

**PERSONNEL COMMITTEE MINUTES
THURSDAY, AUGUST 25, 2016 – 4:00 P.M.
CITY HALL, COUNCIL CHAMBERS**

Meeting was called to order by Alderman Hedlund at 4:02 p.m.

Roll Call. Present: Aldermen Hedlund, Howell, Chappell, Flower and Horne. Also Present: Mayor Kupsik, Alderman Gelting, City Administrator Oborn, City Attorney Draper, and City Clerk Waswo

Comments from the public limited to 5 minutes.

Ann Esarco, 1051 Mobile Street, current Secretary of Utility Commission, stated the Utility Commission is in an emergency position with regard to personnel. Due to the discussions of committee versus commission the Commission has been unable to move forward with finding a replacement for Director of Public Works Winkler. One major decision is if the Director of Public Works will be one person or two people. She recently had 2 water issues which were fixed quickly. She is concerned with the level of service and suggested extending Mr. Winkler's retirement date to seek out his replacement. She asked the committee to address this issue quickly.

Dan Winkler, 1112 Bonnie Brae, spoke to item 5. This has been a long time coming, and he was hoping to take action sooner. He is willing to provide input. As far as the decision process, he has been the Public Works & Utility Director for 21 years and feels he's still learning. As far as the decision with Director of Public Works with regard to keeping it as one position or not, it's totally up to the Council. The Council gave the title of Assistant Director of Public Works to Tom Earle with the idea that he would be a strong candidate for succession planning. The Utility Commission wants to work with you all; they never wanted to work against the Council. The position could go either way. If they keep it combined, the city could easier hire the Assistant. If separated, he would expect the Utility Commission would hire its own manager per state statute.

Horne/Chappell motion to approve the Regular Personnel Committee minutes from June 30, 2016, as prepared and distributed. Unanimously carried.

Discussion/Recommendation on staffing the Director of Public Works position including:

- 1. Stand alone position**
- 2. Shared position with the Utility Commission with the City as the employer**
- 3. Shared position with the Utility Commission with the Utility Commission as the employer**

Mr. Oborn gave a background of the position. Our city currently has a Director that reports to the Utility Commission. There is also a Director that reports to the City Administrator. There are three options listed in packet. The city can hire someone that has been in Public Works as a practicing person who has a lot of strong conceptual and technical skills (Field Operations Manager), you can hire someone who is a Professional Engineer, or you can hire someone with a Public Administration background with strong leadership skills. We do have a consulting firm that has the P.E. status that does all the reports and complicated items already. That ties to the pros and cons of the way it is filled. He stated the options are listed in the manner that is preferred by the City Administrator and Assistant Director of Public Works. We could share the Utility Director with city as the employer. The Director of Public Works would be doing 70% Public Works and 30% Utility Commission. That scenario makes sense for the City to oversee as the majority of work will be for Public Works. An advantage of the shared position is it is easier to attract someone with P.E. status. With Utility Commission having its own financing, that might be beneficial. The status quo helps protect the position from city politics. Mr. Oborn apologized for the timing and delay. Since Council has decided that the Utility Commission will continue on in existence as a separate identity, we are quickly adjusting accordingly.

Alderman Chappell asked if this is really why this hasn't been discussed until now. She wondered if it was because they were working on the status of the Utility Commission. She feels it would go hand in hand. Right now we have no search going on, so this is the first step to figure out what we are doing.

Mr. Oborn said the city did succession planning in creating an Assistant Director of Public Works. He recommended designating the Assistant as the interim Director and then evaluate whether to continue with him on the position or look at other candidates.

Alderman Flower asked if there was a decision as it was just tabled. Mr. Oborn said this was brought up to the Personnel Committee. It did have bearing on the decision and that's why both entities held off on going forth and filing the position.

Mayor Kupsik stated in the interim Tom Earle was hired to fill this position knowing that Dan would retire in a couple years. Until the City Council decides what direction they want to go with regard to a commission versus committee, it is still a commission and it is their responsibility to fill the position. Alderman Chappell questioned if the city absorbs the Utility Commission, then do we absorb the person they hire as our employee. Mr. Oborn said that decision was already tabled indefinitely. Mayor Kupsik said if that decision comes into play, it will be the City Council's recommendation as to whether or not to split that position or have one person fill both of those positions.

