

**CITY COUNCIL
COMMUNICATION:**

03-099

AGENDA:

MARCH 10, 2003

SUBJECT:

MUNICIPAL
EMPLOYEES
ASSOCIATION
LABOR
AGREEMENT

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

TOM TURNER
HUMAN
RESOURCES
DIRECTOR

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

Approval of a two-year labor agreement between the City of Des Moines and the Municipal Employees Association (MEA) (Lyle Schwery, President) to succeed the current agreement that expires on June 30, 2003.

FISCAL IMPACT —

The agreement calls for a 3 percent wage increase effective in Fiscal Year (FY) 2004 and FY2005. This is part of the FY2004 budget and FY2005 budget projections. Additionally, effective January 1, 2004, the agreement adjusts the medical plan to increase employee cost participation, including co-payments for prescriptions, and eliminates the City's contribution to the employee's medical Flexible Spending Account (FSA). These changes will result in a cost reduction of approximately \$60,000 annually for the FSA change. The additional cost participation in the medical and prescription plan will reduce the health plan cost up to \$180,000 annually. However, as this is a fully insured plan, the impact on the Wellmark insured rates is not determinable at this time.

RECOMMENDATION —

Approval.

BACKGROUND —

The MEA and City commenced bargaining in late September 2002 to reach an agreement on a new labor contract to replace the three-year contract that expires on June 30, 2003. The process was difficult as the City sought significant changes in the health care plan while MEA was attempting to maintain the plan intact and gain other economic increases. The parties declared impasse and availed themselves of the Iowa Code Chapter 20 impasse procedures including mediation and fact finding. Following the issuance of a fact finder recommendation of a 3 percent wage increase and changes in the health care plan, representatives for the City and the union met in a final attempt to reach a voluntary settlement before the matter was placed before an arbitrator. An arbitration ruling would result in a one-year agreement. The parties would have both risked losing some valued items. It was in the best interest of the City and MEA to reach agreement. Representatives achieved a tentative agreement on Tuesday, February 25, and the agreement was ratified by the MEA membership on Friday, February 28 by better than a 2 to 1 margin.

The agreement provides a 3 percent general wage increase each of the two years. This amounts to approximately \$430,000 in FY2004 and \$442,000 in

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FY2005. The budget for FY2004 contemplated a 3 percent increase as does the current budget projections for FY2005.

The health adjustments include increasing cost participation by employees as they access health and prescription services. The current annual deductible of \$100 per covered person will now apply to more services including hospital services. In addition, the employee will be subject to a 10 percent co-insurance rate on most services as well until the annual out-of-pocket maximums are met. The out-of-pocket maximums are increased for the current levels of \$500 per person and \$1,000 per family to \$600 per person and \$1,200 per family. The prescription benefit is modified from the current plan with \$0 co-payment (for generic and single source brand name drugs) and \$5 for multi-source brands to \$5 for generic drugs and \$20 for all other prescriptions. These co-payments will apply to the increased annual out-of-pocket maximums.

Additionally, the provision in the labor agreement that required the City to contribute \$15 per month (\$180 per year) per employee into the employee's FSA is eliminated effective January 1, 2004. This will result in a savings of approximately \$60,000 per year to the City.

