

6446

STATE OF MICHIGAN
Department of Labor
Employment Relations Commission

Arbitration Under Act 312
(Public Act of 1969 as amended)

In the Matter of
MICHIGAN ASSOCIATION OF POLICE (PPSA)
and
CITY OF PONTIAC
MERC Case No. D 90 J 1469

Award of Panel

Panel Members: John B. Kiefer, Chairman
Ben Anderson, City Delegate
John Wargel, Union Delegate

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STATE OF MICHIGAN
BUREAU OF EMPLOYMENT RELATIONS
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Pontiac City

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STATEMENT OF PROCEEDINGS

The Michigan Association of Police (Union) has filed a Petition for Arbitration pursuant to Act 312, Public Acts of 1969, as amended, with the Michigan Employment Relations Commission requesting the initiation of binding arbitration proceedings regarding terms and conditions of employment to be included in a collective bargaining agreement. On May 26, 1992, John B. Kiefer was appointed to serve as Chairman of a panel of arbitrators. The other members of the arbitration panel selected by the respective parties were Ben Anderson, the Designant for the City, and John Wargel, the Designant for the Union. At the Pretrial conducted on July 23, 1992, because the parties claimed that some 16 issues were never mediated, the Chairman remanded the matter back to the Mediator, Charles Jamerson, which resulted in a reduction of the City issues from 13 to 9. At the conclusion of the hearings, the Union withdrew 2 of its 9 issues.

Between July 23, 1992 and April 29, 1993, the Arbitrator presided at approximately ten (10) prehearing and evidentiary hearing conferences, and on May 12, 1993, the parties submitted their last offers of settlement. Both parties agreed that all issues were economic ones. On July 21 and July 26, 1993, the parties submitted briefs in support of their respective positions on all of the issues, and this award results therefrom.

Section 8 of Act 312 provides:

"At or before the conclusion of the hearing held pursuant to Section 6, the arbitration panel shall identify the economic issues in dispute, and direct each of the parties to submit, within such time limit as the panel shall prescribe, to the arbitration panel and to each other its last offer of settlement on each economic issue. The determination of the arbitration panel as to the issues in dispute and as to which of these issues are economic shall be conclusive. The arbitration panel, within 30 days after the conclusion of the hearing, or such further additional periods to which the parties may agree, shall make written findings of fact and promulgate a written opinion and order upon the issues presented to it and upon the record made before it, and shall mail or otherwise deliver a true copy thereof

to the parties and their representatives and to the employment relations commission. 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. This section as amended shall be applicable only to arbitration proceedings initiated under Section 3 on or after January 1, 1983." (footnotes omitted)

Section 9 of Act 312 provides:

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

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.
- (c) The interest and welfare of the public and the financial ability of the unit of government to meet the costs.
- (d) Comparison of the wages, hours and conditions of 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.
 - (1) In public employment in comparable communities.
 - (2) 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 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.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) Such other factors, not confirmed to the foregoing, which are normally or transitionally 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."

Consistent with the Supreme Court's directive in Detroit v DPOA, 408 Mich 410 (1980), the panel has, with respect to economic issues, adopted the last offer of settlement which more nearly complies with the applicable Section 9 factors.

There are 16 issues in all and they shall be approached in the following order:

Economic Issues

Demands by Union

1. Union Issue #1 - Dental Insurance - Economic
2. Union Issue #2 - Sick Leave - Economic
3. Union Issue #3 - Insurance - Economic
4. Union Issue #4 - Wages, Economic
5. Union Issue #5 - Final Average Compensation - Economic
6. Union Issue #6 - Wages - Economic
7. Union Issue #7 - Withdrawn
8. Union Issue #8 - Retirement - Economic
9. Union Issue #9 - Withdrawn

Demands by City

1. City Issue #1 - Promotions - Economic
2. City Issue #2 - Sick Leave - Economic
3. City Issue #3 - Health Insurance - Economic
4. City Issue #4 - Health Insurance - Economic
5. City Issue #5 - Life Insurance - Economic
6. City Issue #6 - Retirement Annuity - Economic
7. City Issue #7 - Retirement Annuity - Economic
8. City Issue #8 - Maintenance of Conditions - Economic
9. City Issue #9 - Health Insurance - Economic

UNION ISSUE #1

Dental Insurance

Position of the Parties

The Union proposes that Article VIII, Section 10, which currently provides for dental coverage of 100% of preventative and diagnostic dental care and 70% of Class I and Class II dental care, with a maximum payout of \$800.00 per family member per year, be supplemented with an orthodontic rider having a 50/50 co-pay and a lifetime maximum of \$1,000.00 per family member. The City's last offer of settlement seeks maintenance of the status quo.

Discussion

Both parties claim that the dental benefits provided by outside and inside comparables support their respective positions. The Union claims that 14 out of 20 outside comparables provide orthodontic coverage and that eight out of those 14 communities that do provide such coverage, provide benefits which are equal to or exceed Union's demand here. Of the internal comparables, the Union states that three offer orthodontic coverage equal to or greater than the Union's current demand. The Union also asserts that coverage generally in 12 outside comparables which do provide benefits, 10 pay higher benefits than Pontiac. On the other hand, the City points to three other comparable communities which provide for no Class I and Class II coverage; seven which provide a lower dollar cap per individual than does Pontiac and that only four other communities exceed Pontiac's cap. The City also counters that of the internal comparables, three have benefits lower than Pontiac and neither the firefighters nor the

police officers have any orthodontic coverage. In addition, the City points to the previous Act 312 Arbitrator's Award which rejected the Union's identical demand.

Surprisingly, neither side introduced proof of the prospective cost to the City although the City's financial position is an important factor in these proceedings. The Union did estimate the City's annual cost at \$2,742.00 if its original demand of a \$3,500.00 lifetime cap were awarded, but introduced no evidence of the cost of its reduced demand of a \$1,000.00 cap. Although the cost should be less as a result of the Union lowering its demand, neither party introduced supporting evidence to establish its amount.

Award

Based on competent, material and substantial evidence on the whole record and applying the Section 9 factors, despite the City's deficit situation and overall financial condition, the Panel awards the Union's proposal that an orthodontic rider having a 50/50 co-pay and a lifetime maximum of \$1,000.00 per family member be added to dental insurance coverage.

Accept: John B. Kiefer
Accept: Ray L. Carl
~~Accept:~~ John Karger
~~Reject:~~

UNION ISSUE #2

Sick Leave Bank

Position of the Parties

The Union proposes that the current provision for accumulated sick leave days in the primary bank of 150 days be increased to 200 days. The City's last offer of settlement is to maintain the status quo.

