

2081

STATE OF MICHIGAN

EMPLOYMENT RELATIONS COMMISSION

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

ACT 312 ARBITRATION

IN THE MATTER OF:

CITY OF IRONWOOD, MICHIGAN

POLICE DEPARTMENT – EMPLOYER

-and-

UPPER MICHIGAN LAW ENFORCEMENT ASSOCIATION/WPPA –
ASSOCIATION

MERC Case NO., L04 A-5015

Arising Pursuant to Act 312

Public Acts of 1969, As Amended

FINDINGS, OPINION AND ORDERS

APPEARANCES:

PANEL:

Chairperson:

C. Barry Ott

Employer Delegate: Keith Johnson, City Manager

Association Delegate: Emil Kezerle,

FOR THE ASSOCIATION: Wisconsin Professional Police Association
Law Enforcement Employee Relations
Division

By: Thomas W. Bahr
340 Coyier Lane, Madison, Wisconsin

FOR THE EMPLOYER: A. Dennis Cossi (P23320)
Ironwood City Attorney
225 East Aurora Street
Ironwood, Michigan

PROCEEDINGS

This compulsory arbitration case is conducted under the authority of Act 312 of the Public Acts of 1969, as amended. The Association, through its business agent, filed a petition, which was received by MERC on July 23, 2004.

The Chairperson of the arbitration panel was appointed by MERC on September 10, 2004. A prehearing conference was held on October 27, 2004 and after several unsuccessful attempts, a hearing was scheduled for March 8, 2005. In accordance with the agreement of the parties, exhibits were exchanged by February 28, 2005. A hearing was held on March 8, 2005, wherein the parties agreed that the case was properly before

the Panel. At the conclusion of the hearing the parties agreed to submit their final offers by April 1, 2005. The final offers were received by the Chairperson in a timely fashion. Closing arguments were submitted by briefs to be filed no later than April 26, 2005, with any rebuttal briefs to be filed no later than two weeks after receipt of the initial briefs. The Chairperson received initial briefs by April 26, 2005 and the parties filed no rebuttal briefs.

ISSUES IN DISPUTE

There are five general issues in dispute in this case, which are characterized as follows:

1. Duration of the Agreement.
2. Wages.
3. Health Insurance.
4. Retirement Benefits.
5. Promotion Procedure.

DECISION – MAKING CRITERIA

The basis for an arbitration panel's Findings, Opinion and Orders, are factors, as applicable, contained in Section 9 of Act 312 of 1969, as amended, being MCL 423.239.

That section of the Act reads as follows:

“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 of goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacation, 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.”

The disputed issues previously identified must be resolved on the basis of the factors outlined in Section 9, as well as other requirements provided in Sections 8 and 10 of the Act. A majority decision of the panel is binding if it is supported by competent, material and substantial evidence of the entire record.

The Association in this dispute represents a bargaining unit consisting of all public safety officers below the rank of Assistant Director and part-time and full-time dispatcher/clerks, approximately seventeen employees. The Employer and the Association are parties to a Collective Bargaining Agreement, which expired on March 31, 2004. The public safety officers work on a twelve hours shift schedule, providing public safety services to the community of Ironwood which has a population of approximately 6293 people, located on the northwestern edge of the Upper Peninsula of Michigan. There are some twelve public safety officers and one sergeant employed by the Ironwood Police Department. Nine of the twelve officers were hired within the last three years and all of the officers have either an Associate Degree or four year Degree in criminal justice. The top pay for public safety officers hired after July 1, 1995, is \$14.49 per hour. Top pay is normally reached after five years of service. However, the parties labor agreement provides at Article 24 – Education Compensation that employees hired after April 1, 1996 shall receive additional years of longevity which shall be credited to an employee who successfully graduates from an Associate Degree and/or Bachelor Degree program in Criminal Justice, Corrections, Fire science, Emergency medicine/Para

medicine, and/or Social Science, in accordance with the completion of college academic credit hours as listed below; however, additional credit will be made at the time of degree completion. Dispatchers will be credited for college academic credit hours in accounting, clerical, business, computers or any other credits deemed pertinent....

<u>Credit Hours</u>	<u>Years of Longevity</u>
12	1
24	2
36	3
48	4
60	5
72	6
84	7
96	8
108	9
120	10

The provisions of Article 23 – Longevity provide, in pertinent part, that an employee with ten years of service is to receive an additional 5% of base salary. Consequently, any eligible employee who has earned his/her Bachelor Degree is credited with ten years longevity and is entitled to an additional 5% of base pay.

