

**CITY OF CEDARBURG
PERSONNEL COMMITTEE
July 8, 2019**

**PER20190708-1
UNAPPROVED**

A meeting of the Personnel Committee of the City of Cedarburg, Wisconsin, was held on Monday, July 8, 2019 at City Hall, W63 N645 Washington Avenue, lower level, room 2. The meeting was called to order at 5:01 p.m. by Committee Chair Patricia Thome.

Roll Call: Present - Council Members Patricia Thome (Chair), Sherry Bublitz

Excused - Council Member Rod Galbraith

Also Present - Mayor Mike O'Keefe, Council Member Jack Arnett, City Administrator/Treasurer Christy Mertes, City Clerk Claire Woodall-Vogg, Assistant Administrator/Director of Parks, Recreation and Forestry Mikko Hilvo, Water Recycling Center Superintendent Eric Hackert, Library Director Linda Pierschalla, City Assessor Cathy Timm, Light and Water General Manager Dale Lythjohan, employees Jason Scheer, Dave Schwantes, Jeff Schmitz, Pete Wagner, and Don Hahn, Shawn Esslinger from Associated Benefits and Risk Consulting

STATEMENT OF PUBLIC NOTICE

Council Member Thome verified that notice of this meeting was provided to the public by forwarding the agenda to the City's official newspaper, the *News Graphic*, to all news media and citizens who had requested copies, and by posting in accordance with the Wisconsin Open Meetings law.

APPROVAL OF MINUTES

Motion made by Council Member Bublitz, seconded by Council Member Thome, to approve the minutes of the April 3, 2019 Personnel Committee meeting. Motion carried with Council Member Galbraith excused.

REVIEW AND CERTIFY CODE OF ETHICS

Council Members Thome and Bublitz certified receipt and acceptance of the Code of Ethics.

REVIEW AND DISCUSSION OF HEALTH INSURANCE OPTIONS FOR 2020

City Administrator/Treasurer Mertes introduced Shawn Esslinger from Associated Benefits and Risk Consulting who was in attendance to present different health coverage options available through WCA Group Health Trust.

Mr. Esslinger presented an analysis of 196 public entities' plans in Wisconsin, 28% of which were high deductible plans. He compared the City's deductible, out-of-pocket maximums, and coinsurance to the averages and medians of all the public entity plans. He provided the average copays for the other plans,

but stressed that it was not a useful comparison since the City currently has a high deductible plan without any copays. Mayor O’Keefe asked if the deductible amounts included the employee contribution towards their premium. Mr. Esslinger confirmed that the figures presented are solely the deductible for the health plans, regardless of employee contributions towards premiums. Mayor O’Keefe surmised that if an employee was paying towards their premium, it might then allow an employer to offer a lower or zero deductible plan, which then brings these averages down. Mr. Esslinger agreed that this could be the case.

A discussion ensued between Council Members, employees, and Mr. Esslinger about high deductible plans versus traditional plans. Mr. Esslinger explained that high deductible health plans are regulated by the Federal government. There are no copays; members pay the full amount of their costs until the deductible is met, with some exclusions for preventative care. The Federal government allows members of high deductible health plans to contribute pre-tax to a health savings account (HSA) which can be used for medical expenses, as well as other health-related expenses like dental and vision. HSA’s are able to be rolled over into the next year if the funds are not used. This is a huge perk compared to having employees pay a monthly premium regardless of whether they utilize the health insurance coverage during that time period.

In answer to Council Member Thome’s question, Administrator/Treasurer Mertes explained that Cedarburg has had an HSA plan for 8-10 years.

In answer to Council Member Bublitz’s question, Administrator/Treasurer Mertes explained that there is not any employer contribution to City employees’ HSA accounts. When the City first moved to a high deductible plan, they contributed a certain percentage of the deductible to an HSA, but it was designed to only be for a few years during the transition and gradually tapered off.

Mr. Esslinger presented a chart comparison of different health coverage alternatives, showing the effects that higher deductibles or less coinsurance coverage could have on cost savings.

Council Member Arnett asked if having less coinsurance coverage was essentially to provide a disincentive to use your plan excessively after you have met your deductible. Mr. Esslinger said that yes, someone would still have to pay a portion of their bill even after their deductible has been met so they still have “skin in the game.” Mr. Esslinger explained that loss ratios are affected more by catastrophic medical events such as cancer or an accident, and not people going to the doctor for unnecessary treatment that they normally would not seek if their deductible had not been met. The City is currently at a 65% loss ratio this year, which is extremely favorable and has been the trend over the last few years.

The Health Insurance Employee Committee members pointed out that Option C’s out-of-pocket maximum of \$8,000 for a family is above the \$7,000 that a family is allowed to contribute to an HSA annually. Staff also pointed out that their HSA funds go towards more expenses than medical – such as dental and vision. Administrator Mertes said that the Health Insurance Employee Committee recommends Option A or D, if the Council wants the City to offer a second plan.

Council Member Arnett asked Mr. Esslinger if he has seen public entities moving to higher deductibles and copays, placing more of the cost burden on the employee in the past three to five years. Mr.