Discussion

Once again, both parties claim that the sick leave payout benefits provided by outside and inside comparables support their respective positions. The Union claims that 13 of the outside comparable communities have sick time banks equal to or greater than 200 days and that eight of those communities have no cap at all on sick leave accumulation. It also claims that the contracts in 14 comparable communities contain at least a 50% payout at retirement (as does the current Pontiac contract) and that 16 of these have a 100% payout at time of retirement and one has a 60% payout. The Union also asserts that three of the six internal comparables have more sick days paid out at retirement than does this unit. All of these payouts are included in final average compensation for purposes of computing retirement. The Pontiac firefighters receive 50% payout of their primary bank and 25% of their secondary bank with no limit on their accumulations. The City responds by claiming that the current contract puts Pontiac in the top 1/3rd of comparable communities and that only five of these communities include sick leave payout in the employee's final average compensation. The City asserts that even if a unit member of an internal or external comparable has more sick leave days than this unit, members of this unit would still be paid more at retirement because of a

higher wage paid by the City. The City also points out that if this Panel were to adopt the Union's proposal, it would place these unit members second only to one comparable community whose command officers receive a lower overall compensation and wage package than unit members. The City also asserts that no one of the internal comparables has a cap of 200 days in its sick leave bank and that only two receive 100 or more days payout at retirement. Once again, the City makes the point that the earlier Act 315 Panel rejected an identical Union proposal.

The Union made no estimate of the increase in costs to the City, but the latter introduced evidence that the City would bear \$144,192.00 in increased cost plus establishing an immediate unfunded liability of \$320,631.00 and an increase in its contribution to the pension plan of 1.52% with a future annual cost of at least \$25,414.00 if there were no further pay raises.

Award

Weighing all the competent, material and substantial evidence and applying the Section 9 factors, the Panel is persuaded that the Union's proposal on this issue should not be adopted because of the City's deficit situation and the relative position of this unit with both external and internal comparables.

Accept: John B. Kiefer

Accept: Ray L. Aul

~~Accept:~~
~~Reject:~~ John Wargel

UNION ISSUE #3

Health Insurance

Position of the Parties

The Union next proposes that the current contract which provides health insurance to members of the unit and their spouses and minor children be expanded to include all dependent children up to age 25 years. The City proposes that the status quo be maintained.

Discussion

The Union maintains that eight comparable communities provide this expanded coverage and that two of the six internal comparables do as well. The Union claims that a survey of the membership indicated only 10 members would be advantaged if its proposal were to be adopted by the Panel resulting in an annual cost of \$12,168.00. The City counters that only one outside comparable and two of seven internal comparables provide health insurance to dependent children up to 25 years. The City places the annual cost of the increase at potentially \$42,588.00, using the assumption that all unit members would be eligible.

Award

Applying Section 9 criteria, especially the City's lack of ability to pay and the relative position of the unit with other comparable communities and internal units, the Panel rejects the Union's proposal on this issue.

Accept:

John B. Kuder

Accept:

By S. Cural

Reject:

John Wargel

UNION ISSUE #4

Wage Benefits, Sergeant, Lieutenant and Captain Differential

Position of the Parties

The Union proposes establishing a 11.5% differential between the base salary of sergeant and lieutenant and between lieutenant and captain to replace the current schedule that results in a 8.2% pay differential between sergeant and lieutenant and a 14.8% differential between lieutenant and captain. The City proposes that the status quo be maintained and claims that this Panel lacks jurisdiction to entertain the Union's last best offer of settlement on this issue because the captain's differential was never presented or litigated in this Act 312 proceeding in which the issues were limited to the lieutenant differential.

Discussion

The Union seeks to correct what it calls a current disparity between the wage scales of sergeants, lieutenants and captains from their historic positions, which result in the 8.2% pay differential between sergeant, lieutenant and the 14.8% pay differential between lieutenant and captain. The Union cites City Exhibit 226, although containing "flawed" data, as supporting its position. The Exhibit indicates that 13 comparable communities have a differential between sergeant and lieutenant which exceed the current 8.2% differential in the current contract and Exhibit 227 which indicates that three of six comparable communities show a differential between sergeant and captain of 21% or greater. The City states that even if the Panel had jurisdiction, only five of 20 comparables base a lieutenant's rate on the differential between the lieutenant's and sergeant's pay and the 11.5% increase for lieutenant's pay in the Union proposal would

exceed all comparables except one community. The City also claims that if a sergeant's salary remained the same in the new contract, a lieutenant's salary would rank him or her sixth amongst the comparable communities and a captain's salary third amongst the comparable communities. The City again protests that it cannot afford any increase.

Award

The City's jurisdictional objections to the Union's position on this issue is rendered moot because the Panel is not persuaded that the Union's proposal should be upheld when applying Section 9 criteria. Although neither party presented evidence of what the Union's proposal, if adopted, would cost the City, it is evident that the new formula would impact the City's budget. For reasons more fully set forth in the Panel's award in the Union Issue #6, the City can ill afford further expenditures at this time, especially with regard to this Issue where the cited comparables do not sustain the new, proposed differentials. Based on competent, material and substantial evidence on the whole record and applying the Section 9 factors, the Panel rejects the Union's proposal on this Issue.

Accept: John B. Keefe

Accept: Ray L. Carl

Reject: John Wangel

UNION ISSUE #5

Final Average Compensation

Position of the Parties

The Union proposes that the current contract which does not contain a definition of Final Average Compensation (FAC), be amended with a new paragraph C to be added to Article IX, Section 4, as follows:

- C. Effective January 1, 1991, the following shall be included to determine final average compensation for both regular retirement and disability retirement:
1. Employees base pay
 2. Shift differential
 3. Fifty (50%) percent of the value of the employees primary sick bank up to twelve hundred (1200) hours
 4. Lump sum holiday pay
 5. Longevity pay
 6. Final vacation time payout up to a maximum of four hundred eighty (480) hours
 7. Retirement to be based upon the best three (3) years out of the last ten (10) years

The City proposes maintenance of the status quo.

Discussion

The Union claims that only subparagraph 6 is new and that all other subparagraphs match the benefits currently in effect for unit members.

Once again, both parties claim that the benefits provided by outside and inside comparables support their respective positions on this issue. The Union points to the PFFU contract which defines FAC as including up to 480 hours of unused vacation time as the Union here proposes for its unit. The Union also claims that eight comparable communities include vacation pay in FAC and 10 comparable communities include overtime in FAC while this unit does not. The Union claims, as well, that other comparable communities include such items in FAC as COLA, shift premium, clothing and gun allowances, etc., which this Unit's contract does not and the Union is not seeking such inclusions.

The City, on the other hand, claims that nine outside comparable have fewer components and that only four of 20 include unused vacation in the FAC. It states that the current components of the PPSA equal or exceed four internal comparables and that five of six internal comparables do not include unused vacation as part of FAC. The City also contends that the Union's overall compensation is highest among the comparables; that the immediate cost to the City would be \$74,905 and increase any time wages increased. An unfunded liability of \$922,131 would immediately arise, and the City would be required to increase its contribution to the pension program by 4.48%.

Award

Based on competent material and substantial evidence on the whole record and applying the Section 9 factors, especially the City's lack of ability to pay and failure of

most internal and external comparables to provide the sick leave benefits which the Union seeks to include in FAC, the Panel rejects the Union on this Issue.

