# STATE OF MICHIGAN DEPARTMENT OF LABOR EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Act Case No. DO3 B-0367 312 Arbitration Between: Donald R. Burkholder, Chairperson CITY OF DEARBORN Advocates: John Entenman, Dykema Gossett PLLC, for the Employer William Birdseye, POAM, for the Union -and-Delegates: John Entenman, for Employer Jeff Gee, for the Union POLICE OFFICERS ASSOCIATION OF MICHIGAN

## ACT 312 ARBITRATION BACKGROUND

The Police Officers Association of Michigan, or POAM, and its local affiliate, the Police Officers Association of Dearborn, hereinafter the "Union", is the sole and exclusive bargaining agent for all Police Officers, Corporals and Detective Sergeants, excluding uniform Sergeants and all higher ranks. This bargaining unit consisted of 163 employees in August of 2003 when the Employer filed a Petition for Act 312 Arbitration with the Michigan Employment Relations Commission. Recognition of the unit is set forth in Article I of AGREEMENT BETWEEN THE CITY OF DEARBORN-AND-POLICE OFFICERS ASSOCIATION OF MICHIGAN, effective July 1, 1999 through June 30, 2003.

The City of Dearborn, hereinafter the "Employer", listed 31 issues in the Petition, in summary form as follows:

- 1. Duration
- 2. Delete or change obsolete, moot, or ungrammatical language on page 1, in Articles 43(e), 9.1(D), 10.3, 10.4, 18.1, 28.2, 28.3, 38.7, 43.1, 45.1(C), and 45.3.
- Decrease size of Union bargaining committee.
- 4. Revise grievance procedure.
- 5. Revise language regarding military leave.
- Delete seniority for rehired employees.
- 7 Promotions, including phase-out of Detective Sergeants.

- 8. Evidence Tech assignment.
- 9. Work schedule.
- 10. Use of employee vehicle.
- 11. Optical insurance.
- 12. Reserve ratio.
- Sick leave use.
- 14. Wages, including rounding of hourly rates to nearest 5 (five) cents.
- 15. No vacation or overtime payout if discharged for cause.
- 16. Shift schedule.
- 17. Change contract references from "days" to "hours".
- 18. Shift premium.
- 19. Medical insurance cost sharing.
- 20. Drug co-pay.
- 21. Cafeteria plan.
- 22. Medical insurance options re: carriers.
- 23. Medical insurance buy-out.
- 24. Retiree medical insurance: amounts, eligibility.
- 25 Life insurance.
- 26. Pension cola determination.
- 27. Eligibility to purchase prior police time.
- 28. Tuition reimbursement.
- 29. DC Pension plan.
- 30. Paid time off plan.
- 31. Title changes:
  - -Personnel Director to Human Resources Director
  - -Controller to Finance Director

This Arbitrator was appointed 312 Chairperson and Arbitrator in October 2003. The 312 process is governed by Act 312. Section 9, as follows:

## MICHIGAN EMPLOYMENT RELATIONS COMMISSION

Act 312, 1969, Section 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 or with other employees generally:
  - (i) In public employment in comparable communities.
  - (ii) In private employment in comparable communities.
- (e) The average consumer price for goods and services, commonly known as 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 arbitration hearing.
- (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.

A December 4, 2003 Pre-Hearing resulted in the dropping of or Temporary Agreements on a number of Employer issues. The delegates or panel members chosen were Dr. Robert K. Archer for the City of Dearborn and William Birdseye for the Union. Mr. Birdseye also served as the Union advocate, and John A. Entenman served in that role for the City of Dearborn. The parties decided that the comparables agreed upon for the last 312 hearings would be appropriate, i.e., thirteen external comparables plus units internal to the City, as follows:

Ann Arbor
Dearborn Heights
Farmington Hills
Livonia
Pontiac
Roseville
Royal Oak
Southfield
St. Clair Shores
Sterling Heights
Taylor
Troy
Westland
Internal Units

