

## RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

### **Executive Summary: 2007 Proposed Budget**

#### **Department of Employee Relations (DER)**

1. The 2007 proposed operating budget includes \$5,038,022. This is a 10% decrease from the 2006 budget (*Page 3*).
2. The number of authorized positions decreased from 93 in 2006 to 83 in 2007. This reduces total net salaries and wages and fringe benefits by 8% (*Page 3*).
3. The following positions are transferred to the Fire and Police Commission in the 2007 proposed budget: Fire and Police Commission Executive Director (which will be reclassified to Monitor/Executive Director); Administrative Assistant III; Research Services Specialist; and Research Analyst-Senior (*Page 6 and 10*).
4. The 2007 proposed budget removes the Fire and Police Commission from DER and reestablishes it as a distinct department (*Page 4; 7; and 10*).
5. The proposed budget creates four new positions in the Fire and Police Commission: Community Relations Manager, Assistant Monitor (1/2 funded for 2007), Research & Policy Specialist (unfunded position) and Paralegal (*Page 6 and 10*).
6. The proposed budget keeps recruitment, selection and certification procedures for the Police and Fire Department within DER. (*Page 4; 7; and 10*).
7. The Fire and Police Commission will continue to provide oversight of the citizen complaint process, including intake investigations and hearings, as appropriate. The responsibilities of the citizen complaint process are proposed to be the joint responsibility of the Fire and Police Commission and the Police Department (*Page 13-14*).
8. Various initiatives planned by DER for 2006 will work toward automating DER procedures and streamlining data management; these include a Worker's Compensation Computer System and the E-Benefits system, which allows employees to access personalized benefit information on-line (*Page 7*).
9. The only contract that remains unsettled for 2004-2006 is the Milwaukee Police Supervisors' Organization. It was anticipated that the Wisconsin Employment Relations Commission would have a decision in step one of the arbitration process by the end of September, but the decision has not yet been reached. (*Page 8*).
10. A police recruit class will graduate in November, 2006 (*Page 11-12*).
11. DER does not anticipate taking applications for firefighter in 2007. The current eligible list has over 800 names on it and should meet the hiring needs of the fire department (*Page 11*).

12. There is a 4% increase for special purpose accounts under DER authority, or \$4.4 million, from the 2006 adopted budget. This amount includes the Employee Health Care Benefit Accounts (*Page 14-15*).
13. The \$975,000 budgeted for the Unemployment Compensation Special Purpose Account in 2007 compares to \$780,000 in 2006, a 25% increase. The amount of proposed funding for 2007 is based upon historical levels of expenditure, and should greatly reduce or eliminate the need for Contingent Fund requests (*Pages 17-18*).
14. Employee Health Care Benefits, budgeted at \$106,730,000 for 2007, represents a 3% increase from 2006 (*Page 19*).
15. The 2007 proposed budget increases the Administrative Expenses sub-account, in the Employee Health Care Benefits Special Purpose Account, by 79%, or \$1.3 million, from the 2006 budget. The increase in this sub-account in 2007 is related to the Medicare Part D drug plan for retirees, and reflects the \$50 per person per month increase in Administrative costs for Medicare retirees (*Page 19*).
16. There are two HMO choices for 2007: Humana HMO Select and Humana Premier HMO. The city's Basic Plan is available to all employees, and the Basic Plan Tier I is only available to active Management, Retired Management (if retired after 2004), Housing Authority, Redevelopment Authority, Wisconsin Center District, Milwaukee Economic Development Corporation, Local 494 (Electrical) and Milwaukee Buildings and Trade Council employees (*Page 20-21*).
17. The low-cost HMO serves as the baseline for determining the employee share of other health insurance options provided by the city, in particular, the broad-based HMO and, for management employees, the share of the monthly Basic Plan premium. For 2007, the lowest priced HMO, HMO Select, is \$452.37 for single coverage and \$1,235.26 for family coverage. The city's share is \$452.37 for single plans and \$1,235.26 for family plans; thus employees enrolling in this plan will have a \$0 monthly premium (*Page 21-22*).

## RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

### 2007 Proposed Budget Summary: Department of Employee Relations (DER)

Expense Category	2005 Actual	2006 Budget	% Change	2007 Proposed	% Change
Personnel*	\$5,198,342	\$4,947,673	-5%	\$4,571,822	-8%
Operating Expend.	\$348,679	\$396,502	14%	\$350,581	-12%
Equipment Purchase	\$3,370	\$21,600	541%	\$3,000	-86%
Special Funds	\$95,556	\$237,619	149%	\$112,619	-53%
<b>TOTAL</b>	<b>\$5,645,947</b>	<b>\$5,603,394</b>	<b>-1%</b>	<b>\$5,038,022</b>	<b>-10%</b>
Capital	0	0	0	\$400,000	new
Positions	98	93	-5	83	-10

\*Personnel is Net Wages and Salaries combined with Fringe Benefits

The Department of Employee Relations (DER) provides human resources and support to city agencies and the Milwaukee Public Schools with the goal of attracting, retaining and motivating a competent and diverse workforce. DER will meet these goals while complying with state and federal employment laws, civil service rules and applicable collective bargaining agreements.

DER has four program areas:

- Employee Relations
- Compensation and Employee Benefits
- Staffing
- Workers' Compensation/Safety

DER conducts its operations in accordance with the rules of the City Service Commission and the Fire and Police Commission.

### Departmental Mission Statement

To maintain a productive, diverse workforce that is well trained, empowered, motivated, adequately compensated, high in morale, prepared to protect the lives and property of the citizens of Milwaukee, and fully attuned to efficient and effective customer service delivery.

### Historical Information

In 2003, the Fire and Police Commission was merged with DER and the Commission's services were consolidated into DER's three divisions: **Administration** (Business, Diversity & Outreach, Board of City Service Commissioners and Fire & Police Commission), **Operations** (Staffing, including fire and police, Labor Relations, Selection Services, Compensation Services, Training and Development Services, Certification & Salary Services and Research) and **Employee Benefits** including health benefits and worker's compensation. This reorganization completed a change from specified service teams to a functional division of duties.

The 2006 report, "Promoting Police Accountability in Milwaukee: Strengthening the Fire and Police Commission," evaluated the structure, procedures and practices of the Fire and Police

Commission. The chief recommendation of the report is to transition the Fire and Police Commission to a model of monitor oversight. It also removes the Fire and Police Commission from DER and reestablishes the Fire and Police Commission as a distinct department. Recruitment, selection and certification procedures for the Police and Fire departments will remain in DER.