Accept: John D. Kasper

Accept: By S. Carl

Reject: John Wargel

UNION ISSUE #6

Wage Benefits

Position of the Parties

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

Notwithstanding any other provision in this award, (excepting Union Issue #4, if granted) the wages shall be improved as follows for all employees covered by the bargaining unit:

Effective January 1, 1991 a 3% pay increase

Effective January 1, 1992 a 3.5% pay increase

Effective January 1, 1993 a 2% pay increase

Effective July 1, 1993 at 2% pay increase

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

Revise the rates of pay set forth in the contract and the Pay Plan as follows:

<u>1st Year</u>	<u>January 1, 1991 - December 31, 1993</u>
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Members of the bargaining unit will receive a one time only lump sum payment equal to one and one-half (1.5%) percent of the employee's base salary earnings in the period January 1, 1991 through December 31, 1991. The lump sum payment shall not be added to, or become part of, the employee's annual base salary.

<u>2nd Year</u>	<u>January 1, 1992 - December 31, 1992</u>
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Members of the bargaining unit will receive a one time only lump sum payment equal to one and one-half (1.5%) percent of the employee's base salary earnings in the period January 1, 1992 through

December 31, 1992. The lump sum payment shall not be added to, or become part of, the employee's annual base salary.

3rd Year

January 1, 1993 - December 31, 1993

Effective July 1, 1993, increase the salary schedule by three (3%) percent across the board.

Effective Date: As set forth above.

Discussion

The Union claims that the average of the increases granted in the comparable communities is:

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Sergeants	3.89%	4.35%	4.53%
Lieutenants	3.89%	4.53%	4.54%
Captains	3.56%	4.49%	5.70%
Average	3.78%	4.45%	4.92%

It also claims that overall average of the comparables is 13.15% in contrast to its proposal of 10.5%. It's proposal would nonetheless cause the sergeants relative position vis a vis the comparable communities to slip from 10th in 1990 to 12th out of 21 in 1991; 8th out of 14 in 1992 and 4th out of 8 in 1992. As to lieutenants, they would slip to 10th in 1991 and 6th out of 10 in 1992. As to captains, their relative position would remain unchanged in 1991.

Regarding the City's financial position, the Union states that the City's claims of destitution are cries of "wolf" and a "red Herring". The Union also asserts that the City's increased costs arise, not from expenses associated with the PPSA, but with non-

essential areas of the government such as the mayor's staff, the City Council staff and outside legal and other consultants. The Union also claims that the City's economic outlook could be improved by selling some of its frivolous assets such as its hospital.

On the other hand, the City analyses the data on the wages in comparable communities as follows:

The units already enjoy a high wage rate with a sergeant's and a lieutenant's annualized 1990 salary ranking 7th and a captain ranking 3rd. The unit's officers also realize a higher net pay because their retirement contribution rate is only 2.5% compared to the average in comparable communities of 3.81%. In 1990, this puts the Pontiac sergeants and lieutenants in 6th place and the captains in 3rd. The City also claims that the salaries of the Pontiac officers has outpaced the CPI since 1967. The City claims that the City's offer will allow the unit's members to essentially maintain their position among the comparables while the Union's proposal far exceeds that received by a comparable community or any internal comparable unit. The City compares the total cost of its wage offer of \$125,540 with that of the Union amounting to \$446,467 as a minimum. This, the City contends, is prohibitive when considering that in 1990 it had a minimal fund balance of \$2,127,540 which is now a deficit of \$2,178,998 (or \$2,385,842 in Exhibit 295). In the Act 312 proceedings in 1990, the Panel awarded a total of 7% pay increases, whereas the Union's proposal this year is 10.5%

The City also shows that its offer here of cash payments totaling 1.5% in 1991 and 1992 compares favorably with the CPI in those years of 1.738% and 1.786% respectively. The City attaches Appendix A to its Brief showing that its wage proposal for 1993 would rank Pontiac sergeants' net salaries in the 12th position with comparable

communities; lieutenants' in the 15th position and captains in the 4th position out of 21 communities.

The City claims that to be fiscally sound, a municipality should have a fund balance of between 10% to 15% of its budget which would require Pontiac to have approximately \$4.5 as its unreserved fund balance. From 1990 to 1992, the City's revenues dropped 5.8% while its expenditures increased 6.7%. In the meantime, the City's revenues have declined because of a decline in resident and non-resident income taxpayers from 57,278 in 1985 to 46,526 in 1990. In 1991, the City levied 27.7839 property tax mills which is the highest among the comparable communities and was almost 2 1/2 times the median and 7% more than the second highest community. The City is at the charter maximum millage. In addition, between 1991 and 1992 the City lost \$92,941,900 in real and personal SEV; a 8.67% decline. In the future, the SEV will be reduced because of the GM tax appeal settlement in which the City's general fund will lose \$1,321,908 annually for the next 15 years.

The City introduced exhibits showing that its total liabilities are greater than any of the comparable communities and its liabilities per capita are at a level more than twice that of the second highest community. Pontiac has the greatest amount of liabilities compared to its SEV and has the lowest bond rating since both Moody and Standard and Poors lowered their bond ratings. Its relative tax effort is the highest amongst the comparables being 2.9 times greater than the average. Pontiac's police expenditures are two to three times those of comparable communities and its per capita expenditure ranks highest at \$207 and first as a percentage of SEV. Police expenditures increased from

1990 - 1992 over 15% while property taxes decreased over 3% and income tax collections declined by 6.3%.

The City claims that although the City is considering the sale of its hospital, golf course, cemetery and the Silverdome to pay off indebtednesses and to lower the millage rate to lure business and home construction, the sales will take between 1 1/2 years and four years to finalize.

Award

Among the Section 9 factors which this Panel must consider is (c) which requires it to analyze the impact which its award will have upon the costs of maintaining the Police Department, which is financed by taxpayers and which would effect the public at large. This Panel has concluded that the City provides a compensation package which is far above the average and is arguably the best compensation package provided by any of the comparable communities. The City is currently encountering devastating economic times and very tight budgetary constraints in light of the budget deficit. The City is not in a position to offer rich improvement packages. Yet, the City here offers compensation improvements over the contract term which maintain the very favorable position of members of the bargaining unit. These increases are extremely generous in light of the City's poor financial position. In addition to the taxpayer's interests in the cost of the specific issues, they also have a real interest in the overall financial health of the City. Thus, it is in their best interests that the City operate within its budget so that all City functions may be adequately maintained.

It is difficult to comprehend how the interests and welfare of the public can be served by enhancing costly elements in the overall compensation package. The City's

proposal appears to be fair to the members of the bargaining unit, since the unit members already enjoy a favorable position in comparison with both other City employee groups and with other employees in comparable public sector employment.

Under Section 9(c) of the Statute, the Panel is to consider the financial ability of the municipality. It is clear from the evidence on the complete record that the City does not have the financial ability to continue to support the current high compensation levels or to pay for the Union's new contract demands.

The City's most recent audit report (June 30, 1992) shows that the City has a total undesignated fund deficit of \$2,385,842.00. The City has been unable to set aside any money to cover contingencies and, in fact, is short of meeting its obligations by some \$2.4 million.

To be fiscally sound, a municipality should have an unappropriated fund balance of between 10% to 15% of the total General Fund budget. To meet the minimal fund balance requirement would mean that Pontiac should have approximately a \$4.5 million unreserved fund balance. Unfortunately, the City has a total unreserved fund deficit of \$2,385,842. Unfortunately, the City does not have any funds available to absorb any fluctuations in the economy.