The parties reached a number of Tentative Agreements as set forth in Joint Exhibits 2, 2a and 3 (a Memorandum of Understanding), following considerable negotiation and consultation. The items included, but were not limited to, language on the Grievance Procedure (Section 7.7); Optical Insurance, (Section 18.10); rounding up or down to the nearest five (5) cents when wages are adjusted per contract; limits on redetermination of retirement benefits for the first 24 months (Section 45.2); service credit (Section 45.7); in-service death benefit; tie-breaking "three doctors" concept for non-work related cases (Section 24.3); trading time (Section 18.6), Shift Differential (Section 32.1). Subsequently, there was agreement to re-write Promotional Exams for Police Sergeant and Detective Sergeant (Section 15.5), and Evidence Technician (Section 11.1).

The parties also agreed to the following:

- 1. Deletion of Section 9.1 (D) dealing with Department Seniority.
- 2. Rewrite Section 10.3, Order of Lay Off.
- 3. Rewrite Section 10.4, Establishment of Lay Off Reemployment List.
- 4. Employer withdrawal of its Issue #3, Decrease size of union bargaining committee.
- 5. Employer withdrawal of its Issue #4, Revise Grievance Procedure.
- 6. Employer withdrawal of its Issue #5, with subsequent deletion of Section 9.2
- (F) returning to service within five (5) years from his/her last employment.
- 7. Re-write of Section 9.2 (E) (2), regarding absence of work due to injuries.

The Union's demand from the outset for a pension cap of 78% resulted in the Employer's filing an Unfair Labor Practice charge with MERC, based on Section 45.6 which appears to "...submit for negotiation, and to submit to Act 312 arbitration, any issue constituting a change or modification in the Chapter 23 Retirement System" regarding the 75% cap for any time period prior to July 1, 2004. It is specifically understood and agreed that neither party, for any time period prior to July 1, 2004, shall have any obligation to bargain over said 75% cap." The Union urged that the hearings in this case be delayed until a decision was forthcoming. However, the Panel determined that there was no realistic rationale for such a delay and that, in any event, any decision would of necessity be taken into consideration in further bargaining. A decision from the MERC administrative law judge appointed to hear the matter was not forthcoming until January 2005, when the matter was dismissed.

By letter of February 6, 2004, the parties confirmed that there had been agreement to the following:

- 1. Deletion of Section 24.2 (E), 24.2 (F), and 24.3, regarding Sick Leave.
- 2. Deletion in Article 26, removing the following italicized language:

  -After 48 months Police Corporal Rank

provided the employee has passed a qualifying examination.

3. Rewrite Section 9.2 (B), dealing with Employer Seniority.

By letter of April 9, 2004, the parties agreed to the following:

- 1. Rewrite Section 11.1, dealing with Promotional Examinations for Police Sergeant and Detective Sergeant.
- 2. The parties reached understandings, **not** to be incorporated into the collective bargaining contract, on the following matters:
  - (1) Sergeant Rank Consolidations
  - (2) Command Board
  - (3) Change of Evaluation Period
  - (4) Experience Recognition
  - (5) Non-numerical Score for Non-writers
  - (6) Provision of promotional scores to Union, without any employee names.
  - (7) Separate letter of understanding that Grievance 03-127 is fully resolved.
  - 3. Rewrite Section 16.1, regarding the 7-2 work schedule and arrangements for its review by the Police Chief.
  - 4. Rewrite Section 18.3, Use of Employees Own Vehicle.
  - 5. Replace existing Article 42 language regarding benefits as set forth in current policy with Reliastar.

The Union's Statement of Issues, dated December 18, 2003, was as follows:

- 1. Wages across-the-board.
- 2. Pension Multiplier
- 3. Pension Contribution
- 4. Pension Maximum (Effective 7-2-04)
- 5. Deferred Retiree Medical Insurance
- 6. Compensatory Time Included in Final Average Compensation
- 7. Specialty/Hazardous Duty Bonus
- 8. Bargaining Unit Erosion
- 9. Duty Death Benefit
- 10. Bargaining Unit Overtime.

