

# **SPECIAL PERSONNEL COMMITTEE MINUTES**

**THURSDAY, JUNE 4, 2015 – 4:00 P.M.**

**CITY HALL, COUNCIL CHAMBERS**

Meeting was called to order by Alderman Hedlund at 4:03 p.m.

**Roll Call.** Alderman Hedlund, Chappell, Kupsik, Hill, Wall. Also Present: City Attorney Draper, City Administrator Oborn, Comptroller Pollitt and City Clerk Waswo.

## **Comments from the public limited to 5 minutes**

Jeff Nethery, President of the Police Union and member of the taskforce, as put together by the Mayor, recommended the normalized rate for the health insurance. Mr. Nethery asked the Personnel Committee to give the employees a chance to adjust to the rates. He reminded them of the Mayor's words "win win," and does not feel the whole 20% to 30% should fall on the employees' backs. He stated in 2017 they can further change and adapt the plan to accommodate.

Rich Meinel, 1295 Wilmot Blvd, retired Police Officer, stated they do not get the insurance for free. Retirees contribute almost \$1,000 per month for insurance. Many contributed an excess of \$12,000 in total costs last year for health care. They have taken pay reductions during their time of employment to secure the insurance benefits upon retirement and while employed. Instead of the 4% raise on good years, they took a 2% to ensure the benefits. Mr. Meinel stated they certainly want to be healthier and asked the committee to consider some of the recommendations of the taskforce.

Joanne Wolleger, employee of the Lake Geneva Library and part of the task force, thanked the committee for allowing an Ad Hoc Committee to meet regarding this topic. They have worked really hard to compromise and have appreciated the opportunity. She hoped they can see the savings based on the options put further by the Ad Hoc committee and asked them to consider the recommended plan.

## **Discussion/Recommendation on employee compensation**

City Administrator Oborn explained the history of City employee raises and went over what currently has been approved as well as what has not been implemented for 2015. Alderman Hill stated the employees have accepted nominal to no raises over the years due to the benefit package. Mr. Oborn questioned if the committee wanted across the board raises. Ms. Hill stated they have always done across the board raises and noted this would be retroactive. She noted that at budget time the discussion on raises was for full time employees and stated they normally have separate discussions regarding part time employees.

Hill/Kupsik motion to draft a resolution with across the board raises to full time city employees to 2% retroactive to January 1, 2015.

Alderman Hill stated there is money in contingency, which is noted in the budget hearing minutes from last year. She stated the Comptroller clearly laid out how the City has the money to pay for 2% raises. Alderman Chappell stated a \$93,000 contingency is not a lot of money in an 8 million dollar budget. Ms. Hill answered there is 2.8 million in reserves. Ms. Chappell stated this was in CDs and questioned if it was liquid money, to which Ms. Hill stated it was. Comptroller Pollitt stated the fund balance is 2.4 million. She stated the contingency is money set aside for whatever the Council wants to direct it for. Ms. Chappell stated they only budgeted 1.5%, not 2%. Alderman Wall stated he agrees with Ms. Chappell. The compensation study came back with everyone being average excluding a few above, a few below, and the Library. He further stated, for what they have already done as far as insurance, he thinks 1.5% is fair.

Alderman Hill stated 2% is a nominal amount. She noted the wage schedule was only back to 2009 and prior Councils did not give any raises for a long time. The compensation study is a moot point starting back to January 1 as the study is 15 months late, which the employees should not be penalized for. She feels the 1.5% is insulting. Alderman Hedlund stated the time to have that discussion would have been when they were doing the budget. Ms. Hill stated the only reason they went down to 1.5% is because in one particular round of budget sessions, there was a \$66,000 deficit. When the final numbers came in, there was over \$100,000 in surplus. A fee was associated to the beach tags, parking was raised and compensation was lowered to 1.5% to balance the budget. When the final numbers came in, the beach passes and parking tickets stayed in. She noted in the budget minutes, Ms. Pollitt said they could have gone ahead and approved the budget as it was, otherwise they would have had to have another special meeting. Ms. Hill stated it was discussed that the 2% was fair and there was money to pay for it.

