

3/23/92  
ARB

**MICHIGAN EMPLOYMENT RELATIONS COMMISSION**

**IN THE MATTER OF:**

**MERC ACT 312  
Case No. D90 A-0124**

**CITY OF DEARBORN HEIGHTS**

**-and-**

**POAM/POLICE OFFICERS ASSOCIATION**

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BUREAU OF EMPLOYMENT RELATIONS  
DETROIT OFFICE

*Dearborn Heights, City of*

**COMPULSORY ARBITRATION**

**Pursuant to Act 312, Michigan Public  
Act of 1969, as amended.**

**AWARD**

**Arbitration Panel:**

**[REDACTED]  
Arbitrator/Chairman**

**Conrad W. Kreger  
City Delegate**

**William Birdseye  
Union Delegate**

## INTRODUCTION

These proceedings were commenced pursuant to Act 312 of the Public Acts of 1969 as amended. The arbitration panel was comprised of the Chairman, Peter Jason; City of Dearborn Heights Delegate, Conrad Kreger; and Police Officers Association of Michigan Delegate, William Birdseye.

A pre-hearing conference was held on October 8, 1990, and the hearings were held on February 21, February 22, April 4, and May 10, 1991, at the American Arbitration Association office in Southfield, Michigan. The City of Dearborn Heights was represented by Patricia M. Nemeth and Dallas Moon of the firm of Stringari, Fritz, Kreger, Ahearn, Bennett, Hunsinger & Crandall, P.C., Police Officers Association of Michigan was represented by its business agent, William Birdseye. The record consists of 629 pages of recorded testimony and a total of 106 exhibits. After submission of the last best offers on June 3, 1991, the parties forwarded written briefs on August 2, 1991, and August 13, 1991. The panel met in executive session on October 11, 1991. At this meeting the city explained its objection to the union supplying the chairman with a copy of the recently decided Dearborn Heights Fire Fighters award and the chairman agreed to allow the city to introduce evidence concerning this issue. Another hearing was held for this purpose on January 27, 1992 at the American Arbitration Association office.

The parties stipulated that all issues not contained in the petition have been settled or waived by the parties. The parties

stipulated that the outstanding issues in this matter, except residency and drug testing, were all economic and so the panel was guided by Section 8 of Act 312. This section provides that each economic issue must be decided by the panel selecting the last best offer which more nearly complies with the applicable factors in Section 9. The applicable factors to be considered as set forth in Section 9 are as follows:

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.
- (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
  - (i) In public employment in comparable communities.
  - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, and the continuity and stability of employment, and other benefits received.

- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

Where not specifically referenced, the above factors were considered but not discussed in the interest of brevity.

#### **BACKGROUND**

The City of Dearborn Heights is located in Wayne County to the west of the City of Detroit and contiguous to the City of Dearborn. The city has a population of approximately 60,800 and is 12.1 square miles in size. Approximately 82.1% of this area is devoted to residential uses and 14.3% is devoted to commercial uses. The city's budget is approximately \$25,000,000 dollars.

The city police department has a budget of approximately \$6,270,000. The department has one-hundred-eight (108) employees with sixty-three (63) police officers represented by the POAM.

## COMPARABLE COMMUNITIES

As noted earlier, Act 312 directs the panel to consider economic benefits in comparable communities when deciding economic issues. The union offered the same comparable communities that were used in a previous Act 312 arbitration chaired by John Reed. This approach produced Dearborn, Garden City, Inkster, Livonia, Royal Oak, Southfield, Taylor, Troy, and Westland. The union urged that the primary criterion should be contiguity, pointing out the importance of considering shared boundaries and cooperative police efforts. The chairman agrees that there is some value to this approach and I believe that there are certain economic influences in a local labor market that affect wages. On the other hand, I also agree with the city that there are other things that affect police officers' wages besides geographical proximity.

The city's criterion for selecting comparables was that they were "similarly situated". Similarly situated cities were selected based on size, residential versus nonresidential tax base, and growth potential. This approach produced Lincoln Park, Roseville, Royal Oak, and St. Clair Shores as comparables.

Since both approaches have some validity, I have decided to accept both sets of comparables offered by the parties as relevant in making my decision.

Both the union and the city have also urged me to take into account internal comparables. The union urged that the focus be placed on the firefighters and the city urged that the focus be placed on the impact that this award may have on other city

employees. I agree that internal comparisons are very important and they were a major influence in making my decision. The internal comparison to the firefighters is especially apt because prior to this round of negotiations there was a historical parity relationship between police and fire in Dearborn Heights. Although parity was broken in this round of negotiations for both groups, wages and benefits awarded to the firefighters were very influential in my decision.

