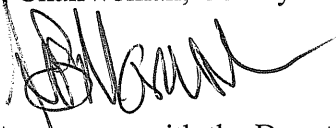


**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : September 6, 2013

TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller 

SUBJECT: Fiscal Report on the Proposed Agreement with the Deputy Sheriff's Association

The following provides a summary of the **fiscal impact of the proposed Deputy Sheriff's Association (DSA) contract agreement for the calendar year 2013.** It provides an estimate of the fiscal impact of the proposal based upon current personnel and anticipated step changes. The actual fiscal impact may be greater than or less than the impact that is estimated below.

The table on the following page presents the key wage and benefit elements of the proposed contract.

**Table 1: Wage and Benefit Proposals
Deputy Sheriff Association Contract for 2013**

Offer Ratified by DSA Period Covered by Contract	Proposed Offer
	August 19, 2013 Jan 1, 2013 - Dec 31, 2013
1 Wage Rate Increases	
Pay Period 12, May 12, 2013	1.50%
Pay Period 24, October 27, 2013	1.50%
2 Step Increases	Resumed ¹
3 Uniform Allowance	Resumed ¹
4 Hazardous Duty Pay	Resumed ¹
5 Pension Contribution	
1/2 the ARC	5.40%
DSA Member on ERS Board Always	Language Clarification Only
6 Employee Contributions to Health Insurance Premiums	
2013 Contribution Rates:	Effective Upon Adoption
Single	\$100
Single + child	\$125
Single + spouse	\$200
Single + family	\$225
7 Employee Contributions to Dental Insurance Premiums	
2013 Contribution Rates:	Effective Upon Adoption
Single	\$3
Single + child	\$6
Single + spouse	\$6
Single + family	\$6
8 Flexible Spending Account Contribution²	Non-Negotiable; County Ordinance Now Applies
9 Vacation Benefits for New Employees or Rehired Employees	Consistent with Ordinance
10 Sick Leave Cap	Cap at 960 Hours for New Employees
11 Earned Leave Paid at Retirement	Accrued Leave Paid in Lump Sum at Retirement
12 Retirement Benefits - Vesting	New Employees Hired after 1/1/12 Vested after 5 Years

¹ This table and the tables that follow show the changes between the prior year contract and the proposed contract. With respect to these provisions, they would have resumed automatically on January 1, 2013 because the 2009 - 2012 agreement granted the County the right to suspend for one year only. Therefore, the recommencement of steps, uniform allowance, and hazardous pay is not a change from the prior year contract for purposes of this fiscal note and is not calculated as such, but is shown here and in the following tables for informational purposes only.

² The 2009 - 2012 agreement includes a provision to provide a flexible spending account (FSA) contribution for DSA members. Due to Act 10, this contribution is no longer considered a negotiable item and County Ordinance applies. For 2013, County Ordinance allows for the contribution to an FSA if the employee is contributing to his pension. Therefore, DSA members received a contribution in 2013 equal to most other employees in the County. This item is shown here for informational purposes only, and is not included in the fiscal impact of the successor agreement.

The following tables present the fiscal impact summary for 2013:

Table 2: Fiscal Impact by Year
Deputy Sheriff Association Contract for 2013

	Offer Ratified by DSA Period Covered by Contract	Proposed Offer	
		August 19, 2013 Jan 1, 2013 - Dec 31, 2013	
		2013	
1 Wage Rate Increases			
Pay Period 12, May 12, 2013 - 1.5%		\$	160,780
Pay Period 24, October 27, 2013 - 1.5%		\$	23,154
2 Step Increases Resumed³		\$	-
Sub-Total Wages			183,933
FICA 7.65 %			14,100
Pension 10.8%			19,900
Sub-Total Wages and FICA			217,933
3 Uniform Allowance Resumed³			-
4 Hazardous Duty Pay Resumed³			-
5 Pension Contribution - 6.59% to 5.4%			54,840
6 Employee Contributions to Health Insurance Premiums			(32,760)
7 Employee Contributions to Dental Insurance Premiums			(138)
8 Flexible Spending Account Contribution⁴			-
9 Vacation Benefits for New Employees or Rehired Employees			-
10 Sick Leave Cap			-
11 Earned Leave Paid at Retirement			-
12 Retirement Benefits - Vesting			27,742
Total Wage and Benefit Change		\$	267,617
Amounts Used in Calculations:			
Number of Positions			285.0
Full-time equivalents including Overtime			308.9
Total calculated wages		\$	20,089,812
Average wage rate/hour		\$	31.27
Total base wages		\$	19,905,879
Annual Lift Pcntg Wages on base wage			0.92%
Annual Lift Pcntg All Costs on base wage			1.34%

