

In the matter of:

CITY OF SAGINAW,

Employer,

MERC Act 312

and

Case No. L95 I-3005

POLICE OFFICERS' LABOR COUNCIL,

Union.

Michael P. Long, Chairperson
Dennis B. Du Bay, Employer Delegate
Thomas E. Kreis, Union Delegate

ACT 312 ARBITRATION DECISION

Hearings were held in the above Act 312 arbitration case on January 12, 1998, February 16, 1998, and March 23, 1998 in Saginaw, Michigan. The Employer was represented by attorney Dennis B. Du Bay and the Union was represented by attorney John A. Lyons. The parties submitted their Final Offers of Settlement on April 3, 1998, and submitted their Post-Hearing Briefs on June 1, 1998.

The Petition for Arbitration was filed on June 5, 1996, after the parties reached an impasse in their negotiations for a new contract. The petition listed the following unresolved issues:

ORIGINAL UNION ISSUES

Article 6 Grievance Procedure
Article 13 Uniforms and Equipment
Article 15 Salary Schedules
Article 19 Emergency Leave
Article 21 Life Insurance
New Article Holidays and Residency

Article 9 Call in Pay
Article 14 Training Sessions
Article 18 Annual Leaves
Article 20 Health Insurance
Article 22 Retirement Benefits

ORIGINAL EMPLOYER ISSUES

Article 8 Overtime	Article 10 Shift Preference
Article 15 Salary Schedules	Article 22 Retirement Benefits
Article 24 Sick Leave	Article 37 Physical Examinations
New Article Discipline	

The parties either resolved or waived the above issues except for the following ones that were submitted for arbitration under Act 312.

UNION ISSUES

1. Article 15, Section 1, Salary Schedules
2. Article 18, Section 1, Annual Leave
3. Article 20, Section 6, Dental Insurance-Retiree
4. Article 22, Section 5, Retirement Benefits
5. New Article, Holidays

EMPLOYER ISSUES

1. Article 8, New Section 11, Pension Benefits-Special Event Overtime in FAC
2. Article 22, New Section 9, Pension Benefits-Employee Contribution
3. Article 24, Section 2, Lump Sum Payments For Unused Sick Leave

The parties stipulated all the remaining issues were economic and the new contract will be in effect from January 1, 1996 – December 31, 1998.

The Union proposed the following as comparable communities:

Battle Creek	Bay City	Flint	Jackson	Lansing
Midland	Muskegon	Pontiac	Southfield	

The Employer proposed the following as comparable communities:

Battle Creek	Bay City	Flint	Jackson
Midland	Muskegon	Lansing	

STATUTORY AUTHORITY

Public Act 312 of 1969 provides for compulsory arbitration of labor disputes in municipal police and fire departments. Section 8 of the Act provides that the arbitration panel shall adopt the last offer of settlement on each economic issue which most nearly complies with the factors prescribed in Section 9 of the Act. Section 9 of the Act reads as follows:

"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 as 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." [MCLA 423.239]

GENERAL FINDINGS

The city of Saginaw is located in the northeast corner of Saginaw County and spans a geographic area of 17.4 square miles. (C.Ex.71) The 1990 U.S. Bureau of Census reports the City of Saginaw's population as 69,512 residents. (*Id.*) A 10.32% decrease in population was experienced between 1980 and 1990. (C.Ex.70)

The state equalized valuation (S.E.V.) for the City of Saginaw in 1990 was \$533,795,981. (C.Ex.74) From 1990 to 1996, the S.E.V. had increased by 13.97%. (C.Ex. 77) The S.E.V. increased an additional 1.04% from 1995 to 1996. (C.Ex. 78)

Saginaw's 1990 per capita income was \$8,944 (C.Ex.72). The 1990 S.E.V. per capita was 7,679 ranking last among the comparable communities. (C.Ex. 79) Between 1990 and 1996, Saginaw ranked next to last in S.E.V. per capita growth (C Ex. 81). The 1990 median household income reported for Saginaw was \$17,736 ranking it as the lowest among the comparable communities (C.Ex.73).

