

IN THE MATTER OF THE  
ARBITRATION BETWEEN:

**City of Grosse Pointe Woods**

And

MERC Case No. D 14 B-0155

**Police Officers Association of Michigan**  
/

COMPULSORY ARBITRATION

Pursuant to Act 312,  
Michigan Public Act of 1969, as amended

**Opinion and Award**

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STATE OF MICHIGAN  
EMPLOYMENT RELATIONS COMMISSION  
DETROIT OFFICE

**Arbitration Panel**

Arbitrator/Chair:  
William E. Long

Employer Delegate:  
Dennis DuBay, Esq.

Union Delegate:  
Kevin Loftis  
Police Officers Association of Michigan Business Agent

**Appearances**

Dennis DuBay, Attorney  
City of Grosse Pointe Woods

Kevin Loftis  
Police Officers Association of Michigan

**Date of Award:** October 6, 2015

## **INTRODUCTION**

The City of Grosse Pointe Woods, (referred to as the Employer or City in this Opinion and Award) and the Police Officers Association of Michigan, (referred to as the Union or Association in this Opinion and Award), entered into a collective bargaining agreement (CBA) for all full-time Public Safety Officers employed by the City for the period July 1, 2010 – June 30, 2013 and later, by way of a settlement agreement, extended the CBA for a period of one year until June 30, 2014. The parties were unable to reach agreement on a new CBA. The Union filed a petition for Act 312 Arbitration on February 12, 2015 and the Employer filed a petition for Act 312 Arbitration on February 17, 2015.

The Michigan Employment Relations Commission (MERC) appointed this Arbitrator as the impartial arbitrator on February 26, 2015. A pre-hearing phone conference was held March 10 and March 12, 2015. During the pre-hearing conference the parties agreed to the external comparable communities and to all issues to be presented to the panel for arbitration. The parties agreed all issues are economic. The parties did not agree on the duration of the new CBA. The Union proposed the CBA duration be 3 years (July 1, 2014 – June 30, 2017). The City proposed the CBA duration be 2 years (July 1, 2014 – June 30, 2016). Since the law requires the parties to submit last offers of settlement on each issue prior to the first scheduled hearing date, the parties agreed to a hearing just on the issue of duration followed by a decision by the independent arbitrator so that the duration of the CBA could be known prior to submitting last offers of settlement.

The hearing on the issue of duration was held April 28, 2015 at the Grosse Pointe Woods City Hall. A transcript (volume 1 – 76 pgs.) was made of that hearing. Testimony was taken from the representatives of the parties and the Employer presented two additional witnesses and the Union presented one additional witness. Post-hearing briefs were submitted to and exchanged through the Arbitrator May 5, 2015. This Arbitrator issued a May 15, 2015 Interim Opinion and Award on duration finding that **the CBA duration will be for the period from July 1, 2014 through June 30, 2016 unless otherwise agreed to by the parties during the course of this proceeding.** A copy of that Interim Opinion and Award will be considered a part of this Opinion and Award and will be contained in the file.

As noted above, the parties agreed to the selection of comparable communities for which a comparison of wages, hours and conditions of employment will be made

between employees involved in this proceeding with other employees performing similar services in public employment pursuant to section 9(d)(i) of Act 312. Those communities are: **The Cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Shores, and Grosse Pointe Park.**

The Union chose Police Officers Association of Michigan Business Agent Kevin Loftis to represent the Union and to be the Arbitration Panel Delegate. The Employer chose Attorney Dennis DuBay to represent the Employer and be the Arbitration Panel Delegate. During the pre-hearing conference the parties agreed that the issue of wages would be addressed separately for each year of the proposed agreement.

A schedule was set for exchange of issues, exhibits, and witness lists, and last offers of settlement on the issues to be presented to the panel. The parties submitted last offers of settlement on July 9, 2015 (J-11, J-12). Three days of hearings on the issues were held July 15, 17 and 22, 2015 at the Grosse Pointe Woods City Hall. The record on the issues consists of three volumes: (Vol. 2 – 277pgs, Vol. 3 – 247pgs, Vol. 4 – 237 pgs.). One hundred fifty-two (152) Exhibits were accepted into the record; 140 Employer Exhibits, 11 Union Exhibits and 1 Joint Exhibit. Reference in this Opinion and Award to transcript pages will be Vol. #- Pg. # and exhibits as E-#, U-# or J-#. The Employer presented the testimony of 5 witnesses and the Union presented the testimony of 4 witnesses. Post-hearing briefs were submitted to and exchanged through the Arbitrator September 14, 2015. The Panel Delegates have placed their signatures on each specific Award in support of or in opposition to the finding and award on each issue to represent that there is a majority on each issue presented and have also placed their signatures at the conclusion of the Award along with the signature of the Independent Arbitrator.

#### **ORGANIZATION OF OPINION AND ORDER**

The Opinion and Order first lists the issues presented to the Panel for decision followed by the statutory criteria to be applied. Following the statutory criteria is a reiteration of the comparable communities agreed to by the parties and the issue of the CBA duration ruled upon by the Arbitrator in the Interim Opinion and Order. The ability to pay is addressed under the economic issues heading followed by each of the issues presented to the Panel for decision in the order they appear in the CBA.

In addition to those issues decided by the Panel, contract provisions not before the Panel for determination that are in the current collective bargaining agreement will be advanced into the new agreement the same as under the old agreement.

The time period for issuing this written opinion and order is specified in Section 8 of Act 312. The required time period is “within 30 days of the conclusion of the

hearing, or within up to 60 additional days at the discretion of the chair.” The hearing was considered concluded upon the filing and exchange of the parties' post hearing briefs, September 14, 2015. This Opinion and Order is issued within 30 days of the conclusion of the hearing.

### **IDENTIFICATION OF ISSUES FOR PANEL DECISION**

In addition to the issue of Ability to Pay, the issues remaining before the Panel for decision, in the order they appear in the CBA, are:

- Issue 1 – (Art 30.3 new sec.) New Positions- part time [Employer proposal]
- Issue 2 – (Art 31.9) Hours of Work and Scheduling [Employer & Union proposal]
- Issue 3 – (Art 39.1) Holiday Leave / paid holidays observed [Employer proposal]
- Issue 4 - (Art 47.2) Hospitalization -Employee Contribution [Employer proposal]
- Issue 5 – (Art 76.1) Cost of Living Bonus [Employer proposal]
- Issue 6 – (Art 77.2) Retirement System Member Contribution [Employer proposal]
- Issue 7 – (Art 77.5 new sec.) Retirement Allowance Re-Open Option [Employer proposal]
- Issue 8 – (Art 83.1) Deferred Compensation – Employer’s Match [Employer proposal]
- Issue 9 – (Appendix A) Salary Schedule [Employer & Union proposal]

### **STATUTORY CRITERIA**

When considering the economic issues in this proceeding, Section 8 of Act 312 guided the Panel. The section provides that “As to each economic issue, the arbitration panel shall adopt the last offer of settlement which, in the opinion of the arbitration panel more nearly complies with the applicable factors prescribed in section 9. The findings, opinions and order as to all other issues shall be based upon the applicable factors prescribed in section 9.” Section 9(1) and (2) states “(1) the arbitration panel shall base its findings, opinions, and order upon the following factors:

- (a) *The financial ability of the unit of government to pay. All of the following shall apply to the arbitration panel’s determination of the ability of the unit of government to pay:*
  - (i) *The financial impact on the community of any award made by the arbitration panel.*
  - (ii) *The interests and welfare of the public*
  - (iii) *All liabilities, whether or not they appear on the balance sheet of the unit of government.*
  - (iv) *Any law of this state or any directive issued under the local government and school district fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, that places limitations on a unit of government’s expenditures or revenue collection.*
- (b) *The lawful authority of the employer*
- (c) *Stipulations of the parties.*
- (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 in both of the following:*
  - (i) *In public employment in comparable communities.*

- (ii) *In private employment in comparable communities.*
  - (e) *Comparison of the wages, hours, and conditions of employment of other employees of the unit of government outside of the bargaining unit in question.*
  - (f) *The average consumer prices for goods and services, commonly known as the cost of living.*
  - (g) *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.*
  - (h) *Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.*
  - (i) *Other factors that 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.*
- (2) *The arbitration panel shall give the financial ability of the unit of government to pay the most significance, if the determination is supported by competent, material, and substantial evidence."*

Where not specifically referenced, the above factors were considered, but not discussed in the interest of brevity.

**COMPARABLE COMMUNITIES**

Section 9(d) of Act 312 directs the Panel to consider a comparison of 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 in public and private employment in comparable communities. As noted in the introduction, the parties agreed to the comparable communities.

**Therefore, the Panel chooses the following communities as comparable to the City of Grosse Pointe Woods in this proceeding: the cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Shores, and Grosse Pointe Park.**

Employer: Agree <u>  RBD  </u>	Disagree _____
Union: Agree <u>  [Signature]  </u>	Disagree _____

- (ii) *In private employment in comparable communities.*
  - (e) *Comparison of the wages, hours, and conditions of employment of other employees of the unit of government outside of the bargaining unit in question.*
  - (f) *The average consumer prices for goods and services, commonly known as the cost of living.*
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- (E- 64) shows Grosse Pointe Woods average housing value is \$236,000 compared to the comparable communities average housing values of \$358,675.
- (E-65) shows Grosse Pointe Woods median household income (\$85,986) is the lowest among the comparable communities and below the \$104,160 average of the comparable communities. And (E-65) also reveals that Grosse Pointe Woods per capita income is the lowest (\$40,615) among the comparable communities that average \$50,050.
- (E-70) shows that the City's unfunded accrued liabilities are the second highest and more than one and a half times the average of the comparable communities.
- (E-73) displayed the liabilities, assets and unfunded accrued liabilities for each community with respect to Other Public Employee Benefits (OPEB) funding. The exhibit reveals that Grosse Pointe Woods has no assets in the plan and has an unfunded liability of \$52,414,605, the highest by far among the comparable communities. (E-74) indicates the City's required annual Employer wide contribution to fund the OPEB benefits is \$3,482,819, also the highest by far among the comparable communities.
- (E-79) shows the employer wide annual required contributions for pension and OPEB liabilities and indicates that Grosse Pointe Woods required annual contributions represent 36.68% of the City's General Fund expenditures which is the highest among, and more than twice that of the average (17.24%), of the comparable communities.

Ms. Irby testified that she prepared (E-22) which provides final annual budget revenues and expenses for fiscal years 2012-13 and 2013-14 and projections for fiscal years 2014-15 through 2020-21. The Budget for FY 2013-14 shows an Unassigned Fund Balance and Cable Fund balance of \$4,021,851 that is 30.59% of budgeted expenses. But her projections for FY 2014-15 and each succeeding fiscal year through FY 2018-19 is that the City will have to draw from the fund balance each year to meet expenses which will result in a gradual reduction of the fund balance for FY 2018-2019 to \$1,990,879, which will be 15.46% of budgeted expenses. This projection does not address the issue of the \$52,414,605 unfunded OPEB liability.

The City acknowledges that the stipulated Act 312 Award between the City and members of this Union for July 1, 2010 - June 30, 2013 contained concessions by the Public Safety Officers (PSO's) including the suspension of COLA payments and the City's deferred compensation match and that these concessions were continued through the voluntary settlement between the parties for the period July 1, 2013 through June 30,

2014. But the City says it cannot be disputed that the City's financial condition is worse now than when those agreements were made. The Employer says it has a structural deficit and the unfunded OPEB liabilities continue to mount due to the City's inability to pay the ever-increasing annual required contribution.

Employer witness Hurst testified that the City is running what CPA's refer to as a structural deficit. He indicated that based on the current projections, if annual expenditures continued to exceed annual revenues, resulting in the City continually drawing from the Unassigned Fund Balance, if you eventually had to show the State that the general fund had a deficit fund balance "your phone would be ringing in a week saying, what exactly are you doing to cure that situation?" (Tr. 2, pg. 45). Mr. Hurst also testified to the OPEB liability and said, "At the end of the day what OPEB is, is just another version of a defined benefit pension plan" (Tr. 2, pg. 46). He said the city "should be putting aside a minimum amount every single year to provide for OPEB" (Tr. 2, pg. 49). The City, in its post hearing brief, acknowledges that Mr. Hurst testified that the OPEB liabilities are not currently required to be shown on the balance sheet, (Tr. 2, pg. 48) but points out that in the 2011 amendments to Act 312, the legislature eliminated the possibility that the Arbitration Panel could ignore the OPEB issue. Section 9(a) was amended to require the Panel to consider "all liabilities, whether or not they appear on the balance sheet of the unit of government."

