

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF  
SAN JOSE APPROVING THE TERMS OF A SIDE LETTER  
AGREEMENT BETWEEN THE CITY OF SAN JOSE AND  
BARGAINING UNITS RELATED TO THE CITY'S LUMP  
SUM HEALTHCARE PROGRAM AND PROVIDE THE  
LUMP SUM HEALTHCARE PROGRAM TO EXECUTIVE  
MANAGEMENT AND PROFESSIONAL EMPLOYEES**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN JOSE:

1. That the terms of a Side Letter Agreement, attached hereto as Attachment B and incorporated in this Resolution, related to the City's lump sum healthcare program between the City and the following bargaining units are hereby approved and the City Manager is authorized to execute the Agreement:
  - a. Association of Building, Mechanical and Electrical Inspectors (ABMEI);
  - b. Association of Engineers and Architects, IFPTE Local 21 (AEA);
  - c. Association of Legal Professionals (ALP);
  - d. Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP);
  - e. City Association of Management Personnel, IFPTE Local 21 (CAMP);
  - f. San Jose Fire Fighters, IAFF Local 230 (IAFF);
  - g. International Brotherhood of Electrical Workers, Local No. 332 (IBEW);
  - h. Municipal Employees' Federation, AFSCME Local No. 101 (MEF);
  - i. International Union of Operating Engineers, Local No. 3 (OE#3);
  - j. San Jose Police Officers' Association (POA);
  - k. Park Ranger Peace Officer Association (POPRA); and
  - l. San Jose Police Dispatchers' Association (SJPDA).
  
2. That the benefit for executive management and professional employees in Unit 99 and other unrepresented employees shall be consistent with the terms of the Side Letter Agreement with the City's bargaining units related to the City's lump sum healthcare program.

3. The general terms of the agreement are set out and described in the Memorandum to the Honorable Mayor and City Council from Kim Jackson, Assistant Director of Human Resources, dated November 25, 2024, and attached hereto as Attachment A and incorporated in this Resolution.

ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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MATT MAHAN  
Mayor

ATTEST:

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TONI J. TABER, MMC  
City Clerk



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jennifer Schembri

**SUBJECT:** Actions Related to the City  
Healthcare Incentive  
Program

**DATE:** November 25, 2024

Approved

Date:

12/5/24

**COUNCIL DISTRICT:** Citywide

## **RECOMMENDATION**

Adopt a resolution:

- (a) Approving the terms of a Side Letter Agreement that is related to the lump sum healthcare incentive program between the City of San José and the bargaining units listed below, and authorizing the City Manager or her designee to execute the Side Letter Agreement.
- (1) Association of Building, Mechanical and Electrical Inspectors (ABMEI)
  - (2) Association of Engineers and Architects, IFPTE Local 21 (AEA)
  - (3) Association of Legal Professionals (ALP)
  - (4) Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP)
  - (5) City Association of Management Personnel, IFPTE Local 21 (CAMP)
  - (6) San José Fire Fighters, IAFF Local 230 (IAFF)
  - (7) International Brotherhood of Electrical Workers, Local No. 332 (IBEW)
  - (8) Municipal Employees' Federation, AFSCME Local No. 101 (MEF)
  - (9) International Union of Operating Engineers, Local No. 3 (OE#3)
  - (10) San José Police Officers' Association (POA)
  - (11) Park Ranger Peace Officer Association (POPRA)
  - (12) San José Police Dispatchers' Association (SJPDA)
- (b) Approving the lump sum healthcare incentive program for executive management and professional employees in Unit 99 and other unrepresented employees consistent with the terms of the Side Letter Agreement with the City's bargaining units.

## **SUMMARY AND OUTCOME**

Adoption of the resolution provides for the continuation of the lump sum healthcare incentive program for new full-time employees and current employees who are newly eligible for healthcare on or after January 1, 2025 through December 31, 2026, when choosing the healthcare provider with the second highest employee enrollment, which is currently Anthem Blue Cross Blue Shield (Anthem). It would also allow employees who change to their healthcare provider with the second highest employee enrollment during the City's open enrollment periods in 2025 for calendar year 2026 and in 2026 for calendar year 2027, to participate in the lump sum healthcare incentive program.

