

## Department of Employee Relations 2009 Proposed Budget

### Research & Analysis – Legislative Reference Bureau

#### Executive Summary

1. The 2009 Proposed Budget for the Department of Employee Relations (“DER”) of \$4,987,106 is \$16,602 or 0.33% greater than 2008’s Adopted Budget (*page 2*).
2. The proposed 2009 Wages & Fringes budget of \$4,394,869 is down \$36,458 or 0.82% from 2008’s Adopted Budget (*page 2*).
3. The proposed 2009 Operating Expenditures budget of \$470,780 is \$47,222 or 11.15% greater than 2008’s Adopted Budget (*page 2*).
4. The proposed 2009 Professional Services budget of \$181,308 is \$32,963 or 15.41% less than 2008’s Adopted Budget (normalized for hosting and maintenance costs for DER’s new web-based Workers’ Compensation software system) (*page 3-4*).
5. The proposed 2009 Other Operating Services budget of \$130,134 is \$65,634 or 101.76% greater than 2008’s Adopted Budget as DER brings this budget line-item into line with actual 2007 expenditures (*page 4*).
6. The proposed 2009 Reimburse Other Departments budget of \$97,252 is \$36,752 or 60.75% greater than 2008’s Adopted Budget as DER anticipates greater utilization of MPR, DSS and phone services and to be more consistent with projected 2008 expenditures (*page 4*).
7. The proposed 2009 Revenues projection of \$376,858 is down \$36.673 or 8.87% from 2008’s Adopted Budget after averaging the revenues from workers’ compensation for the prior 3 years (*page 5*).
8. Authorized positions for 2009 are 53, down 2 positions from 2008 indicating improved productivity (*page 5-6*).
9. Equal Rights Commission will be re-established (*page 7*).
10. Total proposed 2009 Special Purpose Accounts budget of \$131,807,782 is up \$7,121,750 or 5.7% from 2008’s Adopted Budget (*pages 8-21*).
11. 85% of City employees are enrolled in one of the City-offered healthcare benefits plans and 86% are enrolled in one of 4 City-offered dental plans (*page 9*).
12. The City is currently negotiating with 17 unions representing approximately 3,721 City employees after settling contracts with firefighters Local 215 and police Local 21 IUPA representing 2,617 employees. Milwaukee Police Supervisors Organization (representing 294) is in interest arbitration and District Council #48 (representing 2,150) is scheduled to go to interest arbitration in 2009 (*pages 22-23*).
13. The City’s personnel diversity chart appears on page 26.

**Department of Employee Relations**

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 meets these goals while complying with state and federal employment laws, and Civil Service Commission and Fire and Police Commission rules.

<b>DER Budget and Authorized Positions Comparison</b>			
	07 Actual	08 Adopted	09 Proposed
Wage & Fringes	\$4,562,749	\$4,431,327	\$4,394,869
<i>year to year change</i>	<i>-11.04%</i>	<i>-2.88%</i>	<i>-0.82%</i>
Operating Expenditures	496,398	423,558	470,780
<i>year to year change</i>	<i>16.86%</i>	<i>-14.67%</i>	<i>11.15%</i>
Equipment Purchases	2,954	3,000	8,838
Special Funds	108,030	112,619	112,619
<i>year to year change</i>	<i>4.01%</i>	<i>4.25%</i>	<i>0.00%</i>
<b>Total</b>	\$5,170,130	\$4,970,504	\$4,987,106
<i>year to year change</i>	<i>-8.96%</i>	<i>-3.86%</i>	<i>0.33%</i>
Capital Improvements	\$400,000	\$0	\$0
Revenue	\$369,365	\$413,531	\$376,858
<i>year to year change</i>	<i>-20.48%</i>	<i>14.35%</i>	<i>-8.87%</i>
Authorized Positions *	78	77	75
* excludes 5-member Equal Rights Commission			

**Review of Significant Budget Line Items**

- **2009 Wage & Fringe Benefits**    \$4,394,869    down \$36,458 - 0.82%
- **2009 Operating Expenditures**    \$ 470,780    up \$47,222 11.15%
- **2009 Revenue**                         \$ 376,858    down \$36,673 -8.87%

**Wage and Fringes**

Wage and fringe benefits expenses make up 88% of DER’s 2009 Proposed Budget, consistent with the three prior years.

Proposed wage and fringe benefits for 2009 are virtually unchanged from the 2008 Adopted Budget. Department personnel census is down 2 positions from 2008 as DER elected not to fund an unfilled, part-time Office Assistant II for the

Business Section, and chose not to fund or replace a Diversity Specialist, Senior who transferred to DER's Staffing Section.

**Operating Expenditures – Selected Line Items**

<b>DER Operating Expenditures - Selected Line Comparison</b>			
	'07 Actual	'08 Adopted	'09 Proposed
Professional Services	156,224	103,973	181,308
<i>year to year change</i>		-33.45%	74.38%
Other Operating Services	97,699	64,500	130,134
<i>year to year change</i>		-33.98%	101.76%
Reimburse Other Departments	170,499	60,500	97,252
<i>year to year change</i>		-64.52%	60.75%

DER's total 2009 proposed Operating Expenditures budget of \$470,780 is up \$47,222 or 11.15% over the \$423,558 2008 Adopted Budget. The 2009 Proposed Budget increase is the result of increases and decreases in all categories of operating expenses and cannot be attributed to any one or two line-item changes, but 3 line items are noteworthy.

**Professional Services:** This line item pays for services associated with recruiting, testing and selecting employees, including police and fire candidates. Continuous recruitment has increased the number of police officer applications processed and candidates considered, increasing costs. DER anticipates these costs will increase annually.

This line item, as of the 2009 Proposed Budget, also includes fees for hosting and maintaining DER's new, web-based, Workers' Compensation claims management system.

