

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

Executive Summary: 2006 Proposed Budget

Department of Employee Relations (DER)

1. The 2006 proposed budget includes **\$5,395,622**. This is a **3%** increase from the 2005 budget (Page 2).
2. The number of authorized positions decreases from 98 in 2005 to 92 in 2006. Five of the six positions are currently filled (Pages 3-5).
3. All of the City's bargaining units are scheduled to exchange proposals with the City during June 2006. Existing labor contracts will not expire until December 31, 2006. Accordingly, there should be no extraordinary fiscal impact experienced during 2006 (Page 6).
4. Various initiatives planned by DER for 2006 and beyond will work toward creating positive labor-management relations, developing various competencies important to management and fostering employee retention (Pages 6-7).
5. The number of citizen complaints pending before the Fire and Police Commission has increased by approximately 12%, from 2004. The complaint process is one of the areas that will be addressed in the best practices review of the Fire and Police Commission (Page 11).
6. In 2006, DER and the FPC is prepared to provide the Milwaukee Police Department with candidates for two training classes and the Milwaukee Fire Department with candidates for one training class (Pages 11-13).
7. Special Purpose Accounts under the responsibility of DER are budgeted at **\$116,483,970** for the 2006 proposed budget, an increase of 9.9% from 2005. This amount includes the Employee Health Care Benefits (Pages 14-20).
8. Employee Health Care Benefits, budgeted at \$103,300,000 for 2006, represent a 9.1% increase from 2005. The majority of this increase is related to rising health care costs (Pages 15-16).
9. The Worker's Compensation SPA is increased by 21.3% for 2006, from \$8,910,000 to \$10,810,970 (Pages 16-17).

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

2006 Proposed Budget Summary: Department of Employee Relations (DER)

Category	2004 Actual	2005 Budget	Change	2006 Proposed	Change
Operating	\$5,256,559	\$5,188,291	-1%	\$5,395,622	3%
Positions	99	98	-1	92	-6

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 conducts four programs:

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

DER conducts its operations in accordance with the rule of the City Service Commission and the rules of 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 attune to efficient and effective customer service delivery.

Historical Information

In 2003, the Fire and Police Commission was merged with DER and consolidated the Commission services into DER's three distinct divisions: **Administration** (Business, Diversity & Outreach, Labor Relations, Board of City Service Commissioners and Fire & Police Commission), **Operations** (Staffing, including fire and police, 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.

Staffing analysts previously dedicated to supporting protective services vacancies and recruitment and examination activities for those positions are also supporting general

City examinations. The Office of Diversity is also staffing background appeals. High volume examinations and the associated written and physical ability components are now supported by an increased number of analysts. The audit of the Fire and Police Commission practices will include a review of the Commission's roles and responsibilities as well as its authority. To the extent that the merger with DER impacts such areas it is anticipated that the review will address opportunities for improvement.

Expenditure Analysis

1. The 2006 proposed budget includes **\$5,395,622** for operating expenses. This is a 3% increase from the 2005 budget. Included in this amount is \$3,425,987 for salaries and wages, a similar amount as in 2005.

The number of authorized positions decreases from 98 in 2005 to 92 in 2006. This number of authorized positions does not include 10 FTEs for members of the City Service Commission and the Fire and Police Commission.

2. The reduction under General Office Expense from \$75,635 in 2005 to \$44,649 in 2006 is intended to better align the DER Operating Budget with 2004 expenditure experience.
3. Professional Services includes an amount for \$139,207. This is a 44% (\$43,119) increase from 2005.

The Professional Services budget line includes the following services:

- Contracted services for test design, development and administration for protective services 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 Commissions;
- Expenses associated with use of Special Test Examiners.

During the remainder of 2005 and into 2006 DER is anticipating increases in professional services expenses as a result of two significant initiatives:

- All candidates for Police Officer positions will be required to undergo a psychological evaluation to determine their suitability for employment and
- The hiring of three Hearing Officers to handle a backlog of citizen complaint trials filed with the Fire and Police Commission and all disciplinary trials stemming from disciplinary hearings associated with the Frank Jude case.

