

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : November 25, 2013

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

FROM : Scott B. Manske, Comptroller

SUBJECT : Fiscal Report on the Proposed Agreement with the Milwaukee County Fire Fighters Association

The following provides a summary of the **fiscal impact of the proposed Milwaukee County Fire Fighters Association (Fire Fighters) contract agreement for the years 2012, 2013 and 2014.** 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.

| Milwaukee County Fire Fighters Association Tentative Agreement | |
|---|---|
| Table 1: Wage and Benefit Proposal | |
| | Tentative Agreement |
| Offer Ratified by FF | October 29, 2013 |
| Period Covered by Contract | January 1, 2012 - December 31, 2014 |
| 1 Wage Rate Increases | |
| PP24, 2012 (Oct. 28, 2012) | 3.00% |
| PP 12, 2013 (May 12, 2013) | 1.50% |
| PP 24, 2013 (October 27, 2013) | 1.50% |
| PP 12, 2014 (May 11, 2014) | 1.25% |
| PP 24, 2014 (October 26, 2014) | 1.25% |
| Back Pay for Employees who Resigned | Provide Back Pay for Employees who Resigned |
| 2 Step Advancement Delay | Delayed Step Advancement |
| 3 Contributions to Health and Dental Insurance | Health/Dental |
| Single | \$100/\$2 |
| Single + child | \$125/\$6 |
| Single + spouse | \$200/\$6 |
| Single + family | \$225/\$6 |
| 4 Flexible Spending Account Contribution¹ | Non-Negotiable; MCGO Applies |

Milwaukee County Fire Fighters Association Tentative Agreement

Table 1: Wage and Benefit Proposal (Cont.)

| | | |
|-----------|---|--|
| 5 | Voluntary Annual Medical Examination | Provided for by County |
| 6 | Uniform Allowance | Commisary Created In Lieu of Reimbursement |
| 7 | Vacation Carryover | Vacation not used due to illness, injury, or temporary assignment may be carried over up to 72 hours. Hours in excess of 72 may be carried over or paid out at HR Director discretion. Carryover of vacation not used due to employee's failure to use must be approved HR director. |
| 8 | Off Days Carryover | Off days not used due to illness, injury, temporary assignment or other county imposed restrictions shall have all unused time paid out on the 1st pay period in January of the following year. |
| 9 | Vacation Benefits for New/Rehired Employees | Consistent with Ordinance |
| 10 | Sick Leave | Limited to 3 Hours per 24-Hour Shift Accrual Limited to 1,920 for New/Rehired Employees |
| 11 | Longevity Pay | 2014 Payment Suspended |
| 12 | Temporary Assignment | County Not Required to Pay Firefighters Assigned (TACH'd) to Captain at Top Step of Pay Range |
| 13 | Pension Contribution | Contribute 1/2 the Annual Required Contribution |
| 14 | Grievance | Language Clarification |
| 15 | Earned Leave Paid at Retirement | Accrued Leave Paid in Lump Sum at Retirement |
| 1 | The 2012-2014 tentative agreement includes a provision to provide a County contribution to the flexible spending accounts of fire fighter members. Due to Act 10, this item is no longer a negotiable item and County ordinance applies. For 2014, County Ordinance allows for the County contribution to an FSA if an eligible employee is contributing to his pension. Therefore, fire fighter members will receive an FSA contribution in 2014 based on County Ordinance (subject to any provisions of the 2014 Adopted Budget). | |

The table on the following page presents the fiscal impact summary for the three contract years:

