Agenda - Council - April 30, 2003

Report - Executive Policy Committee - April 23, 2003

Item No. 5 Negotiations between the City of Winnipeg and the Canadian Union of Public Employees, Local 500
File GU-4.1 (Vol. 27)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2003, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That City Council ratify the Memorandum of Settlement agreed to by the Negotiating Committees of the City and the Canadian Union of Public Employees, Local 500.

2. That the Proper Officers of the City be authorized to do all things necessary to conclude a Collective Agreement with the Canadian Union of Public Employees, Local 500 consistent with the terms of the Memorandum of Settlement.

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2003, the Executive Policy Committee concurred in the administrative recommendation and submitted its recommendation to Council.

Re: Negotiations between the City of Winnipeg and the Canadian Union of Public Employees, Local 500

For Submission To: Executive Policy Committee

Submitted By: Gail Stephens
Chief Administrative Officer

Report Date: April 23, 2003

RECOMMENDATION(S):

1. That City Council ratify the Memorandum of Settlement agreed to by the negotiating committees of the City and the Canadian Union of Public Employees, Local 500.

2. That the Proper Officers of the City be authorized to do all things necessary to conclude a Collective Agreement with the Canadian Union of Public Employees, Local 500 consistent with the terms of the Memorandum of Settlement.

Report Summary

KEY ISSUES:

The Memorandum of Settlement between the City and CUPE, Local 500 includes changes involving significant and material costs as follows:

1. Term of Agreement – December 29, 2002 to December 30, 2005 (36 months)

2. Salary Adjustments:
   - Effective PP21 2003 – 3.0%
   - Effective PP10 2004 – 1.5%
   - Effective PP22 2004 – 1.5%
   - Effective PP08 2005 – 3.0%

3. Annual benefit improvements in the amount of approximately $750 thousand.

4. Renewal of the Education, Training and Staff Development fund in the amount of $3 million.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
√	For the organization overall and/or for other departments
√	For the community and/or organizations external to the City of Winnipeg
√	Involves a multi-year contract
√	Comment(s): Ratification of the proposed Agreement will, in part, determine wage and benefit increases to other Civic bargaining units.

Policy Implications

√	None
	Yes
	Comment(s):

Environmental Implications

√	None
	Yes
	Comment(s):

Human Resources Implications

	None
√	Yes
√	Comment(s): Ratification of the proposed Agreement will, in part, determine wage and benefit increases to other Civic bargaining units (including CUPE Exempt specifically). The proposed increases in total compensation are consistent with internal and external market trends and will ensure that the City is able to attract, retain, and motivate employees.

Financial Implications

	Within approved current and/or capital budget
√	Current and/or capital budget adjustment required
√	Comment(s): The proposed Agreement will require budget adjustments of $1.9 million (tax supported) and $2.1 million (self-supporting utility operations) over the three-year term (2003 – 2005).

REASON FOR THE REPORT:

It is required that City Council ratify all Collective Agreements entered into by the City of Winnipeg and Civic Unions/Associations.

HISTORY:

1. The Collective Agreement between the City of Winnipeg and CUPE, Local 500 expired December 28, 2002.

2. Collective bargaining commenced in November 2002 and negotiations have continued through March 2003.

3. Since November 2002 the Administration has conducted negotiations under the general direction of the Executive Policy Committee and the mandate provided by that Committee.

DISCUSSION:

1. In determining an appropriate general wage and benefit increase to members of the CUPE, Local 500 bargaining unit consideration was given to:

   - The financial impact on the City
   - Arbitration awards to other Civic bargaining units.
   - Negotiated settlements in the local market.
   - Negotiated settlements in comparable organizations with comparable employees in other jurisdictions.

2. **Financial Impact:** The Executive Policy Committee provided the Administration with a mandate to conclude collective bargaining with CUPE, Local 500 and the terms of the Memorandum of Settlement are consistent with that mandate.

   The Financial Impact Statement reports a total budget shortfall of $5.2 million over the three-year period 2003 – 2005. The cost of the proposed terms of agreement is approximately $1.9 million higher for tax-supported operations and $2.1 million higher for self-supported utility operations than provided in the 2003 budget and the 2004 – 2005 administrative forecast. A variance of $1.2 million is a function of differences in costing factors between the Labour Costing Model and the Budget Preparation System. No administrative forecast has been provided for 2006.

3. **Arbitration Awards:** Recent arbitration awards for police and firefighters have resulted in average annual wage increases of 3.5%.

4. **Negotiated Settlements in the Local Market:** Wage increases in Manitoba as reported by Human Resources Development Canada, Workplace Information Directorate show that annual wage increases (for major employers with 500+ employees in the bargaining unit) of 2.4% were negotiated in 2001 and 4.0% in 2002.

5. **Negotiated Settlements in Comparable Organizations:** The City of Edmonton and CUPE are currently in mediation and the range of settlement is expected to be between 3.0% and 4.0% in 2003 and 2004 respectively. The City of Calgary and CUPE agreed to a 3.5% wage increase in 2002. An arbitrator has issued an award between The City of Toronto and CUPE with average annual wage increases of 3.0% for the period 2002 to 2004.

