

Feb. 4/18/97

STATE OF MICHIGAN
CONSUMER AND INDUSTRY SERVICE DEPARTMENT
MICHIGAN EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Arbitration Under
Act 312 (Public Acts of 1969):

CITY OF GRANDVILLE

MERC Case No.: L96 B-6000

-and-

POLICE OFFICERS LABOR COUNCIL

OPINION AND AWARD

Chairman of Arbitration Panel:	<u>Barry C. Brown</u>
City Delegate:	Kenneth Krombeen
Union Delegate:	James Quinn
Representing City:	John Patrick White
Representing Union:	John A. Lyons
Pre-Hearing Conference:	October 17, 1996
Hearings Held:	February 5, 1997
Last Best Offers Submitted:	February 16, 1997
Post-Hearing Briefs Received:	March 19, 1997
Opinion & Award Issued:	April 18, 1997

Grandville, City of

I. STATEMENT OF THE CASE:

On June 27, 1996, the labor organization, Police Officers Labor Council, filed a petition for arbitration pursuant to Act 312, PA of 1969 as amended (MCLA 423.231, et seq.). The union asserted in its petition that it had engaged in good faith bargaining with the employer, the City of Grandville, on behalf of the city's police sergeants and an impasse on retirement benefits in negotiations had been reached. The employer filed its answer to the above described petition with the Michigan Employment Relations Commission and added the issue of a bi-weekly work period. On August 6, 1996, MERC Commissioner Harry Bishop appointed Barry C. Brown as the impartial arbitrator and chairperson for the arbitration panel in this matter.

The parties established the unresolved issues and the hearing procedures to be followed in a pre-hearing conference conducted on October 17, 1996. A formal hearing was subsequently conducted by the panel in 1997, and the last offers of settlement were exchanged on February 16, 1997. The dispute between the parties pertains to a three-year collective bargaining agreement which will become effective on July 01, 1996, and which will continue through June 30, 1999.

The issues before the panel for resolution are:

Union:

1. Retirement (Economic)

Employer:

1. Bi-weekly work period (Economic)

As provided by Act 312, the Arbitration Panel is comprised of a delegate chosen by each party to the dispute, and an impartial chairperson selected by the Michigan Employment Relations Commission. The current Panel is comprised of Chairperson Barry Brown, Ken Krombeen, panel

member selected by the city and Jim Quinn, panel member selected by the union. The parties have also stipulated that all issues are economic. The parties also stipulated and the panel agreed that all Act 312 statutory time limits were waived. Further, the parties agreed that the new contract (1996-1999) would consist of the terms of the predecessor agreement (1993-1996) as modified by the parties' settlements on various issues and also as modified by this panel's award on the issues still in dispute.

II. THE STANDARDS FOR THE PANEL'S DECISION:

In pertinent part, Section 9 of Act 312 sets forth the following factors upon which the Panel's decision must rest:

[T]he arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (a) The lawful authority of the employers.
- (b) Stipulations of the parties.
- (c) The interests and welfare of the public and the financial ability of the unit of government to meet these costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization

benefits, the continuity and stability of employment and all other benefits received.

- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

III. BACKGROUND:

The City of Grandville has a population of approximately 16,000 and it covers an area of approximately 20 square kilometers. The land use in the City is largely rural and residential, but its commercial component may be growing as it is at the cross-roads of several major traffic arteries of the metropolitan Grand Rapids area. It may soon have a large shopping center and it has several offices and shops - especially near the main thoroughfares. There is a growing commercial/residential property ratio and this may have a good impact on the revenues received by the city. Further, the changing nature of the community may affect the runs and the duties of the police officers and their sergeants.

IV. COMPARABLES:

A. External Comparables:

The Union and the City of Grandville have both offered the following city as a comparable community:

Norton Shores

The City of Grandville has proposed Adrian, Niles, Owosso, and Traverse City as additional comparable communities. The Police Officers Labor Council contested the use of these cities by the

panel and it offered the cities of Holland, Kentwood and Wyoming as comparables. The union asserted that using the additional communities proposed by the city as comparables was inappropriate for the following reasons:

- 1) These communities are too large and distant from Grandville.
- 2) The cities offered by the union comport more closely to the statutory standards, and they are all in the Grand Rapids labor market.