Additionally, adoption of this resolution would increase the incentive amount from \$750 to \$850 for an additional two-year period. This increase builds on the program's demonstrated success and will further incentivize employees to consider Anthem. By doing so, it moves the City closer to achieving a more balanced enrollment between the City's healthcare providers. This adjustment not only aligns our incentives competitively with neighboring agencies, but also enhances the City's negotiating position in healthcare provider engagements.

## **BACKGROUND**

The City provides the following healthcare medical plans to eligible employees.

- Kaiser Permanente (Kaiser) \$3,000 Deductible Health Maintenance Organization (HMO)
- Kaiser \$1,500 Deductible HMO (Not available to members of POA and IAFF.)
- Kaiser \$25 Co-Pay Plan
- Anthem \$20 Co-Pay Select HMO
- Anthem \$20 Co-Pay Traditional HMO
- Anthem \$1,500 Deductible Select HMO
- Anthem \$2,500 Deductible Classic Preferred Provider Organization (PPO) with a Health Savings Account)
- Anthem \$100 Deductible Classic PPO
- Anthem \$100 Deductible Select PPO

Based on the enrollment numbers for the 2025 open enrollment period and information obtained during the calendar year, Kaiser remains the medical insurance provider with the highest enrollment population.

To encourage a more balanced enrollment between providers and foster competitive options, the City introduced a lump sum healthcare incentive program in 2018. This program offers a non-pensionable, taxable incentive payment to new hires and newly eligible employees who choose the healthcare plan offered by the provider with the

second-highest enrollment, which is currently Anthem. Since its inception, the incentive program has been periodically renewed and adjusted, including an increase in December 2020 from \$500 to \$750, resulting in a 110% rise in Anthem enrollments from the prior year.

In addition to the incentive, the City has taken further steps to support this balance, such as prioritizing the incentive in benefits communications and defaulting new hires into the healthcare plan offered by the provider with the second-highest enrollment.

These strategies, alongside the incentive program, have contributed to a shift in enrollments from 82% to 78% in healthcare plans offered by the provider with the highest enrollment, currently Kaiser.

The positive outcomes are evident in enrollment increases in healthcare plans offered by the provider with the second-highest enrollment. New hire enrollments in healthcare plans offered by the provider with the second-highest enrollment rose from an average of 10 per month in 2022 to 15 per month in 2024, and 74 employees switched from the healthcare plan offered by the provider with the highest enrollment to the healthcare plan offered by the provider with the second-highest enrollment during the 2024 open enrollment. These outcomes will work to enhance the City's bargaining position with healthcare providers and support more competitive and sustainable healthcare options for the City in the future.

To build on this success, the City agreed with its bargaining units to increase the lump sum incentive from \$750 to \$850. This proposed increase is intended to further enhance the attractiveness of healthcare plans offered by the provider with the second- highest enrollment, and encourage employees to view the provider as a strong alternative to healthcare plans offered by the provider with the highest enrollment. Aligning with similar incentives offered by nearby local government agencies, such as the County of San Mateo's \$900 incentive, this adjustment supports the City's goal of achieving a balanced enrollment between providers, ultimately strengthening the City's position in securing competitive healthcare options.

## **ANALYSIS**

In reviewing options to achieve a more balanced enrollment in medical plans, the City consulted with its benefits consultant, Alliant. Alliant recommends continuing and expanding the incentive program to encourage employees to consider a broader range of providers, ensuring the City remains competitive with neighboring agencies offering similar incentives. This approach is expected to help balance the distribution of enrollments between providers. By achieving a more balanced enrollment, the City can better manage healthcare costs and stabilize premium rates, since a more evenly distributed enrollment allows for more predictable and competitive pricing during

contract negotiations. This, in turn, strengthens the City's position when negotiating future medical plan agreements.