Alderman Howell explained Tom Earle has been designated as the interim for the public works side. He asked if there is anyone who has been designated by the commission to be Dan's replacement on that side. Mr. Hedlund replied they have a contingency plan. Mr. Howell continued if we combine the two and they hire somebody, I would think this council would take that person in, not fire them. Mayor Kupsik felt that could be a consideration. They are currently in the process of hiring a water supervisor.

Alderman Flower noted there are a lot of things that go hand in hand when it comes to a city. Every time you are opening the road for the water main treatment, you want them to connect. It makes a lot of sense for that to be one person. She wishes they would not have tabled that discussion. We need to have that discussion because we are just playing with cards right now and making an uninformed decision. Mr. Oborn added if we did it separately we would have meetings. Mr. Flower answered that is easy to say but not as easy to do. It's human nature, those two people won't be talking to each other night and day.

Alderman Chappell said if we filled our DPW position, it sounds like they are talking about not hiring a full Utility Director but a manager of sorts to fit in our org chart, it wouldn't be two conflicting directors. The thought is that now we are going to pay 2 Utility Directors. If it is only one person, we pay one wage.

Mayor Kupsik said if we do hire a director for utility, there still is a need for a manager in that position. That director's position could turn into a manager's position. Not a downgrade, but just a title change. The decision was made in the past. We are obligated by the state to run it properly and all of this has been taken into consideration already.

Ms. Flower asked if the city is moving forward with acting positions or full positions. She questioned if Tom Earle can manage both. Mr. Oborn answered his background is stronger in public works but weaker in utility. He's not a PE, but has a lot of experience. It is tough to hire this position. He probably could lend himself to a shared position. We have an Assistant Director that can step in during the interim. The complexity is we can put forth this person, but both entities have to agree on the organizational chart and the person.

Ms. Flower suggested we have candidates as interims in both. She would like to see them merged, similar as to how we have it, whether the Utility Commission is merged or not those should fall under one person. Mayor Kupsik said if it is kept as a commission, we need to turn that into 2 positions. Dan has done the city a favor by taking care of both positions. His salary came primarily from Utility Commission, just last year we decided to pay 1/3 of his salary. Finding someone to fill both positions is questionable. The city is obligated to hire a Public Works Director.

Flower/Chappell motion to recommend option number 2.

Alderman Gelting stated he's not part of personnel, but part of the Council that voted to table the decision. He thinks we are putting the Utility Commission in a disservice by trying to push a joint position on them. They are the ones that have to deal with the staffing issue on a short time line. We as the city have a contingency plan on the public works side. As a non-personnel member, I would say I think we go with number 1. Right now you are the Utility Commission, you need to do what you need to do to take care of your organization the way you see fit. Whether the position reports to us or them, they need to fill the position. A split position puts the worker in a difficult position.

Mr. Howell stated we are saying we are hiring for them if we do option 2. Mr. Hedlund added if we do anything other than option 1, the Council and Utility Commission will need to have a joint meeting and figure out something equitable. The reason this was put on here was to take the temperature of this committee to see how they would like to see this come to fruition.

Mayor Kupsik felt whatever decision personnel makes, this can't go to Council until the fate of the Utility Commission is decided. In the interim we have everything in place to not have to move forward without coverage in either position. Mr. Hedlund said the only thing this committee can do is to vote for option 1 and send it to Council.

Ms. Flower asked if it would make more sense for this to be tabled. We really don't have the rights to be deciding this until those other decisions are made.

Alderman Flower asked if they are making a recommendation about something they don't know. City Attorney Draper stated the reason the options are up there is so that you can talk about the different options. You don't have to pass a motion today but you can get a feel for where the committee stands. You really can't decide what to do until the water commission is decided. You can send it up to Council but they can't decide upon it.

Flower withdrew motion, Chappell withdrew her second.

Mr. Oborn asked what kind of information is being requested. Ms. Chappell wanted to know if they are working with a commission or committee. Mr. Oborn answered Council made a decision on Monday, so we have to assume that issue is dead. It's been tabled indefinitely. Mr. Oborn suggested moving forward as status quo.

Mr. Draper stated once you make a motion to table as item it is no longer a debatable item. No one knows the discussions or the reasons. The basis of this agenda item is to have some discussion to see if they should open up discussion with the Utility Commission to determine how to proceed. Sometimes you have agenda items to figure out the direction.

Horne/Howell motion to make a recommendation to Council that the Director of Public Works be a stand-alone position. Motion carries 4 to 1 with Howell, Chappell, Horne, Hedlund voting "yes" and Alderman Flower voting "no."

Alderman Gelting left at 4:50pm.