³ This table shows the cost of the changes between the prior year contract and the proposed contract. With respect to these provisions, they would have resumed automatically on January 1, 2013 because the 2009 - 2012 agreement granted the County the right to suspend for one year only. Therefore, the recommencement of steps, uniform allowance, and hazardous pay is not a change from the prior year contract for purposes of this fiscal note and is not calculated as such, but is shown here for informational purposes only.

⁴ Although the status of the FSA contribution is different from the prior year contract, due to Act 10, this contribution is no longer a negotiable item and County Ordinance applies. For 2013, County Ordinance allows for the contribution to an FSA if the employee is contributing to the pension system. Therefore, DSA members received a contribution in 2013 equal to most other employees in the County. This item is shown here for informational purposes only, and is not included in the fiscal impact of the successor agreement.

CHANGES IN PROPOSED CONTRACT:

Following are the changes that are in the proposed contract agreement for with the DSA:

1. Wage Rate Increases

The proposed agreement provides for a wage increase of 1.5 percent in pay period 12 of 2013 (May 12, 2013) and another 1.5 percent in pay period 24 (October 27, 2013):

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
1	May 12, 2013	Wage Increase - 1.5%	\$160,780	\$298,588
	October 27, 2013	Wage Increase - 1.5%	\$23,154	\$303,067

For purposes of this fiscal note, the wage increases are staggered in the 2nd and 4th quarters of the contract period. Therefore, the impact on the 2013 budget will be less than the full impact that will be realized in the 2014 budget. The last wage increase given to the Deputy Sheriff's was in the 2009 - 2012, which provided a 4.0 percent increase effective October 28, 2012. For 2013, non-represented employees received a wage increase of 1.5 percent effective May 12, 2013. No other wage increases are scheduled for non-represented employees in 2013.

The wage costs do not include the cost of step increases.

2. Step Advancements Resumed

The proposed agreement continues previous provisions of the 2009 – 2012 agreement that allow for step increases.

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)	Annual Cost/(Savings)
2	January 1, 2013	Step Increases Reinstated	\$0	\$0	\$74,294

Generally, this fiscal note provides the fiscal impact of any changes between agreements. The 2009 – 2012 agreement included a provision for a one-year freeze on step advancements in 2012 allowing the County to achieve savings for a one year period with respect to DSA members. In comparison to most other unions and non-represented employees, DSA members were only subject to a one-year freeze while the others had a two-year freeze. Barring any further action, step advancements automatically resumed effective January 1, 2013. Because this reinstatement is not technically a change between the contracts, its fiscal impact is not included. However, the cost of step advancements has been provided as an informational item.

There are 32 represented members that either have received or will receive a step increase for 2013. The previous contract froze step increases for 2012. The step increase is \$0.97 per hour or 3.5% over average wage rates.

3. Uniform Allowance Resumed

The proposed agreement continues the previous provisions of the 2009 – 2012 agreement that allow for uniform allowances.

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)	Annual Cost/(Savings)
3	January 1, 2013	Uniform Allowance Reinstated	\$0	\$0	\$121,125

Generally, this fiscal note provides the fiscal impact of any changes between agreements. The 2009 – 2012 agreement included a provision for a one-year freeze on uniform allowances. Therefore, barring any further action, uniform allowances automatically resumed effective January 1, 2013. Because this reinstatement is not technically a change between the contracts, its fiscal impact is not included. However, the cost of uniform allowances has been provided as an informational item.

For 2013, 285 members are eligible for a uniform allowance of \$425 per person. This allowance was suspended for 2012, but is reinstated in 2013. For 2013, the requirement to pay this allowance by separate check is ended.

4. Hazardous Duty Pay Resumed

The proposed agreement continues the previous provisions of the 2009 – 2012 agreement that allow for hazardous duty pay.

