Jared Blanton

From: Jared Blanton
Sent: Friday, January 5, 2018 10:29 AM
To: Wilbur Dean
Cc: Jacqueline Martin; 'Wayne Helsby'
Subject: RE: Insurance Grievance Resolution

Yes sir, you're welcome. Have a good weekend.

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From: Wilbur Dean
Sent: Friday, January 5, 2018 8:28 AM
To: Jared Blanton <blanton-jared@levyclerk.com>
Cc: Jacqueline Martin <martin-jacqueline@levycounty.org>; 'Wayne Helsby' <WHelsby@anblaw.com>
Subject: RE: Insurance Grievance Resolution

Thank You, We appreciate the time and effort your putting forward to make sure that what we present is accurate and indisputable.

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From: Jared Blanton
Sent: Thursday, January 04, 2018 5:56 PM
To: Wilbur Dean <dean-wilbur@levycounty.org>
Subject: RE: Insurance Grievance Resolution

Wilbur,

These insurance things cannot be done quickly – they are too complicated to be put out with scant explanation or little context. Buckle down.

I've read over the IAFF letter in reference to the pay/benefit plans of the County, dated December 14, 2017, and forwarded to me on January 2, 2018. Since it seems the letter makes reference to some numbers discussed over the summer (though I can't nail all of them down), I wanted to clarify some things regarding the assertions made and the conclusions reached. It is always difficult to be in the middle of the next year, trying to pick apart prior estimates, and determine which version of numbers are being used, so that you can have some stable analytics. While I think the challenges to the assertions and derived conclusions could somewhat jeopardize the IAFF's footing for this request, I can say that it's not my intent to advocate against them or for them. I am concerned about making these numbers work, in balance, for both the long-term sustainability of the organization, and the benefit of the employees. The organization needs competent and motivated employees to effectively achieve its goals, and the employees need for the organization to avoid operational deficits if all of them are going to maintain their employment long-term. While allocating resources for these two purposes is a balancing act, these two sides are interdependent and should exist in harmony, despite the short-term conflicts we face at arriving at the balance.

Before starting with the analysis, let me here state that, for time's sake, I'm simply going to deal with some of the problems in the assertions made in the letter using the data we had 6 months ago, as much as possible, for two reasons:

(1) Since I don't recall giving any updates of this information, I assume that mostly the spring/summer data is the information being used to develop the letter's assertion and related request, and
(2) It takes a lot of time to update the whole data set in a new year. Once I set it up for a given year, I can do it more quickly in repetition, but the first time is painstaking, and I haven't had a need to set up 2018 projections since we're not in the 2019 budget process, yet. In other words, I'm not going to "update" any analysis based on new numbers or available revenues at the present, or anticipated future revenues, which honestly, I hope and think, are improving. My time is constrained a bit, also, because I'm in the midst of dealing with year-end accounting for the BOCC, and funding discrepancies with the State's CCOC on the Clerk's side.

The proposed options I gave to the Board 6 months ago were concerned with two things: (1) deal with rapidly-increasing insurance costs that have been consuming the pay/benefit balance (thus making wage increases unaffordable), accelerating deficit increases, and producing severe compensation model inequities, and (2) do so in a way that balances the immediate employee interests by offsetting overall, total, reductions in health insurance with raises to employees.

So, it is true that the general premise that we discussed was indeed that varying levels of health insurance reductions would pay for varying levels of raises. However, the variable of what level of raise was affordable in the equation was a dependent variable – dependent primarily upon the BOCC's chosen level of health insurance participation. You cannot change the level of health insurance participation in any of those options without it affecting the dollars available from budgeted sources for raise increases.

So, to demonstrate to the BOCC what I felt like was the furthest latitude they realistically had with regard to making such a reform, on July 3rd I sent them, with a slideshow explaining the general problems in our (then) current model, the **max** raise they could afford per employee and still not add to the budget deficit. **This max raise of $3,375 per employee was contingent upon capping insurance spending to a max $8,011 per employee – way down from the average of $12,488 we were spending.** Again, the point of this first info was to demonstrate the full breadth of their latitude on this issue and how substantial of a wage increase would be possible, <u>at the most extreme option</u> I thought they *might* consider (which still would've put us nearly 20% higher in spending per employee than some counties bordering us and in our area – so there were *more* austere possibilities). **Any insurance participation level above $8,011 would mean an average raise of something less than $3,375 per employee.** Of course, **in mid-July, the BOCC's decision** was to make a little less of a change, **capping insurance at $9,512 per employee,** which brought down the **average raise that could be given** (without materially increasing deficits) **to roughly $2,180 per employee – and the Board chose to stratify this by wage level.**