4. \$74,842 is included in the line Other Operating Services. This is a 17% (\$15,475) reduction from 2005 and adjusted to reflect historical spending trends

This account includes expenses related to:

- (1) Recruitment costs: employment ads in newspapers, professional journals, Internet sites, professional associations, career fairs.
 - (2) Oral Boards: costs associated with travel and stay for professional raters and examiners for entry level and promotional examinations
 - (3) Miscellaneous Expenses: records retrieval and destruction, MPR charges, equipment repair.
5. Special Funds totaling \$112,619 are funded to accommodate expenditures formerly a component of operating expenses:
- Safety Glasses - \$23,000
 - Drug Testing - \$12,000
 - Preplacement Exams - \$77,619

These are funded at similar amounts as in 2005.

6. Equipment is budgeted for \$21,600. This expense is related to the need for updating computer hardware and software.

Personnel and Program Changes

1. The 2005 budget authorized 98 positions in DER, reduced to 92 positions in the 2006 proposed budget.
2. The following position eliminations are proposed in the 2005 budget:
 - 1 Accounting Assistant II, Administration (Filled)
 - 1 Claims Representative, Employee Benefits-Worker's Compensation (Filled)
 - 1 Benefit Services Specialist II, Employee Benefits (Filled)
 - 1 Office Assistant IV, Operations (Vacant)
 - 1 Research Assistant, Operations-FPC (0.55 FTE) (Filled)
 - 1 Personnel Clerk, Operations (Filled)

The eliminations for the 2006 proposed budget for DER will authorize 92 positions. ***Five of these positions are currently filled.*** These reductions are proposed in order to meet the state imposed limits on the municipal levy with an estimated cost savings of \$243,050 for 2006.

With the elimination of the Research Assistant, the Fire and Police Commission will have to identify a different method to prepare its Annual Report and the Public Safety Report, as well as various other reports mandated by the Common Council or its committees. The implication of this is that the Commission will have to rely more heavily on the Fire and Police Departments to provide data and

information for the compilation of such reports. The person in this position also analyzes data from the Fire and Police Departments, including quarterly staffing statistics and annual discipline statistics, and reports to the Board. The elimination of this position will result in loss of employment for the incumbent. This position is currently funded at .55 FTE.

The Office Assistant IV position became vacant in 2005 as a result of a promotion. Other staff members will absorb the duties of this position.

3. In 2006, the Labor Relations Section will move from the Administration Division to the Operations Division.

This shift was made to acknowledge the fact the Labor Relations Section functions as one of the operating sections of DER. DER believes that this section is a better fit in the Operations Division of DER than in the Administration Division. There are no immediate plans for continued restructuring of DER in 2006.

It is the intention of DER to identify opportunities for employees impacted by the 2006 budget reductions and offer placement opportunities through an Employee Placement (EP) Program into vacant positions accordingly.

Employee Placement Program Memo, July 3, 2003

It is the policy of the City to provide support and assistance for affected employees through an EP Program. The content, scale and scope of an EP Program will vary from year to year. However, the basic concept will be to help employees that are identified as being potentially at-risk for layoff with the process of finding re-employment.

The goal of the EP Program is to minimize the number of employees laid-off. Pro-active efforts to retain loyal employees are philosophically and economically desirable. Successful retention and placement efforts are not only good for morale but also save training and unemployment compensation costs.

DER staff members will make every effort to maximize the availability of EP participants for consideration by Departments. Whenever possible, internal promotional recruitments that include EP participants should be conducted versus external recruitments. If a particular staffing process has not been completed and an EP participant can reasonably still be included in the process, it may be done. DER staff will encourage City managers to give preference to EP participants when filling vacancies.

EP participants will be placed on reinstatement lists and certified in accordance with City Service Commission Rules. The availability of existing eligible lists shall not preclude consideration of EP Program employees on reinstatement lists who are eligible for appointment. Participants will be also encouraged to be on as many other staffing resource lists as possible (e.g., transfer lists and eligible lists).

2005-2006 Initiatives: Labor-Management Relations

Positive labor/management relations are defined by DER as practices, behaviors, and outcomes that reflect: mutual respect and trust, knowledge and sound understanding of management and employee rights, compliance with labor provisions and the ability to effectively use the grievance procedure to resolve discrepancies in the interpretation of labor contract provisions.

The Labor Relations Section has taken a more proactive role in resolving disputes between City departments and the unions:

In early August 2005 an agreement was reached with District Council 48 to informally modify the fourth-step of the grievance procedure for DPW grievances. The modification offers the union and the department an opportunity for a full hearing of the grievance issues which, in turn, provides each party with a more realistic view of their chances of prevailing in arbitration. Representative(s) of the Division of Labor Relations, who conduct the hearing, assess the merits of the grievance(s) and attempt to resolve the grievance(s). To date, one fourth-step hearing relative to six grievances has been conducted. All six grievances should be resolved prior to arbitration.