The Adopted 2008 budget listed \$110,370 to host and maintain the new Workers' Compensation software as an *Information Technology Services* operating expense, but the ongoing \$101,440 hosting and maintenance fee for 2009 is listed as a *Professional Services* operating expense in DER's 2009 Proposed Budget. If the hosting and maintenance fees for 2008 are reclassified as *Professional Services* consistent with 2009's Proposed Budget, 2008's adopted *Professional Services* budget increases to \$214,343, and the *Information Technology Services* line-item is all but eliminated. The reclassified *Professional Services* would be:

<b>Operating Expenditures</b>	'07 Actual	'08 Adopted	'09 Proposed
Professional Services	156,224	214,343	181,308
<i>year to year change</i>		37.20%	-15.41%

After this reclassification, *Professional Services*, as anticipated, is up 45.42% in 2008 to accommodate any increases in costs for processing continuous police officer applications and the hosting and maintenance fee for the new Workers' Compensation software system which is designed to automate the claims process, identify factors contributing to claim costs and increase productivity. DER's 2009 proposed *Professional Services* budget is down 15.41% from 2008 budgeted as the initial hosting set-up costs moderate to a maintenance level. Maintenance fees are fixed through 2010 and then subject to increases.

***Other Operating Services:*** This line item includes advertising, career fairs, rating services, interest arbitration (labor relations), costs associated with oral boards (panel interviews) and travel to bring prospective candidates to Milwaukee.

The 2009 *Other Operating Services* proposed budget is up \$65,634 or 101.76% over 2008's Adopted Budget. DER's intention is to bring the 2009 proposed *Other Operating Services* budget more in line with projected 2008 expenditures.

***Reimburse Other Departments:*** DER reimburses Milwaukee Printing & Records ("MPR") and the Document Services Section ("DSS") for services, the Department of Public Works for telephone service and equipment use (chiefly cars) and miscellaneous services.

2008's *Reimburse Other Departments* Adopted Budget was down 64.52% from 2007 actual expenditures as a result of changes in reimbursements to MPR instituted by the 2008 City Budget. Beginning in 2008, MPR is no longer reimbursed for "overhead" items like leases, equipment maintenance, e-vault administration, etc. or direct labor, but is reimbursed solely for materials.

DER's proposed *Reimburse Other Departments* budget is \$36,657 or 60.75% greater than 2008's Adopted Budget to reflect greater anticipated utilization of MPR, DSS and phone services, and to be consistent with projected 2008 expenditures. As of September, 2008, DER projects 2008 *Reimburse Other Departments* expenditures of \$104,072, \$43,572 or 72% greater than 2008's Adopted Budget.

## **Revenue**

**Revenue:** Revenues paid to DER, which are not properly part of DER's Operating Budget, come from two sources; payments from Milwaukee Water Works for human resources services rendered and third-party reimbursements received on workers' compensation claims. DER's projection of 2009 Revenues of \$376,858 includes \$195,333 (51% of total) for Water Works reimbursements and \$181,525 (49% of total) for third-party workers' compensation reimbursements.

Third-party workers' compensation reimbursements result when a third-party or insurance company makes a payment to the injured employee (e.g. a City employee on City business who is injured in an automobile accident and is later paid a settlement by the at-fault driver's insurance company). At the time of injury, DER puts any and all parties with potential financial liabilities on notice of the City's reimbursement entitlements.

2009 proposed *Revenue* budget is \$36,673 or 8.87% lower than the 2008 Adopted Budget of \$413,531. While estimating the amount of reimbursements expected from Water Works is fairly straightforward, potential workers' compensation reimbursements are random and dependent on whether occurring claims can be subrogated. DER's projection of \$181,525 for proposed 2009 workers' compensation reimbursement revenue is the average of actual 2005, 2006 and 2007 workers' compensation reimbursement revenues.

## **DER Personnel** (excluding City Service, Equal Rights Commission & Auxiliary positions)

**Staffing:** DER's 2009 Proposed Budget funds 53 full-time positions, 2 positions fewer than the 55 positions funded by the 2008 Adopted Budget. These personnel numbers exclude DER's 17 unfunded, Auxiliary positions, the 5-member Equal Rights Commission and the 5-members City Service Commission, a total of 27 positions which are not part of DER's daily operations.

The 17 unfunded, Auxiliary positions are held in reserve if needed by other City departments to train replacement staff and any cost incurred by DER in filling these Auxiliary positions will be reimbursed by the departments drawing upon this Auxiliary reserve. The 5-member City Service Commission is budgeted in 2009 for \$21,000, unchanged from 2007 and 2008. The Equal Rights Commission is unfunded.

The proposed 2009 budget eliminates a funded but unfilled, part-time Office Assistant II position in the Business Section and DER chose not to fund or replace a Diversity Specialist, Senior who transferred to DER's Staffing Section.

Staffing levels by DER section is as follows:

<b>DER Staffing Levels Comparison</b>			
<b>Section</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Administration *	2	2	2
Business	4	5	2
Diversity	2	2	1
Medical Benefits	5	5	5
Workers' Compensation	19	16	16
Labor Relations	5	5	5
Staffing	6	7	9
Selection Services	2	2	2
Compensation Services	4	4	4
Training & Development	2	2	1
Certification & Salary Services	5	5	6
<b>Total</b>	<b>56</b>	<b>55</b>	<b>53</b>

\* excluding the 5-member City Service Commission & Auxiliary Positions

**Vacancies:** Funded positions proposed for 2009 include 2 vacant, full-time positions: one for a Human Resources Analyst, Senior in the Staffing Section, pay grade 5 (\$47,109-\$56,533) (a new position funded in 2008 but never been filled) and one for a Program Assistant I (pay grade 460, \$37,221 to \$38,127) in the Certification & Salary Section who resigned DER to work for the City's Employees' Retirement System.