Hearings were held and testimony taken on Monday, June 28; Tuesday, August 10; Tuesday, September 14; Tuesday, October 12; and Tuesday, November 2, 2004. This last hearing date, also Election Day, was the point at which the voters of the City of Dearborn mandated an increase from 1.7 to 2.1 police officers for each 1,000 residents. This choice had major consequences as a factor in applying the eight factors of Act 312, Section 9, inasmuch as it requires the employment of 17 additional officers.

Continuing constructive dialogue and negotiations, with the encouragement and assistance of the Arbitrator, resulted in a number of Tentative Agreements as well as the dropping of several issues. Joint Exhibits 2, 2a, and 3, and a letter dated December 15. 2003, copied to the Arbitrator, and an April 2, 2004 letter to the Arbitrator from the

Advocate, indicated Tentative Agreements on all remaining issues except those set forth below in the listing of Last Offers of the Union and the Employer.

Discussion at the September 14<sup>th</sup> hearing and a letter from the Union dated September 23 resulted in a final listing of Union issues as follows:

- 1. Wages
- Pension Maximum
- 3. Bargaining Unit Overtime
- 4. Bargaining Unit Erosion
- 5. Hazardous Duty Allowance

This list of Union issues was addressed in its Last Offer of Settlement.

The Employer's issues set forth in its Last Offer were as follows:

- 1. Wages
- 2. Wages (service increments)
- 3. Tuition Reimbursement
- 4. Defined Contribution Plan
- 5. Paid Time Off (PTO) Benefits
- 6. Flexible Benefits (Cafeteria Plan)
- 7. Medical/Dental Redraft
- 8. Pension Maximum
- 9. Hazard Pay
- 10. Bargaining Unit Overtime

A continuous process of communication and negotiation during and following the five days of hearing resulted in the following issues remaining for determination by the Panel. At the December 2004 Panel meeting, the parties requested the Chairman to rule on the question of duration; the decision was for a three year Agreement expiring June 30, 2006.

#### Economic/Non-Economic Mutual Issue Economic 1. Wages Union Issues 2. Pension - Multiplier Economic Economic Hazard Pay 3. Bargaining Unit Overtime Economic 4. Bargaining Unit Erosion Non-economic 5.

## Employer Issues

6.	Wages - Service Increments	Economic
7.	Medical/Dental Redraft	Economic
8.	Tuition Reimbursement	Economic
9.	Pay-off on Separation	Economic
10.	Defined Contribution	Economic
11.	Paid Time Off	Economic
12.	Flexible Benefits	Economic
13.	Police Reserves	Non-Economic.

## Act 312 Award

The Panel's members changed by the time of the March 4<sup>th</sup> initial meeting to determine the Award. Mr. Entenman represented the Employer while Jeff Gee represented the Union. The Panel reviewed the evidence, testimony submitted at the hearing together with the last offers and briefs in light of the statutory criteria set forth in Section 9 of Act 312, MCL 423.329. After assigning such weight to each statutory criteria as the Panel deemed appropriate, the following sets forth the rationale for the panel's award. The Chair was asked to determine duration; he determined a three-year Agreement, July 1, 2003 to June 30, 2006, based on the need for bargaining stability and continuity as well as the Employer's changing financial situation. Sections c, interest and welfare of the public and the unit of government's ability to meet the proposed costs; g, changes during the course of bargaining; and h, other factors normally considered, are applicable.

1. Wages: The panel accepted the Union's Last Offers of three percent (3%) July 1, 2003; three percent (3%) July 1, 2004; two (2%) percent July 1, 2005; and two percent (2%) January 1, 2006. The context of this decision relates to the Employer's current general financial health, while recognizing a) increasing trends in expenditure commitments and decreasing revenue sources; b) a Consumer Price Index (CPI) of 2.2 percent and increasing on a sharply upward slope for 2003; c) consideration of equity based on the comparables, and d) a related panel decision requiring Defined Pension Contribution (DCB). The DCB system provides a potential cost reduction per member of the unit in expenses for pension contributions despite, and because of, the new hires mandated by the Dearborn electorate in November. Consideration of equity based on the comparables also favors the Union position on wages. Act 312, Section 9, paragraphs c, d, f, g, and h, other factors normally considered, are applicable.