## **2007 BUDGET HIGHLIGHTS, by DIVISION**

### **DER — Administration Division**

<b>Expense Category</b>	<b>2007 Proposed Budget</b>
Personnel	\$757,022
Operating Expend.	\$53,300
Equipment Purchase	\$3,000
Special Funds	\$112,619
<b>TOTAL</b>	<b>\$925,941</b>
Positions	18

#### **Personnel**

The proposed budget decreases net salaries and wages from \$742,039 in 2006 to \$533,114 (28%). Fringe Benefits decreases 28%. The primary reason for this is the transfer of seven positions to the Fire and Police Commission: the Fire and Police Executive Director; the 5 Fire and Police Commissioners; and one Administrative Assistant III.

A Diversity Specialist, Senior position in the Office of Diversity & Outreach is being eliminated due to the restructuring of DER and the Fire and Police Commission. Other DER staff will absorb the duties and responsibilities of this position.

#### **Operating Expenditures**

There is a 13% decrease in Operating Expenditures from the 2006 budget to the proposed 2007 budget, from \$61,496 to \$53,300.

#### **Equipment Purchase**

There is no change in Equipment Purchases. This line item is \$3,000 in 2006 and 2007.

#### **Special Funds**

The decrease in the Special Funds total from \$237,619 in 2006 to \$112,619 in 2007 is the result of a reduction of \$125,000 allocated in 2006 for the Police Staffing Study. The other Special Funds that continue to be funded for 2007 are: safety glasses, drug testing and pre-placement exams.

**DER — Employee Benefits Division**

Expense Category	2007 Proposed Budget
Personnel	\$1,736,562
Operating Expend.	\$100,200
Equipment Purchase	\$0*
Special Funds	\$0
<b>TOTAL</b>	<b>\$1,836,762</b>
Positions	24

**Personnel**

The proposed budget increases net salaries and wages from \$1,196,028 in 2006 to \$1,222,931 (2%). Fringe Benefits increases 2%. The increase is due to salary increases.

A Management Services Adjuster, SG 03 is proposed to be reclassified to Management Services Adjuster, SG 05.

**Operating Expenditures**

There is a 10% increase in Operating Expenditures from the 2006 budget to the proposed 2007 budget, from \$91,205 to \$100,200.

**\*Equipment**

In 2006, \$18,600 was allocated to the Equipment Account for the Employee Benefits Division for worker's compensation computer equipment. As this allocation was not needed in 2007, this line item is \$0. This accounts for the 86% decrease in Equipment Purchases for DER's overall operating budget from \$21,600 in 2006 to \$3,000 in 2007 (the \$3,000 allocation is in the Administration Division).

**DER — Operations Division**

Expense Category	2007 Proposed Budget
Personnel	\$2,078,238
Operating Expend.	\$197,081
Equipment Purchase	\$0
Special Funds	\$0
<b>TOTAL</b>	<b>\$2,275,319</b>
Positions	41

**Personnel**

The proposed budget decreases net salaries and wages by 5%, from \$1,546,210 in 2006 to \$1,463,548. Fringe Benefits decreases 5%. The primary reason for this is the transfer of two positions to the Fire and Police Commission: Research Services Specialist and Research Analyst. Please refer to page 10 for further discussion of the proposed structure of the Fire and Police Commission.

A Labor Research Analyst, SG 02 is proposed to be reclassified and retitled as Labor Relations Analyst Senior, SG 05.

### **Operating Expenditures**

There is a 19% decrease in Operating Expenditures from the 2006 budget to the proposed 2007 budget, from \$243,801 to \$197,081. This is principally due to the decrease in Professional Services from \$136,227 in 2006 to \$83,686 in the 2007 proposed budget. The services included in this item are: contracted services for test design, development and administration for protective service positions; arbitrator and court reporter costs associated with Grievance Arbitration, Mediation and Interest Arbitration; court reporters for Disciplinary Appeal Hearings with City Service and Fire and Police Commissioners; and expenses associated with the use of Special Test Examiners. The decrease in the requested budget (\$93,401) is attributed to the three Hearing Officers hired to handle a backlog of citizen complaint trials and all disciplinary trials stemming from disciplinary hearings associated with the Jude case. Those additional resources were secured in 2005 for use in 2005 and 2006. No additional funding for that purpose was requested in 2007.

### **Summary of Personnel Changes**

1. The 2006 budget authorized 93 positions in DER, reduced to 83 positions in the 2007 proposed budget. The number of positions funded by O&M is 53.86, a 9% decrease from the 2006 budget of 59.05.
2. The following positions are transferred to the Fire and Police Commission in the 2007 budget:
  - (1) Fire and Police Commission Executive Director (Admin. Division), will be transferred and reclassified to, "Fire and Police Commission Monitor/Executive Director."
  - (1) Administrative Assistant III (Admin. Division).
  - (5) Fire and Police Commissioner (Admin. Division).
  - (1) Research Services Specialist (Operations Division).
  - (1) Research Analyst-Senior (Operations Division).

These positions are being transitioned due to the proposed restructuring of the Fire and Police Commission. Reclassifications and changes in pay grade must be implemented to transition certain positions, which are subject to review and approval by the City Service Commission. Please refer to page 10 for further discussion on personnel in the Fire and Police Commission.

3. The following position has been eliminated from DER.
  - (1) Diversity Specialist, Senior position in the Office of Diversity & Outreach. This position is being eliminated due to the restructuring of DER and the Fire and Police Commission. Other DER staff will absorb the duties and responsibilities of this position (Admin. Division).
4. The following reclassification are proposed:
  - (1) Management Services Adjuster, SG 03 reclassified to Management

Services Adjuster, SG 05 (Employee Benefits Division).

- (1) Labor Research Analyst, SG 02 reclassified and retitled as Labor Relations Analyst Senior, SG 05 (Operations Division).

## **Major Changes/Initiatives**

### **1. Restructuring of DER and the Fire and Police Commission.**

The 2006 report, "*Promoting Police Accountability in Milwaukee: Strengthening the Fire and Police Commission*" recommended that the Fire and Police Commission be removed from DER to be transitioned to a Monitor Model of oversight. The budget proposes that the Fire and Police Commission be reestablished as a distinct department, while recruitment, selection and certification procedures for the Police and Fire Department remain within DER.

DER stated it anticipates no changes in service with the retention of the personnel functions of the Fire and Police Commission, as the same staff will be retained in DER, who will perform the same functions.

### **2. Capital Improvements : Worker's Compensation Computer System.**

A new computer system is planned for the Workers Compensation Section in 2007. This system, when fully implemented, will have capabilities that will automate a number of the manual steps that are currently being performed by the Workers Compensation Staff. The impact of this change will be increased efficiency in claims processing, streamlined claims workflow, medical bill payment and indemnity payments. The system will extend the workers compensation process beyond the Workers Compensation Section to individual city departments, so that individual departments may access information in a read-only fashion, integrate with the PeopleSoft system and greatly improve the report capability and improve customer service.