Currently, there are 150 sworn members in the Saginaw Police Department. (C.Ex.82) The department is divided into three major groupings (C.Ex.64); Office of the Chief, Investigative Administrative Services Bureau, and the Patrol Services Bureau. From 1985 to 1995, the Police Department had increased its personnel by 31. (C.Ex.41) The average years of service for unit members is seventeen years and ten months. (C.Ex.65)

The City of Saginaw spent \$12,288,270.00 on the Police Department in 1996. (C.Ex.43) Police expenditures constitute 36.39% or one-third of all General Fund revenues. (C.Ex.44) Between 1990 and 1996, the City's state-shared revenues increased 13.38% and police expenditures increased 28.17%. (C.Ex.55) Police expenditures between the years of 1985 and 1996 have increased 63.01% while the General Fund revenue increased 38.92%. (C.Ex.43)

The total health insurance premiums for the City from 1992 to 1997 increased by 13.03%. (C.Ex.61) In addition, pension costs have also increased from \$2.2 million to over \$3.3 million between the years of 1991 and 1997 (C.Ex.57). Unfunded liabilities in vacation, compensatory and sick time for the Police Department have increased from over \$1.7 million in 1996 to over \$1.8 million in 1997. (C.Ex.59) However, worker's compensation liabilities have decreased by 3.73% from 1995 to 1996 from \$4,218,979 in 1995 to \$3,659,724 in 1996. (C.Ex.58)

The 1997 Saginaw General Fund audited budget was \$33,372,985.00. (C.Ex.18, Ex. B-3, p. 6) In 1993, the city experienced an 11.42% drop in revenue followed by general fund deficits in the years 1993, 1994, and 1995. (C.Ex.21) The city is no longer operating at a General Fund deficit, however in 1997, revenues over expenditure decreased by 62% from 1996. (*Id.*)

Saginaw has had few new homes or new commercial developments. In 1996, new construction permit activity consisted of 2.18% of the City's S.E.V. (C.Ex.31). From 1993 to 1996 demolitions have caused the city to lose over \$1.75 million in S.E.V. value. (C.Ex.29;I.68) In addition, 1996 records show that as a result of unpaid property taxes, 212 parcels were reverted back to the City resulting in a S.E.V. loss of \$660,380. (C.Ex.30)

From all the facts presented, it is evident that the City of Saginaw has experienced serious financial difficulties, but that through implementation of an aggressive fiscal management policy, it has been able to maintain its fiscal soundness.

At the same time, the officers of the Police Department have invested their careers with the City, and deserve to be compensated fairly and in accordance with the criteria of Act 312.

In general, the findings of this panel, in relation to the final offers of settlement will reflect a maintenance of status quo with adjustments in line with what is received by other members of the Saginaw Police Department.

DECISIONS ON ISSUES PRESENTED

Union Issue 1: Article 15, Section 1, Salary Schedules.

The Union's last offer proposed a three (3) year collective bargaining agreement effective January 1, 1996 through December 31, 1998 with a 4% across-the-board base wage increase effective 1/1/96, 1/1/97, and 1/1/98. The Employer's last offer proposed across-the-board adjustments of 3.25% each year over the three years of the contract.

UNION RATIONALE

It is reasonable to expect that salary increases will result from the current negotiations taking place within the Muskegon and Southfield sergeant units. Therefore, the proposed 4% across-the-board unit increases would keep the current salaries competitive with the selected comparables. This fact is further confirmed through 1996's average percentage increase of 3.5%

Currently, the Saginaw Sergeant salary is \$44,116. The proposed salary increase would allow for: a) \$45,881 for 1996, b) \$47,716 for 1997, and c) \$49,624 for 1998. With the 4% proposal, the 1996 salary would be the third ranking wage as of January 1. However, on July 1, this ranking would be reduced to fourth position with the 1997 wage on January 1 and July 1 ranked third. Since Southfield's contract expired on 6/30/98, this ranking is expected to be reduced. In addition, it is essential to adjust the Saginaw command unit salary to the comparables because the contracts for Flint, Southfield, Muskegon, and Lansing have also expired.

The command unit is the "line managerial arm of the police force". The added unit responsibilities entitle them to higher wages and different benefits from the patrol unit. Since these are two distinct classifications, they should be recognized as such and the proposed 4% across-the-board increase should be implemented.