Respectfu	lly su	bmitted,
-----------	--------	----------

Donald R. Burkholder, Panel Chair

Derold R. Burtindo

Agree

Jeff Gee, Panel Member (Unio

Dissent

John A. Entenman, Panel Member (City)

2. Pension Multiplier: The Union Last Offer was a 78% cap on the pension multiplier; the Agreement stipulates a 75% cap. The Employer Last Offer was for the Status Quo. The panel decided on the Status Quo, based on Act 312, Section 9, paragraphs c, d, f, and h, with particular emphasis on ability to pay, the comparables, and the economic factors related by the Employer which have transpired during the last several years.

No change to Article 45, Section 5 of the contract.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Agree

John A. Entenman, Panel Member (City)

Dissent

Jeff Gee, Panel Member, (Union)

3. Hazard Pay: The Union Last Offer included a demand for hazard pay, asserting that the post-9/11 era has placed extreme demands on the officer, and that training has changed from learning how to write a report, ticket, marksmanship to putting on Personal Protective Equipment and either entering or isolating an area that might be contaminated with chemical, biological or radioactive materials. Based on testimony, it appears that the primary roles of unit members are to provide protection for firemen responding to incidents involving hazardous material, and to handle any related safety, crowd control, and/or traffic situations. Status Quo, i.e. no language. Article 312, Section 9, paragraphs c, d, and h are applicable, with particularly weighting on d, comparables.

No change or addition to contract.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Agree // M/ Pathunan

Dissent:

Jeff Gee. Panel Member (Unioni)

4. Bargaining Unit Overtime: The Union Last Offer included a demand for bargaining unit overtime which required that any overtime duties of the department that is not supervisory in nature be performed by members of the unit, and that supervisory personnel would not be used in an overtime situation to do bargaining unit work, unless all eligible members of the bargaining unit have been contacted and asked to work and have refused. The panel determined that the Union language would limit management rights and potentially become problematic in terms of the public interest and welfare at times such as emergencies when police personnel are needed on very short notice. It likely would also become a breeding ground for disruptions, morale problems, and grievances. Act 312, Section 9, paragraphs a, c, d, and h apply, with special emphasis on the lawful authority of the employer, the interest and welfare of the public, comparisons, and other factors normally taken into consideration in determination of conditions of employment. The Status Quo, i.e., no language, will continue.

No change or addition to contract.

Respectfully submitted,	Shoped R. Burker
	Donald R. Burkholder, Panel Chair
Agree	( ) My A. Enterman did
	John A. Entenman, Panel Member (City)
Dissent:	C/16/2-
	Jeff Gee, Panel Member (Union)

5. Bargaining Unit Erosion: The Union demand and Last Offer on this issue requires that "no other person than an employee from the non-supervisory bargaining unit of the police department...shall perform non-supervisory police duties, although it does provide for the use of mutual aid or outside law enforcement agencies to perform their duties within City, "...nor does this prohibit supervisory police officers within the City from performing basic duties during the course of their operations." In some ways similar to the Union proposal on Bargaining Unit Overtime, the Panel decided that the Status Quo will remain in place, i.e., no language on this matter. Act 312, Section 9, paragraphs a, c, d, and h apply, with special emphasis on the lawful authority of the employer, the interest and welfare of the public, comparisons, and other factors normally taken into consideration in determination of conditions of employment.

## No change or addition to contract.

Donald R. Burkholder, Panel Chair

Agree John A. Engenman, Panel Member (City)

Dissent:

Jeff Gee, Panel Member (Union)

## 6. Wages (service increments

Employees hired on or after July 1, 2005 shall have four (4) service increments. The present (as of January 1, 2003) would be as follows:

0-12  mon	ths	\$38.167
13-24 mon	ths	\$41,351

25 –36 months \$46,138

37-48 months \$50,930

After 48 months Police Corporal Rank

Respectfully submitted,

Donald R. Burkholder, Panel Chair-

Llondet R. Burkuld

Agree John A. Enterman, Panel Member (City)

Disagree Jeff Gee. Panel Member (Union)

7. Medical/Dental Redraft: The panel accepted the Union proposal of Status Quo with the exception of a change in Drug Rider co-payments to stipulate that Effective 7-1-05, Drug Rider co-payments shall be \$10.00 for generic and \$20.00 for brand.