FACTORS

The City of Ironwood operates under a home rule charter, utilizing a City Manager form of government. Neither party has presented a challenge to the lawful authority of the City in this case.

Stipulations of the Parties:

During the course of the hearing of March 8, 2005, the parties agreed to a waiver of any Statutory or Administrative Rules regarding time limits. The parties agreed that all other items not herein identified as disputed issues are resolved or otherwise waived.

The interests and welfare of the public and the financial ability of the unit of government to meet those costs:

As noted by the Association, the Ironwood Police Department provides public safety services for the people of Ironwood twenty-four hours per day, 365 days per year. The public welfare demands that such services be provided in an orderly, efficient and competent manner. It is essential to the community that the public safety officers be reasonably equipped, well educated, and trained in the performance of their duties. It is just as important in meeting such goals that the City of Ironwood provide a level of compensation sufficient to attract and retain personnel in the competitive labor market and to maintain a high level of morale within the force. The achievement of these objectives is in large measure dependent upon the financial resources available to meet the cost of such services. The City of Ironwood with its population of approximately 6293 has experienced an estimated 8.1% decline in population from the 1990 to the year 2000 and according the testimony of the City Manager, continues to lose population at about the same rate since the 2000 census. Like many communities in Michigan, Ironwood has experienced a decline in its general fund revenues since 2001 reflecting the overall decline in the nations economy. General fund revenue in the year 2004 was at \$2,987,025, down from \$3,367,534 in 2001. This decline in large part reflects the decline in State revenue sharing, which was at \$930,151 in 2004, down from the high in 2002 of \$1,190,930. The City Manager testified that the estimates for state revenue in 2005 predict a further decline of 1%. The decline in revenue is further complicated by a steady rise in general fund expenses, which are up from \$2,549,257 in the year 2002 to \$3,170,890 in 2004. The imbalance in revenue to expenditures has resulted in a deficit of

\$177,082 for the year 2003 and \$183,865 in 2004. Subsequently, the City has had to deplete its general fund reserve each year in order to balance the budget. Consequently, the City's general fund balance has been reduced from \$1,135,781 in the year 2002 to \$774,838 in 2004, which according to the testimony of the City Manager has caused the City to reduce the general fund balance below the level recommended by their general auditors of maintaining a three-month operating reserve. In a service intensive operation such as the City, the principle cost factor is personnel expense. In the year 2001, the City's total personnel cost was \$2,921,003 and it has increased to \$3,327,270 for 2004. Based upon the revenue figures above, it is apparent that personnel costs are exceeding revenue by a considerable margin. This condition is not the result of any increases in employment levels in the City's organization or any overly generous increases in salary rates in recent years. Under the terms of the last labor agreement the maximum base rate for a public safety officer was increased by \$1.00 dollar per hour from \$13.49 per hour in the year 2001 to \$14.49 per hour in 2003, through March 31, 2004. The record evidence and testimony points to increased costs in two major benefit factors: health insurance and pensions as the problem. As is the case nationally, health care costs and attendant insurance premiums have increased dramatically in recent years, and so has been the experience with the City of Ironwood. The City has historically provided health insurance coverage to full time employees and retirees at its expense. Costs have increased from \$476,654 in fiscal year 2000 to \$723,198 in 2004 for all employees. The record testimony points to continued increases of 10-15% annually if there are no changes to the coverage levels. Pension costs for the Public Safety Department as a percentage of payrolls, including health care cost for retirees increased from 28.89% (\$163,413) in 2001

to 50.54% (\$423,590) in 2004. The cost for 2004 includes \$178,388 for current retirees health insurance, which is paid for from the proceeds of a special dedicated millage which is separate and apart from the general millage. Record testimony of the City Finance Director/Treasurer indicates that the dedicated millage for 2004 was 4.2 mills based upon the pension fund actuary's recommendation, covering the City's annual contribution for pension and retiree health insurance cost. It is also noted that the current employees must contribute 9% of their salary to the pension fund for pension purposes only. No employee contributions are made to the pension fund by current employees to finance future retiree health insurance.

Overall the general financial condition of the City is relatively stable unlike many major cities in Michigan, which are faced with overwhelming revenue deficits requiring drastic budget cuts and major service reductions and employee layoffs. However, it is apparent that the City must take action to bring current expenditures into line with revenues if it is to maintain a fiscally sound position. To its credit the City has taken prudent action in reducing costs associated with health insurance to other employee groups and provided modest wage increases. Such action certainly is necessary to protect the interest and welfare of the public. In part, it is against this background that this panel must evaluate the issues in dispute.