The 2007 budget includes \$400,000 for this item, which includes the cost allocated for the entire system. The amount of funding allocated to this capital improvement will impact the type of system that will be purchased and the components that will be included in the system. DER estimates additional allocations will probably be necessary for the system in the future, but should be similar to regular software and program upgrades of standard operating systems.

### **3. E-Benefit System.**

In 2006, the "Self Enrollment Pilot Program" allowed 200 employees to change their health, dental flexible spending, long term disability and life insurance benefits on-line through the city's secure Peoplesoft E-benefits Internet site. All city employees will use the Peoplesoft E-benefits Internet Self Service Enrollment next year. The Pilot program included representatives from the Department of Public Works, Milwaukee Public Library, the Health Department, ITMD and DER. The site is user-friendly and provides brief summaries of each available plan available to each employee.

### **4. Changes to the Management Pay Plan Study.**

It is an ongoing DER initiative to assess the city's Management Pay Plan in an effort to determine the city's ability to attract, retain and motivate qualified employees. The current

assessment, which began in 2005, is intended to identify best compensation and pay practices used by other public sector employers addressing similar fiscal and employment-related challenges facing the City of Milwaukee.

The review of the pay plan has included a survey of pay practices in other jurisdictions, a market study of key positions, a best practices review, a survey of city managers, focus groups with key department managers and feedback from a committee of department representatives. DER is in the process of developing and presenting recommendations to the Mayor and the Common Council.

A key component of the changes in the Management Pay Plan includes a requirement for departments to conduct Performance Management discussions with Management Pay Plan employees. Components of the Performance Management process will include discussions on competencies, goals and objectives, and employee development. DER will provide training on this initiative for all Management Pay Plan employees.

### **DER Ongoing Initiatives, Programs and Policies**

#### **1. Labor Contract Negotiations.**

There are no extraordinary fiscal impacts anticipated in 2007. The goal of negotiations for the city will be to reduce health care costs.

The only contract that remains unsettled for 2004-2006 is the Milwaukee Police Supervisors' Organization. It was anticipated that the Wisconsin Employment Relations Commission would have a decision in step one of the arbitration process by the end of September, but the decision has not yet been reached. After the step one decision, the actual arbitration process (hearing, testimony, exhibits, briefs, etc.) will start. It is anticipated the remainder of the arbitration process will take at least 9 months before there is an answer.

#### **2. Reclassification Studies.**

The current wait list for classification studies is affected by the lifting of the freeze on certain reclassification studies that was in effect for about five years, which was lifted in 2004. The wait time for a classification study varies based on the type of request. New positions are given the highest priority and are completed quickly (1 to 2 weeks) and are sent through the approval process. This involves review and approval by the City Service Commission, Finance & Personnel Committee and the Common Council. The classification/reallocation study process is the same whether the request comes as a result of changes to the budget or is requested during the course of the year.

Throughout 2006 the compensation staff has been actively involved in the review of the Management Pay Plan. Many reclassification requests for managerial positions were informally put on hold pending the outcome of this review. This has significantly increased the number of pending requests.

The following table provides classification study statistics for 2003-2006, and includes all reports to the Civil Service Commission and the Fire and Police Commission.



### Classification Study Statistics 2003 – 2006

(Includes all Reports to the Civil Service Commission and the Fire and Police Commission)

	<u>No. of Reports</u>	<u>Classification Studies</u> (Job Titles)	<u>Number of Positions</u>
2003 Completed	25	73	118
2004 Completed	30	87	214
2005 Completed	41	101*	390*
2006 Completed to date (as of 8/31/2006)	36	63	163
2006 requests currently under study (assigned studies)	-	19	71
2005 additional active requests (to be assigned)	-	54	91

*\*Totals include 35 titles/50 positions included in report on positions changed from Management to DC48 resulting from the unit clarification. Also includes 205 Summer Youth Intern and 25 Team Leader positions.*

### 3. Identifying Placement Opportunities.

DER is currently working with the Budget Office to assess the number and type of positions to be eliminated in conjunction with the 2007 budget. The maximum expected exposure is 15 total positions. The city has in the last two years successfully placed individuals in vacant positions, thereby minimizing the need for layoff. DER anticipates being able to identify placement opportunities for those individuals by the end of 2006.

### 4. Improving Labor-Management Climate.

DER is actively working with city departments to educate managers and supervisors on establishing and maintaining positive labor-management relations. DER interacts with managers and supervisors in responding to complaints of harassment, intimidation or hostile work environment.

In 2006 DER started collecting exit interview data from separated employees in an effort to assess the organizational culture of city agencies and measure job satisfaction, communication, employee-supervisory relationships and other employment factors. The information received is being summarized and analyzed and will be used in conjunction with Accountability in Management meetings between the Mayor and the operating departments.

### Fire and Police Commission

The Fire and Police Commission is composed of five citizens who are appointed by the Mayor and approved by the Common Council. Its role, responsibilities and authority are outlined in state statutes. The Commission is responsible for governing the selection and appointment of police and fire department personnel, conducting examinations for entry and promotional positions, and denying or approving police and fire department appointees. The Commission also reviews personnel policies, conducts appeal hearings on personnel disciplinary matters and reviews citizen complaints. State law provides that the Commission shall conduct annual reviews of police and fire department operations, and may issue directives to the departments' chiefs based on its reviews.

In 2003, Fire and Police Commission staff was merged with DER and Commission services were consolidated into DER's three divisions. The 2006 report, "*Promoting Police Accountability in Milwaukee: Strengthening the Fire and Police Commission*," evaluated the structure, procedures and practices of the Fire and Police Commission. The chief recommendation of the report is to transition the Fire and Police Commission to a model of monitor oversight. It also removes the Fire and Police Commission from DER and reestablishes the Fire and Police Commission as a distinct department. Recruitment, selection and certification procedures for the Police and Fire Departments will remain in DER.

In response to the proposed 2007 budget, and the removal of the Fire and Police Commission from DER, the process for restructuring the Fire and Police Commission is in the planning stage. If the 2007 proposed budget is adopted as proposed, the first initiative of the Commission will be to begin the process of hiring an Independent Monitor. DER anticipates the capital costs associated with the Commission's restructuring of office space, and related costs, will be approximately \$100,000. The Commission's offices will remain in DER.

## **2007 BUDGET HIGHLIGHTS**

### **F&PC**

<b>Expense Category</b>	<b>2007 Proposed Budget</b>
Personnel	\$665,048
Operating Expend.	\$46,834
Equipment Purchase	\$2,535
Special Funds	\$0
<b>TOTAL</b>	<b>\$714,417</b>
Positions	15

### **Fire and Police Commission : Summary of Personnel**

There are a total of 15 positions in the 2007 proposed budget, which equals 7.5 FTE's. The 2007 proposed budget adds two Commissioner positions to the Fire and Police Commission, for a total of seven commissioners. A change in state law is necessary to implement this change. The following list summarizes the proposed structure of the Fire and Police Commission, as outlined in the 2007 proposed budget.