EMPLOYER RATIONALE

The City's proposed 3.25% increase is more than reasonable. Unit members are currently receiving a competitive wage in comparison to other employees in the City of Saginaw and other comparable communities. The 3.25% offer, over three years, would place the unit at third among the eight comparables. The City's final offer of \$9.75% (over the three years) is favorable in comparison to the 9.93% comparable average.

The Police Officers unit just settled their contract with 3.25% increases across their 3-year contract. City exhibit 126 shows that no other City has received a 4% wage increase since at least July 1, 1994 and the 3.25% offer proposed is generous in comparison to other contracts. Current unit members already have the highest overall compensation package. Since the rise in the cost of living has been much lower than 3.25%, the actual cost to the City would be higher than 3.25%. Therefore, it is proposed that the 3.25% across-the-board increase is adopted.

Award: The Employer's proposal is adopted.

Reason: The City's proposal is more in line with maintenance of status quo.

Union Issue 2: Article 18, Section 1, Annual Leave.

The Union's last offer proposed that effective January 1, 1996, regular, full-time employees would accumulate annual leave at the rate of thirty-five (35) workdays per year instead of the current thirty-one (31) workdays. The Employer proposed maintaining the thirty-one (31) days currently in the contract.

UNION RATIONALE

Even though the Command unit officers are superiors to the Patrol unit, the Patrol unit has three additional leave days. It is reasonable to expect that the since the command unit is line management and have increased responsibilities, they should have more annual leave and should not be subjected to lower levels of benefits on this issue. In addition, the firefighters have a total of 36 days which is also greater than the Command unit. Therefore, it is reasonable to adjust the Command unit annual leave to 35 work days.

EMPLOYER RATIONALE

Currently, the City of Saginaw cannot economically handle the Union's request for additional leave days, especially since they will be receiving new holidays. Saginaw will have 57 days (includes 11 new holidays) and rank second among the comparables, far above the average (50.35 days). They already rank first in overall compensation. Although it is true that the Patrol officers receive three (not four) additional vacation days, they do not receive the higher salaries as the Command unit do. Also, four other bargaining units in the City do not have as many annual leave days as the Command unit and therefore the City's offer of 31 days is reasonable and well above these averages.

Award: The Union's proposal is adopted.

Reason: The Union's proposal brings the Command Unit in line with the people they supervise.

Union Issue 3: Article 20, Section 6, Dental Insurance-Retiree.

The Union's last offer proposed that dental insurance be provided to retirees and their families, at no cost to the employees, after they retire on or after January 1, 1996. The Employer proposed maintaining the status quo.

UNION RATIONALE

Dental insurance should be extended to retirees and their families in order to remain competitive and treated as equals with the firefighters in the Saginaw Fire Department. The Fire Department is considered an internal comparable as well as members of the same pension plan. Also, Union Ex. 2, Tab F indicates that the comparables (Lansing, Pontiac and Saginaw Fire) provide dental insurance to retirees.

EMPLOYER RATIONALE

The Union has no credible evidence to support this request. There is only one other agreed to comparable community that has this benefit. While firefighters may have this benefit, they do not receive a shift differential bonus while members of the Command unit do. The Union is presenting the most favorable terms from different agreements in an effort to portray a false sense of the City's agreements with other units.

Award: The Employer's proposal is adopted.

Reason: This offer maintains the status quo.

Union Issue 4: Article 22, Section 5, Retirement Benefits.

The Union withdrew its initial proposals to increase the multiplier and for a new Section 9 providing an escalator. These areas remain status quo. The Union's last offer proposed that for those employees who retire on or after January 1, 1996, the first seven hundred twenty (720) hours of payoff for accumulated sick time be included in the final average compensation. The current agreement includes pay out for accumulated vacation time. The Employer proposed maintaining the status quo.

UNION RATIONALE

The following comparables include sick time in the FAC calculation: a) Flint, b) Jackson, c) Midland, d) Muskegon, and e) Pontiac. The record also shows a history of the Deputy Chiefs' Association, on two occasions, as well as the former Police Chief receiving 90 days sick leave "roll in" to the FAC. The deputy Chiefs also received payment for accumulated compensation time when they were promoted. The compensatory time was then included into the FAC calculation.

Since, five of the ten proposed comparables currently allow unused sick time to be calculated into final average compensation, this proposal is reasonable and should be adopted.

