

ORG. UNITS: 1950
1972

BUDGETS: Employee Fringe Benefits
Wage & Benefit Modification

FINANCE & AUDIT COMMITTEE HEARING DATE: October 21, 2010

Audio: BH 1C002, 1950 & 1972
BH 102110 1C002 & 1C001
BH 102110 1950 & 1972

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive: Kelly Rindfleisch, Deputy Chief of Staff ,County Executive

APPEARANCE(S):

Greg Gracz, Director, Labor Relations
Mark Vetter, Buelow, Vetter
Tim Schoewe, Interim Corporation Counsel
Steve Cady, Fiscal and Budget Analyst, County Board
Steve Kreklow, Fiscal and Budget Administrator, DAS
Scott Manske, Controller, DAS

Mr. Cady gave the highlight of the proposed amendment 1C002. Changes include: the HMO is retained, there will be an increase in monthly premiums, a network deductible, active employees that pay monthly premiums will have an automatic flexible spending account, increase in emergency room co-pay, an increase in office visit co-pay, an increase in prescription co-pays and for one co-pay of a 90 day mail order prescription.

Two other areas covered in the amendment are for the Employee Benefits Workgroup to examine and develop a voluntary employee benefits association (VEBA) and for a request for proposal for a dependent eligibility audit.

The Org. 1972 is also affected by this amendment. The goal is to have the employee contribute 4% of their salary toward their pension benefit, which is one-half of the County's contribution. Non-represented employees (except elected officials) would be given a series of small cost-of-living adjustments to offset some costs of this contribution. Compensation for other bargaining units is subject to approved labor agreements or collective bargaining negotiations. If full implementation isn't done by January 1, 2011, corrective actions including, but not limited to, layoffs, furloughs and program/service reductions may be necessary.

ACTION BY: (Thomas) Approve the Budget amendment 1C002 as noted below.

Amendment 1C002 By Supervisor Thomas to amend the County Executive's 2011 Recommended Budget for Org. Units No. 1950 – Employee Fringe Benefits, 1972 – Wage and Benefit Modification Account, 1996, County Sales tax revenue, 1945 – Appropriation for Contingencies and 1985 – Capital Outlay/Depreciation Contra by making the following adjustments:

Org. 1950

Delete the chart related to the New Plan Design costs and replace with the Chart attached to this amendment for alternative HMO and PPO plan design.

Modify the narrative as follows:

Estimated Savings

The 2011 Budget assumes that the new plan design is applied to non-represented active employees and all retirees. Cambridge Advisory Group estimates the annual savings from these plan design changes will be approximately ~~\$12.8~~ 8.2 million per year (tax levy savings of ~~\$10.0~~ 6.4 million). These savings include providing active employees with the health care benefit (those who pay monthly health care premiums) an automatic contribution to their flexible spending account (FSA) of \$500 for single and \$1,500 for family plans. Unused FSA monies at the end of the year will flow back to Milwaukee County.

Impact on OPEB Liability

The County's current OPEB liability is over \$1.5 billion. As a result of the significant savings the new plan design is able to achieve for health care claims associated with current and future retirees the County's OPEB liability will decrease by approximately ~~\$149~~ 131.4 million. Combined with plan design changes already implemented by the County during 2009 and 2010, and the proposed 2011 design changes, Cambridge estimates that the County's total OPEB liability will be reduced by a range of ~~\$231 to \$275~~ \$293.3 million or ~~19.0~~ 15.4 to 18.4%. A new OPEB study will need to be done to refine these estimates.

Add the following language to Org. 1950:

The Employee Benefits Workgroup shall examine and develop recommendations for the possible implementation of a voluntary employee benefits association (VEBA), or similar program, to allow the County to make tax deferred employee payments (i.e. sick payouts) that can be used for post-retirement health care expenditures or other eligible expenses. These types of programs can reduce both the employer's and employee's tax obligations. A report from the Workgroup shall be submitted to the County Board for consideration in the March 2011 cycle.

The Employee Benefits Division, working in conjunction with the Director of Audits, shall

issue an RFP for a dependent eligibility audit. This audit would help ensure that the enrollees in the Milwaukee Health care plan are eligible to participate based on the guidelines outlined in the Milwaukee County Ordinances. Dependent audits can have a significant return on investment while maintaining proper controls and fiduciary oversight of this valuable employee benefit. These audits usually include heavy communication to employees followed by an “amnesty” program to remove ineligible dependents (e.g. divorced spouses, etc.). A proposal shall be submitted to the Committees on Personnel and Finance and Audit for consideration in the March 2011 cycle.

Org. 1972 – Wage and Benefit Modification Account

Modify the narrative in Org. 1972 as follows:

Based on the pension modifications outlined above, the annual pension service cost (“normal cost”) is expected to trend down from the current 8.9% of salary to less than 8% as the changes are applied to more employees. In order to provide a valuable and sustainable retirement benefit, employees eligible for pension benefits (regardless of vesting status) will contribute two percent of their salary on a pre-tax basis to the County’s pension system beginning January 1, 2011. The goal is to have employees eventually contribute 4 percent of their salary toward their pension benefit, essentially paying 50 percent of the annual pension service cost.