Reclassifications and changes in pay grade must be implemented to transition certain positions, which are subject to review and approval by the City Service Commission.

- (1) Monitor/Executive Director, pay range 15
- (1) Assistant Monitor, pay range 6 (new position; 1/2 funded for 2006)
- (1) Community Relations Manager, pay range 9 (new position)
- (1) Research & Policy Manager/Hearing Examiner, pay range 10
- (1) Research and Policy Specialist, pay range 6 (new, unfunded position)
- (1) Research and Policy Analyst, pay range 594
- (1) Paralegal, pay range 594 (new position)
- (1) Administrative Assistant III, pay range 530
- (7) Fire and Police Commissioner, pay range 41

## **Fire and Police Commission Initiatives, Programs and Policies**

### **1. Strategies to Ensure Retention of Sworn Personnel.**

Fire and Police Commission staff continues to collect and analyze information on the overall rate of separation and reasons for separation. The following table shows total Police Department resignations for 2002 to 2006. The 2005 figure includes one individual who was re-hired, four who transferred to the Fire Department and one who transferred to Milwaukee Public Schools. The 2006 figure includes the number of resignations through September 23<sup>rd</sup>.

	2002	2003	2004	2005	2006
<b>Police Department Resignations- all positions</b>	53	26	23	25	30

### **2. Processing Police and Fire Department Applications.**

The 2007 budget includes costs associated with administering a written exam, a physical ability test, an oral interview, a background investigation, a medical examination, a psychological evaluation and a drug screen test. Related expenses are: printing physical ability test rating sheets and medical questionnaires, printing oral interview materials, scoring and analyzing results by testing consultants (EB Jacobs), printing medical history forms, fees for medical examinations, the cost of purchasing the psychological inventory (MMPI-2) answer sheets (price includes scoring), psychologist fees and the cost of drug screens.

The first phase of the Police Officer testing process consists of a written test with three components: a written ability test; a work styles questionnaire; and a life experience survey. All Police Officer candidates undergo psychological examinations prior to appointment to eliminate those who are psychologically unfit for police work.

DER does not anticipate taking applications for firefighter in 2007. The current eligible list has over 800 names on it and should meet the hiring needs of the fire department.

It takes approximately 4 months to process a group through the selection process after the eligible list has been established. However, it takes several more months to complete the background investigations. Following is the timeline for the police officer class that was hired and began training May 25, 2006:

- 8/19/05 Mailed Personal History Questionnaires (PHQs) that must be returned within a two-week period.
- 08/30/05 through 09/09/05 PHQs returned
- 09/12/05 Mail Physical Ability Test (PAT) scheduling letter and forward PHQs to background unit.
- 09/20 /05 Practice PAT (1 day).
- 09-27, 28, & 29/05 Conduct PAT (3 days).
- 10/03/05 Retake PAT (1 day).
- 10/04/05 Mail oral interview scheduling letters.
- 10-12, 13, & 14/05 Conduct oral interviews (2 panels for 3 days using 9 Police Officers).
- 03/28/06 Backgrounds completed.

- 04/19/06 MMPI.
- 04/27/06 Psych evaluation.
- 05/10/06 Medical Exam.
- 05/12/06 Drug screen.
- 05/18/06 Hired 54 recruits.
- 05/22/06 Recruits began training.
- 11/2006 Recruit graduation in late November.

### 3. Police and Fire Department Retirement.

A total of 197 sworn members of the Police Department and 212 sworn members of the Fire Department are currently or will become eligible to retire at some time during 2007. It is not possible to predict if or when those eligible to retire will actually retire. In 2005 there were 65 retirements from the Police Department and through September, 2006, there were 41. In 2005 there were 25 retirements from the Fire Department, and through August, 2006, there were 14. DER states there will be enough candidates to address all of the anticipated vacancies on the Police and Fire Departments if they are granted authority to fill by the council.

	"Straight" Retirement		"Duty Disability" Retirement*		Total Retirement	
	2005	2006	2005	2006	2005	2006
<b>Police Department</b>	61	41	4	0	<b>65</b>	<b>41</b>
<b>Fire Department</b>	16	10	9	4	<b>25</b>	<b>14</b>

\*Disability Retirement refers to those who have not reached the minimum retirement requirements, but retire early due to injury or disability.

### 4. Recruitment of a Diverse Workforce.

The Department of Employee Relations/Fire and Police Commission reaches out to diverse communities on an ongoing basis to stimulate interest in the Police Officer and Firefighter positions, even though applications are accepted for these positions only every few years. A Human Resources Representative in DER whose responsibilities include recruiting conducts presentations and works at career fairs and other events in a variety of settings throughout the year. Because there is a need to extend a special welcome to minorities and women to consider careers as Police Officers and Firefighters, DER chooses to participate in events that provide maximum exposure in those communities. It is expected that both MPD and MFD will commit personnel to assist DER staff in the ongoing recruiting effort.

The following table provides current employment levels for the Police Department:

<b>POLICE DEPARTMENT DIVERSITY REPRESENTATION</b>						
<b>Race/Sex</b>	<b>Overall</b>		<b>Police Officer</b>		<b>Exempt</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
<b>Total male</b>	<b>81.5</b>	<b>1603</b>	<b>82.4</b>	<b>1120</b>	<b>74.3</b>	<b>26</b>
<b>Total female</b>	<b>18.5</b>	<b>364</b>	<b>17.6</b>	<b>239</b>	<b>25.7</b>	<b>9</b>
<b>Total Black</b>	<b>21.9</b>	<b>430</b>	<b>21.3</b>	<b>289</b>	<b>34.3</b>	<b>12</b>
<b>Total Hispanic</b>	<b>10.8</b>	<b>213</b>	<b>11.9</b>	<b>162</b>	<b>8.6</b>	<b>3</b>
<b>Total Amer. Indian</b>	<b>1.7</b>	<b>33</b>	<b>1.4</b>	<b>19</b>	<b>-</b>	<b>-</b>
<b>Total Asian</b>	<b>1.1</b>	<b>22</b>	<b>1.2</b>	<b>16</b>	<b>2.8</b>	<b>1</b>
<b>Total White</b>	<b>64.5</b>	<b>1269</b>	<b>64.2</b>	<b>873</b>	<b>54.3</b>	<b>19</b>
<b>Black male</b>	16.7	329	16.3	222	22.8%	8
<b>Black female</b>	5.1	101	4.9	67	11.4	4
<b>Hispanic male</b>	9.4	185	10.4	141	8.6	3
<b>Hispanic female</b>	1.4	28	1.5	21	-	-
<b>Amer. Indian male</b>	1.4	27	1.5	15	-	-
<b>Amer. Indian female</b>	0.3	6	0.3	4	-	-
<b>Asian male</b>	0.9	17	1.0	13	2.8	1
<b>Asian female</b>	0.3	5	0.2	3	-	-
<b>White male</b>	53.1	1045	53.6	729	40.0	14
<b>White female</b>	11.4	224	10.6	144	14.3	5