**2008 Job Re-titling and Transfers within DER**

1. The incumbent Human Resources Information Analyst, Senior in the Business Section transferred to another City department and the position was re-titled as a Human Resources Analyst, Senior for the Staffing Section. The Diversity Specialist Sr. in the Diversity Section was transferred to the Staffing Section to fill the vacant Human Resources Analyst, Senior position.
2. Program Assistant II in the Certification & Salary Services Section was re-titled as a Pay Services Specialist.

3. Office Assistant II in Business Section transferred to the Certification & Salary Services Section.
4. Program Assistant I in the Staffing Section transferred to Selection Services Section.
5. Program Assistant II in Selection Services Section transferred to the Staffing Section.
6. Human Resources Representative in Training & Development Section transferred to Staffing Section.
7. Program Assistant I in the Certification & Salary Section swapped positions with the Administrative Services Assistant in the Medical Benefits Section. Both are at Pay Grade 460. The Administrative Services Assistant is listed as an unfunded, unfilled position in the 2008 and 2009 budgets in anticipation of reclassification to a Benefits Services Specialist I (which is listed as a funded and filled position on the 2008 and 2009 budgets). The anticipated reclassification has not occurred as of September, 2008.
8. The Labor Relations Section anticipates the retirement of a Labor Relations Officer at level 12 of Pay Grade 9 (\$60,809 to \$72,969) in early 2009 and expects to hire a replacement at level 1 of the pay grade. The proposed 2009 budget includes this cost reduction.

### **Equal Rights Commission**

The City is re-establishing the 7-member Equal Rights Commission (“ERC”) by ordinance with the broad objective of improving the equal rights climate of Milwaukee. The ERC will oversee and monitor City policies and programs that affect equal rights and facilitate discussion and public education on equal rights issues. No funding for the ERC is included in the DER’s 2009 Proposed Budget, although passage of the Paid Sick Leave referendum set for the November ballot could require of staff support for the ERC.

**Special Purpose Accounts (“SPA’s”)**

<b>1</b>	Employee Healthcare Benefits	<b>\$114,668,750</b>
<b>2</b>	Workers’ Compensation	<b>14,383,000</b>
<b>3</b>	Unemployment Compensation	<b>950,000</b>
<b>4</b>	Long-term Disability	<b>801,000</b>
<b>5</b>	Tuition Reimbursement	<b>800,000</b>
<b>6</b>	Commuter Valve Pass	<b>130,032</b>
<b>7</b>	Flexible Spending Account	<b>50,000</b>
<b>8</b>	Training	<b>25,000</b>
	<b>Total</b>	<b>\$131,807,782</b>

**1. Employee Healthcare Benefits - \$114,668,750**

The Employee Healthcare Benefits Special Purpose Account pays the costs of health and dental care benefits made available to active City employees and retirees through the City’s Health Maintenance Organization (“HMO”), the self-insured Basic Plan health insurance program and 4 dental insurance plans. This SPA is divided into 4 subaccounts, Claims, HMO, Dental Insurance and Administrative.

The 2009 Proposed Budget for the Employee Healthcare Benefits SPA is up \$4,793,750 or 4.36% from the 2008 Adopted Budget as follows:

<b>Employee Healthcare Benefits - Special Purpose Accounts Comparison</b>						
		'05 Actual	'06 Actual	'07 Actual	'08 Adopted	'09 Requested
Claims		\$36,087,485	\$34,755,523	\$31,077,469	\$36,550,000	\$28,750,000
	<i>change</i>	<i>33.24%</i>	<i>-3.69%</i>	<i>-10.58%</i>	<i>17.61%</i>	<i>-21.34%</i>
HMO		\$56,617,554	\$52,984,139	\$65,687,198	\$67,625,000	\$80,718,750
	<i>change</i>	<i>4.67%</i>	<i>-6.42%</i>	<i>23.98%</i>	<i>2.95%</i>	<i>19.36%</i>
Dental Insurance		\$2,179,983	\$2,173,920	\$2,147,900	\$2,200,000	\$2,200,000
	<i>change</i>	<i>-1.80%</i>	<i>-0.28%</i>	<i>-1.20%</i>	<i>2.43%</i>	<i>0.00%</i>
Administrative		\$1,537,178	\$1,974,108	\$3,165,892	\$3,500,000	\$3,000,000
	<i>change</i>	<i>-2.51%</i>	<i>28.42%</i>	<i>60.37%</i>	<i>10.55%</i>	<i>-14.29%</i>
Total		\$96,422,200	\$91,887,690	\$102,078,458	\$109,875,000	\$114,668,750
	<i>change</i>	<i>13.48%</i>	<i>-4.70%</i>	<i>11.09%</i>	<i>7.64%</i>	<i>4.36%</i>



**Healthcare Enrollment**

Total enrollment in the City’s Basic Plan and HMO as of August, 2008, was 10,600, a 0.02% decline from year-end 2007. With 7,510 active employees at the beginning of 2008, 85% of all City employees take advantage of this healthcare benefit. 6,462 active employees were enrolled as of July, 2008, in dental insurance plans made available by the City, 86% of total active employees. A breakdown of healthcare benefit program enrollment for 2006-2008 appears in the following chart.

<b>Healthcare Enrollment - Active Employee &amp; Retiree</b>			
	2006	2007	2008*
<b>Active</b>			
Basic Plan	2,225	1,511	1,028
HMO	4,362	4,979	5,379
Total	6,587	6,490	6,407
<b>Retirees</b>			
Basic Plan	2,898	3,088	2,717
HMO	1,572	1,295	1,542
Total	4,470	4,383	4,259
<b>Total</b>			
Basic Plan	5,123	4,599	3,745
HMO	5,934	6,274	6,921
Total	11,057	10,873	10,666

\* August, 2008

**Employee Healthcare Benefits SPA Subaccounts Analysis**

**Claims - \$28,750,000**      *down \$7,800,000 or 21.34% from 2008*

The Claims subaccount of the Employee Healthcare Benefits SPA pays medical and prescription claims (net of employee contributions) for the City’s self-insured Basic Plan (including Basic Plan Tier 1) medical benefits program.

