



CITY OF WAUWATOSA
7725 WEST NORTH AVENUE
WAUWATOSA, WI 53213
Telephone: (414) 479-8917
Fax: (414) 479-8989
<http://www.wauwatosa.net>

COMMITTEE OF THE WHOLE

Tuesday, July 5, 2011 – 6:45 p.m.

PRESENT: Alds. Wilke, Wilson, Berdan, Birschel, Donegan, Ewerdt, Jay, Meaux, Nikcevich, Organ, Pantuso, Roznowski -12

EXCUSED: Alds. Causier, Hanson, McBride

ABSENT: Ald. Walsh

ALSO Mr. Archambo, City Administrator

PRESENT: Mr. Ruggini, Finance Director

Ald. Meaux in the Chair

General Fund Five-Year Projection. Continued from the last Committee of the Whole meeting was the General Fund five-year projection report by Messrs. Archambo and Ruggini. The purpose of this meeting was to answer the Committee's questions regarding assumptions or methods used in developing the projection, as well as strategies for its implementation.

Ald. Donegan characterized the projection's contents as startling, noting that despite changes in employee compensation (i.e., 5.8% pension contributions, increases from 3% to 10% for health insurance premiums, and no cost-of-living increases in 2012), there remains a gap of \$2.3 million dollars for 2012.

Mr. Archambo summarized some key points concerning 2012: A 2% pay increase commensurate with what was discussed with the city's five unions; the 2% is not a cost-of-living increase. Wages will increase 2%.

With respect to police and fire employees, no modifications are assumed with respect to WRS pension contributions or health insurance premiums. This means the city will continue to pay 21-22% towards these employees' pensions, and these employees will make just a 3% contribution for health insurance premiums. Until contracts are finalized, no assumptions are being made that may not occur.

Ald. Donegan observed that the Budget Repair Bill's 'tools' for municipalities fall short; despite increased contributions by employees, Wauwatosa is still grappling with a gap of over \$2 million dollars.

Mr. Archambo stated that if the city loses in arbitration and there is no reduction in police and fire employee compensation, additional reductions will have to be identified and implemented beyond that needed to cover the known \$2.3 million dollar gap. Mr. Archambo pointed out that this potential additional shortage cannot simply be taken from personnel; there has to be balance. If there is work to do, and available equipment with which to do it, but no personnel with whom to implement it, that is not productive. Changes need to be structural, not one-time. One-time fixes simply compound the problem for the future.

In response to a query about implementation of Budget Repair Bill 'tools,' Mr. Ruggini stated that the start date is December 31 of this year. Changes made this year would only improve the fund balance; they will not impact the five-year forecast.

Mr. Archambo added that the Secretary of Administration will determine when the increased pension contributions by employees will occur. Implementation is expected at the end of August, though a firm start date has not been established. Mr. Archambo reiterated that the five-year forecast as presented does not include 2011.

Ald. Donegan suggested that it may be worthwhile to explore some early implementation of cost-cutting measures.

Mr. Ruggini noted that by the end of July a quarterly projection to the end of the year will be developed. That projection will incorporate the pending pension contribution changes.

Mr. Archambo reiterated that it not recommended to use the available fund balance to mitigate the city's problems. Beginning January 1, 2012 it will be assumed that sustainable cost-saving measures are in place. Reductions in compensation will help compensate for revenue reductions, but there are many other measures to take to make future budgets work. Wauwatosa is no different than any other community across the country in this regard.

When asked how much a 2% increase in employee compensation will cost for 2012, Mr. Archambo replied that it is \$600,000. He added that the projected increase for 2013 is 2½ %. There was no pay increase for 2011. Increases in the past few years were in the 2.75% - 3% range.

Ald. Roznowski observed that saving \$600,000 in 2012 would reduce the gap considerably.

With respect to projected revenues, Mr. Ruggini explained that property tax increases will be limited to net new construction. The Joint Finance Committee had proposed a formula using 'net new' and then a 1.5% increase thereafter for municipalities. That last provision was stricken from the final budget document, however.

Mr. Ruggini also stated that the state budget allows municipalities to make health care plan changes for police and fire personnel. Mr. Archambo added that they do expect some movement in this area during contract negotiations.

Responding to a query about easier and more obvious strategies to implement, Mr. Archambo responded that short-term answers – such as rolling vacancies – will only work for a while. He added that the city is operating under more constraints than in the past. Previously, the city did not have to deal with the zero percent property tax increase and had other revenue streams to count on. Permanent structural operational changes such as automated refuse collection, street light conversation to LED lighting, etc., must be implemented. Furthermore, it is likely that the entire city will convert in 2012 to a Health Reimbursement Account (HRA) plan. Mr. Archambo expressed confidence that he will be able to put the Council in a position to eliminate the financial gap, but acknowledged it will not be easy.

When asked about the concept of shared services among neighboring communities, Mr. Archambo stated that this option continues to be explored. An inventory is being made of formal and informal arrangements already in place with other jurisdictions. It is not likely that any significant shared service programs will be in place for 2012, however.

Responding to a query about employee costs for health insurance, Mr. Archambo explained that non-represented employees began paying 10% in February. He is now recommending increasing payment to that level for the balance of employees in the IBEW, AFSCME, and OPEIU unions. Furthermore, the practice of police and fire supervisors paying the same as the rank and file employees must end.

Ald. Jay asked whether employees could be asked to pay 12% as the state employees are. Mr. Ruggini replied that while this is possible, it should be noted that the state's 12% figure does not compare with the city's 10% figure because the state plans don't rely on deductibles and co-pays.

Ald. Jay further inquired whether consideration ought to be given to combining health departments, inasmuch as there is likely a redundancy of service occurring. Mr. Archambo stated that this is one of many options under consideration. With respect to contracting out for services, Mr. Archambo explained that because of provisions in the state's budget bill and the budget repair bill, the city will be better able to match private sector wages. In some cases, the city's costs for providing services may actually be lower than the private sector because the city is not concerned with making a profit.

Mr. Archambo also reported that the staffing changes being made within the fire department as a result of the ICMA study will result in savings of over \$200,000. The total dollars that could be saved by total implementation of the ICMA recommendations is somewhat imprecise, but is approximately \$3.3 million for all three stations. Those recommendations, however, include staff reductions that would likely eliminate current paramedics, as these tend to be younger employees with less seniority. A lack of paramedics would, in turn, make it difficult to adopt all of the ICMA recommendations.

When asked about how the city can negotiate health care issues with unions, Mr. Archambo explained that with the protective unions, the city must negotiate premium contributions, but does not have to negotiate plan design or vendor changes.

(Ald. McBride present 7:27 p.m.) -14

Ald. Donegan acknowledged that the last few months have been tumultuous for employees and have left many feeling dispirited. As an employer, he feels a responsibility to assure that the decisions made on compensation and benefits are not arbitrary. His goal is for city employees to be the best and highest compensated in southeast Wisconsin. Wauwatosa is a well-managed city in good financial condition. Ald. Donegan added he is disinclined to consider options for reducing the cost of employment, but more supportive of ways to increase productivity.

The meeting adjourned at 7:32 p.m.

Carla A. Ledesma, City Clerk

cal