Discussion/Recommendation on Employee Health Benefits Benchmarking Analysis

Mr. Oborn stated it is a good update that leads into the next few items. He explained terminology in Cottingham and Butler's analysis report. They broke these out into benchmarks. Our plan has 90% participation, benchmark is 79%. Everyone migrates to our plan as it is a lucrative plan. If we were to move to where the benchmark is we'd save \$179,000. Retirees and family members of retirees are part of the plan. As part of the education, we encourage them to find other plans. The dependant ratio indicates there are a lot of dependents per person on the plan. The benchmark is 2.2 and we are at 2.6. Mr. Oborn gave options on how to reduce the dependent ratio. The demographic index benchmark is 1.0 and ours is 1.06 due to age. There really is no control driving it, so there are no options. The City of Lake Geneva is consuming well above the norm level of consumption. The main driver base is high utilization patterns and high cost procedures. He conducted an all-employee meeting where one employee gave her experience. He then discussed cost sharing procedures. In 2015 we were at 93% and dropped to 83% in 2016, which is a good savings. The City has made significant changes in the deductibles. The report shows a bench mark contribution of 75% city and 15% employee. There was a slight change that reflects employees who are paying a percentage into the health premium under the wellness program.

Mr. Oborn stated we do have a too lucrative plan per the Cadillac Tax. If we don't bring the plan down, we get this extra penalty. Congress pushed it to 2020 but we need to look at changing now. Our benchmarks have dropped from \$32,000 to \$20,000. Our goal is to get it down to \$14,780. Mr. Oborn explained the Cadillac Tax penalty is between \$400,000 and \$500,000 that would need to be paid to the government. We are making gains but there are other options we can do. Mayor Kupsik stated we have 3 years to somehow make significant changes to avoid a penalty.

Mr. Oborn said from the employee side, they would like to see what the 3 options of wellness, transparency and plan design do to drive down that benchmark. Their preference would be to not consider some of these issues here. For the council, employee contributions and spousal surcharges are real common avenues. Post retirement benefits are a real issue. The Council has indicated they wanted to look at these options.

Police Officer Jeff Nethery pointed out on pages 6 and 7 it shows in one year they were able to reduce the cost by \$321,000. Based on the information presented at the all employee meeting, he and his wife just switched over to the mail order prescriptions and he just experienced the transparency. The wanted the Personnel Committee to know that employees are working on it.

Mr. Hedlund suggested Mr. Nethery talk to all our employees about the good experience he had. Many employees are not using these programs. The generic prescription plan is another thing that is being under used. The wellness program is going very well. We are making progress with the utilization of the cost management portion of it. There is still room to go down. Decisions aren't being made right now, we are weighing the options.

Mayor Kupsik appreciates the comment on the transparency. From our standpoint we have to take into consideration that time is of the essence. We have until 2020 to make this work so we are not penalized. We have to start our 2017 budget process. If employees can utilize these changes, employees can see a larger savings.

Discussion/Recommendation on Employee Health Benefits Employee Premium Cost Share

Mr. Oborn read his summary provided in the packet. The trend has been moving towards employees paying between 10% and 12%. He is hoping 2016 and 2017 start diving down in costs. We have to calculate for cobra purchases annually because we are self insured. This is what we charge the utility and the retirees that stay on this plan. It's really hard to budget. It's swung a lot. We did shop last year hoping congress would move the nonrated. If you are below 50 they can't rate you based upon your experience. Due to our utilization, we were still rated. It wasn't cost effective for us to move at that time. We will continue to look at plan design and other options to drive down the cost. Since we are self insured, we have always done our stop loss as of July 1st, but moved to calendar year. We used to not have open enrollment, but with that more people have went to the opt out which is still available under the Police Union contract.

One Complication is if we do this plan, he recommends using the mid year from the prior year and employees will know the contribution for the whole year. It saves the challenge of changing the premium in the middle of the calendar year.

Mr. Oborn went over a number of options. He noted that retirees are 8% of our population and 16% of our cost. He recommends staying on a two plan rate. One of the challenges of 10% is that our rates are much higher than average. He believes the state plan is 12%.

Alderman Flower stated for option 5 you talked about a 12% share and we could join the State's plan. Mr. Oborn said no, the rate would be the same as they are paying. Most cities that have a deduction are somewhere in the 10-12% range. Some have implemented a phase-in. He believes Fontana implemented a phase in with 4%. The other issue is that you have to look at the velocity you want to have as an employer. He asked if the city wants to be average and have average turnout or have greater benefits with less turnover.

