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STATE OF MICHIGAN  
Department of Labor  
Employment Relations Commission

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Arbitration Under Act 312  
(Public Act of 1969 as amended)

In the Matter of  
Detroit Police Officers Association  
and  
City of Detroit

MERC Case No. D83-596

Award of Panel on  
Economic Matters

Panel Members: Daniel H. Kruger, Chairman  
Denise J. Lewis, City Delegate  
Sheldon H. Adler, Union Delegate

June 7, 1985

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## INTRODUCTION

The Michigan Employment Relations Commission on July 29, 1983 appointed the Chair of the Panel in the instant dispute. Denise Lewis was selected by the City as its delegate to the Panel. Sheldon H. Adler was selected by the Detroit Police Officers Association as its delegate.

The Chair met informally with the parties on August 17, 1983 to discuss the issues in impasse and to develop ground rules for the conduct of the Act 312 proceedings. At this meeting the parties stated that there were 147 issues in impasse. The Chair strongly suggested that the parties go back to the bargaining table to try to solve at least some of the issues.

The first day of hearings was held on October 4, 1983 and the last day of hearings was March 22, 1985. During this time from there were 86 days of hearings. The Chair on March 22, 1985 after consultation with the Panel Delegates told the parties that this Award would be bifurcated. There would be two parts of the Award, one dealing with economic issues and the second dealing with non-economic issues.

The reason for a two-part award is that the City was in the process of preparing its budget for 1985-86. The Award of the Panel is therefore an important factor in this process. Thus the Panel agreed to write its award on economic issues first and subsequently prepare its award on non-economic matters.

The Chair directed the parties to submit their last best offer on economic issues on April 5, 1985. He told the parties that each issue is to be costed out and, if it is not costed out,

the Panel will not consider it. The parties were directed to submit their briefs on economic issues including health insurance, sick leave and disability issues which have cost consideration implications on May 1, 1985.

The Chair stated that its Award on economic issues will be available on June 1, 1985. The Chair subsequently requested of the parties an extension of one week and this request was granted.

The Chair further directed the parties to submit their briefs on non-economic matters on June 15, 1985. He stated that the Panel's Award on non-economic issues would be due on or about July 15, 1985. On May 31, 1985 the Union requested an extension of four weeks for its brief on non-economic issues due to the death in the family of the Union's attorney and this was granted.

The Union stated that it would make an effort to have its brief available before July 15, 1985. One month after the receipt of these briefs the Panel will issue its Award on non-economic matters.

## Applicable Statutory Criteria

Section 8 of Act 312 requires that as to each economic issue, the Panel shall adopt the last offer of settlement which more nearly complies with the applicable factors prescribed in Section 9. Moreover, the Panel's findings, opinion and order as to all other issues shall also be based upon these applicable factors. Section 9 is presented below.

### Act 312 of 1969 as Amended

423.239 Findings and orders; factors considered.

Sec. 9. Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (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, the continuity and stability of employment, and all 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.

HISTORY: New 1969, p. 604, Act 312, eff. Oct. 1

## The Comparables Used by the Parties

The Union selected the following cities in southeast Michigan as its comparables:

|                  |                  |
|------------------|------------------|
| Ann Arbor        | Royal Oak        |
| Dearborn         | St. Clair Shores |
| Dearborn Heights | Southfield       |
| Farmington Hills | Sterling Heights |
| Livonia          | Troy             |
| Pontiac          | Warren           |
| Roseville        | Westland         |

All of these cities have a population of 50,000 or more. (See Union Exhibits 1 and 1A). The Union stated that it has always used cities in the metropolitan area with a population of over 50,000 for comparison purposes for its economic demands. It further noted that these cities were used as comparables in prior Act 312 Arbitration proceedings [see Union Brief, pages 72-74, see also Joint Exhibit #30 (Haber Award), Joint Exhibit #31 (Alexander Award), Joint Exhibit #32 (Fox Award), and Joint Exhibit #1 (Bowles Award).]

The Union also noted that its members work closely with the police officers in its comparable cities, that its members know the comparability of work, the comparability of salaries and the local situation in these jurisdictions (see Union Brief, page 74).

The Employer selected eight (8) cities outside of Michigan as its comparables. These include Cleveland, Baltimore, Boston, Chicago, Milwaukee, Philadelphia, Pittsburgh, and St. Louis (see Employer Brief pages 53-54, Employer Exhibits 457-463 and Employer Exhibit 438A). In addition it selected three cities in Michigan as comparables, and these were Flint, Pontiac, and

Saginaw (see Employer Exhibits 464-466 and Employer Exhibit #439).

The Employer selected those cities outside of Michigan based on the following criteria: population over 500,000, and which had a declining population of 14% or more during the twenty-year period 1960-1980.

Both the Employer and the Union discussed extensively their respective comparables (see Employer Brief, pages 52-27, and Union Brief, pages 65-77).

In this Panel's view the use of external comparability, i.e., comparisons between Detroit and other cities either within the state or outside the state, must be evaluated cautiously. Act 312, Section 9, mandates that the Panel consider external comparability in evaluating the last best offers of the parties. However, Detroit has a set of unique characteristics when compared with other cities in the state, i.e., population, population decline, demographics, tax burden, financial condition, crime statistics, size of police force, to mention a few.

The use of comparables outside the state in the view of this Panel does not provide a basis for comparison. Detroit is a high-wage community given its industrial base, i.e., automotive. The taxing abilities of these cities are different, and they have different types of economies (see Union Brief, pages 68-71).

Act 312 mandates that the Panel consider internal comparability in evaluating the last best offers of the parties. Internal comparability is an important consideration especially

in evaluating the fringe benefits of various groups of employees employed by the City, such as health insurance, dental and optical insurance, sick leave, holidays, life insurance, vacations. Internal comparability should also be considered as one of the factors by the Panel in evaluating the wage increases contained in the parties' last best offers. The wage increases negotiated by the Employer and its other unions is a factor in internal comparability, though it may not be the determining factor. Other factors need to be taken into account in evaluating the economic last best offers of the parties pursuant to Section 9, Act 312.



### The Award on Economic Issues

The parties agreed that the issues cited below were the economic issues on which the Panel would issue an Award. The issues are presented in the order which they are discussed in the Award.

1. Wages
2. Cost of Living Adjustment (COLA)
3. Holidays
4. Longevity: Increases in Step Payments
5. Furloughs
6. Shift Differentials - The Union withdrew this demand in its last best offer
7. Lump Sum Payment For Banked Time
8. Sick Leave: Retirement Sick Leave Payout
9. Sick Leave: Reduce Seniority Sick Bank Accumulation
10. Sick Leave: Conversion From Charter Benefits to Workers' Compensation Act Coverage with Supplements by the City
11. Pension Provision: Insurance Fringes for Vested Retirees
12. Pension Provision: Vested Pension Qualifier (40 and 8 Retirement)
13. Longevity: New Employees hired on or after July 1, 1985 to be covered by the Pre-1981 Longevity Plan
14. Longevity: Increased Service Requirements For Longevity Eligibility
15. Hospitalization, Medical Insurance, Dental Insurance and Optical Care: Eliminate Hospitalization and Medical Insurance for Surviving Spouse of Employee who elects straight life option retirement benefit.

16. Hospitalization, Medical Insurance, Dental Insurance and Optical Care: No Dental Coverage for First 1040 Straight Time Hours of Employment
17. Hospitalization, Medical Insurance, Dental Insurance and Optical Care: No Dental Coverage for Duty Disability Retirees
18. Hospitalization, Medical Insurance, Dental Insurance and Optical Care: Active Employees Pay For 50% of Hospital and Medical Insurance Premium Increase over 1982-83 Rates effective July 1, 1985
19. Hospitalization, Medical Insurance, Dental Insurance and Optical Care: Employees who retire after January 1, 1985 and their spouses pay 50% of Hospital and Medical Insurance Premium increase over 1982-83 premium rates.

Also included in the Award is the issue dealing with the selection of the dental and health insurance carriers.

Wages:        Union Issue Number 1  
              City Wage Issues Numbers 1, 2 and 3

The Employer presented its wage proposals for the three-year agreement separately for each of the three (3) years. It maintained that the Panel pursuant to Act 312 Section 8 has the authority to consider the wages to be paid in each year of a collective bargaining agreement as a discrete economic issue (Employer Brief, page 69). The Union presented a single wage proposal for the three years. The Panel takes note that the Employer in its last best offer presented the wage proposal as three separate issues.

In the executive session of the Panel, the Union delegate argued that the practice of the parties in the past was to present a single wage proposal covering each of the three years of the new agreement. It urged the Panel therefore not to separate the wage proposal into three issues.

This Panel in its determination of an issue has stated an issue can be identified as one which can stand alone. The wage proposals presented to this Panel can each stand alone and its costs for each year can be carefully analyzed. Moreover, this Panel is of the opinion that Section 8 Act 312 gives it authority to identify the economic issues in dispute. Accordingly, it will consider each wage proposal for each of the three years to be a discrete economic issue. Moreover, separate consideration of each year of the wage proposal enabled the Panel to consider changes in circumstances during the pendency of the proceedings as mandated by Act 312, Section 9 (g).

The Panel is of the opinion that given the financial condition of the city since 1979-80 through the present year, as will be discussed below, it is necessary to examine the financial position of the Employer and the respective wage demands of the parties in each of the three years of the agreement, 1983-84, 1984-85 and 1985-86.

Present Contract Language

Memorandum of Understanding Between the City of Detroit  
and the Detroit Police Officers Association  
July 1, 1980 to June 30, 1983

- "1. Salary rates for employees in the bargaining unit shall be maintained at the current levels through June 30, 1983. Normal step increments shall continue to apply."

Joint Exhibit #11, page 1

\*\*\*\*\*

"16. Pay Range for Employees Hired on or After July 1, 1981

Employees hired on or after July 1, 1981 shall be paid the following annual salary:

Police Officer (33-10-11)

|                    |           |
|--------------------|-----------|
| Minimum            | \$19,906  |
| 1 Year of Service  | \$21,184  |
| 2 Years of Service | \$22,462  |
| 3 Years of Service | \$23,740  |
| 4 Years of Service | \$25,018  |
| 5 Years of Service | \$26,296" |

Joint Exhibit #11, page 9

Employer's Last Best Offer

1983-84 3 percent

1984-85 .3 of 1 percent [Equity Formula Actual Result]

1985-86 2 percent [Equity Formula Projected Result]

Union's Last Best Offer

1983-85     4 percent

1984-85     3 percent

1985-86     4 percent

Rationale of the Employer's Wage Offer For 1983-84

The Employer stated that it entered the 1983-84 fiscal year with a \$45.6 million deficit and it ended that fiscal year with a \$27.3 million deficit (Union Exhibit #232, page 37). Given this deficit, the Employer stated that it should not have granted any wage or benefit increases to any employees for that fiscal year. It was, however, legally required by the concession agreements with AFSCME and other general city unions to grant a six (6%) percent wage increase on the last day of the 1980-83 agreement. The six (6%) percent increase had been scheduled for July 1, 1982, but in the concession agreement with the city the general city unions not only permanently waived a six (6%) percent increase scheduled for July 1, 1981, but also agreed to defer another six (6%) percent increase in wages from July 1, 1982 to June 30, 1983. The Employer was faced with the legal obligation to grant a wage increase of six (6%) percent on June 30, 1983 and there was litigation to enforce it. The Employer and its unions through collective bargaining negotiated significant relief. There was no provision in the 1983-84 general city union agreements for any wage increase during the first year. The parties negotiated various benefit reductions and cost containment measures which produced an estimated three (3%) percent savings to the city in the first year of the contracts

(Employer Brief, page 69). The six (6%) percent wage increase, scheduled for July 1, 1982 was finally paid on June 30, 1983, but was offset effective July 1, 1983 by the three (3%) percent savings. The net result for the civilian employees was three (3%) percent in new money, i.e., dollars over and above those the Employer was paying for wages and benefits (Employer Brief, page 70).

The Employer noted that the uniformed employees [Note: there are three unions composed of public safety or uniformed services: The Detroit Police Officers Association (DPOA), the Detroit Lieutenants and Sergeants Association (LSA) and the Detroit Fire Fighters Association (DFFA)] also agreed to a wage freeze for 1980-83. The uniformed employees however received a wage increase of 7.2 percent on July 1, 1980 in the form of a cost of living adjustment pursuant to paragraph 2, Joint Exhibit 11, pages 1-4. In the 1980-83 agreement, the Employer and the DPOA negotiated a twenty-five (25)-and-out pension improvement effective June 30, 1983 (see Joint Exhibit #11, overleaf). According to the Employer this pension improvement was intended to be the equivalent of the deferred six (6%) percent wage for its civilian employees (Employer Brief, page 70). The pension benefit had been costed at 1.8 percent (see Employer Exhibit #286; Employer Brief, page 70).

The Employer offered the Union the same economic package for 1983-84 as contained in the general city unions settlement, i.e., three (3%) percent in new money for increases in wages and benefits. The Employer, however, contended that 1.8 percent of

that three (3%) percent was already being paid for the 25-and-out pension benefit which became effective July 1, 1983.

The Employer maintained that it was entitled to be credited for that 1.8 percent pursuant to paragraph 17, Joint Exhibit #11, page 10, which reads

"The Union acknowledges that this benefit change will be a cost to the city which must be taken into account in future bargaining processes including negotiations and Act 312 proceedings."

This provision is also restated on the overleaf, Joint Exhibit #11.

Thus after subtracting 1.8 percent from 3 percent, there was available 1.2 of the new money for wage increases for the Union. The Employer stated that the health care cost containments including premium sharing which had been accepted by the general city employees and which were proposed to the Union would result in a savings of one percent. The Employer raised its offer to 2.2 percent on the assumption that this Panel would grant the Employer the same cost containment provisions as accepted by the general city unions.

In its final offer, the Employer has proposed a wage increase of three (3%) percent and offered to maintain the dollar differentials for the following classifications for the 1983-86 agreement.

Communications Officer - Police Officer

|                    |  |
|--------------------|--|
| Start:             | \$450 over starting salary of Police Officer   |
| After one year:    | \$450 over salary of one-year Police Officer   |
| After two years:   | \$450 over salary of two-year Police Officer   |
| After three years: | \$450 over salary of three-year Police Officer |
| After four years:  | \$450 over salary of four-year Police Officer  |
| After five years:  | \$450 over salary of five-year Police Officer  |

Band Director - Police Officer

\$821 over maximum salary of Police Officer

Assistant Supervisor of Motor Vehicles - Police Officer  
\$862 over maximum of salary of Police Officer

Police Data Processing Programmer  
Minimum: \$589 over maximum salary of a Police Officer  
Maximum: \$1,738 over maximum salary of a Police Officer

Radio Maintenance Officer - Police Officer  
\$862 over maximum salary of a Police Officer

Radio Systems and Planning Officer - Police Officer  
\$1,567 over maximum salary of a Police Officer

Senior Police Data Processing Programmer (Class Code #33-12-36)  
To be paid a Police Lieutenant salary

The Employer stated that the rationale for the .8 percent increase was that the experience during the 1983-84 fiscal year indicated that the savings for which the general city employees were given a three (3%) percent credit had actually been slightly less which resulted in a little more than three (3%) percent in new money being spent by the city for their wage increase in 1983. The Employer's position was that it would offer the equivalent of the same economic package to the DPOA as it did to the general city employees. Thus the Employer made this adjustment in its final offer (Employer Brief, page 71).

The Employer noted that the 1.8 percent in pension benefit plus the three (3%) percent equates with a 4.8 percent increase. Subtracting the one (1) percent in health care cost containment which the city anticipates will be granted by this Arbitration Panel, the Employer's proposal will require 3.8 percent in new money to finance this increase (Employer Brief, page 72).

The Employer contended that the Union's last best offer of four (4%) percent is not supported by reason. It maintained that



the Union ignored the deficit of \$27.3 million for 1983-84, the first year of the agreement (Employer Brief, page 72).

The Employer pointed out that its last best offer was the equivalent to that of the general city employees which was obtained in genuine collective bargaining in the same economic environment. It further noted that its proposal would also raise the salaries of the police officers in the first year of the agreement to a level which essentially equals or exceeds the wages of the uniformed employees of its comparables (see Employer Exhibit #471; also Employer Brief, page 72). Moreover the Employer noted that its proposal would increase the substantial advantage which its police officers presently enjoy over the officers in the Union's comparables in terms of overall compensation (see Employer Exhibits numbers 514 and 515; also Employer Brief, page 72).

The total cost of the Employer's last best offer of three (3%) percent excluding the 1.8 percent for pension improvement is presented below.

|   |                  |
|---|------------------|
| Current Salary                            | \$26,296         |
| 3% Increase                               | <u>789</u>       |
| New Salary 1983-84                        | \$27,085         |
| Cost of Wages alone                       | \$2,136,612      |
| Cost of Pensions alone                    | 1,228,040        |
| Cost of Parity                            | <u>3,408,092</u> |
| Total Cost of Employer's<br>Wage Proposal | \$6,772,742      |

(See Appendix 1 for calculations for 1983/84)

This calculation of parity is based on the following:

1. Average annual rate in LSA and FFA \$30,447
2. 2,369 is the number of employees in both bargaining units
3. The pension factor of 1.575 must be applied
4. .03 is the Employer's Last Best Wage Offer

Cost of Parity for 1983-84:

$$\$30,447 \times .03 \times 2,369 \times 1.575 = \$3,408,092$$

Total Costs:

|               |                  |
|---------------|------------------|
| Wage Alone    | \$2,136,612      |
| Pension Alone | 1,228,040        |
| Parity        | <u>3,408,092</u> |
| Total         | \$6,772,742      |

Wage Issue Number 2: 1984-85

The Employer has proposed a wage equity formula for 1984-85 and 1985-86. This formula is identical to that agreed upon by AFSCME and the other general city unions in the 1983 negotiations. The formula also applies to all of the non-union employees of the city (see Appendix 2 for the wording of the Wage Equity Formula; see also Employer Exhibit #216, pages 110-115; see also Employer Exhibits numbers 278-283).

This formula is described in detail in the Employer's Brief and is reproduced below.

..."The formula links wage increases in the second and third years of the contract to four major revenue sources: the municipal income tax; the current year net collection of the 23 mill property tax for operating purposes, exclusive of penalty and interest, and excluding any taxes which may be paid in the future by Blue Cross/Blue Shield of Michigan; state revenue sharing; and federal revenue sharing. These revenues were selected by the negotiating parties because they are major unrestricted revenues comprising 61.8% of all 0100 general fund revenues, are good indicators of the City's ability to pay wage increases and, as such, constitute an appropriate base for the determination of wage increases. In addition, final figures with respect to these revenues are available relatively soon after the end of the fiscal year so as to permit timely calculation of any wage increase generated. (Tr. LXVII, pp. 73-78. Tr. LXVIII, pp. 71-88. Tr. LXIX, pp. 3-12; 91. City Exhibits 431 and 432).

"Under the formula, wage increases will be determined by applying 38.4% to any receipts in excess of the formula base which consist of the 1983-1984 budgeted amount for the total of all four of the selected revenues. The general city unions insisted upon a base that was already in place to prevent manipulation. The 38.4% was selected because it represented the percentage of the 0100 total general fund actually devoted to wages and salaries, exclusive of shift premium, in the 1983-1984 Budget Development Fund Pro Forma (FISC) Report.(16) In the judgment of the negotiating parties, it was logical to continue to use the same percentage of available funds for wages and salaries. (Tr. LXVIII, pp. 78-80. Tr. LXIX, pp. 89-97. Tr. LXXI, pp. 3-7).

"For the 1984-1985 contract year, 38.4% of the excess of the receipts from the four major revenue sources over 1983-1984 budgeted amounts for these revenues (hereinafter referred to as "available surplus") will be distributed as now described. Ninety percent of this available surplus will be used to fund a wage increase not to exceed 4%. Ten percent will be used for position restoration of regularly budgeted positions. Any of the available surplus still remaining after the 4% wage increase has been financed will be distributed as follows: seventy-five percent will be used to finance up to a 6% wage increase and 25% will be used for position restoration. Any of the available surplus remaining after the 6% wage increase has been financed will be distributed yet a third way. Fifty percent will (sic) used to defray employee fringe benefit costs up to the equivalent of an 8% wage increase. The thrust of this tier is to reduce the employees' cost of sharing in the payment in increases in health insurance premiums. The other 50% will be used for position restoration. Any of the available surplus remaining after the 8% wage increase will be used totally for position restoration. (Tr. LXXI, pp. 7-14. City Exhibit 216, p. 11).

"As a prerequisite to the granting of wage increases for 1985-86, the total 1984-1985 revenues from the four major sources must increase by 5% over the 1983-1984 total budgeted amount. This 5% escalator is based on an average annual growth rate in the four revenues of 5.38% over the last 10 years. 38.4% of the surplus that exceeds 105% will be distributed as follows: Eighty percent will be used to finance a maximum 2% wage increase and 20% will be used for position restoration. After the 2% wage increase has been financed, 70% of the remaining available surplus will be used for a 4% maximum wage increase and 30% will be used for position restoration. After the 6% wage increase has been financed, 60% of the remaining available surplus will be used for a 6% wage increase and 40% will be used for position restoration. After the 6% wage increase has been financed any remaining available surplus will be distributed 50/50. Fifty percent will be used to defray employee fringe benefit costs up to the maximum equivalent of an 8% wage increase. The other 50% will be used for position restoration. If any available surplus remains after the 8% wage equivalent is financed, the balance of the surplus will be used for position restoration. (Tr. LXXI, pp. 26-31. City Exhibit 216, Schedule A, p. 20. City Exhibit 441).