Comparison of the Wages, Hours and Conditions of the employees involve in the arbitration proceeding with the Wages, Hours and Conditions of Employment of other employees generally:

(i) In public employment in comparable communities.

In many arbitration cases the parties spend countless hours arguing which jurisdictions represent comparable communities. In this case each party has simply submitted data from a widely divergent list of jurisdictions without argument as to comparability. Consequently, it is left to the panel to evaluate the data and to determine relative comparability. Act 312 does not contain any definition of the term comparable communities. Practitioners of the arbitration process often apply such traditional characteristics as population, geographic proximity, state equalized property valuation, relative property tax rates, and various community economic characteristics in determining an appropriate group of comparable communities. The Association has submitted data for some 22 jurisdictions in the UP, 7 counties and 15 municipalities. The City has submitted data from 5 jurisdictions in the UP, 1 county and 4 municipalities. The Association has submitted exhibits providing data on geographic proximity to Ironwood, population comparisons, number of personnel, crime statistics, property taxes, and state equalized valuation for the various jurisdictions. In evaluating such data, one must determine their relative value and place into perspective their relationship to the City of Ironwood. For example, Menominee County has a population of some 16,255, Marquette County- 18,391, City of Marquette- 19,661, and Houghton County- 20,626; all have populations substantially greater than the City of Ironwood. One would expect, as the data indicates, that these jurisdictions have greater equalized valuations, which produce much higher revenues than Ironwood. It is therefore likely to expect that these jurisdictions be in a position to provide their public safety officers greater wages and benefits, which would exceed Ironwood's ability to pay. In evaluating the data regarding State Equalized Property Evaluations (EE. EX. B-7), it is noted that of the 22

jurisdictions, 16 have equalized valuations that are higher than Ironwood, 10 of which have more than twice the equalized value of Ironwood, and 8 have equalized values that range from more than 3 times to over 10 times the value of Ironwood. Of the 15 municipalities on the Association exhibit regarding property tax comparisons (EE. EX. B-6), it is noted that Ironwood had the third highest mill rate at 46.45 mills for fiscal year 2003.

Based upon the above analyses together with a careful review of the Association's exhibits regarding geographic proximity, comparative crime statistics, and comparative numbers of law enforcement personnel, it is the judgment of this Panel that a more meaningful list of comparable communities would be comprised of the following list of communities:

<u>MUNICIPALITY</u>	<u>MILL RATE</u>	<u>POPULATION</u>	<u>EQUALIZED VALUE</u>
Baraga	44.16	1257	\$71,564,775
Laurium	45.12	2096	\$90,663,974
L'Anse	46.05	2037	\$92,816,687
Hancock	42.25	4303	\$72,713,895
Negaunee	38.50	4508	\$68,980,650
Kingsford	40.78	5490	\$116,175,900
Ishpeming	48.12	6575	\$84,470,200
Houghton	42.08	7026	\$105,044,261
Menominee	40.83	8928	\$173,815,700
Iron MT.	43.02	8154	\$197,530,000
Gogebic County	—	9757	\$537,999,224
Ironwood	46.45	6293	\$79,432,210

This group of communities provides the Panel with a cross section covering the length of the Western UP from Menominee to Hancock and includes the population concentrations of communities from Hancock to Negaunee, which are reasonably close to Ironwood's population. Gogebic County is included since it includes Ironwood. It is recognized that

Iron MT., Menominee, and Gogebic County all have equalized valuations, which are substantially larger than Ironwood that, enable them to generate greater revenues; they are similar in population and they provide a balance to the smaller jurisdictions in the area mix. In analyzing the record evidence available for this group of communities we find that the maximum base rate for the year 2003 ranges from \$14.45 per hour to \$18.59, with the mean average at \$16.55 per hour. Six communities rank below the average and six rank above as illustrated by the following table:

	'03	'04	'05
Houghton	\$14.45		
Ironwood	\$14.49		
Gogebic CTY.	\$14.75		
Baraga	\$15.41	\$15.68	
Laurium	\$15.61	\$15.61	\$15.93
Hancock	\$16.42	\$16.88	\$17.22
L'Anse	\$16.92		
Negaunee	\$17.69		
Ishpeming	\$17.74	\$17.92	
Iron MT.	\$18.17	\$18.71	\$19.27
Menominee	\$18.34		
Kingsford	\$18.59		
Average	\$16.55		

The data shows that on the Western edge of the UP, the rates of pay decline as we move northwest, and tend to increase again as we move east. There is also a similar pattern regarding equalized property values. The average hourly rate for the lower paying six communities is \$15.17, and the average for the six higher paying communities is \$17.72.