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Jo-Anne Ferrier
Treasurer
Corporate Finance Department

Bob Pruden
Chief of Human Resources and Corporate Services
Corporate Services Department

THIS REPORT SUBMITTED BY:

David Shepherdson
Manager of Labour Relations and Compensation
Corporate Services Department

Financial Impact Statement

Date: April 4, 2003

CUPE Negotiations

	2003	2004	2005	2006	Total
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 2.7	$ 8.4	$ 14.9	$ -	$ 26.0
Less: Incremental Revenue/Recovery	$ -	$ -	$ -	$ -	$ -
Net Cost/(Benefit)	$ 2.7	$ 8.4	$ 14.9	$ -	$ 26.0
Less: Existing Budget Amounts	$ 2.1	$ 6.9	$ 11.8	$ -	$ 20.8
Net Budget Adjustment Required	$ 0.6	$ 1.5	$ 3.1	$ -	$ 5.2

Additional Comments:

The cost and budget amounts each include training in the amount of $1 million each year for the years 2003, 2004 and 2005. Annualized costs of the agreement in 2006 are $15.2 million for a total agreement cost of $41.1 million over a four-year period (including $3 million for training).

The net budget adjustment requirement of $5.2 million is made up of 2 factors:

1. A systems variance of $1.2 million caused by differences in costing in the labour relations model and the budget system which does not represent a budget shortfall; and
2. A budget shortfall over the 3 years of $4.0 million broken down as follows:

	2003	2004	2005	Total
Self-supporting utility operations	$ 0.1	$ 0.7	$ 1.3	$ 2.1
Tax-supported	$ 0.5	$ 0.5	$ 0.9	$ 1.9
Subtotal	$ 0.6	$ 1.2	$ 2.2	$ 4.0
Systems Variance	$ -	$ 0.3	$ 0.9	$ 1.2
Total	$ 0.6	$ 1.5	$ 3.1	$ 5.2

Manager of Finance & Administration

CUPE - 2002

Incremental Cost of Memorandum of Settlement - CUPE

Proposed Term of Agreement December 29, 2002 - December 30, 2005

Salary Adjustments	Year	PP #	Negotiated % Increase
	2003	21	3.00%
	2004	10	1.50%
		22	1.50%
	2005	8	3.00%
Cumulative			9.3%

Base Wage Negotiated Costs:		2003	2004	2005	2006	Total
Base Wages [1]		796,014	1,510,808	2,652,209	0	4,959,031
Salary Related [2]		288,467	547,502	961,134	0	1,797,103
Job Classification Wage Adjustments		36,521				
Salary Related [2]		8,377				
Prior period financial impact [3]		0	3,555,676	2,783,372	1,324,262	7,663,310
Annual Incremental financial impact		**1,129,379**	**5,613,986**	**6,396,715**	**1,324,262**	**14,419,444**
Cumulative financial Impact For Fiscal Year		**1,129,379**	**6,743,365**	**13,140,080**	**14,464,342**	**35,477,164**
2002 Adjusted Base [4]	$154,117,082	0.7%	4.4%	8.5%	9.4%	
Benefit Improvement:						
Basic & major Dental Coverage		157,000	0	0	0	157,000
Life Time Orthodontist		29,000	0	0	0	29,000
Ambulance and Semi private		107,449	0	0	0	107,449
Vision Care		107,300	0	0	0	107,300
Vision Care - Eye Exam		76,420	0	0	0	76,420
Annual Incremental financial impact		**477,169**	**0**	**0**	**0**	**477,169**
Cumulative financial Impact For Fiscal Year		**477,169**	**477,169**	**477,169**	**477,169**	**1,908,677**
Other Significant Improvements:						
Licenses and Accreditations		0	81,565	0	0	81,565
Shift Premiums		37,532	0	37,532	0	75,064
Safety Footwear		31,104	0	0	0	31,104
Car Allowance		0	20,719	0	0	20,719
Annual Incremental financial impact		**68,636**	**102,284**	**37,532**	**0**	**208,452**
Cumulative financial Impact For Fiscal Year		**68,636**	**170,920**	**208,452**	**208,452**	**656,460**
Net Financial Impact of Negotiations		**1,675,184**	**7,391,454**	**13,825,701**	**15,149,963**	**38,042,301**
Cupe Training Fund		1,000,000	1,000,000	1,000,000		3,000,000
Total Financial Impact		**2,675,184**	**8,391,454**	**14,825,701**	**15,149,963**	**41,042,301**

Notes:

See attached list of assumptions used in the calculation.

1) The base wage does not include the step increases which were previously negotiated. The step increase is the wage increase that employees get on their anniversary date.

2) Salary related cost includes overtime premiums, annual vacation, statutory holidays, pension costs, group life and other wage related benefits. These costs have been estimated to be **36.2%** of base wages.

