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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC DEVELOPMENT
EMPLOYMENT RELATIONS COMMISSION

In the Matter of Arbitration

Under Act 312 (Public Acts of 1969)

CITY OF SANDUSKY,
Employer,

and-

MERC Case No. DO4-J-1438

POLICE OFFICERS LABOR COUNCIL
Union.

OPINION AND AWARD

Chairman of the Arbitration Panel:	Kenneth P. Frankland
City Delegate:	Elizabeth L. Peters
Union Delegate:	Lloyd A. Whetstone
Representing City:	Elizabeth L. Peters
Representing Union:	Thomas R. Zulch
Pre-Hearing Conference	January 23, 2006
Hearing Held	June 1, 2006
Post-Hearing Briefs Received:	July 31, 2006
Opinion and Award Issued:	August 16, 2006

STATEMENT OF THE CASE

Police Officers Labor Council filed a petition for arbitration pursuant to Act 312 of Public Acts of 1969 on June 27, 2005. On October 21, 2005, MERC appointed Kenneth P. Frankland as the impartial arbitrator and chairperson of the panel in this matter. A pre-hearing conference was held on January 23, 2006 in Sandusky in an effort to settle the matter to no avail. Another pre-hearing was held on January 26 and a letter summarizing the schedule was generated by the chair that date. The parties submitted a list of stipulated comparable communities on April 28, 2006. Prior to hearing the parties identified, 3 City issues and 7 Union issues. Exhibits were exchanged prior to hearing and marked at the hearing. The parties agreed to submit the case on the exhibits and post hearing briefs. At the time of the pretrial conference and at the hearing, the parties stipulated to a waiver of the time limits.

The hearing was held on June 1, 2006 at the City Hall in Sandusky. Subsequent to the hearing, last best offers were received from each of the parties on June 12 and post hearing briefs were received by the panel on July 31, 2006, after the parties had requested an extension. The parties further confirmed at the hearing the stipulated comparable communities of Bad Axe, Corunna, Harbor Beach, Ithaca, Perry and West Branch and the stipulation to waive the time limits.

As provided in Act 312, the panel consists of a delegate chosen by each party and an impartial chair appointed by MERC. The chair of the panel is Kenneth P. Frankland, Elizabeth Peters is the City delegate, and Lloyd Whetstone is the Labor Council delegate. As required by the Act, the panel is required to adopt the offer of one of the parties that most closely conforms to the requirements of Section 9(a).

STANDARDS OF THE PANEL

Act 312 of 1969, MCL 423.231, specifically §9, contains eight factors upon which the panel is to base its opinion and award. Those are:

- a. lawful authority of the employer;
- b. stipulation of the parties;

- c. interests and welfare of the public and financial ability of the unit of government to meet those costs;
- d. comparison of wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other communities generally:
 - (i) in public employment and comparable communities;
 - (ii) in private employment and 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 a determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact finding, arbitration or otherwise between the parties, in the public or in private employment.

In the ensuing discussion, the panel will discuss the Section 9 factors which are most pertinent on this issue.

BACKGROUND INFORMATION

The city of Sandusky is the county seat for Sanilac County in the thumb area of Michigan. It is 15 miles due west of Lake Huron on M-46. The county is predominately rural. The City has a 2004 population of 2,708 and taxable value of \$64,956,953, the highest of the comparable communities. (City Ex. M). Of the comparable communities two, Bad Axe and Harbor Beach are located in Huron County, directly to the north; West Branch is in Ogemaw County along the I-75 corridor northwest of Bay City; Perry and Corunna are in Shiawassee County in mid-Michigan east of Lansing and Ithaca is in Gratiot County along M-27 north of Lansing. All have populations +/- 40% of Sandusky. (City Ex. M).

There are five police officers in the bargaining unit. The existing contract provides a three step schedule of wages. Of the five officers, four have already reached the top scale (over three years of service) and one is still within the step schedule. One officer is at or near retirement age eligibility. (Officers are eligible at age 55 with 25 years service) All officers have associate degrees (a city

prerequisite) and two have bachelor degrees. These two receive \$1.00 per hour pay enhancement and the other three receive \$.50 per hour enhancement to their base wage.