The City’s Basic Plan is a self-insured program and the City must act as its own healthcare insurance provider paying all plan-covered healthcare claims as presented. Predicting self-insured claims is challenging, especially predicting prescription claims given the program’s short prescription claims history. The

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City began self-insuring prescriptions in 2007 so it has less than 2 years of experience to draw upon in making prescription claims projections.

The City consults with Willis Group Holdings, Ltd. when predicting claims and to manage the program. Willis is a publically-traded purveyor of insurance brokerage, reinsurance and risk management consulting services.

The Claims subaccount pays gross Basic Plan medical and prescription claims less employee and retiree contributions, and reimbursements from Water Works, the Parking Division, the Housing Authority and the Redevelopment Authority of the City of Milwaukee, the Wisconsin Convention District and the Milwaukee Economic Development Corporation.

DER predicts 2008 gross claims for the Basic Plan will be \$38,080,000 using actual claim experience year-to-date through August, 2008, and extrapolating to year-end. Enrollee contributions and reimbursements from City departments are projected to be \$11,780,000, or a net of \$26,300,000 in claims expected for 2008.

After consulting with Willis, DER projects claims will increase 9.30% in 2009 to \$28,750,000.

**HMO - \$80,718,750**      *up \$13,093,750 or 19.36% from 2008*

The HMO Employee Healthcare Benefits subaccount pays HMO premiums for enrolled employees and retirees (net of employee and retiree contributions), self-insured prescription claim benefits and administrative fees to Navitus, the third-party Prescription Benefit Manager. In 2009 these costs are projected to be:

<b>HMO Premiums</b>	<b>\$67,030,000</b>
<b>Prescription Claims</b>	<b>\$12,783,750</b>
<b>Administrative Fees</b>	<b><u>\$ 905,000</u></b>
<b>Total</b>	<b>\$80,718,750</b>

With 2009 contracts let to UnitedHealthcare for the City's HMO and to Navitus to administer the self-insured prescription claim benefits program, projecting 2009 costs for HMO premiums and administrative fees for the Prescription Benefit Manager is fairly straightforward although enrollment numbers may change.

2009 HMO premiums for active employees increased 9.99% as follows:

Coverage	'08 Premiums	Change	'09 Premiums
Single	\$ 403.75	9.99%	\$ 444.08
Family	\$ 1,102.49	9.99%	\$ 1,212.63

As the chart on page 9 indicates, there were 6,921 employees and retirees enrolled in the City-offered HMO as of August, 2008; 2,571 opting for single coverage and 4,350 choosing family.

The HMO subaccount pays net HMO premiums, gross premiums less employee and retiree contributions, and reimbursements from Water Works and the Parking Division.

City management personnel, and most fire and police personnel, will pay \$20 per month for single HMO coverage and \$40 per month per family during 2009. DER has chosen not to deduct any contributions made by active City employees when making its 2009 budget request. If half the active employees enrolled in the City-offered HMO made these contributions during 2009, gross HMO premiums would be reduced by approximately \$1,000,000.

For the most part, retirees over age 65 enrolled in the City's HMO pay 75% of the HMO premiums while retirees younger than 65 pay according to labor contract (non-represented retirees pay whatever they would have paid as active employees). DER estimated such contributions for 2009 will be \$4,400,000, which is netted as a reduction of gross HMO premiums.

DER projects \$5,570,000 will be reimbursed by Water Works and the Parking Division during 2009 which is also netted as a reduction of gross HMO premiums.

Retiree HMO contributions and reimbursements from City departments totals \$9,970,000 which reduces the gross HMO premium projection by DER from \$77,000,000 to a net projection of \$67,030,000 for net HMO premiums to be paid through the HMO subaccount.

DER projects \$12,783,750 in prescription claim benefits will be paid under the City's HMO program during 2009, based on the City's HMO prescription claims experience year-to-date through August, 2008. 2008 is the first year the City is self-insuring HMO prescription claims, so 2008 claim's experience is the only resource used by DER to make its 2009 projections.

Navitus' monthly administrative fee for managing the City's prescription benefits program is \$4.06 per "member" (active or retired enrollee plus covered family members). The fee Medicare retirees is \$6.46 plus \$45 per month to DeanCareRx for the Medicare D drug plan. DER projects the total fee for 2009 will be \$905,000.

**Dental Insurance - \$2,200,000** *unchanged from 2008*

The Dental Insurance subaccount of the City's Employee Healthcare Benefits SPA pays the City's portion of insurance premiums for employees enrolled in City-offered dental plans. The City contributes \$156 per year toward dental insurance for single coverage and \$450 per year for family coverage. The employee pays all premiums beyond the City's contribution.

Because the City's portion of employee dental insurance benefits is fixed and enrollment changes little from year to year, DER estimates 2009 dental insurance expenditures by multiplying current enrollment by the City's annual contribution rate. Water Works and the Parking Division reimburse DER for dental insurance contributions made for enrollees from these departments and are excluded from DER's Dental Insurance subaccount estimate.

Enrollment as of July, 2008, and estimated 2009 expenditures net of Water Works and the Parking Division are as follows:

<b>Estimated 2009 City Contribution - Dental Benefits</b>			
(enrollees as of July, 2008)	<b>Dental Benefit Coverage</b>		
	Single	Family	Total
Employees Enrolled			
Total	2,234	4,228	6,462
Water Works	(91)	(185)	(276)
Parking	(47)	(66)	(113)
Net Enrollees	2,096	3,977	6,073
City's Annual Contribution Rate	\$ 156.00	\$ 450.00	\$ 327.55
Estimated Annual Contribution	\$ 326,976	\$ 1,789,650	\$ 2,116,626

DER rounds this \$2,116,626 estimate up to \$2,200,000 for the 2009 Proposed Budget.

