

**TENTATIVE AGREEMENT – November 16, 2021
(Pending OCEA Review and Acceptance)**

SIDE LETTER OF UNDERSTANDING BETWEEN
THE ORANGE COUNTY SANITATION DISTRICT AND THE
ORANGE COUNTY EMPLOYEES ASSOCIATION

As a result of the completion of labor negotiations regarding the Health Reimbursement Arrangement (HRA) contract reopener, the Orange County Sanitation District (OC San) and the Orange County Employees Association (OCEA) hereby agree to the following modifications to the existing agreements between the parties that are in effect from July 1, 2019 through June 30, 2022. These changes will only be implemented going forward from the date of this Side Letter.

1. Section 20.10, Health Retirement Account (HRA) Reopener, will be retitled Health Reimbursement Arrangement.

The current language in Article 20.10 will be removed in its entirety and replaced with the following:

20.10. Health Reimbursement Arrangement: OC San will establish a Health Reimbursement Arrangement (HRA) for all employees in the Group, per Internal Revenue Guidance Rev. Rul. 2002-41 and Rev. No. 2002-45.

20.10.1 All employees of the Group shall be required to contribute uniformly to the HRA according to the following plan design and may not opt out.

20.10.2 All mandatory sick leave payouts shall be contributed to the employee's HRA according to the provisions in Article 27 – Leave of Absence with Pay, Section 27.2.5.

20.10.3 All mandatory vacation payouts shall be contributed to the employee's HRA in accordance with Article 27 – Leave of Absence with Pay, Section 27.1.5.

20.10.4 All mandatory compensatory payouts shall be contributed to the employee's HRA in accordance with Article 16 - Holidays, Section 16.1.

**TENTATIVE AGREEMENT – November 16, 2021
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- 20.10.5 In the event of death while employed at OC San, any compensation as a result of any accrued and unused sick leave, vacation leave, and compensatory leave payouts shall be paid to the employee's designated beneficiaries.
- 20.10.6 In the event of death, the employee's HRA account and all remaining monies within the account shall be transferred to the qualified dependent of record. The qualified dependent of record is a designation defined by IRS rules rather than an employee-chosen beneficiary. In the event there is no qualified dependent of record, all assets in the HRA shall be forfeited and distributed on a non-discriminatory basis to remaining plan participants.
- 20.10.7 In the event of termination of employment by OC San, any compensation as a result of accrued and unused sick leave, vacation leave, and compensatory leave payouts shall be paid directly to the employee.
- 20.10.8 OC San shall pay the administrative costs of the HRA plan up to a maximum of \$30 per year per employee. Employees shall be responsible for any asset management fees.

2. The following corresponding modifications will be made to Article 16 - Holidays:

Section 16.1 will be modified to the following:

The days listed below are observed by OC San as holidays. Employees will receive holiday pay if their entire scheduled work shift immediately preceding and following the holiday are in a paid payroll status, meaning the employee worked those shifts or utilized paid time off in lieu of working those shifts. When an employee's work schedule requires that they work on an observed holiday, the employee will be paid at the employee's regular rate of pay for the holiday, and will also receive overtime pay at the rate of one and one half (1.5) times their regular hourly rate for all hours actually worked. Employees may also elect to receive Holiday Compensatory Time Off on an hour for hour basis rather than receive holiday pay if requested by December 31 of the prior year on the Holiday Comp Cashout Form. When a holiday occurs on an employee's regular scheduled day off, the employee will accrue compensatory time off for the amount of

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hours normally scheduled for that day. Employees with a compensatory time off balance in excess of fifty (50) hours as of the last pay period ending in October will receive a mandatory payout for the hours that exceed fifty (50). The mandatory payout shall be made in the form of a contribution into the employee's HRA according to Article 20 – Insurance, Health Reimbursement Arrangement, Section 20.10.4.

3. The following corresponding modifications will be made to Article 27 - Leave-Of-Absence with Pay:

Section 27.1.5, will be modified to the following:

Employees may have a maximum accumulation of 200 hours as of the last day of the final pay period in December of each year. In the event an employee accrues vacation leave in excess of 200 hours, it must be used prior to said December date, all other remaining hours in excess of 200 will be contributed into the employee's HRA according to Article 20 – Insurance, Health Reimbursement Arrangement, Section 20.10.3. This will occur in the first pay period in January at the employee's then current hourly rate of compensation.

Section 27.2.5, Annual Payoff, will be modified to the following:

Annual Payoff: Employees may elect annually to be paid for any unused sick leave hours accrued through the last pay period ending in October at their current hourly rate according to the following payoff schedule. The mandatory payout shall be made in the form of a contribution into the employee's HRA according to Article 20 – Insurance, Health Reimbursement Arrangement, Section 20.10.2.

Accrued Sick Leave Hours	Rate of Payoff
0-100	0%
101-240	25%
241-560	35%
Over 560 (mandatory)	50%

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James Herberg, General Manager – OC San

Date

Saliem Aregaye, OCEA Chief Negotiator

Date