There are two other compensation factors that warrant examination, longevity pay and educational incentive pay. From the data available, we find that nine of the twelve communities have some form of longevity pay. We have examined the data carefully and

it is not necessary to recite in detail the wide variety and levels of compensation provided. Ironwood has a longevity plan that compares quite favorably. The plan provides for a 1% increase above base pay after five years service and has increments up to a maximum of 13% after 26 years of service. Based upon the present hourly rate of \$14.49, the maximum longevity level results in compensation of \$1.88 per hour, or \$3910 annually, based upon 2080 hours per year. This benefit exceeds by a wide margin anything provided by the other communities. It is noted that the Ironwood Police Department has a relatively young work force, but nevertheless this benefit does afford the employees with an opportunity to substantially increase their level of compensation as their service time increases. The available data indicates that Ironwood is one of two communities in the group that provides for an educational incentive pay plan. The plan, as previously mentioned integrates advanced education achievement with the longevity plan and provides officers with a Bachelors Degree with 10 years longevity resulting in a 5% increase above base pay. This plan exceeds the plan provided by the City of Houghton, which provides for a 1% increase above base pay for those employees with an Associate Degree.

We have examined the various labor agreements regarding other conditions of employment and except where there is an issue in dispute, find it unnecessary to provide a detailed analysis in this case.

(ii) In private employment in comparable communities.

Given the unique nature of the work involved in public law enforcement there really are no direct comparable classifications found in the private sector. The parties in this case

have elected not to offer any data or argument regarding private sector wage or benefit data. We agree with the Association that the most relevant comparison in this dispute is the direct comparison to other municipal employees of the same or similar classification.

(e) The average consumer prices for goods and services, commonly known as the cost of living.

The record includes data regarding the cost of living for the Midwest Urban region. (EE. EX. B-8) The pertinent data indicates that the index for Urban Wages and Clerical Workers experienced an average increase of approximately 1.85% in 2003 and 2.32% in 2004.

(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.

As previously indicated we have reviewed the record evidence and testimony regarding pertinent levels of compensation and benefits and except where otherwise noted finds them to be reflective of and consistent with those found in other comparable communities.

(g) Changes in the foregoing circumstances during the pendency of the arbitration proceedings.

To the best of our knowledge the Panel is not aware of any material changes during the pendency of the proceeding, except for the change in the Consumer Price Index data for the first four months of 2005, which would affect the Panel's decision. Notice is taken

that the index has increased by approximately 2.06% during the period of January through April of 2005.

DURATION OF AGREEMENT – (economic)

The Association in this dispute proposes a three-year agreement, effective from April 1, 2004 to March 31, 2007. The City of Ironwood initially proposed and would prefer a two-year agreement but has proposed, as interpreted by the Panel, a third year if so desired. The issue is economic since it involves wage increases. In the opinion of the Panel, a three-agreement is the more reasonable of the two options. One year of the proposed term has already gone by and we are now into the second year. A three-year agreement will afford the parties some modicum of labor stability and peace. It will also afford the city officials a level of certainty regarding labor costs for purposes of budget planning. Accordingly, the Panel adopts the last offer of the Association, a three-year term of agreement, effective April 1, 2004 through March 31, 2007.

AWARD—THREE-YEAR TERM OF AGREEMENT

The Panel adopts the Associations proposal of a three- year term of agreement as follows:

ARTICLE 51- DURATION

51.2: This Agreement shall remain in full force and effect until midnight, March 31, 2007 and thereafter until amended or modified as provided by the parties.

51.2: Either party may, on or after January 1, 2007 serve a written notice upon the other party of its desire to amend or terminate this Agreement, effective March 31, 2007.

In such event, the parties shall commence negotiation immediately on such proposed amendments for a succeeding contract. The provisions of this Agreement may be

amended, supplemented, rescinded or otherwise altered only by mutual agreement in writing and signed by the parties hereto.

C. Barry Ott

C. BARRY OTT, Chairperson

Keith A. Johnson

Employer Delegate

E. S. Keenan

Association Delegate

WAGE ISSUES—(economic)

As determined by the Panel at the hearing of March 8, 2005, the wages for each year of the three- year agreement shall be considered as a separate issue. Thus the three wage issues in this portion of the dispute relate to the wage rates effective April 1, 2004, April 1, 2005, and April 1, 2006. The Association's last offer of settlement for each year is 4.0% across the board for each classification effective April 1, 2004, and 3.5% across the board for each classification effective April 1, 2005, and 3.5% across the board for each classification effective April 1, 2006. The City of Ironwood's last offer of settlement, as interpreted by the Panel is 2% across the board for each classification effective April 1, 2004, and 2% across the board for each classification effective April 1, 2005, and 2% across the board for each classification effective April 1, 2006.