3) Adjustment required to reflect the full year effect of prior year wage and benefit increases.

4) Adjusted base, includes salary related factor.

CUPE
Incremental Cost of the Memorandum of Settlement
April 4, 2003
Assumptions

The contract stipulates the increases as follows

- Pay Period 21 2003 – 3.0%
- Pay Period 10 2004 – 1.5%
- Pay Period 22 2004 – 1.5%
- Pay Period 08 2005 – 3.0%

1. The composition of the workforce in the bargaining unit is constant at January 15, 2003, for the term of the contract.

2. The number of employees in each classification and pay rate is assumed constant for the term of the contract.

3. Vacation entitlements remain constant for the term of the contract.

4. The number of hours paid to employees assumes a weighted average work-week per employee for 52 weeks a year and includes overtime hours.

5. A constant number of hours worked has been used for each year.

6. Step adjustments have been estimated to be 0.36% and, 0.28% effective pay period 1, for 2003, 2004 respectively.

7. The following benefit costs were provided by Blue Cross:

    - Basic and major Dental & orthodontist,
    - Vision care and Vision Eye Examinations
    - Ambulance and Semi-private hospital coverage

8. The joint committee on staff and development calculated the cost for license and accreditation benefit.

9. For the purpose of this calculation we have used an effective date of pay period 1, 2003 for all benefits effective on the date of ratification.

Winnipeg

Audit Department • Service de vérification

April 22, 2003

His Worship Mayor Glen Murray
The City of Winnipeg
Council Building
510 Main Street
Winnipeg, Manitoba
R3B 1B9

Dear Mayor Murray:

Re: Review of the Memorandum of Settlement between the City of Winnipeg and the Canadian Union of Public Employees, Local 500

Pursuant to the motion adopted by Council on March 26, 1997, "The City of Winnipeg Collective Bargaining Agreements and the Involvement of Internal and External Auditors", we have reviewed the attached *Incremental Cost of Memorandum of Settlement* prepared by the Human Resources and Corporate Services Department. The purpose of our review was to provide certain assurances as to the completeness of the anticipated changes in the financial cost to the City of Winnipeg as a result of the Memorandum of Settlement between the City of Winnipeg and the Canadian Union of Public Employees, Local 500 dated April 4, 2003. The term of the contract covers the period from December 29, 2002 to December 30, 2005.

Our review included an assessment of the Memorandum of Settlement, and based upon the knowledge obtained from this assessment, ensuring that the net incremental costs and/or savings to the City of Winnipeg have been completely and appropriately identified, calculated and summarized and that all significant assumptions used by the Finance and Administration Division to prepare the *Incremental Cost of Memorandum of Settlement* are disclosed. In addition, we met with personnel from the Human Resources and Corporate Services Department to review the process and details provided in the cost analysis.

The *Incremental Cost of Memorandum of Settlement* represents the net incremental costs or savings projected to be incurred by the City of Winnipeg as a direct result of the Memorandum of Settlement. Since the analysis is based on the disclosed assumptions regarding future events, actual results for the agreement period will vary from those calculated. Accordingly, we do not express any opinion as to whether the estimated net incremental costs for the Settlement will be realized.

Based on this review, we concur that this analysis has been prepared in an appropriate manner for the consideration of City Council. Our External Auditor, Ernst & Young, supported our review. A copy of the Ernst & Young report is attached.

Sincerely,

Shannon Hunt, CGA, CFE
City Auditor

ERNST & YOUNG

• Ernst & Young LLP
Chartered Accountants
Commodity Exchange Tower
Suite 2700
360 Main Street
Winnipeg, Canada R3C 4G9

• Phone: 204 947 6519
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April 22, 2003

PRIVATE AND CONFIDENTIAL

His Worship Mayor Glen Murray
The City of Winnipeg
Council Building
510 Main Street
Winnipeg, MB
R3B 1B9

Dear Sir:

**Re: Review of Memorandum of Settlement between
The City of Winnipeg and the Canadian Union of Public Employees Local 500**

Pursuant to the motion adopted by Council on March 26, 1997, "The City of Winnipeg Collective Bargaining Agreements and the Involvement of Internal and External Auditors", we have reviewed the Schedule of Incremental Cost of Memorandum of Settlement - CUPE prepared by the City's Finance and Administration Division, Human Resources and Corporate Services Departments.

Our role in the review of the Memorandum of Settlement between the City of Winnipeg and the Canadian Union of Public Employees Local 500 supported that of the City's Internal Audit Department. A copy of the City's Internal Audit Department review of the Memorandum of Settlement between the City of Winnipeg and the Canadian Union of Public Employees Local 500 is attached.

We concur with the City's Internal Audit Department's assessment of the Schedule of Incremental Cost of Memorandum of Settlement - CUPE prepared by the City's Finance and Administration Division, Human Resources and Corporate Services Departments.
Yours sincerely,

Ernst & Young LLP

J.K.A. Campbell