All of the City's bargaining units are scheduled to exchange proposals with the City during June 2006. Existing labor contracts will not expire until December 31, 2006. Accordingly, there should be no extraordinary fiscal impact experienced during 2006.

The only contract not settled as of October 10, 2005 is the contract with the MPSO. MPSO is looking for an additional 1% over the other protective service contract settlements. It appears that the City will proceed to interest arbitration with the MPSO. Based on the other protective service settlements, DER expects the City to prevail.

2005-2006 Initiatives: Human Resources

New initiatives that have started in 2005 and will continue in 2006 and beyond include:

- The development and distribution of *Briefing Papers* for managers and supervisors on important developments in the HR field.
- The development of a new format for the City's Diversity and Cultural Competency Plan.
- Continuing work with the City's Central Safety Committee to increase safety awareness and training and hold departments accountable for maintaining safe work environments.
- The development and distribution of guidelines on conducting effective interviews and reference checks by operating departments.
- The review of current policies/procedures associated with conducting background checks for potential hires.

- Working with the City's legislative liaison staff to encourage and support legislative changes that increase flexibility in certification and referrals of eligible candidates to departments.
- Implement changes to the *Management Pay Plan* that will support recruitment and retention of qualified employees.
- Development and implementation of new job description format and guidelines that incorporate ADA and FLSA requirements.

Total Compensation Philosophy

DER is developing a total compensation philosophy to be used to effectively attract, retain and motivate employees. By communicating to employees the total value of their salary and benefits package, DER anticipates a greater appreciation for the City of Milwaukee as an employer. The value of each employee's total compensation package is typically comprised of salary and benefits, and other tangible and intangible elements. Examples of tangible elements include Tuition Reimbursement, Commuter Value Pass, and Flexible Benefits. Intangible elements could include Flexible Work Schedules, Job Skills training, Performance Management, Coaching, other training and development, and wellness programs.

Management Pay Plan Study

DER is currently assessing the City's Management Pay Plan in an effort to determine the City's ability to attract, retain, and motivate qualified individuals in critical management positions. This assessment is also intended to identify best compensation and pay practices used by other public sector employers addressing similar fiscal and employment/labor-related challenges facing the City of Milwaukee.

DER provided a status report to the Finance and Personnel Committee in June 2004. Preliminary findings from a survey of other public sector jurisdictions along with DER's internal assessment of pay practices reveal that some pay structure and pay administration practices at the City of Milwaukee are consistent with other municipal employers. However, the findings also reveal that other jurisdictions:

- Have greater flexibility in salary determinations for recruitment purposes
- Provide for higher salary adjustments when employees are promoted into management classification
- Establish new salary anniversary dates after promotion
- Tend to have fewer and more generic management titles/classification
- Delegate some discretion to appointing authorities when making salary determinations in hiring and promotion decisions
- Have increasingly moved away from step pay structures to open ranges or a combination of open ranges and step structures for greater flexibility
- Use formal performance appraisal/evaluation tools to measure managerial performance and determine eligibility for merit increases.

- Are increasingly using lump-sum payments to recognize managers who attain special credentials or demonstrate exceptional performance
- Regularly adjust their pay structures based on increases granted to represented employees
- Maintain salary structures that are competitive by making market based adjustments.

In an effort to understand more fully the experience of operating departments in attracting and retaining management employees, DER has sought data through brainstorming meetings with department heads and/or designees as well as a survey directly to management employees seeking feedback on current total compensation practices.

DER will also be assessing the market data collected from other public sector jurisdictions for key benchmark positions and any impacts on salary grades of City of Milwaukee positions. It is DER's intent to bring Management Pay Plan recommendations to the Common Council in the fall of 2005.

Reclassification Studies

DER has revised the process by which departments make requests for changes in classification or salary grade allocation. This change involves the departments submitting a justification letter, revised job descriptions and job analysis questionnaires prior to a study being initiated by DER. The justification letter is to include information on:

- Changes to duties and responsibilities
- Changes in the level of work as defined by Knowledge, Skill, Mental or physical effort requirements, Responsibility level, or Working conditions
- Program, policy, or organizational changes that have impacted the position and its responsibility level
- Documented recruitment or retention difficulties
- Titles of other positions within the city that may be comparable to the position to be studied
- The impact of the requested change on other positions within the department

This revised 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 a year.