We shall review and discuss the three- year wages issue as one general issue and rule on each year increase as a separate issue. Our review and discussion will center on the maximum base rate for the public safety officer classification since there has been little data and no argument offer by the parties concerning the other classifications in the

bargaining unit and there has been no proposal presented designed to change the internal pay relationship of the various classifications. The Association argues primarily that its wage offer is the more reasonable of the two since according to their analysis the maximum base rate is approximately \$2.00 per hour below the average for comparable departments and their proposal would narrow the gap. Moreover, the Association argues that the City has not offered any explanation or rationale in support of its proposal. Particularly vexing to the Association is the fact that when viewed in light of the City's proposal regarding reductions on the issue of health insurance there is no associated "quid pro quo" for the changes sought for employees nor for future retirees.

The City of Ironwood argues that its offer reflects the level of settlement with another labor organization representing city employees and the increases provided to the remaining non-represented employees. Those employees received wage increases of 2% for 2004 and 2005. In defending their proposal, the City argues that their financial ability to meet the wage demands of the Association is quite limited. It points out that the revenues of the City have either declined or are fixed while expenses continue to escalate to the point where the City has had to deplete its fund balance reserve over the past two budgets to below that recommended by their auditors, contrary to sound accounting practice. The City also argues that the population of the community has been in a continued state of decline since the 1990 census. In short, the City simply cannot afford to meet the demands of the Association.

In evaluating the two positions we have carefully reviewed the data submitted regarding the general condition of the City's finances and it is clear that the City has very little in the way of revenues available to meet the wage demands of the Association or indeed to

finance their own proposal. The comparative wage data does indicate that the maximum base salary is below the average of those communities identified in our review of comparable communities. However, the City's longevity plan and educational incentive plan substantially exceed those of the comparative group and do provide Ironwood's employees with the opportunity to improve their relative wage levels by a significant margin. Simply identifying a list of communities and calculating averages is not the conclusive end of the process of evaluation. It is just as important to determine just where the City of Ironwood should rank in relationship to the other communities. We have noted that levels of compensation for Northwestern UP communities tend to be lower than their counterparts in the southwestern region and further east. This is reflected in the wage data for the six communities in the northwestern region, where the average maximum base rate for officers is \$15.17. When viewed in this context the City's wage rate becomes much more competitive. We find that the comparative wage data, equalized valuations, population and financial condition of Ironwood support a conclusion that the City should rank about in the middle of the lower paying comparables of the northwestern region of the UP. We note that the data regarding the Consumer Price Index data for urban wage earners and clerical workers in the Midwest rose by approximately 1.85% in the year 2003. There is limited data available concerning negotiated rates for the year 2004 among the northwestern group of communities; of the three available, one has a wage freeze in effect, and the other two range from increases of 1.5% to 2%. In the eastern group of communities, Ishpeming has provided an increase of 1%, and in the southwestern group, Iron Mt. has provided an increase of 3%. A 2% increase to the Ironwood maximum base rate results in an hourly rate of \$14.78, effective April 1, 2004.

In consideration of the fact that other employees of Ironwood have negotiated increases of 2% for 2004, and given the state of decline in City revenues, together with our analysis of comparative data as well as the rise in the cost of living occurring in 2003, we conclude that the applicable Section 9 factors of Act 312 support the adoption of the Employers last offer of settlement for the first year of the agreement.

AWARD—WAGES—APRIL 1, 2004

The Panel hereby adopts the Employer's last offer of settlement, which provides a 2% across the board increase to the bargaining unit classification wage rates effective April 1, 2004.

C. Barry Ott

C. BARRY OTT, Chairperson

Keith A. Johnson

Employer Delegate

E. S. Kyurem - dissent

Association Delegate

The increase in the Consumer Price Index for the year 2004 was approximately 2.32%. An increase of 2% applied to the maximum rate of \$14.78 for 2004, results in a maximum rate for 2005 of \$15.08 per hour. Such an increase is consistent with that granted to other employee of the City of Ironwood and closer to the rise in the cost of living than the increase of 3.5% proposed by the Association. Again, in view of the financial condition and the projected continued decline in anticipated state revenue sharing, the proposal of the City is more in line with their ability to pay. While the issue

is much closer than that of 2004, the Panel is of the opinion that the Section 9 factors of the Act support the adoption of the City's last offer of settlement.

