

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MAY 23, 2007

REGULAR MEETING

TO: Ted Long, Chairman, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #4: **CONSIDERATION OF CHANGES TO HEALTH CARE COSTS
AND A COST OF LIVING INCREASE TO LAFCO STAFF**

RECOMMENDATION

Staff recommends that the Commission:

1. Receive the following information regarding increases in the agency's health care costs;
2. Allocate \$387 from the Fiscal Year 2007-08 Contingency Fund to Health Insurance (Less In Lieu) to cover the increase in health care premiums; and
3. Consider and approve a cost of living increase for all employees. If approved, to cover this expense the Commission:
 - a. Should allocate an additional \$238 out of the Contingency to Employee Wage – Regular for Fiscal Year 2006-07.
 - b. Should allocate an additional \$6,337 out of the Contingency to Employee Wage – Regular for Fiscal Year 2007-08.

REASON FOR RECOMMENDED ACTION

In a letter dated May 3, 2007, the County notified LAFCO of a 1.7% increase in health care rates, effective July 1, 2007. In addition, the County approved a 2.5% cost of living increase for all employees, effective January 1, 2007. Both of these increases were not known by LAFCO staff at the time the budget was being developed.

BACKGROUND

Health Care Insurance

In December, as staff prepared the preliminary budget numbers for the Ad Hoc Budget Committee, the County's Human Resources (HR) Department was contacted to inquire about any possible increases to LAFCO's health care costs. County HR was again contacted in February with the same inquiry. In both cases, LAFCO staff was told that the health care rates for Fiscal Year 2007-08 would remain as those for FY 2006-07.

Consequently, the recommended and approved budgets assumed a \$25,195 cost in the next fiscal year for Health Insurance (Less In Lieu), Fund #5320.

On May 4, 2007 LAFCO received a notice from the County that the rates would increase by 1.7%. This translates to a \$387 increase over the budgeted cost of health insurance, for a total cost of \$25,582 in the next fiscal year. This amount, while unexpected, should be readily absorbed by the contingency.

In order to better predict health care costs, LAFCO staff has negotiated a new notification process with Sherril Jordar, the County's Risk Manager. This contact is in a better position to be able to provide more timely and accurate information at the time of budget preparation.

Cost of Living Increase

Following its negotiations with its bargaining units, the County of El Dorado approved a series of phased salary adjustments for County employees. Effective January 6, 2007, County employees received a 2.5% cost of living increase (COLA) across the board. The Executive Officer was not aware of the COLA increase until late April; otherwise, this matter would have been brought to the Commission as part of the budget discussions in February and March.

While LAFCO is an independent agency, under several circumstances, such as health benefit premiums, actions by the County affect LAFCO's operations. Specifically, the Commission's Personnel Policies tie LAFCO staff's salaries and benefits to the County's salaries and benefits (emphasis added):

2.3.2 Number/Classification of Positions: LAFCO shall specify the number and classification of all positions. A salary scale and position description specifying duties and responsibilities for each classification/position will be approved by LAFCO; *each LAFCO position will be linked by the Commission to a comparable or similar classification within the El Dorado County classification plan.*

2.3.3 Employee Benefits: *All changes approved by the Board of Supervisors for county employees in comparable positions will be reviewed and considered by LAFCO for its employees.* Unless otherwise specified by LAFCO policy, employees of LAFCO shall receive benefits available to employees of El Dorado County in comparable classifications.

Both the budgets for the current and upcoming fiscal years were adopted with sufficient funding for normal salary increases to LAFCO, subject to acceptable performance; however, the assumed salaries for all positions are under the previous County salary schedules. Because the COLA increases were not taken into account in either budget, there is now a wage differential between LAFCO staff positions and comparable County positions.

Should the Commission approve a comparable 2.5% COLA to its staff, the budgetary impact for the current fiscal year would be minimal (\$238) and readily absorbed by the contingency. The impact to next year's budget would be greater: the COLA translates to an increase of \$6,337 to employee expenses. This amount assumes a \$4,800 increase in direct salary expenses plus commensurate increases in other expenses, such as PERS, Medicare and accrued leave. While this amount can be absorbed by the contingency, it does leave LAFCO with less than \$9,000 in next year's Contingency Fund for any other unexpected expenses.