

## **County of Milwaukee Interoffice Communication**

**DATE:** 12/28/2018  
**TO:** Theodore Lipscomb, Sr. Chairman, Milwaukee County Board of Supervisors  
**FROM:** Donna Brown-Martin, Director, Department of Transportation  
**SUBJECT:** Status of Contract Negotiations with Amalgamated Transit Union

### BACKGROUND

Negotiations toward a new Collective Bargaining Agreement (CBA) began in February 2018, in advance of the March 31, 2018 expiration of the labor agreement between Milwaukee Transport Services, Inc. (MTS) and the Amalgamated Transit Union (ATU) Local 998.

During the past ten months, progress towards a new CBA has been slow. Negotiation sessions have been scheduled only about two-times per month. A contract extension through December 31, 2018, agreed to by MTS and ATU provided some incentive or urgency for a new agreement to be reached in the month of December, but the events of early-December have been disappointing thus far:

- On December 10, 2018, MTS provided a written proposal to ATU, through the Federal Mediator. The proposal focused on cost items: wages, cost-of-living adjustments (COLA) and healthcare.
- On December 11, 2018, a negotiation session was scheduled with the Federal Mediator, but that day came and went without a counter-proposal from ATU.
- On December 13, 2018, the 2<sup>nd</sup> of four negotiation sessions scheduled for December was cancelled due to the stated reason of one or more members of the ATU negotiation team being ill.
- On December 18, 2018, ATU expressed concern that if an employee was ill, increased costs relative to healthcare plan benefit changes could result in an impression of this as concession bargaining. In response to these concerns, MTS provided a revised proposal that gave an emphasis to wage increases over cost savings from healthcare plan changes.
- On December 19, 2018, ATU found wage increases favorable, but indicated no support for any change to healthcare plan benefits.
- Additional negotiation sessions were agreed to for February 11<sup>th</sup> and 13<sup>th</sup> of 2019.

### **Good Faith Bargaining**

MTS Management negotiation team continues to seek to bargain in good faith towards a conclusion of these negotiations that will allow us to refocus our efforts on ensuring safe, reliable and customer-first transit services. Given the exceedingly slow pace of progress in this negotiation, there is concern that ATU may be intentionally causing delays. Indicators of bad faith bargaining include such actions as: cancellation of bargaining sessions, delays/extended periods of unavailability for bargaining, imposing conditions on bargaining, refusal to meet, etc. The MTS team will continue to do everything in its power to move negotiations forward in a productive and reasonable manner.

### Disparities in Healthcare Benefits for Milwaukee County Employees vs. MCTS

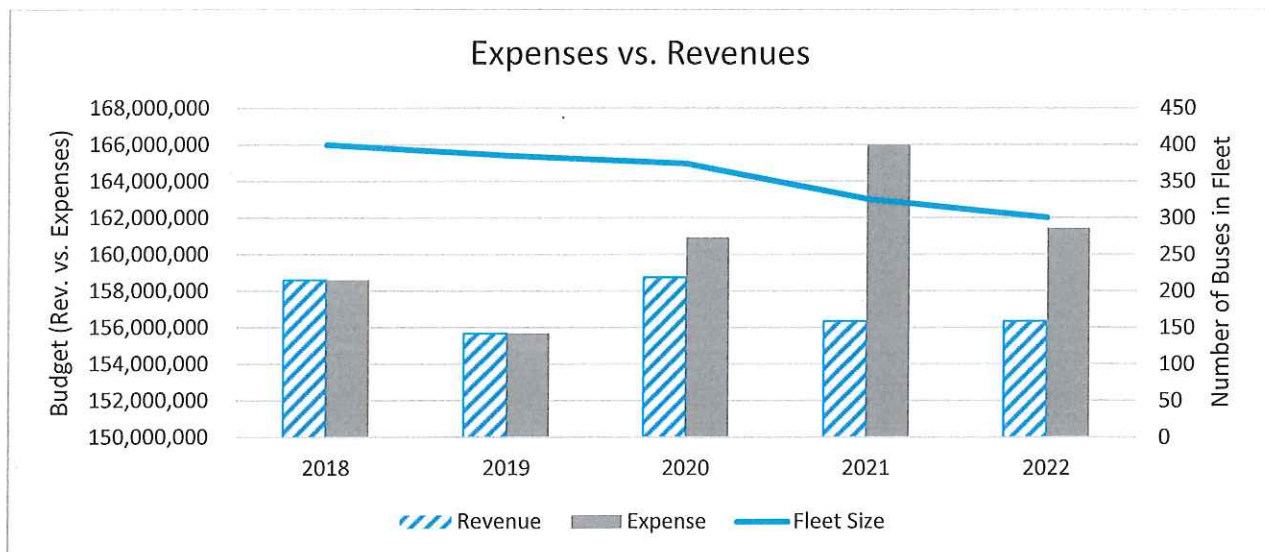
Bargaining typically breaks down around cost items as also seems to be the case in these negotiations. One key issue is whether Transit employees should have a distinctly different healthcare package than the nearly 4,000 other employees who work for Milwaukee County. Transit employees have a significantly smaller deductible, smaller out-of-pocket expenses, and no co-insurance. Obviously, rebalancing healthcare costs between MCTS and employees to closer resemble Milwaukee County’s healthcare structure can assist in lowering annual expenses and aid in balancing annual budgets. It can also assist employees in becoming more careful consumers of healthcare services.