The city has offered the following two charts showing demographic data in support of the list of comparables that it has proposed:

SEV, POPULATION & CRIME RATE [Ranked by SEV]					
EMPLOYER COMPARABLES	CITY	1996 SEV [in millions]	1996 TAXABLE VALUES [in millions]	1990 POPULATION	1994 CITY CRIME RATE [GRAND TOTAL]
	Norton Shores	462.5	451.6	21,755	998
	Traverse City	391.2	369.2	15,155	3480
	Grandville	383.1	376	15,624	2181
	Adrian	289.6	278.9	22,097	2815
	Owosso	190.1	176.4	16,322	666
UNION COMPARABLES					
	Wyoming	1380.0	1366.4	63,891	5787
	Kentwood	1173.3	1141.8	37,826	4395
	Holland [1]	720.6	702.1	30,745	1916
	Grandville	383.1	376	15,624	2181

[1] Holland is located in 2 counties.
Only Ottawa county crime data is shown. No data submitted by Allegan county.

SOURCE: Michigan Department of Treasury, State Tax Commission, 1996 Assessed Valuation, state Equalized Valuation, Assessment Level, and S.E.V. Multiplier (Factor) for Separately Equalized Classifications.

1990 Census of Population, General Population Characteristics-Michigan.

1994 Uniform Crime Report (Crime in Michigan)

1996 Taxable Valuations, Michigan Department of Treasury, State Tax Commission

AREA PATROLLED						
	Cities	Number of F/T Patrol Officers	Number of Sergeants	Patrol Officers per Sergeant	[1990] Square Kilometers Patrolled	Officers Per Square Kilometer
EMPLOYER COMPARABLES	Adrian	24	4	6.0	17.9	1.3
	Niles [1]	17	3	5.7	14.5	1.2
	Norton Shores	20	5	4.0	60.2	0.3
	Owosso [2]	11	5	2.2	12.6	0.9
	Traverse City	25	6	4.2	21.2	1.2
UNION COMPARABLES	Holland	16	8	2.0	36.7	0.4
	Kentwood	38	12	3.2	54.5	0.7
	Wyoming	64	14	4.6	62.9	1.0
	AVERAGE	27	7	4.0	35.1	0.9
	Grandville [3]	12	4	3.0	19.5	0.6

- [1] The number of Sergeants represents the number of Lieutenants. Currently, the City does not have any Sergeants. The Lieutenants supervise the Patrol Officers.
- [2] There will be 12 Patrol Officers starting in mid February. 1 of the Sergeants is assigned to Det. Bur w/County and 1 of the Sergeants assigned to local drug magnet.
- [3] Currently, there are 4 Sergeants. One of the five listed on the 312 Petition has moved to an Administrative position.

The city cited the following factors in support of its list:

- 1) All of these communities have a similar population.
- 2) In terms of community profile, Grandville is very similar to these communities. All of the city comparables have similar crime rates and SEV levels.
- 3) In terms of physical characteristics, the City is very similar to the listed communities. In 1990 populations levels, the City is at the median level. Similarly, in terms of the area patrolled, the City ranks fourth among the comparables offered.

The panel considered all of the arguments and statistical information set forth above, but it was most influenced by the geographic proximity of the union's cities and the other similarities of the cities proposed by the employer. Therefore, there is a sound basis to combine the offered cities

consider both parties' comparable communities in considering the parties' offers of settlement.

B. Internal Comparables:

The Grandville Police Department consists of four (4) police sergeants and twelve (12) police officers. The four command officers have a separate bargaining unit. There is no firefighter bargaining unit in the city.

