



## The Deal of the Century?

The Omaha Alliance for the Private Sector has analyzed the differences between the Omaha Police Union Contract supported by the Mayor and the police contracts from other Midwestern cities, many of which are included in the Commission of Industrial Relations (CIR) list of Comparable Cities.

There are a number of areas within this proposed contract that include significant costs that other cities have not embraced. Some of these items were originally limited or removed by the CIR but then added back during recent negotiations. In addition, we have not found a circumstance where the CIR has ruled on Pension Benefits and it is disingenuous on the part of some city leaders to suggest that Omaha cannot renegotiate this contract because the CIR will object or add back worse language for the city. This contract actually added worse financial language than the CIR provided during its last ruling.

The following information provides more than enough reason to start over with this contract by using an independent negotiator to represent the city.

- **The Contract Is Too Long:** During these uncertain economic times, it not wise to sign a five-year contract with any labor union. Our economy could deteriorate in future years making the financial commitment by Omaha taxpayers even more difficult to fund. The City should have the ability to reexamine the contract after one year, which means this contract should be for no more than three years. Other cities across the Midwest understand this and have limited their contracts to 1.85 years on average.
- **Sick Leave Provision:** The CIR ruled that annual accumulation of Sick Pay must be limited to 108 hours and total accumulation must not exceed 3,200 hours. However, this new contract expands it to 124 hours with the ability accumulate an “unlimited” number of hours. There is also a “bonus” provision that provides an additional 200 hours. No other city in our analysis provides such an expensive Sick Leave provisions.
- **Banked Hours:** Following the CIR ruling, the contract does reduce banked hours on an annual basis from 134 hours. However, a new "excess time bank" has been created in which all hours in the “Comp Time Bank” which are over 134 hours are deposited for cashing out later. This provision is not

what the CIR expected and no other comparable city on the list allows for this type of banking of hours. Most require the banked hours to be cashed out within the year.

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- **Steps for Wage Increases:** Most of the cities we reviewed have wage increase steps that exceed 9 years. This new contract "compresses" the steps which results in over \$1,181,368 in new payroll expenses even though "zero, zero" increases has been stated by city leaders. During these difficult financial times, city leaders should be looking for ways to cut the total payroll, not expand it. The financial impact (including pension liabilities) of this contractual change needs further analysis before any contract is signed.
- **Wage Supplement for Card Employees:** This provision provides 2.5% additional compensation for Police Officers. No other city in our analysis provides this benefit.
- **Pension Plan:** The Pension Plan provided for the members of the Police Union of the City of Omaha is THE richest pension plan we have found. In every way, this plan provides benefits that are way beyond the norm across Midwestern cities and brings an unnecessary annual expense of at least \$12,111,698 to the taxpayers of Omaha. The reasons for this are as follows:
  1. The plan is not based on "Base Pay" or "Average Annual Salary." It allows for Overtime, Specialty Pay, Premium Pay, Vacation Pay, Sick Pay, Comp Time, and Excess Time Bank to be applied to the retirement plan formula. No other city we studied allowed all of this to be included in compensation for pension purposes.
  2. The plan allows for retirement at age 45. The earliest retirement we found was age 48. Most allow early retirement at age 50.
  3. The annual benefit, given all the compensation allowed to be included, is much higher than other cities. St. Paul, Minnesota allows for a top benefit of 90% after 30 years, however, this benefit only includes Average Annual Salary without all the additional compensation factors.
  4. The annual contribution required under the new contract is more than double that of other cities. Please see below:

<b>Employees</b>	<b>City</b>	<b>City's Pension Cost</b>	
<b>Cost</b>			
16.15%	Omaha, NE	33.67%	
8%	Lincoln, NE	11%	
9.4%	Des Moines, IA	17%	9.4%
8%	St. Paul, MN	14.1%	
	Tulsa, OK	13%	
	Oklahoma City	13%	8%
	Wichita, KS	17.5%	7%
	Cincinnati, OH	<u>19.5%</u>	<u>10%</u>
	<b>Average =</b>	<b>15%</b>	<b>8.5%</b>

By increasing the City's portion of the retirement plan contribution to 33.67%, Omaha is paying 18.67% more than other cities are willing to pay. That extra 18.67% will cost the city \$12,111,698 each year. Right here in our own Douglas County, the members of the Sheriff's Union only get a County contribution of 8.5%. Does it make sense that Omaha Police Officers get 33.67% and our County Sheriffs only get 8.5%?

Given the incredible expense of this new pension funding strategy, we believe the Personnel Board should examine changing the retirement age to 50, reduce the maximum benefit payout to 65% and limit the types of compensation that can be included in the benefit formula. These changes would significantly reduce the annual funding

requirement by Omaha taxpayers and change our pension plan to more closely mirror plans offered by other cities. No other city was willing to allow such an expensive pension system for any of their employees.

- **The Deferred Retirement Option Program (DROP):** DROP Option brings with it a number of variables that make managing future City cash flow very unpredictable. It also makes planning for a healthy pension system difficult. By allowing retired union members the option to continue working at full pay and also receive their retirement benefits (although they are deferred at interest) the impact on the pension system and the City's cash flow can be very negative for the following reasons.
  1. Cash flows to the Pension in later years cannot be determined because of the uncertainty of which employees will use DROP and which ones will not.
  2. By giving incentives for older (highest paid) employees to continue to work, the annual payroll for the department will be inflated beyond what it would be without the DROP. Older more expensive employees will be kept, rather than replaced by younger less expensive employees who are in better physical condition to replenish patrolman needs.
  3. Guaranteed interest and lump sum payment options under the plan can also make the pension plan unstable and unpredictable.

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For these reasons, the Omaha Alliance for the Private Sector believes that the Personnel Board should reject the proposed Police Union Contract and start the process over with independent negotiators. The individuals who negotiated the previous Police Union Contract were the same individuals who negotiated this contract and as we have demonstrated, suggested that the City adopt a contract that is grossly more expensive for Omaha citizens than other comparable cities.

As you will see from the attached news articles, many cities across America are faced with the same budget issues that Omaha is experiencing. The leaders of these cities are finding ways to trim the fat that exists within the Police, Fire and Civilian departments. They are taking a balanced approach working to treat all employees with the same level of equity.

This Police Union Contract would be rejected by the leaders of most cities across America due to its incredible cost to the taxpayer. With that in mind, we ask that the Personnel Board and the City Council look out for the best interests of all citizens in Omaha – not just one employee group – and reject this contract as it is written. **We are also asking the citizens of Omaha to let their voices be heard and call their city council person and the Mayor's office and ask them to start over with a new contract negotiation process.**