The current wait list for classification studies is the result of a lifting of the freeze on classification studies that was in effect for about a 5-year period. The wait time for a classification study varies based on the type of request. New positions are given 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 Common Council.

A study involving a change in level of duties and responsibilities takes longer. These studies involve interviews with incumbents and supervisors and may involve an on site

job audit. For these studies the analyst will also research similar positions in city government for comparability. These studies can take about 60 days. Studies that come as a result of market pay issues involve collecting and analyzing salary survey data from comparable employers.

Classification Study Statistics 2003 – 2005
(Includes all Reports to CSC and Fire & Police Comm.)

	No. of Reports	Classification Studies (Job Titles)	Number of Positions
2003 Completed	25	73	118
2004 Completed	30	87	214
2005 Completed to date (as of August 30, 2005)	32	85	349 (Includes 230 Summer Youth positions & 50 Mgmt to DC 48 positions.)
2005 requests currently under study (assigned studies)		23	97
2005 additional active requests (to be assigned)		41	161

Fire and Police Commission Program and Policy Information

The Fire and Police Commission is composed of five citizen members who are appointed by the Mayor and approved by the Common Council to overlapping five-year terms. State law and City Charter set its authority and responsibilities. The Commission sets rules and regulations governing the selection and appointment of police and fire department personnel. The Executive Director or designee conducts examinations for entry and promotional positions for both departments. The Commission approves or denies appointments made by the fire and police departments, reviews personnel policies, conducts appeal hearings on personnel disciplinary matters, and reviews citizen complaints.

The Commission has statutory responsibility for conducting annual reviews of the operations of the police and fire departments, and may issue directives to the departments' chiefs based upon such reviews.

The Fire and Police Commission continue to work to ensure a high level of retention, especially among newly sworn personnel.

In 2005, the Fire and Police Departments continue to provide counseling and extended training to police and fire recruits, who are having difficulty in their recruit training, in order to retain newly hired police officers. These practices are in recognition of the cost of recruiting, testing and training new firefighters and police officers.

Fire and Police Commission staff continues to collect and analyze information on the overall rate of separation and reasons. The separation rate started to decrease significantly in 2003 and slightly increased in 2004.

	2002	2003	2004	2005
Resignations	57	27	23	17 (YTD)
New Sworn Personnel (within 4 years of appt)	25	6	8	4

Disciplinary Action

The decision as to whether or not formal disciplinary action is warranted, and the level of discipline imposed, is within the discretion of the chief of the fire department and the chief of the police department. State law gives fire department and police department members the right to appeal formal discipline imposed by the respective chief to the Fire and Police Commission if the discipline exceeds a certain threshold (more than 5 days for the police department, 2 working days for the fire department) that is set by state law. The Fire and Police Commission addresses issues related to general discipline with each chief during quarterly performance reviews.

Although the number of disciplinary actions pending before the Fire and Police Commission were reduced by more than 80% in 2004, a single incident in 2005 involving multiple officers occurred, which greatly increased the number of disciplinary actions filed with the Board. Of the 26 cases now pending (none from the Fire Department), 12 stem from that single incident. Had this not occurred, the Board would be seeing only a slight increase in disciplinary actions from last year. If the Chief of Police imposes discipline of more than five days suspension, a demotion, or dismissal, those individuals have the statutory right to appeal to the FPC. In the case of dismissals, the FPC has historically given them priority over citizen complaint hearings due to the fact that the officers have been terminated with pay according to statute. The goal of the Commission has always been to resolve all cases as expeditiously as possible.

The workload of the Board of Fire and Police Commissioners (FPC) has increased slightly in terms of the increased volume of disciplinary appeals and citizen complaints. Commissioners have been and remain available to hold meetings and serve on appeal panels when needed. To help alleviate the citizen complaint hearing backlog and handle the disciplinary appeals generated by the Jude incident, three special hearing examiners have been hired to assist the FPC and staff in these areas. This will be looked at as part of the best practices review.

In addition, changes in legislation may provide the Commission the ability to schedule and hold disciplinary trials in a more expeditious manner.

Reducing Complaints and Hearing Time

Citizens can contact DER to file a complaint against a member of the Fire or Police Departments. A staff member will mail them complaint forms, help identify the officer

referred to in the complaint, and then present that complaint to the FPC Rules & Complaints Committee. If the allegations in the complaint are something that the FPC has authority over, the complaint is scheduled for a conciliation conference. During the conciliation, conducted by a member of the DER Office of Diversity, the complainants are present as well as the individual they are complaining against, be it an MFD or MPD member. After the face-to-face hearing, if the issues are not resolved, the complaint can be referred for trial, which is a formal judicial process before a hearing examiner. The result of that trial could end in discipline. The complaint could also be referred to MPD for resolution if the issues involve criminal allegations, or if the FPC is unable to secure identification of all accused officers.