### 5. Police Aide Program.

The recruitment cycle for Police Aides takes place annually. Recruiting begins in December with a large mailing to area high schools and community groups, followed by personal visits to high schools during the application period, typically a four-week window beginning in mid-January. A visit may consist of conducting a presentation to explain the selection process (including showing the Physical Abilities Test video), participating in a career fair, or staffing a recruiting table in the cafeteria. In late January, an Open House is held at the Milwaukee Safety Academy to which all high schools and community groups are invited. DER staff members answer questions for students and their parents, while MPD sworn personnel conduct tours, field questions, and display police gear.

### 6. Citizen Complaints.

The strategies recommended in the 2006 Fire and Police Commission report include discontinuing the current commission process for handling citizen complaints and referring all complaints to the Police Department. The report recommends that the Fire and Police Commission should collaborate with the Police Department in establishing protocols for a conciliation process, proactive communication with complainants, and reviewing cases when complainants are dissatisfied with results. The current process is described as follows:

Any aggrieved citizen can file a complaint against a police or fire department member. To file a complaint, a citizen can contact the Office of Diversity (OOD) in the Department of Employee Relations, the NAACP or MICAH to obtain a complaint form. OOD staff helps complainants in

the identification of accused members and rule violations. Sometimes a complaint may be resolved before the complaint is formally filed by staff contact with the District Captain regarding the alleged incident. If the allegations in the complaint are not under the authority of the Commission, the complaint may be referred to the Police Department for resolution. If the FPC has authority, the complaint is scheduled for a conciliation conference. The staff member conducts the conference wherein complainants meet face to face with the accused members, and both sides can explain their actions. If the issues are not resolved, the complaint may be referred for trial before the Commission Hearing Examiner.

### **Citizen Complaints**

<b>YEAR</b>	<b>FILED</b>	<b>RESOLVED</b>
<b>2002</b>	76	64
<b>2003</b>	75	53
<b>2004</b>	103	83
<b>2005</b>	55	58
<b>2006 (as of 9/06)</b>	31	49

### **7. Disciplinary Action**

Formal disciplinary action is imposed at the discretion of the police or fire chief. State law provides police and fire department members may appeal formal discipline if discipline exceeds a pre-determined time limit that is set by state law (more than 5 days for the police department, 2 working days for the fire department). The Commission addresses disciplinary actions with each chief during quarterly performance reviews. The following table shows the number of appeals of disciplinary action that were filed and resolved in the past five years:

### **Appeals from Disciplinary Action**

<b>YEAR</b>	<b>FILED</b>	<b>RESOLVED</b>
<b>2002</b>	20	20
<b>2003</b>	20	10*
<b>2004</b>	24	28**
<b>2005</b>	28	19
<b>2006 (as of 9/06)</b>	22	20

\*Chief Jones' last year

\*\*Chief Heggerty's first year

The proposed addition of two commissioners is expected to increase the ability to schedule and hold disciplinary trials in a more expeditious manner.

### **DER Special Purpose Accounts**

Special Purpose Accounts are not included in department budgets, but expenditure authority over them is typically assigned to departments by virtue of Common Council resolution after the budget is adopted. There is a 4% increase for special purpose accounts under DER authority, or \$4.4 million, from the 2006 adopted budget to the 2007 proposed budget. The following chart details the 2006 adopted and 2007 proposed budgets for SPAs under DER's authority:

Special Purpose Account	2006 Budget	2007 Proposed	Change
<b>Alternative Transportation for City Employees</b>	\$95,000	\$124,000	31%
<b>Employee Training Fund</b>	50,000	40,000	-20%
<b>Flexible Spending Account</b>	32,000	50,000	56%
<b>Long Term Disability</b>	640,000	640,000	0
<b>Tuition Reimbursement Fund</b>	740,000	740,000	0
<b>Unemployment Compensation</b>	780,000	975,000	25%
<b>Total Workers' Compensation</b>	10,810,970	11,555,000	7%
• Workers' Compensation	10,760,970	11,530,000	7%
• Required Employer Law Compliance	50,000	25,000	-50%
<b>Total Employee Health Care Benefits</b>	103,300,000	106,730,000	3%
• Administrative Expenses	1,675,000	3,000,000	79%
• Claims	34,200,000	29,920,000	-13%
• Dental Insurance	2,300,000	2,200,000	-4%
• HMOs	65,125,000	71,610,000	10%
<b>TOTAL</b>	<b>\$116,447,970</b>	<b>\$120,854,000</b>	<b>4%</b>

A description of each special purpose account is provided:

**1. Alternative Transportation for City Employees: Commuter Value Pass.**

The Commuter Value Pass Program (CVP), which was implemented in April, 2000, is an unlimited use photo ID bus pass sponsored by the Milwaukee County Transit System (MCTS) for use on all MCTS buses, including freeway flyers and special event buses. The pass is valid for 90 days at a time, and the employee share of the program is paid through an after-tax payroll deduction.

There are approximately 360 participants currently enrolled in CVP program, compared to 365 participants in 2006. It is uncertain if rising gas prices motivates greater participation in the CVP program; however, with steady enrollment, it appears that there is not a strong relationship.

Milwaukee County Transit System has indicated that fees are likely to increase to approximately \$59 per month for each enrollment from the current \$51.67, split evenly between the city and the employee at \$29.50 for each enrollment. Participants share monthly costs through payroll deduction.

With the exception of the sworn uniformed protective service employees, all active employees are eligible for this program.

This 2007 SPA is budgeted for 31% more than the 2006 budget. This increase is the result of increased costs of the program, established by the Milwaukee County Transit Service.

**2. Employee Training Fund.**

Funds in this account are used to provide training for various purposes for city employees, including new employee orientation. DER intends to use this fund on a yearly basis to provide focused *Leadership Development* training, policy training and across-the-board employment law updates. Topics will vary from year to year.

In 2006, more than 120 employees from different city departments have participated in courses relating to workplace harassment, worker's compensation and workplace retaliation. This is ongoing training that DER sponsors to ensure that new supervisors are aware of related employment laws and supervisory responsibilities.

In October 2006, DER and the Central Safety Committee will also sponsor coursework on reducing stress in the workplace. This will be a general class open to both supervisors and employees. Up to 4 sessions are currently planned and enrollment is expected to be 160 to 200 employees.