AWARD—WAGES—APRIL 1, 2005

The Panel hereby adopts the Employer's last offer of settlement, which provides a 2% across the board increase to the bargaining unit classification wage rates effective April 1, 2005.

C. Barry Ott

C. Barry Ott, Chairperson

Keith A. Jell

Employer Delegate

E.S. Rjuna dissent

Association Delegate

In 2006, the final year of the labor agreement, the Association has proposed an increase of 3.5%. The changes to the Consumer Price Index for the first four months indicate an increase of 2.06%, which represents an escalating rise in the cost of living over the previous year. An increase of 3.5% applied to the maximum base pay hourly rate of \$15.08 for the year 2005, results in a maximum rate of \$15.61 per hour effective April 1, 2006. Such an increase is not excessive in view of the rise in the cost of living over the term of the agreement when applied in context with the wage increases awarded in the first two years. The Panel is mindful of the financial condition of the City,

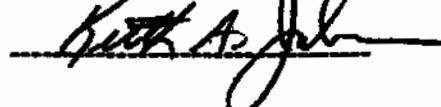
but such an increase is consistent with the Section 9 factors and the available comparative data. Accordingly, the Panel adopts the Associations last offer of settlement.

AWARD—WAGES—APRIL 1, 2006

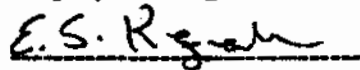
The Panel hereby adopts the Association's last offer of settlement, which provides a 3.5% across the board increase to the bargaining unit classification wage rates effective April 1, 2006.



C. BARRY OTT, Chairperson



Employer Delegate



Association Delegate

HEALTH INSURANCE—(economic)

Full time Bargaining unit employees and their dependents presently have health and hospital insurance coverage under the Blue Cross/Blue Shield of Michigan, PPO Plan 1, with the following Blue Cross Riders as provided in Article 43 of the present labor agreement:

CBMH – 20% Mental Health

Dental Care--RC/50/50

Vision Care – 24/24/24 – A-80 (Blue Cross/Shield optical insurance)

Wellness Benefit – PCM \$500 per person

The provisions of Article 43 contain additional details regarding the insurance benefits that need not be detailed in this discussion.

The Employer proposes to change the coverage level from the existing PPO Plan 1 to the Blue Cross/Shield, PPO Plan 2. During the hearing on this dispute, the Association was opposed to any change in the plan. However, in their final offer of settlement the Association has amended their position to change to the Blue Cross/Shield, PPO Plan 2. In so doing, the Association includes the preservation of the various Blue Cross Riders listed above.

For purposes of clarity, the differences between PPO Plan 1 and PPO Plan 2 are defined in City Exhibit 5, which contains a two page set of tables that reviews in detail the differences in the various Blue Cross/Shield plans including that of the two in question. It is this document that the Panel relies upon when referencing PPO Plan 2.

On the surface it does not appear that the parties are in dispute regarding the issue of whether PPO Plan 2 is to be adopted. However, as the Association points out in their brief, the City's final offer of settlement at item 3 simply states; "Medical – same as other employees of the City/CB PPO2 (Exhibit 1), as such the Association argues that the City's intent is unclear as it relates to the remaining medical provisions of the parties collective bargaining agreement. Specifically, the Association questions whether or not the City's proposal is intended to effectively remove the four riders attached to the former plan and other sections of Article 43. Since the record testimony and evidence does not specifically address this question the Panel must agree that the City's final offer of settlement is ambiguous as to intent. The Association final offer of settlement is specific and detailed as to these questions. Consequently, the Panel is of the opinion the Section 9

factors are best served by the adoption of the Associations last offer of settlement. The effective date for this issue shall be as soon after the effective date of this Award as is administratively possible.

AWARD—HEALTH INSURANCE

The Panel hereby adopts the Association's last offer of settlement, which provides as follows:

ARTICLE 43 – HEALTH INSURANCE

43.1: Blue Cross/Blue Shield coverage shall be paid for each employee cover by the Agreement as follows:

43.2 Blue Cross Coverage:

BLUE CROSS BLUE SHIELD OF MICHIGAN, PPO PLAN 2

Blue Cross Riders:

CBMH – 20% Mental Health

Dental Care:

RC/50/50 - \$800

Vision Care:

24/24/24 – A – 80

Wellness Benefit:

PCM \$500 per person

43.3: The City reserves the right to choose another insurance carrier or adopt other funding vehicles provided that the benefit level, excluding administration, is comparable to or better than the current Blue Cross Blue Shield of Michigan PPO Plan 2.

