



CITY COUNCIL STAFF REPORT



December 3, 2024

ITEM TITLE

City Employee Benefits: Adopt the 2025 Cafeteria Benefits Plan Reflecting Health Insurance and Voluntary Insurance Benefits for Eligible City Employees and a Fourth Amendment to the IAFF Memorandum of Understanding

Report Number: 24-0298

Location: No specific geographic location

Department: Human Resources

G.C. § 84308: No

Environmental Notice: The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Adopt resolutions: A) Adopting the 2025 Cafeteria Benefits Plan and B) Adopting the Fourth Amendment to the Memorandum of Understanding between the City and IAFF, Local 2180, covering the period of July 1, 2022 to December 31, 2024.

SUMMARY

The Internal Revenue Code requires that the Section 125 Cafeteria Benefits Plan offered by the City to its employees be in a written document and that the document be formally adopted by the City Council on or before the first day of the plan year. Staff is requesting Council’s approval to adopt the 2025 Cafeteria Benefits Plan document by resolution to fulfill the City’s obligation for the 2025 plan year.

Staff is also recommending the adoption of a resolution approving the Fourth Amendment to the Memorandum of Understanding between the City and IAFF, Local 2180 covering the period of July 1, 2022 to December 31, 2024 which amends a medical benefit plan cost-sharing for calendar year 2025.

ENVIRONMENTAL REVIEW

The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

2025 Cafeteria Benefits Plan

In June 1998, the City established its first Section 125 Cafeteria Benefits Plan. In compliance with Internal Revenue Code §125(d) the City Council annually adopts a written plan document prior to the first day of the plan year. The first day of the City's 2025 plan year is January 1, 2025. This Cafeteria Plan Document is a written plan that describes how the City offers eligible employees certain benefits on a pretax basis (such as health insurance) while having the option to choose among at least one taxable benefit (such as cash). Having an approved written plan is critical under cafeteria plan regulations. Without a written Plan or if the written Plan does not comply with applicable requirements regarding content and timing of adoption, the Plan is not a Section 125 Cafeteria Plan and employees' benefit elections will be taxable. The City timed its open enrollment period in 2024 to comply with these regulations and to meet provider cutoff deadlines for enrollment which will ensure employees have benefits coverage without interruption. The City's Plan includes the following required information and incorporates all of the operating rules prescribed in Code §125 and the regulations thereunder.

- Description of available benefits
- Participation rules
- Benefit election procedures
- Plan Year
- Manner of contributions
- Maximum amount of contributions
- Plan provisions for complying with flexible spending accounts (FSAs)

Specific health plans offered and their structure are not part of this Cafeteria Plan Document and instead defined in what is known as the Summary of Benefits and Coverage (SBC). Employees are provided the SBCs as part of open enrollment materials to assist them in making their benefits elections. The determination of the health plans available and their structure are based on an annual review after our broker, Marsh and McLennan Agency, LLC., extensively markets with benefit plan providers for coverage comparable to the prior year while keeping the increase in costs to the City and its benefited employees to a minimum. All employee groups are advised of the offers and the plan structures that will provide the least increase in premium costs.

Cafeteria Benefits Flex Allotments for unrepresented employees and elected officials are included in both the Cafeteria Plan Document and the Compensation Summary for Unrepresented Employees. Staff is requesting Council's approval to adopt the 2025 Cafeteria Benefits Plan document by resolution to fulfill the City's obligation for the 2025 plan year (Attachments 1-4).

Fourth Amendment to the Memorandum of Understanding between the City and IAFF, Local 2180

The City and the International Association of Fire Fighters, Local 2180 ("Local 2180") entered into a

Memorandum of Understanding (“MOU”) covering the period of July 1, 2022, to December 31, 2024, regarding wages, hours, and other terms and conditions of employment. The City and Local 2180, after meeting and conferring in good faith pursuant to the Meyers-Milias-Brown Act (MMBA), wish to enter into a Fourth Amendment to the 2022-2024 MOU amending the medical benefit plans for calendar year 2025. The existing MOU states that employees enrolled in the lowest cost, non-Kaiser, limited network Health Maintenance Organization (HMO)/limited network alternative plan will pay \$50 per month. For the 2025 benefits plan year, the non-Kaiser, limited network HMO/limited network alternative plan premium is less than the Kaiser HMO plan. The Fourth Amendment provides that the \$50 per month premium for IAFF employees enrolled in the lowest cost, non-Kaiser, limited network HMO/limited network alternative plan will be waived for the 2025 benefits plan year if the Aetna Whole Health (AWH) Southern California HMO is elected. Adoption of Resolution B will approve the Fourth Amendment to the Memorandum of Understanding between the City and IAFF, Local 2180.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.). Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The adoption of this plan is not anticipated to result in an additional fiscal impact as increases based on the preliminary information provided by the City's insurance broker were included in the fiscal year 2024-25 budget.

ONGOING FISCAL IMPACT

Flex Allotments are negotiated with the City's bargaining groups. Unrepresented employees and elected officials also receive Flex Allotments. With the exception of Public Safety bargaining groups, the City shares the cost of medical insurance premium increase on a 50/50 basis. The 50/50 cost sharing formula utilizes the average cost increase of family premiums of non-indemnity health plans. Then to determine the next plan year's Flex Allotment, 50% of the average increase is added to the current year's Flex Allotment amount. For Public Safety bargaining groups, the City assumes the full cost of the medical premium increases. As a result of the negotiated premium changes for the 2025 Benefits Plan Year, the 2025 Flex Allotments are increasing by an annual amount of \$1,656. This increase will not impact Flex Allotments for employees who waive medical insurance or elect Employee Only medical coverage since those amounts are capped at amounts specified in the Compensation Summary or Memorandum of Understanding.

The tables below illustrate the Cafeteria Flex Allotments for the 2025 Plan Year. The impact to future budgets and the five-year financial forecast will depend on the outcome of negotiations with the City's bargaining groups and the changes in medical insurance premiums.

2025 Flex Allotments (Non-Safety Employees)		
Group/Bargaining Unit	Employees Who Cover Dependents on Medical Insurance	Employees Who Waive or Elect Employee Only Medical Insurance
Association of Chula Vista Employees (ACE)	\$18,080	\$13,024
Confidential (CONF)	\$18,580	\$13,024
Elected Officials (CATY, CL, MY)	\$21,356	\$15,162
Executives, City Manager, and City Clerk (EXEC, CMGR, CCLK)	\$21,356	\$15,162
2025 Flex Allotments (Non-Safety Employees)		
Group/Bargaining Unit	Employees Who Cover Dependents on Medical Insurance	Employees Who Waive or Elect Employee Only Medical Insurance
Middle Managers and Professionals (MM/PROF)	\$19,456	\$12,762
Confidential and Unclassified Middle Managers and Professionals (MMUC,MMCF,PRUC,PRCF)	\$19,456	\$12,762
Non-Safety IAFF (NIAF)	\$18,080	\$13,024
Senior Managers (SM)	\$19,956	\$13,762
Western Council of Engineers (WCE)	\$18,956	\$13,024

ATTACHMENTS

1. 2025 City of Chula Vista Cafeteria Benefits Plan Document
2. Exhibit A – 2025 Health Care & Dependent/Child Care Flexible Spending Accounts
3. Exhibit B – Hartford Voluntary Insurance Plan
4. Exhibit C – Employee Assistance Program (EAP)
5. Fourth Amendment to the Memorandum of Understanding between the City and IAFF, Local 2180 covering the period of July 1, 2022 to December 31, 2024

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