Evidence introduced at the hearings show the history of the City's fund balance from 1985 through 1992. In 1985 and 1986, the City's fund balance fell within the acceptable 10% - 15% range. However, between 1990 and 1992, the City encountered a reduction in the General Fund revenues while at the same time it experienced a rise in expenditures. During these years, General Fund revenues dropped 5.8%, while General Fund expenditures increased 6.7%, resulting in revenues under expenditures in the

amount of 505.6% Since 1985, the total fund balance has steadily dwindled down from \$4.5 million to the current levels. The fund balance was eaten up by expenses of the General Fund which are predominantly costs incurred for salaries and fringe benefits. As of June 30, 1990, the unreserved fund balance, both designated and undesignated, of \$697,194, compared to expenditures of \$43,426,056, representing an unappropriated fund balance of 1.61% which means, of course, that, rather than having a positive 10% to 15% reserve, the City is in a negative position.

The primary sources of General Fund revenues are property taxes, local income taxes and state-shared revenues. In fiscal year 1991 - 1992, these sources accounted for \$33,993,358 of the \$44,206,620 total General Fund revenues. The only sources the City has control over are the income tax and property tax. The City appears to have done all it can in these areas.

The record shows that Pontiac is the only community of the comparables to levy an income tax. The City is currently levying the maximum amount allowed by law (1% on residents and 1/2% on non-residents). Special state legislation would have to be enacted for the City to levy any greater amount. There has been a drastic decline over the past thirteen years with respect to the number of resident income taxpayers, from 20,467 in 1977 to 14,919 in 1990. Similarly, a decline has occurred with respect to non-resident taxpayers, which dropped from 41,181 to 31,607 during these same years. In 1985, there were a total 57,278 income taxpayers. In 1990, there were 46,526. This represents a very substantial decline of nearly 11,000 taxpayers over the past five years. Under the Federal WARN Act, an employer must notify a local jurisdiction of an impending major layoff or plant shutdown. Notification has been received by the City of

3,667 layoffs. These layoffs were to be completed during 1993 and will obviously impact the City's future income tax collections.

The City levied, in 1991, 27.78390 property tax mills. This is the highest property tax millage rate levied of any of the comparable communities and is almost two and one-half times the median. Pontiac thus levies almost three times the amount levied by the comparable communities. Pontiac levies approximately 7% more mills than the second highest community, at 23.71560 mills. The City is currently at the Charter maximum (the highest millage allowed) and no further millage may be levied by the City without an additional vote of the people. The SEV, against which the millage rate is applied, has actually declined in Pontiac as follows:

1991	\$806,483,900
1992	\$713,542,000

Between 1991 and 1992, the City lost \$92,941,900 in total real and personal SEV, a - 8.67% decline.

Pontiac faces even greater problems in the future. The City's SEV will be further eroded in the future including the annual impact to the City with respect to the GM tax appeal settlement. As a result of the settlement, the City will experience a significant reduction in its SEV and, consequently, in the revenue available to fund operations. Because of the annual reduction of both regular and abated taxes, the General Fund will annually lose \$1,321,908, the sanitation fund will lose \$330,477 and the capital improvement fund will cost \$165,238. These annual losses, which will occur over the next 15 years, are magnified by the deficit situation already experienced by the City.

The City is unable to receive any greater amounts of state-shared revenues. The City's population continues to decline, and the City cannot tax at any higher rates. Therefore, the City cannot increase tax efforts or point to an increase in population to demand a greater share in state-shared revenues.

Nor may the City borrow additional monies to fund its operations. Municipalities, of course, do not borrow money to pay for current operations. The evidence shows that Pontiac is not in a position to do so even if it wanted to. The City's total liabilities are the greatest (more than 50% greater) than any of the comparable communities. Additionally, when viewed as liabilities per capita, Pontiac ranks number one and is far above the average of the comparables. Pontiac's liabilities per capita is at a level more than twice that of the second highest community. Pontiac has the greatest amount of liabilities compared to its SEV. This is a key measure of the City's ability to raise revenue to meet its obligations. Since bonds are rated upon the City's ability to repay, it is not surprising that Pontiac has the lowest bond rating. The last bond rating by Moody's was done in September, 1990. Moody's rate the City at Baa. Upon review, Moody's rated the City at Baa based on the dislocation caused by GM and the City's poor financial condition. Furthermore, Standard and Poors lowered the City's rating to Bb. As a result of these lower ratings, the City had to purchase bond insurance to obtain a better credit rating.

As calculated by the State of Michigan, the City's relative tax effort, at 2.96816, is by far the highest amongst the comparables. This means that the City's tax raising efforts are 2.9 times greater than the average. It would appear that the City has done all within its power to raise revenues.

The major component of the City's General Fund expenditures (74.2%) consists of salaries, benefits and retirement contributions for City employees. With respect to the total City operation, the evidence shows that the Police Department is the largest operation in the City. Between 1984 - 1985 and 1992 - 1993, the Police Department budget grew by \$2,734,483, or a total increase of 26.5%. By comparison, the total increase in expenditures for the rest of the entire City was 23.9%. Thus, the Police Department is not only the largest and most expensive operation, it also has had one of the highest increases in expenditures over recent years.

The evidence further shows that the City of Pontiac ranks first and, in many cases, expends two to three times the amount spent by the comparable communities. When viewed as a per capita expenditure, the City of Pontiac ranks highest at \$207, which is far above the average of the comparable communities. This is particularly important when one considers that Pontiac has the lowest per capita income and, therefore, the expenditure represents a greater share of the individual taxpayer's annual income. Pontiac ranks first in expenditures as a percentage of SEV at 2.1%, which is far above the average and, in many cases, is three to four times as high as other comparable communities. Police expenditures have been increasing at nearly sixteen times the rate of the increases in the SEV.

Police expenditures have increased while there has been a decrease in General Fund revenues. Police expenditures during this period of time (1990 - 1992) increased over 15% while property taxes decreased over 3%, and income tax collections declined by 6.3%. During 1991, Police Department expenditures accounted for 31.8% of all City

expenditures. When comparing policy expenditures to 1992 SEV, the City had the lowest SEV dollars per police expenditure amongst the comparables.

The City's current Baa bond rating is the lowest rating that still allows the City to maintain an investment grade bond rating. When Moody's issued the Baa rating, the City had a fund balance of \$2.1 million. Now that the City has a \$2.1 million fund deficit, the bond rating agency's view of the City's financial position will further decline.

As a result of this poor financial situation, the City has instituted a deficit reduction plan which was submitted to the State of Michigan. In reducing the staffing level by 27 positions, the City saved (salary, fringe benefits, etc.) from the reduction of those positions. These staffing cutbacks, coupled with other layoffs, has resulted in the City going from 900 employees to 861. The number of budgeted positions has significantly declined since 1988, while the number of layoffs has also increased. The City's goal is to reach 750 employees by June 30, 1993 and 700 by December 31, 1993. Thus, the City has been forced to take drastic measures in order to deal with the \$2 million deficit which is experienced as of June 30, 1992.

As stated above, it is clear from this evidence that the City is in truly dire straits.

The Panel then reviewed the fairness of both the Union's and the City's wage proposals in light of City's financial difficulties and the benefits currently received by the unit members.

