

STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH
EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Arbitration Arising
Pursuant to Act 312, Public Acts of 1969,
As Amended, Between:

City of Adrian,

-and-

MERC Case No. D08 B-0239

Police officers Association of
Michigan

FINDINGS, OPINION AND
ORDERS

PANEL:

C. Barry Ott, Panel Chairman
Gary P. King, Employer Delegate
Kevin Loftis, Union Delegate

FOR THE EMPLOYER:

Gary P. King (P32640)
Keller Thoma, P.C.
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FOR THE LABOR ORGANIZATION

William Birdseye
Kevin Loftis, (On Brief)
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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
DETROIT OFFICE

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PROCEEDINGS

This compulsory arbitration case arises pursuant to a Petition filed by the City of Adrian with the Michigan Employment Relations Commission (MERC) under 1996 PA 312, as amended, being MCL 423.231, *et seq.* The Chairman of the Arbitration Panel was appointed by MERC on June 26, 2009. The Employer appointed Mr. Gary King as its panel delegate and the Police Officers Association of Michigan appointed Mr. Kevin Loftis as its panel delegate. The parties were unable to agree on a list of comparable communities and elected to submit the issue to the Arbitration Panel on briefs for decision. On April 5, 2010, the Panel issued its Findings, Opinion and Order identifying the following cities as comparable communities: Alma, Coldwater, Lapeer, Milan, Monroe, Owosso, Tecumseh and Ypsilanti.

Following a conference call the parties exchanged their respective exhibits and a hearing was held on September 28, 2010. Last, best offers of settlement were exchanged on October 12, 2010, and post-hearing briefs were filed on or about November 19, 2010.

Immediately prior to the start of the hearing the parties executed a Tentative Agreement, identifying some nineteen issues that the parties were able to resolve (Jt. Ex. 22). Included in that tentative agreement the parties stipulate that: "The terms of the parties' Contract shall be the same as the parties' previous contract, as amended by this Agreement, and as awarded by the Act 312 Arbitration Panel as to the issues of wages, health/dental insurance, and vacations."

ISSUES

The Panel has identified the following general economic issues to be determined by this Arbitration Award:

1. Wages – July 1, 2008 to June 30, 2009
2. Wages – July 1, 2009 to June 30, 2010
3. Wages – July 1, 2010 to June 30, 2011
4. Health/Dental Insurance
5. Vacations

On the issue of health insurance, the Panel is of the opinion that there are two separate issues, the benefit levels, including co-pays, deductibles, employee premium cost participation and the following provision that deals with future premium increases and City imposed health care changes for non-union employees:

“If premiums increase or the City imposes healthcare changes for non-union employees, it is agreed that the Union would accept such changes or pay the difference in premium between their current plan and the newly imposed City plan. The City will honor any cost sharing arrangement given to non-union employees with regard to increases in premium. In other words, the Union would mirror non-union employees regarding health care changes or increases in employee premiums.”

Accordingly, the Panel has decided to treat the above paragraph as a separate issue.

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), which provides:

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

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.
- (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The overall compensation presently received by the employees including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

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

(h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding 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 Section 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.

BACKGROUND FACTS

The bargaining unit in this case consists of approximately 26 police officers employed by the City of Adrian. The last collective bargaining agreement for this unit covered the period from January 15, 2007 to July 1, 2008. The record indicates that the City deals with three additional bargaining units. Three police Sergeants, represented by the Police Officers Labor Council. Thirty two employees employed in

Waste Water, Water Treatment, Water Maintenance, Department of Public Works, Parks, Forestry and Cemeteries are represented the Technical, Professional and Office Workers Association-TPOAM. Eighteen employees of the Fire Department are represented by Local 1511 of the International Association of Firefighters (IAFF). The TPOAM unit and Firefighters Local 1511 have reached agreement on successor contracts while the Police Sergeants Unit is still in negotiations. There are some sixty-eight non-union employees whose wages and benefits are determine by the City.

The record includes copies of the collective bargaining agreements for the internal comparables and settlement agreements for those units where the parties have reached agreement. In addition, there are comparison charts that review wages and vacation benefit levels among the external comparable communities.

