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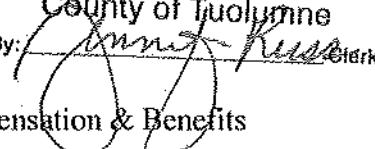
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August 21, 2012

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SEP 04 2012

The Honorable Eric L. DuTemple
Presiding Judge of the Superior Court
41 W. Yaney Street
Sonora, CA 95370

Superior Court of California
County of Tuolumne
By:  Clerk

Re: Response to Grand Jury Report - County Compensation & Benefits

Dear Judge DuTemple:

The following is offered in response to the 2011-12 Grand Jury Report as it pertains to the County's Compensation & Benefits. It should be noted that many of the responses that follow are purposefully limited so as to not compromise the collective bargaining process.

Grand Jury Findings

F1 County benefits are perhaps 100% to 150% higher than the private sector. Are these benefits too high in light of private industry and the current state of the economy (see Appendix CCB-6 and Bibliography items 7 to 10)? For each 10% reduction in benefits the County would save over \$2.6 million. The savings could be used for road repair/repaving, reducing liabilities, jail improvements, safety programs/training, etc. While it is true that the County employees have made some concessions (most are temporary), the rest of the Tuolumne County is still experiencing high unemployment, 13.5% as of March 2012 per the Employment Development Department. Local residents are losing their homes due to foreclosures as a result of a lack of employment.

Response: Agree that the County's benefit costs are substantial. No effort was made to verify the numbers provided above. Disagree with: 1) the suggestion that potential savings can be easily redirected without regard to funding source restrictions; and 2) discounting the value of the labor concessions made by County employees that included substantial permanent concessions such as a 2nd Tier PERS program, eliminating post retirement medical benefits for future employees, and capping medical/cafeteria benefits for all employees. It should also be noted that: 1) laid off County employees are part of the same

unemployment statistics presented above; and 2) former and current County employees have also suffered the loss of their homes along with other local residents.

- F2** Appendix CCB-4 shows a calculation of the number of full time equivalent positions that the current minimum of paid and unpaid leave days for all employees is equal to. The calculation results in a total of approximately 105 positions (paid leave plus furlough full time equivalents positions). While it is not feasible to eliminate all leave days, some reduction would result in a more efficient and consistent work force. Appendix CCB-4 also shows the result of reducing the number of leave days as recommended below.

Response: Agree with the premise that a reduction in leave days would result in an increase in productive (worked) hours and decrease in unproductive (paid leave) hours. No effort was made to verify the numbers provided in Appendix CCB-4.

- F3** Worker's compensation has always been an area that draws scrutiny. Is it a true work related incident or was the employee not paying attention? Reading over the reports many are truly work related and were not avoidable. Others could have been avoided with good safety procedures and a little more common sense. The County no longer has a dedicated risk management person to oversee safety training and conduct inspections on a regular basis.

Response: Agree.

- F4** The County pension plan through PERS is in serious jeopardy due to underfunding. The cost to the County for PERS is exorbitant. While not illegal, the paying of the employee share is certainly very generous and not in line with the private sector. It is not known what the impact of underfunding of PERS will ultimately be, but it seems obvious that it cannot be good for the County financial situation.

Response: Agree.

Grand Jury Recommendations

- R1** The County should negotiate with representatives of bargaining units to come up with a plan to reduce benefits by a significant percentage. Bargaining unit members should be aware that unsustainable benefits are just that – unsustainable. Some possible outcomes are the collapse of PERS or bankruptcy of County government, as have occurred in Vallejo and Stockton. At the very least, more “outsourcing” of County jobs can be expected.

Response: This recommendation has been partially implemented with securing the 2nd Tier PERS program for all employees who join the County after March 12, 2011. Retirement benefits will continue to be one of many points of discussion in future labor negotiations. The County's current unfunded PERS liabilities are significant and payments to PERS continue to be one of the fastest growing expense lines in the County Budget. This is a serious issue but the suggestion that this would lead the County to bankruptcy is unwarranted. The County is nowhere near such a position and continues taking the tough actions necessary to ensure that it doesn't.

- R2 The County should reevaluate their decision to eliminate a full time risk manager. A full time risk manager might be able to focus on safety education programs in each department and require employees to follow the procedures. County employees, along with management, should exercise good judgment in all that they do regarding official business. They should be held accountable for any lack of responsibility for theirs or other's safety.

