

Reply to Common Council File No. 130782
From DOA-Budget and Management Division

January 17, 2014

Ref: SF 14010

File Number 130782 contains a substitute ordinance relating to employee benefits for the position of operations driver/worker (ODW).

Currently, city employees in the position of operations driver/worker become eligible for full employee benefits such as medical benefits and vacation pay after completing 2,080 hours of employment. This ordinance establishes that employees in the position of operations driver/worker shall be eligible for full employee benefits upon hire.

The rationale for the deferred fringe benefit eligibility for ODW's was the expectation they would serve as seasonal employees. However, ODW's are not hired as seasonal employees and DPW assigns them to core City services.

The Department of Public Works-Operations Division currently is recruiting to fill 20 persons to appoint to vacant Operations-Driver Worker (ODW) positions. ODWs play a central role in City services such as garbage collection, recycling, and snow and ice removal operations. Reportedly 15 of the 29 eligible individuals have removed themselves from the recruitment, presumably due to the wages (see next agenda item, file 131263) and benefits associated with an entry level job offer. Apparently only nine of these individuals remain interested in an appointment.

The City's health care benefit plan and defined benefit pension plan are superior relative to the benefit design that most private sector employers offer. Presumably this ordinance change, if adopted, would materially improve the City's competitive recruitment position.

DER has estimated an annual fiscal impact of approximately \$90,000, based on an annual level of 20 new appointments. Pension costs are modest, based on the fact that all newly-hired general employees pay the member contribution, and the employer share of normal cost for the newly-enacted plan design is ~ 3.5% of eligible wages. The City self-funds employee health care benefit costs, so therefore actual costs are subject to utilization. However, based on the assumption that newly hired persons will generate relatively modest costs, and the significant level of plan deductibles, co-pays, and out-of-pocket maximums, it is reasonable to anticipate a relatively modest impact on this fringe benefit program during the first year of employment. The Budget & Management Division estimates that these additional costs can be managed within existing appropriation levels. In addition, these costs can be expected to diminish in the near term as DPW implements automated garbage collection, thereby offsetting some attrition replacement needs.

It should be noted that current Finance & Personnel Committee vacancy approval processes exempt seasonal positions in the Department of Public Works from approval to fill prior to appointment. Since

these positions are not seasonal, the Budget & Management Division recommends this exemption be removed effective with any recruitment initiated on or after the effective date of this ordinance, if it is adopted.

RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER 130782. In addition, adopt a motion to require Finance & Personnel Committee approval in order to fill Operations Driver-Worker positions for any recruitment initiated on or after the effective date of this ordinance.



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