ABILITY TO PAY

The record in this case indicates that like many Michigan municipalities the City of Adrian has experienced a decline in total taxable property values in recent years and that translates to a corresponding decline in property tax revenue, a major source of revenue. A review of City Exhibit 14 reveals that since fiscal year 2007-2008 taxable values declined from \$461,039,614 to \$392,962,713 for current fiscal year 2010-2011, a decline of \$68,076,901. The projections for fiscal year 2011-2012 forecast an additional decline of \$26,360,479 and \$6,953,273 for fiscal year 2012-2013. Since fiscal year 2007-2008 through fiscal year 2012-2013 the City will have

experienced a real and projected loss in taxable values of \$101,390,653. The City has had a tax rate of 15.6039 mills since fiscal year 2006-2007. The decline in taxable value has resulted in a decrease in property tax revenue from \$7,194,016 in fiscal 2007-2008 to \$6,131,751 in the current fiscal year, a decline of \$1,062,265 and is expected to decline by another \$879,474 by fiscal year 2012-2013. Further losses of an additional \$200,000 could result from pending property tax appeals.

The State of Michigan revenue sharing program generated \$3,010,144 for the City of Adrian in fiscal year 2000-2001. In fiscal year 2009-2010, the City received \$1,994,094, representing a decline of \$1,016,050 since 2000-2001. Given the current economic circumstances it is not likely that the City will experience any increase in revenue from this source in the near future.

In the face of declining revenues, the City has experienced increasing costs of operations. Personnel costs represent 70% of the general fund budget. Pension and health care costs have escalated substantially in recent years. Employer contributions to the pension plan have increased from \$171,299 in fiscal year 2002-2003 to an estimated \$1,080,612 for fiscal year 2011-2012, based upon the Municipal Employees Retirement System's annual actuary report. Health care costs increased from \$1,518,911 in fiscal year 2005-2006 to \$1,668,161 for fiscal year 2009-2010.

The City, to its credit, has responded by reducing the size of the workforce and negotiating changes to the health insurance plans resulting in savings and a balanced budget and an unreserved general fund balance of 15.3% in the general fund-operating budget for fiscal year 2010-2011. Despite their efforts, the Michigan

Department of Treasury placed the City on their "fiscal watch list," a rating shared with 24 other Michigan municipalities.

Obviously the City is faced with a real financial challenge but given the overall state of the economy and responsible management practices the City is on a relatively sound financial basis as evidenced by their favorable ratings by Standard and Poor's and Moody's Investor Service, of "A" and "A2" respectively.

However, unless the revenue side of the ledger increases substantially the City will find itself significantly hard pressed to continue to provide municipal services at their current levels. This fact cannot be ignored by the Panel and must be very carefully considered in evaluating each of the disputed issues.

The provisions of Section 9 of Act 312 simply list the factors that the Panel must consider in its deliberations. Nothing in the Act gives any guidance as to the relative weight or impact that any one of the factors should have on the decision of the Panel.

The welfare and interest of the public require that police services be provided in an efficient manner, but that must be accomplished within the financial resources available.

The record in this case includes evidence and testimony related to the pattern of negotiated settlements between the City and other collective bargaining units as well as evidence concerning changes in wages and benefits for the City's non-union employees. Such evidence must be evaluated carefully and viewed in light of the evidence concerning the wage and benefit data of the external comparables.

DISPUTED ISSUES

WAGES

Economic Issue

The parties have agreed to a three-year contract term covering the period of July 1, 2008 through June 30, 2011. Wages for each year of the contract are to be treated as a separate issue by the Panel. We will discuss the issue of wages under this general heading and decide each year as a separate issue.

The Employer's last best offer of settlement has proposed a wage freeze for each of the three years of the contract. The Union has proposed a 0% increase for 2008, and a 1% increase for the years 2009 and 2010. Obviously, the Panel must decide what if any increases should be awarded for 2009 and 2010.

The Employer argues that no increase is justified for the year 2009-2010 based upon the financial condition of the City and the increases granted to the internal comparables, including the agreed upon changes to the health care plan and the savings associated with those changes. While the Employer acknowledges that both the IAFF AND TPOAM bargaining units received a 1% salary increase none were made retroactively, and the increases occurred only after those bargaining units agreed to the changes in the health/dental plan currently proposed by the City. In the case of this bargaining unit, the Employer points out that the savings associated with the changes in the health/dental plan have been lost for the period of July 1, 2009 to June 30, 2010. According to the City, the cost of a 1% salary increase retroactive to July 1, 2009 for this bargaining unit is \$13,000. The City maintains that the award of

the Union's proposed 1% increase is unwarranted given the financial circumstances and it is unfair to the non-union employees and to those unionized employees who received a non-retroactive 1% wage increase only after the institution of the City's proposed health/dental insurance plan, resulting in savings to the City.

