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OAKLAND

2015 FEB 19 PM 12: 57


AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Renée Mayne

SUBJECT: City-IAFF Local 55 Side Letter Agreement

DATE: February 9, 2015

City Administrator		Date	
Approval		2/18/15	

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

RESOLUTION TO IMPLEMENT THE TERMS OF THE SIDE LETTER AGREEMENT BETWEEN THE CITY OF OAKLAND AND INTERNATIONAL ASSOCIATION OF FIREFIGHTERS LOCAL 55, TO MODIFY ARTICLE 3. INSURANCE PROGRAMS SECTION 3.7 HEALTH REIMBURSEMENT ARRANGEMENT OF THE CURRENT LABOR AGREEMENT AND MAKE A ONE THOUSAND DOLLAR PAYMENT INTO A HEALTH REIMBURSEMENT ARRANGEMENT ACCOUNT BY MARCH 31, 2015 FOR ALL ELIGIBLE FIREFIGHTERS

OUTCOME

Adoption of this resolution will result in the implementation of the attached Side Letter Agreement between the City of Oakland and the International Association of Firefighters (IAFF) Local 55 that will modify Article 3. *Insurance Programs* Section 3.7 *Health Reimbursement Arrangement* of the current labor agreement (**Attachment A**). The Side Letter Agreement outlines the terms upon which the City will offer enrollment in a Health Reimbursement Arrangement (HRA) to IAFF members based upon the reopener negotiations that were required under the current labor agreement with the IAFF. The terms of the side letter agreement extend the economic benefit contained in the current contract language from all members who are enrolled in the City's CalPERS medical insurance program to all members enrolled in City's or another employer's sponsored group medical plan that is compliant with the Affordable Care Act (ACA), and who were hired on or before March 27, 2015. The current Memorandum of Understanding (MOU) language requires the City to deposit one thousand dollars (\$1,000.00) into the HRA account on behalf of each fulltime eligible IAFF member. The increased cost of the side letter agreement is approximately \$12,000. The future funding of the HRA will occur

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with employees' excess vacation leave. This side letter agreement also requires a one-time excess vacation cash-out provision in the first pay period of June 2015, to reduce existing firefighter vacation banks that were grandfathered in and currently exceed the two (2) year maximum accrual level.

BACKGROUND/LEGISLATIVE HISTORY

On July 1, 2014, the City Council approved a successor labor agreement with IAFF Local 55 for the period of July 1, 2014 through October 31, 2017. Included in the agreement were the terms contained in Article 3. *Insurance Programs* Section 3.8 *Designated Reopener – Between June and September 2014*. This contract language required the City to reopen negotiations in the summer of 2014 with IAFF for the purpose of negotiating and implementing an HRA for active members. The parties met and conferred in good faith and reached agreement on January 6, 2015, regarding the specific terms as shown in the attached Side Letter Agreement.

ANALYSIS

Under terms of the current IAFF labor agreement in Article 3. *Insurance Programs* Section 3.8 *Designated Reopener – Between June and September 2014*, the City committed to reopen negotiations to establish and implement an HRA for eligible IAFF members. The City and IAFF met and conferred in good faith and reached full agreement on a Side Letter Agreement as shown in *Attachment A*. The IAFF said the Side Letter Agreement is anticipated to be ratified by their members before March 3, 2015. The terms of the Side Letter Agreement include:

1. Effective no later than March 31, 2015, the City shall offer a Health Reimbursement Arrangement Plan ("HRA") for all unit members enrolled in the City of Oakland's medical insurance plan or another employer sponsored group medical insurance plan that is compliant with the ACA.
2. The HRA plan must comply with all applicable current and future Internal Revenue Service (IRS) regulations.
3. Participating unit members shall be responsible for paying all member related HRA fees.
4. No later than March 31, 2015, the City shall contribute a one-time, lump sum, non-recurring, and non-pensionable payment of one thousand dollars (\$1,000.00) into each full time active unit member's HRA account.
5. The HRA will permit qualified withdrawals for both active and separated account holders.
6. Funds in a unit member's HRA plan will be available for reimbursement of eligible medical care expenses defined under Internal Revenue Code Sections 105 and 106.