The panel also finds the wages, benefits and conditions of work for other Grandville city employees to be relevant to its deliberations. They share many of the same working conditions and they must rely on the same financial resources of the city for their contract settlements. Furthermore, the overall compensation received by other city employees has frequently been consistent with that received by the police officers. Thus, the compensation of all city employees will carry some relevance in the panel's deliberations as follows:

PENSION PLANS					
INTERNAL UNITS	TYPE OF PLAN	MULTIPLIER/ YEARS	NORMAL RETIRE. AGE/SERVICE	MAXIMUM BENEFIT RATE	YEARS IN FAC
SEIU-WWTP [1]	MERS B-3	2.25%	60/10	80%	3
Non-Union (Administrators)	MERS B-3	2.25%	60/10	80%	3
City Employees Assoc. (Public Wks) [2]	MERS B-2	2.00%	60/10	none	3
POLC (Police) [3]	MERS B-3	2.25%	55/15	80%	3
POLC (Supervisory Unit) [4]					
Employer Proposal	MERS B-3	2.25%	55/15	80%	3
[7] Union Proposal	MERS B-4	2.50%	55/15	80%	3

[1] MERS B-3 (eff 7/1/95). Employees pay the actual cost of the B-3 upgrade capped at .4% of wages from 7/1/96-6/30/

New employees hired after 7/1/94, do not participate in MERS. They are placed in a defined contribution retirement plan, with the City contributing 5% of gross annual wages.

[2] The city will pay for the full cost of the retirement contribution. If at any time in the future, the employees share is increased by MERS above the 3% and 5%, employees shall pay the increased amt.

*Eff. 6/30/98-MERS B-3. Employees pay the actual cost of such upgrade.

Payroll deduction for retirement is capped at .2% of wages from 6/30/98 on.

*New employees hired after 7/1/95, do not participate in MERS. They are placed in a defined contribution retirement

- plan, with the City contributing 5% of gross annual wages.
- [3] Police contract expired 6/30/96. An Act 312 Arbitration is pending.
- [4] Sergeants hired after 7/1/93, in a defined contribution retirement plan with the City contributing 5% of gross annual wage
- [7] The Actuarial Study prepared on the MERS B-4 Plan shows a 2.02% increase above the current contribution rates. (The I

V. ISSUES IN DISPUTE:

I. Union Issue: Retirement - Article XVII, Section 57(a)

A. Current Contract Language:

Section 57a. Effective July 1, 1994, the retirement plan shall be upgraded from MERS B-2 Plan with F-55/15 Rider to the MERS B-3 Plan with F-55/15 Rider, with the employee paying the actual cost of such upgrade through payroll deduction. Payroll deduction for retirement shall be capped at 2/10ths of one percent (.2%) of wages from July 1, 1994 to June 30, 1995, and capped at 4/10ths of one percent (.4%) of wages from July 1, 1995 to June 30, 1996.

New Sergeants hired after July 1, 1993, will not participate in the MERS defined benefit retirement plan, but shall be placed in a defined contribution retirement plan, with the City contributing five percent (5%) of gross annual wages to such plan. Sergeants promoted from the patrol officers' unit who are presently participating in the MERS defined benefit retirement plan, shall have the option of continuing in the MERS plan or electing the defined contribution retirement plan.

Union Proposal:

Effective July 1, 1994, the retirement plan shall be upgraded from the MERS B-2 Plan with F-55/15 Rider to the MERS B-3 Plan with F-55/15 Rider, with the employee paying the actual cost of such upgrade through payroll deduction. Payroll deduction for retirement shall be capped at 2/10th of one percent (.2%) of wages from July 1, 1994 to June 30, 1995, and capped at four tenths of one percent (.4%) of wages from July 1, 1995 to June 30, 1996.

Effective July 1, 1997, the retirement plan shall be upgraded from the MERS B-3 Plan with F-55/15 rider to the MERS B-4 Plan with F-55/15 rider, with the employee paying the actual cost of such upgrade through payroll deduction. Payroll deduction for retirement shall be capped at two and 64/100 percent (2.64%) of wages from July 1, 1997 to June 30, 1999.