Mr. Hedlund personally asked Blaine to do the 25% chart as he wanted to take into consideration that we did adjust down 4% on the pay scale, but not necessarily on their salary. He has said many times he thinks the family plan is where the city gets in trouble. He asked him to calculate 25% so he could see what the effects would be if we don't charge the employee for their insurance but opt to pay 75% of the premium for the family coverage, which puts a 25% charge to the employee if they opt to have a family plan. In fairness to the employee, I would prefer to not charge the employee but think we should charge the 25% for a family plan.

Ms. Flower felt that since we started educating, it seems like it is going in the right direction and making some good progress. She felt they could wait a year and plan to implement a strategy of an increase starting in 2017. It feels like we have time that we could roll into this with the incentive for everyone to have lower premiums. Mr. Hedlund answered by getting skin in the game for family coverage. If the City's expenses go down, the amount could go down. He feels the only time he ever had health care coverage that he didn't pay for was in the army. He doesn't think the taxpayers of the city can afford to pay 100% of the health care for 100% of the employees and their families.

Mayor Kupsik attended the LWMMI conference and one of the major discussions was healthcare insurance. A speaker stated 25% of cities, villages and towns utilize a co-pay. One of the biggest struggles they are pressed with now is the post payment for retired workers and health insurance. There was a discussion on family and single coverage for health insurance. It was in the high 20% that most of the cities, towns and villages no longer offer health insurance for families, strictly the employee.

Alderman Horne stated 2020 seems far away but it's not in terms of plans. He is in agreement that he doesn't want the employees to have to contribute right now. He does think employees need to contribute for covering the family. He would personally recommend option 9 for the council to consider now. Mr. Howell asked if option 9 would get us out of the Cadillac tax now and forever or do we have to go farther.

Mr. Oborn noted some of the challenges are that health costs keep going up. We just have to base that benchmark on if the Cadillac Tax went in today. Mr. Howell asked how many employees have the family plan and how many are we affecting. Mr. Oborn stated we are above the average on family participation. The average is 2.2 and we are 2.6 in dependent ratio. Mr. Howell added they are trying to do something that is going to move toward the goal and not shock the employees and their families too much.

Mayor Kupsik asked if we continue the current program, how long could it keep going and hope to see some type of substantial change. What is the limit before we decide that it won't work. How long can that go before we reach a critical point. Mr. Oborn said it is hard to tell if it would get us there without an employee deduction but hard to guarantee that. Ultimately it comes down to a policy decision. Mr. Oborn said in 2015 we budgeted expenses coming in at \$1.1 million for overall health benefits and it came in at \$1.6 million. In the past, we have been able to use surplus in room tax to close in the black. Mayor Kupsik said moving forward we are losing a percentage of the room tax. He questioned if we have time to see how this program is going to work and can we afford to go over another \$400,000 if we don't have the revenue to cover that overage. Mr. Oborn said one plus is we do have a healthy fund balance. If we got hit with a bad year, we would be going into fund balance. That's the reason why we have that surplus; it gives us a little cushion to adjust temporarily. The question is how much risk the council wants to take. Mr. Hedlund thinks the first year is the 18% significant change but not all years will be that. He stated there would be a drastic change the year of implementation but less of a change in subsequent years.

Mr. Oborn said people need to know what their health benefits are and what the cost is. He would not recommend a premium share this year. Whatever option the committee decides on should be done earlier rather than later. October would be pretty late to do that. We want to give time for people to get on another plan or prepare. This needs to be in place by October 1st of this year.

Mayor Kupsik would like to see another year go by. Ms. Chappell asked if there was an employee listening session where they get to weigh in on these options. Mr. Oborn said not on these numbers.

Mr. Hedlund said if nothing is done now and it gets higher next year and our family coverage goes up, for us to make a statement that we are going to deny family coverage would be revolutionary. If he was an employee he would start looking for a new job the next day. He would like to see some contribution, but part of that is due to doubling deductibles and raising co-pays. It is a baby step in the right direction compared to where we need to go. This should be done incrementally and meet in the middle. Maintaining status quo is going to get us further in the hole.

Mr. Horne has been working in the healthcare industry with his clients for the last 5 years. Costs will continue to go up. We need to do an incremental change now or it will be a drastic change next year. He does not want to charge for the employee but does want to charge 25% for the family coverage. That combined with the other things we are doing, we can see what the results are. If the needle moves enough, we can leave that as the baseline. If it doesn't we will have to do another change. If you wait, it will be too late for people this time next year. Ms. Chappell said we need to move forward and shouldn't wait for anything.

