



## Legislation Details (With Text)

**File #:** 2023-0624  
**Type:** Regular Calendar Item **Status:** Agenda Ready  
**File created:** 5/2/2023 **In control:** Human Resources  
**On agenda:** 5/23/2023 **Final action:**  
**Title:** Government Code 7507 disclosure for ESC Memorandum of Understanding  
**Sponsors:** Human Resources  
**Indexes:**  
**Attachments:** 1. Summary Report.pdf, 2. Attachment A - Tentative Agreement 2 - Retiree Medical - Article 10, 3. Attachment B – Actuarial Analysis Letter from Segal dated May 10, 2023 per GC §7507

Date	Ver.	Action By	Action	Result
5/23/2023	1	Board of Supervisors	Approved as recommended	Pass

**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  
**Supervisory District(s):** Countywide

**Title:**  
Government Code 7507 disclosure for ESC Memorandum of Understanding

### Recommended Action:

Receive and review the actuarial valuation of the impact of proposed changes to Article 10 (Medical Benefits for Future Retirees) of the Successor Memorandum of Understanding between the County of Sonoma and ESC.

### Executive Summary:

Representatives of the County and Engineers and Scientists of California, Local 20 (ESC) 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) including certain changes to retiree medical benefits for ESC members, as specified in Article 10 of the MOU (Attachment A).

An actuarial valuation of the impact of negotiated changes to retiree medical benefits in Article 10 on the County's liability for Other Post-Employment Benefits (OPEB) and future costs, are outlined below and in Attachment B (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 today is to receive and review this information and staff will return on June 6, 2023 with the recommendation to adopt all negotiated changes in the Tentative Agreement and Side Letters.

### Discussion:

Representatives of the County and ESC met and conferred and reached a Tentative Agreement regarding the

terms and conditions of employment for a successor MOU for a three-year term, through March 25, 2026.

Part of the negotiated changes includes revisions to Article 10 - Medical Benefits for Future Retirees, to allow portability of retiree medical contributions to pre-2009 hired employees who retire on or after July 1, 2023 and 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. Upon Board approval at a later date, this benefit option will be available to bargaining unit members who were hired before 1/1/2009 and retire on or after 7/1/2023.

#### 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 retiree medical 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 Changes to Retiree Medical

Based upon the actuarial analysis by Segal Consulting, this change results in a slight increase to the OPEB liability for ESC by 0.30% or \$7,690, as illustrated below.

<b>ESC OPEB Liabilities as of June 30, 2022</b>	<b>Pre-2009 ESC Current Benefit</b>	<b>Proposed \$500/Mo HRA</b>	<b>\$ Impact</b>	<b>% Impact</b>
Implicit Subsidy	\$735,588	\$708,003	(\$27,585)	(3.75%)
Medicare Part B	\$229,593	\$221,295	(\$8,298)	(3.61%)
Cash Subsidy	\$1,577,136	\$1,620,709	\$43,573	2.76%
<b>Total OPEB Liability</b>	<b>\$2,542,317</b>	<b>\$2,550,007</b>	<b>\$7,690</b>	<b>0.30%</b>

In accordance with Government code section 7507, it is recommended your Board receive and review this information. Upon ratification by the bargaining unit members, staff will return on June 6, 2023 with a recommendation to adopt all negotiated changes in the Tentative Agreement.

#### **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 23, 2019: Adopted ESC MOU, Resolution #19-0298

October 23, 2018: Adopted ESC MOU Extension, Resolution #18-0455

June 11, 2018: Adopted Side Letter for Vacation Purchase Plan, Resolution #18-0423

September 13, 2016 Adopted Side Letter Agreement Resolution, #16-0331

September 13, 2016: Approved ESC MOU, Resolution #16-0332

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 22-23 Adopted</b>	<b>FY23-24 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses	\$256,009	\$4,971,439	\$6,950,461
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$256,009</b>	<b>\$4,971,439</b>	<b>\$6,950,461</b>
<b>Funding Sources</b>			
General Fund/WA GF	\$9,063	\$175,989	\$246,046
State/Federal	\$246,946	\$4,795,450	\$6,704,415
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$256,009</b>	<b>\$4,971,439</b>	<b>\$6,950,461</b>

**Narrative Explanation of Fiscal Impacts:**

The successor MOU represents a total estimated operational cost increase for FY 2022-23 of \$256,009. 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.

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

Not applicable.

**Attachments:**

1. Attachment A - Tentative Agreement 2 - Retiree Medical - Article 10
2. Attachment B - Actuarial Analysis Letter from Segal dated May 10, 2023 per GC §7507

**Related Items “On File” with the Clerk of the Board:**

None.