Milwaukee County Fire Fighters Association Tentative Agreement

Table 2: Fiscal Impact by Year

| | | Tentative Agreement | | |
|--------------------------------------|---|-------------------------------------|------------------|------------------|
| Offer Ratified by FF | | October 29, 2013 | | |
| Period Covered by Contract | | January 1, 2012 - December 31, 2014 | | |
| | | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| 1 | Wage Rate Increases | | | |
| | Pay Period 24, 2012 (Incr of 3.0%) | 3,982 | 34,512 | 34,512 |
| | Pay Period 12, 2013 (Incr of 1.5%) | - | 11,416 | 17,774 |
| | Pay Period 24, 2013 (Incr of 1.5%) | - | 3,261 | 18,040 |
| | Pay Period 12, 2014 (Incr of 1.25%) | - | - | 9,860 |
| | Pay Period 24, 2014 (Incr of 1.25%) | - | - | 2,852 |
| | Back Pay for Employees who Resigned | 497 | 404 | - |
| 2 | Step Advancement Delay | - | - | (8,827) |
| | Sub-Total Wages | 4,479 | 49,594 | 74,212 |
| | FICA 7.65 % | 340 | 3,790 | 5,680 |
| | Pension 9.4%/10.8%/10.4% | 420 | 5,360 | 7,720 |
| | Sub-Total Wages and FICA | 5,239 | 58,744 | 87,612 |
| 3 | Contributions to Health and Dental Insurance | - | - | 1,320 |
| 4 | Flexible Spending Account Contribution | - | - | - |
| 5 | Voluntary Annual Medical Exam | - | - | - |
| 6 | Uniform Allowance | - | - | - |
| 7 | Vacation Carryover | - | - | - |
| 8 | Off Days Carryover | - | 7,168 | - |
| 9 | Vacation Benefits for New or Rehired Employees | - | - | - |
| 10 | Sick leave | - | - | - |
| 11 | Longevity Pay | - | - | (2,280) |
| 12 | Temporary Assignment | - | - | - |
| 13 | Pension Contribution | - | - | (49,893) |
| 14 | Grievance | - | - | - |
| 15 | Earned Leave Paid at Retirement | - | - | - |
| | Total Wage and Benefit Change | <u>\$ 5,239</u> | <u>\$ 65,911</u> | <u>\$ 36,759</u> |
| Amounts Used in Calculations: | | | | |
| | Number of Positions | 17.0 | 17.0 | 17.0 |
| | Full-time equivalents | 24.5 | 24.5 | 24.5 |
| | Total calculated wages | \$ 934,834 | \$ 979,948 | \$ 1,004,566 |
| | Average wage rate/hour | \$ 18.83 | \$ 19.74 | \$ 20.24 |
| | Total base wages | \$ 930,354 | \$ 930,354 | \$ 930,354 |
| | Annual Lift Pcntg Wages on base wage | 0.48% | 4.85% | 2.65% |
| | Cumulative Lift Pcntg Wages on base wage | 0.48% | 5.33% | 7.98% |
| | Annual Lift Pcntg All Costs on base wage | 0.56% | 6.52% | -3.13% |
| | Cumulative Lift Pcntg All Costs on base wage | 0.56% | 7.08% | 3.95% |

CHANGES IN PROPOSED CONTRACT:

The following paragraphs summarize and provide a fiscal impact of the changes that are in the tentative contract agreement with the Fire Fighters.

1. Wage Rate Increases

The tentative agreement provides for a wage increases in all three years of the contract.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|------|------------------|-----------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1 | October 28, 2012 | Wage Increase – 3.0% | \$3,982 | \$34,512 | \$34,512 | \$34,512 |
| | May 12, 2013 | Wage Increase – 1.5% | | \$11,416 | \$17,774 | \$17,774 |
| | October 27, 2013 | Wage Increase – 1.5% | | \$3,261 | \$18,040 | \$18,040 |
| | May 11, 2014 | Wage Increase – 1.25% | | | \$9,860 | \$15,259 |
| | October 26, 2014 | Wage Increase – 1.25% | | | \$2,852 | \$15,450 |

For purposes of this fiscal note, the wage increases are staggered in the 2nd and 4th quarters of year of the contract period. Therefore, the impact in each single year will be less than the full impact that will be realized in the 2015 budget. The Fire Fighters received wage increases in each of year of the prior contract period: 4.0 percent total in 2009; 4.0 percent total in 2010; and 4.0 percent total in 2011.

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

In addition to the cost of the general wage increases for current fire fighters, the County will be required to pay any fire fighters that worked during the term of the agreement but have since separated from the County any back payment for the general wage increases. Three prior employees will be eligible for back pay in the amount of \$901.

2. Step Advancements Delayed

The tentative agreement delays the step advancements of fire fighters based on their current step.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|------|----------------|------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 2 | Upon Adoption | Step Increases Delayed | \$0 | \$0 | (\$8,827) | (\$12,301) |

The tentative agreement provides for a step delay based on the following criteria:

- Employee at Step 1: step delayed 3 months (affects 1 employee)
- Employee at Step 2: step delayed 9 months (affects 2 employees)

- Employee at Step 3: step delayed 12 months (affects 0 employees)
- Employee at Step 4: step delayed 12 months (affects 0 employees)
- Employee at Step 5: step delayed 12 months (affects 6 employees)
- Employee at Step 6: step delayed 12 months (affects 0 employees)
- Employee at Step 7: step delayed 12 months (affects 0 employees)

There are nine fire fighters that are eligible to receive a step increase in 2014. Based on the current anniversary dates of those nine employees, eight will receive no step advancement until 2015. One employee will receive a step in 2014. The total savings achieved in 2014 is \$8,827.