The number of complaints pending before the Fire and Police Commission has increased by approximately 12%, due to the record number of complaints filed in 2004. 58 citizen complaints are currently pending. Pending criminal and/or civil lawsuits hinder staff's ability to schedule and conduct both the (pretrial) conciliation process and the formal trial process. The FPC will continue to strive to reduce the number of complaints and the amount of time it takes to resolve those complaints with the understanding that the complainant and/or the specific circumstances of the incident dictate the ability to close cases. The complaint process is one of the areas that will be addressed in the best practices review of the Fire and Police Commission.

In response to the increased backlog of citizen complaints, the Commission has secured additional hearing officers to conduct citizen complaint trials filed prior to 2005. An additional hearing officer has also been appointed to handle all disciplinary trials stemming from the Jude case.

Police and Fire Recruit Classes & Eligible Retirements

In September 2004, 59 police recruits graduated from the Safety Academy.

In May 2005, 58 recruits graduated from the Safety Academy.

The FPC is prepared to process the November 2005 police officer class from the current eligible list. A new Police Officer examination was conducted in 2005, which produced an eligible list with 1,146 candidates. The FPC has enough candidates to address all of the anticipated vacancies once the Police Department is granted authority to fill by the Council.

The FPC has an eligible list with 887 Firefighter candidates and is prepared to process 1 firefighter class in 2006.

In 2006, the proposed budget includes two police officer recruit classes, to begin in May and November, and one firefighter recruit class with a pending date.

A police recruit class is scheduled to begin on November 7, 2005,

The FPC will not be taking applications in 2006 for either police officer or firefighter positions.

The police recruit selection process includes a physical ability test, an oral interview, a medical examination, a psychological evaluation, and a drug screen test. Related expenses include: printing physical ability test rating sheets and cautionary medical questionnaires, printing oral interview materials, scoring and analyzing results by testing consultants (EB Jacobs), printing medical history forms, the 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.

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.

Using the top 200 people of the 2005 eligible list as an example, the following is the timeframe that would begin in August to initiate a class in December:

General timelines:

- 08-19 Mailed Personal History Questionnaires (PHQs) that must be returned within a two-week period.
- 08-30 through 09-09 PHQs returned
- 09-12 Mail Physical Ability Test (PAT) scheduling letter
- 09-20 Practice PAT (1 day)
- 09-27, 28, & 29 Conduct PAT (3 days)
- 10-03 Retake PAT (1 day)
- 10-04 Mail oral interview scheduling letters
- 10-12, 13, & 14 Conduct oral interviews (2 panels for 3 days)
- 10-17 Copy oral interview rating sheets and mail originals to EB Jacobs
- Wait for oral interviews to be scored by EB Jacobs (approximately 3-4 weeks)
- 11-14 Mail MMPI scheduling letters
- 11-28 Conduct MMPI (1 day)
- Mail answer sheets to Pearson Assessments for scoring and wait for results.
- Mail background results letters as received from MPD:
 - if fail, give timeline to appeal (7 days)
 - if pass, send for medical exam
 - if pass medical, send for psychological exam
 - if pass psychological exam, send for drug screen
- Conduct appeal hearings
 - if fail, send disqualification letter
 - if pass, send for medical exam
 - if pass medical, send for psychological exam
 - if pass psychological exam, send for drug screen

One full-time DER/FPC staff person is responsible for filling vacancies in the Police Department. (e.g., Police Officer, Police Aide, Police Dispatcher, Police

Telecommunicator (Regular and Seasonal), Electronic Technician, Electronic Technician Supervisor, etc.)

Expenses per recruit class include \$1,000 to conduct the physical ability test, and \$4,800 for the oral interviews for a group of 100 to 200 candidates. However, not all those candidates will be processed for a recruit class.

It takes the Police Department approximately 6 months to complete background investigations for a Police recruit class of 60-66 people. The Fire and Police Commission needs approximately 2 months after the background are completed to schedule appeals, medicals, and psychological evaluations prior to starting a recruit class.

A total of 196 sworn members of the Police Department and 185 sworn members of the Fire Department are currently or will become eligible to retire at some time during 2006. It is not possible to predict if or when those eligible to retire will actually retire.

