

## SIDE LETTER OF AGREEMENT

BETWEEN

CITY OF SAN FERNANDO

AND

SAN FERNANDO PUBLIC EMPLOYEES ASSOCIATION

SERVICE EMPLOYEES INTERNATIONAL UNION, LOCAL 721

This Side Letter of Agreement ("Agreement") between the City of San Fernando ("City") and the San Fernando Public Employees Association / Service Employees International Union, Local 721 ("SFPEA/SEIU Local 721") (collectively "Parties") is entered into with respect to the following:

**WHEREAS**, the City and SFPEA/SEIU Local 721 negotiated a Memorandum of Understanding ("MOU") for the period of July 1, 2017 through June 30, 2022; and

**WHEREAS**, in that 2017-2022 MOU, the parties agreed in Article 2, Section 2.01, to establish a cafeteria style medical plan for unit employees hired after July 1, 2017.

**WHEREAS**, 26 USC section 125, subsection (d)(2) provides that the term "cafeteria plan" does not include any plan that includes "deferred compensation;" and

**WHEREAS**, the parties agree that it is necessary to modify Article 2, Section 2.01, subsections (C)(6) and (D), and Section 2.02, subsection (C) of the 2017-2022 MOU to ensure the cafeteria plan complies with 26 USC section 125.

**THEREFORE**, the parties agree to modify Article 2, Section 2.01, subsections (C)(6), and (D), by replacing current language with the following:

- 1) Article 2, Section 2.01, subsection (C)(6)

*In the event the premiums and/or costs for the selected benefit are less than the monthly flex dollar allowance, surplus funds will not be returned to the employee. In lieu of receiving surplus flex dollar funds, all unit employees participating in the cafeteria plan will receive a contribution of fifty dollars (\$50) per month into a Retiree Health Savings Account, effective from the date of hire. Employees that qualify for benefits under Sections 2.01(6) and 2.02 (C)(2) will receive the sum of both monthly contributions.*

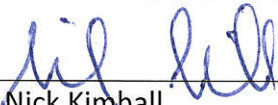
- 2) Article 2, Section 2.01, subsection (D)

*Opt-Out: As an alternative to City provided health/medical coverage, employees shall be entitled to "opt out" of City provided health/medical benefits. In the event that an employee elects to "opt out" of the City's health/medical benefit coverage, the City will pay on behalf of the employee an amount equal to the most expensive*

family level dental and vision premiums (currently \$210/month) which the employee can use toward participation in a dental and/or vision plan or choose to deposit \$210 into a Retiree Health Savings Plan, as designated by the City. If the employee elects to purchase dental and/or vision insurance, surplus funds, if any, will not be returned to the employee. The employee must annually provide the City with evidence of other health/medical insurance coverage that meets the minimum essential coverage requirements, as established by the Affordable Care Act, through another source (other than coverage in the individual market, whether or not obtained through Covered California) in order to "opt out" of health/medical coverage. This "opt out" rate shall not change for employees covered under this MOU during the term of this MOU.

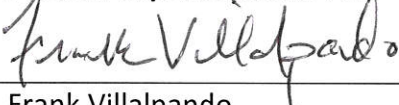
All other terms and conditions contained in the 2017-2022 Memorandum of Understanding between the City and SFPEA shall remain in full force and effect.

**FOR CITY OF SAN FERNANDO:**

  
\_\_\_\_\_  
Nick Kimball  
City Manager

2/27/2020  
\_\_\_\_\_  
Date

**FOR SFPEA/SEIU LOCAL 721:**


  
\_\_\_\_\_  
Frank Villalpando  
Chapter President, SFPEA/SEIU Local 721

3-3-2020  
\_\_\_\_\_  
Date

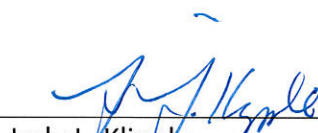
  
\_\_\_\_\_  
Michael E. Okafor  
Personnel Manager

2/26/2020  
\_\_\_\_\_  
Date

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Adrianna Guzman  
Liebert Cassidy Whitmore

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Jody L. Klipple  
Negotiator, SEIU Local 721

3/3/2020  
\_\_\_\_\_  
Date