In comparison to most other unions and non-represented employees who have had multiple year step freezes, fire fighters have not been subject to any step freeze.

3. Contributions to Health and Dental Insurance

The tentative agreement adjusts the health and dental premiums of fire fighters to be consistent with the premiums in the 2013 Adopted Budget.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|------|----------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 3 | Upon Adoption | Health and Dental Premiums | \$0 | \$0 | \$1,320 | \$1,320 |

Effective upon contract ratification, fire fighters will contribute to health care at the same rate within the 2013 Adopted Budget. The proposal amends rates so that fire fighters are on the same four-tier system as all other County employees. With the new rate structure, all but four fire fighters will be paying less for premiums based on the current four-tier structure. This results in a cost to the County of \$1,320 for 2014.

The rates are as follows:

| Current Rate Structure (monthly) | | Proposed Rate Structure (monthly) | |
|----------------------------------|-------|-----------------------------------|-------|
| Single | \$110 | Single | \$100 |
| Family | \$220 | Single + Child (ren) | \$125 |
| | | Single + Spouse | \$200 |
| | | Single + Family | \$225 |

It is worth noting that the 2014 Adopted Budget has increased the healthcare premiums over the 2013 premiums, but has also provided for a credit for wellness participation. The rates fire fighters will pay in 2014 compare as follows:

| | 2014 Fire Fighter Healthcare Premium | 2014 Healthcare Premium | 2014 Healthcare Premium w/Wellness Credit |
|----------------------|---|--------------------------------|--|
| Single | \$100 | \$130 | \$80 |
| Single + Child (ren) | \$125 | \$150 | \$100 |
| Single + Spouse | \$200 | \$210 | \$160 |
| Single + Family | \$225 | \$230 | \$180 |

The tentative agreement provides for the same contribution rates for dental insurance as in the 2013 Adopted Budget and on the same four-tier system as all other County employees. This change results in no fiscal impact to the County.

The rates are as follows:

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

It is again worth noting that the 2014 Adopted Budget has increased the dental premiums over the 2013 premiums for both the DMO and HMO plan. The rates fire fighters will pay in 2014 compare as follows:

| | 2014 Fire Fighter Dental Premium | 2014 Dental Premium |
|----------------------|---|----------------------------|
| Single | \$2 | \$10 |
| Single + Child (ren) | \$6 | \$25 |
| Single + Spouse | \$6 | \$25 |
| Single + Family | \$6 | \$25 |

4. Flexible Spending Contribution

Although language is contained within the tentative agreement, it has been determined that the flexible spending account (FSA) contribution is not a negotiable item due to Act 10. For 2014 and beyond, County Ordinance applies to fire fighters with respect to the FSA contribution. County Ordinance and the 2014 Adopted Budget require that in order to be eligible for a dollar-for-dollar matching FSA contribution from the County, the employee must be contributing to the pension system. Therefore, based on the tentative agreement, all fire fighters will be eligible for a dollar-for-dollar County FSA contribution match up to \$1,200. Because this item is not negotiable, this information is only being provided for informational purposes and is not used in calculating the fiscal impact of the tentative agreement.

5. Voluntary Annual Medical Examination

The tentative agreement provides for a County-paid National Fire Protection Association (NFPA) 1582 Standard Medical Examination for any fire fighter on a voluntary basis.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|---------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 5 | Upon Adoption | Medical Examination | \$0 | \$0 | \$0 | \$0 |

For purposes of this fiscal note, it is assumed that this examination would be covered under the County’s healthcare plan and would have no substantial impact on costs, given its voluntary status.

6. Uniform Allowance

The tentative agreement discontinues the current practice of providing a \$600 uniform allowance to each fire fighter and instead provides for a commissary system.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|---|--------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 6 | Upon Adoption (will effect 2014 payment only) | Uniform Allowance Discontinued | \$0 | \$0 | \$0 | \$0 |

Although the County will save \$10,200 for the discontinuation of the uniform allowance, it is assumed that a similar amount will need to be provided to establish and maintain the commissary system. Therefore, at this time, there is no anticipated savings.

