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June 3, 2019

Sent Via Email: JBorsos@cta.org

John Borsos
Executive Director
Sacramento City Teachers Association (SCTA)
5300 Elvas Avenue
Sacramento, CA 95819-2333

Re: Health Plan Savings

Dear Mr. Borsos:

This letter serves as the Sacramento City Unified School District's ("District") response to your emails dated May 29, 2019, regarding "how to apply to the bargaining unit [SCTA]" the value of the estimated health plan savings for the 2019-20 school year and the SCTA Messenger of May 29, 2019 that such savings should be used to hire "40.55 FTEs." (See attachments). The basis for your demand to bargain is on a select portion of Article 13.1.1 of the parties' Tentative Agreement, which, as you know, the District and SCTA have differing interpretations of such article.

The excerpt you include in your email to support the demand to negotiate omits critical portions of the parties' agreement which make clear that the health care savings to negotiate are those that are realized from changes to plans effectuated on or before July 1, 2018. The deadline of July 1, 2018, was intended to permit for changes to the District's health plans for purposes of the 2018-19 school year. SCTA did not take the necessary actions to effectuate any changes to the health plan by July 1, 2018 as required under the agreement. Thus, no cost savings were achieved to negotiate. Additionally, Article 13.1.1 does not automatically apply to any cost savings realized for the 2019-20 school year, or any school year thereafter. Any argument that the parties intended the terms of Article 13.1.1 to continue in perpetuity is unfounded and in clear conflict with the language of the Article and the intent of the parties.

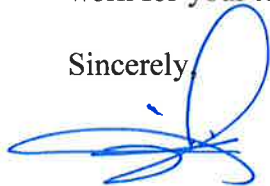
Moreover, as CECHCR observed at the recent meeting on May 24, 2019, it is very likely that the District could see a large – even double digit – increase in the health plan premium prices next year. Therefore, applying savings that result from year-to-year market fluctuations in health plan costs to hire large numbers of new employees into SCTA's bargaining unit during a fiscal crisis would be irresponsible and subject to the stay and rescind authority of the Sacramento County Office of Education. Were we to apply such a one-time cost savings that result from a market change to the ongoing

expense of new employees it would result in additional cuts and layoffs in the near future when market rate increases are certain to occur. This is the type of example of budgeting that we must commit to end in order to achieve long term financial stability.

To illustrate this more specifically, your email does not consider that while the 2019-2020 premium price for HealthNet declined by 6%, the premium price for the Kaiser plans actually increased by almost 4%, and thus the overall savings resulting from these market changes is significantly less than stated in your email. Your email also references hiring additional SCTA employees with savings that should result from a decrease in the cost of retiree plans in 2019-2020. However, as you are well aware, retiree health care is not included in Article 13.1.1 which applies to health plans offered to *current eligible employees*. Retiree Health Benefits are covered by Article 13.10 and Article 13.10.3.1 provides that resulting savings from retirees who “opt out” of the District provided health coverage will be applied to fund the District’s long term OPEB unfunded liability which currently stands at \$780,518,410 (see Actuarial Report of August 16, 2018).

On the basis of the above, the District does not believe that this specific demand is negotiable. Notwithstanding, the District remains ready and willing to meet with SCTA as soon as possible to commence negotiations for the 2019-20 school year on all topics sunshined by the parties, including employee health benefits. While the dates provided by the District in our May 21, 2019 letter have either passed or are longer feasible, our negotiations team is available to meet with SCTA on the following dates as well as throughout the summer on any additional dates that work for all parties, including: June 10, 11, or 13. Please let us know at your earliest convenience whether any of these dates work for your team.

Sincerely,



Jorge A. Aguilar
Superintendent

Enclosures

cc: David Fisher, SCTA President