The lump sum incentive payment will be issued in the paycheck following two pay periods after an employee's enrollment in the eligible healthcare plan and in pay period three for open enrollment participants. The City can end this lump sum healthcare program at any time and at its own discretion. This offering is intended to incentivize employees to enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment.

A complete copy of the Side Letter Agreement is attached to this memorandum.

### **EVALUATION AND FOLLOW-UP**

The City will continue to offer the \$850 lump sum to new full-time employees, and current employees not previously eligible to receive benefits who are hired into a full-time position eligible for benefits on or after January 1, 2025 through December 31, 2026, who enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment.

The City will also extend the lump sum incentive payment to current employees who move from a healthcare plan provided by the medical insurance provider with the highest overall employee enrollment to a healthcare plan provided by the medical insurance provider with the second highest enrollment through the City's open enrollment events in 2025 for calendar year 2026 and in 2026 for calendar year for 2027.

### **COST SUMMARY/IMPLICATIONS**

A lump sum non-pensionable, taxable payment of \$850 would be made to each new employee hired or newly eligible for benefits employee between January 1, 2025 and December 31, 2026, who selects a healthcare plan offered by the medical insurance provider with the second highest overall employee enrollment and to those employees who switch from a healthcare plan offered by the medical insurance provider with the highest overall employee enrollment to a healthcare plan offered by the medical insurance provider with the second highest overall employee enrollment during the City's open enrollment periods in calendar years 2025 and 2026. There is \$564,000 set aside in the Health Care Bonus appropriation in the Benefit Fund, which reflects monies received from employee benefit provider performance guarantees and Flexible Spending Account forfeitures, to fund this program; no additional City funds will be required at this time. If additional funding is necessary, staff will bring forward budget actions for City Council approval as part of a future budget process, as

appropriate. As noted above, this program can end at any time at the City's discretion.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation to fund the incentive program recommended as part of this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	2024-2025 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
160	226K	Healthcare Incentive Program	\$564,000	954	10/22/24 Ord. No. 31130

**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the December 17, 2024 City Council meeting.

**COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

**CEQA**

Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment.

**PUBLIC SUBSIDY REPORTING**

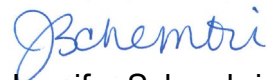
This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

HONORABLE MAYOR AND CITY COUNCIL

November 25, 2024

**Subject: Actions Related to the City Healthcare Program**

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Jennifer Schembri  
Deputy City Manager

For questions, please contact Damiana Garcia, Benefits Division Manager, Human Resources at [damiana.garcia@sanjoseca.gov](mailto:damiana.garcia@sanjoseca.gov).

**ATTACHMENT**

Side Letter Agreement – City Healthcare Program



**SIDE LETTER AGREEMENT**

BETWEEN

THE CITY OF SAN JOSE

AND

THE ASSOCIATION OF BUILDING, MECHANICAL AND ELECTRICAL INSPECTORS (ABMEI)  
THE ASSOCIATION OF ENGINEERS AND ARCHITECTS, IFPTE LOCAL 21 (AEA)  
THE ASSOCIATION OF LEGAL PROFESSIONALS (ALP)  
THE ASSOCIATION OF MAINTENANCE SUPERVISORY PERSONNEL, IFPTE LOCAL 21 (AMSP)  
THE CITY ASSOCIATION OF MANAGEMENT PERSONNEL, IFPTE LOCAL 21 (CAMP)  
THE SAN JOSE FIRE FIGHTERS, IAFF LOCAL 230 (IAFF)  
THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL NO. 332 (IBEW)  
THE MUNICIPAL EMPLOYEES' FEDERATION, AFSCME LOCAL NO. 101 (MEF)  
THE INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO. 3 (OE#3)  
THE SAN JOSE POLICE DISPATCHERS' ASSOCIATION (SJPDA)  
THE SAN JOSE POLICE OFFICERS' ASSOCIATION (POA)  
PEACE OFFICER PARK RANGER ASSOCIATION (POPRA)