New sergeants hired after July 1, 1993, will not participate in the MERS defined benefit plan, but shall be placed in a defined contribution retirement plan, with the City contributing five (5%) percent of gross annual wages to such plan.

Sergeants promoted from the Patrol Officers' unit who are presently participating in the MERS defined benefit retirement plan, shall have the option of continuing in the MERS plan or electing the defined contribution retirement plan.

City Proposal:

That the current Retirement System remain status quo.

B. Discussion:

The annual retirement allowance of the comparable communities is shown on the next two exhibits below:

ANNUAL RETIREMENT ALLOWANCE							
Sergeants							
EMPLOYER COMPARABLES		WITH 25 SERVICE	YEARS OF	WITH 30 SERVICE	YEARS OF	WITH 35 SERVICE	YRS OF
City	Sgt. Wage [eff 6/30/96]	Multiplier	Allowance	Multiplier	Allowance	Multiplier	Allowance
Adrian	\$36,814	2.50%	\$23,008.75	2.50%	\$27,610.50	2.50%	\$32,212.25
Niles [1]	\$36,881	2.30%	\$21,206.53	2.30%	\$25,447.83	2.30%	\$29,689.14
Norton Shores	\$41,188	2.25%	\$23,168.25	2.25%	\$27,801.90	2.25%	\$32,435.55

ANNUAL RETIREMENT ALLOWANCE

Sergeants

Continued...

EMPLOYER COMPARABLES		WITH 25 YEARS OF SERVICE	WITH 30 YEARS OF SERVICE	WITH 35 YRS OF SERVICE	
Owosso	\$34,837	2.25%	\$19,595.81	2.25% for 1st 25 yrs, 1% thereafter	\$21,337.66
Traverse City	\$36,733	2.50%	\$22,958.00	2.5% for 1st 25 yrs, 1% thereafter	\$24,794.65
UNION COMPARABLES					
Holland	\$43,035	2.50%	\$26,897.00	2.50%	\$32,276.40
Kentwood [2]	\$45,079	2.30%	\$25,920.43	2.30%	\$27,994.06
WYOMING [3]	\$45,802	2.25%	\$25,763.63	2.25%	\$30,916.35
AVERAGE	\$40,046	2.36%	\$23,564.80		\$27,272.42
Grandville	\$42,527	2.25%	\$23,921.44	2.25%	\$28,705.73
Union Proposal [2.5%]	\$42,527	2.50%	\$26,579.38	2.50%	\$31,895.25

[1] Wage shown is effective 10/1/96.

[2] Kentwood has a 2.3% multiplier. FAC is capped at 27 years of service.

[3] Wyoming has a 2.25% multiplier. FAC is capped at 30 years of service.

PENSION [SERGEANTS]

EMPLOYER COMPARABLES	CONTRACT DURATION	PENSION IMPROVEMENTS CURRENT CONTRACT	MEMBER CONTRIBUTION CURRENT	PENSION IMPROVEMENTS PREVIOUS CONTRACT
Adrian	2/21/94-6/30/96	eff 1/1/94-MERS B-4 (was B-3) eff 3/1/94, FAC-3	7.3%	Eff. 7/1/91, MERS B-3
Niles	10/1/94-10/1/97	NONE	5.0%	NONE

PENSION [SERGEANTS]				
Continued...				
EMPLOYER COMPARABLES	CONTRACT DURATION	PENSION IMPROVEMENTS CURRENT CONTRACT	MEMBER CONTRIBUTION CURRENT	PENSION IMPROVEMENTS PREVIOUS CONTRACT
Norton Shores	7/1/94-6/30/97	eff 1/1/97, Benefit E	0.0%	Eff 7/1/91, MERS B-3, F 55/25, FAC-3
Owosso	7-1/93-6/30/96	eff 7/1/93, F 50/25	6.0%	NONE
Traverse City	7/1/94-6/30/96	NONE	0.0%	NONE
UNION COMPARABLES				
Holland	THE FOLLOWING CONTRACT WAITING TO BE SIGNED: 7/1/96-6/30/99	[1] eff 1/1/97, MERS B-4 (was B-3)	0.0%	[2] Employees contribution rate decreased to 0% due to longevity deletion in 1990.
Kentwood	7/1/93-6/30/96	NONE	4.0%	2.3% Multiplier (was 2.2%)
Wyoming	7/1/96-6/30/99	2.25%	0.0%	NONE
Grandville	7/1/93-6/30/96	eff 7/1/94, MERS B-3 (was B-2)	0.4%	Eff 1/1/92, MERS B-2 (was C-2)