In conjunction with continuing efforts to change the Management Pay Plan, DER has identified the need for performance management training. The employee training account will be used to fund at least 4 series of courses in performance management and related employment laws in fall and winter, 2006.

This SPA is budgeted for 20% less than in the 2006 budget. This decreased allocation will not result in a reduction in training opportunities; rather, it is a reflection of historical expenditures.

### **3. Flexible Spending Account Administration.**

Funds in the Flexible Spending Account (FSA) support the Flexible Choices Program which allows city employees to set aside pre-tax dollars for certain medical care and dependent care expenses. This account funds the administrative costs of the program, which are \$3.50 per month per participant. This ongoing account provides funding to contract with a third party administrator to coordinate and manage the program. The city has a three-year contract with a third party administrator, the Flex Company (now ProcessWorks), which expires in December, 2006.

The FSA will have 3 components in 2007: the Medical Expense FSA and the Dependent Care Expense FSA are continuing accounts, and the Parking Expense FSA will be added to next year's plan. The Parking FSA is meant for any work-related parking expenses an employee incurs near his or her workplace.

Currently, there are 877 participants in the Flexible Spending Program, which is a 16% increase from 2006 (753 participants). DER estimated there will be as many as 125 employees enrolling in the Parking FSA, and that enrollments in the Medical and Dependent FSAs should stay between 750 and 877 participants.

In 2007, the maximum contribution for medical expenses is \$4,000 per participant and \$5,000 per participant for dependent care. The Parking Account will have a maximum contribution of \$2,000.

The 2007 proposed budget is 56% greater than the 2006 budget, which reflects costs for anticipated enrollments and expanded eligible benefits.

### **4. Long-Term-Disability (LTD).**

This account funds an income replacement program for employees who cannot work due to injury or illness. Plan 1 LTD benefits begin 180 calendar days from the date an employee can no longer work because of illness or injury. Plan 2 LTD is optional and can be purchased by



employees to reduce the benefit-waiting period to one of three options: 60 calendar days, 90 calendar days or 120 calendar days.

There is no change between the 2006 budget to the 2007 proposed budget, each budgeted at \$640,000.

#### **5. Tuition Reimbursement Fund.**

This ongoing account is used to reimburse tuition costs for city employees. Specific maximum reimbursement levels are determined by collective bargaining. In 2005, 2,116 employees took advantage of the Tuition Benefit Program. This represents a decrease of 76 employees, or 3%, from 2004 usage. Through August 2006, there have been 1,256 participants. This represents a decrease of approximately 6% over the same time period last year. DER projects that about 2,200 employees will utilize tuition benefits in 2007.

Recent user information of this benefit is provided in the following table:

<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Total Usage</b>	1989	2192	2116	tbd
<b>Usage Through August</b>	1335	1248	1338	1256

Benefits eligible for reimbursement include professional membership dues, eligible promotional and continuing education courses at approved centers/institutions of learning, conferences and conventions and DER-sponsored courses.

The 2007 proposed budget is the same as the 2006 budget, each budgeted at \$740,000.

#### **6. Unemployment Compensation.**

This account funds payments for unemployment compensation mandated by federal and state law.

The \$975,000 budgeted for 2007 compares to \$780,000 in 2006, a 25% increase. In July, 2006, a resolution was adopted which transferred \$160,000 from the Contingent Fund to the Unemployment Compensation Fund, as \$751,085 of the 2006 budget was already expended and DER projected expenditures to reach \$933,532.

The city does not have a system that can easily track the reasons for annual fluctuations of unemployment compensation expenses. DER attributes the increase in expenses from 2005 to 2006 to the increase of seasonal layoffs (161 in 2005 compared to 132 in 2004), and longer periods of eligibility and/or additional periods of eligibility. Unemployment compensation is limited to 26 weeks of eligibility, although special extensions may be implemented by the state.

Effective October, 2006, DER will be contracting with the TALX Corporation for unemployment claims administration. A core set of unemployment cost control services built around professional claims administration will assist DER in identifying and monitoring unemployment compensation costs by departments and nature of claim, and will therefore increase access to timely and informative unemployment compensation data.

The amount of proposed funding for 2007 is based upon historical levels of expenditure, and should greatly reduce or eliminate the need for Contingent Fund requests.

**7. Worker's Compensation.**

This account covers expenses incurred by the city as result of employee job-related injuries. In addition, funds are provided in a sub-account to cover expenses incurred as a result of exposure to blood borne pathogens in the workplace. This sub-account, "Required Employer Law Compliance," decreased from \$50,000 in 2006 to \$25,000 in the proposed 2007 budget to reflect historic levels of expenditure.

As of August, 2006, expenditures were \$6,955,311, which is a 26% increase from the expenditures at the same time in 2005. DER estimates \$10,353,523 will be expended through the end of 2006, which is approximately 4% under the 2006 adopted budget.

The 2007 proposed budget is a 7% increase from the 2006 budget, which is what DER requested for the Fund according to 2005 actual figures. There were 4,445 claims received in 2005, with an average cost of \$2,222. The number of recordable claims in 2005 was 1,171. The increase in the SPA is based on the increase of the average monthly wage that is paid out for TTD (Temporary Total Disability) and PPD (Permanent Partial Disability), (for 2004 it was \$1,030.50; for 2005 it was \$1,066.50; and for 2006 it is \$1,116.00), the average weekly increase (from \$687 in 2004, to \$711 in 2005, to \$744 in 2006), and more than a 5% increase in medical costs paid in claims.

Medical costs comprise 75.5% and indemnity costs comprise 22.37% of total paid worker's compensation claims.

The city has contracted with Corvel, a third-party bill reviewer and repricer, since 2000 for repricing services. In 2005, the city also entered into a bill-payment agreement with Corvel. Due to medical and hospital discounts available to Corvel, the city saved approximately \$2 million in 2005. To decrease worker's compensation costs, DER will continue to work with all city departments and agencies to pursue effective return to work options for injured workers and other cost control strategies that will impact the overall Worker's Compensation expenditures incurred by the city.

The following table provides the 2005 payments for the three departments with the greatest Worker's Compensation payments.\*

<b>Department</b>	<b>1/1/05 through 12/31/05</b>
<b>DPW</b>	\$1,778,398
<b>Police</b>	\$945,294
<b>Fire</b>	\$959,388

\*Claim payments do not include payment for medical bills paid by Corvel, the third-party bill reviewer and repricer. With the implementation of new technology, payments made by Corvel will be imported into DER's computer system and included in these totals. Year-to-date, 2006, Corvel payments are greater than \$4.7 million, which is mostly attributed to medical payments in DPW, Police and Fire.

