,228,202	\$1,661,198
Funding Sources			
General Fund/WA GF	\$737,302	\$1,228,202	\$1,661,198
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	\$737,302	\$1,228,202	\$1,661,198

Narrative Explanation of Fiscal Impacts:

The successor MOU represents a total estimated operational cost increase for FY 2023/24 of \$737,302, as 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.

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

Narrative Explanation of Staffing Impacts (If Required):

Not applicable

Attachments:

1. Resolution
2. Attachment A - Tentative Agreement - Successor MOU
3. Attachment B - Three GC 31515.5 Disclosure Letters from Segal Consulting dated June 27, 2023
4. Attachment C - Actuarial Analysis Letter from Segal dated May 24, 2023 per GC §7507
5. Attachment D - Memorandum from County Administrator pursuant to GC §7507

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

None.