The evidence shows that unit members already enjoy a high wage rate in comparison with the comparable communities. The sergeant's annualized 1990 salary ranked seventh, well above most of the comparable communities, as did the annualized salary for lieutenant. The captain's 1990 salary ranked even better, with only two

comparable communities providing a higher 1990 salary. When the Panel considers an employee's net pay, i.e., the stated salary less the employee's required pension contribution, the favorable position of unit members becomes clear. The average employee pension contribution amongst the comparables is 3.81%. The employee retirement contribution rate in Pontiac is 2.5%. With this lower contribution rate, the net salary of unit members is even more favorable than when looking at the salary alone. A sergeant's net salary of \$40,153.42 ranks sixth amongst the comparables, while the lieutenant's net salary of \$43,448.02 also ranks sixth. The captain's net salary of \$49,402.27 ranks third.

A comparison between the increase in the CPI since 1967 with the increase in unit members' salaries also provides clear evidence of the reasonableness of salaries already received by unit members. In comparing the percentage increase in a Sergeant's salary with the increase in CPI, it can be seen that a Sergeant's base salary which was \$41,183 in 1991, even when carried through to 1993, would be far ahead of the increase in CPI, either with or without medical. The same holds true with respect to lieutenant and captain salaries. The lieutenant's 1991 base salary has increased 371.43% since 1967, while the CPI has only increased 282.66% and the CPI without medical has only increased 266.95%. The great disparity between the increase in lieutenant's salary and the increase in the CPI remains essentially the same, even if the lieutenant's salary is not increased through the 1993 calendar year. The captain's base salary has also risen far faster than the increase in the CPI, with or without medical, and will continue to do so even without any increase in the base salary. Hence, it can be seen that the salaries currently received by unit members are in line with that received by the comparable

communities, and have allowed unit members to stay ahead of any increase in the CPI. Importantly, the record shows that the absence of any increase over the next two years would not place the unit members in an unfavorable position with the comparable communities.

Thus, in reviewing the last offers of the City and the Union, it can be seen that the City's last offer of settlement will allow unit members to essentially maintain their position among the comparables, while the Union's request exceeds that received by any comparable or internal comparable unit.

For example, the City's offer of a 1.5% lump sum payment to employees during the 1991 and 1992 calendar years would result in a payment of \$41,800. Such a payment is only approximately \$300 less than the median salary for sergeants in 1991. Furthermore, the 3% increase offered by the City in 1993 would place unit members second, at a salary of \$42,418.49. On the other hand, the Union's proposal would result in a 1993 salary (after July 1, 1993) of \$45,676.81, which would leave unit members second only to one other community. The same can be seen with respect to the lieutenants. In adopting the City proposal, unit members would receive a \$686.38 lump sum payment during 1991 and 1992 (resulting in a \$45,227.38 payment), placing them at approximately the median of the comparables. The 3% increase in 1993 will result in a salary of \$45,895.77, ranking it third amongst the comparables. However, if we were to adopt the Union's proposal, a lieutenant would receive a 1993 (after July 1, 1993) salary of \$49,421.70, tops amongst the comparable communities. The Panel has concluded that such a result can not be justified given the fact that unit members currently receive the highest compensation package amongst all the comparables. Moreover, the Union's

proposal would provide captains with a 1992 base salary of \$54,015.68, which exceeds the next highest comparable by \$2,000. The City's position, however, would provide captains with an overall salary of \$51,429.03, ranking it second for 1992.

The Panel is aware that the consideration of a wage adjustment necessarily entails a consideration of the so-called "roll-up" factor. In other words, a \$1 pay increase does not cost the employer \$1 because other benefits, which are based upon the salary received, also increase in cost. For example, if the roll-up factor is 25%, a \$1 salary increase will cost the employer \$1.25. The record here shows the high roll-up factor in this unit which amounts to 78.78% for sergeants, 78.78% for lieutenants and 80.78% for Captains.

A result of the City's proposed lump sum payments in 1991 and 1992 would be to provide a mechanism under which unit members receive cash payments, while, at the same time, it would avoid the impact of the high roll-up factors. Under the City's proposal, the unit members would receive the following cash payments:

	<u>Sergeants</u>	<u>Lieutenants</u>	<u>Captains</u>
1991	\$617.75	\$668.39	\$760.04
1992	\$617.75	\$668.39	\$760.04
1993	<u>\$1,235.49</u>	<u>\$1,336.77</u>	<u>\$1,520.07</u>
	\$2,470.99	\$2,673.55	\$3,040.15

Due to the roll-up costs the third year, the cost of the City's wage offer will be higher:

	<u>Sergeants</u>	<u>Lieutenants</u>	<u>Captains</u>
1991	\$ 617.75	\$ 668.39	\$ 760.04
1992	617.75	668.39	760.04
1993	1,235.49	1,336.77	1,520.07
Roll-Up	<u>973.32</u>	<u>1,053.11</u>	<u>1,227.94</u>
	\$ 3,444.31	\$ 3,726.66	\$ 4,268.09
	<u>X 25</u>	<u>X 6</u>	<u>X 4</u>
	\$86,107.75	\$22,359.96	\$17,072.36

The total cost of the City's wage offer will be \$125,540.07, or \$3,586.86 per unit member.

The Panel considers this to be a fair offer in light of all of the facts and circumstances.

The cost of the Union's wage offers would be prohibitive since it would be a minimum of \$446,467:

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Total</u>
3% 1991	\$70,014	\$ 70,014	\$ 70,014	= \$210,042
3.5% 1992		82,502	82,502	= 165,004
2% 1993			47,614	= 47,614
2% 1993			<u>23,807</u>	= <u>23,807</u>
	<u>\$70,014</u>	<u>\$152,516</u>	<u>\$223,937</u>	= <u>\$446,467</u>

In the last Act 312 Arbitration case, when the City had the minimal fund balance of \$2,127,540, the Arbitration Panel's Award with respect to wages was as follows:

1988	3%
1989	2%
1990	<u>2%</u>
Total	7%

The City is now in a deficit situation (-\$2,178,998). In these circumstances, the Panel concludes that wage adjustments would not exceed the last contract. However, the Union has proposed 3%-3.5%-2%-2%, for a total of 10.5%. This would not be consistent with the City's financial position.

The Panel is concerned with the ongoing cost to the City. The 1993 salaries will be as follows under the parties' respective offers:

	<u>Sergeant</u>	<u>Lieutenant</u>	<u>Captain</u>
City	\$42,418	\$45,896	\$52,189
Union	\$45,677	\$49,421	\$56,198

As set forth above, the Panel must consider this issue in the context of overall compensation. If the City's wage offers are adopted, the unit members will remain at the top in overall compensation. If one considers salaries less the required employee pension contribution, it is clear that the City's offers place the unit members in a very favorable position.

Appendix A, attached to the City's Brief, shows that the City's wage proposal, in terms of 1993 net salary, will rank unit members favorably among the comparables. However, under the Union's proposal, a sergeant's 1993 net salary of \$44,535.08 ranks sixth amongst the comparables. Likewise, the lieutenant's 1993 net salary of \$48,158.48 under the Union proposal would place unit members well above the median range among the comparables. The captain's 1993 net salary (under the Union's proposal) would rank highest amongst the comparables by over \$2,000.