7. Vacation Carryover

The tentative agreement allows for the carryover of up to 72 hours of unused vacation time into the following year with the Director of Transportation’s approval.

If hours in excess of 72 were not used due to an employee’s illness, injury, temporary assignment to higher classification or other County imposed restrictions, the Director of Transportation may request the carryover or payout of those hours from the Director of Human Resources (HR). The Director of HR shall have the discretion to determine whether the unused hours in excess of 72 shall be carried over or paid out.

If hours in excess of 72 were not used due to the employee’s failure to schedule, the Director of Transportation may request the carryover or payout of those hours from the Director of HR. The Director of HR shall have the discretion to approve or deny the request.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 7 | January 1, 2012 | Vacation Carryover | \$0 | \$0 | \$0 | \$0 |

Given current practice, it is likely that any unused vacation time would be carried over into the following year and not paid out. Therefore, there would be no direct fiscal impact from this provision.

8. Off Days Carryover

The tentative agreement allows for the payout of any unused off days if the employee was unable to use those off days due to illness, injury, temporary assignment to a higher classification, or other County imposed restrictions.

If the unused off days were due to the employee's failure to schedule, the employee shall forfeit the remaining off days.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 8 | January 1, 2012 | Off Days Carryover | \$0 | \$7,168 | \$0 | \$0 |

In review of the off days forfeited in 2012 and 2013, it is possible that the County may be responsible for a payment of up to \$7,168 for off days not previously paid out. A further review will need to occur to determine if those days could have been used by the employee or if their ability to use them was limited by one of the factors established in the agreement.

In addition, it is impossible to determine if any of the factors established in the tentative agreement would cause an impact in the future. It is likely that an employee may have unused off days due to one of these factors, but the County has no ability to predict such events to determine a fiscal impact.

9. Vacation Benefits for New/Rehired Employees

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 9 | Upon Adoption | Vacation Allotment for New/Rehired Employees | \$0 | \$0 | \$0 | \$0 |

The tentative agreement provides for the same treatment for new or rehired fire fighters when providing a vacation allotment at the commencement of employment as all other employees receive. During the first year of employment, fire fighters 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.

Under County Ordinance, employees who separate from employment during the first year are not entitled to a payout of unused vacation time. The tentative 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

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|------|----------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
| 10 | Upon Adoption | Sick Leave Cap for New or Rehired Employees | \$0 | \$0 | \$0 | \$0 |
| | Upon Adoption | Limited to 3 Hours Excused Per 24 Hour Shift | | | | |

Under the proposed agreement, the accrual of sick leave will be limited to a maximum of 1,920 hours for **new or rehired** employees hired after the ratification of the 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, new or rehired fire fighters retain the benefit of having any accrued sick allowance at the time of retirement credited toward the cost of health insurance after retirement. Although there is no direct fiscal impact on this action in 2013 or in the short-term, the current agreement for fire fighters will limit the future liability for each fire fighter to 1,920 hours. Limiting the number of sick hours accrued limits the additional sick allowance creditable towards health insurance premiums, reducing the potential payout from an unlimited number of hours to 1,920.

In addition, the tentative agreement will limit the number of excused sick occurrences for medical appointments (up to three hours) to one per 24-hour shift. Prior to this change, fire fighters were able to take multiple excused sick occurrences per shift. It is assumed that fire fighters would continue to use sick time for medical appointment, but across multiple shifts, rather than in a single shift. Therefore, there is no fiscal impact anticipated from this change.

11. Longevity

The tentative agreement temporarily suspends longevity pay for one year (2014).

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|---|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 11 | Upon Adoption (will affect 2014 pay only) | Suspend longevity payment | \$0 | \$0 | (\$2,280) | \$0 |

The County provides an annual longevity payment to each fire fighter based on the number of years of services.

- 6 years - \$150
- 10 years - \$245
- 15 years - \$305
- 20 years - \$365

Based on the current tenure of employees, the suspension of this payment will provide a savings of \$2,280. This payment will automatically resume in 2015, unless a successor agreement is negotiated with terms otherwise.