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7. In a one-time, non-precedential agreement, effective with the full ratification of this agreement (IAFF and City Council), employees with excess vacation balances exceeding two (2) times the employee's annual vacation accrual rate as of the first pay period in June 2015 shall cash out all excess vacation hours that exceed two times an employee's annual vacation accrual, which shall occur in the first pay period of June 2015.
8. On an annual basis, effective each year in the first pay period in June and beginning in June 2016, any employee enrolled in the HRA who has any unused vacation from that year's vacation draw shall have 100% of their unused vacation from that year deposited into the HRA. This includes any unused vacation due to medical leave or industrial injury or illness.
9. Department policy will be modified to reflect the terms of the agreement, including eliminating vacation cash out. However, this change in department policy does not affect an employee's right to cash out accrued vacation at the time of separation from employment.

This is the first Health Reimbursement Arrangement negotiated with a labor union representing City of Oakland employees. The HRA is governed by the regulations of the Internal Revenue Service, U.S. Department of Labor, and U.S. Health and Human Services. The City and IAFF worked diligently in this matter to ensure the outcome of the negotiation was compliant with all federal requirements. City departments involved in this negotiation include City Administrator's Office, Human Resources Management Department, Fire Department, Budget Office, and Treasury.

PUBLIC OUTREACH/INTEREST

No public outreach was required.

COORDINATION

This report has been reviewed and approved by the City Attorney's Office, Human Resources Management Department, and the Controller's Bureau.

COST SUMMARY/IMPLICATIONS

1. COST ELEMENTS OF AGREEMENT/CONTRACT

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The fees for the benefit will be fully borne by the participants and therefore will not have any ongoing impact on the City's budget. The City will initially deposit \$1,000.00 for each eligible IAFF employee hired on or before March 27, 2015.

Current MOU language already requires the City to deposit one thousand dollars (\$1,000.00) into the HRA accounts of all members who are enrolled in the City's CalPERS medical insurance program. The Side Letter extends HRA eligibility to members enrolled in City's or another employer's sponsored group medical plan (e.g. the employer of a spouse, partner or parent) provided the plan is compliant with the Affordable Care Act (ACA). This expansion of eligibility for participation in the HRA (as a result of including employees in an outside employer-sponsored medical plan) will increase the cost by approximately \$12,000. By March 27, 2015 there will be approximately 434 authorized firefighter positions that will be eligible for the payment pursuant to the Side Letter.

2. SOURCE OF FUNDING

Fees associated with this benefit will be fully borne by the participants and therefore will have no impact on the City's budget.

3. FISCAL IMPACT

While the fees for the benefit will be fully borne by the participants, the initial expenditures under this agreement were allocated by the City Council's approval of the successor labor agreement with IAFF Local 55 on July 1, 2014. Ongoing expenses will be funded directly from the employee's account assets as participant administrative fees.

SUSTAINABLE OPPORTUNITIES (Mandatory)

Economic: No economic opportunities are identified in this report.

Environmental: No environmental opportunities are identified in this report.

Social Equity: No social equity opportunities are identified in this report.

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For questions regarding this report, please contact Renée Mayne, Director of Employee Relations, at (510) 238-6466.

Respectfully submitted,



RENÉE MAYNE

Director, Employee Relations Department

Prepared with:

Sonia Lara, Principal Employee Relations Analyst

Attachments:

Attachment A – Side Letter Agreement regarding Health Reimbursement Arrangement between the City of Oakland and IAFF local 55

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City of Oakland - IAFF Local 55 Side Letter Agreement to:
Article 3. Insurance Programs Section 3.7 Health Reimbursement Arrangement

1. HEALTH REIMBURSEMENT ARRANGEMENT COVERAGE

Section 3.7 of the MOU will be modified as follows:

Health Reimbursement Arrangement.

Effective no later than March 31, 2015, the City shall offer a Health Reimbursement Arrangement Plan ("HRA") for all unit members enrolled in the City of Oakland's medical insurance plan or another employer sponsored group medical insurance plan. Employees enrolled in another employer sponsored group medical insurance plan shall be required to provide proof of eligibility on an annual basis in accordance with the requirements of the Benefits Division of the Department of Human Resources Management. No later than March 31, 2015, the City shall contribute a one-time, lump sum, non-recurring, and non-pensionable payment of one thousand dollars (\$1,000.00) into each full time active unit member's HRA account who was hired on or before March 27, 2015.