**Administrative Subaccount - \$3,000,000** *down \$500,000 or 14.29%*

The Administrative subaccount of the City’s Employee Healthcare Benefits SPA pays administration fees to the self-insured Basic Plan third-party administrator (DER estimates \$1,200,000), the Medicare Part D third-party administrator for Basic Plan retiree participants (DER estimates \$1,700,000) and the third-party administrator for the City’s self-insured prescription claim benefits program for both the Basic Plan and the HMO (DER estimates \$351,000) and consulting fees for the Willis Group (DER estimates \$62,000). DER’s total estimate for this subaccount is \$3,313,000. The Budget Management Division rounds the DER estimate down to \$3,000,000.

Cost containment program expenses estimated at \$112,000, plus \$2,000,000 for the City’s “Wellness” program mandated by certain City labor contracts are not included in the proposed 2009 Administrative subaccount at the direction of Budget Management Division because of uncertainty as to when this Wellness mandate take affect.

**2. Workers’ Compensation - \$14,383,000**

The Workers’ Compensation Special Purpose Account pays medical and indemnity (compensation for lost earnings) costs resulting for injuries sustained by City employees in the course of their employment. Medical, indemnity and costs to administer, investigate and pay claims are made through the Workers’ Compensation subaccount. Testing costs incurred as a result of exposure to blood-bourn pathogens mandated by federal law have been paid in the past through the Required Employer Law Compliance subaccount.

The 2009 Proposed Budget for the Workers’ Compensation SPA is \$2,233,000 or 18.38% greater than 2008’s Adopted Budget as follows:

<b>Workers’ Compensation Special Purpose Account</b>			
	'07 Actual	'08 Adopted	'09 Proposed
Workers' Compensation	12,280,899	12,125,000	14,383,000
Required Employer Law Compliance	605	25,000	0
<b>Total</b>	<b>12,281,504</b>	<b>12,150,000</b>	<b>14,383,000</b>
<i>Year to year change</i>	<i>4.42%</i>	<i>-1.07%</i>	<i>18.38%</i>

Costs for testing employees exposed to blood-bourn pathogens in 2009 are included in DER’s request for the Workers’ Compensation subaccount. There is no mandate

that these costs be paid from a segregated account, and since the DER's Workers' Compensation Section no longer employs an Occupational Health Nurse, no staff member is available to identify and separate these costs.

Injuries to employees in the course of their employment are inherently difficult to predict. DER's 2009 proposal for the Workers' Compensation SPA is based on the City's experience and increasing medical and indemnity costs. Indemnity costs for Temporary Total Disability and Permanent Partial Disability are set by the State of Wisconsin and published in December of each year. DER expects these State-mandated indemnity payments to increase for 2009 as they have consistently in the past and factors these increases, and increases in general medical costs, into its 2009 Workers Compensation SPA budget requested.

The majority of the City's workers' compensation claims come from 3 departments as follows:

Workers' Compensation Paid Claims by Department *				
	2006		2007	
Department of Public Works	\$ 4,738,317	46.01%	\$ 5,204,229	48.76%
Fire Department	2,757,594	26.78%	2,377,470	22.28%
Police Department	2,568,711	24.94%	2,368,288	22.19%
Other Departments	233,463	2.27%	722,788	6.77%
<b>Total *</b>	<b>\$10,298,084</b>	<b>100.00%</b>	<b>\$10,672,776</b>	<b>100.00%</b>

\* paid claims only - excludes all other costs

Payments for medical treatment made up 70% of total workers' compensation claims paid during 2007 while indemnity payments were 30%. During 2006 these percentages were 75% and 25% respectively.

A total of 2,738 accidents were reported in 2007, of which 1,221 were recordable under OSHA requirements. The City has a policy that all accidents must be immediately reported to supervisors, whether there are injuries or not. OSHA requires all accidents resulting in medical treatment for employees be recorded. The City had a year-end claims inventory, open claims on which continuing payments are being made, of 1,146 in 2007 (as of December 21 when DER ceased processing claims in anticipation of the debut of its new software management system on January 1, 2008).

A capital expenditure of \$400,000 was included in the 2007 Approved Budget to implement a web-based, new workers' compensation management software system. Valley Oaks System (headquarters, San Ramon, CA) was selected as the software provider through DER's RFP process. The goal was to create a system to process

claims with greater efficiencies and to provide reports and data to help individual departments better understand the factors contributing to on-the-job injuries and what steps could be taken to improve safety.

DER's new Valley Oaks workers' compensation package "went live" January 1, 2008 when the City "unplugged" its legacy system on December 21, 2007. No parallel workers' compensation system is being operated.

As anticipated, the first 8 months using the Valley Oaks software package to enter, track and manage workers' compensation have been a transition period. Technical glitches have been and are being remedied, and Workers' Compensation Section personnel are learning to operate the new system effectively. DER is confident once the software is operating as specified and staff is fully proficient in its use, the Valley Oaks system will improve productivity. The number of employees in Workers' Compensation Section declined from 19 in 2007 to 16 in 2008 and is projected to remain at 16 for 2009, and the future.

The installed Valley Oaks software system cost \$429,254. The web-based system is hosted and maintained by Valley Oaks. Fees for these services were projected in the 2008 Approved Budget to be \$110,370 and are projected to be \$101,440 in 2009. As of August, 2008, DER projects 2008 hosting and maintenance fees for the Valley Oaks software will come in at or slightly below budget.

The City has contracted with the CorVel, Corporation (headquarters, Irvine, CA with local offices in Waukesha), a third-party bill reviewer and repricer, since 2000. In addition to reviewing medical bills for appropriateness of treatment and customary-and-reasonable pricing, CorVel provides the City with what amounts to a "Preferred Provider Network" or PPO for workers' compensation medical claims, enabling the City reap discounts for medical treatment when employees injured on-the-job choose providers within CorVel's network. These discounts amounted to \$2,100,000 in 2006, net of CorVel's fee and \$4,055,188 in 2007 including prescriptions and claims from Water Works and the Parking Division.