EMPLOYER RATIONALE

Saginaw already includes overtime, longevity, vacation pay and compensatory time in the calculation of FAC and is currently above the comparables. This Union proposal plan would increase the City's contribution another 4.7% (C.Ex. 146, p.4) and cause an unfunded liability of \$638,792.00. The City already has a superior pension plan that provides more benefits than any other comparable community.

Award: The Employer's proposal is adopted.

Reason: The Employer's plan maintains the status quo.

Union Issue 5: New Article, Holidays.

The Union's last offer proposed the inclusion of the following new holiday provision in the new contract.

Section 1. This provision would be effective January 1, 1996 and includes the following twelve (12) holidays:

New Years Day	Veterans Day
Martin Luther King Day	Thanksgiving Day
Good Friday	Day After Thanksgiving
Memorial Day	Christmas Eve
Independence Day	Christmas Day
Labor Day	New Year's Eve

Section 2. Employees who do not work the holiday will receive 8 hours straight time pay as long as noted criterion is followed.

Section 3. Employees who work the holiday will be paid double time and a half.

- Section 4. Employees who are called in or ordered to report to work on a holiday will receive four hours minimum pay at three times their regular straight time pay.
- Section 5. Employees who are on paid vacation on the day of the holiday will have the option to receive both holiday pay and vacation pay, or receive only holiday pay and not have the day deducted from their vacation bank.
- Section 6. Employees can utilize holiday hours included in a workweek for purposes of computing a forty (40) hour work schedule.
- Section 7. Employees can use up to 8 holiday hours to compute towards weekly overtime and the 40 hour work schedule. Holiday hours that are paid but not worked will not be computed towards a forty (40) hour work schedule.

UNION RATIONALE

Currently, there are no holiday benefits for the Command unit. In order for this unit to remain competitive, it is vital that holiday pay is adopted. The Command unit should have at least 12 days designated as holidays just as three of the five comparables do. City exhibit 150 shows that all internal comparables provide holiday pay.

In addition, the Patrol unit as well as SEIU (H), SEIU (S) and AFSCME provide double time to its workers. Battle Creek, Bay City, Lansing, and Midland, all provide two and one-half times their regular straight time hour rate for all the hours actually worked. Lansing also provides an additional eight hour day off if an employee works a holiday, and Muskegon provides three times their actual straight time hourly rate for hours actually worked.

EMPLOYER RATIONALE

The Employer's last offer proposed the inclusion of a new holiday provision in the new contract. This provision (identical to the Patrol Officers contract) would establish the following eleven (11) holidays effective January 1, 1996 – December 31, 1998 and pay employees working these holidays double time for the first 8 hours worked and time and one half for all hours worked in excess of 8.

New Years Day (January 1)
Dr. Martin Luther King's Birthday (3rd Monday in January)
Good Friday (Observed)
Memorial Day (Observed)
Independence Day (July 4)
Labor Day (Observed)
Veteran's Day (November 11)

Thanksgiving Day (Observed)
Friday after Thanksgiving (Observed)
Christmas Eve Day (December 24)
Christmas Day (December 25)

Saginaw unit members already receive the highest overall compensation package among the comparables without any holiday provision. The average number of holidays in the comparables is 9.56. The City's proposed addition of 11 new holidays will rank unit members above the comparables. If the proposal is adopted, unit members will also rank second in vacation and holidays with the comparables. The City's offer is identical to the holiday provision in the Police Officers contract and is superior to the holiday provision in the Firefighter contract, which provides for the payment of straight time plus \$100. The Union's request for 12 holidays at two and a half times the normal rate of pay is out of line with the other units.

Award: The Employer's proposal is adopted.

Reason: The Employer's proposal brings the Command Unit in line with the Police Officers' Unit.

Employer Issue 1: Article 8, New Section 11, Overtime, Pension Benefits-Special Overtime in FAC

The Employer's last offer proposed the exclusion of special event overtime in FAC calculation. The current agreement includes overtime in the calculation of FAC. The Union proposed maintaining the status quo.

EMPLOYER RATIONALE

The City currently provides the highest pension benefit out of all the agreed comparables. The City's proposal does not request that all overtime payments be eliminated from FAC, just those that include special event overtime. In addition, two of the agreed upon comparables do not include any overtime calculation of FAC; Pontiac included. The City's proposal is reasonable when viewed with the other comparable communities and is the most reasonable in order to reduce the City's pension expenditures.