12. Temporary Assignment to a Higher Classification

This tentative agreement revises the previous provision that any fire fighter temporarily assigned to a higher classification (TAHC) be paid at the top step. Under the new provision, fire fighters temporarily assigned may be paid at any step within the corresponding pay range.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 12 | Upon Adoption | Payable TAHC Rate | \$0 | \$0 | \$0 | \$0 |

Although this revision may provide for a savings in the future, the County is unable to predict when a fire fighter may be TAHC'd or at what step they may be placed when TAHC'd. Therefore, there is no fiscal impact estimated for this provision.

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

The tentative agreement provides for a pension contribution of one-half the Annual Required Contribution (ARC).

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|----------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 13 | Upon Adoption | Pension Contribution | \$0 | \$0 | (\$49,893) | \$0 |

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. The actuarial report for 2012 provides the contribution rate for 2013, which is currently 5.4 percent. For 2014, the rate will be 5.2 percent. All other employees (non-protective services) are paying 4.4 percent in 2013 and 5.1 percent in 2014. 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.

Section 200.03 of the ordinances requires an actuarial report on all changes to the system to show the actuarial effect and cost implications. As you note, this sentence from the 7/11/11 actuarial report has already answered the question posed in that ordinance and therefore no further report or study is required: "The state-mandated employee pension contributions will not change the overall liability and costs of [ERS]. Thus, the law does not have an actuarial impact on the retirement system." The report does note that through these contributions some of the costs of the system are being shifted to employees, but as you also note, this number can be calculated by the Comptroller and does not require actuarial analysis.

14. Grievance

The tentative agreement adds language regarding the grievance procedure. It provides that if the subject matter of the grievance is not under the authority of the Fire Chief, the grievance shall be initiated at Step 3 of the procedure, which is directly to the Department of Labor Relations.

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 14 | Upon Adoption | Grievance | \$0 | \$0 | \$0 | \$0 |

This change has no fiscal impact.

15. Earned Leave Paid at Retirement

| Item | Date Effective | Description | 2012 Annual Cost / (Savings) | 2013 Annual Cost / (Savings) | 2014 Annual Cost / (Savings) | 2015 Annual Cost / (Savings) |
|-------------|-----------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 15 | Upon Adoption | Accrued Leave Paid in Lump Sum at Retirement | \$0 | \$0 | \$0 | \$0 |

Under the proposed agreement, fire fighters 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 fire fighters that were hired after January 1, 1994 with respect to the provision of health insurance. Fire fighters 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 \$50,000. This assumes that the County no longer would pay three months of health insurance during the payout period for 13 fire fighters hired post January 1, 1994. At current COBRA rates that savings is \$56,657. However, since the County has little experience to base this assumption on with regards to post-1994 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 off days allotment. Since the group of fire fighters is small, it is difficult to ascertain who might choose to be paid in a lump sum, making it difficult to forecast a more accurate savings.

Budgetary Fiscal Impact

| Milwaukee County Fire Fighters Association Tentative Agreement | | | | |
|---|--------------------------------------|-------------------------------------|------------------|------------------|
| Table 3: Budgetary Fiscal Impact | | | | |
| | | Tentative Agreement | | |
| Offer Ratified by FF | | October 29, 2013 | | |
| Period Covered by Contract | | January 1, 2012 - December 31, 2014 | | |
| | | 2012 | 2013 | 2014 |
| Cost | | | | |
| | Wage Contract Cost | \$ 5,239 | \$ 58,744 | \$ 87,612 |
| | Contributions to Health Insurance | - | - | 1,320 |
| | Pension Contributions | - | - | (49,893) |
| | Other | - | 7,168 | (2,280) |
| | Total Cost | 5,239 | 65,911 | 36,759 |
| Funding Source | | | | |
| | Prior Year Funds | - | - | - |
| | Current Year Appropriations | - | 29,173 | 13,561 |
| | Pension Budget Appropriations | - | - | - |
| | Total Sources | - | 29,173 | 13,561 |
| | Additional Resources Required | \$ 5,239 | \$ 36,738 | \$ 23,197 |

The proposed agreement is intended to complete negotiations for the 2012, 2013, and 2014 calendar years. The 2013 and 2014 Adopted Budgets included appropriations for wage increases and step advancements. Typically, changes to employee contributions to health and dental premiums would provide unbudgeted revenue to offset any contract increases; in this case, due to reasons discussed earlier, there is no revenue offset. Therefore, the only unbudgeted revenue that is available to offset the wage cost increase and other contract concessions are the pension contribution and longevity pay suspension. In total, the 2012, 2013 and 2014 fiscal impact of the contract is estimated to be \$5,239, \$36,738 and \$23,197 respectively. Because the 2012 fiscal year has been closed, the 2012 fiscal impact will be paid and impact 2013.