"In order to determine the size of the wage increase to be granted, the cost of a 1% raise for uniformed and civilian employees for the contract year must first be computed. The cost of a 1% raise in 1984-1985 is determined by taking 1% of the amount budgeted in the 1984-1985 City of Detroit General 0100 Fund Pro Forma for non-reimbursed (17) salaries and wages, including all compensation other than shift premium. The figure derived will then be divided into

"the number of dollars available from the 38.4% of surplus. The result is the percentage wage increase that must be granted to uniformed and civilian employees for 1984-85. The cost of a 1% raise for 1985-1986 will be determined in the same manner except that 1985-1986 budget data will be used. (Tr. LXXI, pp. 13-18; 22-26).

"These calculations will be made in November of each year but a 1984-1985 raise will not become effective until January 1, 1985 and a 1985-1986 increase until January 1, 1986. The City will also pay pension costs and social security taxes on these wage increases. In addition to these pay raises for the second and third years of the contract, employees will receive in the first scheduled pay of January 1985 and January 1986 respectively, a half year equity bonus for each year. This is a lump sum payment based on the percentage increase granted for the particular fiscal year applied to hours paid to an employee from July 1 through December 30 of that year. In contrast to the pay raises, these lump sum payments as bonuses will not be part of the pension base or subject to any pension contribution. (Tr. LXXI, pp. 18-22).

"How the wage-equity formula works is best illustrated by the City's initial experience in implementing its provision in determining the wage increases for AFSCME and the other general city employees for 1984-1985. For that contract year, the civilian employees were granted a .3% wage increase based on 38.4% of a total \$2,548,823 surplus in the four revenue sources for the tax year ending June 30, 1984. Actual receipts for the tax year ending June 30, 1984 from these revenue sources totaled \$520,366,081. Budgeted receipts for the year totaled \$517,817,258 leaving an actual surplus of \$2,548,823 ( $\$520,366,081 - \$517,817,258 = \$2,548,823$ ). Thirty-eight point four percent of the \$2,548,823 surplus resulted in \$978,748 being available for wage increases and position restoration. The total cost of a 1% raise for civilian and uniformed employees based upon the 1984-1985 General Fund (0100) Budget was \$3,126,456 as calculated in City Exhibit 443, Schedule B. The amount of surplus available to finance a maximum 4% raise for 1984-1985 was 90% of the available surplus, as negotiated by the parties and specified in their contract. Ninety percent of \$978,748 produced \$880,873 from which a raise could be granted. The raise to be granted was determined by dividing the amount available for raises, \$880,873 by the cost of a 1% raise, \$3,126,456, which equaled .28174. This figure was rounded to .3%. (Tr. LXXI, pp. 32-42. City Exhibits 442 and 443). The step-by-step calculations are set forth below.

### 1984-1985 Wage Increase Calculation

|  |                 |
|--|-----------------|
| Actual Revenues for year<br>ending June 30, 1983   | \$520,366,081   |
| Budgeted revenues for<br>year ending June 30, 1983   | - \$517,817,258 |
| <hr/>  |                 |
| Actual Surplus   | \$ 2,548,823    |
| Amount available for wage<br>increases and position<br>restoration 38.4% of<br>\$2,548,823 | \$ 978,748      |
| 90% of \$978,748 surplus<br>available for a wage<br>increase up to 4%                      | \$ 880,873      |
| Cost of a 1% raise   | \$ 3,126,456    |
| Feasible Raise<br>\$880,873 surplus divided<br>by \$3,126,456 cost                         | .28175x         |
| Raise Implemented  | .3%             |

Sources: City Exhibits 442 and 443.

"(16) Specifically, in the 1983-1984 Fund Pro Forma, \$320,619,268 or 38.4% of the total \$834,444,602 expenditures from the 0100 general fund were for wages and salaries, exclusive of shift premium. (Tr. LXXI, pp. 4-6. City Exhibits 431 and 432).

"(17) Part of the funds budgeted for the wages and salaries are reimbursed costs which are those funds received from sources external to the City and earmarked for specific operations such as the Art Institute. Such funds are lost if not used for that purpose and cannot be used for any other purpose. Because these costs are not paid by the City, it would result in a distortion to include them as an expense to the City. By excluding the reimbursed costs, the prospect that the wage-equity formula will generate a higher increase is enhanced. (Tr. LXXI, pp. 15-18)."

Employer Brief, pages 73-78

The .3 percent adjustment produced by the Equity Wage Formula is the last best offer of the Employer for 1984-1985.

In support of the Equity Wage Formula, the Employer indicated that it is the product of collective bargaining. The formula recognizes that the Employer must operate within its revenues and restore positions and services. It also recognizes the employees' need for job security and wage increases based on revenue. Moreover, according to the Employer it recognizes that the employees have agreed to share part of the rising cost of health care and provides for defraying this expense if sufficient funds are available (Employer Brief, page 78).

The basic purpose of the formula according to the Employer is that it will limit wage increases to what it is able to pay (Employer's Brief, page 78). In addition the Employer stated the formula will minimize the likelihood that the City will need to reduce personnel as it has in the past when wage increases exceeded available revenues. This will result in strengthening the employee's job security (Employer Brief, page 79). The formula is also designed to restore and maintain services if sufficient revenues are generated.

Under the Employer's last best offer of wages for 1984-1985 of .3 percent, the salary of police officers will increase from \$27,085 to \$27,166. The total cost of wages alone for 1984-1985 will be \$2,555,190. The pension contribution will be \$1,455,735 and the cost of parity will be \$3,745,937. Thus the total cost of its wage proposal will be \$7,756,862 (See Appendix 3 for the calculations for this wage increase for 1984-1985, the second year of the agreement.)

### Wage Issue Number 3: 1985-1986

#### Employer's Last Best Offer on Wages for 1985-1986

The Employer has proposed for the third year an estimated wage increase of two (2) percent based on the yield of the Equity Formula.

#### Union's Last Best Offer for 1985-1986

The Union has proposed a wage increase of four (4) percent for the third year of the agreement 1985-1986.

#### Rationale For Employer's Last Best Offer

The Employer maintained that with a .3% increase in the second year and a two (2%) percent increase in the third year, the police officers would continue to compare favorably with the salaries of the Employer's comparables. Moreover, the Detroit police officer will compare most favorably in terms of overall compensation with the Union's comparables (see Employer Exhibits 471, 514, 515, 516 and 517; Union Brief, page 80).

The Employer contended that the Union's demand for 1985-86 is unreasonable whether viewed separately or in connection with its four (4%) percent and three (3%) percent proposals for the first and second years. It stated that the total wage package of the Union would cost the Employer approximately \$55 million. The Employer pointed out that the Union's wage demands were formulated without regard for the City's ability to pay. It further maintained that if the Union's wage demands were granted, this would undoubtedly cause more layoffs and further reductions



in police services to the citizens of the city. (See Employer Brief, page 80)

The estimated cost of the Employer's wage proposal for 1985-1986 is \$13,819,789. The cost details for the Employer's wage proposal appears in Appendix 4.

Rationale for Union's Last Best Offer on Wages for 1983-84, 1984-85 and 1985-86

The Union stated that its wage proposals are designed to put more money into the pockets of the police officer. It stated that the police officers have not had a wage increase since 1980 and they have borne the burden of an increasing work load. Moreover, it maintained that the cost of living as reflected in the Consumer Price Index has increased approximately twenty (20%) percent since 1980 (Union Brief, page 79).

The Union further noted that there is a morale factor. The officers know what the police officers working in the Union's comparable cities earn and they believe that they work harder and deserve at least a commensurate wage with that which their fellow officers in the surrounding communities earn (Union Brief, page 79).

The Union pointed out that an examination of the suburban communities used as comparables shows that if the Union wage demand is granted:

In 1983-84 base wages in five of the fifteen communities will exceed Detroit and in-pocket dollars in eleven of the fifteen communities will exceed Detroit.

In 1984-85 base wages in seven of the thirteen communities for which information is available will exceed Detroit and in-pocket dollars in twelve of the thirteen communities will exceed Detroit.

In 1985-86 base wages in four of the five communities for which information is available will exceed Detroit and in-pocket dollars in five of the five communities will exceed Detroit. Sterling Heights was higher in the 1984-85 year in both categories than Detroit one year later; it may be even higher in 1985-86.

Union Brief, p. 80; see also Appendix Union Brief, Union Exhibits 171, 162A, 159A

The Union maintained that the Detroit police officers should not be the lowest paid in the area, they should be the highest. (For 1983-84 salaries of police officers in Union Comparables see Appendix 5.) The Union called attention to an observation made by the Arbitrator in the Act 312 Award involving the parties in 1977 that the Detroit police officers have more difficult job responsibilities and less favorable community factors. The Union contended that the same observation is true today (see Joint Exhibit #1, pages 21-24 Act 312 Panel Award; see also Union Brief, pages 81-82; see also crime rate, Population and Other Factors Relative to Detroit and Surrounding Communities, Employer Exhibits 439 and 440).

The Union contended that the Employer's last best offer on wages was woefully inadequate (Union Brief, page 84). It noted that the Union was the first to give the Employer the concession agreements it desperately needed in 1981 (Union Brief, page 84). The Union called attention that the Detroit Police Department is "the best" in the country (Union Brief, page 84). The offer by the Employer is in its words insulting when there is a surplus of \$35 million in the 1985-86 budget (see Union Brief, page 84; also Union Exhibit 233, Executive Budget for 1985-86, page 1 of Mayor's Message).

The Union took issue with the Equity Formula. Its comments on the formula appear below.

"The so-called Equity Formula, devised by the City to accomplish its purpose of a multi-year contract with no wage commitments, is unfair and ambiguous. It is certainly supported by no 'comparable' except the self-created agreement with general City employees.

"The formula is unfair in that it fails to take into account the fact that the legislature and the public have given top priority to police services. There is little justification for treating a police officer the same as a meter maid, a messenger or a file clerk.

"An unfairness or ambiguity results from the failure, maybe, of the formula to consider revenues earmarked for the Police Department. Ms. Buss carefully pointed out (Vol. LXXI, p. 15 et seq.) that in the paragraph on page 111 of the AFSCME contract (Employer Exhibit No. 216) which sets forth the formula for wage increases the words 'non-reimbursed' should be added to the third sentence which should then read as follows:

The non-reimbursed dollar amount determined by this formula will be divided into the number of dollars available from surplus for wage increases to determine the percentage raise to be applied to uniformed and civilian employees of the City of Detroit.

She explained:

'So, there are numerous functions that are paid out of the 0100 fund which are reimbursed and which do not really cost us tax dollars. What we're saying in Schedule B, and what we're saying in our revised paragraph on page 111, is that we should not include the costs for these reimbursed functions in the cost of a pay raise. So, we have reduced the total amount of civilian costs to 85.6 percent of the budgeted cost, to reflect the fact that 14.4 percent of civilians in the 0100 fund are reimbursed from other sources.

'Well, in the formula we're trying to get at what the City can afford to pay. And if these employees who are reimbursed from other sources are included, it's not really consistent with the basic theory of what we're trying to do. They're going to be paid for. They're going to be paid for through equity funding; they're going to be paid for from reimbursement from the sale of their own services. And so, we reduce the cost of a one percent raise to accommodate this fact, that some of our 0100 fund employees are reimbursed.' (Vol. LXXI, p. 17).

"She used as examples the Art Institute and Historical Museum funded by the State Equity Package. (Vol. LXXI, p. 16). Will this formula also apply to exclude from the calculation the \$4,137,200 received by the Police Department from the State for the Cultural Center and Special Events? (See Employer Exhibit No. 317, p. 69).

"A more serious question relates to funds from the Utility Tax. There was \$45 million from that tax in the Police Department Budget. (Employer Exhibit No. 317, p. 68). Did this reduce the police salaries paid out of the 0100 account? All of the Utility Tax revenues became earmarked for police salaries by Act No. 349 of 1984. (Union Exhibit No. 142). If all police salaries were in the 0100 account is this money now a reimbursement? A substantial amount of money is involved and its treatment would have a direct effect on the formula yield. Possibly the City can explain this.

"The formula is certainly unique. Nothing like it appears in any comparable submitted by either party except the other City settlements. If the City's last offer of settlement is awarded the Panel will be granting a third year wage increase of an unknown amount based on an ambiguous formula. This offer does not seem to comply with the applicable factors prescribed by Section 9 of the Act."

Union Brief, pages 84-86

The Union maintained that the Employer entering the 1985-86 fiscal year had a surplus of \$35 million in the budget and therefore it had the ability to pay the Union's wage demands. The Union pointed out that there had been miscalculations as to the actual size of the deficits in recent years. For example, in the 1983-84 budget the previous year's deficit was funded at \$39.7 million, but the actual deficit for fiscal 1983 was \$32.8 million (see Joint Exhibit 17, page 93; see Employer Exhibit 427, page 39, also Union Brief, page 14). In the 1982-83 budget a surplus of \$1.2 million was budgeted (Union Exhibit 150, page 89) but the actual surplus was \$3,178,339 (Joint Exhibit 18, page 37, also Union Brief, page 14). The Union noted "one can only wonder

if predicted deficit budget figures are juggled to accomplish some other purpose other than their funding."

The Union acknowledged that unbudgeted labor costs were a large factor in the deficit for the 1983-84 budget. It however pointed out that "Enterprise Fund Deficits" and "Accrual Accounting Expenses" seemed to be the major ingredients of the deficit (see Union Exhibit 232, page 37, Employer Exhibit 317, page 101, Employer Exhibit 318A). A major item in the deficit of the 1983-84 budget is the City's Department of Transportation (DOT). DOT accounted for nearly two thirds of the City's total budget deficit (Employer Exhibit 318, Mayor 1984 Budget Message, page 59; see also Union Brief, pages 18-19).

The Union also called attention to the accrual accounting expenses (Employer Exhibit 319). In its words

"...Mr. Stecher [Budget Director] stated that to comply with accounting standards of the National Council on Governmental Accounting, Statement 4 (Union Exhibit No. 153) it was necessary to show on the balance sheet as a liability the amount of vacation, or other compensated absences, owed to each employee that would be used in the first 60 days of the new budget period. It was also necessary to show as a liability damage claims estimated to be paid in the first 60 days of the new budget period. The figures chosen were based on actual experience in the prior fiscal year, 1982-83. He said that if the City did not do this it would not receive an acceptable certified audit of the City's financial statement. This is essentially a one time adjustment. (Vol. LXV, pgs. 36-41).

"It is interesting to note that while the City has accrued \$1,211,000 on its balance sheets as a liability, it carries \$15 million in its Public Liability Insurance Reserve Fund for a 'catastrophe type situation.' (Vol. LXXV, p. 62). Closing Resolution 59, p. 20 (Union Exhibit No. 233) authorizes transfers to bring this fund balance up to \$15 million.

"Were it not for the unusual amounts transferred to the Enterprise Funds and the one time accrual accounting expenses, the deficit for fiscal 1983-84 would be small."

Union Brief, pages 22-23

The Union also called attention to the Budget Stabilization Fund, a rainy day fund (Employer Exhibit 452, Mayor's Budget Letter, page 9, Union Exhibit 233, Union Brief, page 32). By ordinance one-half of any surplus is put into the fund. The Union contended that the Panel's granting of its wage and COLA proposals would reduce the amount available for appropriation in 1985-86 by only about \$8 million (Union Brief, page 32).

The Union noted that the Police Department actual expenditures have declined in terms of total 1983 dollars and as a percent of expenditures every year since 1977-78. The table below reflects this trend.

|         | <u>Expenditures</u> | <u>Percent of Total Expenditures</u> |
|---------|---------------------|--------------------------------------|
| 1977-78 | \$346 million       | 31%                                  |
| 1978-79 | \$334               | 31%                                  |
| 1979-80 | \$314               | 28%                                  |
| 1980-81 | \$278               | 27%                                  |
| 1981-82 | \$255               | 26%                                  |
| 1982-83 | \$245               | 26%                                  |

SOURCE: Employer Exhibit 511, Union Brief, page 38.

The Union also maintained that the police department in 1982-83 had the same share of expenditures as it did in 1965 when the nature of police work started to change dramatically (Union Brief, page 38).

The Union also pointed out that the police department has lost strength at the same time their work load has increased. In

its view the citizens of Detroit have been injured by the City's priorities in the past five years (see Union Brief, page 38).

The Union's wage proposal of four (4%) percent for 1983-84 will cost \$9,031,279. The details of this wage proposal appear in Appendix 6.

The Union's wage proposal of three (3%) percent for 1984-85 will cost \$16,681,920. The details of this wage proposal appear in Appendix 7.

The Union's wage proposal for 1985-86 will cost \$29,200,141. The details of this wage proposal appear in Appendix 8.

The Union called attention to the fact that the City has put great emphasis on the pension contribution factor which was 57.53% of payroll for fiscal year ending June 30, 1984, and 56.95% of payroll for the fiscal year ending June 30, 1985 (see Union Exhibits 30 and 31 in Joint Exhibit 56, Union Brief, page 52). The Union acknowledged that the pension contribution is a large expense and rightly should be taken into consideration in costing wage demands. The Union, however, stated that the weight to be given to this cost consideration in examining compensation of the police officers should be tempered (Union Brief, page 52).

The Union discussed in detail the reasons why the weight given should be tempered. For example, seventy-three (73%) percent of the active members of the Union do not benefit from the expensive plan, i.e., Pre 1969 plan. This percentage, according to the Union, will increase with recalls and new hires (see Union Brief, pages 53-56).

Under the Union's proposal of a four (4%) percent increase for 1983-84, the new salary for police officers will be \$27,348

or \$1,052 more than the current salary. The total cost of this wage proposal will be:

|               |                  |
|---------------|------------------|
| Wages Alone   | \$2,848,816      |
| Pension Alone | 1,638,340        |
| Parity        | <u>4,544,123</u> |

Total Cost        \$9,031,279

(See Appendix 6 for calculation of this proposal)

Under the Union's proposal of three (3%) percent increase for 1984-85 the new salary will be \$28,168 or \$820 more than the 1983-84 salary. The total cost of this wage proposal will be

|               |                  |
|---------------|------------------|
| Wages Alone   | \$ 5,498,064     |
| Pension Alone | 3,148,464        |
| Parity        | <u>8,035,092</u> |

Total Cost        \$16,681,620

(See Appendix 7 for the calculations of this proposal)

Under the Union's proposal of a four (4%) percent increase in wages for 1985-86, the new salary will be \$29,295 or \$1,127 more than the 1984-85 salary. The total costs of the wage proposal will be

|               |                   |
|---------------|-------------------|
| Wages Alone   | \$10,445,517      |
| Pension Alone | 5,966,379         |
| Parity        | <u>12,788,245</u> |

Total Cost        \$29,200,141

(See Appendix 8 for these calculations.)



**Comparison of Total Costs  
of Employer's and Union's Last Best Offers on Wages**

The total costs of the Employer's last best wage proposals for 1983-86 is \$28,349,395 compared to \$54,913,040 for the Union's last best wage proposals. The details of the two wage proposals are presented below.

**Employer's Proposal:**

|               | <u>1983/84</u>   | <u>1984/85</u>   | <u>1985/86</u>   | <u>Total</u>      |
|---------------|------------------|------------------|------------------|-------------------|
| Wages Alone   | \$ 2,136,612     | \$ 2,555,190     | \$ 4,921,479     | \$ 9,613,281      |
| Pension Alone | 1,228,040        | 1,455,735        | 2,809,747        | 5,443,522         |
| Parity        | <u>3,408,092</u> | <u>3,745,937</u> | <u>6,088,563</u> | <u>13,242,592</u> |
| Total         | \$ 6,772,742     | \$ 7,756,862     | \$13,819,789     | \$28,349,395      |

**Union's Proposal:**

|               | <u>1983/84</u>   | <u>1984/85</u>   | <u>1985/86</u>    | <u>Total</u>      |
|---------------|------------------|------------------|-------------------|-------------------|
| Wages Alone   | \$ 2,848,816     | \$ 5,498,064     | \$10,445,517      | \$18,742,397      |
| Pension Alone | 1,638,340        | 3,148,464        | 5,966,379         | 10,753,183        |
| Parity        | <u>4,544,123</u> | <u>8,035,092</u> | <u>12,788,245</u> | <u>25,367,460</u> |
| Total         | \$ 9,031,279     | \$16,681,620     | \$29,200,141      | \$54,913,040      |

## Panel Award

The Award of the Panel is:

|         |      |
|---------|------|
| 1983-84 | 3%   |
| 1984-85 | 0.3% |
| 1985-86 | 4%   |

### Rationale For the Panel's Award

1983-84 - First Year

The current total compensation of the Detroit police is:

|                        |              |
|------------------------|--------------|
| Base Salary            | \$26,296     |
| Pension Cost (56.95%)  | 14,975       |
| Fringe Benefits        | 4,675        |
| Miscellaneous Benefits | <u>1,455</u> |

Total \$47,401  
(Plus \$1,308 for Worker's Compensation, see Union Brief, page 52)

The total compensation of the Detroit police officer going into the Act 312 proceeding was the highest of any of the City's or Union's Comparables (see Employer Exhibits 514, 515 and 516).

In analyzing the wage demands of the parties there are two factors over which this Panel has no control, but must take these factors into consideration in examining carefully the impact of its Award. The first factor is the pension factor of 57.5% of payroll for 1983-84 and 56.9% of payroll for 1984-85 and 56.9% for 1985-86. This is a given and the Panel cannot change this factor the arguments of the Union notwithstanding (see Union Brief, pages 52-56).