## 8. Employee Health Care Benefits

Funding in this account covers the costs associated with the City's self-funded health care benefit program (Basic Plan), health maintenance organizations (HMOs), and dental insurance. Also included in this account are the costs associated with a contract for a third party administrator of the Basic Plan, utilization review and case management. The following table shows funding for the Employee Health Care Benefits SPA and its sub-accounts:

Employee Health Care Benefits: Sub-Accounts	2005 Actual	2006 Budget	Change	2007 Proposed	Change
Administrative Expenses*	\$1,317,642	\$1,675,000	27%	\$3,000,000	79%
Claims	\$36,087,485	\$34,200,000	-5%	\$29,920,000	-13%
Dental Insurance	\$2,179,783	\$2,300,000	6%	\$2,200,000	-4%
HMOs	\$56,617,554	\$65,125,000	15%	\$71,610,000	10%
<b>Total</b>	<b>\$96,422,000</b>	<b>\$103,300,000</b>	<b>7%</b>	<b>\$106,730,000</b>	<b>3%</b>

\*As of 2006, Cost Containment expenses were combined with Administrative Expenses in one account.

### Sub-Account Line Items

**1. Administrative Expenses:** The 2007 proposed budget increases the Administrative Expenses sub-account by 79%, or \$1.3 million, from the 2006 budget. The increase in this sub-account is related to the Medicare Part D drug plan for retirees, and reflects the \$50 per person per month increase in Administrative costs for Medicare retirees. The new retiree drug plan significantly reduces the cost of their prescription drugs that are paid by Medicare, about \$150 per month. For the 2000 Medicare retirees, this is about \$1.2 million per year in additional administrative costs. Prescription drugs were first carved out of the Basic Plan in 2006, and this change is anticipated for HMO plans in 2008.

Costs in administering the Basic Plan (both CMS and Navitus) have increased, but a portion of the administrative fees are built into monthly premiums and are thus recouped. However, those recoveries are applied to the Claims sub-account, rather than the Administrative Expenses sub-account. Additionally, the increase in the Administrative Expenses account will further offset increases in the Claims sub-account.

**2. Claims:** The 2007 budget decreases the Claims sub-account by 13%, or \$4.3 million, from the 2006 budget. In 2006 there were additional members enrolled in Basic Plan Claims accounts. It is anticipated that many of them may switch back to the HMO plan in 2007. There were additional one-time savings through better discounts from both the third party administrator for the claims account (CMS) and better discounts with the new prescription drug plan carved out in 2006 (Navitus). DER is still reviewing utilization in 2006 to determine if there was a decrease in utilization that contributed to lower claims costs in 2006. Combining the discounts and utilization in 2006 with anticipated lower enrollments in the Claims sub-account in 2007 decreases the Claims sub-account for 2007.

**3. Dental Insurance:** The 2007 budget decreases the dental insurance sub-account by 4%, or \$100,000, from the 2006 budget. The city's monthly premium contribution for dental insurance has not changed since 1992; the city contributes \$13 per month for single and \$37.50 per month for family coverage.

**4. HMOs:** The 2007 budget increases the HMO sub-account by 10%, or \$6.5 million, from the 2006 budget. This increase is based on the increase of HMO costs of about 16%. Humana's 16% increase in rates was lower than rate increases of other HMOs. This sub-account is based on estimated enrollment in an HMO, which is projected to increase by approximately 800 enrollees due to current HMO choices.

**Average Change in Yearly Expenditures**

Between 2001 and 2005, the average annual increase in actual expenditures for the Employee Health Care Benefits SPA was 11.28%.

**Employee Health Care Benefits : Yearly Expenditures**

<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Average</b>
<b>Actual Expenditure</b>	\$62,659,288	\$74,917,275	\$76,931,907	\$84,970,825	\$96,422,000	<b>\$79,180,259</b>
<b>Change</b>	10.5%	19.5%	2.6%	10.4%	13.4%	<b>11.28%</b>

**Summary of Health Plan Options**

Two new HMO plans are offered in 2007: Humana HMO Select and Humana Premier HMO. The HMO Select plan has about 2,500 doctors, and the Premier HMO has about 3,600 doctors. Aurora Family Network HMO and CompCareBlue Broad network HMO will not be offered in 2007.

In each HMO plan, the co-pay benefit level for prescription drugs is \$4 for generic and \$8 for brand name. All active Management employees enrolled in an HMO will pay a 20% co-insurance for prescription drugs with a \$1,000 out-of-pocket maximum.

The Basic Plan is the city's self-funded indemnity plan, and is available to all employees. In 2007, the city will offer a Basic Plan Tier 1 plan for active Management, Retired Management (if retired after 2004), Housing Authority, Redevelopment Authority, Wisconsin Center District, Milwaukee Economic Development Corporation, Local 494 (Electrical) and Milwaukee Building and Construction Trades Council employees. Tier 1 provides the same benefits as the Basic Plan, except that it includes higher employee contributions for out of network providers. All other employees are able to choose between Humana HMO Select or Premier HMO and the Basic Plan.

Retiree/Surviving Spouse benefits are based upon Medicare status and the plan chosen; there are 17 schedules.

The city has four dental plans in 2007: WPS/Delta Dental; DentalBlue; Care-Plus Benefit Plans, Inc.; and First Commonwealth Dental Guardian. These are the same choices that were available in 2006.

Any change in benefit structure or benefit plan design for represented employees must be negotiated with each affected union. The process for charging management employees is through Common Council action. Dialogue with all bargaining groups is ongoing in a continued effort to bring uniformity to benefit structure.

## **Current Enrollment**

Employees Enrolled in a Healthcare Plan in 2006

	Active Employees	Retirees	Total
Basic Plan	2,225	2,898	5,123
HMO	4,362	1,572	5,934
Total	6,587	4,470	11,057

There are currently 6,696 active employees enrolled in dental care.

### **HMO Rate Summary**

The city's monthly contribution for HMO is capped at 100% of the lowest priced HMO premium. The low-cost HMO serves as the baseline for determining the employee share of other health insurance options provided by the city, in particular, the broad-based HMO and, for management employees, the share of the monthly Basic Plan premium.

For 2007, the lowest priced HMO, HMO Select, is \$452.37 for single coverage and \$1,235.26 for family coverage. The city's share is \$452.37 for single plans and \$1,235.26 for family plans; thus employees enrolling in this plan will have a \$0 monthly premium.

The Premier HMO is \$844.61 for single coverage and \$2,305.76 for family coverage. The city's share is \$452.37 for single plans and \$1,235.26 for family plans; thus employees enrolling in this plan will have a \$392.24 monthly premium for single plans and \$1,070.50 monthly premium for family plans.

