BROKEN PROMISES WILL COST COUNTY $20 MILLION

On May 12, 2009, the Sonoma County Board of Supervisors approved a proposed budget for its Fiscal Year beginning July 1, 2009. This proposed budget contains significant service reductions to the citizens of Sonoma County that can be avoided. Specifically, the budget includes a $20 million net cost increase that is the result of the County's flawed health benefits scheme that disadvantages most active employees and breaks decades of promises the County made to its retirees.

In August 2008, the County adopted a plan to reduce its share of health insurance premiums for retirees to a flat $500/month with no provision for increases due to inflation. Since the County conceded that retirees' health benefits are tied to those for employees, the County cut employee health benefits to $500/month at the same time. Then, in September 2008, the Board of Supervisors approved a $600/month cash allowance for all active employees and elected officials, including themselves. Retirees did not receive this "bonus" even though it was clearly implemented to make up for the cuts to employees' health benefits.

Active employees who have families will pay more per month under this plan even if they dedicate the entire $600/month to their health premiums. This flat monthly amount also does not protect employees against inflation. In addition, retirees, who don't receive the additional $600/month "bonus," will have to pay dramatically increased amounts for their health care benefits despite the fact that most of them live on fixed incomes.

Worst of all, this flawed scheme will cost the County more than it currently pays toward health benefits. The total cost of the $600/month cash "bonus," which costs the County over $10,000/year/employee with the taxes and benefits that attach, is nearly $40 million per year. The budget savings from imposing the reduction in health insurance benefits for employees and retirees is approximately $20 million per year. So the County is spending $40 million to save $20 million.

By reversing its decision to spend $40 million on a cash "bonus" for active employees, the Board of Supervisors will save enough to solve the budget deficit AND restore current health insurance coverage for both active employees and retirees! Now, in the middle of a recession, is not the time for the Board to grant itself and County employees a $600/month "bonus" funded by cuts in public services and cuts to health insurance benefits for retirees and employees. Additionally, the County is facing a lawsuit by retirees for health benefits that have been promised over the last 40 years and were part of their compensation package. If the County does not reverse course soon, the lawsuit could cost the County an additional $18 million per year or more.

It does not take a rocket scientist to see the flawed mathematics and the injustice of the cash "bonus." Most employees oppose the new health benefits plan. The two largest unions would not agree to it because it drastically decreased their health benefits. The County, however, imposed it on them anyway.

With the County facing budget shortfalls, this is not the time to increase costs but to step back, restore health benefits to retirees and employees while the County works with employees and retirees to find more effective ways of cutting health care costs. Employee groups and retirees have continued to work to try to find solutions that will resolve the County's concerns about an unfunded liability for retiree health costs, but so far our suggestions have fallen on deaf ears.

Carol Bauer, President
Sonoma County Association of Retired Employees