The City's proposal, which takes into consideration both the financial condition of the City and the concern to adequately compensate unit members, will provide an increase to the already highest overall compensation package and at the same time continue to maintain the high level of benefits received by unit members.

Based on the record evidence and applying the Section 9 standards for decision, the Panel adopts the City's position on this issue and rejects the Union's proposal.

Accept: John B. Kiefer

Accept: By L. Carl

Reject: John Wargel

UNION ISSUE #7

The issue was withdrawn by the Union.

UNION ISSUE #8

Annuit Withdrawal With No Actuarial Reduction

Position of the Parties

Under Article IX, Section 9.6(A), of the current collective bargaining agreement, employees have the option at the time of retirement to withdraw their pension contributions. Inasmuch as the pension plan is funded based both on the employer's and employee's contributions, when an employee withdraws his contributions there is an actuarial reduction in the monthly pension benefit to that employee. Under the Union's last best offer, unit members under the 1991 to 1993 contract may withdraw their contribution at the time of retirement without a reduction in the monthly pension benefits paid out during retirement, i.e., the employer would have to continue making payments as if the money was never withdrawn by the employee. The Union has also proposed that any action required by this Section will not result in any additional costs to the employee nor the retirement system, i.e., all costs would be paid for by the City, other than additional administrative and processing costs.

The City's last offer of settlement proposes that the current contractual provisions remain in effect.

Discussion

The Union argues that the unit members pay 150% more into the pension system than the members of the Pontiac Police Fire Union (P.P.F.U.) pay into the system, but receive less in the form of benefits. The Union also claims that it sought to achieve parity in the earlier Act 312 proceeding before Arbitrator Granadier, but was rejected because

of the first year cost to the City would be \$79,638.00, whereas the current modified proposal would be \$29,554.00.

On the other hand, the City maintains that no other comparable community has such a withdrawal provision, nor does any internal comparable. It also maintains that the firefighter's similar benefit in the past was monetary and has now been eliminated. The City also points out that the police have higher overall compensation in relation to the firefighters and that even if there were no wage increase to the police, the first year cost would be \$42,468 and that the City already pays the highest contribution to pensions of all the comparable communities.

Award

Under the current pension plan, an employee has the option, before retirement, to withdraw the total amount of accumulated contributions he or she has made to the plan. Members of the union who choose to take out the accumulated value of their contributions subsequently receive a benefit which has been actuarially reduced in an amount equivalent to the withdrawal. The Union's current proposal will allow a member to withdraw the contributions which have been made by him, while giving him the full amount of the retirement benefit for life without any reduction.

The Union's offer appears to the Panel to be unprecedented. Expert witnesses testified that they were not aware of any instances where the Union's proposal exists and not one community within the State of Michigan maintains the free annuity withdrawal provision as requested by the Union.

The exhibits received in evidence show that 14 of the comparable communities allow annuity withdrawal by their unit members. However, that exhibit also indicates that

in all of those communities, there is an actuarial reduction in benefits in the event an annuity withdrawal is taken. Likewise, that of the six other City units, only two allow for an annuity withdrawal. In both of these units, there is an actuarial reduction for the annuity withdrawal.

The Union's claim that, at one time in the past, the firefighters had this benefit. However, as of July 1, 1989, the firefighters' annuity withdrawal is subject to an actuarial reduction. The Panel concludes that a benefit once extended to the firefighters in the past (but subsequently eliminated) does not justify awarding free annuity withdrawal to these unit members. The insignificance of the firefighters benefit is highlighted by the fact that for a time period between July 1, 1983 and July, 1989, the firefighters made no employee contributions to their pension plan. Moreover, the firefighters' benefit has now been eliminated.

The Union's proposal does not take into consideration the already large contribution made by the City of Pontiac to the police and fire pension system. The City currently has a contribution rate of 49.30% to fund the police command pension. Although the Union claims that the contribution rate has been reduced to "only" 36.96%, the evidence shows that the difference between the two percentages (49.30% and 36.96%) is still to be paid by the employer into a separate fund to provide a post-retirement health care fund for unit members. In fact, the City's contribution rate into the pension plan will continue to be under the "old" assumption figure of 49.30%. The cost of the Union's proposal would appear to be prohibitive. The evidence shows that an unfunded liability of \$596,886 would immediately arise, and the City would be required to increase its contribution to the pension plan by 2.54%. The first year cost of \$42,468

would increase any time wages are increased. Assuming no pay increases over the 34-year amortization period would result in a total cost of \$1,443,912 (34 x \$42,468). This cost would be higher if any pay increases are made in the next 34 years.

The record supports the City's position. No comparable community provides this benefit and no other City unit (except at one time, the firefighters as set forth above) has this benefit. The City already makes the highest pension contribution - far above all other communities. The City will continue to make the highest contribution no matter what actuarial assumptions are used. Given a unit member's high overall compensation and the City's lack of ability to pay, there would appear to be no basis to impose these additional costs on the employer.

Based on the foregoing and the record evidence with respect to the Section 9 standards for decision, the Panel rejects the Union proposal and adopts the City's final offer on the annuity withdrawal issue.

Accept: James M. Kiefer

Accept: By S. Carl

Reject: John Wargel

UNION ISSUE #9

The issue was withdrawn by the Union.

CITY ISSUE #1

Article VI, Section 1, Promotions

Position of the Parties

The City has proposed to revise subsection (d) of Section 1, Article VI, to provide for an affirmative action plan which will allow minorities to move up into the ranks of the command staff. Currently, there are no minorities in the position of lieutenant or captain. The affirmative action plan, which is permissive rather than mandatory in nature, would provide for two promotional lists. One would be a "regular list", which will include all employees who have a passing score and shall rank employees in the order of their total scores. The second list would be a "special list", which will include all minorities who had a passing score and will, as with the regular list, have members ranked in order of the top score to the lowest score. Utilizing these two lists, promotions to both the lieutenant and captain positions will be made as follows: for every two promotions made from the regular list, one promotion will be made from the special list. However, in the event that a minority employee is promoted from the regular list, that employee shall count as the minority promotion and shall cancel the need to promote anyone from the special list during that promotional cycle. In addition, a minority is defined to include Blacks, American Indians or Alaskan Natives, Asians, Pacific Islanders, Hispanics and Females. By its own terms, the affirmative action promotion procedure will discontinue for each rank once the minorities within each rank equals 42%

The Union's position is to maintain the status quo.

Discussion

The City introduced evidence showing that an affirmative action program is needed to balance its work force by attaining a goal of a 42% minority representation in a community which has a 48.75% minority population. There are currently no minority lieutenants or captains on the force and obtaining a command staff with minority representation would provide both operational and practical benefits in order to relate to citizens and serve as role models. The City claims that all but one of the internal comparables has either an affirmative action program or non-discrimination clause in their collective bargaining agreements. The Pontiac firefighters utilize a dual list as contained in the City proposal and eight comparable communities have either an affirmative action program or non-discrimination clause in their collective bargaining agreements.