- [1] The Employer provided the employees with a MERS B-4 ONLY because the Fire Fighters 312 Award gave the Fire Fighters a MERS B-4.
- [2] As a Result of Longevity deleted in 1990: employees contribution decreased in the following manner: eff 7/1/93 employee-2% (was 3%), eff 7/1/94 employee-1% (was 2%) eff 7/1/95 employee-0% (was 1%).

The city argued that the Union has made no compelling case to support a change in the current retirement benefit. Only 3 comparables have a 2.5% multiplier, and none of these 3 provide social security as an additional retirement benefit. Grandville does provide the 7.65% social security contribution as an additional pension benefit. (Employer Exhibit #11). When Social Security benefits are added to the MERS benefit payment, Grandville's total retirement payments surpass most, if not all of the comparables.

Further, all of the comparables with a 2.5% pension multiplier have budgets which exceed Grandville's budget. For instance, Adrian has an additional \$3,094,325 in its' total city budget

compared to Grandville, (Employer Exhibit #6). Holland exceeds Grandville's total city budget by almost \$23,000,000. The same is true when comparing the police budgets. The comparables with a 2.5% pension multiplier have between \$473,530 and \$2,460,200 additional money in their police department budgets over and above Grandville's police department budget at \$1,539,800. Furthermore, Grandville has maintained its' SEV ranking among the comparables. With the Union comparables, Grandville ranked last with 1990 SEV in the previous Act 312 arbitration and continues that ranking with the current SEV. Among the City comparables, Grandville continues its' 1990 ranking of third. Simply put, if Grandville is last in the Union's "comparables," and third in its' own comparables, there is certainly no reason it should match the best of any comparables benefit levels.

Additionally, the internal units within the City of Grandville do not support a pension upgrade.

None of the internal units have a 2.5% pension multiplier, including the patrol unit which receives a 2.25% retirement multiplier, the same as the sergeants.

On the other hand, the union contended that the only significant change that this upgrade entails is increasing the multiplier factor from 2.25% to 2.50%. The City has offered no change in the current provisions. The maximum rate a sergeant would be allowed to receive under the B-4 plan would remain constant at 80%. Further, the final average compensation would still be calculated as the average of the higher 36 consecutive months of earnings (FAC-3). The retirement age would continue to be 55 with unreduced benefits, provided that the employee has put in 15 years of service. The payroll deduction cap of .4% would be raised to 2.64% to allow the actual increase in the cost of the upgrade (2.24%) to be absorbed by the employees.

The Union's proposal is reasonable within the provisions of Act 312 and would place no substantial additional burden upon the Employer's budget constraints as the Union is absorbing the

cost. Even if it did cost the City, and it doesn't under this proposal, it has not argued inability to pay. Regardless, the Union has agreed, in its Last Best Offer, to remove the .4% cap and pay for the change, based upon the actuarial report of 2.24%.

The panel must note that most recently the city of Owosso adopted a new contract for its police unit which adopted a 2.5% pension multiplier. So now three of the five comparable cities offered by the employer are at that level. Further, Niles, Kentwood, and Holland all utilize pension multipliers higher than the 2.25% in the employer's proposal. The city's provision of social security benefits is a strong factor which favors its position, but other cities which continue at the 2.25% level have no employee contributions. The union's proposal calling for a 2.64% payroll deduction will pay for the cost of this benefit, and it puts Grandville in line for benefits like those offered in other communities where there is a contribution. Because of the small size of this unit and because no sergeants are now eligible for retirement, and the fact that all new sergeants will be in a different plan all combine to favor the union's proposal.