43.4: Any employee working as a temporary, part-time or less than full-time employee of the Department shall not be entitled to the fringe benefits, including health insurance, as otherwise provided for in this Agreement.

43.5 The Employer shall pay the full cost of the Blue Cross and Blue Shield Dental insurance (or its equivalent) for each full-time employee and dependents RC 50-50 MBL \$800.

43.6 The City shall pay the monthly Blue Cross and Blue Shield Hospitalization Insurance premium costs for an employee on Worker's Compensation leave for a period not to exceed six (6) months beyond the point at which the employee has exhausted his sick leave and vacation leave benefits.

43.7 The City shall provide Blue Cross and Blue Shield optical insurance (or its equivalent) for each full time employee and dependent.

43.9 The prescription drug coverage will be as follows:

1. \$10.00 generic - \$40.00 name brand.
2. In the event that a generic is not available or deemed unsafe for the patient by a doctor's certification, the City will reimburse the employee \$30.00 of the \$40.00 co-pay.

43.10 Payment in Lieu of Coverage;

In the event an Employee is already insured, or has health insurance available through another source, and decides not to participate in the Employer provided health insurance program, the Employer shall pay, in lieu of the insurance coverage, Fifty (\$50.00) dollars per month for a single insured, Seventy-five (\$75.00) dollars per month for a two-person insured and one hundred (\$100.00) dollars per month for a family insured.

C. Barry Ott

C.BARRY OTT, Chairperson

Keith A. Jahn

Employer Delegate

E. S. Kizer

Association Delegate

PENSIONS – HEALTH INSURANCE (economic)

The Employer's proposal seeks to amend the pension provisions of Article 41 of the labor agreement by eliminating any paid health insurance coverage for employees hired on or after March 8, 2004 when they retire. Under the terms of the labor agreement, the City is required to provide health insurance coverage through the retirement system to all members who retire pursuant to Public Act 345 of 1937, the Firefighters and Police Officers Retirement Act. Such coverage ceases upon the retirees' attainment of age sixty-five (65). In addition, the Employer proposes that eligible employees who retire at age 55 have paid insurance coverage for the retiree only and those who retire after attaining age 60 would be eligible for retiree coverage and coverage of a spouse to whom the retiree is married on the date of his or her retirement from the City. According to the City, such changes are necessary due to the rising cost of health insurance premiums in recent years and the fact that the same changes have been implemented for other City employees.

The Association opposes such changes and argues that the retirement insurance coverage benefits presently enjoyed by its member are the result of previously negotiated agreements that the Employer is now trying to delete through the arbitration process.

Moreover, the Association points out that the provisions of Act 345 are uniquely designed for firefighters and police officers. Insurance coverage and pensions for retired police officers is funded by a special dedicated millage, exclusively for the Act 345 fund. According to the testimony of the City Finance officer the City is allowed to levy up to 20 mills for this purpose, separate and apart from the general fund millage. The testimony also indicates that the levy under this millage is determined annually after receipt of the pension fund annual actuarial report as to anticipated funding needs for the fiscal year, including retiree health insurance costs. In fiscal year 2004 the levy was 4.2 mills and is projected at 6.65 for fiscal year 2005. The Association argues that the Employer has failed to demonstrate any inability to pay for the continuation of this benefit.

The Association points out that the Employers proposal to eliminate retiree health insurance for anyone hired on or after March 8, 2004 goes beyond the scope or jurisdiction of this arbitration Panel since it overlaps the previous labor agreement. The data available from the comparables varies significantly but the majority does provide insurance coverage for the retiree and spouse. In some cases with the retiree paying a portion of the cost, particularly for dependent coverage.

Public safety occupations are an essential element in our society and the ability to recruit quality employees is just as essential. The Panel is aware that the recent hires in the department indicate that there will be few if any employees retiring in the immediate future. Funding for this benefit does not represent a drain upon the general fund. The Panel agrees that contractual benefits existing prior to April 1, 2004 under the terms of the previous labor agreement are not subject to this Panel's jurisdiction for the term of that agreement. The Employer's proposal to eliminate benefits for anyone hired between

March 8, 2004 and March 31, 2004 is beyond our power. A minor point perhaps but since the Association raised the question of our jurisdiction we feel obligated to respond.

Taking into consideration the comparable data and the funding source for this benefit, the Panel is of the opinion the Section 9 factors supports the adoption of the Association's last offer of settlement.

