



Agenda Report

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FROM: James D. Herberg, General Manager
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SUBJECT:

HEALTH REIMBURSEMENT ARRANGEMENT REOPENER RESULTS FOR THE SUPERVISORY AND PROFESSIONAL MANAGEMENT GROUP

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

- A. Adopt Resolution No. OC SAN 21-19 entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District approving the Health Reimbursement Arrangement (HRA) Plan for the Supervisory and Professional Management Group identified through the 2020-2021 HRA Reopener Negotiations";
- B. Approve the agreement with the Supervisory and Professional Management Group (SPMG) to implement the Health Reimbursement Arrangement (HRA; also referenced as Health Retirement Account in MOU) with employee-funded contributions in the form of mandatory vacation, sick and compensatory leave payouts.
- C. Authorize the Orange County Sanitation District to pay the annual administrative costs of the HRA plan for the SPMG bargaining units, for a maximum exposure of approximately \$8,250 annually, based on current headcounts.
- D. Direct staff to initiate the procurement process for an HRA consultant and/or vendor upon concluding negotiations with the remaining represented bargaining units (Local 501 and OCEA), in order to include all negotiated HRA plans as one package.

BACKGROUND

The Memoranda of Understanding (MOUs) between the Orange County Sanitation District (OC San) and the Supervisor and Professional Management Group (SPMG), the International Union of Operating Engineers Local 501 (Local 501) and the Orange County Employees Association (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 a Health Reimbursement Arrangement (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.

Based on interest expressed by each of the groups, negotiations began initially with the SPMG group in July 2020 before expanding to the other represented groups. SPMG and OC San met and conferred in good faith fourteen (14) times as part of the HRA Reopener. The parties reached a tentative agreement on July 22, 2021.

The terms of the tentative agreement with SPMG include establishing an HRA for all SPMG employees. Contributions are to be entirely employee-funded, utilizing the established mandatory payouts for vacation, sick, and compensatory leave. OC San is to pay the administrative costs of the plan up to a maximum of \$30 per employee per month, or approximately \$8,250 annually based on 275 employees represented by SPMG as of the date of this report. The annual cost will fluctuate based on number of employees in the SPMG units.

SPMG notified OC San on August 26, 2021, that their membership ratified the tentative agreement by majority vote.

Upon concluding negotiations with SPMG, OC San opened discussions with the remaining represented groups (Local 501 and OCEA) and each of the unrepresented groups (EMT, Managers, and Confidential) to determine whether they will adopt an HRA plan as well. The Managers Group voted in favor of participating in the HRA, while the EMT and Confidential Groups declined to participate. Negotiations are ongoing with Local 501 and OCEA, and tentative agreements have not yet been reached.

Staff is seeking Board approval on the tentative agreement with SPMG, and authorization for OC San to pay the administrative costs of the plan up to a maximum of \$30 per employee per year, or approximately \$8,250 annually based on current headcounts for the SPMG bargaining units. Additionally, staff is requesting approval from the Board to initiate the procurement process for an HRA consultant and/or vendor upon concluding negotiations with the remaining represented bargaining units (Local 501 and OCEA), in order to include all negotiated HRA plans as one package.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Competitive compensation and benefits
- Highly qualified, well trained, motivated, and diverse workforce
- Negotiate fair and equitable labor agreements
- Positive employer, employee relations

PROBLEM

The current MOUs between OC San and the SPMG, Local 501 and OCEA bargaining units expire on June 30, 2022, and include a contract reopener to meet and confer on the possible addition of an HRA and funding options. OC San has met in good faith with SPMG and reached a tentative agreement in July 2021.

PROPOSED SOLUTION

Approve the staff recommendations to continue to make progress in the meet and confer process and close out the contract reopener before negotiations begin on a successor agreement. Specifically, approve the tentative agreement with SPMG 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 \$8,250 annually based on the current headcount of the SPMG bargaining units.

TIMING CONCERNS

Pursuant to Government Code Section 3505.1, upon reaching a tentative agreement between OC San and SPMG's authorized representatives, the Board of Directors must vote to accept or reject the tentative agreement within thirty (30) days of the date it is first considered at a duly noticed public meeting. Additionally, the memoranda of understanding with all unions are set to expire on June 30, 2022, and OC San is committed to closing out the HRA contract reopener that was agreed upon.

RAMIFICATIONS OF NOT TAKING ACTION

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

PRIOR COMMITTEE/BOARD ACTIONS

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

N/A

CEQA

N/A

FINANCIAL CONSIDERATIONS

As part of the tentative agreement, 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 \$8,250 annually

for the SPMG bargaining units. 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) with the complete agenda package:

- Resolution No. OC SAN 21-19