C. Conclusion:

The union's offer of settlement seemed to best conform to the Act 312 criteria. It is in keeping with the trend in comparable communities, and it will not represent a significant cost increase to the city. This new retirement provision will go into effect on July 1, 1997.

D. Panel's Award:

The union's last offer of settlement is adopted by the panel.

II. Employer Issue: Bi-Weekly Work Schedule - Article V, Section 10

A. Current Contract Language:

Section 10. Overtime shall be paid at the rate of one and one half (1-1/2) times an employee's

hourly rate for each hour actually worked in excess of twelve (12) hours per day or eight-four (84) hours in a fourteen (14) day pay period. Employees shall for the 84 hours receive 80 hours at the employee's hourly rate and four hours of compensatory time earned. A twenty-four (24) hour period shall begin at 12:01 a.m. and end at 12:00 midnight.

Union Proposal:

That the current hours and overtime language remain status quo.

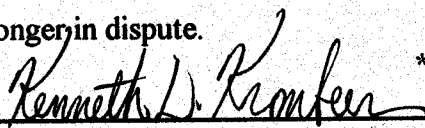
City Proposal:

That the current hours and overtime language remain status quo.

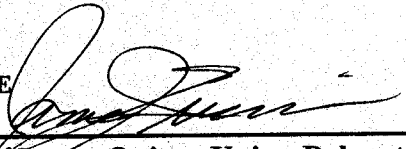
B. Panel's Award:

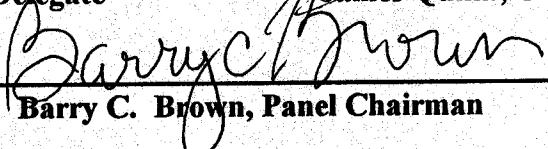
As the parties both proposed that the contract language shall be unchanged, this issue is no

longer in dispute.


Kenneth Krombeen, City Delegate

*DISSENTING, SEE
ATTACHED


James Quinn, Union Delegate


Barry C. Brown, Panel Chairman

CITY OF GRANDVILLE

May 7, 1997

Barry C. Brown, Arbitrator
P.O. Box 4669
East Lansing, MI 48826-4669

Dear Mr. Brown;

Enclosed is the original award in the matter of MERC Act 312 - Case No. L96 B-6000. I have signed the award but indicated my dissent with the majority opinion. The dissent is based on the following arguments, among others:

- 1) City-provided comparable communities were more appropriate than union comparables which included communities many times larger in terms of population and budget.
- 2) The City's actual annual retirement allowance with the current benefit already exceeds most comparable communities even without a pension multiplier increase, especially since the city voluntarily makes a social security contribution.
- 3) No comparable community has a 2.5 multiplier and social security benefits.
- 4) The award, for some reason, factored in a recent pension increase in the City of Owosso that was mentioned during the hearing, but never formally entered into the record and neglected to take into account a 4% cap on employer costs that was an integral part of that upgrade.
- 5) Actuarial assumptions and possible inaccuracies indicate the full cost of providing the pension increase may not be borne by the employees as they proposed.

ADMINISTRATION BUILDING

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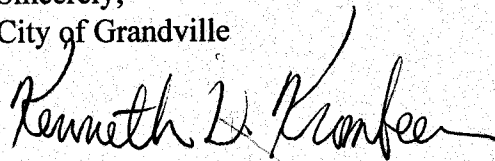
POLICE/FIRE BUILDING

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Mr. Barry Brown
May 7, 1997
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I understand through your office that this dissent will be attached to the arbitration award.

Sincerely,
City of Grandville

A handwritten signature in cursive script, reading "Kenneth D. Krombeen". The signature is written in dark ink and is positioned above the printed name and title.

Kenneth D. Krombeen
City Manager

KDK/mlm