



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Human Resources
Department No.: 064
For Agenda Of: March 20, 2018
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Lori Gentles, Human Resources Director, 568-2816
Director(s)
Contact Info: Joseph M. Pisano, Interim Chief of Employee Relations,
568-2839
SUBJECT: Conversion of Unit Cash to Base Pay for Certain Groups of Employees

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Approves the side letter agreements in Attachment A to increase biweekly base pay for employees by the same amount they currently receive as a so called "Benefit Allowance" and to eliminate this allowance for employees represented by these labor organizations once it is incorporated into base pay, and
- B. Approves the changes to the Management Personnel Benefits Policy tracked in Attachment B, to eliminate the "Benefit Allowance" provided in Section 6, increase biweekly base pay for employees covered by this resolution by the same amount they currently receive as an allowance, and make ministerial changes to update the Policy, and
- C. Determines pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4) that the above action is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and therefore is not a project subject to environmental review.

Summary Text:

The recommended actions incorporate biweekly wages that are currently paid as a unit cash allowance or “benefit allowance” into base pay for approximately 1770 regular County employees, which includes all unrepresented employees and those represented by six (6) of the County’s ten employee organizations.

The current unit cash/benefit allowance is paid in addition to the County’s contributions toward the cost of health benefits. It is fully pensionable, taxable, and included in calculating overtime rates, just as it will be if it is incorporated into base pay. The primary advantage of the recommended action is to more accurately and transparently reflect the wages paid to County employees, which will help with recruiting and retention.

Across all bargaining units, including those who have not agreed to this change at this time, the County spends approximately \$38.8 million a year paying unit cash/benefit allowances to employees, but many employees and most job applicants do not understand this unusual component of overall compensation. The recommended action would change base pay for approximately 1770 affected employees so that wages for their job classifications will reflect their true competitiveness.

In addition, ministerial changes to the Management Personnel Benefits Policy have been made to clarify or update the document and to eliminate dead language. Changes are tracked in Attachment B, and a clean copy of the revised Policy appears in Attachment C.

Background:

The County currently provides a “Benefit Allowance,” also known as a “Unit Cash Allowance,” to all employees. The dollar amount paid to individual employees varies by bargaining unit, and ranges from \$225.31 to \$313.56 biweekly. This amount is paid to all employees in addition to any employer contributions toward the cost of healthcare insurance premiums.

County health benefits have long been structured such that the County pays the full employee only cost of the least expensive EPO medical plan, and does not contribute anything toward the cost of insuring employees’ dependents. Historically, the original purpose of the benefit allowance was to help employees pay for the cost of dependent health insurance without essentially compensating employees who insure dependents at higher rates of pay than employees doing the same work who did not insure dependents on County health plans.

The County is very unusual in paying all employees an additional allowance, regardless of whether they insure dependents and even if they decline County health insurance all together. In the decades since the unit cash/benefit allowance was implemented, there have been significant changes in health care delivery, and the County taken other steps to manage both employee and employer insurance premium costs – for example implementing the onsite health clinics for employees and their insured dependents, adding a High Deductible Healthcare Plan (HDHP) with employer contributions to employees’ Health Savings Accounts (HSAs), and in January 2018 doubling the employer contribution amount into employees’ HSAs from \$900 a year to \$1800 per year when they insure their families on the HDHP.

The unit cash/benefit allowance is considered wages paid for purposes of social security and Medicare taxes; it is fully pensionable, and it is included in the regular rate of pay for employees who are eligible for overtime. The annual cost to the County per employee ranges from approximately \$5,858 to approximately \$8,153 **not including rollups** for associated payroll taxes and employer retirement contributions on these wages, which vary by bargaining unit and retirement plan.

The annual fully loaded cost to the County of paying the benefit allowance to all regular employees Countywide is approximately \$38.8 million, yet as an employer the County does not get full credit for paying these wages. Many employees and most applicants for County employment do not understand that this money is part of their compensation. The recommended actions make this component of pay more transparent, and will help with recruitment and retention. Once the benefit allowance is incorporated into base pay, County wages will reflect its true competitiveness for the 1770 employees whose base pay would change as a result of the recommended action.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

Although the recommended action essentially converts existing compensation paid into base pay, it is not entirely cost neutral.

Because some other elements of compensation such as special duty allowances and performance pay for Physicians, an education incentive for Sheriff's Managers, and a premium pay for Fire Fighters who possess valid Emergency Medical Technician-Defibrillation (EMT-D) certification are tied to a percentage of base pay, when base pay increases the cost of these elements of pay also increases.

The fully loaded increased cost of the recommended action is estimated at approximately \$29,000 for the remainder of Fiscal Year 2017-18 and approximately \$152,000 annually thereafter. Departments will be expected to absorb any increased cost within existing budget allocations.

Special Instructions:

Attachments:

Attachment A: Side letter agreements with Fire Fighters Local 2046, Deputy Sheriffs' Association, Probation Peace Officers Association, Service Employees International Union, Local 721, Sheriff's Managers Association, Union of American Physicians and Dentists
Attachment B: Revised Management Resolution, changes tracked
Attachment C: Revised Management Resolution, clean copy

Authored by: Joseph Pisano

cc: Mona Miyasato, County Executive Officer
Michael C. Ghizzoni, County Counsel
Theo Fallati, Auditor Controller
Assistant CEOs
Department Heads