### Annual Transit Budget

The annual Transit budget is developed largely around revenues from passengers, local municipalities, and County, State and Federal Governments. The revenue streams are limited. Meanwhile, there is increasing pressure on large dollar cost items like healthcare, paratransit contracts, fuel costs and wages.

- Healthcare inflation is projected to be 7.9% annually or an increase of about \$2.5 million per year.
- Paratransit contract cost increases are based on Consumer Price Indices that can add \$250,000 or more to the annual costs of contracts per year.
- Fuel increases on the order of \$0.25/gallon can result in a \$1 million increase in costs from one-year to the next.
- Quarterly cost-of-living wage increases boost expenses by about 1% or \$1 million per year
- Additional wage increases on top of COLA add even more upward pressure on year-to-year budgeting. The additional wage increase in each of the past three years was 1.5% per year.

The parameters described above added to known revenue constraints can be used to project future budgets. Some individuals are anticipating a best-case increase of 6% in State funding for transit beginning in 2020, as shown in the table below. Even with such increases, service reductions will likely be necessary to address annual gaps in anticipated expenses versus all revenues, especially if the status quo for COLA, wages and healthcare continues. The noticeable drop in revenue in 2021 reflects a loss of \$2.4 million in Congestion Mitigation and Air Quality (CMAQ) Improvement funds that have been a significant part of transit revenues for the past several years. The gap between expense and revenue in each year that they are not equal results in service reductions, increased fares or other changes to balance each future budget (e.g. revenues equal expenses as is shown for years 2018 and 2019). Decreases in fleet size – shown as a line on this chart – reflect annual service reductions potentially necessary to balance annual transit budgets. A reduction in total annual service hours of as much as 20% may be necessary in a few short years.



<u>Table Summary</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Fleet Size	385	374	326	300
ATU employee count	960	936	830	774

Our collective desire for labor peace needs to be carefully balanced against the impacts of changes in the major cost items directly affected by labor negotiations. Said another way, if MTS management is not careful about how it proposes wages and healthcare benefits, it will seriously hinder its ability to produce balanced budgets over the course of the contract that don't over-burden the community with fare increases and service reductions. Upholding COLA while making additional modest wage increases and closing disparities between MCTS healthcare benefits and those of thousands of other Milwaukee County (budget process) funded employees is a good faith effort to position MCTS for some measure of stability during the challenging years ahead.

RECOMMENDATION

This report is for informational purposes unless otherwise directed.

Prepared by:

Dan Boehm, President & Managing Director, MCTS

Approved by:

Donna Brown-Martin  
Director, Department of Transportation

cc: Chris Abele, County Executive  
Raisa Koltun, Chief of Staff, County Executive  
Joe Lamers, Budget Director, DAS - PSB  
Steve Cady, Research Director, Office of the Comptroller