The second factor over which this Panel has no control is the parity relationship between the DPOA, and the DPLSA and DFFA. There are according to the Union a total 2,369 members in the LSA and DFFA who are affected by any wage demands granted by this

Panel (see Union's Last Best Offer Costs). The parity costs are significant and are included in all cost data examined by this Panel.

The Panel examined carefully the financial condition of the City especially since 1974-75 to 1983-84. The following table shows the City's General Fund for this time period:

| Fiscal Year | Total Budget<br>(in millions) | Surplus      | Deficit      | Surplus or (Deficit)            |
|-------------|-------------------------------|--------------|--------------|---------------------------------|
|             |                               |              |              | As a Percent of<br>Total Budget |
| 1974-75     | 772                           |              | \$16,352,461 | (2.12)                          |
| 1975-76     | 809                           |              | 36,884,556   | (4.56)                          |
| 1976-77     | 1,084                         | \$11,564,185 |              | 1.07                            |
| 1977-78     | 1,223                         |              | 8,532,542    | (0.70)                          |
| 1978-79     | 1,436                         |              | 19,884,806   | (1.38)                          |
| 1979-80     | 1,490                         |              | 80,866,366   | (5.43)                          |
| 1980-81     | 1,468                         |              | 115,692,131  | (7.88)                          |
| 1981-82     | 1,604                         | 3,178,339    |              | 0.20                            |
| 1982-83     | 1,544                         |              | 32,868,411   | (2.13)                          |
| 1983-84     | 1,568                         |              | 27,320,553   | (1.74)                          |

Source: Employer Exhibit 448

These deficits must be considered by the Panel for the years covered by the new agreement. In the spring of 1983 when the parties began to bargain for a new agreement, the City had a deficit of \$32,868,411 (Employer Exhibit 448). Even with this deficit the Employer offered a three (3%) percent increase in new money to all employees. In addition, the Employer negotiated significant benefit reductions and health care cost containment measures with the general city employees unions.

The Employer also called attention that the City was entitled to be credited for the 1.8% pension improvement pursuant to Joint Exhibit 10 and overleaf, i.e., this benefit in pension improvement will be a cost to the City which must be taken into

account in future bargaining processes including negotiations and Act 312 proceedings.

The actual cost of the pension improvement was 3.03% and the City divided this cost by the pension factor of 1.58 to equate this cost to a wage increase. The City arrived at a cost of 1.9% but when averaged with the LSA differential, the cost was 1.8% (see Union Brief, page 48; see also Union Exhibit 30, page 16R in Joint Exhibit 56).

The Panel took into account the 1.8 percent increase for the pension improvement in its Award. The new money of three (3%) percent plus 1.8 % for pension improvement makes a total wage increase of 4.8 percent.

The amount of the wage Award of the Panel is further enhanced by the Panel's Award with respect to premium sharing of hospitalization costs. The Panel denied the Employer's proposals to have active employees pay fifty (50%) percent of the hospitalization and medical insurance premium increases over the 1982-83 premium on or after July 1, 1985 (see Panel Award for Union Issues 18 and 19 and Employer Health Care Issues 1 and 2, below).

For the fiscal years 1983-84 and 1984-85 the Employer paid the entire costs of the health insurance for the DPOA members. By contrast, the health care cost containment efforts for general city employees stemming out of the 1983 negotiations between the Employer and these unions became effective on January 1, 1984. The premium sharing by general city employees became effective on July 1, 1984. The Employer maintained that the Union was able to

serve an injunction to prevent the City from realizing \$1.5 million in savings from health care cost containment measures (Employer Brief, page 95). It is clear to this Panel that there was an economic benefit to the Union during 1983-84 by its not participating in health care cost containments, however, the Panel cannot determine the value of this benefit for that year.

The new salary under the Panel's Award will be \$27,085, an increase of \$789 in new money. The total cost of its Award for 1983-84 is:

|                        |                  |
|------------------------|------------------|
| New Money for Salaries | \$ 2,136,612     |
| Pension Contribution   | 1,228,040        |
| Parity                 | <u>3,408,092</u> |
| Total Cost of Award    | \$ 6,772,742     |

(See Appendix 9, Cost of Employer's Last Best Offer on Wages for 1983-84 for calculations)

The Panel grants the Employer's Last Best Offer of three (3%) percent for 1983-84 and directs the parties to include this Award in the 1983-86 agreement.

Vote:           For: Lewis, Kruger  
              Against: Adler

1984-85 - Second Year

The Panel took note that in the spring of 1984 the City had a projected budget deficit of \$39.4 million (Employer Exhibit 317, page 101 and ended the 1983-84 fiscal year with an actual budget deficit of \$27,320,053 (Union Exhibit 232, page 371). The Employer had negotiated an Equity Formula in 1983 with AFSCME and other general city employees unions (see Appendix 2 for Equity Formula). Approximately 12,000 City employees with union contracts were covered by the Equity Formula (Employer Exhibit 282). In addition, non-union employees are also covered by the Equity Formula. The Equity Formula produced a .3% increase for these union and non-union employees.

This Panel does not like the Equity Formula as proposed by the Employer. The panel took especial note of the criticisms of this formula made by the Union (see pages @@@ of this Award; see also Union Brief, pages 84-86). The formula is under complete control of the Employer. It chose the four sources of revenue to be included: property tax, income tax, state revenue sharing and federal revenue sharing. The utility tax was not included in the formula.

In the 1984-85 budget there is \$45 million from revenues of this tax for the police department (Employer Exhibit 317, page 68). In the 1985-86 Executive Budget this tax will yield an estimated \$59 million (Union Exhibit 233). All of the utility tax revenues became earmarked for police salaries by Act No. 349 of 1984 (Union Exhibit 142).

The formula also is based on budgeted positions rather than actual positions filled and this could affect the yield of the formula. Although the Panel has found many defects in the Equity Formula, it does agree with the 0.3 percent that has already been yielded by the Formula and therefore accepts this as the Last Best Wage Offer for 1984-85.

This Panel is hard pressed to grant the Union's last best wage offer of three (3%) percent for 1984-85. To grant its demand would mean that this Panel would award the Union a wage increase ten (10) times that which was received by all other general City employees and non-union employees. This Panel strongly believes that given the financial condition of the city in 1983-84 with an actual deficit of \$27.3 million it could not grant such an increase to the Union. Such an increase would be hard to justify especially in light of the total wage increase of 5.8 percent the Panel granted in 1983-84.

Under the Panel's Award the new salary of a police officer will be \$27,166, an increase of \$81 over the 1983-84 salary of \$27,085. Even so, the officers will receive a total of \$870 new money over the 1982-83 salary of \$26,296. The total cost of its Award for 1984-85 will be:

|               |                  |
|---------------|------------------|
| Wages Alone   | \$ 2,555,190     |
| Pension Alone | 1,455,735        |
| Parity        | <u>3,745,937</u> |

Total Cost of Award \$ 7,756,862

(See Appendix 3 Cost of Employer's Last Best Offer for 1984-85)

The Panel grants the Employer's Last Best Offer of a wage increase of 0.3 percent for 1984-85 and directs the parties to

include an increase of 0.3 percent for the second year of the agreement.

Vote:                   For: Lewis, Kruger  
                      Against: Adler

Addendum to Award:

The Panel strongly suggests that when the parties begin to negotiate their 1986-89 agreement they seek to negotiate an equity formula specifically designed for the police officers and which includes the utility tax revenues and other income earmarked for police services. There is considerable merit in establishing a relationship between revenues received and the size of a wage increase. This is analogous to profit sharing in the private sector.

Vote:                   For: Lewis, Kruger  
                      Against: Adler



1985-86 - Third Year

Because of the concerns expressed previously and the uncertainty of the Equity Formula, the Panel rejects the Equity Formula proposed by the Employer for 1985-86. The Panel therefore grants the Union's last best wage offer of four (4%) percent for the third year of the agreement. In so doing the Panel takes note of the projected budget surplus of approximately \$35. million in the 1985-86 budget. Accordingly, the Panel is of the opinion that the Employer has the ability to pay this Award.

Under this Award, the salary of the police officer in 1985-86 will be \$28,252 or \$1,086 more than the salary of \$27,166 for 1984-85. The total cost of this Award for 1985-86 will be as follows:

|                 |                  |
|-----------------|------------------|
| Wages Alone     | \$ 6,812,748     |
| Pension Alone   | 3,878,761        |
| Parity          | <u>8,419,871</u> |
| Total Wage Cost | \$19,111,380     |

(See Appendix 9 For Panel's calculation of the Award for 1985-1986)

The Panel grants the Union's proposal of a four (4%) percent increase in wages for 1985-86. It directs the parties to include this Award in the new agreement.

Vote:           For: Adler, Kruger  
              Against: Lewis

### General Analysis of the Panel's Award on Wages

The Panel's Award on wages for the new three-year agreement 1983-86 will provide a total of new money of \$1,956 and a new pension contribution of \$1,118. Thus the total new money over the life of the new agreement will be \$3,074. The new money for wages alone for the new three-year agreement represents an increase of 7.44 percent. However as noted above, the Panel took note of the 1.8 percent wage increase equivalent for the pension improvement in its Award for 1983-84. Moreover the Panel denied the Employer's proposal for active employees to pay fifty (50%) percent of the premium for hospital and medical insurance over the 1983 base (see Union Issues 18 and 19; Employer Health Care Issues 1 and 2, pages 888 of this Award). The City will continue to pay the same premium as it does for all other employees. This is equivalent according to the Union to a one (1%) percent increase a year or three (3%) percent over the life of the agreement.

Thus the total wage package for the three years can be viewed as follows:

|                      |                         |
|----------------------|-------------------------|
| Wages Only           | 7.44%                   |
| Pension Improvement  | 1.8%                    |
| Health Insurance     | 2.0% equivalent*        |
| Pension contribution | <u>7.47%**</u>          |
| Total Percent        | 17.71% over three years |

- \* The Union indicated that had the Employer's proposal on premium sharing been granted, a police officer would have contributed about one (1%) percent of salary for health insurance (Union Brief, page 123). The Panel placed a one (1%) percent value on health insurance for 1984-85 and 1985-86. It was unable to place an economic value equivalency on health insurance for 1983-84.

\*\*Note: \$ 1,118 (new money for pension contribution)  
\$14,975 (Pension Contribution in 1982-83) = 7.47%

Below is a comparison of total compensation for 1982-83 and 1985-86:

|                    | <u>1982-83</u> | <u>1985-86</u> |
|--------------------|----------------|----------------|
| Base Salary        | \$26,296       | \$28,252       |
| Pension 56.95      | 14,975         | 16,075         |
| Fringe Benefit     | 4,675          | 4,675          |
| Misc. Compensation | <u>1,455</u>   | <u>1,455</u>   |
|                    | \$47,401       | \$50,457       |

The analyses of the Panel's Award for 1983-86 is as follows:

|                |                   |
|----------------|-------------------|
| Wages Alone    | \$11,504,550      |
| Pensions Alone | 6,562,536         |
| Parity         | <u>15,573,900</u> |
| Total          | \$33,640,986      |

See Appendix 10 Analysis of Panel's Award on Wages 1983-86.

The Panel also takes note of the potential budget problems and major potential variances (see Employer Exhibit 320). These are potential problems and therefore beyond the purview of this Panel. These variances undoubtedly will create problems for the City if they become an actuality.

## APPENDIX 1

### The Cost of the Employer's Last Best Offer on Wages for 1983-84: 3 Percent Increase

The current annual salary of a police officer is \$26,296. The parties agree that there were 2,708 police officers in the Union in 1983-84.

$$\$26,296 \times .03 = \$789 \text{ increase}$$

$$\$26,296 + \$789 = \$27,085 \text{ new salary for 1983-84}$$

$$\$789 \times 2,708 = \$2,136,612 \text{ Total New Money for Salary Increases 1983-84}$$

There is also the pension contribution factor which must be taken into account in determining the total wage costs of the Employer's proposal for 1983-84. The pension factor was 1.575.

Calculation: Total Wage Costs including Pension Contribution

$$\$26,296 \times .03 \times 2,708 \times 1.575 = \$3,364,652$$

$$\text{Pension Costs Alone: } \$3,364,652 - \$2,136,612 = \$1,228,040$$

In addition, there is wage parity between the DPOA, DDLA and DFFA, and, as both parties have agreed, the costs of parity must be included in the total costs of the Employer's wage proposal.

## APPENDIX 2

(NEW MEMO)

RE: EQUITY FORMULA FOR 1984-85 and 1985-86

The formula base shall be established by using the following four revenues which are estimated in the 1983-84 Budget at a total of \$517,817,258: the Municipal Income Tax; current year, net collection of the Property Tax for operating purposes, exclusive of penalty and interest, and excluding any taxes which may be paid in the future by Blue Cross/Blue Shield of Michigan; State Revenue Sharing; and Federal Revenue Sharing.

The above base shall be adjusted for any changes in tax rates, or changes in distribution formulas from the way they are currently formulated, and which may increase revenues from these sources. The adjustment must be factored out in a manner acceptable to the union(s) and the City Administration before being used to compute any wage increase.

In the event funds are delayed or deferred by the State of Michigan for cash flow reasons they will be considered received and applicable to this formula on the date they were due in accordance with general acceptable accounting principles as audited by the Auditor General of the City of Detroit or a certified outside independent auditor.

In November 1984 the union(s) and the City will review the actual 1983-84 receipts from the four major revenue sources involved, such receipts having been audited and certified by the Auditor General of the City of Detroit or a certified outside independent auditor. If total receipts from these four sources exceed the total amount budgeted, the surplus over budget shall be distributed as follows:

Using the 1983-84 Budget Development Fund Pro-Forma (FICS) Report, we have determined the percentage that total Salaries and Wages exclusive of Shift Premium, represent of total appropriations in the General (0100) Fund. That percentage is 38.4% (\$320,619,268 in salaries and wages divided by \$834,444,602) in total fund appropriations. The Union(s) and the City agree that this percentage will be applied to any surplus revenue dollars to determine the share of that surplus which will be available for Wage Increases and restoration of regular budgeted positions to the appropriate bargaining groups.

Of the 38.4% of surplus available, 90% will be used to fund wage increases up to 4% of base salary for all General Fund employees; once a 4% raise has been financed, 75% of any remaining surplus will be used for additional wage increases up to 6%; once a 6% raise has been financed, 50% of any

remaining surplus will be used for defraying employee fringe benefit cost up to 8%; all remaining surplus available after 8% shall be available for the purpose of restoring regular budgeted positions. (See Schedule A below)

The cost of each 1% raise shall be determined by the following formula which is outlined on Schedule B below:

Take 1% of the amounts budgeted in the official 1984-85 City of Detroit General Fund (0100) budget for salaries and wages (which includes all compensation other than shift premium). The non-reimbursed dollar amount determined by this formula will be divided into the number of dollars available from surplus for wage increases to determine the percentage raise to be applied to uniformed and civilian employees of the City of Detroit. This percentage raise which shall be factored into the base rate shall be effective on January 1, 1985, and the City will be responsible for the cash cost of pension burden and the employer's share of Social Security taxes on this wage increase.

In addition, this same percentage increase will be applied to hours paid to an employee from the period July 1, 1984 through December 30, 1984 and will be paid on a lump-sum retroactive basis on the first scheduled pay of January 1985. This pay shall be known as the "Half-Year Equity Bonus" and the City and the union(s) shall agree that it shall not be considered in the computation of Average Final Compensation for pension purposes and shall not be subject to any contribution by the City to the various pension funds.

In November 1985 the union(s) and the City shall review the actual 1984-85 receipts from the four major revenue sources involved, such receipts having been audited and certified by the Auditor General of the City of Detroit or a certified outside independent auditor. If the sum of the collections from the four sources is greater than 105% of the 1983-84 budgeted revenues from these four sources, then the surplus over 105% will be available in the following manner:

Using the 1983-84 Budget Development Fund Pro-Forma (FICS) Report, we have determined the percentage that total Salaries and Wages exclusive of Shift Premium, represent of total appropriations in the General (0100) Fund. That percentage is 38.4% (\$320,619,268 in salaries and wages divided by \$834,444,602) in total fund appropriations. The Union(s) and the City agree that this percentage will be applied to any surplus revenue dollars to determine the share of that surplus which will be available for Wage Increases and restoration of regular budgeted positions to the appropriate bargaining groups.

Of the 38.4% of surplus available, 80% will be used to fund wage increases up to 2% of base salary for all General Fund

employees; once a 2% raise has been financed, 70% of any remaining surplus will be used for additional wage increases up to 4%; once a 4% raise has been financed, 60% of any remaining surplus will be used for additional wage increases up to 6% of base salary; once a 6% raise increase has been financed 50% of any remaining surplus will be used for defraying employee fringe benefit cost up to 8% of surplus; once the 8% has been financed, all remaining surplus available shall be available for the purpose of restoring regular budgeted positions. (See Schedule A.)

The cost of each 1% raise shall be determined in the same manner as was the case in November 1984, except that 1985-86 Budget data will be used. Any raise granted under the formula will be paid effective January 1, 1986, and factored into the employee's base rate, with the City responsible for the cash cost of pension burden and the employer's share of Social Security taxes on the wage increase. A similar, retroactive lump-sum "Half-Year Equity Bonus" would be paid on the first scheduled pay of January 1986 in the same fashion and subject to the same conditions as in the previous year.

APPENDIX 2 (continued)

SCHEDULE A

WAGE IMPROVEMENT/POSITION RESTORATION  
FORMULA

After the amount of "surplus" from the four key revenues has been certified by the Auditor General of the City of Detroit, the agreed-upon percentage will be applied to determine what amount is available for wages and service improvements. (This has been 37.3% in earlier proposals.)

That amount will then be split as follows:

|          | Magnitude<br>of Raises | Share to be Used for<br>Wage<br>Increases | Restore<br>Positions |
|----------|------------------------|---|----------------------|
| 1984-85: | -0- - 4%               | 90%                                       | 10%                  |
|          | 4.01 - 6%              | 75%                                       | 25%                  |
|          | 6.01 - 8%              | 1/  | 50%                  |
|          | 8.01 - 100%            |   |                      |
| 1985-86: | -0- - 2%               | 80%                                       | 20%                  |
|          | 2.01 - 4%              | 70%                                       | 30%                  |
|          | 4.01 - 6%              | 60%                                       | 40%                  |
|          | 6.01 - 8%              | 1/  | 50%                  |
|          | 8.01 - 100%            | -0-                                       | 100%                 |

1/50% to be applied to defraying employees cost of health care or other fringe benefit cost.