Ms. Flower noted she is concerned about the 25%. She is wondering if this will split between family and single or family only. She is concerned for the families as they tend to be more expenses outside of insurance. Mr. Hedlund said he is personally an advocate of not charging the single person for insurance. Our responsibility is to our employee with some responsibility to the family but it's secondary. He doesn't want to charge an employee with single coverage only.

Horne/Howell motion to recommend option 7 with a 15% family pay of the difference between a single and family of \$214.28 per month.

Mr. Horne said every company is dealing with it. Mr. Howell said it is risky doing nothing but this will not be too big of a hit. Ms. Flower said that still seems like a pretty big hit as a starter. She would lean more towards option 6.

Motion carried 4 to 1 with Alderman Flower voting “no.”

Discussion/Recommendation on Employee Health Benefits Employee Spousal surcharge or non-coverage

Mr. Oborn stated a lot of employers are going towards a provision. He gave two options. He suggested option 1, which is a working spouse surcharge of 10% of the single cobra rate. This would be on top of the 15%. Option 2 is a working spouse non-coverage provision. We only have to cover the employee and dependents but don't have to provide coverage for the spouse. He believes Walworth County is looking at this provision as well. Mr. Horne asked if we have any idea how many people will be affected by this. Mr. Oborn said we are quite heavy on family plans. Mr. Horne said to consider this we need to know if 10% are working and have coverage or 50% of the other spouses are working and have other coverage. Ms. Chappell said it will affect everyone. Mr. Horne said it tells us how much we can move the needle. Mr. Howell asked if we would be hitting them twice by doing this. Mr. Oborn said yes.

Ms. Flower said if you are a family with both people working, and the other employer has the same thing, a parent has to pay for insurance and a fee. Ms. Flower asked if we are trying to move towards everyone's spouse being covered on their own, can we move to coverage just for kids. Mr. Oborn said our spouses are the ones costing us more than someone with kids. It doesn't cost us a lot of money for the children. Most retirees believe they are under the contract that they retired at. Mr. Oborn knows there are co-insured people on the plan. He is trying to drive down participation from 90% to 79% and dependency rate from 2.6% to 2.2%.

Chappell/Horne motion to implement the spouse surcharge at the 10% cobra rate.

Motion carried 4 to 1 with Alderman Flower voting “no.”

Discussion/Recommendation on changes to lower Employee Health Benefit Costs including:

- 1. Continuation of Wellness Program**
- 2. Transparency Program**
- 3. Plan Design including consideration of fully insured plans and other measures**

Mr. Oborn stated we are going out and pricing other insurances. We don't get rates until closer to October 1. Right now we have a very robust plan that provides a lot of options. We are going to look at that as well as potentially going to fully insured.

Ms. Chappell stepped out at 6:24pm.

Mr. Hedlund stated he would like to find someone who will insure us so we don't have to insure ourselves.

Discussion/Action on proposed Special Personnel Committee meeting on September 15, 2016 at 4:00 PM and cancellation of Regular Personnel Committee meeting on September 22, 2016

Mr. Oborn said he will be out of the state at a conference. He could do it on the 21st or the 14th.

Ms. Chappell came back at 6:26pm

It was decided to hold the meeting on Wednesday, September 21st at 5:15pm.

Closed Session

Hedlund/Flower motion to go into Closed Session pursuant to Wis. Stat. 19.85(1)(c) considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility for Building & Zoning Administrator Review and Contract Negotiations including the Mayor, City Attorney and City Administrator.

Roll Call: Hedlund, Howell, Flower, Chappell, Horne voted “yes.” Unanimously carried to go into closed session at 6:32pm.

Open Session

Flower/Hedlund motion to return to open session pursuant to Wisconsin Statutes 19.85(1) and take action on any items discussed in closed session.

Roll Call: Howell, Horne, Chappell, Flower, Hedlund voted “yes.” Unanimously carried.

Committee returned to open session at 6:46 pm.

Flower/Horne motion to recommend as discussed in closed session. Unanimously carried.

Adjourn

Howell/Horne motion to adjourn at 6:47pm. Unanimously carried.

/s/ Stephanie Gunderson, Assistant City Clerk

THESE MINUTES ARE NOT OFFICIAL UNTIL APPROVED BY THE PERSONNEL COMMITTEE