Ms. Chappell stated it is not that employees are not deserving of a raise. However, noted it was only by magic that the budget turned out to be a surplus. She is being cautious to make sure the beach passes and parking tickets actually bring in revenue. She stated at 2%, they were \$66,000 in the hole, which is why the budget was revised to add in additional fees. She noted these fees are not guaranteed, which means the math does not actually work until they know the money is there. She feels 1.5% is what the Council budgeted for as it was the safe route. It is all about being conservative with the budget.

Alderman Kupsik stated he is concerned with the compensation study and agrees they budgeted 1.5%. He has no objection that all employees deserve a raise, but questioned how the 2% will tie into the study. He thought the raise was going to be based on the compensation study and questioned if the study will be used as a reference for all the employees. Ms. Hill noted they hoped to have the study before the last budget season; however, raises would normally go into effect after the budget is approved. She explained the study was received too late, which is not the employees' fault. The Committee has never come to a consensus about what they are going to do with the results of the study. They knew some employees would be over and some below. They never said they were going to decrease wages. The reality is the City does not have the systems in place to give raises based on performance and merit. She does not feel they can take the study as bible or gold. Hopefully a performance evaluation system will happen in the future. It is not the employees' fault the City's expenses have gone up in the last 5 years and the Council has not raised taxes. She stated the Personnel Committee is here to make sure the employees are the City's largest asset and pay them fairly. It is not a matter of revenues necessarily.

Ms. Chappell asked if this meeting is meant to use information from the compensation study or is it meant to be one swooping motion as well as the presumption 2% will be approved. She wondered if the study should be utilized. Mr. Hedlund stated the City paid for it, they should use it, but it probably would not happen before Christmas. He felt the employees should be given what was budgeted.

Mayor Connors asked, based on the audit last week, if the City was over budget. Ms. Pollitt stated the City was over slightly. He noted City Administrator Oborn would be excluded from the raises as he was just hired, as well as City Clerk Waswo since she is under contract. Mr. Connors stated the compensation study needs to be used as before they had no idea of wage ranges.

Mr. Kupsik asked about the Police and Fire Departments as they are still under a union contract. Ms. Hill asked City Attorney Draper how the resolution would affect the Police contract. Mr. Draper stated the resolution would not include the Police as it is a separate issue currently being negotiated. Mr. Kupsik stated dispatchers and the Street Department are no longer in the union and feels they cannot give 2% raises across the board for everybody. Ms. Hill stated she was under the impression that Council gives the PFC a set amount and it is up to them to determine how it is spent. Mr. Draper stated they can only pay out what is in the collective bargaining

agreement. Mr. Oborn stated he thought the intent was to include the dispatchers in the 1.5% or 2% raises. Mr. Draper stated all this body is doing is giving a recommendation.

Hill/Kupsik motion an amendment to give City employees, full-time, non-union, non-contracted a 2% raise retroactive to January 1, 2015 for existing employees.

Mr. Kupsik questioned if the 2% would affect the budget or create a problem in the future. Ms. Pollitt stated it would have to come out of the contingency fund. A rough calculation of 0.5% is about \$28,000. She believes there is \$93,000 in contingency; however, they did negotiate to pay the City Administrator more than what was budgeted. A budget resolution needs to be done to take the money out of contingency to balance the City Administrator budget.

Alderman Wall questioned, if the City is over budget slightly, how would the Council explain to taxpayers a 2% raise when only 1.5% is budgeted. Ms. Pollitt clarified the City was over budget on expenditures, but also over on revenues. The net was favorable at \$13,190 in revenue.

Roll Call: Alderman Hill, Kupsik voted "yes." Alderman Chappell, Wall, Hedlund voted "no." Motion failed 3 to 2.

Chappell/Wall motion an amendment to give city employees, full-time, non-union, non-contracted a 1.5% raise retroactive to January 1, 2015 for current employees.

Roll Call: Alderman Kupsik, Hedlund, Wall, Chappell voted "yes." Alderman Hill voted "no." Motion carried 4 to 1.