APPENDIX 2 (continued)

SCHEDULE B

INDEXING WAGE INCREASES  
TO FOUR MAJOR REVENUES  
FORMULA FOR DETERMINING COST OF EACH  
1% OF INCREASE  
(Using 1983-84 Budget Figures)  
General (No. 0100) Fund Only

|                    | Uniformed        | Civilian       | Total            |
|--------------------|------------------|----------------|------------------|
| Salary and Wage    | \$151,588,686    | \$151,970,204  | \$303,558,890    |
| Overtime           | 2,467,799        | 7,139,398      | 9,607,177        |
| Holiday            | 4,816,389        | 769,139        | 5,585,529        |
| Other Compensation | <u>1,603,386</u> | <u>237,286</u> | <u>1,867,672</u> |
| Total              | \$160,503,241    | \$160,116,027  | \$320,619,268    |

Wages -  
1% of Total               \$ 1,605,032

Wages -  
1% of Total                               \$ 1,601,160

85.6%  
Non-Reimbursed                               \$ 1,370,593

Recap:

|                        |                  |
|------------------------|------------------|
| Uniformed              | \$1,605,032      |
| Civilian               | <u>1,370,593</u> |
| Total Cost of 1% Raise | \$2,975,625      |

### APPENDIX 3

#### Cost of Employer's Last Best Offer

On Wages 1984/85  
(0.3 Percent Increase)

|                            |          |
|----------------------------|----------|
| Salary 1983/84             | \$27,085 |
| New Salary 1984/85         | \$27,166 |
| Number of Officers in Unit | 2,937    |
| Pension Factor             | 1.569    |

#### Cost of Salary Proposal

$\$789 (83/84) + \$81 (84/85) = \$870 \times 2,937 = \$2,555,190$

#### Pension Factor (Wage and Pension Contribution)

|   |                    |
|---|--------------------|
| $\$26,296 \times .0331 \times 2,937 \times 1.569$ | \$4,010,925        |
| Wages Alone                                       | - <u>2,555,190</u> |
| Pension Alone                                     | \$1,455,735        |

#### Parity Calculation

$\$30,447 \times .0331 \times 2,369 \times 1.569 = \$3,745,937$

#### Total Costs

|               |                  |
|---------------|------------------|
| Wages Alone   | \$ 2,555,190     |
| Pension Alone | 1,455.735        |
| Parity        | <u>3,745,937</u> |
| Total Costs   | \$ 7,756,862     |

# APPENDIX 4

## Cost of Employer's Last Best Offer

On Wages 1985/86  
(2 Percent Increase)

|                         |            |
|-------------------------|------------|
| Salary 1984/85          | \$27,166   |
| 2% Increase for 1985/86 | <u>543</u> |
| New Salary 1985/86      | \$27,709   |

|                            |       |
|----------------------------|-------|
| Number of Officers in Unit | 3,483 |
| Pension Factor             | 1.569 |

### Wages Alone Cost

$\$789 (83/84) + \$81 (84/85) + \$543 (85/86) = \$1,413 \times 3483 =$   
\$4,921,479

### Pension Factor

|   |                    |
|---|--------------------|
| $\$26,296 \times .0538 \times 3,483 \times 1.569$ | \$7,731,226        |
| Wages Alone                                       | <u>- 4,921,479</u> |
| Pension Alone                                     | \$2,809,747        |

### Parity Calculation

$\$30,447 \times .0538 \times 2,369 \times 1.569 = \$6,088,563$

### Total Costs

|                |                  |
|----------------|------------------|
| Wages Alone    | \$ 4,921,479     |
| Pensions Alone | 2,809,747        |
| Parity         | <u>6,088,563</u> |
| Total Costs    | \$13,819,789     |

## APPENDIX 5

1983-1984

|                  | <u>BASE WAGE</u> | <u>TOTAL MONETARY<br/>COMPENSATION</u> |
|------------------|------------------|--|
| Ann Arbor        | 29,198           | 31,684                                 |
| Dearborn         | 26,089           | 28,826                                 |
| Dearborn Heights | 25,151           | 28,542                                 |
| Farmington Hills | 27,108           | 28,398                                 |
| Livonia          | 26,124           | 28,040                                 |
| Pontiac          | 25,852           | 30,205                                 |
| Roseville        | 24,176           | 26,280                                 |
| Royal Oak        | 26,797           | 28,467                                 |
| St. Clair Shores | 27,411           | 30,058                                 |
| Southfield       | 29,030           | 30,620                                 |
| Sterling Heights | 28,684           | 30,471                                 |
| Taylor           | 24,154           | 28,079                                 |
| Troy             | 28,719           | 30,117                                 |
| Warren           | 27,067           | 29,915                                 |
| Westland         | 25,711           | 27,915                                 |

SOURCE: Union Brief Appendix

## APPENDIX 6

### Cost of Union's Last Best Offer of 4 Percent for 1983-84

|                        |              |
|------------------------|--------------|
| Present Salary         | \$26,296     |
| 4% Increase            | <u>1,052</u> |
| New Salary for 1983-84 | \$27,348     |

1983-84: \$1,052 x 2,708 (no. of officers) = \$2,848,816

Total New Money For Salary Increases

#### Pension Factor:

|                                   |                   |
|-----------------------------------|-------------------|
| \$26,296 x .04 x 1.575 x 2,708 =  | \$4,487,156       |
| Less Amount For Salary Adjustment | <u>-2,848,816</u> |
| Pension Costs Alone               | \$1,638,340       |

#### Parity Calculation:

\$30,447 x .04 x 2,369 x 1.575 = \$4,544,123  
(Note: see calculations for Employer for components of equation)

#### Total Costs:

|                         |                  |
|-------------------------|------------------|
| Wages Alone             | \$2,848,816      |
| Pension Alone           | 1,638,340        |
| Parity with LSA and FFA | <u>4,544,123</u> |

Total Costs of Union Wage Proposal 1983-84 \$9,031,279

## APPENDIX 7

### Cost of Union's Last Best Offer of 3 Percent for 1984-85

|                    |            |
|--------------------|------------|
| 1983-84 Salary     | \$27,348   |
| 3% Increase        | <u>820</u> |
| Salary for 1984-85 | \$28,168   |

|                            |       |
|----------------------------|-------|
| Number of Officers in Unit | 2,937 |
| Pension Factor             | 1.569 |

$\$1,052 \text{ (83/84)} + \$820 \text{ (84/85)} = \$1,872 \times 2,937 = \$5,498,064$

#### Pension Factor (Salary + Pension Factor)

$\$27,348 \times .03 \times 1.569 = \$1,287 \text{ per employee for 1984-85}$

$\$26,296 \times .04 \times 1.575 = \$1,657 \text{ per employee for 1983-84}$

$\$1,287 + \$1,657 = \$2,944 \times 2,937 = \$8,646,528$

Salary Alone 5,498,064

Pension Alone \$3,148,464

#### Parity Calculation:

$\$30,447 \times .071 \times 1.569 \times 2,369 = \$8,035,092$

(Note: 2,369 is the number in LSA and FFA Units)

#### Total Costs:

|               |                  |
|---------------|------------------|
| Wages Alone   | \$ 5,498,064     |
| Pension Alone | 3,148,464        |
| Parity        | <u>8,035,092</u> |

Total Costs of Union Wage Proposal 1984-85 \$16,681,620

# APPENDIX 8

## Cost of Union's Last Best Offer of 4 Percent for 1985-86

|                    |              |
|--------------------|--------------|
| Salary 1984-85     | \$28,168     |
| 4% Increase        | <u>1,127</u> |
| Salary for 1985-86 | \$29,295     |

|                            |       |
|----------------------------|-------|
| Number of Officers in Unit | 3,483 |
| Pension Factor             | 1.569 |

### Cost of Proposals (Salary Alone)

$\$1,052 (83-84) + \$820 (84-85) + \$1,127 (85-86) = \$2,999 \times 3,483 =$   
\$10,445,517

### Pension Factor (Salary + Pension Contribution)

$\$28,168 \times .04 \times 1.569 = \$1,768$  per employee

$\$1,657 (83-84) + \$1,287 (84-85) + \$1,768 (85-86) = \$4,712$

|                          |                     |
|--------------------------|---------------------|
| $\$4,712 \times 3,483 =$ | \$16,411,896        |
| Wages Alone              | <u>- 10,445,517</u> |

|               |              |
|---------------|--------------|
| Pension Alone | \$ 5,966,379 |
|---------------|--------------|

### Parity Calculation

$\$30,447 \times .113* \times 2,369 \times 1.569$  \$12,788,245

\*Note: Cumulative Value of Salary Proposal

### Total Costs:

|               |                   |
|---------------|-------------------|
| Wages Alone   | \$10,445,517      |
| Pension Alone | 5,966,379         |
| Parity        | <u>12,788,245</u> |

Total Costs of Union Wage Proposal 1985-86 \$29,200,141

## APPENDIX 9

### Panel's Calculation For Wage Increase of 4 Percent for 1985/86

|         |                    |              |
|---------|--------------------|--------------|
| 1984/85 | Panel Award Salary | \$ 27,166    |
| 1985/86 | 4% Increase        | <u>1,086</u> |
| 1985/86 | New Salary         | \$ 28,252    |

#### Wage Costs

$$\begin{aligned} \$789 \text{ (83/84)} + \$81 \text{ (84/85)} + \$1,086 \text{ (85/86)} &= \$1,956 \\ \$1,956 \times 3,483 &= \$6,812,748 \end{aligned}$$

#### Pension Calculation

$$\begin{aligned} \$26,296 \times .0744 \times 3,483 \times 1.569 &= \$10,691,509 \\ \text{Wages Alone} &\quad \underline{- 6,812,748} \end{aligned}$$

|               |              |
|---------------|--------------|
| Pension Alone | \$ 3,878,761 |
|---------------|--------------|

#### Parity Calculation

$$\$30,447 \times .0744 \times 2,369 \times 1.569 = \$ 8,419,871$$

#### Total Costs

|               |                  |
|---------------|------------------|
| Wages Alone   | \$ 6,812,748     |
| Pension Alone | 3,878,761        |
| Parity        | <u>8,419,871</u> |
| Total         | \$19,111,380     |



# APPENDIX 10

## Analysis of Panel's Award on Wages

| <u>Year</u> | <u>Increase</u> | <u>New Salary</u> | <u>New Money<br/>For Wages</u> | <u>New Pension<br/>Contribution</u> |
|-------------|-----------------|-------------------|--------------------------------|-------------------------------------|
| 1983 Salary | ---             | \$26,296          | ---                            | ---                                 |
| 1983/84     | 3%              | 27,085            | \$ 789                         | \$ 454                              |
| 1984/85     | .3%             | 27,166            | 81                             | 46                                  |
| 1985/86     | 4%              | 28,252            | <u>1,086</u>                   | <u>618</u>                          |
| Total       |                 |                   | \$1,956                        | \$1,118                             |

Total New Money Wages & Pensions \$3,074  
Total Percent Increase in Wages over  
Life of Agreement 7.44%

| <u>Year</u> | <u>New Money<br/>For Salaries</u> | <u>Pension<br/>Contribution</u> | <u>Parity</u>    | <u>Total</u>      |
|-------------|-----------------------------------|---------------------------------|------------------|-------------------|
| 1983/84     | \$ 2,136,612*                     | \$ 1,228,040                    | \$ 3,408,092     | \$ 6,772,744      |
| 1984/85     | 2,555,190**                       | 1,455,735                       | 3,745,937        | 7,756,862         |
| 1985/86     | <u>6,812,748***</u>               | <u>3,878,761</u>                | <u>8,419,871</u> | <u>19,111,380</u> |
| TOTAL       | \$11,504,550                      | \$ 6,562,536                    | \$15,573,900     | \$33,640,986      |

- \* See Appendix 1 for Calculations for 83/84 Employer's Offer
- \*\* See Appendix 3 for Calculations for 84/85 Employer's Offer
- \*\*\* See Appendix 9 for Calculations for 85/86 Panel's Award

The existing contract contains the following provision:

"2. Cost of Living Allowance:

- a. All members of the bargaining unit shall receive a cost of living allowance in accordance with the following plan.
- b. For the purpose of this agreement, the following definitions shall apply:
  - 1) Pay Date: is that date indicated on an employee's 'Statement of Earnings and Deductions' commonly known as a check stub, as 'Paid'.
  - 2) Payroll Period: is that period of time indicated on an employee's 'Statement of Earnings and Deductions' commonly known as a check stub, by the designation 'for [m/d/y] to [m/d/y]'.
- c. Effective July 1, 1980, eligible employees shall receive a cost of living allowance according to the following provisions:
  - 1) Cost of living allowance will be determined in accordance with increases in the revised Consumer Price Index for Urban Wage Earners and Clerical Workers, Detroit, Michigan. All items (1967=100) based on the 1972-73 Survey of Consumer Expenditures. In the event of discontinuance of the revised Index, an alternate Index shall be used.
  - 2) The adjustment for the quarter beginning July 1, 1980 shall be effective only for time worked on/or after July 1, 1980. Thereafter, the cost of living allowance will change with the first paycheck issued on/or following the seventh day of the month in which the cost of living allowance changes. The allowance will be paid in each employee's regular paycheck for all hours for which he/she receives pay during the payroll period covered by the paycheck. The paycheck Statement of Earnings and Deductions will show, as a separate item, the amount of the cost of living allowance being paid.

- "3) In the event of advance paychecks, payroll corrections and other unusual payroll circumstances, the cost of living adjustment shall be calculated as of the date an employee would normally have been paid.
- 4) The amount of cost of living allowance at each quarterly adjustment date shall be calculated on the basis of 0.3 increase in the Index equals one cent (1 cent) increase per hour. Cost of living allowance shall be determined by subtracting the Index figure for the last month of each quarter from the Index figure for the last month of the previous quarter according to the following table for each quarterly adjustment. The difference between the Index figures shall be divided by 0.3 to determine the cents per hour increase.

Quarterly  
Adjustment Date  
First paycheck  
issued

on or  
following:

Monthly Index Figures  
Determining Quarterly Increase

|                 |                               |
|-----------------|-------------------------------|
| July 7, 1980    | February 1980 - May 1980      |
| October 7, 1980 | May 1980 - August 1980        |
| January 7, 1981 | August 1980 - November 1980   |
| April 7, 1981   | November 1980 - February 1981 |
| July 7, 1981    | February 1981 - May 1981      |
| October 7, 1981 | May 1981 - August 1981        |
| January 7, 1982 | August 1981 - November 1981   |
| April 7, 1982   | November 1981 - February 1982 |
| July 7, 1982    | February 1982 - May 1982      |
| October 7, 1982 | May 1982 - August 1982        |
| January 7, 1983 | August 1982 - November 1982   |
| April 7, 1983   | November 1982 - February 1983 |

On each pay date, on/or after each date of adjustment, the Cost of Living Allowance that is paid will be the newly adjusted allowance for the payroll period being paid.

- 5) The amount of the Cost of Living Allowance, redetermined on each date of adjustment, shall be in accordance with the following table:

Consumer Price IndexCost of Living Allowance

|                |                   |
|----------------|-------------------|
| 239.9 to 241.1 | None              |
| 241.2 to 241.4 | 1 cent per hour   |
| 241.5 to 241.7 | 2 cents per hour  |
| 241.8 to 242.0 | 3 cents per hour  |
| 242.1 to 242.3 | 4 cents per hour  |
| 242.4 to 242.6 | 5 cents per hour  |
| 242.7 to 242.9 | 6 cents per hour  |
| 243.0 to 243.2 | 7 cents per hour  |
| 243.3 to 243.5 | 8 cents per hour  |
| 243.6 to 243.8 | 9 cents per hour  |
| 243.9 to 244.1 | 10 cents per hour |
| 244.2 to 244.4 | 11 cents per hour |
| 244.5 to 244.7 | 12 cents per hour |
| 244.8 to 245.0 | 13 cents per hour |
| 245.1 to 245.3 | 14 cents per hour |

and so forth with a 1 cent per hour adjustment for each 0.3 increase in the Index.

- 6) The cost of living allowance shall be expressed in cents per hour, and shall not exceed twenty cents (20 cents) per hour per fiscal year.
  - 7) As soon as reasonably possible after July 1, 1981, July 1, 1982, and July 1, 1983, and effective on those July 1st dates, the cost of living allowance being paid during the preceding June, plus that amount, if any, not included in the allowance due to the 20 cent limit described in Paragraph 6) above, shall be added to each employee's base wage rate.
  - 8) In the event that the Bureau of Labor Statistics does not issue an appropriate Index figure ten (10) days before one of the adjustment dates, any adjustment required shall be paid retroactively to the adjustment date on the first pay date ten (10) days after receipt of the Index.
- d. No adjustments, retroactive or otherwise, shall be made due to any revision which may later be made in the published Index by the Bureau of Labor Statistics.
  - e. In recognition of Detroit's economic condition at the execution of this agreement, the Union waives payment of any money or wage adjustments generated by the above formula during the term of the agreement or scheduled for July 1, 1983.

"At no time during or after the term of this agreement shall the City be obligated to pay the money or make wage adjustments waived by the Union.

- f. The Union agrees to withdraw as a party from any pending lawsuits, grievances and unfair labor practice charges concerning the continuation of the cost of living allowance. "

Joint Exhibit #1, pages 1 - 4.

Special attention is called to Paragraph 2.e. noted above. The Union in 1981 waived payment of any money or wage adjustments generated by the formula during the life of the agreement or scheduled for July 1, 1983.

#### Union's Proposal

The Union has proposed the following COLA provision to be included in the new agreement:

- "A. All employees of the bargaining unit will receive a Cost of Living Allowance in accordance with the following plan.
- "B. For the purpose of this agreement, the following definitions will apply:
  - 1. Pay Date: is that date indicated on an employee's 'Statement of Earnings and Deductions' commonly known as a check stub, as 'Paid.'
  - 2. Payroll Period: is that period of time indicated on an employee's 'Statement of Earnings and Deductions' commonly known as a check stub, by the designation 'for [m/d/y] to [m/d/y].'
- "C. Effective October 1, 1983, eligible employees will receive a Cost of Living Allowance according to the following provisions:
  - 1. Cost of Living Allowance will be determined in accordance with increases in the revised Consumer Price Index for Urban Wage Earners and Clerical Workers, Detroit, Michigan. All items (1967=100) based on the 1972-73 Survey of Consumer Expenditures. In the event of discontinuance of the revised Index, an alternate Index will be used.

- "2. The adjustment for the quarter beginning October 1, 1983 will be effective only for time worked on/or after October 1, 1983. Thereafter, the Cost of Living Allowance will change with the first paycheck issued on/or following the seventh day of the month in which the Cost of Living Allowance changes. The allowance will be paid in each employee's regular paycheck for all hours for which he/she receives pay during the payroll period covered by the paycheck. The paycheck Statement of Earnings and Deductions will show, as a separate item, the amount of the Cost of Living Allowance being paid.
- "3. In the event of advance paychecks, payroll corrections and other unusual payroll circumstances, the cost of living adjustment will be calculated as of the date an employee would normally have been paid.
- "4. The amount of Cost of Living Allowance at each quarterly adjustment date will be calculated on the basis of 0.3 increase in the Index equals one cent (1 cent) increase per hour. Cost of Living Allowance will be determined by subtracting the Index figure for the last month of each quarter from the Index figure for the last month of the previous quarter according to the following table for each quarterly adjustment. The difference between the Index figures will be divided by 0.3 to determine the cents per hour increase.

During the period of this Agreement, adjustments in the Cost of Living Allowance, including the establishment of the first allowance, shall be made at the following times according to the Consumer Price Indexes for the months shown:

Quarterly  
Adjustment Date

First paycheck  
issued on or  
following:

Monthly Index Figures  
Determining Quarterly Increase

October 7, 1983  
January 7  
April 7  
July 7

May 1983 - August 1983  
August - November  
November - February  
February - May

On each pay date, on/or after each date of adjustment, the Cost of Living Allowance that is paid will be the newly adjusted allowance for the payroll period being paid.

- "5. The Cost of Living Allowance will be expressed in cents per hour and will not exceed twenty cents (20 cents) per hour per fiscal year.
- "6. As soon as reasonably possible after July 1, 1984, July 1, 1985 and July 1, 1986 and effective on these July 1st dates, the Cost of Living Allowance being paid during the preceding June, plus that amount, if any, not included in the allowance due to the 20 cent limit described in Paragraph 5. above, will be added to each employee's base wage rate.
- "7. In the event that the Bureau of Labor Statistics does not issue an appropriate Index figure ten (10) days before one of the adjustment dates, any adjustment required will be paid retroactively to the adjustment date on the first pay date ten (10) days after receipt of the Index.
- "D. No adjustments, retroactive or otherwise, will be made due to any revision which may later be made in the published Index by the Bureau of Labor Statistics.
- "E. In the event the parties have not reached agreement on a new contract by July 1, 1986, the COLA formula set out above will continue to exist and payments will be made thereunder, including the July 1st additions to base rate, until such time as the parties reach agreement on a new collective bargaining agreement.

This provision shall be retroactive to October 1, 1983."

Last Best Offer Dated April 5, 1985

The Union stated that this formula differs from the original formula in two respects. The first is that the dates are changed. Payments do not begin until October 1 of the first year of the agreement, as compared with July 1 in the original formula. The second change is Paragraph E. which would continue the formula in event the parties had not reached agreement on a new contract commencing July 1, 1986.

#### Position of the Employer

The City seeks to eliminate the COLA provision in the new agreement.

### Rationale for the Union's Position

The Union noted that the COLA provision was voluntarily negotiated by the Employer for all employees from July 1, 1974 through June 30, 1977. The COLA formula proved more costly than expected and many employees were laid off in 1975. The Union and the Employer reached an agreement which averted the layoff of five-hundred (500) police officers and it was known as "time off without pay" agreement. Additional employees both civilian and police officers were laid off in the spring and summer of 1976, but were recalled by April 1977. In the 1977 negotiations, the Employer sought to discontinue the COLA provision. It was able to negotiate a contract with its civilian employees which essentially contained no COLA provision. The Police and Fire Unions went to Act 312 Arbitration and the Panel awarded COLA to those unions. The 1980 agreement with the civilian employees contained no COLA clause. The uniformed employees suspended the COLA formula for three years (see Union Brief, pages 89-90; for suspension of COLA for 1980-83 see Article 2.e., Joint Exhibit #11, page 4).

The Union seeks to reintroduce the COLA provision in order to provide income protection especially if the Union does not receive a pay increase for a substantial period of time (Union Brief, page 89). The Union also stressed that there is a psychological factor involved in that the members feel that there would be some protection against inflation and increased costs to them during the collective bargaining process (Union Brief, page 89).

The Union conceded that a majority of its comparable cities have no COLA provision. It further noted that COLA is the quid pro



quo for a three-year contract and that it is particularly important if the members' purchasing power to be protected is inadequate initially (Union Brief, page 93).

The Union estimated that the cost of the COLA provision over the life of the agreement, 1983-86, would be \$7,082,137. Should the Panel grant the Union's proposal, the COLA provision would be included in the agreements that the Employer has with both the Lieutenants and Sergeants (LSA) Union and the Fire Fighters Union (DFFA). There is a parity relationship between the DPOA and these other uniform service unions. The cost of COLA for the other two unions is estimated by the Union to be \$4,395,386 (see Union's Costing of its Last Best Offer). Thus the total cost of the COLA provision to the City for the 1983-86 agreement would be \$11,477,523.

#### Rationale for the Position of the City

The Employer seeks to eliminate the COLA provision from the agreement because of the exorbitant increases which the COLA generated from 1974 when the COLA first appeared in the agreement to 1980 when the COLA was suspended. The Employer maintained that the COLA provision was a proximate cause of the devastating deficits, the massive reductions in force and the drastic curtailment of services to the citizens of the city during this period (Employer Brief, pages 81-83).

The Employer called attention that from 1974-77 the salaries of police officers rose \$4,271 or 28.4 percent. Of that amount, \$2,235 or more than half was generated by the COLA formula (see Employer Exhibit #294). During the 1977-1980 contract the police

officers received wage increases totaling \$7,025 or 36.4 percent. Of this amount \$4,617, or two-thirds, was generated by the COLA clause (Employer Exhibit #295).

The Employer maintained that these excessive increases, consisting mainly of COLA payments had driven the deficit of the city beyond \$130 million in 1981. The Employer noted that the COLA increases contributed to the economic plight of the city and resulted in layoff of police officers in October 1979 and July 1980 which precipitated costly and devisive litigation, i.e., the Gilmore case (see Employer Brief, page 84).

The Employer also cited another reason for wanting to discontinue COLA. It is unpredictable and uncontrollable. The Employer stated that no one can accurately forecast the size of the wage increases that a COLA formula will generate (Employer Brief, page 85). The Employer pointed out that its revenues are not based upon and do not fluctuate with the Consumer Price Index (Employer Brief, pages 85-86).