In 2005, the City contracted with CorVel to pay all medical treatment bills for workers' compensation claims. The fee for this service is \$3.25 per check. In 2007 CorVel reviewed and paid 13,584 bills for a fee of \$44,148 and 11,646 bills for a fee of \$37,850 through September, 2008.

**3. Unemployment Compensation - \$950,000**

The 2009 Proposed Budget for the Unemployment Compensation SPA is \$70,000 or 7.95% greater than 2008's Adopted Budget as follows:

<b>Unemployment Compensation - Special Purpose Account</b>			
	'07 Actual	'08 Adopted	'09 Proposed
Unemployment Compensation	\$999,664	\$880,000	\$950,000
<i>year to year change</i>	-6.96%	-11.97%	7.95%

The Unemployment Compensation Special Purpose Account pays unemployment compensation benefits to City employees who are laid-off or whose employment is otherwise terminated. The State of Wisconsin determines eligibility for unemployment compensation based on the circumstances of the employee's departure, although the City can and does protest claims considered unjustified. The amount of benefits to be paid for approved unemployment claims is also determined by the State based on the level of the employee's earnings.

Unemployment compensation is limited by the State for 26-weeks, though the State may implement special, temporary extensions of benefits. The City does not anticipate any extension eligibility for unemployment benefits during 2009.

2008 unemployment compensation claims have been \$760,400 through September and DER expects total 2008 claim expenditures to be slightly lower than 2007 actual expenditures, slightly greater than 2008's Adopted Budget. Year-to-date 2008 claims are 433 versus 2007 year-end of 822, but claims are expected to increase in the 4<sup>th</sup> quarter as seasonal workers are laid off. Roughly 50% of the City's unemployment compensation expenditures result from seasonal employees typically utilized by the Forestry Department, Street and Sewer and as general laborers.

211, or 26%, of the 822 claims received in 2007 were protested by the City and 138 were denied.

DER's 2009 Proposed Budget of \$950,000 for unemployment compensation is consistent with 2007 actual expenditures in this area and with projected 2008 costs.

The City contracted in October, 2006, with TALX Corporation to administrate unemployment claims. The TALX system enables DER to monitor and track unemployment compensation by department and nature of the claims. DER believes the timely and meaningful data provided to departments through the TALX systems



has helped moderate unemployment compensation claims for the City in recent years and will continue to do so in 2009.

The approximate \$11,600 annual cost for TALX Corporation’s services is included in the Unemployment Compensation SPA.

**4. Long-term Disability - \$801,000**

The 2009 Proposed Budget for the Long-term Disability SPA is unchanged from 2008.as follows:

<b>Long-term Disability - Special Purpose Account</b>			
	'07 Actual	'08 Adopted	'09 Proposed
Long-term Disability	\$630,100	\$801,000	\$801,000
<i>change from prior year</i>	<i>0.30%</i>	<i>27.12%</i>	<i>0.00%</i>

The Long-term Disability Special Purpose Account pays the full premium for long-term disability insurance covering all eligible City employees. This disability insurance benefit pays 60% of their pre-disability earnings to employees who are unable to work due to injury or illness. Benefits begin on the 181<sup>st</sup> day of disability after a 180-day waiting period. Employees may elect to pay addition premiums at their own expense to reduce the waiting period for disability payments under the City-provided disability insurance plan to 120, 90 or 60 days.

A total of 3,535 City employees were covered by the program as of July, 2008. All general City management and non-management/non-represented employees are covered. Represented employees are covered per provisions in the respective collective bargaining agreements. Protective service personnel (Fire and Police) are not eligible for long-term disability, but are covered through pension disability,

The City’s two-year contract with Standard Insurance expires at the end of 2009. Standard’s rate under this contract is 0.45% of basic employee earnings. The City solicits RFP’s ever 2-3 years to ensure rates are competitive. Rates increased 27.12% in 2008 based on increased utilization and experience over the prior 5 years.

DER’s \$801,000 budget request for 2009 is unchanged from 2008’s Adopted Budget. At the 0.45% rate, \$801,000 in long-term disability insurance premiums covers \$178,000,000 in employee earnings or an average of \$50,350 per covered City employee. The City’s annual cost to provide this benefit for an employee earning \$50,350 a year is \$227.

**5. Tuition Reimbursement - \$800,000**

The 2009 Proposed Budget for the Tuition Reimbursement SPA is \$40,000 or 5.26% greater than 2008's Adopted Budget as follows:

<b>Tuition Reimbursement - Special Purpose Account</b>			
	07 Actual	08 Adopted	09 Proposed
Tuition Reimbursement	\$869,613	\$760,000	\$800,000
<i>change from prior year</i>	<i>7.56%</i>	<i>-12.60%</i>	<i>5.26%</i>

The City reimburses tuition and fees for courses, seminars and workshops taken by City employees to maintain and improve current job skills or to upgrade skills to prepare employees for specific promotion opportunities within the City. Fees for classes offered by DER's Training and Development Services section are paid directly from this SPA for employees who apply for and are accepted into the class. Membership dues in organizations dedicated to maintaining and improving an employee's job skills are also reimbursed through the Tuition Reimbursement SPA.

Participation in 2007 was up 6% from the previous year with 1,935 employees receiving 3,745 reimbursements for courses and/or membership dues. DER indicates most employees are eligible for up to \$1,200 per year in reimbursements for membership dues, tuition and required textbooks. Employees represented by certain unions are eligible for equipment and supplies reimbursements.

DER's 2009 Budget request of \$800,000 is up \$40,000 or 5.26% from 2008's Adopted Budget and consistent with actual 2007 reimbursements of \$809,648.

Tuition Reimbursement is not designed to subsidize department training programs and DER discourages departments from applying for tuition reimbursement to cover department sponsored training programs.

