



SUMMARY REPORT

Agenda Date: 5/16/2023

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): Countywide

Title:

Memorandum of Understanding between the County of Sonoma and the Sonoma County Deputy Public Defender Attorneys' Association and Government Code 7507 disclosure

Recommended Action:

- A) Adopt a Resolution approving the Memorandum of Understanding (MOU) between the County of Sonoma and the Sonoma County Deputy Public Defender Attorneys' Association (SCDPDAA) for the period May 16, 2023 through May 6, 2026.
- B) Receive and review the actuarial valuation of the impact of proposed changes to Article 11 (Medical Benefits for Future Retirees) of the Memorandum of Understanding between the County and the SCDPDAA for the period July 1, 2023 through May 6, 2026.

Executive Summary:

Representatives of the County and the Sonoma County Deputy Public Defender Attorneys' Association (SCDPDAA) 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 May 16, 2023, through May 6, 2026, hereinafter referred to as Tentative Agreement 1 (Attachment A).

Representatives of the County and SCDPDAA also met and conferred and reached a tentative agreement regarding certain changes to retiree medical benefits for SCDPDAA members, as specified in Article 11 of the MOU, hereinafter referred to as Tentative Agreement 2 (Attachment B).

The SCDPDAA membership has voted and ratified the tentative agreements.

All changes negotiated for the 2023-2026 successor MOU (Tentative Agreements 1 and 2) must be noticed at a public meeting (Cal Gov't Code 23026) and becomes effective upon adoption by the Board of Supervisors, unless otherwise specified in the tentative agreements. The actuarial valuation of the impacts of salary changes in Tentative Agreement 1 on the funding status of the Sonoma County Employees Retirement Association (SCERA) are outlined below and in Attachment C (Cal Gov't Code §7507 and §31515.5).

The actuarial valuation of the impact of negotiated changes outlined in Tentative Agreement 2 on the County's liability for Other Post-Employment Benefits (OPEB) and future costs, are outlined below and in Attachment D (Cal Gov't Code §7507 and §31515.5). In accordance with Government code section 7507, the County is required to make this information public at least two weeks before the Board acts on the change. Thus, the

recommended Board action is to receive and review this information today and staff will return at a later date with the recommendation to adopt Tentative Agreement 2 to be effective July 1, 2023.

Discussion:

Representatives of the County and SCDPDAA met and conferred and reached 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 16, 2023 - May 6, 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 30, 2023 - 5% COLA
- Effective May 14, 2024 - 4% COLA
- Effective May 13, 2025 - 4% COLA

Salary - Equity Adjustments:

Effective May 16, 2023, contingent upon Board adoption by May 16, 2023 the County will provide market equity adjustments by increasing the adjusted A-I Steps of each job classification in Appendix A of the SCDPDAA MOU, where the benchmark for those classifications was below the market average by 7.57%, as specified in Appendix A-1. 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:

- Retiree medical plans - Revises Article 11 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	May 16, 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.

Increased

- Discontinue County Health Plan PPO and EPO to new enrollments

Time Off/Leaves:

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- Holiday - Includes a one-time additional floating holiday of 8 hours effective the first pay period of 2024
- Adds qualifying family members for using sick leave and Paid Parental Leave
- Ensures employees properly move to COBRA benefits when on unpaid leaves
- Adds Compensatory Time off for employees with authorized attendance at in-service training courses on non-workdays, holidays, or weekends

Staff Development/Wellness:

- Effective July 1, 2023, the Staff Development and Wellness Benefit Allowance will be reduced.
- Annual Regional Parks General Memberships will be made available upon request beginning July 1, 2023

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 §31516).

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

Segal Valuation Analysis of 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 three-year MOU term results in 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:

- 3.25 % applied to the December 31, 2020 valuation used to establish employer and employee pension contribution rates for FY 2022-23
- 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 \$170,000 over the three-year term of the MOU. Staff's review of the average annual increase spread over the current and next three fiscal years is approx. \$42,500, 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 each of the three 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	+ \$5,000	+\$9,000	+\$14,000
Year 1 - 2023/24	+\$47,000	+\$84,000	+\$131,000
Year 2 - 2024/25	+\$6,000	+\$10,000	+\$16,000
Year 3 - 2025/26	+\$3,000	+\$6,000	+\$9,000
Net Increased Costs over 3 year term	+ \$61,000	+\$109,000	+\$170,000

- Unfunded Actuarial Accrued Liability

Segal Valuation Analysis of Changes to Retiree Medical

Tentative Agreement 2 revises Article 11 to allow future retirees who reside or move 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 may increase slightly. This benefit is available to bargaining unit members who were hired before 1/1/2009 and retire on or after 7/1/2023.

Based upon the actuarial analysis by Segal Consulting, this change results in a slight increase to the OPEB liability by (0.16%) or (\$410) annually, as illustrated below

OPEB Liabilities as of June 30, 2022	Pre-2009 SCDPDAA Current Benefit	Proposed \$500/Mo HRA	\$ Impact	% Impact
Implicit Subsidy	\$89,027	\$85,689	(\$3,338)	(3.75%)

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Medicare Part B	\$19,261	\$18,564	(\$697)	(3.62%)
Cash Subsidy	\$147,468	\$151,093	\$3,625	2.46%
Total OPEB Liability	\$255,756	\$255,346	(\$410)	(0.16%)

In accordance with Government code section 7507, it is recommended your Board receive and review this information and staff will return at a later date with the 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.

Racial Equity:

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

No

Prior Board Actions:

July 9, 2019: Approved SCDPDAA MOU, Resolution #19-0278

March 12, 2019: Approved Side Letter Agreement, Resolution #19-0101

September 18, 2018: Approved SCDPDAA MOU Extension, Resolution #18-0375

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
Budgeted Expenses	\$114,597	\$994,007	\$1,324,985
Additional Appropriation Requested			
Total Expenditures	\$114,597	\$994,007	\$1,324,985
Funding Sources			
General Fund/WA GF	\$114,597	\$994,007	\$1,324,985
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	\$111,597	\$994,007	\$1,324,985

Narrative Explanation of Fiscal Impacts:

The successor MOU represents a total estimated operational cost increase for FY 2022/23 of \$111,597.

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Current year unanticipated costs are expected to be absorbed within existing appropriations. The CAO staff will work with departments at year-end close should additional appropriations be necessary. 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 1 - MOU
3. Attachment B - Signed Tentative Agreement 2 - Article 11
4. Attachment C - Four GC §31515.5 Pension Disclosure Letters from Segal Consulting dated May 10, 2023
5. Attachment D - Actuarial Analysis of OPEB Letter from Segal Consulting dated May 3, 2023

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

None.