Non-represented employees (except elected officials) shall be provided a one percent (1%) cost-of-living adjustment (COLA) beginning on June 12, 2011 (pay period 14) and another 1% increase on December 11, 2011 (pay period 1 of 2012). The non-represented employee (except elected officials) pension contribution shall increase to 3 percent and 4 percent, respectively, of salary beginning in these pay periods. Compensation for other bargaining units is subject to approved labor agreements or collective bargaining negotiations. Should the County be unable to fully implement this provision by January 1, 2011, corrective actions including, but not limited to, layoffs, furloughs, and program/service reductions may be necessary to mitigate the shortfall.

~~Employees eligible for pension benefits (regardless of vesting status) will contribute 5 percent of their annual salary to the County’s pension system. This contribution is consistent with the national average for the public sector of 5 percent according to a report by the National Association of State Retirement Administrators. Milwaukee County employees currently make no contribution towards pension benefits. Implementation of this provision for all employees except non-represented employees will require agreement from the County’s various labor unions. Should the County be unable to fully implement this provision by January 1, 2011, the County Executive is authorized to lay off up to 165 employees throughout all departments including staff in constitutional offices in order to achieve a similar level of savings and prevent a budget deficit. Pursuant to County Ordinance, ordinance amendments effectuating these changes shall be brought forward and reviewed by the Pension Study Commission and Pension Board and approved by the County Board prior~~

to January 1, 2011.

Org. 1996 – County Sales Tax Revenues

- Increase County Sales Tax Revenue by \$1,500,000 based on an analysis of recent trends.

Org. 1945 – Appropriation for Contingencies

Modify the narrative language as follows:

Funding for the Appropriation for Contingencies is increased by ~~approximately 25% or \$1,500,000~~ \$350,000 from \$5,800,000 to ~~\$7,300,000~~ \$6,150,000. The increase will provide additional resources for the County to respond to uncertainties for fiscal pressures including the following:

The County's outside healthcare actuary has projected that County employee healthcare expenses could increase by as much as 12% from 2010 to 2011. The Fringe Benefits budget includes funding for a 9% increase based upon historical averages. ~~The remaining 3% increase of \$2.9 million is reserved in the Appropriation for Contingencies. Should these funds not be necessary for employee healthcare expenses, they will remain available to be used for other unanticipated needs.~~ To provide protection against higher than budgeted health care costs, revenues of \$1,750,000 related to the Early Retiree Reinsurance Program (ERRP) are included in the Appropriation for Contingencies. The Affordable Care Act provides \$5 billion in financial assistance to help employers maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare. The County is expected to have approximately \$7 million in eligible claims in 2011, depending in part on the availability of federal funds. Therefore, only \$1,750,000 in ERRP reimbursement is expected in 2011, or 25 percent of the total County claim. These funds can only be used to offset eligible health care expenses.

Org. 1985 – Capital Outlay/Depreciation Contra

- Increase revenue by \$384,793 to align account with Airport depreciation.

Org. 1994 – State Exempt Computer Aid

- Increase State Exempt Computer Aid by \$667,047 based on a recent communication from the State on exempt computer valuations.

This amendment has a \$3,773,159 tax levy impact.

Org. No.	Department (or Capital Project)	Expenditure	Revenue (or Bonds*)	Tax Levy
1950	Employee Fringe Benefits	\$4,681,075	\$1,029,876	\$3,651,199

1972	Wage and Benefit Modification Account*	\$7,215,741	\$1,728,972	\$5,486,769
1996	County Sales Tax Revenue	\$0	\$1,500,000	(\$1,500,000)
1945	Appropriation for Contingencies	(\$1,150,000)	\$1,750,000	(\$2,900,000)
1985	Capital Outlay/Depreciation Outlay	\$0	\$384,793	(\$384,793)
1994	State Exempt Computer Aid	\$0	\$667,047	(\$667,047)
Various	Most Departments will be impacted by changes to Org. 1950 & 1972.			
TOTALS:		\$10,746,816	\$7,037,624	\$3,686,128

*Org. 1972 is a presentation account. Costs are contained within departmental budgets.

Questions and comments ensued.

ACTION BY: (Thomas) Adjourn into closed session under the provisions of Wisconsin Statutes, Sections 1985 (1)(c), (g) for the purpose of discussing the 1950 and 1972 budgets. 7-0

AYES: Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

EXCUSED:

The Committee adjourned into closed session at 2:15 p.m.

ACTION BY: (Mayo) Reconvene into open session. 7-0

AYES: Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

EXCUSED:

The Committee reconvened into open session at approximately 3:22 p.m. A roll call was taken with all members present.

Supervisor Thomas withdrew his motion for approval of Amendment 1C002.