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)	Annual Cost/(Savings)
4	January 1, 2013	Hazardous Duty Pay Reinstated	\$0	\$0	\$213,750

Generally, this fiscal note provides the fiscal impact of any changes between agreements. The 2009 – 2012 agreement included a provision for a one-year freeze on hazardous duty pay. Therefore, barring any further action, hazardous duty pay automatically resumed effective January 1, 2013. Because this reinstatement is not technically a change between the contracts, its fiscal impact is not included. However, the cost of hazardous duty pay has been provided as an informational item.

For 2013, 285 members are eligible for a hazardous duty payment in November of each year of \$750 per person. This pay was suspended for 2012, but reinstated in 2013.

5. Pension Contribution – One-Half the Annual Required Contribution

The proposed agreement amends the pension contribution language to require payment of the Annual Required Contribution (ARC), rather than a specific percentage.

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
5	Upon Ratification	Pension Contribution of ½ the ARC	\$54,840	\$212,811
		DSA Member on ERS Board Always		

Employee contributions required under Wisconsin State Statute are based on an actuarial analysis and require that one-half of the ARC be contributed by employees. Although Wisconsin State Statute does not require protective services to pay one-half the ARC, the actuary calculates the percentage that would be required by protective services in Milwaukee County (Deputy Sheriffs Union and Firefighters) if they were to contribute one-half the ARC. DSA members agreed to pay the actuarially determined amount of 6.59 percent for 2012, which was included in the the 2009 – 2012 agreement. The percentage was based on the actuarial report for 2011. The actuarial report for 2012 provides the contribution rate for 2013, which is currently 5.4 percent. All other employees (non-protective services) are paying 4.4 percent. It is typical that protective services contribution rates are higher than other employee groups due to the fact that they have higher benefit levels for the pension plan. The rate will fluctuate from year to year. Plan members have continued to pay the 6.59% to date based on the 2009 - 2012 agreement.

The addition of one DSA member to the ERS board membership was made in 2009 – 2012 agreement. The language included in the proposed agreement is for clarification purposes only.

6. Premium Contribution Increase for Health Care

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
6	October 1, 2013	Health Care Contribution Increase	(\$32,760)	(\$131,040)

Effective on October 1, 2013, members would contribute to health care premiums at the same level as most other employees. The proposal amends rates so that DSA members are on the same four-tier system as most other County employees. However, since the contract savings would only be achieved for three months of 2013, the impact for 2013 would be minimal. These rates will remain effective until that successor agreement is negotiated.

The rates are as follows:

Current Rate Structure (monthly)		Proposed Rate Structure (monthly)	
Single	\$85	Single	\$100

Family	\$170	Single + Child (ren)	\$125
		Single + Spouse	\$200
		Single + Family	\$225

7. Premium Contribution Increase for Dental Insurance

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
7	October 1, 2013	Dental Contribution Increase	(\$138)	(\$552)

The proposed agreement provides for increased contribution rates for dental insurance. These changes would become effective on October 1, 2013. Therefore, the impact for 2013 would be minimal. For 2014, the County would achieve the full year savings. The proposal amends rates so that members are on the same four-tier system as most other employees. These rates will remain effective until a successor agreement is negotiated.

The rates are as follows:

Current Rate Structure (monthly)		Proposed Rate Structure (monthly)	
Single	\$2	Single	\$3
Family	\$6	Single + Child (ren)	\$6
		Single + Spouse	\$6
		Single + Family	\$6

8. Flexible Spending Account (FSA) Contribution

The 2009 – 2012 agreement included a provision for the County contribution to the flexible spending accounts of DSA members. These amounts were \$500 for single, \$1,000 for a single + one plan, and \$1,500 for a family plan. It was later determined that this benefit is no longer a negotiable item due to Act 10. For 2013 and beyond, County Ordinance applies to DSA members with respect to the FSA contribution. County Ordinance requires that in order to be eligible for an FSA contribution, the employee must be contributing to the pension system. Therefore, DSA members received an FSA contribution equal to most other County employees for 2013, which was \$600 for single, \$1,440 for single + child(ren), \$1,200 for single + spouse and \$1,800 for family. This information is provided for informational purposes only and is not used in calculated the fiscal impact of the proposed agreement.