The panel decision is based primarily on the fact that none of the thirteen (13) comparables indicated Medical/Dental language and basic levels of insurance/service akin to, and/or as vague as, those proposed by the Employer. Recognizing the drastic and continuing increases in employers' health care costs generally, and specifically in Dearborn, with 2003 projected health insurance requests of \$14 million, it was nevertheless determined that the Status Quo language best meets the requirements of Act 312. The panel sees a potential leveling off of Employer costs in pensions because of the initiation of the DCB system. The pertinent Act 312, Sections 9 paragraphs are c, ... financial ability of the unit of government...; d, comparison of ... conditions of employment with other employees ...in public employment in comparable communities; f, ... overall compensation... insurance and pensions, medical and hospitalization benefits... and all other benefits received; and h, ... other factors... normally or traditionally taken into consideration in the determination off ... conditions of employment. Sections 37.2 and 38.3 are modified in part as follows:

37.2

B. Coverage under one of three (3) additional Health Maintenance Organization Plans selected by the City.

Effective July 1, 2005, a Drug Rider with a \$10.00 co-payment for generic drugs shall be included under these plans.

Effective July 1, 2005, a Drug Rider with a \$20.00 co-payment for brand drugs shall be included under these plans.

38.3

B. Coverage under one of three (3) additional Health Maintenance Organization Plans selected by the City.

Effective July 1, 2005, a Drug Rider with a \$10.00 co-payment for generic drugs shall be included under these plans.

Effective July 1, 2005, a Drug Rider with a \$20.00 co-payment for brand drugs shall be included under these plans.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Junal R Butulde

Agree:

John A. Entenman (City)

15

Dissent:

8. Tuition Reimbursement: The Employer Last Offer would have added a new section to the Agreement which stipulates that a seniority employee shall be eligible for up to 75% of the cost of tuition paid, to a maximum of \$750, whichever is less. It also requires that the Employee gain approval from his department head prior to the beginning of course work. The interest and welfare of the public is enhanced by a better educated police work force, and there was no evidence or excessive cost or managerial burden. Therefore the Union position of Status Quo is adopted.

No change or addition to contract.

Respectfully submitted,

Monaed R. Burkholder, Panel Chair

Agree

Jeff Gee. Panel Member (Union)

Disagree

John A. Entenman, Panel Member (City)

9. Pay-off on Separation. The Employer sought to add language to Article 28.1, which would have added "discharge" to the present language listing only retirement as a factor which would eliminate his/her entitlement to payment for any overtime or vacation accumulation that he/she has at the date of his/her separation. The proposed language would deny overtime or vacation to a discharged employee. The panel doubts the legality of such a practice and notes that such a practice would not be equitable to an employee who earned overtime or vacation accumulation., and is likely to result in grievances and/or litigation, either of which would be negative factors in maintaining a positive relationship between unit members and the Employer. The panel accepted the Union position of Status Quo because it is not persuaded that there is sufficient rationale for such a practice, having based its decision on Section c, ability to pay; as well as d, comparisons, and h, other factors normally or traditionally taken into consideration.

No change or addition to contract.