The Employer also called attention that none of its civilian employees are presently receiving any COLA payments. Since July 1, 1980 no employee of the city has been covered by an active COLA clause (Employer Brief, page 85).

The Employer noted that none of its comparables have COLA provisions applicable to their employees [see Employer Exhibits 457(b), 459(a), 460, 461, 462(a), 462(b), 463(a), 463(b), 464(a), 465(a), and 466(b)].

It further pointed out that nine (9) of the fifteen (15) union comparables do not have any COLA provisions and the rest of the

comparables either have suspended COLA clauses or have formulas which are not as lucrative as that proposed by the Union (see Union Exhibit #176 and Employer's Brief, page 86).

The Employer cited a survey by the Employers' Association of Detroit which showed that in 1975 64.9 percent of the firms had active COLA plans, and by 1984 only 38.5 percent had such plans (see Employer Exhibit #529 (a) through (i); see also Employer Brief, page 87).

The Employer noted that Paragraph E of the Union's proposal would assure that the COLA formula would continue to generate wage increases after the expiration of the 1983-86 contract and during the pendency of Act 312 proceedings irrespective of the city's ability to pay these increases (see page       of this Award for Paragraph E; see also Employer Brief, page 87). The Employer therefore seeks to eliminate the reinstituting of the COLA formula because it has been the source of much of its economic problems (see Employer Brief, page 88). It urged that the this language be completely deleted from the agreement to avoid any future misunderstanding as to whether the formula has reactivated itself (see Employer Brief, page 88).

#### Award of the Panel

The Panel denies the Union proposal on COLA. The COLA provision will not be included in the 1983-86 agreement. Since Paragraph E is a part of the Union's last best offer on COLA, the Award of the Panel is that Paragraph E be also excluded (see Union's Last Best Offer). The Panel by law is directed to select the last best offer of either the Union or the Employer. In this

instance the Panel selected the Employer's last best offer; it therefore cannot include Paragraph E in its Award.

Rationale For The Panel's Award

The Panel was persuaded that COLA was a costly item in the Employer's total wage costs. The Union estimated the total cost of COLA for three years to be \$11,477,523. No union with whom the Employer negotiates has a COLA provision. The comparables offered by the Employer do not have COLA clauses in their agreements. Moreover, more than half of the Union's comparable cities do not have a COLA clause.

The Panel further takes note that the Consumer Price Index is unpredictable and that the revenues of the City are not related to the behavior of the Index.

Vote:                   For: Lewis, Kruger  
                      Against: Adler

Holidays: Union Issue Number 3  
Employer Issue Number 7

The current agreement covering holidays :

Article 31. HOLIDAYS AND EXCUSED TIME

"A. Schedule of Holidays: Each member shall be entitled to a holiday on one election day in each year or an eighth holiday if an election is not scheduled. (Notification will be made by special order.)

"Employees shall also be entitled to the following holidays:

|                  |                             |
|------------------|-----------------------------|
| Independence Day | July 4th                    |
| Labor Day        | First Monday in September   |
| Veterans' Day    | November 11th               |
| Thanksgiving Day | Fourth Thursday in November |
| Christmas Day    | December 25th               |
| New Year's Day   | January 1st                 |
| Memorial Day     | Last Monday in May          |

"A ninth holiday shall be granted to employees who have been employed ninety (90) days or more and who are entitled to regular holidays under existing ordinances. This holiday shall be taken at any time during the fiscal year which is mutually acceptable to the employee and the department. To insure that the ninth holidays are expended proportionately throughout the year and not carried until the last months of the fiscal year, on May 1 at the commanding officer shall assign the remaining ninth holidays at his discretion. Ninth holidays which are not used prior to the end of the fiscal year will be lost.

"B. Holiday Premium: Effective July 1, 1978, the holiday premium rate shall be changed so that an employee who works on a premium holiday shall receive double time (2X) premium in addition to regular day's pay. All other provisions relating to holidays shall remain unchanged.

"C. Excused Time Days: Employees shall be granted four (4) hours of "Excused Time" on Good Friday or the last four (4) hours on the last scheduled day prior to Good Friday, and eight (8) hours of "Excused Time" on the last scheduled paid day before Christmas Day and before New Year's Day provided they are on the payroll through the holiday in question. Employees required to work any portion

"of the "Excused Time" on these days will receive equal time off for hours worked or straight time cash at the option of the Chief of Police. No holiday premium will be paid for work on these days."

Joint Exhibit #10, pages 47-48

#### Union's Proposal

The Union has proposed that a new paragraph be added to Article 31:

"Effective July 1, 1983 there shall be two additional premium holidays, Martin Luther King's Birthday and Easter Sunday. Each employee shall be paid one additional day's pay for these holidays whether or not he works. Payment shall be made in the paycheck for the payroll period in which the holiday occurs. The provision of paragraph B shall not apply to these holidays.

"This provision shall be retroactive to July 1, 1983."

#### Employer's Proposal

The Employer seeks to retain the existing language in Article 31, Joint Exhibit #10, i.e., to maintain the status quo.

#### Rationale for Union's Proposal

Currently there are seven and three quarters (7 3/4) premium holidays assuming an election three out of four years. There are three and one quarter (3 1/4) non-premium holidays for which an officer gets straight time off. The premium and non-premium holidays total eleven and one-half (11 1/2). The only officers receiving holiday pay are those who actually work the holiday.

The Union noted that the officers preferred to work and earn the money on a holiday rather than have the time off. (Union Brief, page 95) The Union wishes to spread the premium for work on these holidays among all its members to do equity to those officers who have no holiday work opportunities. The Union's

position is that it wants to have all of its members earn one extra day's pay rather than half of its members earn two (2) extra day's pay. It contended that the cost to the Employer would be the same (see Union Brief, page 96). The Union indicated that it was careful in its last best offer to specify that the double time provisions in Article 31, Paragraph B, Joint Exhibit #10, would not apply to these new holidays.

The Union noted that it is difficult to compare the holiday provisions in comparable cities because there is a variety of holiday plans (see Union Brief, pages 96-98).

The Union estimated that if its wage and holiday pay proposals for 1983-84 were granted, the average officer would receive in holiday pay \$736.26 (see Union Brief, page 98, for calculations). The Union estimated the cost of its proposal for three (3) years to be \$2,011,420 with the cost of living (COLA) proposal, and \$1,990,093 without COLA. These calculations did not include the pension factor. (See Costing out of Union Proposals received April 5, 1985, and the Costing out of Union Proposals without COLA dated April 19, 1985.)

#### Rationale for Employer's Position

The Employer is seeking to maintain the status quo because any additional benefit would cause an economic hardship (see Employer Last Best Offer, Issue 7). The Employer contended that the Union's demand is ambiguous and confusing because the first sentence refers to the two new holidays as premium holidays. Article 31, Paragraph B, also calls for double time on a premium holiday, yet the Union's proposal states Paragraph B shall not

apply to these holidays. The Union appears to be creating through its proposal two types of premium holidays. (See Employer Brief, page 110)

The Employer further maintained that the second sentence of the Union's proposal is replete with uncertainty. The sentence reads "Each employee shall be paid one additional day's pay for these holidays whether or not he works." (See Union proposal noted above.) In the view of the Employer, this sentence is susceptible to at least four different interpretations (see Employer Brief, pages 110-111, for these interpretations).

The Employer noted that the Union's initial rationale for this demand was to give the police officers more money in their pockets (see Employer Brief, page 111).

#### Award

The Panel grants the Employer's Last Best Offer to maintain the status quo. The Panel directs the parties to include Article 31. Holidays and Excused Time, Section A (Joint Exhibit 10, pages 47-48) into the new agreement. The existing language will be maintained.

#### Rationale for the Panel Award

The Union's proposal creates two kinds of premium holidays which is confusing and which conceivably could give rise to grievances and possible litigation.

The Panel takes note of the Union's statement that it is difficult to compare the holiday provisions in its comparable cities because there is a wide variety of holiday plans (Union Brief, page 96). The holidays must be viewed along with other



pay for time not worked and total annual compensation.

The panel further takes note that the purpose of a paid holiday is to provide paid leisure time to employees. It is not to be viewed as providing additional money in the employees' pockets.

Lastly, the Panel took into account the costs of the Union's last best offer for these two additional holidays.

Vote:           For: Lewis, Kruger  
              Against: Adler

Longevity: Dollar Increase in Steps For Longevity Payments

Union Issue Number 4

City Longevity Issue Number 3

Current language:

"8. Longevity Effective July 1, 1982 Article 29 of the 1977-80 Master Agreement will be replaced by the following:

- a. Employees may qualify for the first step of longevity pay, provided they have served as City employees for an accumulated period of five (5) years.
- b. Employees may qualify for the second step of longevity pay, inclusive of the first step provided they have served as City employees for an accumulated period of eleven (11) years.
- c. Employees may qualify for the third step of longevity pay, inclusive of the first and second steps, provided they have served as City employees for an accumulated period of sixteen (16) years.
- d. Employees may qualify for the fourth step of longevity pay, inclusive of the first, second and third steps, provided they have served as City employees for an accumulated period of twenty-one (21) years.
- e. The first step of longevity increment shall be one-hundred fifty dollars (\$150). The second step of longevity increment, inclusive of the first step, shall be three-hundred dollars (\$300). The third step of longevity increment, inclusive of first and second step, shall be four-hundred-fifty dollars (\$450). The fourth step of longevity increment, inclusive of the first, second and third step, shall be four-hundred-fifty dollars (\$450) plus one percent (1%) of the employee's base salary.
- f. Employees who have qualified for longevity pay and have accumulated at least 216 days of paid time exclusive of overtime or premium time during the year immediately preceding any December 1st date or other day of payment will qualify for a full longevity payment provided they are on the payroll on the December 1st date or any other date of

qualifying for increments the payment will be made in a lump sum annually on the first pay date after December 1st.

No employee will be denied a full longevity payment on December 1st because of the temporary unpaid absence of thirty (30) continuous days or less extending through the December 1st date in question.

- g. Employees who first qualify for longevity pay increments in any month after any December 1st date shall be paid such increment on a pro-rata basis upon attaining such qualification in the amount of a full increment less one-twelfth (1/12) thereof for each calendar month or fraction thereof from the previous December 1st date of such qualification.
- h. Prorated longevity payments may be made between December 1st dates to qualified employees and officers who separate or take leave from City service, excluding those who are discharged, those who resign and those who resign with a vested pension. Such prorated longevity increment shall be paid for time served on a full calendar month basis since the date of their last longevity payment; provided, that each month shall contain at least eighteen (18) days of service.
- i. All of the above provisions shall be in accordance with Chapter 16, Article 11 of the Municipal Code of the City of Detroit which is incorporated herein by reference, except as modified herein."

Joint Exhibit #11, pages 6-7

Union's Last Best Offer

The Union has proposed the following changes:

|        | <u>Years of<br/>Service</u> | <u>Amount</u>                |
|--------|-----------------------------|------------------------------|
| Step 1 | 5 years                     | \$250                        |
| Step 2 | 11 years                    | \$500                        |
| Step 3 | 16 years                    | \$750                        |
| Step 4 | 21 years                    | \$750 plus 1% of base salary |

### Employer's Last Best Offer

The Employer seeks to maintain the status quo:

|        |          |                              |
|--------|----------|------------------------------|
| Step 1 | 5 years  | \$150                        |
| Step 2 | 11 years | \$300                        |
| Step 3 | 16 years | \$450                        |
| Step 4 | 21 years | \$450 plus 1% of base salary |

### Rationale for Union's Last Best Offer

The Union stated that its proposal would generate more money for its members. Moreover, it stressed that officers should be rewarded for their length of service especially because in Detroit there is a lack of promotional opportunities for most officers. Union President Schneider noted that eighty (80%) percent of the officers never get promoted and this was unrefuted (Union Brief, page 102).

The Union called attention to the longevity provisions in its comparables and noted that thirteen (13) out of the fifteen (15) cities have substantially better longevity plans than Detroit (see Union Exhibits 1-16A, 157 through 170, 185; also Union Brief, page 103).

The Union estimated that the annual cost would be \$561,170 and the costs over the three years would be \$1,689,639 (see Cost of DPOA Economic Demands Without COLA, Issue Number 4).

This longevity provision applies only to Fire Sergeants and lower classes in the Detroit Fire Department, who total 1,037 Fire Fighters. The Union estimated that the annual cost of parity for these Fire Fighters would be \$172,091 or a total of \$518,703 for the three years (see Cost of DPOA Economic Demands Without COLA). Thus the annual total costs of this improvement for the Union and for the costs of parity would be \$733,261. For

the life of the agreement the total costs including parity would be \$2,208,342.

The Union stated in its last best offer that this provision would be retroactive to July 1, 1983.

#### Rationale For The Employer's Last Best Offer

The Employer seeks to maintain the status quo for employees hired prior to July 1, 1985, i.e., the language in the current agreement, paragraph 8(e) noted above. The Employer's proposal does not have any immediate savings (see Employer's Last Best Offer, Longevity Pay Issue Number 1).

The Employer noted that longevity pay is just another device to get more money in the paycheck, and the amount of this benefit varies considerably among its comparables depending upon the other ingredients in their overall compensation package (see Employer Brief, page 107; also Employer Exhibit 474). The Employer pointed out that its longevity pay provision is neither the highest nor the lowest but its overall compensation is the highest of all comparables, its own and the Union's (see Employer Exhibit 474; also Employer Brief, page 107, pages 52-53).

The Employer assumed that the Union's Last Best Offer on increases in dollar amounts for each step for longevity pay would be based on a percent of base pay and its comments in its last best offer were based in part on that assumption. The Union, however, in its Last Best Offer submitted to the Panel increases in the dollar amount noted above. The Employer called attention to the fact that this issue is a parity benefit for certain Fire

Fighters (see Employer Last Best Offer Longevity Pay: Issue number 3).

#### Award

The Panel grants the Union's proposal on improvements in the longevity provision and directs the parties to include the following amounts in the 1983-86 agreement:

|        |                                     |
|--------|-------------------------------------|
| Step 1 | \$250                               |
| Step 2 | \$500                               |
| Step 3 | \$750                               |
| Step 4 | \$750 plus 1 percent of base salary |

This provision will be retroactive to July 1, 1983.

#### Rationale For The Panel's Award

The breakdown of the members of the Union by length of service is:

| <u>Length of Service</u> | <u>Number</u> | <u>Percent of Total</u>               |
|--------------------------|---------------|---------------------------------------|
| 5 - 10 years             | 581           | 21%                                   |
| 11 - 15 years            | 1,415         | 52%                                   |
| 16 - 20 years            | 499           | 18%                                   |
| 21 years or more         | <u>227</u>    | <u>8%</u>                             |
| Total                    | 2,722         | 100% (difference due to rounding off) |

(See Union's Last Best Offer Cost of DPOA Economic Demands)

Twenty-six (26%) percent of the officers have served the City and its citizens for more than sixteen (16) years. Given the salary structure in the agreement, there is no recognition given to officers with more than five (5) years of service (see Joint Exhibit 11, page 9). The officer reaches the maximum salary in five years. The longevity provision provides a means although imperfect for the Employer to give an additional payment to the

officers based on their length of service. The longer the service the larger the payment.

The Panel in making this award considered its costs and the costs of the other awards which it granted. The Panel is of the opinion that the annual cost including parity is well within the ability of the Employer to pay given the surplus in the 1985-86 budget.

Vote:                For:  Adler, Kruger  
                     Against:  Lewis

Furloughs:        Union Issue Number 5  
                  Employer Issue Number 6

The current Department Rules and Regulations, Chapter 4,  
Section 2, provides in part:

"Furlough time for all members shall consist of and be  
computed on the basis of 20 work days for each year of  
active service and a total of two furloughs for each full  
year of service."

Union Exhibit #186, Section 2.1.

#### Position of Union

The Union has proposed the following changes for Furloughs  
for officers with more than sixteen (16) years of service:

"All employees will be granted a summer and a winter  
furlough as set forth in the schedule below:

| <u>Years of Service</u> | <u>Furlough Seasons</u> |               |
|-------------------------|-------------------------|---------------|
|                         | <u>Summer</u>           | <u>Winter</u> |
| None to 16 years        | 10 days                 | 10 days       |
| After 16 to 20 years    | 13                      | 13            |
| After 20 years          | 15                      | 15            |

"The additional days over 10 shall be added to the furlough  
period selected. The 10% limitation shall not apply with  
respect to these additional days.

"This provision shall apply to the first furlough drawing  
after the issuance of the Act 312 Award." (Third year of  
the agreement)

Union Brief, page 108

#### Position of the Employer

The Employer seeks to maintain the existing furlough  
provision of twenty (20) days.

#### Rationale for Union's Position

The Union contended that senior police officers are low on  
vacation time. The Union called attention to the vacation



provisions of its comparables. According to the Union, all except two of the comparables have better vacation benefits for officers with over sixteen (16) years of service than Detroit has (see Union Exhibit #187 and Union Brief, pages 108-109).

The Union stated that senior officers need more time off the job because of the stress factors involved (Union Brief, pages 108-109).

The Union maintained that the cost of this proposal is nominal. The Union estimated the cost of this improvement to be \$1,062,990 with COLA and \$1,047,800 without COLA (see Cost of DPOA Economic Demands).

The Union further noted that the Employer has never replaced officers on furlough.

#### Rational for Employer's Position

The Employer stated that if this proposal were granted it would result in a combined loss of 5400 days of service each year which is the equivalent of losing 24.5 police officers for the entire year. [Note: The Union's proposal places the number of days of service at 6200, see Last Best Offer and its Cost.] The Employer stated that if these officers were replaced it would cost in excess of \$1 million dollars per year (Employer Brief, page 108). The Employer further pointed out that because employees in the sixteen (16) to nineteen (19) year category will increase by more than two hundred (200) each year for the next three years, the cost to the city in pay or to its citizens in lost police services would increase by an additional eight

hundred (800) hours in each of the next three years (see Employer Exhibits 504 and 505, and Employer's Brief, page 108).

The Employer presented the vacation schedule of its civilian employees. These employees qualify for five (5) days of vacation after six (6) months of service and ten (10) days after one year. They gradually become eligible for additional vacation days over the next fourteen (14) years, but are not entitled to receive twenty (20) days of paid vacation until their fifteenth (15th) year of service (see Employer Exhibit 216, pages 75-76). By contrast, the police officers are entitled to ten (10) days of vacation from their date of hire and qualify for twenty (20) days after one year of service.

The Employer maintained that the current furlough benefit compares favorably with its comparables (see Employer Exhibit 478).

The Employer challenged the Union's contention that senior officers need more time off because of stress. The Employer noted that senior officers prefer to work on holidays rather than to have the day off and that "usually the senior officers, in all likelihood would end up working at a bureau that worked steady days. They tend not to work patrol." (See Employer Brief, page 109)

#### Award of Panel

The Panel directs the parties to maintain the existing benefit of twenty (20) work days for furloughs.

### Rationale of Panel's Award

The Panel is concerned with the 5400 or 6200 days of lost police service to the citizens if it granted the Union's demand. The record is clear that the city is seeking to increase the number of police officers in order to deal with the crime problem. To grant the Union's demand would result in taking approximately 24.5 officers off the street. The Panel took note that an additional 800 hours of police services to the city would be lost in each of the next three years if it granted the Union's proposal (Employer Brief, page 108).

The Panel also takes note that the police officers enjoy a better benefit than the civilian employees. In the first year, the police officer gets twenty (20) days whereas it takes the civilian employees fifteen (15) years to obtain twenty vacation days.

The Panel also considered the cost of this benefit for 1985-86 and for subsequent years.

Vote:           For: Lewis, Kruger  
              Against: Adler

Shift Differential: Union Issue Number 6  
Employer Issue Number 10

In its last best offer the DPOA withdrew its demand for improvements in the shift premium (Article 30, Joint Exhibit #10). It proposed the maintenance of the status quo, i.e., the language in Article 30, Joint Exhibit #10). This Article provides the following:

11:00 a.m. - 6:59 p.m.: 25 cents differential

7:00 p.m. - 3:59 a.m.: 30 cents differential

The Panel confirms that Article 30, Joint Exhibit #10, will be included in the new agreement for 1983-1986.

#### Lump Sum Payment For Banked Time:

Union Issue Number 7  
City Issue Number 8

There is no contractual provision dealing with this issue. The current practice is that when an employee reaches retirement age he/she gets an effective date for his retirement. The officer is carried on the payroll of the police department until his/her bank time runs out at which time he/she is converted over to the pension plan. Although he/she is retired he/she is carried on the books as an active officer (see Union Brief, page 110).

#### Last Best Offer of the Union

"Whenever an employee leaves employment with the City, such employee will be paid for all banked time, other than sick time, in a lump sum payment within thirty (30) calendar days of the separation, at the prevailing rate of pay in effect at the time of the separation. This includes, but is not limited to separation with a deferred vested pension or under a disability.

"This provision shall apply immediately following issuance of the Act 312 Award."

#### Last Best Offer of the Employer

The Employer seeks to maintain the current practice of carrying the retired officer on the payroll until his bank time is exhausted and then place him/her on the pension plan to draw pension benefits.

#### Rationale for the Union's Last Best Offer

The Union's demand would allow the officer to separate at his/her retirement date and then go immediately on the pension rolls and at the same time to get a lump sum payment for his/her

banked time.

The Union stated that the bank time is the employee's money and it should be paid at time of his/her separation rather than stretching out the actual date of his/her retirement through the use of banked time.