Taking the issues in order, my decisions are as follows:

**1) WAGES**

The last best offer of the union is a 3-year adjustment which rolls in the supplemental living allowance into the base salary and then provides for an across-the-board increase of 4.5% for the years beginning July 1, 1989, July 1, 1990 and July 1, 1991. The union argued that its offer was the one that should be awarded since it more nearly matches the wages offered in comparable communities. The union also pointed out that over the same period, Arbitrator Kahn awarded the firefighters 4% the first year, and 5% the following two years. The union further argued that it was sensible to roll in the supplemental living allowance. It contended for the ease of administration in Dearborn Heights there was no reason to keep this benefit separate when it is paid to everyone. The union acknowledged that this slightly increased roll-up costs, but contended the wages paid in

comparable communities justified this inclusion. The city's last best offer on wages was 3% for year beginning July 1, 1989, 3.1% for the year beginning July 1, 1990, and 5.4% for the year beginning July 1, 1991. The city noted that the union's last best offer constituted a jackpot package. In addition, the city argued that its last best offer was more in line with average increases in the private sector and more closely conforms with what is generally being agreed to in across-the-table bargaining. The city further argued that it is losing anticipated funding sources. The city pointed out that there has been a decline in its share of state revenues due to a 10% decrease in population and that there has been a general decline in state revenues generated from gas and weight taxes.

Having reviewed all the evidence, I have selected the union's last best offer on wages primarily because of the relationship between police officers and firefighters. The parties have had parity for years and even though parity has been eliminated the parties have not had an opportunity to bargain without this restriction. Until they do I do not believe it is appropriate for me to materially change the existing relationship between these two groups. Since the union's offer more nearly maintains this relationship, I have chosen it. The union's last best offer is awarded.

**2) STEP INCREASES**

Both parties proposed changes in the current schedule. After examining all the data submitted by the parties and given the fact that I have previously adopted the union's last best offer on wages, I believe the city's position is more reasonable because it is less costly. The union's concern has been addressed by the city's offer of an increase and the parties will be in bargaining shortly if the need for further adjustments are warranted.

**3) PENSIONS**

The union proposed to eliminate the two-tier pension system. At present, persons hired into the bargaining unit prior to July 1, 1983, have their pension benefits calculated by multiplying number of years of service by 2.5% times their final average compensation which is determined by the salary from three out of the last ten years. For police officers hired after July 1, 1983, the multiplier is 2% and their average final compensation based on five of the last ten years. The union has proposed that this two-tier system be eliminated and that police officers hired after July 1, 1983 also have a 2.5% multiplier with the final average compensation determined by the salary from three out of the last ten years. The union argued that this was equitable because this would allow all police officers to have similar pension enefits



and further, the firefighters recently received these changes from Arbitrator Kahn. On the strength of this comparison, the union's last best offers are more reasonable and will be awarded.

**4) UNIFORM ALLOWANCE**

The union proposes an increase in the current benefit and the city proposes to maintain the status quo. The city points out that this uniform allowance is taxable income and argues that it is a wage increase with a label. I was persuaded by this argument and since I've already selected the union's last best offer on wages and believe this adequately compensates police officers, the union's last best offer is rejected and the status quo will be maintained.

**5) SICK LEAVE ACCUMULATION**

Again, the union proposed to eliminate the two-tier system. The thrust of this demand appeared to me to be part of the union strategy to eliminate the two-tier system in its entirety. In evaluating the evidence submitted in this case, I was not convinced that this change was warranted. There was no evidence to establish that the current program does not provide police officers with sufficient protection in the event of serious illness. Also, because of funding requirements it is possible that this benefit would cost more but provide no additional benefit for police officers. This is a

poor expenditure of limited resources so the city's last best offer is awarded.

The city also proposed several issues for consideration by the arbitration panel. At the outset, I wish to acknowledge that I was impressed with the city's evidence about the state of its finances and its future financial prospects. Although there is some reason to hope that municipal governments around the state will be provided with some significant state aid for infrastructure improvements, the city has ample reason to be concerned about its long-term financial viability. It is true that the city's population has been declining and that there is no appreciable land available for growth and development. It is also true that there is no opportunity for any significant commercial or industrial growth. While it is not equitable for the city to finance government services by paying sub-standard wages and benefits to its employees, the city does have an obligation to spend its limited resources in the way that will provide maximum services to its citizens. For planning purposes, it is essential that the city keep control of wage and benefit costs and so I approve of the city's effort to manage its health care costs. I also believe that when making decisions based on internal comparisons, the panel has an obligation to compare not only benefits but also cost-saving measures. I believe that it is especially appropriate in this instance because the city proposed to take the current cost savings that are produced by these changes and use them to increase the maximum base annual salary.