Diversity

Since 1990, minorities (Asian, Black, Native American, and Hispanic), as a percentage of the sworn police force, have ranged from roughly 18% to a current high of 36%. The percentage of women on the police force has also increased from approximately 8.8% in 1990 to 18.2% at present. Minorities currently comprise 23% of the sworn personnel in the Fire Department compared to 17% in 1990. Women have consistently been represented at between 4% and 5% in the Fire Department's sworn ranks during this same period.

Recruitment

While applications are accepted for the Police Officer and Firefighter positions only every two or three years during a brief window, the Department of Employee Relations is continually reaching out to a diverse population to generate interest in these positions. The DER Recruiting Specialist, often working with representatives of MPD and MFD, conducts presentations and works at career fairs and other events in a wide variety of venues throughout the year.

The Department of Employee Relations/Fire and Police Commission is continually reaching out to diverse communities to generate interest in the police officer and firefighter positions, even though applications are accepted for these positions only every two or three years during a brief time frame. The DER Recruiting Specialist, often working with recruiters from MPD and MFD, conducts presentations and works at selected career fairs and other events in a variety of settings throughout the year. The FPC invites minorities and women in particular to consider careers as police officers and firefighters, and time and money is spent on events that will help to gain exposure among various groups. It is expected that both the Police and Fire Department will commit personnel to assist DER staff in the ongoing recruiting effort.

Since Police Officers, Firefighters, and DER/FPC staff members often talk about police and fire positions informally with family members, friends, neighbors, and citizens, a business card is being designed that Police Officers can carry with them while on duty to hand out to citizens. It will include a summary of the qualifications, salary, and benefits of the Police Officer job, in addition to the web site and phone number where they can find more information. A similar business card may be developed for the Firefighter position.

The Milwaukee Fire Department has established a Recruitment Committee whose mission is twofold:

- 1) To reach out to minorities and women to consider a career with MFD, and
- 2) To convey to the public that MFD does much more than fight fires.

For example, over 75% of runs are to respond to medical emergencies. The Committee has selected a vendor who will partner with MFD in 2006 and beyond. Two DER/FPC staff members serve on the Recruitment Committee.

DER and the FPC are constantly looking for ways to be resourceful and more effective in police and fire recruiting efforts.

The recruitment cycle for Police Aides and Fire Cadets takes place annually. Recruiting begins in fall with a large mailing to area high schools and community groups followed by personal visits. A visit may consist of conducting a presentation, participating in a career fair, or staffing a recruiting table in the cafeteria.

The application period typically runs from mid-January to mid-February for Police Aides and from mid-January to early March for Fire Cadets. Return visits are made to those high schools where the largest number of students expressed interest in these positions to explain the hiring process, take applications, and show students the video for the Physical Abilities Test. 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 take applications for both positions and answer questions for students and their parents, while MPD and MFD sworn personnel conduct tours, field questions, and display police and fire gear.

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. The 2006 proposed budget provides a total of \$116,483,970 for special purpose accounts, an increase of approximately 9.9% from 2005, related primarily to the cost of health care benefits and worker's compensation. The following chart details the 2005 adopted and 2006 proposed budgets for SPAs under DER's authority.

Special Purpose Account	2005 Budget	2006 Proposed	Change
Employee Health Care Benefits	\$ 94,726,100	\$ 103,300,000	9.1%
Workers' Compensation	8,910,000	10,810,970	21.3%
Long Term Disability	562,000	640,000	13.8%
Unemployment Compensation	800,000	780,000	-2.5%
Commuter Value Pass	95,000	95,000	-
Flexible Spending Account	30,000	32,000	6.6%
Tuition Reimbursement Fund	720,000	740,000	2.7%
Employee Training Fund	50,000	50,000	-
Mentoring Program	36,000	36,000	-
TOTAL	\$ 105,929,100	\$ 116,483,970	9.9%

A brief description and major changes in each special purpose account are provided:

Employee Health Care Benefits

Funding in this on-going 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 and a claims cost containment program. A separate budget summary is provided for this special purpose account.

In 2006, the employee share for Basic Plan for management employees is based on the difference between the Basic Plan cost and the low cost HMO plan. Management employees who retired in 2004 and after now pay for health insurance at the rates in effect for active employees. The city wants to continue to offer employees choices and to require an employee contribution when a more expensive plan is selected.

The total city costs associated with the Basic Plan in 2006 are projected to increase 11% from \$30.8 million in 2004 to \$34.2 million.