The record evidence regarding wage increases occurring among the comparable communities for the period of 7-1-08 to 6-30-09 produced an average of 2.07%; for the period of 7-1-09 to 6-30-10, an average of 1.75%, and for the period of 7-1-10 to 6-30-11, an average of 2.27%. (U. Ex. 25, 26) As a result of these increases and in view of the City's proposed wage freeze over the same time period, the City will rank 7th among the comparables as of 7-1-08, 8th as of 7-1-09 and 9th as of 7-1-10. The City argues that this is not a new phenomenon since U. Ex. 23 and 24 reveals that as far back as 2005, the City of Adrian was not in the top-half of the comparable communities in terms of police officer wages at the top of the wage scale and has never been at or above the average salary for police officers at the top of the wage scale since 2005. In addition the City argues that only three of the comparable communities have taxable value per capita lower than Adrian's. (C. Ex. 10) City Exhibit 14 indicates that six of eight comparable communities have per capita income higher than Adrian's, and City Exhibit 16 shows that five of the eight comparable communities have median family income higher than Adrian's. The City cites Fact-Finder Robert Stevenson in *City of Inkster-and-AFSCME Council 25* (MERC Case No. D09 I-1081, September 10, 2010, at p. 10) as applicable in this case:

“ While the external comparables are of interest they do not tie in to the realities of the future as no evidence of the financial health of these communities is presented. Given the change in circumstances the question is open as to their ability to fund these contracts today. The offers made by the City on the issues in the proceeding are in line with that provided by other internal employee groups.”

The City contends that the historical facts regarding the relative standing of the City’s wages levels with that of the comparable communities, the City’s current financial condition, and the internal comparable data support their proposal of a wage freeze.

The Union argues that the data regarding the comparable communities supports their proposal. (U. Ex. 23-26) As noted above, the data does indicate that the pattern of settlements and resulting wage levels at the top of the wage scale for the period of 7-1-09 to 6-30-10 will place the City of Adrian next to last among the comparable communities, even with the 1% increase proposed by the Union. The same is true for the period of 7-1-10 to 6-30-11 with the additional 1% proposed by the Union for this period. The Union points out that even with their proposal, the top wage for the Adrian Police officers in 2010 would be \$47,735 per year, nearly \$4,800 per year below the average for the comparable communities. In 2007, the last year that the Police Officers received a wage increase, the top wages was \$46,794, \$2,628 below the average for the comparable communities, indicating that even with their proposed increase their relative standing among the comparable communities is

eroding. The Union asserts that the City has not demonstrated by the record evidence that it does not have the ability to pay for the wage increases proposed by the Union and points to the testimony of City Administrator Dane Nelson that the City has a very favorable bond rating, (Tr. Pg. 60) has been able to maintain a general fund balance of 15% of annual expenses, (Tr. Pg. 61, E. Ex. 14) and that the City was in “pretty good” shape financially given the present economic climate. (Tr. Pg. 61)

The Union argues that their proposal is comparable to what was provided to the internal comparables since non-union employees received a 1% increase in 2008 and even though they did not receive any increase in 2009 and 2010, they have enjoyed the 1% increase since 2008, while the Union’s proposal would not apply until 7-1-09. Moreover, the record indicates that both the Firefighters and TPOAM bargaining units received a 1% increase upon ratification, not the wage freeze proposed by the Employer for Police Officers.

DISCUSSION – WAGES

The parties’ last best offers of settlement amount to an agreement for a wage freeze for the period of 7-1-08 through 6-30-09. The City proposes a wage freeze for the period of 7-1-09 through 6-30-10, and the Union proposes an increase of 1% retroactive to 7-1-09. The record evidence regarding the pattern of contract settlements with the IAFF and TPOAM units shows that the parties agreed to a wage freeze for the period of 7-1-09 through 6-30-10, and the non-union employees also received a wage freeze. The record shows that the comparable communities experienced wage increases ranging from 2% to 2.75%, for an average increase of

1.75% for the same time period. Two communities, Monroe and Ypsilanti settled for a wage freeze.