#### **Discussion/Recommendation on health insurance and benefits.**

Mayor Connors thanked the employees who participated in the task force. He gave a recap of the City's healthcare costs in 2014. Monthly costs for a single employee, including health and dental, were \$1,077 and family was \$2,445, making yearly costs \$12,924 for single and \$29,340 for family. A 2,080 work year comes to \$6.21 per hour for single and \$14.11 for family coverage. According to the Affordable Care Act which takes effect in 2018, the plans that are deemed as Cadillac plans would be subject to a penalty. If the plan is left unchanged, it is estimated the City would have to pay a penalty to the federal government of \$411,000. He stated the employees are the face of the City and deal with the public on a daily basis. He seldom hears complaints from residents. He suggested a moderate approach to the insurance change and recommended the Committee select one of the plans that came out of the task force along with continued work over the next 6 months toward something beneficial to everyone.

Mr. Connors stated a new plan has to be in place by July 1. He encouraged a 6 month plan rather than 1 year. Mr. Oborn discussed the plans listed in the packet. He said any of the plans proposed should be done on a January 1 basis with 4 months notice to the employees. He stated this is being looked at in a number of phases and recommended the flex elect go on a calendar year. He discussed 2 options. The recommendation of the employees is the normalized plan which would be an estimated 16% reduction in costs. Ms. Chappell questioned if the deductible would fall right on the employee. Mr. Oborn stated discussion was on plan design only. Mr. Connors asked if the proposed plans still have zero premium share, which was confirmed by Ms. Pollitt. The current plan has a \$500 deductible and the proposed is \$1,000. Mr. Kupsik felt this was still free insurance as there are no premiums. Ms. Hill questioned the retiree insurance and was not aware some paid a premium. She wondered what was offered to retirees now and how would the changes affect them. Ms. Pollitt stated the only employees who get insurance after retirement are the Police Department. The percentages paid vary by what contract they were under when they retired. It ranges from 25% to 50% for a family. Single plans are free and 100% paid by the City.

Ms. Hill thanked the employees once again for their openness to the changes that need to be made. She agrees with the Mayor that changes need to be moderate and is in favor of the normalized plan. She questioned the primary care copay, specifically the zero copay for out-of-network. Ms. Pollitt stated it was made that way as comparing the normalized to the current plan, there is a hefty hit for going out-of-network. The copays were dropped as nothing is ever paid at 100% for out-of-network. Mr. Kupsik asked what the savings would be to switching over to the normalized plan. Mr. Connors stated 16% for the normalized plan and 19.4% for the 1250 normalized plan. He followed by saying it would be beneficial to have this completed by this Monday's meeting and felt it would be a penalty to staff to put it off to the second meeting of the month.

Mr. Hedlund felt it was commendable of the task force to get so close to 20% at 19.4%. He wondered if the 16% was just a wish list. Ms. Pollitt stated the task force wanted to get the savings to the City by plan design. They discussed a lot of different scenarios and learned a lot. The changes made were ones they could live with and seemed reasonable. She stated the task force did not know what the percentages were until the numbers came back yesterday. Mr. Kupsik asked if the normalized plan will cover everyone across the board, which Ms. Pollitt confirmed. Mr. Connors wanted everyone to be aware it will still need to be looked at and changed. Ms. Pollitt stated she has a meeting with the broker next week to nail down the stop loss insurance. Mr. Oborn said in the future, they may want to look at pulling out of a self insured plan. He is hopeful the changes can get costs down.

Kupsik/Hill motion to move forward and utilize the normalized plan as discussed.

Mr. Hedlund suggested the motion be amended to change the date to January 1 to allow for a trial period. Ms. Pollitt noted in order to change a plan, it would have to be January but behind the scenes it would still be July 1 for purposes of bidding it out. The plan year really does not change. Ms. Hill asked if the plan would be prorated. Mayor Connors stated credit would be given for what has already been paid this year. Mr. Oborn explained it would not be feasible to implement an HSA plan in a half fiscal year.

Roll Call: Alderman Hedlund, Chappell, Wall, Hill and Kupsik vote "yes". Unanimously carried.

### **Adjournment**

Hill/Wall motion to adjourn at 5:15 p.m. Unanimously carried.

/s/ Stephanie Gunderson, Assistant City Clerk

**THESE MINUTES ARE NOT OFFICIAL UNTIL APPROVED BY THE PERSONNEL COMMITTEE**