The Union called attention to the contractual provisions relative to payment for banked time in comparable cities. Seven (7) cities pay banked time upon resignation, retirement or death; three (3) paid banked time annually, three (3) agreements do not contain any provision on this topic; one (1) city permits banked time to be converted to pay for reasons of hardship upon approval of the chief of police; one (1) city permits pay in cash at any time twenty-four (24) hours are accumulated (see Union Exhibit #191).

The Union maintained that there is no direct cost for its proposal to the general funds of the city (Union Brief, page 112).

The Union contended that its proposal is not a pension proposal any more than a wage demand is. Both its proposals on lump sum payment of bank time and on wages affect pension costs but only indirectly.

It is the understanding of the Panel from the record that, under the Union's proposal, the employee would receive payment for time owed as of the date of retirement and would not be paid for time that would have been earned after that date if the employee had remained on the payroll in accordance with the old practice.

### Rationale of the Employer for its Proposal

The Employer contended that the Union's proposal relates to pension improvement. It maintained that the Union is barred pursuant to the agreement (Joint Exhibit #11, overleaf Paragraph 8) from seeking any additional pension improvements until July 1, 1986. The Employer indicated that the Union seeks to effect a pension improvement by accelerating the date upon which an individual may start receiving pension benefits. This would be an additional cost to the pension fund of more than \$200,000 a year (see Employer Brief, pages 112-113).

The Employer pointed out that the Union's proposal would result in an unconscionable windfall for it would allow an employee to be paid as both an active employee and as a retired employee at the same time, receiving 150% to 160% of his/her pay consisting of his/her regular pay plus his/her pension during the period when he/she would otherwise have used his/her compensatory time (see Employer Brief, page 113).

### Award of the Panel

The Panel grants the Union's proposal of the lump sum payment for banked time. It directs the parties to include in the new agreement appropriate language to carry out this Award, i.e., the language of the Union's proposal.

### Rationale for the Panel's Award

The banked time belongs to the officer and it should be paid when the officer leaves the employment of the city, i.e., upon death, retirement or resignation. The Panel is of the opinion that this is not a pension improvement issue per se but it

affects the cost of pensions in that the officer who retires will begin his/her retirement earlier rather than stretch out the date of retirement through the use of the banked time.

The Panel further takes notice that the officer while using up his/her accumulated bank time is considered an active employee and therefore the Employer cannot fill that position. The officer, however, performs no police work. Much has been said by the Employer in these hearings of the need to place additional police resources on the street. With the lump sum payment, the department can now fill the position vacated by the retiree promptly and put a newly hired officer on the street.

The Panel also took notice of the contractual provisions of the Union's comparables, many of which provide cash payment of banked time.

Vote:                   For: Adler, Kruger  
                      Against: Lewis



Sick Leave: Retirement Sick Leave Payout

Union Issue Number 8

Employer Issue Number 9

Addendums to the 1980-83 Agreement on Retirement Sick Leave

Payout read:

"7. There shall be a new Paragraph 26 which shall read as follows:

"Effective July 1, 1982, replace Paragraph II of Article 34 (found at page 54 of the 1977-80 Master Agreement) with the following:

"Retirement and Death Sick Leave Payment: Immediately preceding the effective day of a member's retirement, exclusive of duty and non-duty disability retirement, or at the time of a member's death, he or his estate shall be entitled to pay for his unused accumulated sick banks as follows:

"a. A member shall receive a full pay for 50% of the unused accumulated sick bank amounts not to exceed 180 days.

"If a member is granted a duty or non-duty disability retirement, he shall be entitled to a reimbursement of unused sick time according to the preceding formula, upon attaining his normal full duty retirement date and petitioning the Chief of Police for such reimbursement."

Union's Last Best Offer

The DPOA has proposed the following change in Paragraph 7:

"Change Paragraph N. of Article 34 of the 1977-80 Contract (Joint Exhibit 10) and Paragraph 7, Amendment to Agreement dated September 8, 1983 (Joint Exhibit 11) to read as follows:

"N. Retirement Sick Leave Payment: Immediately preceding the effective date of an employee's retirement, exclusive of duty and non-duty disability retirement, he will be entitled to pay for one-half (1/2) of his unused accumulated sick banks.

"If an employee is granted a duty or non-duty disability retirement, he will be entitled to a reimbursement of unused sick time, according to "the preceding formula, upon attaining his normal

full duty retirement date and petitioning the Chief of Police for such reimbursement."

Last Best Offer, April 4, 1985

The Union seeks to have this proposal retroactive to July 1, 1983.

Employer's Last Best Offer

The Employer seeks to retain the existing language in Paragraph 7, Joint Exhibit Number 11 (overleaf).

Rationale For Union's Position

Currently police officers can accumulate up to 125 days in the sick bank and 125 days in their seniority sick bank for a total of 250 days. (Article 34A, Joint Exhibit number 10, page 50.) Pursuant to Paragraph 7, Joint Exhibit number 11 (overleaf) the police officer may receive up to ninety (90) days of paid sick leave on retirement.

The arguments advanced by the Union for its proposal were:

(1) The increased number of unused sick leave days will result in more money for the police officer upon retirement.

(2) Ten comparable cities have more favorable provisions than Detroit, three communities have payout provisions less favorable than Detroit, and two cities have programs not comparable to Detroit (see Union Exhibit number 131; see Union Brief, page 114).

(3) The union maintained that a police officer will have incentive not to use the sick leave days because of its proposal and therefore it will cut down on the use of sick leave days by the officers (Union Brief, page 114).

(4) The Union noted that the AFSCME bargaining unit, one of the City's bargaining units, has a better leave payout upon retirement. The general City employees have unlimited accumulation of sick time and are paid one-half of the unused sick days at death or retirement (see Employer Exhibit number 216, Article 24, page 62, Article 29, page 75).

The Union further noted that the cost of this improvement will be \$27,000 over the three-year agreement.

#### Employer's Rationale For Maintaining the Status Quo

The City does not want to remove the existing cap of ninety (90) days. It contended that the Union's proposal would cost an additional \$3,540 (at current rates) per retiree (see City Exhibit number 503, City Brief, page 114). It further noted that of the cities that are comparable to Detroit, two do not have any sick leave payout on retirement, six have a cap and the only city without a cap pays 33 1/3 percent of the accumulation (see City Exhibit number 477 and City Brief, page 114).

#### Award of Panel

The Panel accepts the City's Last Best Offer and directs the parties to include a cap of ninety (90) days on the payout of sick leave at time of retirement in the new agreement (see Paragraph 7, Joint Exhibit 11 (overleaf) for current language, which is the City's last best offer).

#### Rationale for the Panel's Award

The Panel's rationale for its Award is that the Union's proposal represents a drain on the cash flow of the city,

although the cost of its proposal is estimated to be \$27,000 over a three-year period. More importantly, the cap constitutes a limitation on the liability of the city for this benefit. Its liability cannot exceed ninety (90) days for each police officer. Placing a cap on the city's liability is needed in budget preparation.

Vote:                   For: Lewis, Kruger  
                      Against: Adler

Sick Leave: Reduce Seniority Sick Bank Accumulation

Union Issue Number 9

Employer Issue Number 12

The current language appears in Article 34. SICK LEAVE as follows:

A. Sick Banks. There are two sick banks, current sick bank and seniority sick bank.

a. Current sick bank is designated as that sick time accumulated at the rate of one day for every calendar month in which a member has been credited for not less than eighteen (18) paid time days, excluding overtime. The accumulation of the current sick bank is limited to 125 days.

b. Every member who has a current service status for a full fiscal year shall be credited with five (5) days in his seniority bank on July 1 of each year. The accumulation is limited to 125 days also in this bank."

Joint Exhibit #10, page 50

Position of the Employer

The employer is seeking to reduce the number of days in the seniority sick bank from five (5) days to three (3) days.

Position of the Union

The Union wants to retain the existing language in Article 34.A.

Rationale for the Employer's Proposal

The principal reason for the Employer's proposal; is to reduce costs. It estimates that the savings from reducing the number of days in the seniority bank from five (5) to three (3) will be \$319,000 a year (see Employer Exhibit #506; see also Employer Brief, page 126). The Employer also pointed out that its proposal is consistent with the reduction agreed upon by AFSCME and other

general city unions (see Employer Exhibit #216, page 62 and Employer Exhibit #273, page 45). In addition, the Employer further noted that even after the reduction in the number of sick days, the accrual of sick days by the police officers will exceed or compare favorably with that of uniformed employees in the cities which are comparable to Detroit (see City Exhibits #477(a) and #485(a); see also City Brief, page 126).

#### Rationale for the Union's Position

The Union seeks to retain the existing provision because it contended that "no testimony was presented as to why the city needed this proposal." (Union Brief, page 171) Moreover, it contended that to compare the provision in the AFSCME agreement dealing with the accumulation of three (3) sick days (see City Exhibit #216, page 62) is like comparing apples and oranges (Union Brief, page 172). It maintained that the presence of the caps in the DPOA agreement (Article 34.A.b., Joint Exhibit #10) distorts the value of the benefit (see Union Brief, page 172 and the comparison of the sick leave accumulation for AFSCME and the Union on that page).

#### Award

The Panel directs the parties to include in the new contract the same language which appeared in Article 34.A.b. (Joint Exhibit #10, page 50), i.e., the maintenance of the five (5) sick days accumulation.

#### Rationale of the Award

The use of the internal comparability argument by the Employer, i.e., comparison of the AFSCME contract with the DPOA contract, with

respect to this issue does not take into account the rate of accumulation and the cap contained in Article 34.A.b. (Joint Exhibit #10, page 50). The Panel takes note of the projected limited savings of this reduction cited by the city. However, this Panel has difficulty in assessing the validity of the projected savings because it did not present conclusive evidence to support its assertion that the city would save one sick day per year at retirement (see Union Brief, page 171 and Tr Vol LXXIV, page 78). In this Panel's view, the burden of modifying the status quo rests on the party seeking the change. In the opinion of the Panel, the Employer did not meet this burden.

Vote:                   For:  Adler, Kruger  
                      Against:  Lewis

Sick Leave: Disability

Union Issue Number 10  
Employer Issue Number 11

This issue deals with the conversion from charter benefits to workers' compensation for officers who were disabled as a result of on-duty injuries. The 1918 Charter reads:

"Whenever any member of the police department shall become sick or shall be disabled in the performance of his duties his salary and medical, surgical and hospital expenses during the time of such disabilities may become a charge upon the police fund and he may be paid such salary and expenses at the discretion of the commissioner who shall inquire into the circumstances and if satisfied that the charge upon said fund is correct and reasonable may certify the same to be paid from the police fund."

See Employer Exhibit #225

This provision was continued by reference in the 1974 Charter which is in effect (see Joint Exhibit 23; see also Employer Brief, page 115).

Article 37, Section H.

This provision provides for the payment of duty connected illness or disability pursuant to the City Charter. (See Employer Exhibit 225)

Joint Exhibit #10

The "charter benefits", as they are referred to, consist of full salary and fringe benefits as well as the payment of all medical, surgical and hospital expenses. Moreover, officers who are receiving charter benefits are not charged with the use of sick leave, vacation, excused or compensatory time during their absence (Employer Brief, pages 115-116).

Last Best Offer of Employer

The Employer is proposing that a disabled officer will be covered by the State Workers' Compensation Act rather than the



charter benefits. In addition to the workers' compensation cash benefits, the officer will receive a supplement equivalent to the difference between workers' compensation benefits and his/her next salary plus fringe benefits for one year from the date of original injury.

In event the officer is still disabled after one year, the Employer will apply for the individual's duty disability if he does not do so himself. If the pension board approves the application, the officer will receive a pension equivalent to two-thirds of his salary. If the pension board does not approve the application, the employee will continue to receive workers' compensation benefits with the right to use his sick leave bank to supplement the latter. The salary supplement will cease after one year.

#### Last Best Offer of Union

The Union seeks to maintain the charter benefits in the new agreement. The current practice is that generally employees suffering duty connected illness or injury are carried on the payroll as disabled until able to work or retirement (see Union Last Best Offer, Issue Number 10).

#### Rationale for Employer's Position

The Employer is seeking to convert from charter benefits to workers' compensation as a result of the decision in Kment v City of Detroit, 109 Mich App (1981). In this case the court ruled that the charter benefits, once a duty incurred illness or injury has occurred, are both mandatory and enforceable against the city (see Employer Exhibit #227). The charter provision noted above

contains the words "may" and "discretion". Under the court decision, the Employer is obligated to provide charter benefits to officers injured in the performance of their duties (see Employer Brief, page 115). Under the present practice which comports with the court's ruling, the Employer provides charter benefits to officers injured in the course of duty irrespective of how they were injured.

The Employer contended that the vast majority of on-duty injuries suffered by police officers do not arise from the performance of any hazardous duty but rather in circumstances similar to those in which typical civilian employees are injured (see Employer Exhibits 260-264; also, Employer Brief, page 116). The Employer pointed out that whereas police officers receive charter benefits for these civilian-like injuries, civilian employees of the city who are injured in the course of employment receive only workers' compensation benefits. The Employer noted the disparity of treatment and the additional costs of providing charter benefits. Under workers' compensation the injured worker receives a weekly cash benefit which is less than his salary/or wages, plus unlimited medical benefits and, if needed, rehabilitation.

The Employer stated that a problem with charter benefits is the absence of any effective means of limiting the duration of charter benefits (Employer Brief, page 117). It contended that the police department had attempted to effect involuntary duty disability retirement after an employee has been disabled for a year, but generally it had not been successful. The Board of

Trustees of the Police and Fire Retirement System, according to the Employer, has rejected in general this effort thus forcing the Department to continue to provide charter benefits (see Employer Brief, page 117).

The Employer called attention that its proposal of converting to workers' compensation with a salary supplement for one year is consistent with the practice applicable to the firefighters who are entitled to one hundred (100%) percent salary and benefit continuation if they are disabled by an on-the-job injury but only for a maximum of twelve (12) months (see Employer Brief, page 118).

The Employer pointed out that disputes concerning the right of an injured officer to receive charter benefits are processed through the grievance procedure. The issues before the arbitrators in these cases are similar to those heard by workers' compensation referees. The Employer noted that the Union often attempts to inject workers' compensation administrative or evidentiary rules such as the heart and lung presumption, into the arbitration proceeding (see Employer Brief, page 118).

Under its last best offer the Employer stated that all officers who are disabled due to on-the-job injuries will be treated equally regardless of how they sustained their injuries (see Employer Brief, page 118). The Employer noted the benefits of converting to workers' compensation. It will relieve the already clogged grievance procedure of complex cases. To the extent a hearing is necessary, the case will be heard and decided by a workers' compensation referee who has expertise in these matters. The eligibility standards will be uniform because the

workers' compensation is standard. Moreover, the workers' compensation administrative and evidentiary rules will apply. Lastly, conversion to workers' compensation will give the Employer the right to discontinue any salary obligation, supplementary or otherwise, after an officer has been disabled for one year (see Employer Brief, page 119).

The Employer estimated the savings under its proposal to be \$62,000 a year (see Employer's Last Best Offer).

#### Rationale for Union's Position

The Union seeks to maintain the charter benefits which have been in effect for sixty-seven (67) years. It maintained that the importance of disability benefits to the police officer cannot be understated. It cited the number of duty-related injury reports from 1973-1983. During this eleven-year (11) period, an average of 2518 duty-related injuries occurred each year (annual average derived from Employer Exhibit #264).

The Union noted that there is no comparison between the likelihood of becoming duty disabled in the police department with that likelihood for general city employees (see Union Brief, pages 165-166).

The Union noted that under charter benefits the Employer has one hundred (100%) percent control over the payment of disability benefits while under workers' compensation someone else will be making the decision relative to determinations and medical evidence (see Union Brief, pages 164 and 167).

The Union maintained that no proof was introduced at the hearings that any person drawing disability benefits was abusing the system (Union Brief, page 164).

The Union pointed out that the Employer did not present any evidence nor any witness to testify as to how the Employer administers its workers' compensation system (Union Brief, page 168). The Union called attention to the lack of specificity in the Employer's proposal, e.g., meaning of net salary, supplementation of sick leave days after one year, the reoccurrence of an aggravating condition (see Union Brief, pages 168-169).

The Union disagreed with the cost savings of \$62,000 estimated by the Employer to be achieved through conversion from charter benefits to workers' compensation. It contended that it will be more expensive than the present system (see Union Brief, page 166). The Union maintained that this kind of de minimis savings would not justify abandoning a system which has worked for almost seventy (70) years (see Union Brief, page 166).

#### Award of Panel

The Panel directs the parties to maintain the existing system of charter benefits in the new agreement for 1983-86.

#### Rationale of the Panel's Award

The Panel can understand the desire of the Employer to convert from charter benefits to workers' compensation and the benefits it cited for the conversion merit serious attention. However, in the view of this Panel, the Employer's proposal lacks specificity as to how the workers' compensation program will be

administered. The Union in its Brief noted the essential elements of any disability plan and these include:

1. the scope of injuries covered
2. the administration of benefits
3. the types of benefits
4. the levels of benefits
5. the duration of benefits
6. the dispute resolution procedure
7. the cost of the plan

In addition, there was no discussion of accidental death benefits under workers' compensation, nor was there any discussion of the relationships between the Employer's physicians and the disabled officers' under workers' compensation. There was no discussion of what would happen to the officers who are presently receiving charter benefits and how they can now elect to receive workers' compensation. These points must be clarified before this Panel can fully evaluate the Employer's last best offer to convert from charter benefits to workers' compensation.

Vote:                   For: Adler, Kruger  
                      Against: Lewis

Pension: Union Issue Number 11  
Employer Pension Issue Number 1

The Police and Fire Retirement System, Article VI, Part A, Section 4, deals with "Retirement Allowance for certain persons leaving City employment after eight years service." (See Joint Exhibit #56, City Exhibit 17 in that Joint Exhibit, pages 18-19 for complete wording of Section 4; see also Employer Brief, pages 88-89.)

Under this section, a police officer who is at least forty (40) years old and has acquired at least eight (8) years of service may quit his employment with the city before he is eligible for a regular retirement and still be entitled to delayed vested pension benefits commencing on the same date [twenty-five (25) years from his date of hire] as he would have become entitled to full benefits if he had remained an employee. This applied to the old pension plan referred to as Pre-1969. For the new plan (referred to as Post-1969) a minimum age of fifty-five (55) is also a present prerequisite to receiving pension benefits under the "40 and 8" provision.

#### Employer's Last Best Offer

The Employer seeks to add a new provision to Article 32

#### Pension Provisions:

"Employees who qualify for a pension under the vesting provisions of the Police and Fire Retirement System plan shall be ineligible for any of the hospital, medical or optical benefits provided for other retirees, spouses, dependents or beneficiaries." (See Employer Brief, page 88; see also Employer Exhibit #285, page 15.)

### Union's Last Best Offer

The Union is seeking to maintain the status quo, i.e., employees who leave city employment after being vested are eligible for hospital, medical and optical benefits at their retirement date (see Union's Last Best Offer, Issue #11).

### Rationale For Employer's Last Best Offer

The basis for the Employer's proposal stems from an interpretation of language in the Lieutenant and Sergeants Association's collective bargaining agreement by the Wayne County Circuit Court in Smith v City of Detroit as affirmed by the Michigan Court of Appeals on March 19, 1980 [City Exhibit 542 (Wayne County Circuit Court Opinion) and City Exhibit 543 (Michigan Court of Appeals)]. The issue before the court was whether "40 and 8" retirees were entitled to hospitalization, medical and optical care benefits as were regular retirees under the LSA contract (see Employer Brief, page 88).

The pertinent language in the LSA agreement was "The City will pay the premium for regular retirees . . . ." [For specific wording of Article 24, Section 1.B.1(A) in the agreement which was challenged in the Wayne County Circuit Court see City Exhibit #542, page 2.] The Employer took the position that "40 and 8" retirees were not "regular retirees" as those terms were used in the LSA agreement and declined to provide them with the hospitalization, medical and optical care benefits which it was providing employees who retired on their normal retirement date after twenty-five (25) years of service. The court interpreted the LSA contract as meaning that "40 and 8" retirees were



"regular retirees" and therefore entitled to these benefits (see Employer Brief, page 90).

In July 1983, the Arbitrator in a case involving the parties interpreted the agreement as requiring the payment of these benefits to "40 and 8" retirees (see City Exhibit #541; see also Employer Brief, page 90).

The Employer stated that its proposal is not an attempt to overrule the court in the Smith case or the Arbitration Award (No. 83-023(40&8)). It is seeking to change the contract by adding language which will expressly exclude "40 and 8" retirees from eligibility for hospitalization, medical and optical care benefits. Thus, it argued, that if another law suit or grievance was filed, the court or arbitrator would be interpreting different language which explicitly excludes "40 and 8" retirees from eligibility for these benefits (see Employer Brief, page 90).

The Employer called attention to AFSCME and other general city unions have agreed to its proposal in the 1983-86 agreement. The Employer further noted that an employee who elects the "40 and 8" option quits before his normal retirement date does not serve a full career with the city and yet is eligible to receive these benefits at time of retirement. The Employer stated that under the old plan (Pre-1969) individuals can commence receiving pension benefits as young as 45 or 46 years of age. The City would also be required to pay their hospital, medical and optical care benefits for the remainder of their lifetime and these benefits could be extremely costly. The Employer stated that it could not estimate the cost savings from its proposal because the

Board of Trustees of the Police and Fire Pension System has refused to allow the plan's actuary to calculate the costs (see Employer Brief, pages 91-92).