ACTION BY: (Thomas) Lay over Budget amendment 1C002 to Tuesday, October 26, 2010, for receipt of requested information from Corporation Counsel. 7-0

AYES: Mayo, Thomas, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

EXCUSED:

ACTION BY: (Thomas) Lay over Budget amendment 1C001.

Supervisor Thomas withdrew his motion for lay over of Amendment 1C001.

Discussion ensued on the merits of pooling resources.

Amendment 1C001 By Supervisor Thomas to amend the County Executive's 2011 Recommended Budget for Org. Unit No. 1950 – Employee Fringe Benefits by adding the following language to the narrative:

During 2011, the Employee Benefits Division will work with the Employee Benefits Workgroup to pursue pooling of prescription drug purchases for Milwaukee County active employees and retirees with similar purchases by other governmental units in the area including but not limited to the City of Milwaukee, the State of Wisconsin, Milwaukee Public Schools and the Metropolitan Milwaukee Sewerage District. In addition, the Division and the Workgroup will examine any benefits of consolidating prescription drug purchases within Milwaukee County programs.

This amendment has \$0 tax levy impact

Org. No.	Department (or Capital Project)	Expenditure	Revenue (or Bonds*)	Tax Levy
1950	Employee Fringe Benefits	\$0	\$0	\$0
TOTALS:		\$0	\$0	\$0

ACTION BY: (Thomas) Approve the Budget amendment 1C001 as noted above. 6-1

AYES: Mayo, Thomas, Schmitt, Johnson, West and Jursik -6

NOES: Coggs (Chair) -1

EXCUSED:

ACTION BY: (Thomas) Lay over the 1950 & 1972 Budgets until Tuesday, October 26, 2010, for receipt of requested information from Corporation Counsel. 7-0

AYES: Mayo, Thomas, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

EXCUSED:

The meeting adjourned at 3:42 p.m.

Carol Mueller

Chief Committee Clerk

Committee on Finance and Audit

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ORG. UNIT: 1969

BUDGET: Medicare Part D

FINANCE & AUDIT COMMITTEE HEARING DATE: October 21, 2010

Audio: BH 102110 1969

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive: Kelly Rindfleisch, Deputy Chief of Staff

APPEARANCE(S):

David Arena, Director, Employee Benefits
Matt Hanchek, Fiscal Benefits Manager, EB

There are no recommended changes for this budget.

ACTION BY: (Jursik) Approve the Budget as recommended by the County Executive. 5-2

AYES: Schmitt, Johnson, West, Jursik and Coggs (Chair) -5

NOES: Thomas and Mayo -2

EXCUSED:

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1001

BUDGET: County Board Department of Audit

FINANCE & AUDIT COMMITTEE HEARING DATE: October 21, 2010

Audio: BH 102110 1001

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive: Kelly Rindfleisch, Deputy Chief of Staff

APPEARANCE(S):

Jerry Heer, Director of Audits

ACTION BY: (Mayo) Reconsider the 1001 Budget. 6-1

AYES: Mayo, Thomas, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Schmitt -1

EXCUSED:

Amendment 1A015 By Supervisor Thomas to amend the County Executive's 2011 Recommended Budget for Org. Unit No. 1001 – Department of Audit by adding the following language to the narrative:

Over the last eight years, there has been considerable attention paid to Milwaukee County employee and retiree costs. In spite of this attention, the Director of Audits noted in a July 19, 2010 memo that the County has not conducted a thorough analysis of the cost of employee compensation for purposes of comparison with other public and private sector employers. To remedy this absence of data, the Department of Audit is directed to conduct an evaluation of total employee compensation. The purpose of the review will be to identify the total compensation of County employees and to compare the compensation with other public and private sector employers in the community with particular attention to the County's ability to retract and retain the workforce needed to provide key services. The assessment will also be valuable in addressing wages and benefits for current represented and non-represented employees. It will also help to measure the compensation differences between represented and non-represented staff. The evaluation will be conducted with the services of an independent consultant and with the input of the Employee Benefits Workgroup. An appropriation of \$75,000 will be provided to obtain consulting support necessary to gain a more complete understanding of the projected \$440 million expense for 2011 wages and benefits.

This amendment would increase tax levy by \$75,000.

Org. No.	Department (or Capital Project)	Expenditure	Revenue (or Bonds*)	Tax Levy
1001	Audit	\$75,000	\$0	\$75,000
TOTALS:		\$75,000	\$0	\$75,000

ACTION BY: (Thomas) Approve Budget amendment 1A015 as noted above. 4-3

AYES: Thomas, Johnson, West and Jursik -4

NOES: Mayo, Schmitt and Coggs (Chair) -3

EXCUSED:

ACTION BY: (Thomas) Approve the Budget as amended. 5-2

AYES: Thomas, Johnson, West, Jursik and Coggs (Chair) -5

NOES: Mayo and Schmitt -2

EXCUSED:

Carol Mueller

Chief Committee Clerk

Committee on Finance and Audit