The record testimony and evidence concerning the financial condition of the City clearly establishes that the City is experiencing declining property values and corresponding revenue, combined with a reduction in state revenue sharing. City expenses, particularly pension costs, have increased dramatically. The City has responded by reducing the work force and negotiating changes in the health care program, reducing their costs and balancing the budget, that includes a 15% general fund balance. Despite these efforts, the Michigan Department of the Treasury has assigned the City to the "fiscal watch list," an indication of "fiscal distress." The 15% general fund balance certainly isn't excessive and in the opinion of a majority of this Panel represents a necessary prudent level of reserves to meet unanticipated expenses.

Standing alone, the data regarding the average wage increases provided by the comparable communities tends to support the Union's proposal. However, that data alone is insufficient. Nothing in the record addresses the financial condition of the comparable communities relative to the City of Adrian. The data must be evaluated in light of the City's known financial condition and the pattern of settlement among the other city bargaining units. A majority of this Panel subscribes to the view of many arbitrators that the deliberations of the panel should include consideration of what the parties could reasonably expected to achieve through the collective bargaining process. All of the City's bargaining units compete in

negotiations within the parameters of the fiscal resources of the City. The same is true for the bargaining units of the comparable communities, and that is indicated by the range and variation of the settlement levels, reflecting the financial resources of those individual communities.

In evaluating the respective positions of the parties, the Panel takes note of the fact that we are considering the Union's proposal of 1% increase vs the wage freeze proposed by the City. Such a difference makes it very difficult since overall the relevant data is such that neither position can be said to be unreasonable. In the final analysis a majority of the Panel is of the opinion that the weight of the internal settlements favors the City's proposal over that of the Union's for the period of 7-1-09 through 6-30-10.

AWARD-WAGES-7-1-08

The parties' last best offers of settlement reflect agreement for a wage freeze for the time period 7-1-08 to 6-30-09.

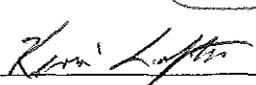
C. BARRY OTT, PANEL CHAIR



GARY P. KING, EMPLOYER DELEGATE



KEVIN LOFTIS, UNION DELEGATE



AWARD-WAGES-7-1-09

The Panel hereby adopts the City's last best offer of settlement as follows:

Appendix A – Wages – July 1, 2009 to June 30, 2010

Wage Freeze.

C. BARRY OTT, PANEL CHAIR

C. Barry Ott |

GARY P. KING, EMPLOYER DELEGATE

[Signature] |

KEVIN LOFTIS, UNION DELEGATE

Kevin Loftis | DISSENT

The last best offer of the City for the period of 7-1-10 to 6-30-11 is a wage freeze. The Union proposes an increase of 1% for all steps contained in the collective bargaining agreement, retroactive to 7-1-10 for all hours compensated.

The Employer argues that the Union's proposal should be rejected on the grounds that the majority of the savings associated with the City's health/dental insurance proposal have been lost for the period July 1, 2010 to June 30, 2011. The Employer asserts that if a 1% retroactive pay increase for the entire year is granted, while the City incurs the additional employee costs of the health/dental plan for over half the year, the wrong message would be sent to those bargaining units that have settled incorporating the City's proposed health/dental plan.

The Union argues that the data for the comparable communities indicates that the average increase effective July 1, 2010 is 2.27%, considerably more than the 1% increase contained in their proposal. Moreover, the proposal is consistent with the settlement reached with the IAFF and that of the TPOAM who settled for 1%.

The record evidence and testimony indicates that the IAFF reached agreement with the City on or about March 16, 2010 and under the terms of that agreement a 1% increase was granted effective on the first pay period following ratification. The City and the TPOAM reached agreement sometime in the summer of 2010 that included a 1% increase. Both of those agreements included the same health/dental insurance provisions contained in the City's proposal in this case. Consequently, the City will realize the savings generated by the insurance changes for all or most of the fiscal year. The City is in effect arguing that the Union should be denied the 1% increase because any savings from the proposed insurance changes will be limited to about one-half of the year. In the opinion of a majority of the Panel that argument is without merit. There are many reasons why negotiations are protracted for the length of time as in this case and since there are two parties to the process, both parties must share responsibility for the delays.

In the opinion of a majority of the Panel essentially the same set of facts and considerations outlined for fiscal year 2009-2010 are applicable to 2010-2011. The deciding weight of the evidence supports granting the same percentage wage increase of 1% that was granted to the other internal bargaining units over that of the external comparables.