#### Rationale for the Union's Last Best Offer

The Union is seeking to maintain the status quo, i.e., the continuation of payment of health insurance, or optical benefits to "40 and 8" retirees. The Union noted that the Employer's last best offer is ineptly worded in that theoretically anyone who receives a pension is vested. The Union further pointed out that the Employer's proposal could result in inequities. It cited as an example an officer might be required to retire after twenty-four (24) years of service because a sick wife had to be moved to another climate and he would have no medical insurance after retirement (see Union Brief, pages 116-117).

The Union pointed out that very little testimony was presented by the Employer on this issue. Budget Director Stecher did indicate that the cost savings were about \$32,000 (see Union Brief, page 116).

#### Award of the Panel

The Panel denies the Employer's proposal and directs the parties to include appropriate language in the agreement to assure that "40 and 8" retirees receive hospitalization, medical and optical benefits.

#### Rationale for the Panel's Award

The Panel is sympathetic to the desire of the Employer not to pay health care benefits to an employee who has worked eight

(8) years with the city and upon retirement would be entitled to hospital, medical and optical care benefits for the remainder of their lifetime. The Panel is well aware that this will be costly to the Employer. There is however considerable merit to the Union's argument that this demand is not worded properly, and will create serious inequities. The Panel strongly suggests that the Employer give further study to its proposal to distinguish between employees who serve eight (8) years and those who have twenty-four (24) years of service with the city. This issue should be the subject of negotiation when the parties begin negotiations for the 1986-89 agreement.

Vote:                   For: Adler, Kruger  
                      Against: Lewis

Pension Provisions: Vested Pension Qualifier

Union Issue Number 12  
City Pension Issue Number 2

Current Language

Article 32. PENSION PROVISIONS

"A. Chapter 7 of Title 9 of the previous Charter of the City of Detroit which is adopted by reference in Article 11, Section 11-102 of the present Charter of the City of Detroit is incorporated herein by reference and made a part hereof to the same extent as if it were specifically set forth herein, except for changes in specific portions or, portions of provisions which are set forth in this article.

"B. Duty and non-duty death benefits under the City of Detroit Policemen and Firemen Retirement System shall be payable to widowers in the same manner as they are not payable to widows. Widowers seeking non-duty death benefits under the system shall not be required to demonstrate any degree of dependency on their wives.

"C. Effective for those retiring on or after July 1, 1974: a member shall have the right to elect to receive on the effective date of his service retirement a partial or total refund of his accumulated contributions. If a member makes such an election, an annuity payable under any retirement allowance or reduced retirement allowance shall be reduced proportionally. If the total accumulated contributions are withdrawn, no annuity shall be payable.

"The limitation of fifteen twenty-seconds of the maximum earnable compensation of a patrolman and fireman continues in effect. For purposes of determining the fifteen twenty-seconds limitation, a computation based on the annuity which is an actuarial equivalent of the accumulated contributions standing to a member's credit in the Annuity Savings Fund prior to any partial or total refund will be used.

"This provision affords the members of this collective bargaining unit a similar option available to members of the General Retirement System pursuant to 1973 Amendment K. The parties agree that no other benefits or amounts payable pursuant to the Policemen and Firemen Retirement System are affected by this contractual provision.

Joint Exhibit #10, page 49

Paragraph 17. Retirement System

"Effective July 1, 1983 the requirement that a member as defined in Article IV, Section I(d) of the Policemen and Firemen Retirement System shall attain age 55 to be eligible for retirement shall be eliminated. Such members will be eligible to retire after twenty-five (25) years of service regardless of age.

"The Union agrees that it will not demand any additional benefit improvements in the pension system for a period of six (6) years beginning July 1, 1980.

"Notwithstanding the above, the minimum age for receiving the pension portion of benefits under Article VI, Part A, Section 4 for new plan members as defined above shall remain minimum age 55.

"The Union acknowledges that this benefit change will be a cost to the City, which must be taken into account in future bargaining processes including negotiations and Act 312 proceedings."

Joint Exhibit #11, Page 10

Paragraph "8. The following paragraphs shall be substituted for Paragraph 17 entitled 'Retirement System.'

"Effective July 1, 1983 the requirement that a member as defined in Article IV, Section I(d) of the Policemen and Firemen Retirement System shall attain age 55 to be eligible for retirement shall be eliminated. Such members will be eligible to retire after twenty-five (25) years of service regardless of age.

"The Union agrees that it will not demand any additional benefit improvements in the pension system for a period of six (6) years beginning July 1, 1980.

"Notwithstanding the above, the minimum age for receiving the pension portion of benefits under Article VI, Part A, Section 4 (40 and 8 provision) for new plan members as defined above shall remain minimum age 55.

"The Union acknowledges that this benefit change will be a cost to the City, which must be taken into account in future bargaining processes including negotiations and Act 312 proceedings."

Joint Exhibit #11, Overleaf

#### Last Best Offer of Employer

The Employer is seeking to add the following language to Article 32, Joint Exhibit #10: "Employees hired on or after July 1, 1985 who leave City employment after being vested shall not be eligible for pension benefits until said individual reaches his or her sixty second birthday." (See Employer Brief, page 92)

#### Last Best Offer of Union

The Union is seeking to maintain the status quo. Currently, pursuant to Article VI Part A Section 4 of the Policemen and Firemen Retirement System provides that any member who leaves the employ of the police department at age forty (40) or older with at least eight (8) years of service is eligible to start receiving a retirement allowance on the date he would have been eligible to retire had he continued with the department, i.e., twenty-five (25) years after his date of hire. Employees who retire after 1969 must attain the age of fifty-five (55) to be eligible to receive a pension (see Employer Brief, page 92).

#### Rationale for the Employer's Position

The Employer stated that it selected age sixty-two (62) because it is the age at which persons become eligible for early social security benefits. The Employer further noted that AFSCME and most of the other general city unions have agreed to the sixty-two (62) year old age requirement (see Employer Exhibit #216).

The Employer further indicated that the principal reason for the proposed change is cost savings. It noted that the existing language allows an employee who has quit before his normal

retirement date to begin receiving retirement benefits as early as age forty-five (45) or forty-six (46) for old plan members or fifty-five (55) years of age for new plan members. According to the Employer this is an important cost.

The Employer noted that it was unable to provide the amount of the cost savings for its proposal because of the refusal by the Board of Trustees of the Policemen and Firemen Retirement System to permit its actuary to calculate this cost (see Employer Brief, page 93).

The Employer pointed out that its proposal is prospective and applies only to employees hired after July 1, 1985 (see Employer Brief, page 93).

#### Rationale for the Union's Position

The Union as noted is seeking to maintain the status quo. It noted that the Employer does not know what the cost savings will be although it could have ascertained these savings by hiring an actuary to calculate them (Union Brief, pages 118 and 119). The Union stated that the pension plan of the general city employees does not apply to police officers. It further pointed out that the Employer's proposal will create second class citizens in the Union (see Union Brief, page 119).

The Union cited Act 345 PA 1937 (M.C.L.A. 38.551 et seq.) the Policemen and Firemen Retirement System which reflects the public policy of the state. This policy states that deferred retirement benefits should be payable on the date an officer would have been eligible to retire had he continued his employment (see Union Brief, pages 119-120).

### Award of the Panel

The Panel grants the Employer's proposal and directs the parties to include the following language in the new agreement:

"Employees hired on or after July 1, 1985 who leave City employment after being vested shall not be eligible for pension benefits until said individual reaches his or her sixty second birthday."

### Rationale for the Panel's Award

The Panel takes note that the proposal is prospective, that is, it applies only to employees who are hired after July 1, 1985. No current members of the Union will be affected.

Although the amount of the cost savings of this proposal was not introduced in the hearing, one can conclude that the total pension benefits would be less costly if an employee began to receive his or her pension at age sixty-two (62) rather than age fifty-five (55).

The Panel takes note that, since the City of Detroit did not elect to come under Act 345 PA 1937 (M.C.L.A. 38.551 et seq.) the Policemen and Firemen Retirement System, the city and the uniformed service unions can fashion their own pension system.

Vote:           For: Lewis, Kruger  
              Against: Adler



Longevity: Employees Hired after July 1, 1985 will have lower longevity payments.

Union Issue Number 13  
City Longevity Issue Number 1

Current Contract Language

There is no contractual language. This is a new provision being proposed by the Employer.

Employer's Last Best Offer

The Employer has proposed the following new language:

"Employees hired on or after July 1, 1985 shall qualify for longevity pay as follows:

1. Employees may qualify for the first step of longevity pay, provided they have served as City employees for an accumulated period of eleven (11) years.
2. Employees may qualify for the second step of longevity pay, inclusive of the first step provided they have served as City employees for an accumulated period of sixteen (16) years.
3. Employees may qualify for the third step of longevity pay, inclusive of the first and second steps, provided they have served as City employees for an accumulated period of twenty-one (21) years.
4. The first step of longevity increment shall be one-hundred fifty dollars (\$150). The second step of longevity increment, inclusive of the first step, shall be three-hundred dollars (\$300). The third step of longevity increment, inclusive of the first and second step, shall be three-hundred dollars (\$300) plus one percent (1%) of the employee's base salary. (City Exhibit 285, pp. 11-12, as amended by City's Last Offer of Settlement)."

Employer Brief, page 104

Union's Last Best Offer

The Union proposes that the existing steps for eligibility of longevity pay be retained in the new agreement pursuant to Paragraph 8 (a), (b), (c), (d), Joint Exhibit 11, page 6.

### Rationale of the Employer's Last Best Offer

The Employer noted that the longevity pay article in the 1977-80 agreement provided that employees could qualify for annual longevity payments of \$150 after eleven (11) years of service, \$300 after sixteen (16) years, and \$300 plus one (1%) percent of base pay after twenty-one (21) years (Joint Exhibit 10, pages 46-47). In the 1981 agreement this benefit was improved effective July 1, 1982 by adding a new step at five (5) years of service and increasing each of the previously existing steps by \$150 (see Joint Exhibit 11, pages 6-7). This improvement, according to the Employer, was part of the consideration for the wage freeze which the employees agreed to accept at that time. (Employer Brief, page 103)

The Employer stated that the effect of its proposal is that those employees who were hired prior to July 1, 1985 will continue to receive longevity pay pursuant to Paragraph 8, Joint Exhibit 11, pages 6-7, but those employees hired after July 1, 1985 will be governed by the provision which existed prior to July 1, 1982 (see Joint Exhibit 10, pages 46-47). This proposal, if maintained, will effect future costs.

The Employer further stated that its rationale for the two plans is that those employees who were members of the bargaining unit during the 1981 negotiations received the improvement in longevity pay as an element of the quid quo pro for the wage freeze. In contrast, those who will be hired after July 1, 1985 did not freeze anything to secure the improved benefit and

therefore do not have any equitable claim upon it (Employer Brief, page 105).

The Employer called attention to the fact that the general city unions have agreed to the two longevity pay arrangements, i.e., those hired prior to July 1, 1985 and those hired after July 1, 1985 (see Employer Exhibit 216, pages 63-66).

#### Rationale For Union's Last Best Offer

The Union seeks to maintain the existing language relative to steps to receive longevity pay. It stated that it did not want its new members to be second class citizens with less benefits than older employees, some with only a year of more service (Union Brief, page 104). It contended that such an arrangement would be divisive (Union Brief, page 104).

The Union speculated that if the Employer's proposal were granted there would be a demand on the bargaining table for years to come to obtain equality of treatment (Union Brief, pages 104-105).

The Union further noted that there would be no savings from the Employer's proposal during the life of the new agreement, 1983-86.

#### Award

The Panel grants the Union's proposal to maintain the existing steps of eligibility for longevity payments for new hires after July 1, 1985. It directs the parties to include the language in Paragraph 8 (a), (b), (c), (d), Joint Exhibit 11, page 6, in the new agreement. As noted in Union Issue Number 4,

City Longevity Issue Number 3, the Panel has granted the Union its proposal for increases in longevity payments.

Rationale For Panel's Award

The Panel took note of the Union's argument that employees should have equality of treatment as to the benefits received. It agrees with the Union that a two-type longevity pay arrangement would be divisive and could affect morale of the newly hired officers.

The Panel also took note that there were no savings to the Employer during the life of the new agreement, 1983-86.

The Panel agrees moreover with the Union that if the Employer's proposal were granted there would be a considerable effort to restore equality in all future negotiations.

Vote:           For:  Adler, Kruger  
              Against:  Lewis

Longevity: Increase Service Requirements For Longevity  
Eligibility

Union Issue Number 14  
City Longevity Issue Number 2

Current Contractual Provision

The current longevity pay provision requires that employees must have accumulated at least 216 days (1,728 hours) of paid time exclusive of overtime or premium pay during the year immediately preceding any December 1st date or other day of payment to qualify for a full longevity payout (see Joint Exhibit 11, page 6).

Employer's Last Best Offer

The Employer seeks to increase the number of paid time hours that an employee must accumulate for eligibility purposes for longevity pay from 1,728 hours to 1,976 hours (Employer Brief, page 105).

Union's Last Best Offer

The Union seeks to maintain the status quo, i.e., 216 days (1,728 hours) contained in the existing agreement.

Rationale For Employer's Last Best Offer

The Employer noted that the 1,976 hours (216 days) eligibility requirement relates to hours for which the employee is paid and not actual hours worked. The Employer stated that it provides the bargaining unit members with a substantial amount of paid time off, e.g., a police officer with ten (10) years of seniority has paid time off totaling 54.5 days a year (see Employer Brief, page 106). These days for which the officer is

paid, but does not actually work, are counted in determining eligibility for longevity pay.

The Employer pointed out that the only hours which are not counted for eligibility purposes are those when the employee is absent without pay, i.e., AWOL or had used up all sick leave banks.

The Employer stated that under its proposal an employee would not fail to qualify for longevity pay unless he/she was absent without pay for 104 hours (13 days) per year. (Employer Brief, page 106) To put the Employer's proposal into perspective, it should be noted that the standard work year is 2080 hours or 260 days. With an eligibility requirement of 1976, the employee could only be absent without pay for 104 hours (13 days) to qualify for longevity pay.

The Employer further stated that the objective of its proposal was to connect the earning of longevity pay to productive time which is the consideration for the fringe benefits that it provides to its employees (Employer Brief, page 106). The Employer maintained that by conditioning eligibility for longevity pay upon hours worked, the employee would be provided an incentive to avoid "A-No Pay" (absent without pay) status. (Employer Brief, pages 106-107)

The Employer pointed out that AFSCME and other general city employees agreed to the 1976 hour qualifier in their 1983-86 agreements. (See for example Employer Exhibit 216, page 65)

The Employer estimated that this new qualifier would yield an annual savings of \$69,000 (Employer Brief, page 107)

### Rationale of the Union's Last Best Offer

The Union seeks to maintain the status quo, i.e., the existing contractual language (216 days). The Union noted that the Employer's last best offer does not indicate when its proposal would become effective. The Union therefore maintained that the proposal should be rejected because of its vagueness. The Union pointed out that the Employer has no knowledge of the absent without pay days in the DPOA and that the City had no knowledge of the cost savings except by analogy to its civilian employees (Union Brief, page 107).

The Union acknowledged that some of its comparables did have qualifiers on the eligibility for longevity pay, especially those jurisdictions which pay a percent of actual earnings for longevity pay (Union Brief, page 107).

### Award

The Panel grants the Union's last best offer to include the existing language of Paragraph 8. f. (Joint Exhibit 11, page 6) into the 1983-86 agreement. It directs the parties to include the existing language of Paragraph 8. f., Joint Exhibit 11, page 6 in the new agreement, 1983-86.

### Rationale of the Panel's Award

The Employer's Last Best Offer does not contain an effective date. In the view of this Panel, there must be sufficient notice given to the members of the bargaining unit before a new eligibility qualifier can be used for longevity pay. Moreover, although the Panel is very much interested in providing an

incentive to avoid "A-No Pay" status and to increase the productivity of the police officer, no data was presented to the Panel to show how many officers were denied longevity pay because they failed to meet the current qualifier of 216 days. The Employer's case for raising the qualifier would have been strengthened if appropriate data had been introduced to support the need to raise the qualifier from 1728 hours to 1976 hours. In the absence of this support, the Panel granted the Union's last best offer to continue the existing language.

Vote:           For:  Adler, Kruger  
              Against:  Lewis



Hospitalization, Medical Insurance, Dental Insurance and Dental Care:

Union Issue Number 15  
City Health Issue Number 5

Current Language

"4. The following paragraphs shall be substituted for Paragraph 5 entitled 'Retirees Hospitalization':

"With respect to employees who enter into the bargaining unit on or after July 1, 1982 and who retire under the retirement system, the City will pay no hospitalization premium for the retiree's spouse after the death of the retiree.

"With respect to the members who are in the bargaining unit prior to July 1, 1982, who elect the straight life option, the City will pay hospitalization premium upon retirement for retiree's spouse at the death of the retiree unless said spouse was not the spouse of said retiree at date of retirement."

Joint Exhibit #11, Amendment to 1980-83 Agreement between the City of Detroit and the Detroit Police Officers Association, dated September 8, 1981.

Employer's Last Best Offer

The Employer seeks to add the following new language to the agreement relative to retirees' hospitalization:

"With respect to retirees who retire after July 1, 1985 and who elect the straight life option under the retirement system, the City will pay no hospitalization premium for the retiree's spouse after the death of the retiree." (See City Exhibit 534(a); see also Employer Brief, page 101)

Union's Last Best Offer

The Union seeks to maintain the status quo, i.e., the language of Paragraph 4 in the addendum to the Agreement 1980-83, dated September 8, 1981 (Joint Exhibit #11).

### Rationale for the Employer's Last Best Offer

The Employer stated that when it first agreed to provide health care insurance coverage for the spouses of retirees, the intent was to pay the premium only for those retirees who were receiving a pension from the city. The city discontinued health insurance coverage for the spouses of Option 1 retirees after the retirees died because under that retirement option the spouses were not entitled to receive any pension benefits.

This practice was challenged in an arbitration case. The arbitrator, on January 1, 1980, construed the then existing language of the contract to require the continuation of health insurance coverage for the spouses of Option 1 retirees, notwithstanding the fact that they were ineligible for continued pension benefits (see Employer Exhibit 324, Arbitrator Award 79-020, Employer Brief, page 100).

In the 1981 negotiations between the parties the Employer stated it was able to secure partial relief by the inclusion of Paragraph 4 in the addendum noted above (see also Joint Exhibit #11, overleaf).

The Employer maintained that its proposal will assure a return to the original intent providing health care insurance coverage for the spouses of retirees only while the retirees or their spouses are receiving pension benefits (Employer Brief, page 101).

The Employer briefly differentiated the differences in Option 1, 2, 3, or 4 retirees. Under Options 2, 3 and 4, the spouses continue to receive a pension after the retiree dies.

Under Option 1 spouses do not continue to receive a pension after the death of the retiree. The reason for this is that the Option 1 retirement option tends to maximize retirement benefits immediately whereas the other options spread a reduced benefit over a longer period of time and even beyond the lifetime of the retiree (see Employer Exhibit 433; Employer Brief, page 101).

The Employer argued that there should be a nexus between continued eligibility for fringe benefits and basic status as either an active employee or an individual receiving retirement benefits. If one does not have status as either, no basis exists for continuing the fringe benefits (Employer Brief, page 102).

The Employer pointed out that AFSCME and the other general city union contracts contain the language proposed by the Employer (see Employer Exhibit 216, page 84; Employer Brief, page 102).

The Employer emphasized that the proposed provision would apply to spouses of retirees who retire on or after July 1, 1985. The future retirees would be made aware upon electing Option 1 just prior to retiring that their spouses would not be eligible for continued health care insurance coverage if they elected this option. The employee, just prior to retiring, can consider and elect one of the other options if the continuation of pension and health insurance coverages for their spouse after their death was more important than early maximization of pension benefits (Employer Brief, page 102).

The Employer noted that there would be no cost savings initially because of the prospective application of the provision. It pointed out however that Option 1 is increasing in

popularity and thus the future costs could be significant (Employer Brief, page 102).

#### Rationale for Union's Last Best Offer

The Union maintained that the Employer's proposal is unreasonable. In its words "Viewed from the spouse's perspective what is reasonable about the deprivation of health insurance because the retiree, not the spouse, elected to take straight life option? The spouse...is...'saddled' with the loss of health insurance because of a choice the spouse did not make." (Union Brief, page 135)

The Union called attention to the provisions of federal law on this issue. Under federal law a retiree with a spouse will receive his or her pension as a Qualified Joint and Survivor Annuity (QJSA) a fixed monthly amount continuing in an equal amount to the surviving spouse unless the spouse expressly waives receipt of this benefit. The waiver must be in writing (Union Brief, page 135, the Union cited 29USC paragraph 1055 for the federal law referenced). The Union pointed out that the federal law recognizes the unfairness of permitting a retiree the sole discretion to make a decision which will have a potentially adverse effect on an important benefit otherwise available to a spouse.

The Union noted that the evaluation of the contracts of its comparables on this issue is inconclusive (Union Brief, page 136).

The Union also pointed out that there were no cost savings initially to the Employer's proposal.

### Award of the Panel

The Panel grants the Employer's proposal and directs the parties to include the language proposed by the Employer into the new agreement.

### Rationale of the Panel's Award

This issue raises a critical problem, namely, is the obligation of the employer to an employee different than an obligation of the employer to a spouse. The employee of the police department just before his/her retirement selects an option as to which type of retirement program he or she wants. If the employee selects Option 1, this means that the employee will receive up front more money, but the trade off is that the Employer will pay no hospitalization premium for the retiree's spouse after the death of the retiree. This language is clear and unambiguous. The employee made the decision. The Union stated that this is unfair to the spouse who is not covered by health insurance after the retiree's death. This raises the question noted above, what is the obligation of the Employer to the spouse? This Panel believes that the Employer has no obligation to the spouse under Option 1 when the retiree dies.