### **Basic Plan Rate Summary**

The Basic Plan is administered by CompCareBlue Open Access/CMS, and is designed to provide in-patient hospital benefits, medical/surgical benefits and major medical benefits. It allows individuals and their dependents to see any doctor and any hospital, and is available to all employees. Employee contribution varies according to bargaining unit, but are generally in the \$75 (single)/\$150 (family) per month premium range. Active Management employees pay a considerably higher premium share, at \$184.26 per month for a single enrollment and \$199.51 per month for a family enrollment.

A second basic plan, the Basic Plan Tier 1 plan, is available to Active Management, Retired Management (if retired after 2004), Housing Authority, Redevelopment Authority, Wisconsin Center District, Milwaukee Economic Development Corporation, Local 494 (Electrical) and Milwaukee Buildings and Trade Council employees. These employees may choose between the Basic Plan and Basic Plan Tier 1. The Basic Plan Tier 1 is not available to other represented employees, non-management non-represented employees and retired employees.

The difference between the Basic Plan and Basic Plan Tier 1 is that with the Basic Plan a member can go to any provider, doctor or hospital, in the country with 100% for hospital and 80% for major medical coverage. With Tier 1, a member can go to any provider within Southeastern Wisconsin with the same Basic Plan benefits (100% and 80%), but if the member goes outside the Open Access SE Wisconsin network for a non-emergency, the member will pay 30% for hospital and 50% for doctor services (city pays 70% and 50%, respectively.)

Following is a table showing rates for selected employee groups for 2007 for the **Basic Plan**:

Employee Group	Basic Plan, Single Premium	Basic Plan, Single City Share	Basic Plan, Single Employee Share	Basic Plan, Family Premium	Basic Plan, Family City Share	Basic Plan, Family Employee Share
Active Management**	\$636.63	\$452.37	\$184.26	\$1,434.77	\$1,235.26	\$199.51
MPA	\$636.63	\$561.63	\$75.00	\$1,434.77	\$1,284.77	\$150.00
District Council-48*	\$636.63	\$561.63	\$75.00	\$1,434.77	\$1,284.77	\$150.00
MPSO	\$636.63	\$576.63	\$60.00	\$1,434.77	\$1,314.77	\$120.00

\*The DC-48 bargaining unit includes: Local 61 Sanitation; TEAM; Association of Scientific Personnel; NMNR; ALEASP (Clerical); Association of Municipal Attorneys; SNC; Local 19; Local 195 Bridge Operators; Local 494 Mach.; Local 75 Plumbers; Local 510 IAM District #10; Police Aides.

\*\*Also refer to the following table, which shows Basic Plan Tier 1 rates for Active management employees, which is one of the groups eligible for Tier 1 benefits.

Following is a table showing rates for employee groups eligible for the **Basic Plan Tier 1**:

Eligible Employee Group	Tier 1 Single Employee Share	Tier 1 Family Employee Share
<ul style="list-style-type: none"> <li>• Active Management</li> <li>• Retired Management (if retired after 2004)</li> <li>• Housing Authority</li> <li>• Redevelopment Authority</li> <li>• Wisconsin Center District</li> <li>• Milwaukee Economic Development Corporation</li> <li>• Local 494 (Electrical)</li> <li>• Milwaukee Building and Construction Trades Council</li> </ul>	\$56.94	\$125.26

Employee monthly premium rates for the Basic Plan Tier 1 are \$56.94 for a single and \$125.26 for a family enrollment (the city share remains the same as in the Basic Plan and HMO).

### **Dental**

The city has four dental plans in 2007: WPS/Delta Dental; DentalBlue; Care-Plus Benefit Plans, Inc.; and First Commonwealth Dental Guardian. These are the same choices that were available in 2006. The city share for each plan and for each employee group is \$13. Employee monthly premium shares range between \$13.31 and \$19.82 per month for a single enrollment and \$49.05 and \$61.53 per month for a family enrollment, and there is slight variation between bargaining units.

### **Cost Management Strategies**

The city used various strategies to control the costs associated with healthcare, including:

- Changing the Basic Plan administrator from WPS to Anthem Blue Cross/Blue Shield Claims Management Services, Inc., which has resulted in better discounts.
- Using a new Prescription Benefit Manager, Navitus Health Services, which has provided prescription drugs at lower costs.
- Working with retiree groups to find lower costs by leaving the city health plans for Medicare Complete plans.

- The city selected Humana HMOs for 2007 based on lower costs. Humana has a larger network than Compcare Aurora Family Network, which may lead to a shift in enrollment from the Basic Plan to the HMO. It is estimated that about 800 employees will switch from the Basic Plan to an HMO.
- All retiree costs have been reduced under the Humana plans.
- All Medicare retirees will have a Medicare Part D drug card and Wrap-Around drug program. This will result in no change in benefits for retirees, but a monthly premium reduction of \$100 for single and \$200 for family enrollments.
- Medicare retirees will have 20% lower co-payments for all the Medicare formulary drugs they use.
- The city has begun discussions with unions regarding the opportunity to provide incentives to employees who participate in wellness efforts, including smoking cessation, regular exercise and comprehensive health risk analyses.
- DER anticipates that health care benefits for represented employees will be the main subject of negotiations for the city in 2007. The goal of the city is to have one health insurance plan with standard benefits, co-payments, deductibles and co-insurance. The city has begun negotiations with some unions.
- The city continues to work with the Greater Milwaukee Business Foundation on Health, which is addressing five issues related to controlling high health care costs in Southeast Wisconsin. The city will be working with the Business Health Care Group of SE Wisconsin, which is working with large and small employers to identify providers that provide higher quality and lower costs. The city continues to monitor the work of other groups including: Wisconsin Healthcare Providers for Quality, the Wisconsin Health Information Organization and the Wisconsin Health Care Collaborative.
- Various legislative proposals, such as that proposed by the State AFL-CIO, the Wisconsin Health PLAN, and others, are being reviewed. At this time, most comprehensive plans to make significant change lack support in the business community. A positive sign was the federal proposal to provide support to states that wanted to changes health insurance structure and health care delivery to better control costs and to provide health care to the uninsured. Wisconsin does have proposals that can be considered for such demonstration projects.

## **Revenues**

Category	2005 Actual	2006 Budget	2007 Proposed	Change
<b>Charges for Services</b>	\$ 189,489	\$210,000	\$237,000	13%
<b>Insurance Recovery</b>	\$ 206,359	-	\$200,000	-

### **1. Charges for Services.**

Estimated revenue in the 2007 proposed budget is related to charges for services to the Water Department (\$237,000).

### **2. Insurance Recovery.**

This is the second year for this revenue account. It captures third-party reimbursements for Worker's Compensation claims paid by the city. The amount of these recoveries is random and completely dependent on whether a worker's compensation claim can be subrogated to another

insurance company. DER states there is no reason to assume recoveries in 2007 will be less than 2005 recoveries.

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