AWARD-WAGES-7-1-10

The Panel hereby adopts the Union's last best offer of settlement as follows:

THIRD YEAR WAGES-2010

The Union's last best offer is a 1% increase for all steps contained in the collective bargaining agreement.

Wages retroactive to July 1, 2010 for all hours compensated.

C. BARRY OTT, PANEL CHAIR

C. Barry Ott /

GARY P. KING, EMPLOYER DELEGATE

Gary P. King / DISSENT

KEVIN LOFTIS, UNION DELEGATE

Kevin Loftis /

HEALTH/DENTAL INSURANCE

Economic Issue

The Employer's last best offer of settlement proposes to implement the Blue Cross/Blue Shield PPO 12 plan as follows:

Appendix B. Sections A and C – Insurance

As soon as practicable after issuance of the Act 312 Award, the City agrees to pay the premium to provide Community Blue Option 12, with the City reimbursing through a Health Reimbursement Arrangement all deductibles to the level of the Community Blue 10. Co-insurance levels are 80/20 with \$30 office visit (including chiropractic), MH 80%, \$50 ER, 100% routine mammography. Stop loss for the

policy shall be \$2500 for an individual and \$5000 per family¹. \$10/\$40 Rx with oral contraceptives, and 2x mail order prescription drugs. These premium payments will be made for all regular, full-time employees not otherwise covered by another medical hospitalization plan paid by the City or another employer at the time provided below. In order to avoid duplicate coverage, employees will sign a disclaimer on the form provided before any premiums are paid by the City.

“If premiums increase or the City imposes healthcare changes for non-union Employees, it is agreed that the Union would accept such changes or pay the difference in premium between their current plan and the newly imposed City plan. The City will honor any cost sharing arrangement given to non-union employees with regard to increases in premium. In other words, the Union would mirror non-union employees regarding health care changes or increases in employee premiums.” (By agreement of the parties, this paragraph will be considered a separate economical issue and so decided by the Panel.)

1. The City shall only pay fifty percent (50%) of the cost of the dependent care rider.
2. Employees taking health insurance shall pay the following sums per month toward the cost of their health insurance:

Single	\$40.00
Two-Person	\$50.00
Family	\$60.00

¹ Stop loss means: Co-insurance maximums, representing an employee's maximum exposure after the applicable deductible of the PPO 10 Plan of \$250/\$500 is satisfied.

Said payment shall be by payroll deduction which is hereby authorized.

3. Regular, full-time employees shall, at the beginning of the month

Following completion of their probationary period, be entitled to accrue a payment of \$100 per monthly billing period for any billing period during which hospitalization insurance was not provided for the employee by the City under the condition herein set forth.

(a) Said payment shall be made as an adjustment to a regular paycheck and only those employees who are entitled to a regular paycheck the first pay period in December shall be entitled to the payment in lieu of insurance.

(b) Said payment shall be for the twelve (12) billing periods in the calendar year. A section 125 plan shall be adopted.

4. In the event an employee is eligible for the City health insurance, but elects not to take it because he/she is covered by another employer-paid group health plan, and subsequently loses his/her coverage under that other plan, then said employee shall be allowed to enroll in one of the City-paid plans and said coverage shall become effective at the beginning of the next billing period. (Subject to verification of the loss of the other coverage and filing of appropriate insurance form within thirty (30) days from loss of coverage.)

Revise Section C as follows:

For the life of this Agreement, the City will pay the premiums to provide a dental plan for regular, full-time employees who enroll in the program. The dental plan will provide a level of benefits at 90%/75%/50%, with an annual dollar limit of \$800 per person, as outlined in the agreement with the carrier. Employees taking dental insurance shall pay the following sums per month toward the cost of their dental insurance:

Single	\$2.00
Two-Person	\$4.00
Family	\$5.00

Said payment shall be by payroll deduction which is hereby authorized.

The Union's last best offer differs from that of the Employer in that the Union proposes an annual "stop loss" of \$1,000 for an individual and \$2,000 per family, instead of the \$2,500 per individual and \$5,000 per family proposed by the City.

The Union argues that they have already agreed to most of the Employer's proposed changes to the healthcare plan. Among the comparable communities five of the eight comparables have maximum out of pocket limits of less than \$2500 per person and \$5000 per family for in network providers.

The Employer argues that their proposal reflects the settlements negotiated with the IAFF and TPOAM bargaining units and the healthcare plan applicable to the City's non-union workforce. The Employer asserts that the Union failed to offer

any evidence as to the cost of their proposal or whether Blue Cross/Blue Shield would even write such a policy.