Anyway, aside from stating that I agree with the IAFF's general premise that our proposals were generally intended to use the insurance savings for wages, I have some difficulty reaching the same numbers. The numbers given here by Katy are a bit different than what I can find in my analysis – namely the $2,767,339.32. I cannot seem to find that number in my July and June estimates, so, I was thinking that it is possible that it is somewhere around the amount we used for our earliest estimates of the *potential* health insurance costs before we knew that it was going to be roughly a 3% increase. Early on, we used a much higher percentage (like 8% - 10%), but this $2.767M is close to what I come up with if I go back and apply **an 11.73% increase** to those charts I used – which is a significant difference. If you filter our earliest GL summary data down to just Health Insurance lines, you can get close to this number (under and over), but that was with 10% increases built-in, and we have used that or Workers Comp historically as a buffer for other, unpredictable, Personnel Services overages in places like Unemployment Comp or Overtime or parts of Vacant positions we could've missed…and therefore that's **not** the way I presented Health Insurance costs to the BOCC. Rather, we took the actual payrolls in May or June and calculated health insurance expenses, and projected those out for a year, and got $2,485,181.14 for 2017 projected actuals (incidentally, the actual ended up being $2,483,361 for 2017, so our summer estimate was pretty close).

So, with that estimate, and adding a 3% increase for FY 2018 to each department that Jacqueline informed me about early in July, the cost I gave to the BOCC in July was $2,559,737, and that is, if they kept the status quo on participation levels. That would've been a $74,555 increase from FY 2017 actual spending. But it is more than $207,000 less than the "would have been" cost the IAFF is using here in the letter. I'm not saying it has no basis in what we have provided, because the budget is a rapidly moving target from about April till August, with lots of long hours of revisions and corrections as new information develops. But what I am saying is that, without digging deeper or finding out where they specifically obtained that $2,767,339.32 number, I can't vouch for its validity. The problem, of course, is that number provides the primary basis for the savings they've calculated.

The July 18th "$9512 / $2180" plan that the BOCC originally adopted resulted in projected insurance costs of $1,940,448 (9512 X 204 – accounting for 5 open positions), which was savings of $544,733 from the 2017 actual projections of $2,485,181. The 2017 actual projections (rather than the 2018 projection of $2.559 M with the built-in 3% increase) was the number most often used for comparisons of plans, since the goal was to not increase deficits, and the 3% increase naturally added $74,555 to the deficit at baseline. Anyway, the raise cost of that "$2,180" plan was $549,145. So, netted against the insurance savings of $544,733, that plan represented a miniscule deficit increase of $4,412.

After the union's procedural complaint was made, the BOCC (in August) ended up increasing the insurance participation level back to a max of $10,830 per employee – up over $1,300 from $9,512. This level of insurance spending per employee put our projected cost at $2,209,222 to the County (10,829.52 X 204 – accounting for 5 open positions). This eliminated $268,774 of savings by increasing health insurance cost by that much. The raises, however, obviously were entirely eliminated, so the net of the two offsetting changes is $280,371. **If the BOCC desired to stick with their original spending levels on overall personnel costs for deficit control purposes, this $280,371 would be the amount available for raises,** not $642,461.

However, of course, that is up to the BOCC, if they want to now spend beyond that level. Doing so would require higher overall spending than we originally presented to them in July. Realistically, my hope is that we will be looking at increased overall resources available for the FY 2019 budget cycle because revenues that we have little control over at this point (like sales taxes, permitting, shared revenues, etc) seem to be on the increase. With year-end accounting duties, and only a few more months of data, I cannot say for certain, but it appears like we are starting to feel some effects of the broader economic growth. If that **very** untested hypothesis of mine turns out to be correct, and something above the 2018 spending levels could be a consideration (depending on *numerous* variables like Assessment studies, Transit subsidies, etc.), which, if the Board desires, could result in some measured increases in *overall* spending for personnel expenses in FY 2019. But I wouldn't build heavily upon that until we actually get into the 2019 projections. Some of those revenue estimates from the State won't be available until late May – which is another reason why I don't bank on what look like a few good months to me. Furthermore – as Commissioner Meeks often points out, we have some of our funding in peril due to referendums on property taxes and the inter-county tension over Fiscally Constrained Monies. Hopefully more will be known about those things in the future. I do generally think the County has just about turned the corner, and would like to advocate for increases in pay scales across the Board. But those other revenue variables (which would be quite large in impact) make it tough to tell what's around the *next* corner. It's hard to bank heavily now on what appear to be moderate revenue increases when they may be needed to offset drastic cuts to other sources.

