

LRB-Research & Analysis Section

Finance & Personnel Committee
File: 081005

November 18, 2008
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Title

Substitute resolution appropriating \$100,000 from the 2008 Common Council Contingent Fund for payment of Milwaukee Police Supervisors Organization (“MPSO”) Interest Arbitration expenses.

Introduction

This substitute resolution appropriates \$100,000 from the 2008 Common Council Contingent Fund to the Department of Employee Relations (“DER”) for expenses incurred during Interest Arbitration with the Milwaukee Police Supervisors Organization Union (“MPSO”).

Background

The DER does not budget for Interest Arbitration of union contracts because Interest Arbitrations are infrequent and it is difficult to predict when or if they may be demanded.

Collective bargaining agreements covering City employees typically provide either negotiating party (the City or the union) the option of demanding Interest Arbitration to settle union contracts. In practice, the City rarely requests Interest Arbitration and 90% of Interest Arbitrations are initiated at the union’s direction. Once initiated by either party, the City is legally obliged to conduct and pay for Interest Arbitrations.

The City’s last Interest Arbitration case was in 2003 when the Common Council resolved to transfer \$46,895 from the Common Council Contingent Fund to the DER (File #031021 – passed 11/25/03) for costs incurred by DER in a Milwaukee Police Association Interest Arbitration.

A summary of the \$105,246 in expenses incurred during the MPSO Interest Arbitration is as follows:

MPSO 2008 Interest Arbitration - Summery of Expenses	
Arbitrator	\$ 31,748
Consulting Actuary	46,006
Expert Witnesses and Brief Preparation	7,326
Video Reporting Services	18,332
Lodging	929
Miscellaneous & Documents Preparation	905
Total Expenses	<u>\$105,246</u>

Discussion

DER cannot effectively budget for the costs of Interest Arbitrations because the occurrence of such events is not readily predictable. The Department has traditionally sought relief from the Common Council Contingent Fund for expenses incurred during Interest Arbitration with the understanding that this fund exists to pay City expenses which are episodic and not readily predictable.

DER requests reimbursement of \$100,000 of total costs incurred of \$105,246 and will pay the remaining \$5,246 from its 2008 operating budget.

DER's 2008 Adopted Budget for operating expenses is \$423,558. As of October 31, 2008, 10 months through 2008, the Department had incurred \$377,944 in operating expenses leaving \$45,614 to fund the operating costs for the Department through December 31, 2008. If the Department's operating expenses are expected to be uniform throughout the year, monthly operating expenses will be approximately \$35,297 (\$423,558 divided by 12 months), and the Department will need \$70,594 through the end of 2008, roughly \$25,000 more than the unspent portion of the Department's 2008 operating expense budget.

Transferring \$100,000 to DER from the Common Council Contingent Fund will restore the level of funding for DER services to the City to the level authorized by the 2008 Adopted Budget and make the Department whole by reimbursing it for costs not predicted by the Department.

Fiscal Impact

This resolution will reduce the Common Council Contingent Fund by \$100,000 and increase DER operating expense funding by \$100,000. The 2008 Common Council Contingent Fund was budgeted at \$5,000,000, and as of October 31, 2008, before considering this resolution, had a balance of \$1,368,349.