9. Vacation Benefits for New Employees or Rehired Employees

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
8	October 1, 2013	Vacation Benefits for New Employees are Rehired Employees	\$0	\$0

The proposed contract provides for the same treatment for new DSA members or rehired DSA members when providing a vacation allotment at the commencement of employment as most other employees receive through County Ordinance. During the first year of employment, DSA members are granted a proportional share of their hours of vacation entitlement based on the number of full calendar months remaining in the calendar year in which the employee was first hired or in which the employee will be rehired, divided by 12 and rounded up to the nearest whole hour.

In addition to the allotment, County Ordinance specifically denies the payout of any unused vacation if an employee separates from employment during the first year. However, the proposed agreement does not include similar language, which creates a potential liability for payment of unused vacation hours should an employee separate during the first year of employment.

10. Sick Leave Cap

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
9	October 1, 2013	Sick Leave Cap for New or Rehired Employees	\$0	\$0

Under the proposed agreement, the accrual of sick leave will be limited to a maximum of 960 hours for **new or rehired** employees hired after the ratification of the 2013 agreement. This action is similar to that taken for most other **new or rehired** employees in 2012. In addition, most employees derive no benefit from sick time accrued after June 24, 2012 or January 1, 2013, depending on the union. However, DSA members retain the benefit of additional pension service credit for each hour of sick allowance balance they continue to earn and maintain at the time of retirement. Although there is no direct fiscal impact on this action in 2013 or in the short-term, the current agreement for DSA members directly contributes to an increase in pension liability as unused sick hours are used to increase pension credits. Limiting the number of sick hours accrued limits the additional pension credit earnable to 960 hours, or less than one-half year.

11. Earned Leave Paid at Retirement

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
10	October 1, 2013	Accrued Leave Paid in Lump Sum at Retirement	\$0	\$0

Under the proposed agreement, DSA members would be required to take a lump sum payout of their accrued time off at retirement. They would no longer be able to extend their retirement date beyond their last day worked by using accrued time off. This is consistent with how all other non-protective services employees are treated.

This change provides potential savings to the County for DSA members that were hired after July 1, 1995 with respect to the provision of health insurance. DSA members previously allowed to go into extended payout would remain on the County's health and dental plan and pay the same premium as active employees during the duration of the payout. Although the current year savings is minimal, the future savings could exceed \$500,000. This assumes that the County no longer would pay three months of health insurance during the payout period for 136 DSA members hired post July 1, 1995. At current COBRA rates that savings is \$593,000. However, since the County has little experience to base this assumption on with regards to post-1995 hires, it is difficult to forecast a more accurate savings.

In addition to the savings related to health and dental insurance, savings is also achieved by eliminating the ability to earn additional holiday or vacation during an extended payout period. For example, if an employee retired near the end of the year with an extended payout period into the following year, that employee would be granted another full year of his vacation allotment. At present, a majority of DSA employees choose to be paid in a lump sum, so it is difficult to forecast a more accurate savings.

12. Retirement Benefits – Vesting

Item	Date Effective	Description	2013 Annual Cost/(Savings)	2014 Annual Cost/(Savings)
10	October 1, 2013	Employees Active on or After 1/1/2012 Vested after 5 Years of Service	\$27,742	\$27,742

The proposed agreement provides for the vesting of all DSA members active or hired after January 1, 2012 after five years of service. The vesting change would increase the ERS present value of future benefits and the ongoing annual normal cost. Based on the current census, all but four DSA members have at least 10 years of service and are already vested under the current plan provisions. Therefore, the direct fiscal impact for 2013 is an increase in the normal cost of \$27,742. However, as additional new DSA members are brought on over time, this action will increase the normal cost as compared to a DSA member who would have a 10 year vesting requirement.

Budgetary Fiscal Impact

The proposed agreement is intended to complete negotiations for the 2013 calendar year. The 2013 Adopted Budget did not include appropriations for a wage increase or for a pension increase. The budget, however, included the anticipated revenue from a pension contribution percentage of 5.4 percent and employee contributions to health and dental premiums at the 2012 levels. Therefore, the County will achieve unbudgeted revenue that is available to offset the wage cost increase and normal cost increase. In total, the 2013 fiscal impact of the contract is approximately \$54,000. This additional expenditure will either need to be absorbed with the Sheriff's budget or covered through funds within the Contingency.