City witnesses Irby and Colombo testified regarding current tax appeals. They testified that there are currently three appeals pending involving \$6.4 million for 2014 and \$11.8 million for 2015. Mr. Colombo testified that the total taxable value in contention is \$11,837,665 and the potential loss in property taxes if the City were to lose these appeals would be approximately \$500,000. Mr. Colombo stated that if the City lost the appeals for the total amount in contention the potential tax rebate for 2014 would be \$121,034 and for 2015 it would be \$229,463 for a total of \$350,487, and if the tax year 2016 was added to the litigation the total could be \$579,959 or higher (Tr. 4, pgs. 10,11). Ms. Irby noted that any award by the tax tribunal resulting in a rebate would continue each subsequent year and result in an operating deficit until FY 2019-20 (Tr. 4, Pg. 58) (E-22 a, b, c).

In its post-hearing brief, the City draws attention to statements in the Government Finance Officers Assoc. standards (E-68, pg. 2) that recommend a minimum of 16.66%, two months, of operating costs be maintained in the General Fund balance. But the City notes the statement also says a government's particular situation often may require a unrestricted fund balance significantly in excess of the minimum

level and should be applied in the context of long term forecasting. The City says it is clear that it is going to spend its fund balance to balance its budget in the next 4-5 years. It also points out that in addition to the annual operating deficit, the City has another \$3.3 million deficit, because it is not paying its annual required contribution (ARC) to fund the OPEB benefits. The City says Section 9(1)(a)(iii) of Act 312 which states that “all liabilities, whether or not they appear on the balance sheet of the unit of government” must be considered by the panel and therefore requires the consideration of the long term budget projections and the potential need for the City to continue to draw from the unrestricted fund balance to balance its annual budgets. In support of its position that these long term obligations must be considered, the City refers to a previous Act 312 Arbitration case, *City of Royal Oak (Police Officers)*, Case No. D06 E-1674 (Paul Glendon, March 27, 2009) in which the Arbitrator considered “large additions to the City’s operating expenses due to new requirements for actuarially sound current funding for future pension benefits and retiree health care, together now accounting for approximately one-third of the annual operating budget.”

The City says, because of its current and projected operating deficits and OPEB obligations, it does not have the ability to pay for the Union’s final offers in this proceeding.

#### **Union Position**

The Union, in its post-hearing brief, says the Employer has exaggerated its situation in an attempt to portray its economic condition as worse than it is. The Union notes the City’s June, 2014 Comprehensive Annual Financial Report (CAFR) shows a yearend General Fund balance of \$5,026,176 that equals 42.6% of total expenditures (E-67, pg. 18). This fund balance, the Union notes, is far in excess of the Government Finance Officers Association (GFOA) recommended minimum of at least 2 months (16.67%). The Union also notes that even when the City excludes the “committed” and “assigned” fund balances, the Unassigned fund balance is still \$3,754,923, which is 31.8% of total expenditures.

The Union says testimony from City Witness Hurst revealed that it is not uncommon for local units of government to move monies from the general fund and place it into committed or assigned funds, which then makes it appear that the General Fund does not have as large of a fund balance. The Union says the City’s 2014 CAFR demonstrates the City has done that for FY 2013-14 by transferring \$718,751 out of the General Fund into the Motor Vehicle Fund even though the Motor Vehicle Fund had a year-end fund balance of \$2,201,444 (E-67, pg.92). The Union says the City’s position

that the Committed and Assigned funds totaling \$1,271,253 should not be counted toward the unassigned fund balance is contrary to the GFOA best practices report that states:

“In most cases, discussions of fund balance will properly focus on a government’s general fund. Nevertheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund”(E-68, pg. 1).

The Union asserts that following the directions of the GFOA the true unassigned fund balance should be \$5,026,176 (\$3,754,923 + \$1,271,253) that is a 42.6% fund balance.

In response to the City’s OPEB obligations, the Union notes that the vast majority of local governments throughout the State have minimal, if any, funds set aside for OPEB obligations. The Union notes that OPEB payments have been made on a “pay as you go” basis and the City has made all of its monthly payments to City retirees. The Union notes the statement on page 17 of the CAFR that states: “Net OPEB obligations does not present a claim on current financial resources. Therefore, it is not reported as a fund liability.”

The Union’s post-hearing brief points out what it alleges are various discrepancies in Employer witness Irby’s testimony during the course of the hearing as it relates to evidence presented in some of the exhibits. They will not be reiterated here. Suffice it to say that the exhibits speak for themselves and have been carefully examined, including the City’s 2015 taxable value, projections of tax refund obligations and lower property tax revenues from cases presently at the State tax tribunal, and potential obligations involving pending lawsuits.

The Union’s position is that the City’s current financial condition reveals that the City has the ability to pay for the revisions in the CBA sought by the Union in the Union’s final offers of settlement, but the City’s position is really an unwillingness to pay.

## **Discussion and Findings**

### **Discussion**

The panel has reviewed the evidence and testimony provided in the context of Act 312, Section 9 criteria. Section 9 criteria particularly applicable to this issue includes subsections (1) (a), (h) (i) and subsection (2). The panel believes it has given Section 9(2) appropriate significance based upon the evidence presented at this hearing.

Section 9(1)(a) of Act 312 requires the panel to consider:

- (i) The financial impact on the community of the panel's award
- (ii) The interests and welfare of the public
- (iii) All liabilities, whether or not they appear on the balance sheet of the unit of government

Section 9(2) states: "The Arbitration Panel shall give the financial ability of the unit of government to pay the most significance, if the determination is supported by competent, material, and substantial evidence."

The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014 (E-67) contained sections highlighting several Financial, Budgetary and Governmental Activities that provide a good picture of what the Employer's financial situation has been and what it will likely be faced with during the course of this CBA and in the foreseeable future. The following excerpts from those highlights pertinent to the issues in this proceeding are:

**Financial Highlights – pages 4,5**

- General property tax revenue remains the same as fiscal year 2012-2013. The City did implement a new Payment in Lieu of Taxes (PILOT) program which generated an additional \$69,000 in tax revenue. Property taxes continue to be the City's largest source of revenue; however, like most communities in Michigan, the taxable value of property is slow to rebound after the 2007 decline. We are hopeful that new development will increase the taxable values in the near future.
- State shared revenue remains our second largest revenue source, showing a slight increase of \$20,000 over fiscal year 2012-2013. A payment from the State of Michigan to reimburse the City for a school election added another \$20,000.
- Building license and permit revenues decreased \$28,000 over fiscal year 2012-2013. This decrease in permit revenue is the result of completing the permit process for the development on Cook Road. The direct cost of operating the building department increased approximately \$42,000 over the previous year due to the addition of two part-time positions.
- Revenue from District Court fees and fines decreased by \$76,000 as compared to fiscal year 2012-2013. This is the second year for a decline in revenue and the number of violations being processed. The direct cost of operating the Municipal Court decreased approximately \$4,000 due to cost containment.
- Cable franchise fees decreased \$40,000 over the previous fiscal year; however, the Retiree Drug Subsidy increased \$43,000.
- Although there were fluctuations in the various revenue categories, overall the General Fund's revenue increased approximately \$93,000 and the transfers in decreased \$120,000 from fiscal year 2012-2013 revenue.
- General Fund expenditures increased \$107,000 in fiscal year 2013-2014. A decreased of \$150,000 in MIT refunds was offset by an increase in

- municipal street lighting and health benefits for active employees and retirees of nearly \$200,000 over fiscal year 2012-2013.
- Transfers out of other funds increased \$533,000 for fiscal year 2013-2014 as compared to the previous year. The majority of the increase (\$40,000) is attributable to the City's 20 percent share of road repairs on Marter and Morningside. The remainder of the increase was transferred to the Motor Vehicle Fund to cover the cost of repairs to aging vehicles and equipment. As a result of the increased expenses and transfers to other funds, the General Fund fund balance, exclusive to Cable Franchise and Local Street Funds, decreased \$352,000. It is important to mention that the fiscal forecast shows the use of fund balance as a balancing tool for future budgets. In addition, many capital purchases were removed from the budget, for a fourth consecutive year, in an attempt to maintain essential City services at a reasonable cost.

### **The City as a Whole – page 6**

Total liabilities in the business-type activities increased about \$1.3 million in fiscal year 2013-2014, which is the final year of a three-year construction project for water meters and water main repairs. This construction project is being financed with a low interest loan from the State of Michigan Drinking Water Revolving Fund. The \$2.5 million increase in business-type assets relates to continued water main construction and sewer improvements. Overall, City debt remains very low.

### **Governmental Activities – page 8**

The City's governmental revenue totaled approximately \$17.3 million, with the greatest revenue source being property taxes. Property taxes make up approximately 75.1 percent of the total governmental revenue. That percentage is up by 1.1 percent, from approximately 74 percent of the total governmental revenue in fiscal year 2012-2013 due to the creation of a PILOT and increased late fees. The City experienced a slight increase in taxable value for 2013-2014, and remains hopeful that the trend continues into the next fiscal year. Because there were a large number of Michigan Tax Tribunal cases settled by stipulation in fiscal years 2013-2013 and 2013-2014, the City must report a reduction in revenue equal to the total dollar amount of all cases currently under appeal.

Total governmental expenses for the City were approximately \$19.6 million. This is up by \$0.7 million from fiscal year 2012-2013. Expenses increased this year due to transfers to other funds to cover vehicle maintenance and road repairs. Concessions by employees, unpaid furlough days, and departmental cost containment efforts continue into 2014-2015.

### **General Fund – page 9**

In fiscal year 2013-2014, the General Fund's fund balance decreased by approximately \$351,600. Of this decrease, \$400,000 is related to a transfer to cover the City's 20 percent cost share of a grant for road repairs for federally eligible roads (Marter and Morningside). Employee concessions and cost containment efforts of the City Council, appointed officials, and department directors helped to hold the overall increase in expenses to

\$26,000. The Local Streets Fund added \$94,000 to the General Fund fund balance, due to a reduction in concrete maintenance and overall cost containment. GASB No. 54 requires that the Local Streets and Cable Funds are now shown as part of the General Fund.

The City's General Fund year-end fund balance is approximately \$5.16 million; \$1.41 million is committed, assigned, and non-spendable, leaving \$3.75 million unassigned. The unassigned amount represents approximately 30.7 percent of fiscal year 2013-2014 actual expenditures. This level of fund balance is above the recommended level of between 10 percent and 15 percent of annual expenditures; however, the City strives to maintain a cash surplus of sufficient to maintain superior City services and retain a favorable bond rating. In addition, the City's fiscal forecasting applies \$1.5 million (40 percent) of the unassigned fund balance to the next four years of operations to cover the structural deficit. We anticipate new development will help increase tax revenue above the cost of living adjustment.

#### **General Fund Budgetary Highlights – page 11**

The City's General Fund ended fiscal year 2013-2014 with concessions from all four labor unions and nonunion employees. This was the sixth year for concessions. Facing a slow rebound in taxable value, the City eliminated road construction and vehicle purchases. The unplanned reduction in revenue from the Violations Bureau of the Municipal Court and the participation in the road grant caused a \$426,000 reduction to the fund balance. Since the Cable and Local Street Funds are reported in the General Fund, their increase in fund balance of \$40,700 will offset the total decrease. The City's long term fiscal forecast predicts the City will use fund balance to balance the budget for the next several years.

#### **Economic Facts – page 12**

Due to the decline in the General Fund fund balance as well as declining revenues, the City has implemented a number of cost-saving actions in order to continue its prudent fiscal management. One significant change was contracting Emergency Medical Services with Medstar Ambulance Company. Unfortunately this caused the layoff of five City employees, which resulted in a cost saving of approximately \$600,000 per year.

In addition, there have been across-the-board budget reductions, the elimination of vacant positions, the implementation of a hiring freeze over the past five years. In addition, major reductions in discretionary spending such as travel and training were eliminated. A number of capital improvement projects have been delayed, cancelled, or face a reduction in project scope. City employees have wage concessions benefit cuts for the past six years.

In looking to the future, the City continues to work with its employee bargaining groups to strike a balance between cost savings and employee retention. Additionally, consolidation partnerships continue to be explored to reduce costs and increase efficiencies and to further comply with the Economic Vitality Incentive Program (EVIP). One example of planned consolidation and sharing of services is the receipt of a grant to

combine public safety dispatch and police lockup services for the cities of Grosse Pointe Woods, Shores and Farms. This grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations for all three cities.