The Union, on the other hand, argues that the same issue was before Arbitrator Granadier three years ago and he rejected it on the grounds that affirmative action could be achieved by good faith procedures implemented by the Chief and his office. He found that the record there did not establish the discrimination that previously existed. The Union asserts that there has been no showing since the Granadier award to show discrimination in the promotional procedures in this unit.

Award

Although there appeared to be no direct evidence in the record that actual discrimination still exists in the promotional processes of this unit, the very fact that no minorities have been promoted to lieutenant or chief subsequent to the Granadier award where he encouraged the chief and his office to implement "good faith and equitable procedures" in order to accomplish the end result of an integrated upper echelon of

command officers. It seems apparent to this Panel that a fixed procedure seems to be required to accomplish a result that all parties believe to be desirable; that is, a minority composition of the command officers to reflect that of community. The Panel, applying Section 9 standards, adopts the City's proposal.

Accept: John B. Kiefer

Accept: Ben L. Arl

Reject: John Wargel

CITY ISSUE #2

Delete Sick Leave from Inclusion in Final Average Compensation

Position of the Parties

The City contends that the members of the PPSA already receive the highest overall compensation amongst the comparable communities, and the City's contribution rate to employee pensions ranks first amongst the comparables and it wants to delete sick leave from FAC.

Discussion

The City contends that including lump sum unused sick time is a luxury which the City can no longer afford but offered no evidence of the dollar amounts of such savings. It also contends that few external comparables include unused sick time in final average compensation.

The Union seeks to maintain the status quo and argues that all internal comparables have sick time included in FAC and two of the six have greater benefits than the PPSA. The Union also argues that the City's proposal would result in its members receiving less in the form of pension than PPOA members.

Award

The Panel adopts the Union's proposal after applying Section 9 factors, especially in view of the Panel's denial of other benefits to the Union in the other issues decided herein.

Accept: _____

Accept: _____

Accept: _____

Reject: _____

CITY ISSUE #3

Article VIII, Fringe Benefits, Section 8.8 Health Insurance

Position of the Parties

Under the current contract, unit members are required to co-pay \$2.00 under the prescription drug rider and the health insurance covers any amount above that. The City has proposed to increase the prescription drug rider for all unit members and retirees to \$5.00.

The Union's last best offer of settlement is to maintain the status quo.

Discussion

The City claims that the \$2.00 drug rider co-payment is the lowest amongst the comparable communities and, in addition, the overall health insurance coverage presently enjoyed by the Unit, is equal to or exceeds that offered by the majority of those communities. The \$5.00 proposed rider is the same amount required by five other outside comparables. The other internal comparables all provide identical overall health insurance, including the \$2.00 rider, but, the City claims, the City is making the same \$5.00 offer to them. The City claims the \$3.00 reduction would help insure that the City makes it way to the path to financial recovery.

The Union cites the above internal and external comparables and states that if the Panel were to adopt the City proposal, the PPSA would be the only City unit with a \$5.00 co-pay.

Award

The City has failed to convince the Panel that sufficient Section 9 factors militate in favor of reducing the \$2.00 to \$5.00. Although its financial condition is certainly an

important consideration, the City introduced no evidence to quantify the savings if its proposal were adopted by the Panel. The Panel is sympathetic with the City's financial condition, but in applying all the Section 9 factors, it concludes that the City's proposal must be rejected.

Accept: John D. Keefe

Accept: Byron S. Arnold

Accept: John Keefe
Reject: John Keefe

CITY ISSUE #4

Article VIII, Section 8.8, Fringe Benefits Health Insurance

Position of the Parties

The City's proposes to amend Article VIII, Section 8, by adding the following new provision:

If a premium increase is required on the anniversary dates of the plan in the judgment of the City (over and above those in effect on July 1, 1993), the City employees and retirees covered by this agreement will each pay twenty-five (25%) percent of the increased amount determined to be necessary by the City to maintain benefits. (Based upon COBRA rates).

Thus, under the City proposal, unit members and retirees will pay 25% of the health insurance increases after July 1, 1993, while the City will pay 75% of those increases.

The Union's last best offer is to maintain the status quo.

Discussion

As it contended in Issue #3, the City claims that because of its financial condition, it must stem the tide of higher health insurance premiums. It shows that its premium for single pension coverage in the unit has increased 97% since 1987 and 85% for family coverage. The City points to its diligent efforts to keep insurance costs down, wherever it is within its power to do so. The City also claims that retiree insurance coverage is equal to or greater than that provided in comparable communities and that seven of these outside comparables require retirees to share premium increases with their former employers.

The Union emphasizes that no internal comparable, including retirees, shares premium increases with the City and no outside comparable requests its employees to pay a portion of any increase in health insurance premium.

Award

While again sympathetic with the City's financial distress, the Panel, in applying Section 9 factors, adopts the Union's position to maintain the status quo and rejects the City's proposal.

Accept: John B. Kiefer

Accept: Byron S. C...

~~Reject:~~ John Kiefer

CITY ISSUE #5

Article VIII, Life Insurance for Retirees

Position of the Parties

The City's proposal, again made in order to rectify its financial condition while maintaining unit members in a competitive position with the comparable communities, is to reduce the life insurance received by unit members who retire after July 1, 1993 to \$5,000. Those retiring prior to July 1, 1993 would receive what the current contract provides for, i.e., one-half of the life insurance coverage (\$45,000) received at the time of retirement.

The Union's last best offer is to maintain the status quo.

Discussion

The City introduced evidence that its current life insurance provided to retirees exceeds all comparable communities and that its current \$22,500 places second and exceeds the next highest community by \$7,500. Seven of the comparables do not provide any life insurance for retirees. As to internal comparables, the current coverage for the members of the PPSA exceeds three of the internal comparables, including the firefighters.

The Union points to 13 comparable communities which offer their retirees a life insurance policy and to the fact that PPSA members are not covered by social security. The Union also asserts that this proposal also effects unit members who are forced to retire due to duty-related or non-duty related disability.

Award

In applying Section 9 factors, the Panel adopts the City's proposal because of its financial condition and the current ranking of life insurance benefits as compared to internal and external comparables.

Accept: John B. Kiefer

Accept: Ray D. Ciolek

Reject: John Wargel

CITY ISSUE #6

Article IX, Wage Benefits, Section 9.2, Retirement Annuity

Position of the Parties.

The City has proposed to revise Article IX, Section 2 to provide that, effective July 1, 1993, employees shall contribute five (5%) percent toward pension costs. Currently, unit members contribute 2.5% towards their pension plan.

The Union's last best offer is to maintain the status quo with respect to employee pension contributions.

Discussion

The City has argued that in order to help defray what it terms the excess costs of the pension plan, the employees must increase their contributions. It states that the City's rate of contribution exceeds all comparable communities with the next highest being 26.36% or (22.94% lower than Pontiac). It argues that even if its proposal is adopted by the Panel, the Unit will still be making contributions below the majority of outside comparables. Eleven of those communities require a 5% or above for pension contribution. The City introduced evidence that the City would save approximately \$38,000 per year if its proposal were adopted by the Panel. The 1992 contribution rate of 49.30% exceeds four of the internal comparables but those have a 7.65% contribution rate towards Social Security, which the PPSA members do not.

