

EMPLOYEE RELATIONS COMMITTEE MEETING

Tuesday, January 9, 2007
Council Chambers

PRESENT: Alds. Krill, Maher, Meaux, Purins, Stepaniak – 5

ALSO PRESENT: J. Archambo, City Admin.; B. Aldana, Asst. City Atty./Personnel Admin.; Police Lt. D. Leone, Police Sgt. J. Mastrocola; Police Off. L. Kavelaris, Fire Chief D. Redman; Asst. Fire Chief M. Anton; J. Schwab, Elec. Inspec.

Ald. Purins as Chair called the meeting to order at 6:31 p.m.

Employee Health Benefits

Mr. Archambo gave the committee a table outlining his suggested strategy to address the employee health benefits issue. He said that health benefit costs have risen on average approximately 9 1/2 % each year since 1969. This is an added burden on the city's budget especially over the last few years. His strategy is as follows: 1) continue discussions with the committee on solutions for the rise in health benefits at the 1st meeting of each month; 2) work with the employees to constrain costs through health benefits 101; 3) prepare a staff presentation for the Employee Relations Committee in March; 4) establish health insurance performance benchmarks and incentives from the committee by April; 5) re-affirm goal of reserve levels at 30% by April; 6) confirm cost containment strategy and bidding by May/June; 7) receive budget parameters from the Budget & Finance Committee by June/July; 8) establish bargaining parameters and strategy by June/July; 9) establish wage/benefits for non-represented employees by June/July; and 10) collective bargaining begins in September.

Ald. Purins asked when the next contract period formally starts and is it the same for all groups. Ms. Aldana said the next contract period starts in the next calendar year and it is the same for all groups. Mr. Archambo added that the benefits also include the retirees.

Ald. Purins asked if September through December is a reasonable timetable for negotiations. Ms. Aldana said the last time a contract was negotiated it wasn't settled until May or June of the next year and the contract before that took two extra years. She noted that the Common Council recess in August affects the timing and they need to know what the city wants to present.

Asst. Fire Chief Anton, Employee Council Chair, noted that the order of establishing wage and benefit parameters for non-represented employees first is a departure from the way the negotiations have been conducted in the past. He asked what the reason was for reversing that order. Mr. Archambo said that to the extent that the city is going to make modifications to the health insurance plan the negotiations should begin as soon as possible. Asst. Fire Chief Anton said that since there are no constraints when dealing with the non-represented employees the city could ultimately settle with wages and benefits at a vastly different level from the represented groups. Mr. Archambo responded that it cannot be assumed that the health benefit level will be different between represented and non-represented until the committee goes through the process.

Ald. Purins said they need to look at the pros and cons of what has been done in the past. He said that essentially the non-represented employees have been treated as if they had a 3-year contract, but this might not be the final process.

Ald. Donegan said he has a great deal of respect for the city management, but he would like to be convinced that the health benefit is manageable. He asked that the committee have the same sense of

urgency about this issue. The net cost of the health benefit is equal to 26% of the total tax levy and 19% of all expenditures. He is suggesting that the current health benefit is unsustainable, but this has gone unnoticed because of the surplus. The \$1.8 million life insurance reserve is bloated according to the Finance Director. Ald. Donegan felt that the health benefit is not properly funded in 2007. The city can no longer go to the surplus to pay bills because there is no more surplus. He said they need to find \$1.2 million in new funding sources and he didn't know where to get that amount except from the tax levy. If wages were kept flat they would still have to increase the tax levy by 5% to pay for health benefits. Mr. Archambo said that conclusion is generally correct.