DISCUSSION OF ISSUES

I. WAGES Article XXXIII

Union’s Last Best Offer

The Union is requesting a five (5) year collective bargaining agreement effective March 1, 2005 through February 28, 2010.

- a. Effective March 1, 2005 - 3% across the board
- b. Effective March 1, 2006 - 3% across the board
- c. Effective March 1, 2007 - 3% across the board
- d. Effective March 1, 2008 - 3% across the board
- e. Effective March 1, 2009 - 2.5% across the board.
- f. Create a new step increase after five (5) years of service at a rate of 2.9% above current top patrolman at three (3) years of service. This step is effective March 1, 2006.
- g. Full retroactivity on all wage issues above.

City’s Last Best Offer

1. Article XLIII -

1. Duration of Agreement

The City proposes a four (4) year collective bargaining agreement, with an effective date of March 1, 2005, through February 28, 2009 (one retroactive year, plus three subsequent years)

2. Retroactivity

The City will agree to retroactivity of base wages only for the first year of the agreement, March 1, 2005 to February 28, 2006. This does not include any retroactivity of any other economic issue. This does not include making any changes to any overtime, vacation, pension contribution, or any other payments that the City made to any officer during 2005 that would have been calculated from base wages.

3. Article XXXIII -Wages and Salaries

Section 1. Classification Wage Scale effective during this Agreement.

IN-SCALE EMPLOYEES

3/1/05 3/1/06 3/1/07 3/1/08

	Annual Hour % Inc.	Annual Hour % inc.	Annual Hour % inc.	Annual Hour %inc.
Start	29,619.20 14.24 2.00%	30,368.00 14.60 2.50%	31,200.00 15.00 2.75%	32,052.80 15.41 2.75%
6 months	30,867.20 14.84 2.00%	31,636.80 15.21 2.50%	32,510.40 15.63 2.75%	33,404.80 16.06 2.75%
1 Year	35,859.20 17.24 2.00%	36,753.60 17.67 2.50%	37,772.80 18.16 2.75%	38,812.80 18.66 2.75%

3 Years	36,316.80 17.46 2.00%	37,232.00 17.90 2.50%	38,251.20 18.39 2.75%	39,312.00 18.90 2.75%
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[Note: The first year increase for Officer Julie Allen Rudy, who is the only in-scale employee, would be 27% because she will move from her hire rate on May 11, 2005 of \$13.96 (she will move to \$14.24 with retroactive increase) to \$14.84 on November 11, 2005 (6 mos. step increase with retroactive wage increase) to \$17.67 on May 11, 2006 (1 year step increase plus wage increase). In addition, all employees whether in-scale or out of scale receive at least \$.50 per hour for an associates degree (hiring requirement) contract supplement and are subject to an additional \$.50 per hour for shift premium. This automatically increases the out of scale hourly rates by up to an additional \$1.00 per hour. None of the six comparable cities pay an educational degree premium. Only one of the six comparable cities pays a shift premium. It is \$.30 -\$.35 per hour; \$.15 to \$.20 less per hour than the City of Sandusky.]

OUT-OF-SCALE EMPLOYEES

3/1/05	3/1/06	3/1/07	3/1/08
Annual Hour % Inc.	Annual Hour %Inc.	Annual Hour %Inc.	Annual Hour %Inc.
36,316.80 17.46* 2.0%	37,232.00 17.90* 2.50%	~8,251.20 18.39* 2.75%	39,312 18.90* 2.75%

[*Note: With Contractual Supplements:

\$40,331.20! \$19.39 \$41,246.40! \$19.83 \$42,265.60! \$20.32 \$43,326.40! \$20.83]

When comparing wages, out of scale employees who work for the City of Sandusky have contractual "add-ons," —longevity (.43/br), shift premium (.50/br) and educational degree premiums (\$1.00) that increase the base wage up to an additional \$1.93per hour. Five out of the six comparable cities do not have any shift premium, none of the six comparable cities have an educational degree premium and four of the six comparable cities do not give longevity payments. Of the few comparable cities that have any add-on, the supplemental amounts are significantly less than those provided by the City of Sandusky. Thus, the City of Sandusky's add-ons must be included in their wage considerations because they significantly impact their base wage amount.]