For 2006 the cost for the city for the two HMO's is going up 8.5%. HMO costs are paid on a per member basis with rates set through annual contracts

Key to any health care cost control effort will be the ability of employees and retirees to maintain good health. Continuing efforts in 2006 include the ability of those enrolled in Aurora Family Network HMO to have a no-cost Health Risk Analysis, to assist employees with taking better care of their health. Other efforts from CompCareBlue include their Lifestyle Blue efforts, and wellness promotional efforts from DER. Both the Basic Plan and the HMO's will make additional efforts to work with those at greatest risk in controlling and reducing their health care needs.

DER is seeking to control the city's health care costs through collective bargaining. Two continuing goals for DER in this area are to negotiate a city contribution for all health insurance plans that is equal to 100% of the low cost HMO and to provide that future

retiree (less than 65 years of age) contributions are equivalent to those of current employees. DER is at various stages of negotiations concerning these issues with the city's bargaining units.

In 2006, HMO rates are set equally to all employees with a set city share, \$385.75/month for single coverage and \$1,053.55/family for management employees or \$389.30 for single coverage and \$1,063.05 for family coverage for represented employees. For the Basic Plan, the share paid by employees varies according to the respective bargaining unit.

Continuing in 2006 for *active management employees*, the Basic Plan will have a choice of two tiers beyond the regular Basic Plan with monthly payments and the actual difference being the amount above the city share based upon the low-cost HMO. Monthly payments for management employees will vary according to the Basic Plan or the coverage tier chosen.

Worker's Compensation

This on-going account covers expenses incurred by the city as result of employee job-related injuries. In addition, funds are provided (\$50,000 for the 2006 proposed budget) in a sub-account to cover expenses incurred as a result of exposure to bloodborne pathogens in the workplace.

This SPA is approximately 12.3% over its 2005 budget with projected expenditures of \$9,937,071 for 2005 as of the end of August 2005. Consequently, the 2005 Worker's Compensation SPA required a transfer of \$800,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account for 2005 expenses. The primary reason for the shortfall this year is that medical costs have a significant impact on these claims. The cost of workers compensation medical claims increased 19% from 2003 to 2004. Additionally, state law allows employees to go to the doctor of their choice for worker's compensation injuries, which sometimes leads to a higher charge by the clinic or physician.

The 2006 proposed budget for this SPA is a 21.3% increase from the 2005 budget. The increase in this SPA for 2006 reflects an anticipated rise in the cost of health care with the current inflationary climate and average in the health market considered. Also, the projections for 2006 are based upon current experience to date in 2005. Actual expenditures in 2006, however, may vary from the current projections.

There are *no fee schedules or caps* for injury payments. In addition the employee can go to *any doctor* for treatment. Employees enrolled in an HMO can choose to obtain treatment from any doctor. State law mandates that the city pay for the treatment if it is related to an injury sustained on the job.

In 2006, DER will continue 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 chart below details the 2004 payments for departments with over \$1 million in Worker's Compensation Claim payments.

Dept.	1/1/04 through 12/31/04
DPW-Infrastructure	\$1,245,138
DPW-Buildings & Fleet	\$2,534,266
Police	\$2,463,250
Fire	\$1,944,855

Long-Term-Disability

This account funds an income replacement program for employees who cannot work due to injury or illness. Currently, about 3,400 employees are eligible as a result of collective bargaining and extension to non-represented and management employees. Insured benefits begin 180 days from the date an employee can no longer work because of illness or injury. The 2006 proposed budget for this SPA represents an increase of \$78,000 from the 2005 budget related to, primarily, the addition of two more bargaining groups to this benefit.

Unemployment Compensation

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

The \$780,000 budgeted for 2006 compares to \$800,000 in 2005. At the current pace through August 2005, DER expects that the current year expenditures will match closely the 2004 expenditures of \$721,477. The 2005 SPA should be adequately funded to serve the projected claims through the end of the year.

Unemployment Compensation is limited to 26 weeks of eligibility, although special extensions may be implemented by the state.

The amount of proposed funding for 2006 is based upon an estimate of the amount that will, most likely, be required.

Commuter Value Pass

365 participants are currently enrolled in the Commuter Value Pass (CVP) program. This number represents an 11% increase over the 2004 participation of 329. While it is feasible that the increase in gasoline prices may have an impact on this program, DER is unable to project what, if any, increase in participation may be expected.