The Government Finance Officers Association (GFOA) Best Practice for Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund (E-68, pgs. 1,2) provides guidance in assessing the issues relating to the issue of “ability to pay.” The following excerpts from that document pertinent to the issue of the proper fund balance in this case are:

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, took in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government’s general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government’s general fund to evaluate a government’s continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments.

Those interested primarily in a government’s creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens’ groups, which may view high levels of fund balance as “excessive.”

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government’s own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government’s particular circumstances. Furthermore, a government’s particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

In establishing a policy governing the level of unrestricted fund balance in

the general fund, a government should consider a variety of factors, including:

- The predictability of its revenue and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund);

Attachments 1 and 2, included as a part of this Opinion and Award, display compilations of record evidence contained in exhibits involving population, economic data and OPEB funding of Grosse Pointe Woods and the comparable communities. All of these documents provide valuable information relevant to the issue of “ability to pay.” The following excerpts from these documents have guided my assessment of the Employer’s ability to pay:

CAFR

- General property tax revenue remains the same as fiscal year 2012-2013. Property taxes continue to be the City’s largest source of revenue; however, like most communities in Michigan, the taxable value of property is slow to rebound after the 2007 decline. We are hopeful that new development will increase the taxable value in the near future.
- State shared revenue remains our second largest revenue source, showing a slight increase of \$20,000 over fiscal year 2012-13.
- Although there were fluctuations in various revenue categories, overall the General Fund’s revenue increased approximately \$93,000 and the transfers in decreased \$120,000 from fiscal year 2012-13 revenue.
- General fund expenditures increased \$107,000 in fiscal year 2013-14. A decrease in MTT refunds was offset by an increase in municipal street lighting and health benefits for active employees and retirees of nearly \$200,000 over fiscal year 2012-13.
- The City’s General Fund year-end balance is approximately \$5.16 million; \$1.41 million is committed, assigned, and non-spendable, leaving \$3.75 million unassigned. The unassigned amount represents approximately 30.7 percent of fiscal year 2013-14 actual expenditures. The City strives to maintain a cash surplus sufficient to maintain superior City services and retain a favorable bond rating. In addition, the City’s fiscal forecasting applies \$1.5 million (40 percent) of the unassigned fund balance to the next four years of operations to cover the structural deficit. We anticipate new development will help increase tax revenue above the cost of living adjustment.
- The City’s General Fund ended fiscal year 2013-14 with concessions from all four labor unions and nonunion employees. This was the

sixth year for concessions. In addition, there have been across-the-board budget reductions, the elimination of vacant positions, and the implementation of a hiring freeze over the past five years. In looking to the future, the City continues to work with its employee bargaining groups to strike a balance between cost savings and employee retention.

#### GFOA Best Practice for Determining Unrestricted Fund Balance in the General Fund

- It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.
- The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including: The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund.

#### **Attachment 1**

- Data in this attachment reveals that Grosse Pointe Woods, compared to the comparable communities:
- Has the lowest per capita income
- Has the lowest median household income
- Has the lowest value of owner occupied housing
- Had the greatest percentage reduction in taxable value 2008-2014.

However, it was comparable to all cities in population decline from 2010 to 2013 and had the highest general fund balance among all comparable cities at the end of FY 2013-14.

#### **Attachment 2**

Data in this attachment reveals that all comparable cities and Grosse Pointe Woods have unfunded accrued liability for Employer Wide OPEB obligations. However, Grosse Pointe Woods has, by far, the largest amount of unfunded accrued liability and the largest annual required contribution among all cities.

This information reveals that the City of Grosse Pointe Woods, like other Michigan Cities, has had to struggle with declining revenues over the past several

years. It has done so by making major reductions in personnel and not investing in capitol improvements or maintenance as it might normally do. And, while it has maintained its required annual contributions to its retirement plans, it has not made required payments for OPEB obligations. As a result, it has been able to maintain a relatively high general fund balance and a “favorable bond rating.” But it projects it will have to draw from that fund balance in the next several years to balance its yearly budgets. And those budgets don’t include any payments for future OPEB obligations.

In my view, the necessary balancing of interests this Panel is to base its findings, opinions and order upon, as required by Section 9 of Act 312, is embodied in the CAFR statement: “In looking to the future, the City continues to work with its employee bargaining groups to strike a balance between cost savings and employee retention.”

The record evidence indicates employees have made concessions over the past few years. In addition to concessions, it is noteworthy that the June 30, 2014 CAFR statistical section indicates that over the last nine fiscal years overall staff has been reduced from 105 to 81 (E- 67, pg. 125). The Public Safety Department is the largest department and staff was reduced from 52 to 39 (25% reduction) during this period. Record evidence indicates that shortly after 2010 the public Safety Department staffing level dropped from 38 to the present 32 (Tr. 4, pg. 170). That would mean there has been a 38% reduction in the Public Safety staff over the past 9 years. Act 312, Section 9 requires, when considering the ability to pay, to also consider the interests and welfare of the public (Sec.9. (1)(a)(iii). The safety of the community is a critical service in the interests and welfare of public.

But, of course, for the City to maintain services, including public safety, it must do so within the reality of revenue and budget constraints. It appears it has been doing so with thought and planning. I do not totally agree with the Employer’s statement in its post-hearing brief that, in reference to the City’s current financial condition, “it cannot be disputed that the City’s financial condition is worse now than when those agreements (the agreements between the City and the PSO’s for the periods July 1, 2010 – June 30, 2013 and July 1, 2013-June 30, 2014) were made.” Although its OPEB liabilities continue to grow, I believe record evidence shows that the tax revenue is gradually increasing and state revenue sharing is likely to increase slightly as Michigan’s economy continues to improve.

On the other hand, I do not view the City’s plan and projections for future revenue and expenditures as unreasonable. I do not believe, as the Union suggests, that we should consider the current general fund balance in isolation from other longer-term

projections.

But I also don't believe it is as necessary, as the Employer seems to suggest, to place as much emphasis on projected tax tribunal decisions that may or may not have an impact on future budgets. And while there is no doubt that the City will have to address the OPEB liability issue, it would appear to be an issue that can be addressed through future negotiations between the parties as they review overall active employee and retiree health benefits, and consider gradual and reasonable levels of annual required contributions as the overall economy and City revenues improve.

It is in this context, based on the facts and evidence presented in this case, that the panel attempts to balance the interests of the Employer and members of this Union, and the interests and welfare of the citizens of Grosse Pointe Woods that they both strive to meet.

**Findings**

**Based on the evidence presented, and giving the financial ability of the unit of government to pay most significance, the Panel finds that the Employer is able to pay the necessary costs ordered in this Opinion and Award without a significant financial impact on the Employer and in the best interests and welfare of the public. The Panel believes the financial impact, when considered in the context of the Panel's Award on the individual issues presented to the Panel for decision in this proceeding, will not result in a significant negative fiscal impact on the Employer or the community.**

Employer: Agree _____	Disagree <u>DBD</u> _____
Union: Agree <u>[Signature]</u> _____	Disagree _____

**Issue 1 – (Art 30.3 new sec.) New Positions- part time [Employer proposal]**

**Employer Position**

The Employer proposes that the following language be added to Article 30:

30.3 Up to a maximum of three part-time officers may assist and augment the overall operation of the Public Safety Department as they may be assigned by the Director. Public Safety Officers shall not work more than 1350 hrs. in a calendar year.

The part-time officers will be employed in accordance with the Michigan Coalition of Law Enforcement Standards (M.C.O.L.E.S) and shall be certified. Part-time officers shall be in the bargaining unit. The part-time officers shall serve a probationary period of 2,700 hours and be required to successfully complete a Field Training Program if required by the Department. The part-time officers will be paid \$18.00 per hour but will be ineligible for any benefits provided in this agreement.

The following conditions shall apply:

- A. That there would be no reduction in the number of sworn full-time officers as the results of hiring part-time officers.
- B. There will be no lay-off for full-time P.S.O. personnel, because of the hiring of part-time officers unless all part-time personnel are first laid off.
- C. The sworn department staffing level (Command and P.S.O.) will remain at a minimum of 32 sworn full time personnel which includes the Public Safety Director.
- D. Full-time officers will continue to be called in for overtime to cover any emergencies, including shift strength minimum requirements prior to calling in any part-time officers.
- E. Although part-time officers will have full arrest powers, the duties of these officers will be structured in an effort to allow full-time officers to perform all law enforcement and traffic duties.
- F. Additional duties of part-time officers may include but are not limited to the following:
  - Ordinance enforcement;
  - Prisoner transport;
  - Animal control;
  - Parking enforcement;
  - Traffic control.
- G. These part-time officers will not engage in firefighting operations, but may be called to assist at fire scenes.

These officers will assist full-time Public Safety Officers in all law enforcement duties as directed by the Supervisors.

The Employer provided exhibits (E-121) through (E-123) and City Administrator Al Fincham testified on behalf of the City in support of this proposal. Exhibit (E-121) describes the other City units in which the City employs part time employees. It reveals that Public Safety Dispatch, TPOAM, and Non-Union units employ part time employees but the Public Safety Command and Public Safety Officers (PSO's) do not. Exhibit (E-122) describes the Comparable Communities experience with use of part time employees within Public Safety Officer units and reveals that none of the comparable communities Public Safety Officer units employ part time employees. Exhibit (E-123) provides data describing the number of police citations (traffic tickets) issued by the City for the years 2008 and 2014 and the Municipal Court revenue resulting from those tickets being issued for those years. It shows that the number of citations issued in 2008 was 4,635 and in 2014 was 1,883. That was a 2,752 (59.37%) reduction that, in part, resulted in a \$211,996 (26.3%) reduction in Municipal Court Revenue for 2014 compared to revenues for 2008.

City Administrator Fincham testified that during the 1980's and up to about 2010

the City had a Traffic Enforcement Unit consisting of three Officers. They were responsible for traffic enforcement and education and regular police/firefighting duties. He stated that in 2010 the Public Safety Department went from 38 to 32 staff due to the financial situation. As a result, the three officers that were assigned to traffic enforcement were put back on regular shifts and for all intents and purposes the traffic enforcement unit was abolished at that point and that resulted in the reduction in the Municipal Court revenue (Tr. 4, pg. 170).

Mr. Fincham testified that given the criteria in the proposal specifying the hourly pay rate and limiting the number hours a part time Officer could work would result in a cost of about \$75,000 for the three Officers for a year. He pointed out that it may be able to generate an additional \$200,000 in annual general fund revenue through the additional issuance of traffic tickets, thereby supporting not only the cost of the Officers but also adding \$125,000 to the General Fund. He said he viewed this proposal as a three-way win: 1) The citizens win because you have additional boots on the ground, i.e. additional Officers on the street increases the perception of safety; 2) The full time officers win by having an additional officer to assist them if needed; and 3) The City wins because it increases traffic enforcement and education and will create a revenue stream it currently doesn't have (Tr. 4, pg. 173). He stated that one of the key things in the agreement is that the City would hire part-time Officers from the City's retiring officer rank and by doing that, have an opportunity for those Officers to have another job in retirement which benefits the City because there is no learning curve (Tr. 4, pg. 173). In response to a question, Mr. Fincham acknowledged that the proposed language does not specifically state that, but that was mutually discussed and agreed to at the bargaining table and the document specifically written to the concerns of the other bargaining team and the tentative agreement reflected that (Tr. 4, pg. 175). Mr. Fincham said if Grosse Pointe Woods retirees were not interested in the part time positions, retirees would be sought from other Grosse Pointe communities that the City has mutual aid agreements with because they would be familiar with Grosse Pointe Woods operations (Tr. 4, pg. 179).

The City, in its post-hearing brief, acknowledged that none of the comparable communities currently have part time Officers. But the City says neither do they have dwindling General Fund balances similar to Grosse Pointe Woods. The City says having an additional police car on the streets would result in residents feeling safer and improved traffic enforcement. Additionally, full time Officers would be relieved, at least in part, from performing minor less critical tasks and would benefit from a higher

degree of safety by having additional back up if necessary.