**Table 3: 2013 Budgetary Fiscal Impact
Deputy Sheriff Association Contract for 2013**

		2013
Cost		
Wage Contract Cost	\$	217,933
Uniform and Hazardous Duty Pay		-
Pension Plan Contribution		(157,971)
Contributions to Health Insurance		(32,898)
FSA Contribution		-
Other Benefits		-
5 year vesting		27,742
Total Cost		54,806
Funding Source		
Prior Year Funds		-
Current Year Appropriations		-
Total Sources		-
Additional Resources Required/(Available)	\$	54,806

Wage and Benefit Lift for 2013

The following table projects the cumulative dollar change and percentage lift in costs for the proposed contract. It includes costs for 2013, as previously shown in the other schedules, but on an annualized basis. This is the minimum cost the County will continue to pay in future years barring any changes within successor agreements. For 2013, the cumulative lift is 3.02 percent for wages alone and 4.13 percent for all costs.

**Table 4: Cumulative Lift for 2013
Deputy Sheriff Association Contract for 2013**

As if all costs were annualized

	Proposed Offer		
	Cumulative Total Lift	Cumulative Lift %	Cost/ (Svgs) Per Active
1 Wage Rate Increases			
Pay Period 12, May 12, 2013 - 1.5%	\$ 298,588	1.50%	1,048
Pay Period 24, October 27, 2013 - 1.5%	303,067	1.52%	1,063
2 Step Increases Resumed⁵	-	0.00%	-
Sub-Total Wages	601,655	3.02%	2,111
FICA 7.65 %	46,027	0.23%	161
Pension 10.8%	64,979	0.33%	228
Sub-Total Wages and FICA	\$ 712,661	3.58%	2,501
3 Uniform Allowance Resumed⁵	-	0.00%	-
4 Hazardous Duty Pay Resumed⁵	-	0.00%	-
5 Pension Contribution - 6.59% to 5.4%	212,811	1.07%	747
6 Employee Contributions to Health Insurance Premiums	(131,040)	-0.66%	(460)
7 Employee Contributions to Dental Insurance Premiums	(552)	0.00%	(2)
8 Flexible Spending Account Contribution⁶			
9 Vacation Benefits for New Employees or Rehired Employees	-	0.00%	-
10 Sick Leave Cap	-	0.00%	-
11 Earned Leave Paid at Retirement	-	0.00%	-
12 Retirement Benefits - Vesting	27,742	0.14%	97
Total Wage and Benefit Change	<u>\$ 821,622</u>	<u>4.13%</u>	<u>\$ 2,883</u>
Amounts Used in Calculations:			
Number of Positions	285		
Full-time equivalents	309		
Total calculated wages	\$ 20,507,534		
Average wage rate/hour	31.92		
Total base wages	19,905,879		
Cumulative Lift Pcntg Wages on base wage	3.02%		
Cumulative Lift Pcntg All Costs on base wage	4.13%		

⁵ This table shows the cost of the changes between the prior year contract and the proposed contract. With respect to these provisions, they would have resumed automatically on January 1, 2013 because the 2009 - 2012 agreement granted the County the right to suspend for one year only. Therefore, the recommencement of steps, uniform allowance, and hazardous pay is not a change from the prior year contract for purposes of this fiscal note and is not calculated as such, but is shown here for informational purposes only.

⁶ The 2009 - 2012 agreement includes a provision to provide a flexible spending account (FSA) contribution for DSA members. Due to Act 10, this contribution is no longer considered a negotiable item and County Ordinance applies. For 2013, County Ordinance allows for the contribution to an FSA if the employee is contributing to his pension. Therefore, DSA members received a contribution in 2013 equal to most other employees in the County. This item is shown here for informational purposes only, and is not included in the fiscal impact of the successor agreement.

Administrative Costs Associated with Implementing this Contract

To implement this contract, personnel in the Office of the Comptroller and IMSD will have to input the rate changes into the Ceridian HPW System. For wage rates, and health plan changes, the implementation will require internal time and effort. The number of personnel hours to complete this task has not been determined yet, but other projects may be delayed to implement this contract.

The above information was prepared by the Office of the Comptroller and will be reviewed independently by the Office of the Comptroller – Audit Services, Department of Administrative Services and County Board Fiscal and Budget Analyst. A separate report may be issued by them based upon their review.