While the Milwaukee County Transit System has not officially notified the City, public statements by MCTS officials with respect to the County budget process for 2006 have indicated that no increases are anticipated for bus fares in 2006; however, these comments were made prior to the current rapid fluctuations in the price of gasoline.

This 2006 SPA is budgeted for a similar amount as in 2005. The cost to the city is \$23.00 per month per participant. The participant shares a \$19.00 per month cost through payroll deduction.

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

Flexible Spending Account Administration

The Flexible Spending Account (FSA) program allows employees to set aside pre-tax dollars for certain medical care and dependent care expenses. The city cost for this program is \$3.50 per month per participant. This ongoing account provides funding to contract with a third party administrator to coordinate and manage the program.

Currently 685 participants in the Flexible Spending Program with 755 separate accounts (some participants have both a medical and a dependent care account). This represents an increase of 18% over 2004 participation rate. DER has not projected participation increases for 2006, although it is certainly a possibility in light of the changes in health plan design and choices available to employees in 2006.

Employees are either enrolled in a FSA Medical or FSA Dependent Account and/or both. In 2006, the maximum contribution for medical expenses is \$3000 per participant and \$5,000 per participant for dependent care.

This SPA for 2006 is budgeted according to estimated participants for the year.

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 2004, 2,192 employees that took advantage of the Tuition Benefit Program. This represents an increase of approximately 10% over 2003 usage. Through August 2005, there have been 1,338 participants. This represents an increase of approximately 7% over the same time period last year.

Recent user information of this benefit is provided in the following table with the number of employees reimbursed/number of courses, membership dues taken provided in years 2003-2005 to date:

TUITION BENEFIT USAGE*

DESCRIPTION	2003	2004	2005*
No. of employees that took courses and/or applied for membership dues reimbursement	1,335/2,133 (\$713,226)	2,192/4,410 (\$711,653)	1,338/2,134 (\$400,744)
No. of employees that applied for dues reimbursement	187/255 (\$16,355)	278/321 (\$21,919)	185/216 (\$19,790)
No. of employees that took DER-sponsored courses	515/675 (\$47,869)	1,045/1,738 (\$52,397)	615/806 (\$36,703)
No. of employees that reached their reimbursement limit.	116	288	105
No. of employees that took Graduate-Level courses	35/42	43/61	30/42
No. of employees that took Promotional / Undergraduate-Level courses	88/150	173/303	76/122
No. of employees that took Non-Promotional / Undergraduate-Level courses	142/229	302/598	174/299

* For applications received through August 2005.

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 2006 proposed budget, an increase of 2.7% from 2005, is based on prior year experience.

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.

A total of three Audio Conferences have been offered to City of Milwaukee managers, supervisors and personnel officers through the Department of Employee Relations. Approximately 65 individuals from different City Departments have participated. The sessions covered the following topics:

“Identity Theft: What Employers Must Do to Protect Their Employees”,
 “Hiring the Best Through Effective Interviewing”, and
 “How to Document Employee Misconduct and Poor Performance”.

Three training sessions related to “Managing Employees in a Union Environment were sponsored by DER as a result of the unit clarification settlement that placed over 100 management positions in a bargaining unit. Up to 150 employees participated and based on the demand an additional session has been scheduled for later this fall.

Up to three sessions regarding Safety Training are scheduled to be held in fall 2005 for Safety Officers and managers and supervisors in general. The focus of the training sessions will be on how to identify safety hazards in the workplace and how to address those hazards in an effort to reduce the number of injuries.

Up to \$10,000 from this account was allocated to the Police Department in support of their cultural competency and diversity initiatives and training.

This SPA is budgeted for a similar amount as in 2005.

Mentoring Program

This account was created in 2005 in order to provide a property tax credit incentive for city of Milwaukee residents who mentor high-risk high school students in Milwaukee. This program screens, trains and matches Milwaukee residents with students in order to provide students with resources and guidance to keep them in school and on course for graduation.

The 2006 proposed budget provides funding for approximately 100 mentors. Mentors will be issued a check from the City of Milwaukee Treasurer in the amount of \$360 with the City of Milwaukee as a co-payee. This check is for the express purpose of crediting the mentor's property tax bill.

Revenues

Category	2004 Actual	2005 Budget	2006 Proposed	Change
Charges for Services	\$ 219,299	\$200,000	\$210,000	5%

Estimated revenue in the 2006 proposed budget is related to charges for services to the Water Department (\$210,000).

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst Senior
Legislative Reference Bureau
October 11, 2005