In this Panel's view the about to be retired employee makes a decision under Option 1 that he/she wants more money up front at the expense of not providing health insurance to the spouse when the retiree dies. It seems that the Union not only wants its members to have more money under Option 1, but also to have the Employer pay the cost of hospitalization for the spouse when the retiree dies. This arrangement would also be unfair to the

officers who selected the other options in order to provide health insurance for their spouses when they died.

The Union raised the argument that the spouse is the victim of the decision made by the employee under Option 1. In order to inform the spouse of the consequences of the employee selecting Option 1, the Employer could prepare a letter informing both the retiree and spouse that if the employee about to be retired selects Option 1 this means that the Employer will not pay the hospitalization premium when the retiree dies.

It may be possible under the existing pension plan for the Employer to require that both the employee and the spouse sign a statement that they understand that if the employee selects Option 1 the Employer will not pay the hospitalization premium when the retiree dies. Moreover, there is nothing to preclude the Union from being concerned about what happens to the spouse of a retiree who selects Option 1. The Union was a party to the negotiations on the pension plan which provided for Option 1. It could also write a letter to the member and spouse informing both of the consequences of selecting Option 1.

Vote:                   For: Lewis, Kruger  
                      Against: Adler

No Dental Coverage For First 1040 Straight Time Hours of  
Employment:

Union Issue Number 16

Employer Health Care Issue Number 4

The current language in the expired agreement appears in  
Paragraph 10, Joint Exhibit #11, page 8.

"10. Dental Plan

Effective July 1, 1982, the City will pay to the Dental Plan or program selected by the Union an amount per employee equal to the premium cost for the Blue Cross/Blue Shield program which provides Class I benefits on a 25% co-pay basis and Class II and III benefits on a 50% co-pay basis, with Class I, II and III benefits not to exceed \$1,000 per person per year and also orthodontic coverage on a 50% co-pay basis with a \$1,000 lifetime maximum for non-union City employees and their dependents."

Position of the Employer

The Employer has proposed that dental insurance will be made available to newly hired employees upon the completion of 1,040 straight time hours of work.

Position of the Union

It is the position of the Union that this proposal be rejected and that the status quo be maintained, i.e., Paragraph 10, Joint Exhibit #11, page 8.

Rational of the Employer's Position

The Employer maintained that a waiting period for new employees is standard practice in both public and private employment with respect to dental and other health care benefits to prevent abuse. It noted that it was possible for a newly hired employee who quit or was discharged as unsatisfactory during

his/her probationary period to receive extensive dental treatment at great expense to the City in increased premium costs without having rendered any service to the City. The City estimated that this qualifier would result in savings of approximately \$60,000 should it hire five hundred (500) new employees. (Employer Brief, pages 99-100)

#### Position of the Union

The Union maintained that the departure from the status quo places newly hired officers in a second class status. The Union also pointed out that the savings from this qualifier were uncertain (Union Brief, page 131). The Union further stated that there have been no new hires in the police department since the inception of the dental insurance program, but if the City's position has any merit one would expect a showing that in the past new hires had abused the programs in the early months of the program. The Union noted that no evidence was introduced to support the City's contention of abuse by newly hired officers (Union Brief, pages 131-132).

The Union challenged the City's assertion that it was standard practice in health care and dental care to have a waiting period for new employees on grounds that no evidence was introduced to support this claim (Union Brief, pages 132-133). Some cities used as comparables by both the Employer and the Union do have a waiting period, but most do not (Union Brief, page 133).



### Award

The Panel directs the parties to include a new provision in the new agreement which states that a newly hired employee would have to work 1040 straight time hours in order to qualify for dental insurance.

### Rationale for the Award

This provision will only apply to new hires. The City has stated that it will hire 720 new employees in 1985-86 fiscal year. Article 10. Seniority A.3. states that there is a one year probationary period from original date of hire (see Joint Exhibit #10, page 23). It was noted that some employees do not successfully complete their probationary period. Although the City did not introduce any evidence to support its assertion of abuse of the program by newly hired employees, it should be noted that there have not been any new hires since the inception of dental insurance (see Union Brief, page 132).

Although the estimated savings in the qualifier is small, i.e., \$60,000, the Panel is of the opinion that given the significant increase in health care costs paid by the Employer a start has to be made to contain these costs. No presently employed officer will be affected by this qualifier for dental insurance. In essence this is a new condition of employment for new hires.

Vote:                      For: Lewis, Kruger  
                            Against: Adler

Hospitalization, Medical Insurance, Dental Insurance and Optical Care:

Union Issue Number 17

City Health Care Issue Number 3

Current language:

"10. Dental Plan

"Effective July 1, 1982, the City will pay to the Dental Plan or program selected by the Union an amount per employee equal to the premium cost for the Blue Cross/Blue Shield program which provides Class I benefits on a 25% co-pay basis and Class II and III benefits on a 50% co-pay basis, with Class I, II and III benefits not to exceed \$1,000 per person per year and also orthodontic coverage on a 50% co-pay basis with a \$1,000 lifetime maximum for non-union City employees and their dependents."

Joint Exhibit #11, page 8

Last Best Offer of Employer

The Employer is seeking to exclude officers who go on duty disability pensions on or after July 1, 1985 from receiving the dental insurance benefit.

Last Best Offer of Union

The Union is seeking to maintain the status quo, i.e., to have officers who go on duty disability pensions on or after July 1, 1985, receive the dental insurance benefit.

Rationale of the Employer for its Proposal

The Employer noted that in the 1980-83 agreements with AFSCME and the other general city unions it agreed to provide a dental plan for all active employees (see Employer Exhibit #273, page 60). It further stated that when it offered this benefit to the uniformed service unions, it inadvertently omitted the word "active" (see Tr Vol 66, pages 30-31). This omission, the

Employer pointed out, led to an arbitration award holding that the Employer was obligated to provide duty disability retirees with dental insurance (see City Exhibit #325; see also Employer Brief, page 99).

The Employer contended that its proposal will provide annual savings of \$102,000 (see Employer Exhibit #326 and Employer Brief, page 99).

#### Rationale of the Union for its Proposal

The Union seeks to have duty disability retirees continue to receive dental insurance. The Union relied for the most part on the arbitration award involving the Lieutenants and Sergeants Association which granted dental insurance to duty disability retirees (Employer Exhibit #325). The arbitrator stated that these "retirees" are in a status much more like those in other public employment bargaining units who are on a leave of absence status receiving long term disability benefits. Although these employees are not actively employed and not entitled to many benefits and rights of those actively employed they are still members of the bargaining unit and still entitled to some benefits as "employees" (Employer Exhibit #325, page 25).

The arbitrator further pointed out that the negotiators on both sides agree that the scope of the coverage for the dental plan was never discussed (Employer Exhibit #325, page 22).

The Union noted that a duty disabled retiree, if his or her disability is alleviated, might be recalled to active duty (Union Brief, page 130).

The Union pointed out that active employees and duty disabled retirees receive the optical care benefit (Union Brief, page 130).

The Union called attention to the estimated cost savings of \$102,000 cited by the Employer (see Employer Exhibit #326 and Union Brief, page 130). It stated that these savings included all uniformed services not just duty disabled retirees from the DPOA.

#### Award of the Panel

The Panel denies the employer's proposal and directs the parties to include the following language in the new agreement specifically stating that officers receiving a duty disability pension are to continue to receive the dental insurance benefit.

#### Rationale for the Panel's Award

The duty disabled retirees receive the optical care benefit; they should also receive the dental insurance benefit while becoming disabled through the performance of their police duties. The Panel took note of the testimony of President Schneider that duty disability retirees have always been treated historically the same as active employees and this assertion was not refuted.

The Employer cited cost savings of \$102,000 but did not identify if these savings would be attributable to the DPOA duty disabled retirees who would not be receiving dental insurance if

the Employer's proposal was granted. The Union contended that the savings of \$102,000 were attributable to all uniformed services (Union Brief, page 130).

Vote:           For: Adler, Kruger  
              Against: Lewis

Hospitalization, Medical Insurance, Dental Insurance and Optical Care:

Union Issue Number 18  
Employer Health Care Issue Number 1

Union Issue Number 19  
Employer Health Care Issue Number 2

The current language appears in Article 21 as follows:

"21. HOSPITALIZATION, MEDICAL INSURANCE & OPTICAL CARE

"A. The City shall provide hospitalization and medical insurance based on the Blue Cross/Blue Shield ward service under the Michigan Variable Fee coverage (MVF-2) and the Prescription Drug Group Benefit Certificate with two dollar (\$2.00) co-pay (Certificate #87), known as the two-dollar, deductible Drug Rider to employees and their legal dependents, duty disability retirees and their legal dependents, and duty death beneficiaries and their legal dependents, as provided by Chapter 16, Article 9 of the Municipal Code of the City of Detroit.

"Employees shall have the option of choosing alternative hospitalization medical coverage made available by the City. For those employees selecting the optional Metropolitan Health Plan of Blue Cross/Blue Shield the coverage shall be the MHP "AA" program. For those employees selecting the optional Banker's Life and Casualty Company plan the coverage shall be Group Policy Number 340-1. In both options the City's contribution shall be limited to the premium cost for Blue Cross/Blue Shield health insurance, ward service rates.

"B. The City will provide Optical Care Insurance through the Employee Benefit Board and such benefit will include case hardened lenses. The City will continue to provide optical care through the present carrier, through the Employee Benefit Board.

"C. For employees who retire on or after July 1, 1977, the City will pay the premium for regular retirees and their spouses effective September 1, 1977.

"D. If, during the term of this Agreement, a Federal health Security Act is enacted, the City of Detroit will pay during the term of the Agreement any premium, taxes or contributions employees may be required to pay under a Federal Health Security Act that are specifically earmarked or designated for the purpose of the Federal Program.

"E. The City agrees to institute a Health Maintenance Organization Insurance plan prior to June 30, 1980. The

"employees shall have the further option of choosing this alternative. The City's contribution to this plan shall be limited to the premium cost for Blue Cross/Blue Shield health insurance, ward service rates."

Joint Exhibit #10, page 42

#### Position of the Employer

There are two issues involved in hospital and medical insurance. The Employer is proposing that active employees duty death beneficiaries and duty disability retirees pay fifty (50%) percent of the hospital and medical insurance premium increase over the 1982-83 premium on or after July 1, 1985 (Union Issue Number 18 and City Health Care Issue Number 1). The City is also proposing that employees who retire on or after July 1, 1985 pay fifty (50%) percent of the hospital and medical insurance premium increase over the 1982-83 premium (Union Issue Number 19 and City Health Care Issue Number 2). Because these issues are inter-related, they will be discussed together.

#### Position of the Union

The Union seeks to maintain the status quo, i.e., all premiums to be paid by the Employer.

#### Rationale for the City's Position

The Employer noted that a recent survey of private employees in the Detroit area revealed that approximately twenty-five (25%) percent of the employees and forty-four (44%) percent of the retirees participate in some form of cost sharing (see City Exhibit 338, also City Brief, page 97).

The City further noted that all of the general city employees now share in paying the increase in premiums over the

1982-83 premiums for medical and hospital insurance. The City is therefore seeking internal comparability. The City further noted that under the proposal the police officer with a family would pay \$200.30 annually whereas the City would pay \$3,242.78 annually (see City Exhibit #535). The City maintained that annual savings to be realized from cost sharing would be approximately \$680,000 (see City Exhibit 536; see also City Brief, page 97). The City also contended that cost sharing is an important element of cost containment of health care costs and that the cost sharing will give the employees an incentive to help hold costs down (City Brief, page 97).

With respect to the cost sharing for retirees, the City estimates the saving of approximately \$15,000 annually and will increase overtime by another \$15,000 per year (see City Brief, page 98).

#### Rationale For Union's Position

The Union's position is to maintain the status quo. It pointed out that in its last best offer the City claimed savings of \$1,091,000 citing City Exhibit #536 (Union Brief, page 122). This exhibit specifies a saving of \$681,632. The Panel takes note that the City's Brief cites a saving in excess of \$681,000 (see City Brief, page 97).

The Union stated that while the savings are not insubstantial, the cost sharing will have an economic impact on both active employees and retirees. The Union indicated that police officers would contribute about one percent of a member's



annual compensation for their health insurance under the City's proposal (see Union Brief, page 123).

With respect to the cost sharing for retirees, the Union stated the economic impact will be more severe because of their retirement income. Moreover, the Union pointed out that there is a saving of only \$15,000 in the first year and estimates of similar savings in succeeding years (see Union Brief, page 123).

The Union contended that with respect to active employees the incentive argument advanced by the City is of doubtful validity. The Union noted that the City did not give any data on premium reductions but only on savings (see City Exhibit 536; see also Union Brief, page 125). The Union further stated that premium sharing will not generate a rank and file groundswell for more cost containment. It pointed out that experience indicates that no realistic premium reductions can be forecasted (Union Brief, page 125). The Union further noted that even though there is no premium sharing now it had agreed to all four of the current cost containment programs (see Union Brief, page 124). The Union testified that it was discussing cost containment measures with its carrier, Banker's Life and Casualty Company (see Union Exhibit #204).

#### Award

The Panel directs the parties to maintain the status quo with respect to the payment of premiums for hospital and medical insurance for the 1983-86 agreement.

### Rationale for the Award

The savings claimed by the City appear to be speculative. It may be that the cost reduction programs have not had sufficient time to generate hard data on utilization which in turn could reduce experience and hence premiums. The external comparables used by both the Employer and the Union did not show any precedent for premium sharing by employees. This Panel strongly urges the parties to work together to develop cost containment programs to avert spiraling health care costs. This benefit if left unchecked will in all probability reduce funds available for wage improvements.

The Union testified it was committed to cost containment programs. It must support this commitment through meaningful cost containment measures outlined in Union Exhibit 204.

Vote:           For:  Adler, Kruger  
              Against:  Lewis

NOTE:       For the purpose of clarification and due to the technical nature of the subject matter, the heretofore agreed upon sections in Article 21 and the language to implement this Panel's Awards on Hospitalization, Medical Insurance, Dental and Optical Care will be included in an appendix in the completed Award.

## Non-Economic Issue

### The Selection of the Dental & Health Insurance Carrier

Existing Language, Paragraph 10:

#### "10. Dental Plan

Effective July 1, 1982, the City will pay to the Dental Plan or program selected by the Union an amount per employee equal to the premium cost for the Blue Cross/Blue Shield program which provides Class I benefits on a 25% co-pay basis and Class II and III benefits on a 50% co-pay basis, with Class I, II and III benefits not to exceed \$1,000 per person per year and also orthodontic coverage on a 50% co-pay basis with a \$1,000 lifetime maximum for non-union City employees and their dependents."

Joint Exhibit 11, page 8

#### Last Best Offer of Union

The Union seeks to retain the existing language with respect to the selection of the dental insurance carrier and to extend it to include the selection of an alternative health care provider.

#### Last Best Offer of Employer

The Employer seeks to have joint approval of both the dental and alternative health care provider.

#### Rationale of the Union's Last Best Offer

The Union maintained that in selecting the dental carrier under the current contract it has acted prudently and responsibly. It stated that it would do so in selecting an alternative health insurance carrier.

The Union maintained that the Employer presented no evidence to show that the Union had selected an irresponsible dental insurance carrier and that there were problems with the manner in

which the carrier was administering the program. The Union cited that it wanted to satisfy the needs of its members and at the same time save money in terms of premium costs (Union Brief, page 140).

The Union also pointed out that the conditions set forth by the Employer in the selection of the carrier are already a part of the existing agreement (see Employer's Last Best Offer on Hospitalization and the attached letter dated March 20, 1985 from Floyd Allen, Director, Labor Relations, City of Detroit, to Thomas Schneider, President DPOA).

#### Rationale for Employer's Last Best Offer

The Employer pointed out that the selection of the carrier is a mandatory subject of bargaining (Employer Brief, page 95). The Employer maintained that it pays the premiums and therefore should have a voice in the selection process. It is concerned that the carrier be financially responsible (Employer Brief, page 96).

#### Award of Panel

The Panel grants the Union's last best offer and directs the parties to include appropriate language to implement this Award.

#### Rationale for Panel's Award

The Panel has been persuaded that the Union has acted responsibly in selecting the dental insurance carrier. No evidence was presented that the Employer has had problems with the Union's carrier. This Panel believes that extending the selection process to include alternative health insurance

providers places a unique burden on the Union to ascertain that health insurance premiums be contained vigorously. The Union has a vested interest in health care cost containment and this can best be served by its having the right to select a carrier and the concomitant responsibility of seeing that the members are served effectively and at the same time seek to remain within the cost parameters provided by the Employer.

Vote:           For:  Adler, Kruger  
              Against:  Lewis

## SUMMARY

The Panel in its deliberations on the economic issues had to grapple with two very complex problems, the balancing of equity and the City's financial condition, i.e., the ability to pay. The equity problem includes equity for members of the Union, equity in the relationships between the DPOA and the general city unions with respect to wage increases during the life of the new agreement, and with certain fringe benefits such as health insurance, vacations and holidays.

There is another critical aspect to the equity problem and that is equity for the citizens of Detroit. Most of the tax revenues of the City come from the property tax, income tax and the utility tax. The City is levying the maximum taxes permitted by law. These three taxes are the equivalent to 82 mills, the highest tax burden placed on taxpayers in Michigan (Employer Brief, page 11). The citizens of Detroit have risen to the occasion to provide tax revenues to underwrite the services provided by the City. They are rightfully entitled to the best police services possible consistent with available financial resources.

The City has been directed by court order to rehire those police officers laidoff during 1979 and again in 1980. In addition, the 1985-86 budget provides for the hiring of additional police officers. The Panel is well aware of the impact of its Award on the ability of the City to hire additional

officers to provide a better quality of police services to its citizens.

The Panel is aware that in the last ten years the City has been forced to layoff employees, including police officers, because it lacked the financial ability to continue their employment. The history of deficits in the last ten years, especially the deficits in 1979-80 of \$80 million and the \$115 million deficit in 1980-81, has had a devastating effect on the City. The Panel took careful note of the deficits in 1982-83 and 1983-84 (Employer Exhibit 448). Even though there is a projected surplus in the 1985-86 fiscal year, this does not mean that the economic condition of the City has improved significantly and that the future years are bright. There are still significant economic problems facing the City, i.e., the volume of federal revenue sharing to mention one.

The Panel had to consider carefully the financial condition of the City in its deliberations. The ability of the City to finance this Award without possible layoffs was a prime consideration of the Panel. Moreover, the Panel was well aware that its Award could impact on the hiring of new officers to provide additional police services to the citizens of the City.

This Panel made a good faith effort to balance as effectively as it could the equity issue with the financial ability of the City. It strongly believes that this Award will support this effort.

In critically analyzing each of the issues before the Panel, the Panel has considered carefully and extensively each factor set forth in Act 312 Section 9. These factors were fully

discussed by the Panel during its executive sessions as they related to each issue. The full discussion on each issue by the Panel was not stated in the rationale of the Panel for its Award. The Panel sought to capture the essence of these deliberations to support its Award on each issue.

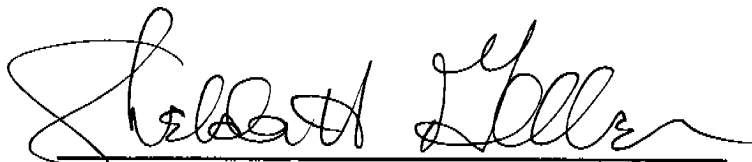
The Panel commends the parties for the manner in which they presented their respective positions on the issues brought to the Panel. Moreover, it commends them for the excellent and thorough briefs on the economic issues which they submitted. These briefs were most helpful to the Panel. Lastly, the Panel thanks the parties for their wholehearted cooperation during the 86 days of hearings extending from October 1983 to March 1985.

The Panel is well aware that it must deal with a complex and critical set of non-economic issues once the briefs on non-economic matters are filed. The Panel therefore strongly suggests that the parties take advantage of the time made available as the result of extending the deadline for the briefs on non-economic matters to July 15, 1985, to return to the bargaining table in an effort to resolve at least some of the non-economic issues. The Panel has said that it is in the best interests of the parties to resolve the non-economic issues through collective bargaining rather than have their settlement imposed on them by the Panel.

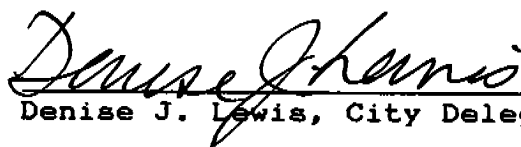
Below are the signatures of the Panel members. Their signatures indicate that this is the Award of the Panel on economic issues. It does not indicate that the Panel members



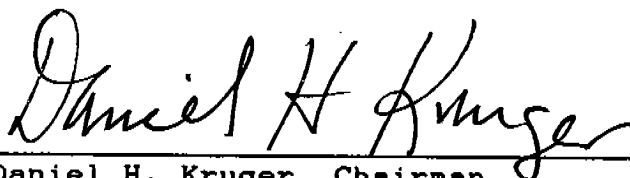
concur on all the awards contained in this document. The vote of the Panel members on each issue has been recorded.

A handwritten signature in cursive script, reading "Sheldon H. Adler".

Sheldon H. Adler, Union Delegate

A handwritten signature in cursive script, reading "Denise J. Lewis".

Denise J. Lewis, City Delegate

A handwritten signature in cursive script, reading "Daniel H. Kruger".

Daniel H. Kruger, Chairman

June 7, 1985