Allowance for afternoon and night shift:

If the employee's shift begins between 1 p.m. and 11 p.m. the employee shall receive \$.50 shift premium for that entire shift.

Wages only will be retroactive to March 1, 2005.

Sergeants will receive \$1.50 per hour over the promoted patrolman's base rate.

4. Article XXXIII - Wages and Salaries

The Union is proposing a rate after seventy-two months be added to the Wage Scale with a 2.9% increase the first year in addition to the 4.0% wage increase. The additional step for seventy-two months would receive the 4% wage increase each year thereafter.

The City disagrees with the Union's proposal and provides no counter-proposal. Remain *status quo*.

None of the six comparable cities have a wage scale beyond three years.

Discussion and Award

1. Duration

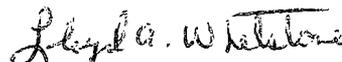
On this issue the Panel needs to select either the four year City proposal or the five year Union proposal. The Panel opts for the City proposal and awards a four year contract beginning March 1, 2005 and ending February 28, 2009. Of the comparable communities, only one has a five year contract, Corunna. One, Harbor Beach has a four year contract and the others are at three years. (Perry is at 3 1/2). The internal comparables have a three year contract. Although the Union asserts a longer contract will provide more time for budget certainty the City wants one less year in the event of costly factors that may be inherent in other parts of the contract. On balance the four year proposal more closely follows the comparables and satisfies the Act's criteria.

Dated: August 22, 2006


Elizabeth Peters
Delegate for the City

Concur
 Dissent

Dated: 8-28-06


Lloyd Whetstone
Delegate for the Union

Concur
 Dissent

Dated: 7/16/06


Kenneth P. Frankland, Chairperson

2. Retroactivity

On this issue, the Union wants full retroactivity on all years while the City proposes only one year back to March 1, 2005 on wages only. The Panel opts for the Union proposal and awards retroactivity for the first year and the second year through the effective date of this

Award.

There appears to be little disagreement on this issue. In its brief the City says it wanted assurances that retroactivity only applied to base wages and not other economic issues. The Union offer is related to only wages on its face. Thus there is no reason not to award retroactivity in each of the first two years for the base wage award

Dated: August 22, 2006



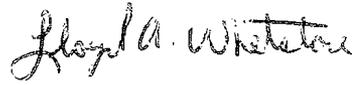
Elizabeth Peters

Delegate for the City

Concur

Dissent

Dated: 8-28-06



Lloyd Whetstone

Delegate for the Union

Concur

Dissent

Dated: 8/14/06



Kenneth P. Frankland, Chairperson

3. Step Increase

The Union offer is to create a new step increase after five years of service at a rate of 2.9% above current patrolman at three years of service. This step would be effective March 1, 2006. The City's offer is maintain the status quo. After careful consideration of all the factors, the Panel selects the City's offer of no change.

The Union's argument on this issue is not based upon a similar step in other comparable communities but rather an effort to increase the wages of this mostly veteran unit as quickly as possible. (All members except one are over three years) They argue that the nearly 6% increase in 2006 does not jump this unit above anyone in the respective ranking. Since it is to start in 2006, they assert this saves money assuming full retroactivity, Also, they say the step itself, as

opposed to a raise only, saves the City money for officers who will move through the ranks in the future causing them to reach top pay at the end of five years instead of the current three.

(Currently this would apply to only one officer)

This issue is not just the money involved but a function of the basic wage structure as well. As such the record should contain some evidence that an addition to the current structure is warranted because the other comparable communities, or a least a majority, have such an additional step. The Panel believes this is so as the Act's criteria leans heavily on comparables when new ideas or concepts are sought in arbitration. The Panel believes new concepts are best left to the bargaining table and the give and take of that process. To impose a new concept by arbitration requires compelling evidence that it will not disturb the delicate balance of Union and Management give and take.