The City's post-hearing brief also addressed the issue of whether the statements of Mr. Fincham regarding agreements between the parties at the bargaining table, but not contained in the proposed CBA language, stating that it would hire part time officers from the City's retiring officers, could be binding on the parties. The City says it is a well-settled arbitral principle that in interpreting a contract provision, the parties' bargaining history is a cornerstone. It cites *Elkouri & Elkouri, How Arbitration Works* (Sixth Edition, 2003) principles from the standpoint of bargaining history, agency and estoppel. The City, in essence, says this supports the interpretation that verbal agreements can be binding.

The City also addressed the Union concern, expressed at the hearing, that at the expiration of the CBA, the City would have the legal right to terminate Paragraph A and/or Paragraph C under the authority of *Oak Park Public Safety Officers and City of Oak Park*, Case No. CU03 A-005. The City cited several cases which the City says reveals that the *Oak Park* case is not applicable to the City's final offer because the City's final offer, which contains the language "The following conditions shall apply," makes it a *quid pro quo* agreement and MERC has ruled that in *quid pro quo* agreement cases, the agreement is not terminable at the expiration of the contract. It is noted, however, that in the City's introduction of its discussion of this issue in its post-hearing brief, it states: "As made clear by the City at the hearing, the City's presentation of this issue (is) not a concession that it must negotiate over whether or not it has part-time Officers."

The City says its final offer should be adopted and is supported by the evidence.

### **Union Position**

The Union's last offer of settlement proposes the status quo and that the Employer's proposed language not be added to the CBA. In its post-hearing brief the Union noted that the Employer acknowledged that the City, at the beginning of this hearing, had 22 sworn Public Safety Officers (PSO's) members of this Union. There are currently two vacancies but the City has committed to fill those vacancies and maintain a staff of 22 PSO's. The City also acknowledged that the workload has not decreased.

The Union notes that City witness Fincham testified that the City of Harper Woods, a bordering city, employs part time officers. The Union says Harper Woods is not one of the comparable communities in this proceeding and is not comparable to Grosse Pointe Woods. The Union also points out that even though City witness Fincham testified that its plan was to hire recently retired PSO's from the City of Grosse Pointe Woods, none of the recently retired PSO's from Grosse Pointe Woods have taken part

time positions with the City of Harper Woods. And, the Union notes, even though the City has said it's priority would be to hire Grosse Pointe Woods PSO retirees, there is nothing in the language of the final offer of settlement that states that.

The Union asserts that the main reason the City seeks to hire part-time Officers is for the revenue stream. The Union says while the main focus of the part-time Officers would be traffic enforcement, they could also perform other law enforcement duties as assigned by the Director, which could reduce the number of full-time Officers working and reduce overtime compensation. The Union says the provisions in the City's last offer of settlement relating to the number of hours that part-time officer's are allowed to work, minimum full-time Officer staffing levels, no reduction of full-time Officers, and layoff provisions is a red herring. The Union cites a MERC case that has been upheld by the Court of Appeals that the Union says would, if the Panel awards the City's last offer of settlement, permit the City, prior to the expiration of this CBA, to refuse to honor the majority of the points in the final offer of settlement and allow it to decimate the bargaining unit of full-time PSO's by filling all future vacancies with part-time officers (*Oak Park Public Safety Officers Assoc. and City of Oak Park*, Case CU03 A-005).

The Union points out that none of the external comparable communities support adoption of the City's proposal. The Union says that claims by the City's representative and Panel delegate during the hearing that the City would be bound in the future by testimony in this hearing as evidence of intent are disingenuous because the City has not honored the language in the current CBA relative to reinstatement of deferred compensation and COLA payments. The Union urges the Panel to reject the City's proposal and maintain the status quo.

### **Discussion and Findings**

#### **Discussion**

Record evidence indicates that this provision was negotiated by the parties and was in the tentative agreement that went to Association members for ratification. But there is also record evidence that the tentative agreement was rejected by the membership quite overwhelmingly, 19-3 (Tr. 1, pg. 64). While there is no way to determine the basis for the rejection of the tentative agreement, it is clear one or more proposed CBA changes did not meet with the approval of the majority of members.

I was impressed with the compassion and sincerity of City Administrator Fincham's testimony on this issue. I believe he sincerely felt that the proposal, if adopted, would be beneficial to the City, its citizens, and the current and potentially

future retired officers who were “waiting in the wings” to take these part time positions. Also, considering Act 312, Sec. 9 criteria, it appears Sec. 9(1)(a)(i)(ii), - i.e., the financial impact and the welfare of the public, favors the City’s position. Testimony revealed that the annual cost of hiring three part time officers would be approximately \$75,000.00. Using the figures within exhibit E-123 reveals that the revenue generated by each citation issued is approximately \$77.00. So, if the three part time officers increase the number of citations by 1000 it would pay for their costs and any increase in the number of citations issued above that would produce additional revenue for the City.

On the other hand, Sec. 9(1) (d)(i) – comparison of employees performing similar services in comparable communities - reveals no other communities have such a provision nor does public safety command officers [Sec. 9 (1)(e)] within the City (E-121, E-122). And during cross examination, Mr. Fincham acknowledged that in the last two years, during the period traffic safety officers were no longer deployed, traffic crashes in the City did not dramatically increase, even though traffic ticket citations were down about 60% from the 2008 period (Tr. 4, pg. 202).

In this case, even though it appears the parties worked cooperatively during negotiations to develop this proposal, it is not known whether this proposal had any bearing on the fact that the tentative agreement was rejected by the full Union membership. And even though there was repeated testimony that the intention of the parties was to hire current retirees from the City to fill these part time positions, or in the event no Grosse Pointe Woods retirees applied, then hire retirees from other cities the City had mutual aid compacts with, there is no language in the proposal that specifically states that. In fact, if the Employer were to publicly post these positions, it is questionable whether the Employer could limit potential applicants to just retirees from the City or from cities with which they had mutual aid agreements, or to retirees only. And there is no language in the proposal describing the criteria the Employer would use in selecting potential applicants or stating that preferences would be given based on past employment with the City or cities with mutual aid agreements.

I am reluctant to order this provision in an arbitrated award. While it appears this proposal would benefit the City services by improving the City’s ability to better monitor and enforce traffic within the City without further burdening and perhaps enhancing the general fund, it is uncertain what longer term Employer – Employee relations may result from adoption of this language. For example, given that these part time employees would be members of the Union, but with no other benefits besides wages, would they be required to pay full union dues? Would they have a full equal

vote in union matters? Would the City be exposed to a possible civil discriminatory action based on its failure to hire equally qualified non-retired candidates or because it gave preference to retired candidates from the city, or to only retirees from cities with mutual aid agreements? Would the City, as the Union alleges in reference to the *Oak Park Public Safety Officers Assoc. and City of Oak Park*, Case CU03 A-005, be able to, in the future, unilaterally expand the number of part time employees and reduce the number of full time employees? Or, is the Employer correct that it would be bound by the commitments made during negotiations and testimony at the hearing in this matter? I have not carefully reviewed the MERC and Court decisions the parties have provided in support of their arguments on this issue. I do not find it is necessary to do so to reach a conclusion on this issue.

I believe the answers to these questions can be better addressed at the bargaining table rather than in an arbitrated award. And had the Union been fully supportive of this proposed language could it not have stipulated to this language in its final offer of settlement?

Since the CBA involved in this arbitration proceeding will expire within about nine months of issuing this opinion and order, if both parties truly desire to implement this proposal, they can do so, hopefully, as a result of a non-arbitrated CBA, or if arbitrated, with a stipulation agreeing to this provision, and there will still be time to implement the provision beginning with the City's 2016-17 fiscal year budget. Upon considering and weighing the Section 9 factors, and for the reasons stated above, I conclude that the Employer's proposal is not supported by the record evidence and testimony.

**Findings**

**Taking all of these factors into consideration, the Panel finds the Union's last offer of settlement on the issue of Art 30.3 - new Sec. New Positions- part time, the more reasonable position. Therefore, there will be no change to Article 30.**

Employer: Agree _____	Disagree <u>PAB</u> _____
Union: Agree <u>[Signature]</u> _____	Disagree _____

## **Issue 2 – (Art 31.9) Hours of Work and Scheduling [Employer proposal & Union proposal]**

### **Employer Position**

The Employer proposes that the following language in Article 31, Hours of Work and Scheduling, be revised as follows: (proposed new language in **bold**):

“31.9 Effective July 1, 2012, the parties agree that the salaries set forth in the Salary Schedule for Public Safety Officers is compensation for 2,184 hours per year (168 hours in each 28-day cycle under the current 12-hour shift schedule). Public Safety Officers shall receive **24 hours of pay in the last pay of June each year. In addition, Public Safety Officers will receive** ~~104~~ **80** hours of compensatory time each year. Public Safety Officers shall take ~~26~~ **20** hours compensatory time off in each 12-week period. The granting of compensatory time shall not put the shift below minimum at the time of request. In the event the Public Safety Officer does not utilize the days within the 12-week period, such days off shall be forfeited (i.e., use it or lose it) unless a carryover is authorized as set forth in Section 40.1(7), i.e., extension of time for use is requested in writing by the employee, recommended by the Director of Public Safety and approved by the City Administrator. The hourly rate for overtime pay and other contract purposes shall continue based on salary divided by 2080.”

“**Effective Date:** Date of Award.”

The Employer presented exhibits (E-119) and (E-120) and the testimony of Mr. DuBay, Ms. Irby and Mr. Fincham on this issue (Tr. 4, pgs. 147-166). The City linked this proposal with its proposal for Issue 3 – an amendment to Article 39.1 to reduce the number of paid holidays by two. Under that proposal the number of paid holidays would be reduced from 12 to 10. The Employer notes that eliminating two paid holidays would result in reducing the annual pay per public safety officer by \$500.00. The Employer says its proposed change to this Article 31.9 would reduce the number of hours of paid compensation time each officer is currently required to take each year by 24 hours but provide a cash payment for those 24 hours. That would amount to \$750.00 pay for each officer, thereby offsetting the reduction in pay for paid holidays and resulting in a net gain of \$250.00 for each officer.

The Employer points out that the City’s Command Officers agreed to this proposal and the Employer’s proposal to eliminate two paid holidays in its most recent CBA covering the period ending June 30, 2016 (E-6, item 8). The Employer says this Union’s final offer of settlement opposes the elimination of the two holidays as proposed by the Employer and proposes its members have the option to sell back up to 56 hours of the 104 hours of compensation time each contract year. The City says if the

panel was to agree to the Union's final offer of settlement on both the number of holiday's issue and this proposal its members would benefit by receiving \$1500.00 more than the Command Officers.

With respect to the City's proposal that Officers take 20 hours of compensation time off each 12 week period, City witness Fincham testified that it has been the practice to allow an Officer to take more than 20 hours compensatory time in a twelve week period if they had time in their bank, or couple the compensatory time with other authorized time off if it didn't create overtime (Tr. 4, pg.163). He also said it was the past practice to allow shorter number of hours to be used, one or two hours at a time, (Tr. 4, pg. 164.). The City says the evidence supports adoption of its proposal.

### **Union Position**

The Union's last offer of settlement proposes the language in Article 31.9 be revised as follows:

**"31.9 Effective July 1, 2012, the parties agree that the salaries set forth in the Salary Schedule for Public Safety Officers is compensation for 2,184 hours per year (168 hours in each 28-day cycle under the current 12-hour shift schedule). Public Safety Officers shall **schedule off at least 48 hours of compensatory time each contract year (July 1<sup>st</sup> through June 30<sup>th</sup>).** Public Safety Officers shall have the option to sell back up to 56 hours of compensatory time each contract year (July 1<sup>st</sup> through June 30<sup>th</sup>). Payment for compensatory time sold back will occur on the last pay of June each year. ~~receive 104 hours of compensatory time each year. Public Safety Officers shall take 26-20 hours compensatory time off in each 12-week period.~~ The granting of compensatory time shall not put the shift below minimum at the time of request. In the event the Public Safety Officer does not utilize the **scheduled days off** within the **contract year**~~12-week period~~, such days off shall be forfeited (i.e., use it or lose it) unless a carryover is authorized as set forth in Section 40.1(7), i.e., extension of time for use is requested in writing by the employee, recommended by the Director of Public Safety and approved by the City Administrator. The hourly rate for overtime pay and other contract purposes shall continue based on salary divided by 2080."**

The Union provided evidence that in the 2007 – 2010 CBA the Public Safety Officers (PSO's) could sell back 68 hours of compensatory time in one year and then sell back 104 hours of compensatory time the following year (U- 4, pg. 6). In the stipulated Act 312 Award for the 2010 – 2013 CBA the parties stipulated to the language which continues in the present CBA which eliminated the opportunity for the PSO's to sell back any of their 104 paid compensatory hours. The Union says that with the reduction of PSO's over the past five years, the members are having a difficult time using their compensatory time because of the provision that "the granting of compensatory time

shall not put the shift below the minimum at the time of request.” The Union says the City’s proposed numbers are not easily manageable or equitable.