Response: This recommendation will not be implemented. First, the overall Risk Management function is a huge responsibility with significant financial and human resource consequences that should remain one of the key responsibilities of the HR/Risk Manager under the supervision of the CAO/Personnel Officer. Second, even when the County had a position dedicated to risk management functions, the position was entitled "Risk Management Analyst" under the supervision of the HR/Risk Manager. Third, the CAO and HR/Risk Manager question the need for a full-time position dedicated solely to Risk Management functions. If a third professional position were added back to the HR division, the needs of the organization would be better served with an HR Analyst who could perform a variety of duties (a generalist) with emphasis on risk management issues. The timing of adding a position back into the organization is also an issue. This would inject additional costs that would be passed on to departments through "mandated" workers compensation and liability insurance charges at a time budgets are extraordinarily tight. However, the current HR/Risk Manager, who has extensive workplace safety background, will be retiring before the end of FY 2012-13. For the reasons cited above, the CAO will consider adding an HR Analyst (a generalist) with emphasis on risk management issues back into the HR Division but not until FY 2013-14 or FY 2014-15. Until then, existing HR staff will continue to provide leadership of the County's Safety Committee and safety training programs in conjunction with a dedicated team of department safety officers. Over the past 10 years, this team has been able to help significantly reduce both the number of workers compensation incidents and incurred costs.

- R3 The County should investigate the feasibility of converting to a plan similar to a 401K for local governments and reduce its contributions. Other local governments

have done so and are not facing the PERS problems. At a minimum the County should require all employees to contribute the employee share of PERS.

Response: This recommendation has been partially implemented in that research has been done and retirement reforms have and will continue to be one of many points of discussion in future labor negotiations.

- R4** The County should adopt a proactive plan to support Governor Brown's Twelve Point Pension Reform Plan, (see Appendix CCB-5) in order to maintain a level playing field with other public entities.

Response: This recommendation has been partially implemented in that recently bargained and legislated reforms are consistent with 5 of the Governor's proposed reforms: 1) The 2nd Tier PERS program requires new employees to pay the employee share of PERS costs (a move towards cost sharing); 2) the 2nd Tier PERS program increases the retirement age for new employees; 3) the 2nd Tier PERS program bases pensions on a 3 year average of compensation rather than the highest single year; 4) recent legislative changes have led Tuolumne County to make significant reductions in the number of retired annuitants it uses; and 5) the County has totally eliminated its post retirement health insurance program as an option for new employees. The Board agrees that any fundamental shift from a defined benefit program (e.g. PERS) to a defined contribution program (e.g. 401k type program) or hybrid system (mix of defined benefit and contribution systems) as suggested by the Governor would best be initiated and implemented on a statewide basis. This would help ensure a level playing field when attempting to recruit and retain employees.

- R5** Paid leave days should be the same for all employees regardless of bargaining unit and should be reduced when in excess of 8-10 holidays, 6-8 sick leave days and 10 days vacation per year. Personal leave time should be consistent with the sum of sick leave and vacation days. Additional vacation or personal leave days may be given to employees for each additional 5 years of service up to a maximum of 25 days per year. This will provide for a more consistent work force. Furlough days should be abolished in exchange for bargaining unit concessions in paid leave days. Employees should not be allowed to cash out paid leave accruals except upon termination. Paid leave days should be for rest, relaxation, sickness, recuperation, etc. not additional compensation.

Response: This recommendation has been partially implemented in that significant changes in leave accrual rates and balances were recently made in the Executive/ Confidential Unit Compensation Plan. Types of leave, accrual rates and balances will continue to be one of many points of discussion in future labor negotiations.

R6 The County should investigate the feasibility of a self insured medical, dental and vision plan with stop loss insurance to better control costs. The County cafeteria contribution should be the same across all bargaining units. Employees who "opt out" should not be entitled to receive payment for opting out. Presumably the County has a "coordination of benefits clause" in their insurance policies to prevent double payments. If this is not the case, a coordination of benefits clause should be included in any future contracts.

Response: Health insurance benefits are an important element of the County's overall compensation system. This recommendation has been partially implemented in that HR staff is continuously researching alternative health care packages in the hopes of discovering high quality options at competitive prices. Health care insurance programs and cafeteria payments will continue to be one of many points of discussion in future labor negotiations.

Thank you for the opportunity to respond to the above findings and recommendations. Please feel free to contact the County Administrator Craig Pedro should you have any questions regarding same.

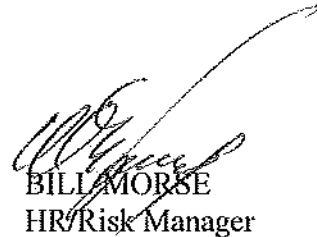


RICHARD PLAND, Chair
Board of Supervisors

Yours truly,



CRAIG L. PEDRO
County Administrator



BILL MORSE
HR/Risk Manager

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

By: 
ALICIA L. JAMAR
Clerk of the Board