The Panel has reviewed the structure in Sandusky and comparable communities. In each, there is at least three steps; a start, a step increase after six months or one year and then steps at one, two or three years. No one has any step after three years. Corunna, Harbor Beach, Ithaca and West Branch all have three years and Bad Axe and Perry have two years. This is compelling evidence that for whatever reason all communities have opted not to have any step after three years as a matter of policy. This means both sides have agreed on a last step at three years in all of the other communities. It would be imprudent for the Panel to disregard this evidence and to impose a new step by the arbitration process.

Dated: August 22, 2006

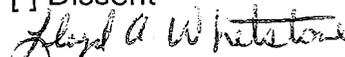


Elizabeth Peters

Delegate for the City

Concur

Dissent



Lloyd A. Whetstone

Lloyd Whetstone

Delegate for the Union

Dated: 8-28-06

Concur
 Dissent

Dated: 8/16/06


Kenneth P. Frankland, Chairperson

4. Wages

This issue must now be determined in light of the Panel's prior decisions to have a four year contract and award wages retroactively in the first two years of the contract. The parties also requested that each year be a separate award.

As such the Union offer is 3% percent across the board in each year. The City has offered 2%, 2.5%, 2.75% and 2.75% for each of the four years. The Panel believes that the Union offer for each year most closely adheres to the Act's criteria and therefore awards a 3% increase in each year of the contract.

Both sides agree that Sandusky is below the average of the comparable communities on base wages. The Panel will use maximum rather than hourly numbers for patrolmen as those are more easily ascertained in the exhibits and briefs. Sandusky at \$35,610 in 2004, the last year of the present contract, is ahead of only Perry at \$33,280 and West Branch at \$34,507. By comparison, Sandusky is below four cities, Corunna at \$37,502, Harbor Beach at \$38,268, Ithaca at \$39,876 and Bad Axe at \$40,560. This disparity increases in 2006 and 2007 when Corunna tops out at \$40,976, Ithaca tops out at \$43,152 and Bad Axe leads the pack at \$43,680. The average wage in 2004 was \$37,332, was \$39,252 in 2005, \$40,360 in 2006 and \$42,603 in 2007.

In comparison to the above numbers, the City's offer would only increase the base wages to \$36,316 in 2005, \$37,232 in 2006, \$38,251 in 2007 and \$39,312 in 2008. This would bring the officers up and close the gap but not as great as would the Union's offer. The Panel believes that

its role is not to bring Sandusky up to any particular level but to accept the offer that best places this unit in a position with the comparables as most closely follows the criteria.

The Union's offer, as recalculated by the Panel (this is necessary because the Union only offers numbers that include the step increase) is as follows: \$36,678, \$37,778.34, \$38,911.69 and \$40,079.04. This bridges the gap somewhat more between Sandusky and the comparables in raw wage numbers. However, that is not the entire compensation package. The City correctly says the Panel should also consider the total compensation package (when it urged our consideration of their offer) and the Panel has done so and that is the only reason why 3% is accepted as opposed to a higher rate if one had been included in the Union offer. The Union argued that 4%, its pre-hearing position was justified, and the Panel may have given close scrutiny to such an offer.

Be that as it may, the total compensation for this unit includes shift premium of \$.50 per hour for those eligible and also an educational premium of \$.50 for all members (the city requires an associate's degree and is willing to reward its applicants accordingly) and another \$.50 for a bachelor's degree (two members qualify). The Panel is aware that longevity may also be considered as part of total compensation. The City says that with the add-ons the total compensation for 2005 is over \$40,000 in 2006 over \$41,000, in 2007 over \$42,000 and over \$43,000 in 2008. Assuming these figures are reasonably accurate, the total compensation compares very favorably even with the high end communities of Corunna and Bad Axe. Neither Corunna nor Bad Axe has an educational supplement and only Corunna has a shift premium at \$.30-35. When the total compensation is included, then the apparent deficiency in raw dollars is greatly minimized or eliminated as contrasted to the majority of the comparable communities. Given all these factors, the Panel is comfortable with awarding the Union's offer of 3% in each year of the contract.