DISCUSSION-HEALTH/DENTAL INSURANCE

The argument of the Employer that the record is void of any evidence concerning the cost of the Union's proposal and even whether Blue Cross/Blue Shield would write such a policy is persuasive. Specific plan cost and projected savings support the Employer's proposal. The proposed plan reflects the settlement reached with the other City bargaining units and that of the non-union employees.

The data regarding the various plans among the comparable communities does indicate that many of these plans have lower out of pocket cost limits that are less than the \$2500/\$5000 contained in the Employer's proposal, but no evidence has been submitted as to the comparative costs and employee cost sharing provisions of the various plans.

Again, the majority of the Panel is of the opinion that this bargaining unit must compete with the other employees of the City for the available financial resources. Health care costs have increased substantially over the years until the City was able to reduce costs through the bargaining process. The reduction was achieved by the adoption of the higher deductibles contained in the Employer's proposal. In the opinion of a majority of the Panel this bargaining unit should also participate in the cost reduction effort and cannot reasonably have expected to negotiate a more favorable healthcare plan than that of the other City employees.

For the reasons stated above, a majority of the Panel is of the opinion that the adoption of the City's proposal more nearly meets the Section 9 factors of Act 312.

AWARD-HEALTH/DENTAL CARE

The Panel hereby adopts the last best offer of settlement of the City as outlined above, excluding the paragraph dealing with future premiums and any changes in plan coverage imposed by the City for non-union employees.

C. BARRY OTT, PANEL CHAIR

C. Barry Ott

GARY P. KING, EMPLOYER DELEGATE

Gary P. King

KEVIN LOFTIS, UNION DELEGATE

Kevin Loftis DISSENT

HEALTH/DENTAL INSURANCE

(Economic)

The Employer has proposed to include the following paragraph in the insurance provisions of the contract:

"If premiums increase or the City imposes healthcare changes for non-union employees, it is agreed that the Union would accept such changes or pay the difference in premium between their current plan and the newly imposed City

plan. The City will honor any cost sharing arrangement given to non-union employees with regard to increases in premium. In other words, the Union would mirror non-union employees regarding health care changes or increases in employee premiums.”

The Panel Chair has discussed this matter with the parties and they have agreed to treat this provision as a separate economical issue.

The Employer argues that this provision simply reflects the agreements reached with the IAFF and the TPOAM bargaining units.

The Union argues that the provision is improper since it would effectively deny the Union the ability to negotiate changes to the healthcare plan, thereby waiving its right to demand negotiations over changes to a condition of employment during the existence of a contract. The Union asserts that it would never agree to waive its rights under PERA as part of a contract, and it would be patently unfair to compel the Union to agree to such a waiver as part of an Act 312 award.

As a practical matter the health/dental care provision awarded in this case will not be implemented until sometime after the first of the new year, leaving less than six months before the start of negotiations.

The Panel Chair has serious doubts as to the propriety or Panel jurisdiction over this issue. The Panel has authority to rule on matters that constitute mandatory subjects of bargaining and this issue is at best a permissive subject. A majority of the Panel agrees with the Union that such proposed language would indeed infringe

upon the Union's PERA right to demand bargaining on a mandatory subject bargaining. Consequently, the Panel will reject the Employer's proposed language.

AWARD-HEALTH/DENTAL INSURANCE

The Panel hereby adopts the Union's proposal to maintain the status quo regarding this issue and rejects the proposed language of the Employer.

C. BARRY OTT, PANEL CHAIR

C. Barry Ott

GARY P. KING, EMPLOYER DELEGATE

Gary P. King DISSENT

KEVIN LOFTIS, UNION DELEGATE

Kevin Loftis

VACATIONS

(Economic)

The Union's last best offer of settlement is as follows:

ARTICLE XX – VACATIONS

SECTION E. An eligible employee will be credited with vacation leave with pay according to their seniority on January 1 of each year in accordance with the following schedule:

Effective with the calendar year beginning January 1, 2003, an eligible employee will be credited with vacation leave with pay according to their seniority on January 1 of each year in accordance with the following schedule:

New Schedule

<u>Years of Seniority</u>	<u>Vacation Work Days with Pay</u>
Eligible employees with less than two (2) years seniority	10
Eligible employees having two (2) years of seniority but less than five (5) years	12
Eligible employees having five (5) years of seniority but less than eight (8) years	13
Eligible employees having eight (8) years of seniority but less than ten (10) years	15
Eligible employees having ten (10) years of seniority but less than fifteen (15) years	16
Eligible employees having fifteen (15) years of seniority but less than twenty (20)	20
Eligible employees having twenty (20) years of seniority but less than twenty-five (25) years	21
Eligible employees having twenty-five (25) years of seniority or more	22

The effective date of implementation will be the date of the Act 312 Award.