Taking the city's issues in order, my decisions are as follows:

**CITY ISSUE ONE: COURT TIME - withdrawn.**

**CITY ISSUE TWO: HEALTH CARE - DRUG DEDUCTIBLE**

The city sought to increase the prescription drug deductible from \$3.00 to \$5.00. Since I understand the union to be in agreement with this, the city's last best offer will be awarded.

**CITY ISSUE THREE: HEALTH CARE - PRIMARY PLAN**

The city has proposed the substitution of Blue Cross/Blue Shield Trust 15/20 in lieu of the traditional health insurance and again, since there is no disagreement by the union, the city's last best offer shall be awarded.

**CITY ISSUE FOUR: HEALTH CARE - ACTIVE EMPLOYEE COST SHARING**

The city seeks cost-sharing by active employees of a portion of the increased cost of health insurance premiums. The union resisted this proposal because police officers are typically heads of their household and health insurance premiums are non-taxable income. As I understand the evidence submitted by the parties, all other city employees have agreed to share future increases in insurance premiums with the exception of the firefighters. Although the city's last best offer was

denied in the firefighters case, I believe that it is fair for police officers to share these costs as every other city employee has been asked to do. As a matter of equity, I believe that if I use internal comparisons to increase benefit levels, it is only fair to do so when cost-saving proposals are considered. The city's last best offer is awarded.

**CITY ISSUE FIVE: HEALTH CARE - FUTURE RETIREE COST SHARING**

The proposal is that future retirees share in increasing premium costs like active city employees. Given the fact that all future retirees will now be assured of a 2.5% multiplier on an enlarged final average compensation, it is appropriate to introduce this cost-saving measure at this time. The city's last best offer will be awarded.

**CITY ISSUE SIX: HEALTH CARE - BENEFIT LEVELS RETIREES**

Basically, this city proposes a single health insurance program for all retirees. At present, the city must administer 22 different health insurance plans because of its contractual obligation to continue the retiree with the health plan he had at the point of retirement. The city now proposes that a retiree will get the same health insurance benefits as active police officers. The union claimed that this proposal is illegal and for that reason it should not be awarded. Reviewing the evidence,

I believe the city does have the right to establish a common plan and looking at the internal comparables, I note that the city's last best offer was awarded in the fire case. On that basis, it is also reasonable to do so here. The city's last best offer is awarded.

**CITY ISSUE SEVEN: HEALTH CARE - MASTER MEDICAL**

This proposal involves a previously negotiated compromise which could not be implemented by Blue Cross/Blue Shield. The city now proposes to bring the Master Medical deductible in line with a plan that Blue Cross administers in which deductible and co-pays shall be \$100/\$200 (80-20). This city demand was awarded by Arbitrator Kahn in the fire case, but the union still resists this change because this plan also reduces reimbursement for out-patient psychological services from 75% to 50% of reasonable and customary fees. The union believes that the stress levels involved in police work are greater than those in the fire service and that it is important for police officers to retain the higher benefit level. After examining the evidence, I find that there is insufficient evidence to substantiate the union's argument and I therefore award the city's last best offer.

**CITY ISSUE EIGHT: HEALTH CARE - NO DUPLICATION OF BENEFITS**

At present, when two members of the same family are employed by the city, it is possible to elect different insurance coverages so that each has primary coverage under his/her own policy and additional coverage under a policy provided to a spouse or family member. The city claims that this resulting duplication is expensive and proposes to eliminate it. This was also a city issue in the fire case and Arbitrator Kahn awarded the city's last best offer. I am unable to determine from the evidence that there is any difference in the equity as between police officers and firefighters in this instance, and therefore, I too, award the city's last best offer.

In addition to the economic issues presented by both sides, each party proposed a non-economic issue. The union proposed a change in the city's residency rule. Currently, police officers are permitted to live outside the city for the last ten years preceding eligibility for retirement. The union proposed that the rule be amended to permit officers to live outside the city anywhere within a 35-mile radius of the nearest city boundary line. In evaluating the evidence presented on this issue, I was not satisfied that there was any overwhelming evidence for a change. No evidence was introduced to show that the current rule is causing any hardship and since the rule is the same in the Command Police Officers unit, people who move out under the rule may be forced to

move back in the event they are promoted. It is my belief that this issue has to be dealt with in more depth by the parties during the negotiating process to make sure that a relaxation of the rule does not have some unforeseen negative effect. The city's last best offer is awarded.