UNION RATIONALE

Currently, the Saginaw Patrol and the Saginaw Command units do not receive special event overtime pay on separate checks. Contract language concerning this

issue is not available from eight out of the nine comparables. The only supporting evidence the City has shown is for Pontiac, however, they do not admit that Pontiac is a comparable. This proposal is without merit.

Award: The Union's proposal is adopted.

Reason: The Union's proposal maintains the status quo.

**Employer Issue 2: Article 22, New Section 9, Pension Benefits-
Employee Contribution.**

The Employer's last offer proposed that the agreement be modified to require unit members to contribute an additional one (1%) percent of salary to the Pension System as of January 1, 1996 and an additional one (1%) percent effective January 1, 1998. The current unit member contribution is eight (8%) percent. The Union proposed maintaining the status quo.

EMPLOYER RATIONALE

The proposed agreement is a necessity in order to reduce City expenditures. The proposed one percent increases are not excessive. The record shows that command personnel in two of the agreed comparable communities contribute 8% to their pensions. Also, even though employees in Battle Creek contribute 7.75%, Jackson contributes 7.5%, and Lansing contributes 6.42%, they can expect much lower pension pay out than employees in Saginaw. By increasing the employee contribution to pension benefits, the City will be able to reduce expenditures while having little impact upon its unit members.

UNION RATIONALE

According to the collective bargaining agreements and the 1995 Michigan Employee Retirement Systems Survey, the average employee contribution is 6.3%. The current Saginaw Command unit employee contribution of 8% is substantially above average. The City's proposal would increase the employee contribution by 2% to 10%. There is no known comparable with a 10% employee contribution rate and the maximum employee contribution rate of the selected comparables is 8%. The City's request is unreasonable and beyond the scope of any employee pension contribution of the selected external comparables.

Award: The Union's proposal is adopted.

Reason: The Union's proposal maintains the status quo.

**Employer Issue 3: Article 24, Section 2, Sick Leave, Lump Sum
Payment For Unused Sick Leave.**

The Employer's last offer proposed eliminating the current cash pay out of one-half unused sick leave, up to 100 days, upon an employee's retirement or death. The Union proposed maintaining the status quo and per Article 22 to include this cash pay out in FAC.

EMPLOYER RATIONALE

Unit members are currently entitled to a cash pay out of 800 hours of unused sick leave. This is not an "earned benefit." Payment for unused time is a double payment. Since Unit members have the highest overall compensation among the comparables, the city can reduce expenditures by eliminating this cash pay out.

UNION RATIONALE

All of the comparables provide a sick leave pay out at retirement or death and pay for sick leave, at a minimum, 50%, up to 80 days. Seven of the nine comparables have a sick leave pay out at retirement at a greater rate than or equal to 50% up to 100 days. The Saginaw patrol has a pay out at retirement equal to that of the current Command unit pay out. This option was not changed in the recent settlement. The evidence does not support the elimination of the sick leave option.

Award: The Union's proposal is adopted.

Reason: The Union's proposal maintains the status quo.

CONCLUSION

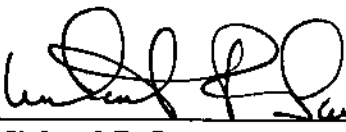
Each and every proposal of both of the parties has been evaluated in relation to each of the statutory criteria. The decisions concerning the individual proposals take into account all the evidence presented as it applies to such criteria.

The specific language from the parties' proposals has not been quoted in this decision, in the interest of saving space. However, in adopting the proposal of one party or the other, it is intended that the exact language proposed by that party in its last offer is adopted.

DATED:

December 4

1998


Michael P. Long, Chairperson

I concur with the issues awarded in favor of the Employer, and dissent on those issues awarded in favor of the Union.

DATED:

December 2

1998

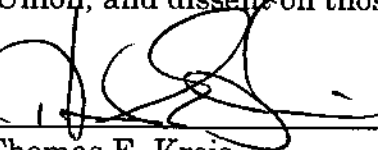

Dennis B. Du Bay
Employer Delegate

I concur on the issues awarded in favor of the Union, and dissent on those issues awarded in favor of the Employer.

DATED:

December 3

1998


Thomas E. Kreis
Union Delegate