Now, I do generally agree with Katy's number for the current cost of premiums to the County. Based on current participation levels and without surveying Human Resources to see what positions are open, I came up with $2,115,182 (ok, so I'm trying not to update to current numbers, but that didn't take more than a few minutes). She has a number of $2,124,878. That's less than 0.5% difference, and close enough to work for these sorts of general projections.

In any case, whatever level the BOCC chooses to spend, and even though I am definitely **not in agreement** that the $642,641 is a legitimate savings number at the present, I will give my estimates, based on the old counts from July (again, I don't have time mid-closing to reconstruct my data sets). Keep in mind that at that time there were 207, non-Board-member, FTE's, not 199. Several full-time people weren't included in the IAFF's count because they didn't avail themselves of county insurance (or were combined with a spouse that also worked here), but they nonetheless would be getting a raise if raises are given. We add back 5 vacant positions to get 212 FTE's total.

Anyway, here a few approaches:

1. So, 280,371 / 212 = $1,322.50 total spent per employee. But keep in mind we'd have to pay FICA of 7.65% from that, and FRS ranging from 7.92% to 22.72% (the latter rate would apply to most Public Safety employees). So ultimately, **a raise of $1,100 for 212 full time employees would cost $281,230. Anything much above this would add to the total personnel budget the BOCC originally aimed for on July 18th.**

2. 642,641 / 212 = $3,031 total spent per employee. With FICA and Retirement, **a raise of $2,500 for 212 full time employees would cost $639,161. This would add approximately $359,000 to the personnel cost from the original balanced plan…and (again) my opinion is that, this $642,641 cannot be substantiated, because the $2,767,339 was not a true insurance projection.**

3. One other option is to take **actual numbers from 2017 versus 2018 actual projections.** So, that would be the **$2,483,361 - $2,115,182 = $368,179.**

   368,179 / 212 = $1,737 total spent per employee. With FICA and Retirement, **a raise of $1,450 for 212 full time employees would cost $370,713. This would add approximately $90,000 to the personnel cost from the original balanced plan, but in actuality, due to some rotating vacancies and lower participation rates, that difference could probably be absorbed into the current room we're going to have in Health Insurance between Budget and Actuals by Fiscal Year End.**

One final thing I would clarify is the statement that *"In previous years (the BOCC) were paying 75% of the employee's family health insurance premiums."*

The BOCC was paying, essentially, roughly ¾ of overall, **total** premiums for people with family coverage. But the first 50% of that was related to the employee-only coverage, so essentially, the other 50% was family/dependent coverage…So, it's a matter of semantics, maybe, but I'd say it's more accurate to say that the Board has historically paid 97%-100% of employee-only coverage, and approximately 50% of the additional premiums for family/dependent coverage.

I hope this long set of information helps you with coming to some agreement on terms for employee raises with the IAFF, and is also useful for dealings with the 630 union, while also keeping an eye on recurring resources available. I'm going to get back to problem-solving some accounting items, let me know if you need some particular detail explained. I like getting it all in writing for you to be able to take time to digest, first.

Thanks,

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From: Wilbur Dean
Sent: Tuesday, January 2, 2018 7:59 AM
To: Jared Blanton <blanton-jared@levyclerk.com>
Subject: FW: Insurance Grievance Resolution

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From: Katy Graves [mailto:kgraves2528@yahoo.com]
Sent: Wednesday, December 27, 2017 1:11 PM
To: Wilbur Dean <dean-wilbur@levycounty.org>
Cc: Katy Graves <iafflocal4069@yahoo.com>
Subject: Insurance Grievance Resolution

Mr. Dean,

I hope that you and your family had a happy holiday. Attached is our proposal for the insurance grievance resolution as discussed in Federal Mediation. Please let me know when you have received this document. We have high hopes that this issue can be resolved in house without going through the costly arbitration process.

Have a happy and safe New Year!

Katy Yanok

President

International Association of Firefighters

Levy County Local 4069

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