In 2015, when the full impact of the changes is realized, it is anticipated that this contract will cost the County a total of \$53,882.

This additional expenditure will be absorbed within the Department of Transportation – Airport Division budget. Because the Airport is an enterprise fund, the cost increase will be fully offset by revenues generated by the Airport and will have no tax levy impact.

Wage and Benefit Lift for 2013

The table on the following page projects the cumulative dollar change and percentage lift in costs for the tentative agreement. It includes costs for 2012, 2013 and 2014, 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 2015, the cumulative lift is 11.26 percent for wages alone and 5.79 percent for all costs.

Milwaukee County Fire Fighters Association Tentative Agreement

Table 4: Annualized Cumulative Lift

| | | Tentative Agreement | | |
|--------------------------------------|---|-------------------------------------|-------------------|---------------------|
| | | October 29, 2013 | | |
| Period Covered by Contract | | January 1, 2012 - December 31, 2014 | | |
| Offer Ratified by FF | | | | |
| | | Cumulative | Cumulative | Cost/ (Sygs) |
| | | Total Lift | Lift % | Per Active |
| Wage Rate Increases | | | | |
| 1 | Pay Period 24, 2012 (Incr of 3.0%) | \$ 34,512 | 3.71% | \$ 2,030 |
| | Pay Period 12, 2013 (Incr of 1.5%) | \$ 17,774 | 1.91% | \$ 1,046 |
| | Pay Period 24, 2013 (Incr of 1.5%) | \$ 18,040 | 1.94% | \$ 1,061 |
| | Pay Period 12, 2014 (Incr of 1.25%) | \$ 15,259 | 1.64% | \$ 898 |
| | Pay Period 24, 2014 (Incr of 1.25%) | \$ 15,450 | 1.66% | \$ 909 |
| | Back Pay for Employees who Resigned | \$ - | 0.00% | \$ - |
| | Step Advancement Delay | \$ (12,301) | -1.32% | \$ (724) |
| 2 | Sub-Total Wages | \$ 88,735 | 9.54% | \$ 5,220 |
| | FICA 7.65 % | \$ 6,800 | 0.73% | \$ 400 |
| | Pension 10.4% | \$ 9,200 | <u>0.99%</u> | \$ 541 |
| | Sub-Total Wages and FICA | \$ 104,735 | 11.26% | \$ 6,161 |
| | Contributions to Health and Dental Insurance | \$ 1,320 | 0.14% | \$ 78 |
| 3 | Flexible Spending Account Contribution | \$ - | 0.00% | \$ - |
| 4 | Voluntary Annual Medical Exam | \$ - | 0.00% | \$ - |
| 5 | Uniform Allowance | \$ - | 0.00% | \$ - |
| 6 | Vacation Carryover | \$ - | 0.00% | \$ - |
| 7 | Off Days Carryover | \$ - | 0.00% | \$ - |
| 8 | Vacation Benefits for New or Rehired Employees | \$ - | 0.00% | \$ - |
| 9 | Sick leave | \$ - | 0.00% | \$ - |
| 10 | Longevity Pay Deferral | \$ (2,280) | -0.25% | \$ (134) |
| 11 | Temporary Assignment | \$ - | 0.00% | \$ - |
| 12 | Pension Contribution | \$ (49,893) | -5.36% | \$ (2,935) |
| 13 | Grievance | \$ - | 0.00% | \$ - |
| 14 | Earned Leave Paid at Retirement | \$ - | <u>0.00%</u> | \$ - |
| 15 | Total Wage and Benefit Change | \$ 53,882 | 5.79% | \$ 3,170 |
| Amounts Used in Calculations: | | | | |
| | Number of Positions | 17.0 | | |
| | Full-time equivalents | 17.0 | | |
| | Total calculated wages | \$ 1,019,089 | | |
| | Average wage rate/hour | \$20.53 | | |
| | Total base wages | \$ 930,354 | | |
| | Total Hours | 49,640 | | |

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.

This report 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 those departments based upon their review.