**City Healthcare Program**

1. New Full-Time Employees and Current Employees Not Previously Eligible for Benefits

- a. The parties agree that effective to January 1, 2025, new full-time employees and current employees not previously eligible to receive benefits who are hired into a full-time position eligible for benefits, and hired on or after January 1, 2025 through December 31, 2026, and who enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment on or after the date of this Agreement, shall receive a one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850).
  - (i) To be eligible for the one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850), the employee must be enrolled for medical plan year 2025 or 2026 in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment, and the employee must be an active City employee on the date the lump sum payment is made.
  - (ii) This one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850) shall be made in the paycheck issued two pay periods after the employee enrolls in the eligible healthcare plan.
  - (iii) New full-time employees who do not sign up for a healthcare plan within thirty (30) calendar days from their hire date are not eligible for this one-time non-pensionable lump sum payment.
  - (iv) The parties agree that the City retains the ability to end the one-time non-pensionable lump sum payment program at any time upon the City's sole

**Side Letter Agreement – City Healthcare Program**

November 19, 2024

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discretion. The City will meet and discuss with the bargaining units before ending the program.

**2. Current Employees**

- a. The parties also agree that the City may choose to offer all current employees who, through the City’s Open Enrollment events in 2025 for medical plan year 2026 or 2026 for medical plan year 2027, move from the healthcare plan provided by the medical insurance provider with the highest overall employee enrollment to the healthcare plan provided by the medical insurance provider with the second highest overall enrollment, shall also receive a one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850). The City will determine at least two months before the Open Enrollment events if the City will exercise this option based on the overall enrollment in the healthcare plans.
  - i. To be eligible for the one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850), the employee must make a change to be enrolled for medical plan year 2026 or 2027 in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment, and the employee must be an active City employee on the date the lump sum payment is made.
  - ii. This one-time non-pensionable lump sum payment of eight hundred fifty dollars (\$850) shall be made in the paycheck issued two pay periods after the beginning of the new medical plan year.
  - iii. Employees are not eligible for this lump sum payment if they are already enrolled in the healthcare plan with the second highest overall enrollment.
  - iv. The parties agree that the City retains the ability to end the one-time non-pensionable lump sum payment program at any time upon the City’s sole discretion. The City will meet and discuss with the bargaining units before ending the program.

This agreement shall become effective when signed by all parties below and approved by the City Council in open session.

**FOR THE CITY:**



12/4/2024

Jennifer Schembri  
Deputy City Manager

Date




12/4/2024


Elsa Cordova  
Deputy Director of Employee Relations


Date


FOR THE UNIONS:


  
11/21/2024  
Date  
Mary Reed  
President, ABMEI


  
12/3/24  
Date  
Nate Morris  
Business Representative, IBEW

  
11/20/2024  
Date  
Florin Lapustea  
President, AEA

  
11/21/2024  
Date  
Jerry May  
President, IAFF

  
11/20/2024  
Date  
John Tucker  
Business Representative  
AFSCME, Local 101

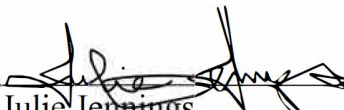
  
11/20/2024  
Date  
Krista De La Torre  
Business Representative, IFPTE Local 21

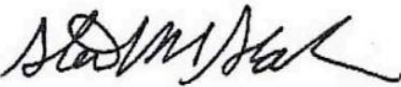
  
12/3/2024  
Date  
Terra Chaffee  
President, ALP

  
12/3/2024  
Date  
Nick Rovetto  
President, MEF


  
11/20/2024  
Date  
Jesse Perez  
President, AMSP

  
12/3/2024  
Date  
Jeremy Cabaccang  
Business Representative, OE#3/POPRA

  
11/21/2024  
Date  
Julie Jennings  
President, CAMP

  
11/20/2024  
Date  
Steve Slack  
President, POA

  
12/3/2024  
Date  
Frank Crusco  
Chief Steward, IBEW

  
11/20/2024  
Date  
Mary Sunzeri  
President, SJPDA