The Union submits that its final offer of settlement, which would allow PSO’s the option of selling back up to 56 hours of compensatory time, would create more time available for members to use their compensatory time off. The Union also says that a review of the Command Officers CBA showed that the Command Officers are not required to use a certain amount of time in any work period. The Union says its final offer of settlement to remove the current restrictions on the use of time in a 12-week period and allow the members to use the time during the contract year would put the PSO’s on the same level as the Command Officers.

The Union notes that (E-120) reveals that two of the three comparable communities that have 12-hour shifts provide 80 hours of cash payment. Grosse Pointe Park provides 80 hours of pay plus \$450. Grosse Pointe pays 80 hours plus 24 hours of paid compensatory time. Grosse Pointe Shores requires all 104 hours be taken as paid compensatory time similar to the current CBA for the Grosse Pointe Woods PSO’s. The Union says even in the unlikely event that all PSO’s would sell back their 56 hours in a year, that would still be a lower cash payment to members than all of the external comparables. The Union says the Panel should adopt its proposal.

## **Discussion and Findings**

### **Discussion**

The record evidence reveals that the history of this issue began in the parties’ July 1, 2007-June 30, 2010 CBA when members of this Union shifted to a 12 hour shift schedule (E-24). In that CBA, the PSO’s could receive cash payment for a substantial number of hours compensatory time. It is apparent the Employer realized it had problems with this provision because it would have to reserve funds and pay cash for unused compensatory time near the end of a fiscal year. In the parties’ July 2010-June 30, 2013 CBA, the parties went totally the other way and stipulated to the language, which continues in the present CBA, which eliminated the opportunity for the PSO’s to sell back any of their 104 paid compensatory hours. The Command Officers didn’t adopt the 12-hour shift schedule and this approach for dealing with compensatory time until about February 2014 (E-31).

In negotiations for this CBA, it appears both parties recognized the value of trying to adjust the provision so that it could be more workable for both the Employer and the Union members, particularly in light of the fact that staff reductions made the

current provisions difficult for the members to utilize all of their compensatory time and for the Employer to accommodate their requests for its use without putting the shift below minimum at the time of request. The problem is, they couldn't agree on a modified approach. In the meantime, the Employer and the Command Officers reached an agreement for the July 1, 2014 – June 30, 2016 period which provides twenty Four (24) hours to be paid the last pay of June and eighty (80) hours to be used as time off between July 1 - June 30, - essentially the same proposal the Employer submitted in its last offer of settlement in this proceeding (E-6).

The Employer advocates for its position on the basis that it is consistent with its agreement with the Command Officers. The Employer says, even though not specified in the CBA, its practice has been and would continue to be, allowing PSO's flexibility in taking fewer or more hours than the proposed 20 hours compensatory time off in each 12 week period, and link use of compensatory time with other authorized time, which should accommodate the PSO's concerns.

The Union's position is that its proposal will make it easier for its members to use compensatory time off and that the City's proposal for its members is more restrictive than for the Command Officers because the Command Officers are not required to use 20 hours of compensatory time off in each 12-week period, as are the PSO's.

Both parties have valid arguments in support of their proposals. A review of Act 312, Section 9 factors that the Panel needs to consider is helpful in assessing the strength or weakness in each proposal. My assessment of those factors most pertinent to this issue is:

- Factor 9(1)(a)(i) – the financial impact on the community – and Factor 9(2) – the panel shall give the financial ability of the unit of government to pay the most significance - tends to support the Employer's proposal. The Union's proposal to allow more cash payment could result in fewer funds available for other purposes. I don't necessarily agree with the Union's statement in its post-hearing brief that allowing their members the option to sell back up to 56 hours of compensatory time each contract year would create more time available for members to use their compensatory time off. I do believe it would allow more opportunity for members not to lose the ability to get cash instead of using compensatory time and reduce the possibility of them losing compensatory time off because of the difficulty of using 20 hours each 12 week period given the requirement that use of compensatory time can't put the shift below minimum

unless approved by the Employer.

- Factor 9(1)(d)(i) – comparison of conditions of employment by public employees performing similar services in comparable communities - tends to support each of the proposals but slightly favors the Union’s proposal in that, of the three comparable communities that have 12 hour shifts, two of the three provide 80 hours of cash payment for compensatory time (E-90)(E-120).
- Factor 9(1)(e) – comparison of conditions of employment with other employees of the Employer outside the bargaining unit – tends to support the Employer’s proposal in that the Command Officers now have a similar provision as that proposed by the Employer for the PSO’s. I believe the evidence and testimony indicates that even though the exact same language may not be in the Command Officers agreement, the Employer will apply the provisions equally to both, including the need for both Command and PSO’s to take compensatory time in each quarter and to allow flexibility in coupling compensatory time. On the other hand, the Union’s proposal to strike the language requiring PSO’s to take a set number of hours compensatory time in each 12 week period would likely result in the same problems the Employer experienced in the original 2007-2010 CBA.
- Factor 9(1)(i) – other factors normally or traditionally taken into consideration. As noted above, the parties appear to have recognized the need to modify this CBA provision in some way in recognition that modification could better serve both of their interests. Unfortunately, they were unsuccessful in reaching agreement during negotiations, so now this panel must choose between two alternatives. The fact that the parties will be engaging in negotiations for a successor CBA within a few months of issuing this Opinion and Order will provide an opportunity for the Employer and both the Command and PSO units to address this issue again. Hopefully, they might reach an agreement that can be applicable to both units. One example of an approach they might consider is language along these lines:

*[Public Safety Officers shall receive not less than 24 hours and not more than 48 hours of pay in the last pay of June each year. In addition, Public Safety Officers who receive a maximum of 24 hours of pay each year shall receive 80 hours of compensatory time and Public Safety Officers who receive pay in excess of 24 hours up to the maximum of 48 hours will have the hours of compensatory time off with pay reduced equal to those hours in excess of 24 hours for which they received pay. Public Safety Officers shall take between 15 and 20 hours compensatory time off in each 12-week period.]*

In the meantime, I believe the weight of the evidence and testimony supports

adoption of the Employer's last offer of settlement. It is less disruptive to the current process than the Union's proposal and will be more efficient for the Employer to administer, consistent with the Command Officers.

**Findings**

**Taking all of these factors into consideration, the Panel finds the Employer's last offer of settlement on the issue of Art 31.9 - Hours of Work and Scheduling, the more reasonable position. Therefore, Article 31.9 will be revised consistent with the Employer's last offer of settlement.**

**Effective Date: Upon issuance of this Opinion and Order.**

Employer: Agree DSW Disagree \_\_\_\_\_  
 Union: Agree \_\_\_\_\_ Disagree Ann [Signature]

**Issue 3 – (Art 39.1) Holiday Leave/paid holidays observed [Employer proposal]**

**Employer Position**

The Employer proposes the following language in Article 39.1 be revised as follows:

"39.1 There shall be ~~twelve (12)~~ **ten (10)** paid holidays observed by all full time employees within this bargaining unit. All members of the bargaining unit will receive pay for ~~ninety-six (96)~~ **eighty (80)** hours at straight time per year at the employee's base rate of pay. These holidays shall be:

New Year's Day (January 1)	1	
<del>Washington's Birthday</del>	<del>1</del>	
Easter Sunday	1	
Memorial Day	1	
Independence Day (July 4)	1	
Labor Day	1	
<del>Columbus Day</del>	<del>1</del>	
Veterans' Day	1	
Thanksgiving Day	1	
Christmas Eve	1	
Christmas Day	1	
New Year's Eve	1	
 Total	 <del>12</del>	 <b>10</b>

Each employee will be paid once a year for said holidays in a lump sum payment. Employees shall receive payment for said holidays on the second pay period in May annually. This check will be a separate check from the regular paycheck. **Employees who work on Washington's Birthday or Columbus Day will continue to receive holiday pay compensation as set forth the in the contract."**

The Employer's last offer of settlement would reduce the number of paid

holidays from 12 to 10, deleting Washington's Birthday and Columbus day, but also provide that, if a PSO worked on one of those days that were deleted they would receive the additional holiday pay. The Employer notes that the Employer and Command Officers agreed to the following provision in their most recent agreement (July 1, 2014 – June 30, 2016) with the Command Officers:

"Holiday leave shall be amended to provide that members of the Command Officers unit will be paid for the same number of holidays (a minimum of ten) as the Public Safety Officers bargaining unit (E -6)."

The Employer says, when considering the Employer's proposal to pay PSO's 24 hours of pay for 20 hours of compensatory time, even though the employee would receive \$500.00 less in lump sum holiday pay, the employee would receive \$750.00 more in cash instead of 20 hours of compensatory time off so the net effect is a gain.

The Employer's post-hearing brief refers to (E -87 – as revised by updated data) in support of its last offer of settlement. E-87 displays the lump sum payments to PSO's in comparable communities. The Employer notes that the average lump sum payment in the four comparable communities is \$2,177.00 and the lump sum payment for the Grosse Pointe Woods PSO's with the reduction in Holidays from 12 to 10 would be \$2,501.00. E-87 also sets forth the additional payment made if the employee works a holiday. Grosse Pointe Woods makes the highest payment at \$2,251.00 making the total payment \$4,752.00. The average total payment among the comparable communities is \$4,258.00. Even with the proposed change, the Employer says (E-87) reveals the Grosse Pointe Woods total payment would be the second highest among the comparable communities.

The Employer's position is that its proposal is supported by both the internal comparables, (Command Officers) and external community comparables and the Act 312 Section 9 factors of ability to pay and financial impact on the community, and therefore should be adopted by the Panel.

### **Union Position**

The Union's last offer of settlement proposes the status quo with no changes to the language. The Union argues in its post hearing brief that a review of the Command Officers previous agreements showed that in the current CBA the Command Officers actually increased their number of holidays from 6 to 10. And, the Union says, testimony revealed that they previously agreed to a reduction in the number of holidays in exchange for COA member Corporals being promoted to the rank of Sergeant with corresponding wage increases.

The Union notes that (E-118) displays the number of Holiday's recognized by the external comparable communities and reveals that two of the comparable communities provide for 11 holidays and two provide for 12 holidays. The Union says this supports its position of maintaining the status quo. As a result of a recent agreement in Grosse Pointe Shores the Union submitted a revised (U-12), which shows that Grosse Pointe Shores PSO's now receive a lump sum payment of \$4,406.00 for 12 paid holidays and additional holiday pay if worked of \$2,203.00 for a total of \$6,609.00. The Union says this significantly raises the average among the comparables contained in (E-118). The Union says with the exception of the Command Officers, the internal comparables all have provisions for 12 paid holidays which supports the Union's position that the status quo be maintained.

### **Discussion and Findings**

#### **Discussion**

The Union is correct that when considering only the number of paid holidays among the comparable communities, the average is 11.5 days, which is closer to 12 than to 10 days. However, the record evidence referred to in the summary of the Employer's and Union's position on this issue reveals that the parties' current CBA provisions that provide for lump sum payment for 12 holidays, coupled with payment for holidays worked, are the highest among all the comparable communities. And under the Employer's proposal to reduce the number of paid holidays to 10, the payment for holidays worked would remain the highest among the comparable communities and, when coupled with the 10 paid holidays, would be the second highest among the comparable communities.

The Union also refers to the internal comparables and argues that except for the Command Officers, all other employees of the City have 12 paid holidays. But the Union seems to disregard the fact that only the Command Officers also work 12-hour shifts. The Panel would be remiss if it didn't give more weight to the Command Officers CBA provisions on this issue than to the other non-public safety internal employees.

It is recognized that not all PSO's may benefit equally from the provision for payment in addition to regular pay if they work on one of the holidays, including working on Washington's Birthday and Columbus Day. But if roughly one half of the employees worked on one or more of the 12 holidays the City might save \$5,000.00 - \$6000.00. At the same time, the employees would be getting the second highest lump sum payment among the comparable communities and the payment for holidays

worked would be adjusted based on changes in the hourly wage.

After considering and balancing all of the factors the Panel is required to consider under Section 9 of Act 312, I conclude the Employer's proposal outweighs the Union's proposal.