**6. Commuter Value Pass Program - \$132,032**

The 2009 Proposed Budget for the Commuter Value Pass SPA is unchanged from 2008.as follows:

<b>Commuter Value Pass - Special Purpose Account</b>			
	'07 Actual	'08 Adopted	'09 Proposed
Commuter Value Pass	\$120,699	\$130,032	\$130,032
<i>change from prior year</i>		7.73%	0.00%

The City has been encouraging employees to take public transit since April, 2000. The City participates in the Milwaukee County Transit System (“MCTS”) Commuter Value Pass Program (“CVP”) program and pays half the cost of unlimited use, photo ID, bus passes for participants. These bus passes are honored on all MCTS routes including freeway flyers and special event buses. All City employees are eligible for this transportation benefit except sworn police and firefighters who ride MCTS free of charge when in uniform or by presenting their badge or firefighter identification.

The CVP costs \$59.00 per month, \$29.50 paid by the City and \$29.50 paid by the employee through payroll deduction. This is 14% higher than in 2006 when CVP’s were \$51.67. MCTS officials notified DER in 2007 that CVP rates for 2008 could increase another 7% to \$63.00, but as of September, 2008, no rate increase had been implemented. MCTS continues to indicate a rate increase to \$63.00 could still take affect in 2009, but there has been no official notification.

Participation in the CYP program by City employees has been essentially flat over recent years despite rising gasoline prices. Participation at year-end for 2005, 2006 and 2007 was 365, 357 and 340 employees respectively. As of August, 2008, 343 City employees were participating.

DER’s 2009 Budget request of \$132,032 is unchanged from 2008 and would fund bus passes for approximately 373 employees if the CVP rate remains at \$59.00 per month and 349 employees if the rate increases to \$63.00 per month.

**7. Flexible Spending Account - \$50,000**

The 2009 Proposed Budget for the Flexible Spending Account SPA is unchanged from 2008.as follows:

<b>Flexible Spending Account - Special Purpose Account</b>			
	07 Actual	08 Adopted	09 Proposed
Flexible Spending Account	\$38,539	\$50,000	\$50,000
<i>change from prior year</i>		29.74%	0.00%

The Flexible Choices Program allows city employees to set aside through a Flexible Spending Account (“FSA”) pre-tax dollars for certain medical care, dependent care and parking expenses. As of August, 2008, 949 City employees have established FSA’s through this benefit program. Participation at year-end for 2005, 2006 and 2007 was 877, 753 and 855 employees respectively.

The City’s 4-year contract with ProcessWorks to manage and administer employee FSA’s expires on December 31, 2010. Monthly rates per participant were \$3.75 for 2008 and will be \$3.85 and \$3.95 during 2009 and 2010 respectively.

DER’s 2009 Budget request of \$50,000 is unchanged from 2008 and would fund FSA’s for approximately 1,082 employees during at the 2009 rate of \$3.85 per month per employee.

**8. Employee Training - \$25,000**

The 2009 Proposed Budget for the Employee Training SPA is \$15,000 or 37.50% less than 2008’s Adopted Budget as follows:

<b>Employee Training - Special Purpose Account</b>			
	07 Actual	08 Adopted	09 Proposed
Employee Training	\$39,824	\$40,000	\$25,000
<i>change from prior year</i>		0.44%	-37.50%

The Employee Training Special Purpose Account pays for employee training and development, including new employee orientation. Topics vary from year to year.

The impact of this DER training often goes beyond the individual employees being trained. A good example is the DER's training of department heads and other City supervisors to perform the recently mandated management performance reviews. While a relatively small number of employees are being trained directly, the impact is citywide.

During 2007, 1,178 employees participated in 103 training sessions.

Much of DER's 2008 training focused on preparing department heads and supervisors to conduct effective and meaningful management performance reviews, and DER expects such training will be a significant part of employee training for the foreseeable future.

In addition to its ongoing training commitments, DER will launch a newly developed Essential Skills for Supervisors training program in 2009 designed to improve employee supervision in the City.

**Labor Relations**

A breakdown of the 19 labor unions representing 6,338 of the City roughly 7,510 employees (84.39%) and contract expirations is as follows:

<b>City Union Contracts – Expirations - # of Employees Represented</b>			
Expiration	Representing Union	Representing	
Year-end 2003	Police Supervisors' Organization	294	
Year-end 2006	Local #494 - Int'l Brotherhood of Electrical Workers	21	
	Local #510 - Int'l Assoc of Machinists & Aerospace Workers	20	
	District Council #48	2,150	
	D.C. #48 - AFSCME (Am Fed of State, County & Municipal Empl's)	15	
	Plumbers' Local #75	15	
	Local #195 - Int'l Brotherhood of Electrical Workers	27	
	Public Empl's #61 - Laborers Int'l Union of North America	345	
	SEIU Staff Nurses' Council - Public Health	58	
	Technicians, Engineers & Architects of Milwaukee	122	
	Association of Scientific Personnel	19	
	Association of Municipal Attorneys	31	
	Local #218 IUPA - Allied Services Police Personnel	367	
	Local #21 IUPA - Milwaukee Police Association	50	
	Year-end 2006	Total 13 Unions - Representing	3,240
	May, 2007	Local #494 - Int'l Brotherhood of Electrical Workers - Machine Shop	9
Local #494 - Int'l Brotherhood of Electrical Workers - Electrical Group		120	
May, 2007	Total 2 Unions - Representing	129	
July, 2007	Milwaukee Building & Construction Council	58	
Year-end 2009	Local #215 - Milwaukee Professional Fire Fighters' Association	982	
	Local #21 IUPA - Milwaukee Police Association	1,635	
Year-end 2009	Total 2 Unions - Representing	2,617	
	Total 19 Unions - Representing	6,338	

As of September, 2008, 16 of these labor contracts are expired. The majority, 13, expired at year-end, 2006.