The city's non-economic offer concerns drug testing. Currently, officers who work the Intelligence Bureau undergo voluntary random drug testing and the city wants to expand this program to all police officers. The city argues that its citizens have the right to know they are being policed by officers who are not under the influence of drugs. While I endorse this sentiment and believe that Dearborn Heights citizens are entitled to this assurance, I was not convinced that the program proposed by the city is necessarily the best way to provide this assurance. Since the parties are going to be returning to the bargaining table in the very near future, I recommend that they deal with this issue themselves in a negotiating process. Police officers are being asked to surrender privacy rights for the good of their constituents and it would be admirable if they did this voluntarily rather than be forced to do this by my award. Therefore, the union's last best offer will be awarded and the status quo shall remain for the time being.

At the beginning of this hearing there was an issue concerning parity but since both parties proposed to eliminate it, it will be abolished by agreement of the parties.

## SUMMARY

The chairman's decisions on the union's issues are as follows:

### ISSUE 1: WAGES

Increase wages by awarding the union's last best offer.

Agree MS

Dissent Cumtufeger

### ISSUE 2: STEP INCREASES

Increase steps by awarding the city's last best offer.

Agree Cumtufeger

Dissent MS

### ISSUE 3: PENSIONS

Police officers hired after July 1, 1983 will have a 2.5% multiplier with the final average compensation determined by the salary from three out of the last ten years.

Agree MS

Dissent Cumtufeger

### ISSUE 4: UNIFORM ALLOWANCE

Status quo will be maintained.

Agree Cumtufeger

Dissent MS



**ISSUE 5: SICK LEAVE ACCUMULATION**

Status quo will be maintained.

Agree

Chad Heger

Dissent

MM

The chairman's decision on the union's non-economic issues are:

**RESIDENCY:**

Status quo will be maintained.

Agree

Chad Heger

Dissent

MM

**PARITY:**

Parity is eliminated.

Agree

Chad Heger  
MM

Dissent

\_\_\_\_\_

The chairman's decisions on the city's issues are as follows:

**ISSUE ONE: COURT TIME**

Withdrawn.

**ISSUE TWO: HEALTH CARE - DRUG DEDUCTIBLE**

Prescription drug deductible will be increased from \$3.00 to \$5.00.

Agree

Chad Heger  
MM

Dissent

\_\_\_\_\_

**ISSUE THREE: HEALTH CARE - PRIMARY PLAN**

Blue Cross/Blue Shield Trust 15/20 will be adopted.

Agree *C. M. H. Hager* Dissent           

*M.*

**ISSUE FOUR: HEALTH CARE - ACTIVE EMPLOYEE COST SHARING**

Cost-sharing by active employees of a portion of the increased health insurance premiums will be adopted.

Agree *C. M. H. Hager* Dissent *M.*

**ISSUE FIVE: HEALTH CARE - FUTURE RETIREE COST SHARING**

Cost-sharing by future retirees of a portion of the increased health insurance premiums will be adopted.

Agree *C. M. H. Hager* Dissent *M.*

**ISSUE SIX: HEALTH CARE - BENEFIT LEVELS RETIREES**

The city will implement a single common health insurance plan for retirees who will receive the same health insurance benefits as active employees.

Agree *C. M. H. Hager* Dissent *M.*

**ISSUE SEVEN: HEALTH CARE - MASTER MEDICAL**

The city will adopt a Master Medical deductible and co-pay in line with a plan that Blue Cross administers - \$100/\$200 (80-20).

Agree

Conrad W. Kreger

Dissent

1/1

**ISSUE EIGHT: HEALTH CARE - NO DUPLICATION OF BENEFITS**

A change in the primary coverage will now provide only one insurance plan per family.

Agree

Conrad W. Kreger

Dissent

1/1

The chairman's decision on the city's non-economic issues are:

**DRUG TESTING:**

The status quo shall remain for the time being.

Agree

1/1

Dissent

Conrad W. Kreger

Date:

March 23, 1992

Date:

MARCH 17, 1992

Date:

3/19/92

Peter D. Jason  
Peter D. Jason  
Arbitrator/Chairman

Conrad W. Kreger  
Conrad W. Kreger  
City Delegate

William Birdseye  
William Birdseye  
Union Delegate