**Findings**

**Taking all of these factors into consideration the Panel finds the Employer's last offer of settlement on the issue of Art 39.1 - Holiday Leave/paid holidays observed, the more reasonable position. Therefore, Article 31.9 will be revised consistent with the Employer's last offer of settlement.**

**Effective Date: Upon issuance of this Opinion and Order.**

Employer: Agree	<u>DBP</u>	Disagree	_____
Union: Agree	_____	Disagree	<u>[Signature]</u>

**Issue 4 - (Art 47.2) Hospitalization - Employee Contribution [Employer proposal]**

**Employer Position**

The Employer proposes that Article 47.0, Hospitalization, Section 47.2, subsection (i) be revised as follows:

(i) Employees will contribute ~~2%~~ 3% of gross pay to the plan, pro-rated monthly, through payroll deduction under a salary reduction agreement commencing the first payroll period after February 29, 2012.

Current employees' retirement health care eligibility shall be as follows:

10 years of Actual Service Time	City Contribution	Employee	25%	Spouse	0%
15 years of Actual Service Time	City Contribution	Employee	50%	Spouse	25%
20 years of Actual Service Time	City Contribution	Employee	100%	Spouse	75%
25 years of Actual Service Time	City Contribution	Employee	100%	Spouse	100%

The Employer presented Exhibits (E- 128) and (E-129) related to this issue. Exhibit (E-128) displays the current employee contribution made by all other internal employees. All other employees currently contribute 2% of gross pay to the plan. Exhibit (E-129) displays the current contribution made by employees performing public safety responsibilities in the comparable communities. The current employee contribution from these employees is as follows: Grosse Pointe – 3%; Grosse Pointe Farms – 1% of Salary; Grosse Pointe Park – 1% of gross pay; Grosse Pointe Shores – 0.5%.

The Employer says that given the City's many financial challenges and the costs of the plan, it is appropriate that employees contribute more to fund their own retiree health care. The Employer notes that most of the PSO's contribute a great deal more to

the differed compensation plan than the additional 1% the City is seeking so they should not be significantly financially burdened by making this additional contribution.

### **Union Position**

The Union's last offer of settlement proposes the status quo. The Union points out that none of the other employees of the City pay more than 2% of gross pay for the employee health care plan and employees in only one external comparable community pay 3%. The Union says neither the internal or external comparables support the Employer's position.

The Union also notes that the City has failed to produce any documentation or testimony on how much it would save by adoption of this proposal. The Union says the Panel should reject this proposal and maintain the status quo.

### **Discussion and Findings**

#### **Discussion**

The impartial Arbitrator and panel majority adopts the Union's last offer of settlement (LOS). In its post hearing brief, the Employer stated that the Panel Chairperson is well aware of the City-wide OPEB liabilities and the annual required contribution. The City says even with this additional contribution from employees, the annual required contribution by the Employer will 64.35% of payroll.

It is true, I am well aware of the City-wide OPEB obligations. Those were discussed in the Ability to Pay section of this Opinion and Award. But, I do not find the overall evidence supports the Employer's proposal in this case. In my view, adoption of this proposal would only address a small piece of the OPEB funding problem, and singling out only one employee group to increase its contribution would quite likely exacerbate Employer-Employee relations. A better approach to address the OPEB funding might be for the Employer to engage all the employees in discussions and consider all options, not just higher employee contributions, as possible ways to address the issue.

And to the Union's point that the City failed to provide documentation indicating how much it would save, it is perhaps uncertain whether the City would actually realize any immediate cash increase resulting from the Employees' additional contribution. But, based on a estimate of total overall compensation cash payments for a 13 year PSO as displayed in (E-92) it can be assumed that it would result in approximately \$715.00 less take home pay for a PSO over the course of a year.

After considering and balancing all of the factors the Panel is required to

consider under Section 9 of Act 312, I conclude the Union's proposal outweighs the Employer's proposal.

**Findings**

**Taking all of these factors into consideration the Panel finds the Union's last offer of settlement on the Issue of Art 47.2 - Hospitalization -Employee Contribution, the more reasonable position. Therefore, there will be no change to Article 47.2.**

Employer: Agree \_\_\_\_\_ Disagree DBD  
Union: Agree [Signature] Disagree \_\_\_\_\_

**Issue 5 – (Art 76.1) Cost of Living Bonus [Employer proposal]**

**Employer Position**

The Employer proposes to amend Article 76 – Cost of Living Bonus, by amending the last paragraph of Sec. 76.1 as follows:

~~“Effective March 1, 2012, COLA payments for active employees shall be eliminated for the life of the contract and reinstated in the contract on June 30, 2013. COLA payments for active employees shall be eliminated for the life of the contract and reinstated in the contract on June 30, 2016.”~~

The Employer points out that three City union groups (Public Safety Command, Public Safety Officers and Public Safety Dispatch) had COLA provisions in their CBA's. In response to the economic downturn each of these groups agreed to suspension of COLA payments in their CBA's for the period of their contracts, to be reinstated on the last day of the CBA. The Employer notes that evidence was presented indicating that both the Public Safety Command and the Public Safety Dispatchers agreed to continue the COLA suspension until June 30, 2016 (E-112). The Employer says this proposal seeks to make this provision applicable to this bargaining unit the same as the other City employee groups.

The Employer also refers to (E-113), which displays the manner in which the external comparable communities address COLA. It shows that Grosse Pointe does not provide COLA and Grosse Pointe Farms and Grosse Pointe Park pay a flat amount. Grosse Pointe Shores uses a formula to determine the amount of payment. Grosse Pointe Woods also uses a formula based on the average annual yearly increase of the consumer price index to determine the amount of COLA to be paid.

The City says its last best offer should be accepted by the Panel consistent with the treatment of other internal comparables and in light of the City's continuing fiscal situation.

## **Union Position**

The Union's last offer of settlement proposes the status quo, which would require the City to reinstate COLA payments with no changes to the language. The Union points out that (E- 113) demonstrates that COLA payments are continuing to be paid in three of the four comparable communities. It does acknowledge that due to the formula used in Grosse Pointe Shores, the Officers there received no COLA payments this year.

In its post-hearing brief, the Union notes that as a result of the formula used in this CBA for determining the amount of COLA payment, the members of this unit would likely receive substantially less than their counterparts in comparable communities and the COLA payment, if reinstated in this CBA, may actually be zero. If that's the case, the Union says, the City should not object to the Panel accepting the Union's last offer of settlement.

The Union's post-hearing brief also refers to hearing testimony that revealed the City's position to not reinstate the COLA payments on June 30, 2014. The Union acknowledges that it agreed, in a stipulated Act 312 award, to suspend the COLA until June 30, 2014 (E-3). But the City did not reinstate the payment effective June 30, 2014 and the Union filed a grievance with the American Arbitration Association (AAA) to enforce the CBA provision. That grievance is pending before AAA. The Union says the City can't be trusted to honor the language in its final offer of settlement.

The Union also argues that the City's final offer of settlement on wages for June 1, 2014 – June 30, 2015 is procedurally and substantively defective because the City is asking the Panel to retroactively deduct any monies received as a result of the Grievance Arbitration Award now pending before AAA which was filed prior to this Act 312 case. That issue will be discussed further in the discussion on wages in this Opinion and Award.

## **Discussion and Findings**

### **Discussion**

The Act 312, Section 9 factors that are most applicable to this issue, in addition to the ability to pay factors of 9(1)(a) and (2), are factors 9(1)(e), comparison of conditions of employment of other employees employed by the Employer, and 9(1)(d), the comparison of employment of other employees performing similar services in comparable communities. The comparison of other employees employed by the Employer tends to support the City's position. Each of the other bargaining units that have a COLA provision have agreed to suspend the COLA payment until June 30, 2016.

The comparison of other employees performing similar services in comparable communities tends to support the Union's position. There is no evidence that those comparable communities that provide a COLA payment have suspended payments.

Given the current cost of living data, neither the City's ability to pay nor the employees' overall benefits would likely be significantly impacted by the Panel's decision either way. On this issue, when attempting to balance the interests of all parties, it is valuable to note the following references in the CAFR:

- The City's General Fund ended fiscal year 2013-2014 with concessions from all four labor unions and non-union employees. This was the sixth year for concessions.
- The City's long-term forecast predicts the City will use fund balance to balance the budget for the next several years.
- In looking to the future, the City continues to work with its employee bargaining groups to strike a balance between cost savings and employee retention.

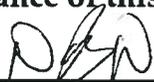
Each of the CBA's between the City and the bargaining units that provide a COLA payment will expire June 30, 2016. That means negotiations will begin with those groups within a few months of the issuance of this Opinion and Award. I believe adopting the Employer's last offer of settlement will promote better labor-management relations and coordination among the various employee groups and enable a more thorough assessment of the City's financial condition and a more coordinated and unified position on this issue among all groups and the City in the new CBA's, rather than to adopt reinstatement of the provision in only one CBA at this time. As noted above, I don't believe failure to adopt the Union's last offer of settlement will have a significant economic impact on its members for the immediate future.

After considering and balancing all of the factors the Panel is required to consider under Section 9 of Act 312, I conclude the Employer's proposal outweighs the Union's proposal.

**Findings**

**Taking all of these factors into consideration, the Panel finds the Employer's last offer of settlement on the issue of Art 76.1 - Cost of Living Bonus the more reasonable position. Therefore, Article 76.1 will be revised consistent with the Employer's last offer of settlement.**

**Effective Date: Upon issuance of this Opinion and Order.**

Employer: Agree 

Disagree \_\_\_\_\_

Union: Agree \_\_\_\_\_

Disagree 

## **Issue 6 – (Art 77.2) Retirement System Member Contribution [Employer proposal]**

### **Employer Position**

The Employer proposes to Amend Article 77 – Retirement System Improvements – Retirement Allowance Option by amending Section 77.2 as follows:

“77.2 A covered member’s contributions to the retirement system shall be ~~six (6%)~~ **seven (7%)** percent of all pensionable wages paid him by the City.”

The Employer notes that it currently pays 94% of the required pension contribution and the employees pay 6%. Its proposal would shift that to 93% Employer paid – 7% employee paid. The Employer presented (E- 126) and (E-127) in support of its proposal. E-126 displays internal comparables and E-127 displays external comparables. E-126 reveals that Public Safety Command, Public Safety Dispatch, and PSO’s currently pay 6% and those employees with social security pay 6.2%. The Employer notes that for those receiving social security, the Employer pays only 6.2% and that those employees receive a much lower pension and must work a longer time to receive the same total multiplier the PSO’s receive after 35 years. E-127 displays the employee pension contributions currently being made by other employees performing similar services in comparable communities. It reveals those contributions as follows: Grosse Pointe – 6.5%, Grosse Pointe Farms – 7.02%, Grosse Pointe Park – 5.5%, Grosse Pointe Shores – 7.0%.

The Employer says, given the financial challenges faced by the City and the costs of the plan, it is appropriate that the employees contribute more to fund their own plan. It says the additional contribution should not place a great burden on the employees since most currently contribute a greater amount to the deferred contribution plan.

### **Union Position**

The Union’s last offer of settlement proposes the status quo with no changes to the language. The Union says the internal comparables do not support the Employer’s position. The Union also notes that the other internal bargaining units reached agreements in 2014 and none of those agreements increased the employees pension contributions (E-6, E-9, E-12, E-14).

The Union says the current contribution employees make is in line with those of the external comparables. The Union notes that while the Grosse Pointe Farms and Grosse Pointe Shores CBA’s require a 7% employee contribution, (U-8) and testimony reveals that they have benefits not included in the Grosse Pointe Woods plan. The

Union also says it is important to recognize that none of the external comparable communities have increased the contribution required of the employees during the duration of the Grosse Pointe Woods current CBA. Additionally, the Union says, the City has not provided any cost saving estimates upon which to evaluate its proposal. The Union urges rejection of the Employer's proposal and maintenance of the status quo.

## **Discussion and Findings**

### **Discussion**

Similar to issues 4 and 5, the Act 312, Section 9 factors that are most applicable to this issue, in addition to the ability to pay factors of 9(1)(a) and (2), are factors 9(1)(e), comparison of conditions of employment of other employees employed by the Employer, and 9(1)(d), the comparison of employment of other employees performing similar services in comparable communities. The comparison of other employees employed by the Employer tends to support the Union's position. Each of the other non social security bargaining units that currently require a 6% employee contribution have agreed to maintain that level of payment at least until June 30, 2016.

The comparison of other employees performing similar services in comparable communities reveals that the average employee payment among the comparable communities is 6.5%.