New contracts have been signed with two labor unions representing 2,617 City employees whose contracts expired at year-end, 2006. Three-year contracts covering 2007-2009 went into effect on November 25, 2007, for the 1,635-member Milwaukee

Police Association and on March 19, 2008, for Local #215 of the Milwaukee Professional Fire Fighters' Association's 982 members.

Milwaukee Police Supervisor's Organization ("MPSO") contract which expired at year-end, 2003, has gone to binding interest arbitration. All hearing have been held and briefs submitted and DER expects a judgment between the second week in October and the second week in December, although there is no official deadline. Interest Arbitration hearings are designed to gather facts and briefs a submitted to express opinions based on facts.

The MPSO contract emerging from Interest Arbitration will cover 2004-2006. The City and the union begin negotiating the 2007-2009 contract once the '04-'06 contract is settled.

The contract for District Council #48 representing 2,150 employees (one-third of all represented employees) which expired at year-end, 2006, is set to go to interest arbitration, but union officials have expressed the desire arbitration should not begin until the beginning of 2009. DER estimates the process could take 6 months once commenced before a final contract is settled.

DER believes the other 15 unions with expired contracts are waiting until District Council #48's contract is settled before proceeding with negotiations. DER expects these other contracts will be settled in line with the terms eventually reached in District Council #48's Interest Arbitration contract settlement.

Interest arbitration can be an expensive undertaking for the City, especially with police contracts where decisions are rendered on each disputed issue. DER estimates Milwaukee Police Supervisors' Organization's Interest Arbitration cost the City \$66,000, excluding legal expenses which are bourn by the City Attorney's office.

In addition to its collective bargaining responsibilities, the 7-member Labor Relations Section handles union grievances, except prohibited practice grievances. During 2007 there were 255 grievances, 47 settled internally, 3 settled before arbitration, 2 settled through arbitration, 5 pending arbitration and 198 still unsettled at year-end. Through August, 2008, there had been 146 grievances , 6 pending arbitration and 140 unsettled.

### **Compensation Services & Training**

Compensation Services is responsible for City Pay Plans, what employees are paid and how they are paid, or how they progress through the pay range for their job.

The last large-scale re-classification of City jobs was conducted for clerical positions in 1996.

Compensation Services has worked to development a new Management Pay Plan during much of 2007 and 2008 which calls for binding, annual performance reviews of management employees to determine pay raises, including developing an appeal process for dissatisfied employees. Management employees and City attorneys are the only City employees subject to binding performance reviews to earn pay raises.

### **Staffing Services**

DER's Staffing Services Section is responsible for providing City departments with lists of eligible candidates to fill department vacancies. All City departments are served by Staffing Services including fire, police and Milwaukee Public Schools (non-certificated positions only – administration, physical plant staff, food service, etc.).

Training of DER staff on the new SIGMA web-based electronic application processing system began in July, 2008. The system was used to receive the roughly 6,000 applications during the 3-week open period for firefighter applications, but has not yet been fully implemented.

When fully installed, the SIGMA system will allow applicants to apply online and DER personnel to track and process applicant files electronically which is expected to increase productivity. DER research indicated most applicant will chose to apply online when given a choice, although the City will continue to accept "paper" applications to ensure all interested candidates have access to the hiring process.

The cost to implement the SIGMA system has been approximately \$41,200 through August, 2008. Total completed cost were projected to be roughly \$47,940 in August, 2007.

9 Staffing Services positions were funded in the 2008 Adopted Budget and 11 positions are funded in the proposed 2009 budget. There is one vacancy in the section as of September, 2008, for a Human Resources Analyst, Senior.

Approximately 10,000 applications (excluding some 6,000 received for firefighter) have been received by DER through September, 2008, for roughly 100 positions (excluding fire and police). For each open position, Staffing Services must recruit candidates, perform a job analysis and development appropriate testing to qualify candidates. All applicants for City positions are tested for suitability.



Although the Fire & Police Commission has ultimate responsibility for hiring all fire and police personnel and was separated from DER in 2007, DER continues to recruit and provide eligibility lists for fire and police staff under the direction and in cooperation with the Fire & Police Commission. DER and the Fire & Police Commission signed a formal resolution outlining their working relation in July, 2007. DER observes this formal resolution is a good starting point, but the ultimate effectiveness of the working relationship between the two departments when hiring fire and police personnel is due to cooperation between DER's Director and the Fire & Police Commission Executive Director.

**City Personnel Diversity**

The following information on City personnel diversity was taken from the City’s website and from the Fire and police Commission’s 2007 Annual Report.

<b>City Diversity - January 8, 2008</b>							
	Police Personnel		Fire Personnel		Other Personnel		
Male	1,475	76.46%	479	95.80%	3,231	63.59%	
Female	454	23.54%	21	4.20%	1,850	36.41%	
White	1,238	64.18%	371	74.20%	3,264	64.24%	
Black	436	22.60%	76	15.20%	1,379	27.14%	
Hispanic	202	10.47%	39	7.80%	316	6.22%	
Native American	25	1.30%	4	0.80%	66	1.30%	
Asian	28	1.45%	10	2.00%	56	1.10%	
White Male	976	50.60%	354	70.80%	2,211	43.52%	
White Female	262	13.58%	17	3.40%	1,053	20.72%	
Black Male	292	15.14%	73	14.60%	739	14.54%	
Black Female	144	7.47%	3	0.60%	640	12.60%	
Hispanic Male	166	8.61%	38	7.60%	203	4.00%	
Hispanic Female	36	1.87%	1	0.20%	113	2.22%	
Asian Male	20	1.04%	4	0.80%	39	0.77%	
Asian Female	5	0.26%	0	0.00%	27	0.53%	
Native American Male	21	1.09%	10	2.00%	39	0.77%	
Native American Female	7	0.36%	0	0.00%	17	0.33%	
<b>Total</b>	<b>1,929</b>		<b>500*</b>		<b>5,081</b>		

\* Approximately 450 Fire personnel are classed as “Other Personnel” for the purposes of Diversity reporting.

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 October 6, 2008