



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

**SUBJECT: ACTIONS RELATED TO THE
CITY HEALTHCARE PROGRAM**

DATE: March 4, 2020

Approved

Date

3-4-20

RECOMMENDATION

Adopt a resolution to:

- a) Approve the terms of a Side Letter Agreement (attached) related to the lump sum healthcare program between the City of San José (City) and the bargaining units listed below;
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)
- b) Approve the lump sum 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.

OUTCOME

Adoption of the resolution would modify the City's healthcare program for eligible active employees by creating an additional incentive to new employees hired in 2020 and 2021 when selecting a healthcare provider.

BACKGROUND

The City provides the following healthcare medical plans to eligible active employees:

- Kaiser \$3,000 Deductible 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 \$1,500 Deductible Select HMO
- Anthem \$2,500 Deductible Classic PPO with HSA
- Anthem \$100 Deductible Classic PPO
- Anthem \$100 Deductible Select PPO

Based on the enrollment numbers for the 2020 open enrollment period, Kaiser remains the medical insurance provider with the highest enrollment population.

The City previously offered eligible employees a one-time \$500 non-pensionable lump sum amount to new employees or full-time employees not previously eligible for benefits who enrolled in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment. At the time, the provider with the second highest enrollment was Sutter Health. During the previous program's enrollment window of July 2018 through December 2018, approximately 58 employees enrolled in Sutter Health and received the one-time bonus. Based on the success of the previous program, the City would like to offer the same program for a longer enrollment window.

ANALYSIS

In reviewing its healthcare options, the City's intent is to diversify its enrollment populations across all the available healthcare plans. The more diverse enrollment in each of the medical plans would improve the City's ability to attract potential medical plan providers and ultimately serve to enhance the options available to both eligible active employees as well as retirees.

The City agreed with its bargaining units to make a one-time non-pensionable taxable lump sum payment of \$500 to new employees or current full-time employees not previously eligible for benefits who are hired on or after March 17, 2020 through December 31, 2021, who enroll in a healthcare plan provided by the medical insurance provider with the second highest overall employee enrollment. At the time of this memo, Anthem has the second highest overall employee enrollment.

The lump sum will be issued in the paycheck two pay periods after the employees enroll in the eligible healthcare plan. The City can end this lump sum payment program at any time at its own discretion. The offering of a lump sum payment 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 (Attachment A). As noted above, the provisions of the Side Letter Agreement will also apply to executive management and professional employees in Unit 99 and other unrepresented employees where applicable.

EVALUATION AND FOLLOW-UP

The City will immediately begin to implement the \$500 lump sum amount for those who choose the healthcare plan with the second highest enrollment for medical plan year.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website in advance of the March 17, 2020, City Council Meeting.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

A lump sum payment of \$500 would also be made to each new employee hired between March 17, 2020, and December 31, 2021, that selects a healthcare plan offered by the medical insurance provider with the second highest overall employee enrollment. During the previous program timeframe (July 2018 - December 2018), approximately 58 people enrolled in the eligible healthcare plan in six months. If the Council approves the recommendation, the program would be open for 21 months. The City estimates that around 200 employees would be eligible for the \$500 lump sum based on the previous program's enrollment during a shorter timeframe. While it is difficult to estimate the cost of the one-time non-pensionable lump sum payment, the cost would total \$100,000 if there were 200 eligible new employees. There is funding set aside in a

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City Health Plan Restructuring Reserve in the General Fund. Budget actions to reallocate funding from the Reserve to the Health Care Incentive appropriation will be brought forward for City Council approval as part of a future budget process, as appropriate. As noted above, this program can be ended prospectively at any time at the City's discretion.

CEQA

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



JENNIFER SCHEMBRI
Director of City Manager's Office of Employee Relations
Director of Human Resources

For questions, please contact Cheryl Parkman, Assistant to the City Manager, at (408) 535-8152.

Attachment A: 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 CONFIDENTIAL EMPLOYEES' ORGANIZATION, AFSCME LOCAL NO. 101 (CEO)

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 OFFICERS' ASSOCIATION (POA)

PEACE OFFICER PARK RANGER ASSOCIATION (POPRA)

City Healthcare Program

The parties agree that, effective the first pay period after this Agreement is signed by all parties below and approved by City Council, 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 March 17, 2020 through December 31, 2021, 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 five-hundred dollars (\$500).

- a. To be eligible for the one-time non-pensionable lump sum payment of five-hundred dollars (\$500), the employee must be enrolled for medical plan year 2020 or 2021 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.
- b. This one-time non-pensionable lump sum payment of five-hundred dollars (\$500) shall be made in the paycheck issued two pay periods after the employee enrolls in the eligible healthcare plan.
- c. 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.
- d. 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.

The terms of this Side Letter Agreement shall become effective when signed by all parties below, and shall be incorporated into the current or successor MOAs of the bargaining units.

Side Letter Agreement – City Healthcare Program

February 19, 2020

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FOR THE CITY:

Jennifer Schembri

Jennifer Schembri
Director of Employee Relations/
Director of Human Resources

3/6/2020

Date

gmm cordova

Elsa Cordova
Assistant to the City Manager

3/6/2020

Date

FOR THE UNIONS:

Brian Dane

Brian Dane
AFSCME Local 101

3/4/20

Date

Mary Blanco

Mary Blanco
OE#3/POPRA

2/26/2020

Date

Olympia Williams

Olympia Williams
President, CAMP

3/5/20

Date

Terra Chaffee

Terra Chaffee
President, ALP

3/5/2020

Date

Steve Contreras

Steve Contreras
President, AMSP

2-28-2020

Date

Frank Crusco

Frank Crusco
Chief Steward, IBEW

2-26-2020

Date

Mary Reed

Mary Reed
President, ABMEI

3/6/20

Date

Florin Lapustea

Florin Lapustea
President, AEA

3/5/2020

Date

Sean Kaldor

Sean Kaldor
President, IAFF

2/27/20

Date

Paul Kelly

Paul Kelly
President, POA

3/12/20

Date

Matt Mason

Matt Mason
IFPTE Local 21

3/5/2020

Date

D Romero

Dan Romero
IBEW

3/12/2020

Date

Steven Solorio

Steven Solorio
President, MEF

3/11/2020

Date