Similar to my observations on issue 5, considering that each of the CBA's between the City and the bargaining units that currently require 6% employee contribution to the retirement system will expire June 30, 2016, I believe adopting the Union's last offer of settlement will promote better labor-management relations and coordination among the various employee groups and enable a more thorough assessment of the City's financial condition and a more coordinated and unified position on this issue among all groups and the City in the new CBA's. I don't believe failure to adopt the Employer's last offer of settlement will have a significant economic impact on the City's ability to meet its financial obligations between now and when the next CBA is finalized.

After considering and balancing all of the factors the Panel is required to consider under Section 9 of Act 312, I conclude the Union's proposal outweighs the Employer's proposal.

**Findings**

Taking all of these factors into consideration, the Panel finds the Union's last offer of settlement on the issue of Art 77.2 - Retirement System Member Contribution the more reasonable position. Therefore, there will be no change to Article 77.

Employer: Agree \_\_\_\_\_ Disagree DBD  
Union: Agree [Signature] \_\_\_\_\_ Disagree \_\_\_\_\_

**Issue 7 – (Art 77.5 new sec.) Retirement Allowance Re-Open Option [Employer proposal]**

**Employer Position**

The Employer proposes to amend Article 77 – Retirement System Improvements – Retirement Allowance Option by adding a new Section 77.5 as follows:

**“77.5 The City may, at its option, re-open the contract to negotiate with respect to a new retirement program (defined contribution plan) for new hires after the date on which a new contract provision on the matter becomes effective. The re-opener is limited to this sole issue. The City will provide a written notice to the Union of its desire to re-open the contract at least 30 days in advance. It is understood by the parties that by entering this agreement the union is not waiving any of its rights under the Public Employment Relations Act.”**

The Employer says its proposal is just seeking to have the same agreement with this bargaining unit as it has negotiated with all other city bargaining units (E-124) (Tr. 4, pgs. 207-208). The Employer says the City would permit it to reopen the CBA for the purpose of discussing and considering the feasibility of the City providing a defined contribution plan for new hires. The City says it contemplates discussions with the pension attorney, the actuary, the unions and the pension board. The City notes that the Union President is on the pension board and would be involved in the pension board’s considerations.

The Employer acknowledges that the external comparables do not have a similar reopener but that Gross Pointe Shores already has a defined contribution plan for new hires (Tr. 4, pg. 209). The Employer urges adoption of its proposal.

**Union Position**

The Union proposes the status quo with no change to the current language. The Union says granting the City’s proposal would allow it to file for mediation and Act 312 arbitration on this issue immediately after this Award is issued. The Union asserts that the Act 312 process would not be the proper vehicle for addressing this single issue. The Union says the Panel should reject the City proposal and maintain the status quo.

## **Discussion and Findings**

### **Discussion**

As noted above, during the hearing testimony the Employer representative indicated that to adequately review this issue it is expected there would need to be discussions with the pension attorney, the actuary, the unions and the pension board. In response to a question of whether there was anything in the current CBA that prohibited the parties from engaging in that effort, he responded that there was not, but the City would like an affirmative statement in the CBA the same as it has with other bargaining units.

It is clear that adoption or rejection of this proposal by the Panel will not have any immediate financial impact on the City or Union members either way. And while the proposal doesn't need to be included in the CBA for a review of the feasibility of a defined contribution plan for new hires, there is some merit in making sure that all the employee bargaining units are involved in that process. Absent this language in the CBA, there is the possibility that discussions could begin among the Employer and all other employee bargaining and non-bargaining units and this bargaining unit would be excluded. With this bargaining unit representing one of the largest numbers of employees carrying out one of the most important functions of the City that would not be a desirable situation. As for the Union's concerns that attempts to address this issue could turn into a one issue Act 312 proceeding, it would appear that the brief period between the issuance of this Opinion and Order, and the need to begin negotiations on a new CBA to replace this CBA which will expire within 9 months of issuance of this Opinion and Order, would make it unlikely that a separate Act 312 proceeding would be a forum used to address this one issue.

After considering the positions of both parties and the factors the Panel is required to consider under Section 9 of Act 312, I conclude the Employer's proposal outweighs the Union's proposal.

**Findings**

Taking all of these factors into consideration, the Panel finds the Employer's last offer of settlement on the issue of Art. 77.5 - new sec. - Retirement Allowance Re-Open Option, more nearly complies with the applicable factors prescribed in section 9. Therefore, Article 77 will be revised consistent with the Employer's last offer of settlement.

**Effective Date: Upon issuance of this Opinion and Order.**

Employer: Agree DBD Disagree \_\_\_\_\_  
Union: Agree \_\_\_\_\_ Disagree [Signature]

**Issue 8 – (Art 83.1) Deferred Compensation – Employer's Match [Employer proposal]**

**Employer Position**

The Employer proposes to Amend Article 83, Deferred Compensation Match, by amending the last sentence of Article 83.1 to read as follows:

~~"The Employer's annual percentage match is suspended for the period of March 1, 2012 through June 30, 2013. The Employer's annual percentage match is suspended through June 30, 2016."~~

The Employer notes that only two City employee groups (Public Safety Command and PSO's) have a deferred compensation plan with match provisions. Both CBA's for those groups provided for the suspension of the deferred compensation match by the Employer until June 30, 2014. The Public Safety Command unit has agreed to continue the suspension until June 30, 2016 (E-115). The union representing the PSO members filed a grievance with the American Arbitration Association (AAA) on February 6, 2015 demanding the deferred match provision be reinstated. That grievance is pending. The Employer says its proposal is to revise the CBA language to provide for the suspension of the deferred compensation payment through June 30, 2016, the same as provided for the Public Safety Command staff.

City Exhibit (E-116) provides a summary of deferred compensation match provisions for other employees performing similar services in comparable communities. It shows that Employers in three of the other comparable communities provide a deferred compensation match. Employer (E-24) states that the Employer will match an employee contribution each contract year with up to a maximum of 2% of base salary for employees with less than 15 years and up to a maximum of 3 % of base salary for employees with 15 or more years of service (E-24, pg. 45). Employer witness Irby testified that of the 22 individuals in the bargaining unit, 15 made contributions into the

deferred compensation plan and seven did not. Ms. Irby testified that the employee contributions range from \$1,300.00 up to \$9,100.00. But she also acknowledged that with a \$65,030 base salary the maximum the City would contribute to match an employee contribution in a year would be \$1,951 (Tr. 4, pg. 132).

The Employer urges the Panel to support its proposal so that the City will be treating the members of this bargaining unit the same as the Command Officers.

### **Union Position**

The Union proposes the status quo with no change to the current language. The Union points out that the deferred compensation match payments continue to be in place for the employees performing similar services in comparable communities, which have a deferred compensation match. The Union, in its post hearing brief, says the same arguments and position it took relative to the Cost of Living issue - Issue 5, apply here. The Union again notes that the City provided no evidence of its estimated actual savings if the Panel adopts its proposal. The Union says the Panel should reject the City's proposal and adopt the Union proposal of status quo.

### **Discussion and Findings**

#### **Discussion**

I agree with the Union's point that this issue is similar to Issue 5 – cost of living bonus. It is similar in that the comparison of other employees employed by the Employer tends to support the City's position. The only other City employee group that has this provision, the Public Safety Command unit, has agreed to continue the suspension until June 30, 2016 (E-115). The comparison of other employees performing similar services in comparable communities tends to support the Union's position. There is no evidence that Employers in comparable communities that provide a deferred compensation match have suspended payments.

This issue does differ somewhat from the issue 5 – cost of living issue in that it is possible to estimate a potential cost to the Employer and benefit to the Employee with this issue to a greater degree than with the cost of living issue. We do know that at least 15 of the 22 PSO employees have had some history of contributing to the deferred compensation account. We don't know the average amount contributed in any particular year, but theoretically, if the panel adopts the Union's proposal, the Employer could be required to match up to 2% or 3% of a base salary for each one. Assuming an average match at 2.5% the Employer could be obligated to match a maximum of \$24,275 ( $2.5\% \times \$65,030 = \$1,625 \times 15 = \$24,275$ ). And, of course, adoption of the Employer's

proposal would deny the opportunity for an employee to receive an employee match up to a maximum of \$1,951 for any amount they would contribute. In the cost of living issue it appeared that neither the City's ability to pay or the employees' overall benefits would likely be significantly impacted by the Panel's decision either way. That is not the case with this issue.

What does remain the same is the City's current and projected financial situation and the fact that each of the CBA's between the City and the bargaining units that provide a deferred compensation match will expire June 30, 2016. That means negotiations will begin with both groups within a few months of the issuance of the Opinion and Award. As in the COLA discussion, I believe adopting the Employer's last offer of settlement will promote better labor -management relations and coordination among the employee groups and enable a more thorough assessment of the City's financial condition. Therefore, I believe that approach is preferable to reinstatement of the deferred compensation match provision in only one CBA at this time.

After considering the positions of both parties and the factors the Panel is required to consider under Section 9 of Act 312, I conclude the Employer's proposal outweighs the Union's proposal.

**Findings**

**Taking all of these factors into consideration, the Panel finds the Employer's last offer of settlement on the issue of Art 83.1 - Deferred Compensation – Employer's Match more nearly complies with the applicable factors prescribed in section 9. Therefore, Article 83 will be revised consistent with the Employer's last offer of settlement.**

**Effective Date: Upon issuance of this Opinion and Order.**

Employer: Agree DBD Disagree \_\_\_\_\_  
Union: Agree \_\_\_\_\_ Disagree [Signature]

**Issue 9 – (Appendix A) Salary Schedule [Union proposal]**

**Employer Position**

The Employer's last offer of settlement proposes the following changes to Appendix A:

"July 1, 2014 – June 30, 2015- Status Quo. Appendix A shall remain unchanged."

"July 1, 2015 – June 30, 2016 –

A. For unit members receiving no payments as the result of the Union's grievance #15-21 (dated February 6, 2015) and pending in arbitration scheduled for August 5, 2015 (AAA Case Number 01-15-0002-9265) with

respect to Article 76 .0 Cost –of-Living Bonus and/or Article 83.0 Deferred Compensation Match, such unit members will receive the following:

1. Members of the unit as of July 1, 2015 will receive a service loyalty payment of \$1,000 less all deductions required by law.
2. Appendix A will be revised by an across the board two (2%) percent increase in base salaries as set forth in the attached Appendix A. Such increase shall be made retroactive to July 1, 2015.

B. For unit members receiving payment as the result to (of) the Union’s above-referenced grievance with respect to Article 76.0 Cost-of-Living Bonus and/or Article 83.0 Deferred Compensation Match, such unit members will receive the following:

1. Members of the unit as of July 1, 2015 will receive a service loyalty payment of \$1,000 less all deductions required by law. For each such member, the payment shall be reduced by the amount required to be paid as a result of the Union’s above-referenced grievance.
2. Appendix A will be revised by an across the board two (2%) percent increase in base salaries as set forth in the attached Appendix A. The implementation date of the two (2%) percent increase for each such member will be delayed until the amount required to be paid by the City as a result of the Union’s above-referenced grievance in excess of the \$1,000 service loyalty payment, if any, is offset (e.g., if the additional amount is \$100, the implementation date will be delayed by two payroll periods).”

The Panel determined that each year will be treated as a separate issue. Each year will be addressed separately in the discussion portion of this issue. The Employer, in its post-hearing brief, provided a general overview of the history of wages for the members of this bargaining unit compared to other employees performing similar services in comparable communities and to other employees of the City.

The Employer refers to (U-10-Revised) which lists the base wage in each of the comparable communities beginning July 1, 2010 through June 30, 2016. Attachment #3 contains a summary of information contained in Union revised Exhibits (U-9) and (U-10). Attachment #3 shows the top step base salary for PSO’s from the comparable communities and their average compared to Grosse Pointe Woods on various dates from the period July 1, 2010 to June 30, 2016 taken from (U-10- Revised) and the percentage increase in wages during that time period taken from (U-9- Revised).

The Employer points out that on July 1, 2010 the average of the comparables was \$62,771, which was \$2,259 below that of Grosse Pointe Woods, which was \$65,030. And on July 1, 2013 the average of the comparables was \$63,394, which was \$1,636 below Grosse Pointe Woods. The Employer notes that on July 1, 2014, the first year of this CBA, the average of the comparables was \$64,435, still \$600 below Grosse Pointe

Woods. The Employer says its final offer of status quo for the first year of this CBA would still leave the wages for Grosse Pointe Woods PSO's \$600 above the average of the comparable communities.