Respectfully submitted,

Donald R Burkholder, Panel Chair

Venace & paralle

Agree

Jeff Gee, Panel Member (Union

Dissent:

John A. Entenman. (Panel Member (City)

10. Defined Contribution: Acceptance of the Employer position requesting a Defined Contribution Plan in lieu of the present Defined Benefit (DB) is justifiable as a means of curtailing drastically increasing pension costs, along with mitigating the financial pressures of increasing expenditure commitments and decreasing revenues generally. The panel recognizes that the only two of the thirteen comparable municipalities with a Defined Contribution Plan (DC) also have the benefit of Social Security, which is a costly item both for Employer and Employee, amounting to more than seven percent (7%) for each party, while members of the Dearborn non-supervisory police unit have not been called upon to bear that expense, and thus can not look forward to collecting Social Security. Present employees have the option to join the DC plan or to remain with the existing DB arrangement. One attractive feature of the Employer proposal is the structured incentive for the employee to contribute more than the required two percent (2%) of pay, for which the Employer contributes four percent (4%). For each additional one percent (1%) employee contribution, the employer will match with two percent (2%) up to and including five percent (5%) employee contribution. "New" employees will be required to take part in the DC plan, which as noted above provides some degree of matching inducements by the Employer for the employee to increase his/her contribution. Act 312, Section 9, paragraphs c, interests and welfare of the public and the financial ability of the unit of government to meet those costs, is particularly persuasive in favoring a DC system. Paragraphs d, comparables; f, overall compensation, and h, other factors normally or traditionally taken into consideration, are also applicable.

## 45.10 (new)

Effective July 1, 2005, all new hires shall participate in the City's Defined Contribution Plan, and not the Chapter 23 Retirement System. A brief outline is as follows:

- A. FEATURES (pre-tax employee contribution)
  - 1. Employees must contribute 2% of pay, and City must contribute 4% of pay.
  - 2. For each additional 1% of pay (up to a combined total of 5%), City will contribute 2% of pay.
  - 3. Employee contributions above 5% of pay will not be matched by City. Maximum City contribution is 10% of pay.
  - 4. Vesting after 5 years. Includes employee service prior to conversion date.

#### B. PARTICIPATION

- 1. All unit employees hired on or after July 1, 2005 must only participate in the City's Defined Contribution Plan (DC Plan).
- 2. All unit employees have an opportunity to join the DC Plan when they are service capped under Defined Benefit (DB) Plan. The employee must elect to defer his/her DB Pension and select the DC Plan within the 6 months following the service cap.
- 3. An election into the DC Plan is an irrevocable decision.

## C. OTHER

## Other terms and conditions as provided in plan description and documents.

Respectfully submitted,	Llevoll R. Barball
	Donald R. Burkholder, Panel Chair,
Agree	Wen A. Entermer de =
:	John A Entenman, Panel Member (City)
Dissent:	VILL DOL
Dissoit.	Jeff Gee. Panel Member (Unioni)

11. Paid Time Off Benefits: The panel accepted the Union Last Offer of Status Quo, no language, primarily because there was no persuasive rationale for change, with no comparables providing similar language. Act 312, Section 9, paragraphs c, d, f, and h. apply.

No change or addition to contract.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Simil R Bulled

Agree

Jeff Gee, Panel Member (Union)

Dissent:

John A. Entenman., Panel Member (City)

12. Flexible Benefits: The panel accepts the Union Last Offer of Status Quo. Although the generic term "flexible benefits" is usually construed to provide for a specified level of non-taxable payroll deductions to be used for specified medical/health and dependent care costs as specified by the IRS code, the Employer Last Offer combined its flexible benefits proposal with its proposed medical/dental redraft, which was not accepted by the panel. Article 312, Section 9, paragraphs c, d, f, and h apply.

## No change or addition to contract.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Denved R. Burkala

Agree Leff Gee Panel Member (Union)

John A. Entenman, Panel Member (City)

13. Police Reserves: The Employer Last Offer requests new language changing in the ratio of police reserves to regular officers from one to one to a limit of three to one. A non-economic issue, the panel determined that the Union position of Status Quo should be adopted, based on Article 312, Section 9, paragraphs c, d, and h, with special note that no comparables indicated such a generous ratio of reserve officers to regular members of the unit. The Status Quo prevails.

No change or addition to contract.

Respectfully submitted,

Donald R. Burkholder, Panel Chair

Agree

Jeff, Gee, Panel Member (Union)

Dissent:

John A. Entenman, Panel Member (City)

May 19,08