



CITY COUNCIL AGENDA REPORT

MEETING DATE: October 17, 2006

ITEM NUMBER:

SUBJECT: FLEXIBLE BENEFIT ACCOUNT INCREASE FOR CMCEA, CMFA, CMPA, CMPMA, CONFIDENTIAL AND UNREPRESENTED EMPLOYEES

DATE: October 5, 2006

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

PRESENTATION BY: TERRI L. CASSIDY, HUMAN RESOURCES MANAGER

FOR FURTHER INFORMATION CONTACT: TERRI L. CASSIDY, AT (714) 754-5115

RECOMMENDATION:

1. Approve the Letter of Agreement (Attachment I) between the City of Costa Mesa and its recognized employee organizations (CMCEA, CMPA, CMPMA, CMFA), which will provide for a flat dollar increase of \$55 per month to all benefit-eligible employees' (excluding Department Directors, Division Managers, and City Council members) flexible benefit account in order to defray part of the increased cost of medical insurance premiums implemented by CalPERS for the 2007 calendar benefit year. This would become effective the pay period inclusive of January 1, 2007.
2. Approve Budget Adjustment BA 07-031 (Attachment II) for \$188,760 to appropriate funds for the above-listed flexible benefit adjustments.

BACKGROUND:

City employees receive a flexible benefit account to purchase Health & Welfare benefits including medical, dental, life insurance, LTD and other optional benefits. The amounts vary by bargaining unit (see graph below) and in some cases have not been adjusted for a number of years.

- Fire \$501 monthly
 - Police \$426 monthly
 - Miscellaneous \$619 monthly
- And Confidential

Bargaining groups have been given the option of taking salary increases in the form of cash or applying part of the amount to the flexible benefit account. However, over the past 10 years, employees who negotiated the status quo on the flexible benefit amounts have retired. The result is that new employees have a fixed amount that appears noncompetitive with other agencies. The current Memoranda of Understanding (MOUs) will not expire until June 30, 2007. This means that employees are concerned about

the ability to keep pace with insurance premium inflation and make good choices (PPO v. HMO) for their families.

In addition CalPERS health premiums have risen significantly for the past four years (at or above 10%). The quality of health plans in the PERS Medical and Hospital Care ACT (PEMHCA) is outstanding and the “buying” power of a large group is significant. It also is a way for the public agencies who are members to offer excellent care to retirees at the same rates as active employees. However, the downside is that Costa Mesa must accept the rates that are set by the CalPERS Board. This is something that needs more attention and participation by the City’s Benefit Review Committee at the state (Sacramento) level to make our feelings known about the increases in premium.

Employee groups and unrepresented employees specified above have not requested any increase into the flexible benefit accounts. The concept of reviewing the amounts is proposed by City staff as part of a continuing effort to responsibly/jointly address benefit issues for employees. It would strictly be a decision that indicates the City is aware of the difficult benefit choices for employees and their families and we are trying to assist in defraying the cost by “cost-sharing”. The end result is that the City would take credit for the increased flexible spending account in computing total compensation.

Department Directors, Division Managers, and City Council members’ flexible benefit accounts are adjusted annually taking premium increases into account. Therefore, they have been excluded from this request.

ANALYSIS:

As previously, this recommendation is being made for the following reasons:

- Compassion for employees who have realized significant increases in the cost of purchasing medical/dental insurance for themselves and their families over the life of the existing Memoranda of Understanding;
- Cost sharing of increases is consistent with the City’s philosophy and promotes joint management/labor communication regarding fiscal responsibility in the benefits arena;
- Good business sense to address the low amounts in the flexible spending accounts during the contract term to highlight the issue separate from the overall negotiations process;
- Will give the City credit in total compensation for survey purposes and makes Costa Mesa more competitive for recruitment/retention;
- Flexible spending accounts are a flat dollar contribution (no PERS roll-up or other costs) so it is a predictable amount for budget purposes.

ALTERNATIVES CONSIDERED:

The amount for flexible spending accounts could remain status quo.

FISCAL REVIEW:

The attached budget adjustment BA 07-031 appropriates \$188,760 from Undesignated Fund Balance in the General Fund to fund the proposed increases in all benefit-eligible employees' (excluding Department Directors, Division Managers, and City Council members) flexible benefit accounts in order to defray part of the increased cost of medical insurance premiums implemented by CalPERS for the 2007 calendar benefit year. These proposed increases would be effective for the 2007 CalPERS health premiums effective the payperiod that includes January 1, 2007.

LEGAL REVIEW:

Appropriate Government Code Sections related to Meet and Confer (Section 3300 et. Seq.) would need to be adhered to by staff. The City Attorney has reviewed the Letter of Agreement as to form and approved as necessary.

CONCLUSION:

Staff recommends that the City Council approve the Letter of Agreement and authorize staff to implement a \$55 per month increase in the above referenced employees flexible spending accounts effective the pay period including January 1, 2007.

TERRI L. CASSIDY

Human Resources Manager

STEPHEN N. MANDOKI

Director of Administrative Services

MARC R. PUCKETT

Director of Finance

DISTRIBUTION: City Manager
Assistant City Manager
City Attorney
Finance Director
City Clerk

ATTACHMENTS: I [Letter of Agreement](#)
II [Budget Adjustment 07-031](#)