For the second year of the CBA (July 1, 2015 – June 30, 2016), Exhibit #3 shows the average among the comparables on July 1, 2015 as \$ 65,908. The Employer says its proposed 2% increase would bring the Grosse Pointe Woods PSO's base wage to \$66,331 which would be \$423 above the average of the comparable communities and rank third (the median) among the comparables.

Attachment #3 indicates that on January 1, 2016 Grosse Pointe Shores PSO's will receive a 1% increase that will result in an increase of the average among the comparables to \$66,725. The Employer points out that taking an average of the wage for Grosse Pointe Shores for the period July 1, 2015 – June 30, 2016, (the second year of this CBA), is \$67,171. Using this figure to calculate the average among the comparable communities for the period July 1, 2015 – June 30, 2016 would result in a \$65,991 average. The Employer's proposed 2% increase would result in the Grosse Pointe Woods PSO's wage being \$340 above the average of the comparable communities.

The Employer, in its post-hearing brief, provides figures on the cumulative effect of Grosse Pointe Woods relatively high base wage compared to the external comparables in the years preceding this CBA period. It says, given its financial condition and the fact it paid the highest amount in wages the four years preceding the period this CBA will be in effect, it would have been justified in a last settlement offer of status quo for both years.

The Employer says, and emphasized throughout the hearing, that its offer on wages and lump sum payment is the same as that offered and accepted by all other City employees. The Employer says the Panel should not ignore the City's financial problems and should not give much weight to the Union's focus on the percentage of wage increases provided to PSO's in the comparable communities during the most recent two-three years.

The City says its final offer of settlement for the July 2014 – June 30, 2015 period is the same as for all other City employees, i.e. status quo on wages and \$1000 lump sum payment. The City notes that, given the timing of this case, the City's lump sum payment to PSO's for 2014-2015 will be paid in the second year of the CBA. For the July 2015 – June 30, 2016 period the City's final offer of settlement is a \$1000 lump sum payment and a 2% wage increase effective July 1, 2015.

The Employer says the Union's complaint that the City's final offer conditions

the implementation date and payment amount on the outcome of the currently pending Grievance # 15-21 is without merit. It says tying the amount of the wage increase to an outside factor is not unusual and gives examples of previously negotiated similar provisions. And the City says, all this provision does is provide equitable treatment among all City employees. The Employer says its final offer is supported by the evidence and, considering the factors in Act 312, Sec. 9, should be adopted.

### **Union Position**

The Union's last offer of settlement proposes the following changes to Appendix A:

"July 1, 2014 – June 30, 2015 Wages: 2.0% increase for all steps contained in the Collective Bargaining Agreement. The wage increase will be retroactive to June 30, 2015."

"July 1, 2015 – June 30, 2016 Wages: 2.5% increase for all steps contained in the Collective Bargaining Agreement. The Wage increase will be retroactive to July 1, 2015."

The Union says its last offer of settlement with respect to the July 1, 2014 – June 30, 2015 period, in which its proposed 2% wage increase would not take effect until June 30, 2015, lessens the City's financial obligation. With respect to the internal comparables, the Union notes that the Command Officers agreed to a 2% increase and the \$1000 loyalty payment for the July 1, 2015 – June 30, 2016 period but also had a "me too" clause that would permit any economic increases subsequently voluntarily negotiated or stipulated in an Act 312 Award with this Union. Of course, that provision does not apply to this non-stipulated Act 312 Award.

The Union points to the external comparables and focuses on the history of wage increases during the two years encompassing this CBA. The Union notes, and reference to Attachment 3 shows, that for the July 1, 2014 – June 30, 2015 period, three of the four comparable communities had wage increases. The Union notes that (U-9-Revised) reveals that in addition to the percentage increases, Grosse Pointe received a \$1,250 lump sum payment and Grosse Pointe Shores an \$850 bonus, and while Grosse Pointe Farms did not receive a percentage increase, it did receive a \$650 bonus.

For the July 1, 2015 – June 30, 2016 period, a review of Attachment 3, based on (U-9-Revised), reveals that all four of the external comparables received wage increases. The Union notes that Grosse Pointe Shores will receive another 1% increase and a \$655 signing bonus on January 1, 2016. The Union says a review of the pattern of bargaining from July 1, 2010 through June 30, 2014 (U-10-Revised) shows that Grosse Pointe Woods would need a 2.65% wage increase on July 1, 2014 to be "made whole." The Union says

(U-11) shows that the inflation rate since 2010 has increased to a cumulative total of 10.07%.

In its post-hearing brief, the Union notes that the City's presentation in this proceeding emphasized that its proposals offered to the members of this Union were the same as given to all other City employees, including non-union employees. The Union says record evidence reveals that not every City employee has been treated the same. There was testimony and evidence presented that City Treasurer/Comptroller Irby received a substantial (the Union says 22.77%) wage/benefit increase July 1, 2015. The Union also says there was evidence indicating the current Public Safety Director is receiving a salary 20% higher than the previous Director. The Union says this demonstrates that not all employees are being treated equally. And, the Union says, because the City witnesses testified that these benefit levels were determined in part on the external comparable "market value," the Panel should also consider the external comparables as an indication of the "market value" of its members.

The Union says the City's claim that its proposals seek to treat all City employees equally does not hold true. It points out that the City's offer of settlement that was rejected by the Union contained more concessions than the agreements with the other bargaining units. The Union says its members made major concessions to assist the City during its difficult financial times. It says that even if the Union's proposed wage increases are granted it will still have lowered its ranking compared to other employees performing similar services in comparable communities. The Union says evidence shows the City is making positive financial strides and has the financial ability to pay the costs in this Award sought by the Union.

## **Discussion and Findings**

### **Discussion**

As noted previously, during the pre-hearing conference the parties agreed that the issue of wages would be addressed separately for each year of the proposed agreement. The decision on each year will be addressed separately below.

The detailed position of the parties' final offers of settlement (FOS) will not be repeated here. Briefly, the Employer emphasizes the value of maintaining parity with the other City employee groups; the fact that the wages of the City's PSO's compared to other employees performing similar services in comparable communities was high to begin with and the City's FOS keeps them in the mid range of the comparable communities; and the City's economic situation has not improved to the point of

compensating the PSO's at the level they seek.

The Union emphasizes the importance of comparing the wage increases of other employees performing similar services in comparable communities over the past two year period; the fact that the Employer has provided pay increases to some employees in excess of what others have been provided which demonstrates that wage and benefit parity for all City employees has not been maintained; that the external comparables reveal that the majority of other employees performing similar services in comparable communities have received wage increases, not just lump sum payments, in the past two years; and that the City's economic situation, given the current level of General Fund surplus, can support compensating the PSO's at the level they seek.

Attachment # 3 presents a general summary of the progression of the base wage salary levels and percentage increases from July 2010 to June 30, 2016. The data reveals that both the Employer and the Union are correct in their arguments. The base wages of Grosse Pointe Woods PSO's was higher at the beginning of the period than those of other employees performing similar services in comparable communities and over time they have moved to the mid range. And, at least for the period beginning July 1, 2014, the majority of comparable communities have been giving percentage increases in base wages. Nearly all comparable communities, along with Grosse Pointe Woods, gave, and some continue to give, lump sum amounts during the most severe period of the economic downturn.

The issues raised by the Union regarding internal pay increases to some employees in excess of what others have been provided is, in my opinion, not a significant factor in considering this issue. The positions used as examples are fairly high level management positions occupied by one person and it is only reasonable that the Employer would need to consider "market value" of employees performing similar services in comparable communities.

Based on the following quote from the Employer's post hearing brief:

"The City's final offer for the first year of the contract is to maintain the status quo. It is undisputed that all employee groups received a \$1000 lump sum payment. The Chairperson will note that given the timing of this case, the City's offered lump sum payment must (and will) be paid in the second year of the contract."

I conclude the Employer will pay the lump sum payment to members of this Union if it is awarded its position for the 2014-2015 period. I will not address the arguments regarding the relationship between how the Panel addresses the amount or timing of the lump sum payment to the outcome of Grievance #15-21 currently pending

at AAA. This Panel is charged with the responsibility of ruling on the issues before it, not on the legal interpretation of the relationship between its findings and a grievance pending before AAA. Following the issuance of this Opinion and Award, if the parties believe the Panel has exceeded or not properly exercised its authority; they can take whatever actions they believe available to them to challenge the Opinion and Award.

Upon review of the parties' last offers of settlement for both years of the CBA, I have concluded that granting the Employer's LOS for the first year and the Union's LOS for the second year best meets requirements and balances the factors within Section 9 of Act 312. I recognize the Panel's acceptance of the Union's LOS for the July 1, 2015 – June 30, 2016 increase of 2.5% base wage is not consistent with other internal comparables. But in this case, much like the City viewed the need to compare its management staff with other employees performing similar services in comparable communities, so also do I believe it is important that the work of the members of this Union be compared with other employees performing similar services in comparable communities. That comparison reveals that all of the communities reacted to the downturn in the economy similarly and for a period of time gave little if any base wage percentage increases and instead gave lump sum payments. However, evidence shows that as the economy gradually improves, the comparable communities are resuming percentage increases in base wages. I recognize the City of Grosse Pointe Woods taxable values dropped the greatest percentage among the comparable communities during the economic downturn. But, I believe the external comparables support, and this City's current and projected finances can support, this one-half percentage increase more than the City offered.

As I review the figures, it appears that no increase in base wage for the July 1, 2014 – June 30, 2015 period and a 2.5% increase beginning July 1, 2015 through June 30, 2016 will result in an annual Base Salary Top Step beginning July 1, 2015 of \$66,656. This compares to the Employer's proposal of \$66,331 and the average among the comparable communities on July 1, 2015 of \$65,908. That will make the Base Salary for the PSO's \$325 above the City's LOS and \$748 above the average, and third (the median), among the comparable communities. I realize, as the Employer notes in its post-hearing brief, that percentage increases become embedded in the salary schedule on which future increases are calculated. I also recognize that granting the Union's LOS for the second year means they will not receive the \$1000 bonus. So, in fact, by granting the Union's second year proposal, the Union members will actually receive less pay for the period July 1, 2015 – June 30, 2016 than they would under the Employer's proposal.

(Employer proposal: – base pay \$66,331 + \$1000 bonus = \$67,331 vs. Award: - base pay \$66,656). But I believe, relative to overall compensation, this will benefit the members in the longer term. I believe this properly balances the interests and factors required of the Panel by Act 312, including giving the financial ability of the unit of government to pay the most significance.

**Findings**

Taking all of these factors into consideration, the Panel finds the Employer's last offer of settlement (LOS) on the issue of wages for the period July 1, 2014 – June 30, 2015 more nearly complies with the applicable factors prescribed in section 9. Therefore, wages will remain unchanged in Appendix A of the CBA for the period July 1, 2014 – June 30, 2015.

Employer: Agree DBD Disagree \_\_\_\_\_  
Union: Agree \_\_\_\_\_ Disagree [Signature]

Taking all of these factors into consideration, the Panel finds the Union's last offer of settlement (LOS) on the issue of wages for the period July 1, 2015 – June 30, 2016 more nearly complies with the applicable factors prescribed in section 9. Therefore, there shall be a 2.5% wage increase for all steps contained in the Collective Bargaining Agreement retroactive to July 1, 2015.

**Effective Date: Date of the Award**

Employer: Agree \_\_\_\_\_ Disagree DBD  
Union: Agree [Signature] Disagree \_\_\_\_\_

**SUMMARY**

This concludes the award of the Panel. The signature of the delegates herein and below along with the signature of the impartial Arbitrator below indicates that the Award as recited in this Opinion and Award is a true restatement of the Award. All agreements reached in negotiations during the course of this proceeding and within the submission of last offers of settlement and stipulated to by the parties as noted herein, as well as all mandatory subjects of bargaining contained in the prior contract, will be carried forward into the collective bargaining agreement reached by the Panel.

Re: The City of Grosse Pointe Woods & Police Officers Association of Michigan  
MERC Case No. D 14 B-0115 (Act 312)

Date: 10-6-2015 William E Long  
William E. Long  
Arbitrator/Chair

Date: 10-6-15 Dennis DuBay  
Dennis DuBay  
Employer Delegate

Date: 10-6-15 Kevin Loftis  
Kevin Loftis  
Union Delegate

Date: October 6, 2015