The HRA will permit qualified withdrawals for both active and separated account holders. Access to reimbursement under the HRA plan shall become effective no later than April 1, 2015. Funds in a unit member's HRA plan will be available for reimbursement of eligible medical care expenses defined under Internal Revenue Code Sections 105 and 106. The City and Local 55 agree that the City's contributions to the HRA plan are available only to active unit members who receive medical coverage through an Affordable Care Act (ACA) compliant medical plan.

Participating unit members shall be responsible for paying all member related HRA fees. Further, the parties agree that the HRA plan must comply with all applicable current and future Internal Revenue Service (IRS) regulations.

2. CURRENT EXCESS VACATION

In a one-time, non-precedential agreement, effective with the full ratification of this agreement (IAFF and City Council), employees with excess vacation balances exceeding two (2) times the employee's annual vacation accrual rate as of the first pay period in June 2015 shall cash out all excess vacation hours that exceed two times an employee's annual vacation accrual, which shall occur in the first pay period of June 2015.

3. FUTURE EXCESS VACATION

On an annual basis, effective each year in the first pay period in June and beginning in June 2016, any employee enrolled in the HRA who has any unused vacation from that year's vacation draw shall have 100% of their unused vacation from that year deposited into the HRA. This includes any unused vacation due to medical leave or industrial injury or illness.

4. VACATION USAGE, POLICY UPDATE:

a. Cash out Eliminated

Except as provided in Section 2 above, vacation cash out is eliminated. This change in policy does not affect an employee's right to cash out accrued vacation at the time of separation from employment.

b. Minimum Vacation Draw

During the vacation draw, an employee may draw their entire vacation allotment or withhold up to two shifts to be drawn later in the year in accordance with departmental policy.

c. Vacation Requests Beyond Vacation Draw

An employee can request from the department to use the remaining two shifts in accordance with policy, in one or two shifts of vacation, either separately or consecutively, and if granted, then no vacation leave will be transferred to the HRA that year.

d. Employees Assigned to a Forty Hour Work Week

Employees scheduled to work a forty (40) hour work week may use their entire annual vacation accrual less forty-eight (48) hours within the fiscal year in which the vacation time is accrued, and may request from the department to use the remaining 48 hours as vacation leave. If granted, then no vacation leave will be transferred to the HRA that year.

5. COMPLETE AGREEMENT

The parties agree this agreement is complete and once fully ratified becomes part of the current labor agreement

IAFF Local 55

City of Oakland

Date

Date

2015 FEB 19 PM 12: 57 RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION TO IMPLEMENT THE TERMS OF THE SIDE LETTER AGREEMENT BETWEEN THE CITY OF OAKLAND AND INTERNATIONAL ASSOCIATION OF FIREFIGHTERS LOCAL 55, TO MODIFY ARTICLE 3. INSURANCE PROGRAMS SECTION 3.7 HEALTH REIMBURSEMENT ARRANGEMENT OF THE CURRENT LABOR AGREEMENT AND MAKE A ONE THOUSAND DOLLAR PAYMENT INTO A HEALTH REIMBURSEMENT ARRANGEMENT ACCOUNT BY MARCH 31, 2015 FOR ALL ELIGIBLE FIREFIGHTERS

WHEREAS, the City of Oakland has a labor agreement in effect with the International Association of Firefighters (IAFF) Local 55 that expires on October 31, 2017; and

WHEREAS, pursuant to Article 3. *Insurance Programs Section 3.7 Health Reimbursement Arrangement* of the current labor agreement required the City of Oakland to reopen the agreement and negotiate and then implement the terms of a Health Reimbursement Arrangement (HRA) with the IAFF; and

WHEREAS, the City and IAFF have met and conferred in good faith and reached a Side Letter Agreement to implement the negotiated terms of the HRA; and now, be it

RESOLVED, that the City hereby adopts the attached Side Letter Agreement; and be it

FURTHER RESOLVED, that the current labor agreement between the City of Oakland and IAFF Local 55 shall be modified by the Side Letter Agreement; and be it

FURTHER RESOLVED, that the City Attorney will approve the Side Letter Agreement as to form and legality and a copy will be on file in the Office of the City Clerk; and be it

FURTHER RESOLVED, that the Director of Employee Relations shall be responsible for administering the Side Letter Agreement, and be it

Attachment: Side Letter Agreement regarding Health Reimbursement Arrangement between the City of Oakland and IAFF local 55

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2015

PASSED BY THE FOLLOWING VOTE:

BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID,
AND COUNCIL PRESIDENT GIBSON MCELHANEY

AYES-

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California