The Union uses both external and internal comparables to buttress its position that their Unit already pays too much into the pension system. It argues that in six of the comparable communities, the employees paid less than the PPSA and that none of the internal comparables pay what the City now seeks the Panel to adopt. The Union

members already pay (along with the PPOA members) the highest of all City employees into the Pension System and do not enjoy the highest pension benefits. The Union also argues that a Panel adoption of the City's proposal would have a chilling effect upon police officers seeking a promotion into the PPSA because, if promoted, they would have their pension benefits reduced.

Award

Although the Panel is once again in sympathy with the City's financial plight, it believes that its earlier decisions in other economic issues in this Act 312 matter will produce a more equitable result for the City's cost containment efforts. In applying Section 9 criteria, the Panel rejects the City's proposal and rules that the status quo should be maintained.

Accept: John B. Kiefer

Accept: By S. Carl

Reject: John Wargel

CITY ISSUE #7

Article IX, Section 9.4, Wage Benefits (Retirement Annuity Adjustment)

Position of the Parties

Currently, Section 9.4 (I) provides for the following annuity calculation for unit members:

Upon retirement from service, a member shall receive an annuity calculated in the following manner: For the first twenty (20) years of service, three (3%) percent of final average salary for each year of service. For the next five (5) years of service, two (2%) percent of final average service. For the next five (5) years of service, one (1%) percent of final average salary, for each year of service. Subject to a maximum of seventy-five (75%) percent of final average salary. A fractional period of service of less than a full year shall be considered in the calculation of the annuity. (Effective September 1, 1979).

The City's last offer of settlement is to revise the subsection (I) by providing the following paragraph set forth above:

For employees hired on or after July 1, 1993, the following benefit shall apply. Upon retirement from service, a member shall receive an annuity calculated in the following manner: For the first twenty (20) years of service, two and one-half (2.5%) percent of final average salary for each year of service. For the next years of service, one (1%) percent of final average salary for each additional year of service subject to a combined maximum of sixty-two and one-half (62.5%) percent maximum of final average salary.

The City's proposal thus makes the following changes. The 3% for the first 20 years under the old contract is reduced to 2.5% and there is an additional 1% for each year after 20 years (VII - 5). The final change is to reduce the maximum benefit level from 75% to 62.5% (Id).

The Union's last best offer is to maintain the status quo.

Discussion

The City maintains that the current retirement annuity adjustment for the unit members is the highest amongst the comparables communities and the three percent multiplier factor is also highest. If a Unit Member retires either after twenty or thirty years, he or she would receive either sixty percent or seventy-five percent respectively of his or her final average salary, which would rank first amongst the comparable communities. The City states that eighteen of the twenty external comparables have a multiplier equal to or less than the City's proposal. Its proposal also places it ahead of four of the internal comparables. The City claims savings of \$6,177 per year, per employee who retires at 25 years of service. The City also asserts that its proposal provides an incentive not found in the current contract by adding one percent for every year worked after 25 years of service and a two percent escalator known as a pension improvement factor.

On the other hand, the Union points out that not one of the external or internal comparables have had a reduction in the multiplier and many of the externals have had the multiplier increased. Two of the other units in the Police Fire Pension system enjoy the same current formula as applied to the PPSA. The City's proposal would distort the current inequity existing between the PPSA and the firefighters. The Union also argues that adoption of the City proposal would completely stifle any desires for promotion and even encourage return to the PPOA in order to protect the larger benefits in the PPOA.

Award

Once again, the Panel is understanding of the City's desire to reduce its financial burden in light of its current deficit, but the Panel must take into consideration the other Section 9 factors and the debilitating effect on the long-range, historical security of the

Unit members. Other economic advantages to the City occurring elsewhere in this Act 312 Award will help stem the increased cost of operating the police department. Applying the Section 9 factors and based on competent, material and substantial evidence on the whole record, the Panel Awards the Union's proposal of maintaining the status quo on this issue.

Accept: John B. Kiefer

Accept: By L. Carl

Reject: John Wargel

CITY ISSUE #8

Article X, Section 10.3, Maintenance of Conditions

Position of the Parties

Under the current contract, if the Chief of Police desires to make a major change in any working conditions of the unit members, he must meet in good faith with the Union before changes are placed into effect. The current contract also provides that the Union may grieve any change by the Chief and the change cannot come into effect until the completion of the grievance arbitration process. The City has proposed to delete the last section of Article X, Section 3, by providing that the Chief is required, prior to implementing a major change in working conditions, to hold conference with the Union prior to placing the change into effect. Thus, the City's proposal deletes the "stay" from the old contract.

The Union's position is to maintain the status quo, except that it is willing to add the following sentence:

"Emergency situations shall be excepted from being barred from implementation while the grievance is being processed."

Discussion

The City maintains that the current stay during the grievance process creates an unnecessary delay from three months to two years in making changes within the Police Department. This would affect the Chief's ability to make expeditious changes such as assigning lieutenants to work on the weekend because of civil unrest, or having detectives perform investigations on weekends. The proposal would place the Command Officers in the same position as the PPOA and provide uniformity.

The Union argues that the language in the current contract was placed there at the City's request in the last Act 312 proceedings and there was no evidence showing any need for the City's proposal. The Union's proposal that "emergency conditions" would be excepted from the changed conditions provisions would answer the concerns of the Chief.

Award

The Panel adopts the Union proposal based on the competent, material and substantial evidence.

Accept: John B. Kiefer

Accept: By L. A. Wolf

~~Reject:~~ John Hargel

CITY ISSUE #9

Fringe Benefits, Section 8.8, Health Insurance

Position of the Parties

The City's last offer of settlement is to increase the health insurance deductible to \$200 per year per individual and \$400 per family member for each calendar year.

The Union's last best offer is to maintain the status quo.

Discussion

Once again, both parties cite comparable communities as support for their respective positions. The City shows that its current deductible provision is the best and the Union maintains that seventeen of the comparables enjoy the same deductible or one less than the current provision. The Internal comparables are currently provided the same deductible provision as the PPSA. The Union also argues that the proposed change would also affect the retirees from the Unit.

Award

The Panel concludes that the increase in deductible would not severely affect the individual Unit members but would help the City to stem its red ink. The change would still leave the PPSA in a position where its deductible is lower than several of the comparable communities such as Dearborn and Lincoln Park, which have higher family deductibles and Redford and Lincoln Park, which have higher individual deductibles. Applying Section 9 factors, the Panel adopts the City proposal on this Issue.

Accept:

John B. Kuder

Accept:

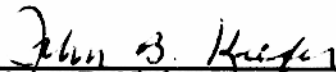
By S. C. [Signature]

Reject:

John W. [Signature]

SUMMARY

The Panel commends both parties and their learned and experienced advocates, Fred Timpner, Labor Relations Specialist for the Union, and Dennis B. DuBay, Esq., for the City, in the presentation of their proofs and arguments. Without their excellent briefs, no informed award would be possible in light of the passage of time from the time of Pretrial until the closing of the Proofs and submission of Last Offers. Throughout, the parties and their representatives maintained a high degree of professionalism, in spite of the emotionally charged nature of some of the issues. The panel sincerely hopes that a new climate will prevail in future bargaining.



John B. Kiefer
Chairman