Ald. Donegan suggested that the committee take this on immediately by relieving the city's burden via the non-represented employees. He thought it was fair and good bargaining to go to management first with concessions so they are not ultimately negotiating for their own benefits. He asked if it would be such a terrible hardship for the employees compared to what the public pays. He noted that a lot of the disparity between city and private health benefits is because of the retirees. Private companies do not have to pay post retirement benefits so their costs are lower. He read the opinion of Judge Robert Krenski in a legal brief supporting the City of Wauwatosa during union negotiations in 2005. The judge basically said the city offers the employees a better deal than most comparables and the fact that employees have a choice in plans makes the health benefits more costly. Ald. Donegan concluded from the judge's opinion that the health benefits the non-represented employees are enjoying are far superior to their peers around the city. He said the city needs to put the brakes on this spending and he felt this would not constitute a terrible hardship to the city's very valuable employees. The city can decide on the appropriate compensation.

Mr. Schwab requested that the committee read the Kaiser report which is the report Ald. Donegan used to formulate his proposed Health Benefit Plan. He said the employees have \$1,200 in deductibles and co-pays. When that is compared to the plan Ald. Donegan proposed that equals a 50% payment of the premium. He noted that the employees are now in a deductible situation which equals 50% of the premium. During Healthcare 101 the employees and the Council came together and talked about the need for changes and then implemented those changes. As a result, the city is seeing a cost reduction in the health benefit of about 1% from the previous year. The cooperation of the employees is bringing costs down. The employees are trying to help.

Asst. Fire Chief Anton said the information submitted by Ald. Donegan is fairly new information and none of the employees have had a chance to evaluate it. He said that as co-chair of the Employee Council he represents the non-represented employees in all employee matters. He noted that three years ago the unions began a laborious process to address the health care costs with additional deductions and co-pays as well Health Risk Assessment incentives that will hopefully yield increasing benefits. These actions have already resulted in some savings.

Ms. Aldana said that from 2005 through 2007 there have been changes in the health benefit each year. Neither plan had deductibles before and now they have them and each plan has the same prescription drug payments. The differentiation between the tiers was reduced. The other changes were addressed in the presentation she gave the week before. Ald. Meaux asked if any of those changes applied to retiree benefits. Ms. Aldana said that any changes to the represented plans were also given to retirees. The retirees also pay a bit of a premium.

Off. Kavelaris, Wauwatosa Peace Officers Assoc. (WPOA) said that as a member of a represented group, they understand the pie is finite and they have been working very hard with the city over the past few years. The employees are not oblivious to the problem. They have increased their contribution substantially and it affects their salary increase. The employees are looking at the problem collectively not as adversaries. They plan to continue to cooperate throughout the year prior to negotiations starting and

they would hate to see a scenario where non-represented employees are put in the position of being forced on this issue. He said that the comparables for his represented group are taken from other police unions. His groups have arithmetically reduced their costs and benefits over the past 9 years and many of the benefits have been decreased or eliminated over the last 3 years. He noted that the health benefit industry is out of control yet there is no one attacking the health benefit industry instead the pressure is being put on the employees. He suggested that some of the processes and changes they've begun be able to play themselves out. They fully intend to go into negotiations with open minds; however one group is not necessarily linked to other groups. He didn't see any benefit with having the non-represented employees end up with a package better or worse than the represented employees.

Dick Bachman, 2229 N. 115th Street agreed that it is the health benefit industry that is the problem and he felt that every city employee should be treated the same.

Ald. Purins said this is a discussion of the options based on the committee's and the new City Administrator's financial observations. He was not sure if some of the information submitted by Ald. Donegan was comparing apples to apples, but there needs to be a model where the committee is comparing reasonable things in a reasonable manner and seeing how it compares to other communities. There is a variety of public employees, private employees' pensions and social security and he hoped to arrive at a reasonable answer that treats every employee fairly. They would like to look into alternatives like the non-represented employees first. He questioned whether historic practice was a good reason to keep the status quo.

Ald. Maher thanked Ald. Donegan for the information. He said there has been a lot of anxiety raised, but he hasn't heard anyone refuting the data. He was concerned about the reserve levels. Which group they take on first and how they address the problem is the reality they are dealing with.