The Employer proposes to maintain the current contract language. The Employer argues that the present vacation schedule is identical to those of the police sergeants and the non-union employees at the comparable pay grade level and below.

Moreover, the vacation schedule applicable to the members of the TPOAM bargaining unit provides fewer vacation days for members with five but less than eight years of service, twelve days vs thirteen and at eight years of service but less than ten years, thirteen days vacation vs fifteen. Firefighters have a work schedule utilizing a twenty-four hour day, from 7:00 am to 7:00 am, followed by twenty- four hours off duty. This schedule is repeated for three cycles, than followed by ninety-six hours off and than the schedule is repeated within a twenty-eight day cycle. The Employer characterizes the maximum eleven vacation days enjoyed by the Firefighters as fewer than that presently provided to the Police Officers bargaining unit. However, when vacation days are incorporated with the Firefighters work schedule, it is apparent that they have greater periods of off duty time than that of a Police Officer.

The Union proposal grants an additional day of vacation at ten years of service and an extra day at fifteen years service and at twenty years service and at twenty-five years of service. The record evidence indicates that Adrian's Police Officers receive less vacation leave than the average of the comparable communities. (Un. Ex. 27)

DISCUSSION-VACATIONS

The record evidence indicates that the Police Officers have the same vacation provision as that of the Police Sergeants bargaining unit and a schedule that is greater than that of the TPOAM bargaining unit. A comparison with the Firefighters vacation schedule isn't really appropriate given the differences in the work-week.

Overall, the existing Police Officer's vacation provision compares favorably with that of the other internal comparables. The data regarding the comparable communities indicates that the majority has vacation benefits that significantly exceed that of the City of Adrian. Even with the addition vacation time proposed by the Union, Adrian Police Officers will still have less vacation time than that of their counterparts in the group of comparable communities.

The Panel has recognized the overall financial condition of the City as one that will present a real challenge for the immediate future and has taken that fact into consideration in deciding the wage and insurance issues. In doing so, the Panel has given deciding weight to the evidence concerning internal comparables over that of the comparable communities. In awarding a one percent wage increase and in consideration of the savings associated with the insurance changes contained in this award, anticipated for the balance of the contract term and going forward, the Panel is aware that the overall cost of these changes are modest for a three year contract term. A majority of the Panel is of the opinion that the impact of the Union's vacation proposal when combined with the overall changes contained in this Award do not result in costs beyond the City's ability to pay. Consequently, the Panel will adopt the Union's vacation leave proposal.

AWARD-VACATIONS

The Panel hereby adopts the last best offer of the Union as follows:

ARTICLE XX-VACATIONS

SECTION E. an eligible employee will be credited with vacation leave with pay according to their seniority on January 1 of each year in accordance with the following schedule:

Effective with the calendar year beginning January 1, 2003, an eligible employee will be credited with vacation leave with pay according to their seniority on January 1 of each year in accordance with the following schedule:

New Schedule

<u>Years of Seniority</u>	<u>Vacation Work Days With Pay</u>
Eligible employees with less than two (2) years seniority	10
Eligible employees having two (2) years of seniority but less than five (5) years	12
Eligible employees having five (5) years of seniority but less than eight (8) years	13
Eligible employees having eight (8) years of seniority but less than ten (10) years	15
Eligible employees having ten (10) years of seniority but less than fifteen (15) years	16
Eligible employees having fifteen (15) years of seniority but less than twenty (20) years	20

Eligible employees having twenty (20) years of seniority but less than twenty-five years 21

Eligible employees having twenty-five (25) years of seniority or more 22

The effective date of implementation will be the date of the Act 312 Award.

C. BARRY OTT, PANEL CHAIR

C. Barry Ott 1

GARY P. KING, EMPLOYER DELEGATE

Gary P. King 1 DISSENT

KEVIN LOFTIS, UNION DELEGATE

Kevin Loftis 1

DATED 12-27-010