



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: December 17, 2019

Subject

Amend the Health In-Lieu cash payment option for the Appointed, Cupertino Employees' Association (CEA), Unrepresented (Management and Confidential) employees, and Elected Officials.

Recommended Action

Adopt Draft Resolution amending the Health In-Lieu cash payment option for the Appointed, Cupertino Employees' Association (CEA), Unrepresented (Management and Confidential) employees, and Elected Officials.

Background

On July 16, 2019, Council adopted terms and conditions of employment for the CEA Memorandum of Understanding (MOU), Unrepresented, Appointed, and Elected Officials' Compensation Programs, which included health benefits. It was agreed that the City was to provide a payment of \$375 per month in lieu of health care premiums for employees who provide proof of alternate coverage. The payment was to be in the form of a contribution to the employee's pre-tax deferred compensation plan. The City's remaining bargaining unit, Operating Engineers' Local #3 (OE3), did not negotiate this benefit and is therefore not included in this item.

In implementing the health cash-in-lieu cash benefit, it was found that the option cannot be set up to go directly into a pre-tax deferred compensation account. The IRS would deem the offered cash to be subject to payroll tax withholdings and reportable as taxable wages for employees and elected officials. It is, therefore, necessary to revise the health cash-in-lieu benefit to be **paid in cash** to the employee instead of going directly into a pre-tax deferred compensation account. The City has met with CEA and the group is agreeable to this change per the MOU Side Letter.

Compensation and benefits vary from group to group. As applicable, the terms and conditions of employment, including benefits, approved for CEA employees are proposed for Appointed and Unrepresented employees and Elected Officials.

Fiscal Impact

There is no fiscal impact as costs will remain the same for the City. The impact will be on the employees as this benefit will no longer go into a pre-tax deferred compensation plan but will instead be paid in cash and pay applicable taxes.

Prepared by: Maria Delgado-Jimenez, Human Resources Manager

Approved for Submission by: Deborah Feng, City Manager

Attachments:

A – Draft Resolution

B – CEA MOU Side Letter

C – CEA MOU

D – Unrepresented Employees' Compensation Program Cleaned

E – Unrepresented Employees' Compensation Program Redlined

F – Appointed Employees' Compensation Program Cleaned

G – Appointed Employees' Compensation Program Redlined

H – Elected Officials' Compensation Program Cleaned

I – Elected Officials' Compensation Program Redlined