



# STEERING COMMITTEE

## Agenda Report

Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708  
(714) 593-7433

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**File #:** 2022-2112

**Agenda Date:** 1/26/2022

**Agenda Item No:** 13.

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**FROM:** James D. Herberg, General Manager  
Originator: Celia Chandler, Director of Human Resources

**SUBJECT:**

**HEALTH REIMBURSEMENT ARRANGEMENT FOR THE MANAGERS GROUP**

**GENERAL MANAGER'S RECOMMENDATION**

RECOMMENDATION:

- A. Adopt Resolution No. OC SAN 22-05 entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District approving the Health Reimbursement Arrangement (HRA) Plan for the Managers Group identified through the 2021 HRA Reopener Negotiations";
- B. Approve implementation of an HRA plan with the Managers Group with employee-funded contributions in the form of mandatory vacation, sick, personal, and compensatory leave payouts; and
- C. Authorize the Orange County Sanitation District to pay the annual administrative costs of the HRA plan for the Managers Group, for a maximum exposure of approximately \$390 annually, based on current headcounts.

**BACKGROUND**

In November 2021, the Board of Directors approved an agreement with the Supervisory and Professional Management Group (SPMG) to implement a Health Reimbursement Arrangement (HRA; also referenced as Health Retirement Account in MOU), the associated Resolution, and the maximum annual administrative costs to be paid by the Orange County Sanitation District (OC San) on behalf of each SPMG employee. Additionally, the Board directed staff to initiate the procurement process for an HRA consultant and/or vendor upon concluding negotiations with the remaining represented bargaining units, in order to include all negotiated HRA plans as one package.

As previously reported to the Board, OC San met and conferred in good faith with all represented groups: SPMG, International Union of Operating Engineers Local 501 (Local 501), and the Orange County Employees Association (OCEA) to determine whether they would adopt an HRA plan, in accordance with a labor contract reopener that was negotiated in 2019. OC San offered the same HRA plan to similarly situated employees in unrepresented groups, including the Executive Management Team, Managers Group, and Confidential Group. The negotiations have concluded with all represented groups. The Managers Group voted in favor of participating in the HRA with plan

terms equivalent to those adopted by SPMG, while OCEA, EMT, and Confidential Groups declined to participate, and Local 501 deferred the item to contract negotiations.

Staff is now seeking Board approval on the Resolution with the Managers Group. The terms of the Resolution include establishing an HRA for all employees in the Managers Group, and the contribution structure mirrors that adopted by SPMG. Contributions are to be entirely employee-funded, utilizing the established mandatory payouts for actively accruing vacation, sick, personal, and compensatory leave types. OC San is also requesting authorization to pay the administrative costs of the plan up to a maximum of \$30 per employee per year, or approximately \$390 annually based on 13 employees in the Managers Group as of the date of this report. The annual cost will fluctuate based on number of employees in the group.

## **RELEVANT STANDARDS**

- Ensure the public's money is wisely spent
- Offer competitive compensation and benefits
- Cultivate a highly qualified, well trained, and diverse workforce
- Negotiate fair and equitable labor agreements
- Maintain positive employer, employee relations

## **PROBLEM**

OC San has met and conferred in good faith with all represented bargaining groups and reached a tentative agreement with SPMG in July 2021, which was ratified by the Board of Directors in November 2021. OCEA declined to participate at this time and Local 501 deferred the item to contract negotiations. Discussions were expanded to include similarly situated employees in the unrepresented groups, including the Managers Group, and the group voted in favor of implementing an HRA plan. The Board of Directors authorized procurement for an HRA consultant and/or vendor upon concluding negotiations with the remaining represented bargaining units in order to include all negotiated HRA plans as one package.

## **PROPOSED SOLUTION**

Approve implementation of an HRA plan with the Managers Group and authorize OC San to pay the annual administrative costs for the HRA plan for an amount not to exceed \$30 per employee per year, for a total of approximately \$390 annually based on the current headcount of the Managers Group.

## **TIMING CONCERNS**

Staff recommends approving implementation of an HRA plan with the Managers Group now that negotiations with all represented groups have concluded so that the procurement process for an HRA consultant can begin.

## **RAMIFICATIONS OF NOT TAKING ACTION**

- Labor instability
- Possible impacts to morale
- Potential violation of Government Code Section 3505.1

## **PRIOR COMMITTEE/BOARD ACTIONS**

November 2021 - The agreement between OC San and SPMG and the associated Resolution (Resolution No. OC SAN 21-19) were approved by the Board of Directors.

August 2019 - The current MOUs for the SPMG, Local 501, and OCEA bargaining units were adopted and approved by the Board of Directors.

## **ADDITIONAL INFORMATION**

The MOUs with Local 501 and OCEA became effective on July 1, 2019, and will expire on June 30, 2022. As part of these contracts, OC San and each represented group agreed to a reopener to negotiate the possible addition of an HRA plan.

An HRA is an employer-sponsored medical benefit plan through which an employee may be reimbursed tax-free for eligible out-of-pocket medical or dental expenses (e.g., expenses that are not paid for by insurance or any other benefit plan). HRAs operate under specific provisions of the Internal Revenue Code (IRC), and reimburse for health expenses of the participant, spouse, and qualified dependents during retirement.

A core requirement of an HRA is that it must be funded by employer contributions or mandatory employee contributions. There are no limits on contribution amounts, but employees may not make voluntary contributions, whether pre-tax or post-tax. The account balance may be used for qualified medical expenses for the employee, spouse, or qualified dependents, and may be used to reimburse healthcare insurance premiums.

## **CEQA**

N/A

## **FINANCIAL CONSIDERATIONS**

If approved by the Board of Directors, OC San is to pay the administrative costs of the plan up to a maximum of \$30 per employee per year, for a maximum exposure of approximately \$390 annually for the Managers Group based on current headcount. Administrative costs for the SPMG group were previously approved at the November 2021 Board meeting for up to \$8,250 annually based on current headcounts, for a grand total of approximately \$8,640 annually across all participating groups. The annual cost will fluctuate based on number of employees in each unit.

**ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- Resolution No. OC SAN 22-05
- Attachments to Resolution - Policy 2.2 & 3.3