Police Lt. Leone said he has worked for the city for 27 years. He asked if salaries are flat lined and benefits are reduced for the supervisors is this something that will be put on the employee until the employee pays for everything. He asked if there will be that much of a savings if the supervisors are given these cuts. He noted that the city's tax bill was a fraction of the overall property tax bill. He stressed that Wauwatosa is a top tier city requiring top notch services to support it.

Police Sgt. Mastrocola asked if the represented employees' insurance package is generally the same as the supervisors. Ms. Aldana said that with the exception of the police department every employee has a choice between two health insurance plans. Police Sgt. Mastrocola said the non-represented employees do not have the ability to negotiate. They work in the same building as the represented employees doing the same type of work and it doesn't make sense that the non-represented employees would have a lesser salary and benefit package than the people they are supervising.

Amanda Schumacher, 2261 N. 62nd Street thanked Ald. Donegan for bringing this situation to her attention. She said that as an average citizen her deductible is \$1,200 and her cost for health insurance is \$40 per month. She was shocked to hear from Ald. Donegan that city employees don't pay anything for healthcare. She did not think that was fair.

Ald. Maher said he didn't know what the answers are. If the committee accepts Ald. Donegan's spreadsheet which raises the issue of cost, there is no revenue source to cover health benefits for 2008. They can look at a levy increase of 3.7% but the entire budget had a levy increase of 3% in 2007 and he didn't know what the state budget will look like. He said they have to collectively work for a solution to this problem.

Fire Chief Redman said that it has been a challenge to find people that will move into non-presented positions because in some cases the wages and benefits are very similar to the represented employees. He would like the committee to address some procedural issues with regard to hiring for those positions and to take seriously the impact of treating non-represented employees differently from represented employees.

Mr. Schwab said that the employees working with the Council is the right way to do handle this. It is better to negotiate with a majority of the city employees.

Asst. Fire Chief Anton reiterated that the employees do pay for their health insurance. It is not a zero contribution for either represented or non-represented employees. He spent 10 years in the union and attended all of the negotiations. He stressed that all of the benefits in place were benefits and wages that were not just given to the employees nor were they demanded by the employees. In one case or another they were agreed upon through the proper negotiating process. The negotiations with the unions will be largely based on comparables with other employee groups of similar type. The employees appearing at this meeting were motivated to attend for two reasons: 1) surprise because at the end of last year they had no indication or information that there was a question about their wage increase and 2) confusion over why studies that they and the Council have put a lot of effort into such as Carlson Dettman and Healthcare 101 are not being utilized. He was disheartened to see top level employees, some of the most dedicated in the city dealing with the possibility of taking a lesser wage and benefit package than the people they supervise. As a representative of the Employee Council he assured the committee that they are willing and ready to work toward solutions to the problems that have been discussed.

Off. Kavelaris said there is a misconception that city employees contribute nothing to healthcare. He didn't know where this misinformation was coming from, but it is a misrepresentation of the reality and false. Health benefits are costing every city employee every year. Any political backlash may be due to misconceptions about the City of Wauwatosa employee health benefit plan and would be lessened by people giving out the correct information. The truth needs to be given to the public. He regretted that employee groups were working together with the city for the collective good while the public is being misinformed about the reality of city employee health benefits.

Rate increases for non-represented full time, part time and casual employees

Ms. Aldana said this item was held from the last meeting. She explained that the 2007 Budget anticipates a 3% wage increase for non-represented employees. This is consistent with the amounts agreed to in the city's labor agreements for represented employees. Traditionally, non-represented employees are given the same annual across the board increase as represented employees. In order to provide the increase, it is necessary to pass an ordinance updating the appropriate provisions of Chapter 2.59 of the municipal code.

Moved by Ald. Maher, seconded by Ald. Krill to recommend approval of an ordinance updating the appropriate provisions of the municipal code Chapter 2.59 to reflect a 3% wage increase for non-represented full time, part time, and casual employees – 5

The meeting adjourned at 7:50 p.m.

Carla A. Ledesma, City Clerk
City of Wauwatosa

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