Esslinger said that five years ago that was certainly the case, but that in the past two to three years he has seen the trend reverse, especially in the private sector, because of employee retention issues. Assistant Administrator/Director Hilvo said that Hartford and Oconomowoc stood out in his study because both communities paid 100% of the premiums in the early 2000s. In the late 2000s, both communities switched to having employees contribute towards their premiums and having high deductible plans. Today, both communities have gone back to paying 100% of the premium and have lower deductible plans.

Council Member Bublitz asked what the incentive would be for an employee to switch to one of the alternative plans if the City offered a choice. Council Member Thome explained that this health insurance inquiry originated from a need to take a comprehensive look at employee compensation, including benefits. She said that more work would need to be done on this by the Committee in order to create any incentive.

Motion made by Council Member Thome, seconded by Council Member Bublitz, to recommend staying with the current plan next year with the caveat that different plan options and potential incentives will be revisited as the Committee reviews total compensation packages. Motion carried with Council Member Galbraith excused.

CONSIDER ADDITIONAL DEFERRED COMPENSATION PLAN

Administrator/Treasurer Mertes explained that the City currently offers two different deferred compensation plans to employees: Northshore Bank and International City/County Management Association (ICMA). The Wisconsin Deferred Compensation (WDC) Plan is offered through the Employee Trust Fund (ETF), which also administers the City's pension plan. The Light & Water staff requested the City add this plan as an option for employees. It does not cost the City any money; all contributions are made by the employees.

General Manager Lythjohan explained that his request to add the third plan had to do with fee structures and that ETF's plan has the lowest administrative cost. The WDC representative is also a licensed financial planner who can assist employees in their investment decisions.

Motion made by Council Member Thome, seconded by Council Member Bublitz, to recommend offering the Wisconsin Deferred Compensation (WDC) Plan to City employees. Motion carried with Council Member Galbraith excused.

CONSIDER SALARY AND BENEFITS STUDY & EMPLOYEE EVALUATION PROCEDURE

Assistant Administrator/Director Hilvo presented an overview of the salary and benefits study that he completed for his Master's program. The City of Cedarburg has been fortunate to have low employee turnover in the last decade despite the changes in the overall compensation provided to their employees. The exception to this has been the Water Recycling Center and Library who have both replaced a majority of their staff in the last five years. The reason for the high turnover in the Recycling Center, based on interviews with previous staff, was that the private sector is paying them more, providing them with better benefits, and providing sign-on bonuses. Since the first couple of employees left, an internal decision was made to increase the salaries of the employees working for the Water Recycling Center.

This has helped recruit new staff and hopefully will help to retain them. The reason for turnover in the Library staff has been based on employees finding higher paying jobs in other municipalities or the private sector.

Assistant Administrator/Director Hilvo provided an overview of the City's benefits compared to other communities and the Cedarburg School District. He provided an analysis of wages, health and dental insurance, as well as other benefits such as sick leave, vacation, and longevity pay. Since 2010 an average city employee has seen a 7% increase in compensation while the cost of living has increased by 13.6%. In 2019 all city employees received a 2% pay increase (pay for pulse) while the COLA (cost of living adjustment) set by the Social Security Administration was 2.8%. The process of implementing a fair and equitable pay and benefits structure will not be easy and will take time but a clear plan should be put in place that will move the City into a position in the next five years that makes it a desirable place to work, while also being fiscally responsible.

Assistant Administrator/Director Hilvo said that the ideal plan would be to increase the wages of the staff that are below the minimum proposed in the new salary ordinance to the average wage rate of the comparable communities, leave the longevity pay (available after 10 years of service) as it currently stands for staff, and negotiate a reasonable health insurance plan. The cost of this would be \$88,163 additional to the 2020 budget or it could be done over two years, incurring \$44,081 each year. Assistant Administrator/Director Hilvo pointed out that this figure does not include the cost of the Water Recycling Center's adopted increases or the annual 1% to 4% merit increases proposed in the new salary ordinance. This also does not include any cost of living adjustment (COLA). He stated that in order to ensure that wage increases are distributed equitably, a new performance evaluation system would need to be developed and implemented city-wide to ensure that managers were evaluating consistently. He stressed that having a pay for performance system will help the City retain high performing employees.

In response to Council Member Thome's question, Assistant Administrator/Director Hilvo answered that yes, some communities do allow a portion of paid time off (PTO) to carryover.

Assistant Administrator/Director Hilvo explained that longevity pay begins after an employee has served ten years with the City in response to Council Member Bublitz's inquiry. It used to start from the first day of employment, but the policy was changed a number of years ago and he has not seen trends of other communities having it start on the first day of employment.

Council Member Thome stressed that salary and benefits are very important and need ample time for consideration, as does an employee evaluation system. She said the Committee will revisit both at the next meeting, as well as keep them in mind as the Council works through the 2020 budget. Council Member Bublitz was in agreement.

ADJOURNMENT

Motion made by Council Member Thome, seconded by Council Member Bublitz, to adjourn the meeting at 6:52 p.m. Motion carried with Council Member Galbraith excused.

Claire Woodall-Vogg
City Clerk