AWARD – PENSION – HEALTH INSURANCE – April 1, 2004

The Panel hereby adopts the Association's last offer of settlement, which provides as follows:

ARTICLE 41 – PENSIONS

41.1: Pensions shall be continued under Act 345 of Public Acts of 1937, as amended.

41.2: PSO/Sergeants/Capt. shall have their pension contributions set at the following rates:

Effective 4/1/91 8%

Effective 4/1/92 6%

Effective 4/1/93 5%

All PSO's that are hired after 4/01/95 shall have their Pension contributions set at nine percent (9%).

41.3: Dispatchers shall receive a pension plan as provided under Chapter 11 of the City ordinance of Ironwood as adopted and amended in December of 1987.

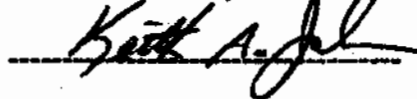
41.4: Recognizing the time required to research cost and benefit impacts, the final average compensation multiplier and appropriate years issues will be the focus of ongoing discussions between the Employer and Bargaining Unit.

41.5: As of April 1, 1998 the final average compensation will be determined by the best 3 out of the last 5 years of employment, and the multiplier will be 2.35%. The multiplier will be increased to 2.5% on April 1, 1999 provided the Pension earns 7%.

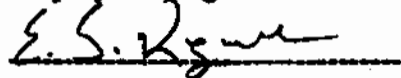
41.6: - Retirement Health Care – The City shall provide paid health insurance coverage through the retirement system to all members who retire pursuant to Public Act 345 of 1937, Firefighters and Police Officers Retirement Act. Such coverage shall cease upon the member reaching age sixty-five (65).



C. BARRY OTT, Chairperson



Employer Delegate



Association Delegate

PROMOTION PROCEDURE – (non-economic)

The Employer proposes to delete any contractual reference to Act 78, of the Public Acts of 1935, which is referenced at Article 7 – Management Rights - J, Article 11 – Discipline – 11.1 and 11.4, Article 12 – Seniority – 12.4, of the labor agreement. The Employer argues that Act 78 includes a provision that allows a vote of the people to remove Act 78 and since such a vote has occurred, the contractual provisions incorporating Act 78 are no longer in effect. In their place the Employer proposes the following language:

“Act 78 promotion – form a promotion committee consisting of three members, one of whom is picked by the union, one of whom is picked by the City and the third is picked by the union and City representative. They will interview candidates and submit three names to management. Management may pick any one of three or go back to the committee for three more names. Any union position would come from union membership and any non-union position would come from union membership and/or any individuals outside of the union.

The Association argues that the City has offered no testimony nor evidence as to why the City cannot continue to comply with “the intents and purposes” of the Act as provided in the Management Rights clause of the collective bargaining agreement. According to the Association, the Act requires, among other things, the City to set minimum qualifications and minimum passing test scores in order for a candidate to be considered for a position within the Department. Additionally, the Act prescribes an objective, definable testing process and time frames of consideration for positions other than entry level. The Association maintains that the City’s offer is nothing more than an attempt to remove an objective testing processes and replace it with an interview process that lacks sufficient detail to determine its standards of evaluation. Consequently, the Association believes the proposal should be determined to be unreasonable and rejected.

The record testimony on this issue is slim to the point of non-existent. The record deals with the fact that in the recent past there was a referendum wherein by a vote of the people of Ironwood the application of Act 78 was rescinded. This Panel will not address the contractual consequences of the referendum, as that was a matter for the parties to address either through the grievance procedure or other legal forum. While the

Employers proposal is abbreviated as to the factors to be utilized by the selection committee, they will nonetheless be subject to all employment laws applicable to employee candidate selection for hiring and promotions in the public service. In fact, under the proposal of the City the committee will be required to determine the content of the interview process and that process will have to comport with all applicable employment laws. As to the City's reasons for their proposal, this Panel can only conclude that they are as implied by the City, i.e., the people voted to rescind the application of Act 78. The Panel is also mindful of the record testimony that there have been no recent promotions in the Department since there is only one sergeant and acting assignments are made to the senior public safety officer on duty when there is not a ranking sergeant on duty. The Panel is of the opinion that the applicable factors of Section 9 support the adoption of the Employers last offer of settlement.

AWARD - PROMOTION PROCEDURE (non-economic)

The Panel adopts the Employer's last offer of settlement The provision shall be implemented as soon as administratively possible.

C. Barry Ott

C. BARRY OTT, Chairperson

Keith A. Johnson

Employer Delegate

E. S. Krum - dissent

Association Delegate