Dated: August 22, 2006

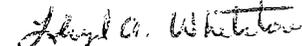

Elizabeth Peters

Delegate for the City

Concur

Dissent

Dated: 8-28-06


Lloyd Whetstone

Delegate for the Union

Concur

Dissent

Dated: 8/16/06


Kenneth P. Frankland, Chairperson

II. **LONGEVITY** Article XXVI

Union's Last Best Offer

One Hundred (\$100.00) Dollar increase per each step of longevity.

4-6	\$700.00
7-10	\$800.00
11 and over	\$1,000.00

City's Last Best Offer

The City disagrees with the Union's proposal and provides no counter-proposal. Remain *status quo*.

The current contract provides longevity payments as follows:

Four (4) - six (6) years	\$600.00
Seven (7) - ten (10) years	\$700.00
Eleven (11) - years and over	\$900.00

The Union requests \$100 increase at each step to mirror what was given to the WWTT and DPW workers in 2004 and 2005. (U Ex tab 6). They also assert the City policy is to provide similar fringe benefits to all employees. (U Ex tab 14)

The City argues that four of the comparable communities pay no longevity and the other two far less than Sandusky. The City says that the other workers received longevity increases

because their base wages are less than police officers.

The panel believes that the internal comparables are a significant factor on this issue. There is much merit in a city policy to treat all their employees as nearly equal as possible as to most fringe benefits that are provided. (Pension issues are excepted because of widely different options available and contribution factors) This promotes harmony and good will amongst all workers and does not pit one group against another. The panel believes this position out weighs the significance of what other comparable communities are doing or not doing. We don't know why other comparable communities pay no or less longevity. What we do know is that Sandusky has a history of rewarding service by longevity payments and has given the recent increases to WWTT and DPW workers. They should be applicable to police officers as well. The cost is minor, \$500.00 per year and thus has little impact on ability to pay or budget considerations. As will be seen with other issues in this case, the panel will be consistent on this point.

Accordingly, the Panel adopts the Union offer as more compatible with the criteria of Section 9.

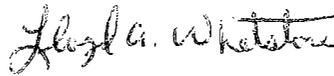
Dated: August 22, 2006



Elizabeth Peters

Delegate for the City
 Concur
 Dissent

Dated: 8-28-06



Lloyd Whetstone
Delegate for the Union
 Concur
 Dissent

Dated: 8/16/06



Kenneth P. Frankland, Chairperson

III. HOLIDAYS, Article XXIII

Union's Last Best Offer

The Union is proposing the addition of Veteran's Day to the current list of holidays for a total of thirteen (13).

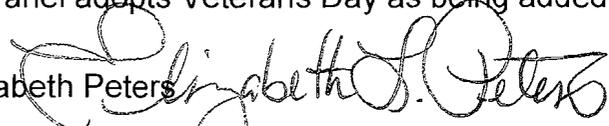
City's Last Best Offer

The City agrees to add Veteran's Day as a paid holiday, which will increase the total paid holidays to 13.

Given that both parties are in agreement the Panel adopts Veterans Day as being added to the list of Holidays for a total of thirteen (13).

Dated: August 22, 2006

Elizabeth Peters

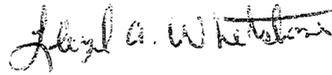


Delegate for the City

Concur

Dissent

Dated: 8-28-06



Lloyd Whetstone

Delegate for the Union

Concur

Dissent

Dated: 8/16/06



Kenneth P. Frankland, Chairperson

IV. FUNERAL LEAVE, ARTICLE XX

Union's Last Best Offer

The Union is proposing Article XX remain status quo without additions or deletions to the current contractual language.

City's Last Best Offer

The Union employees are subject to the Employee Handbook and receive this benefit already. The City disagrees with the Union's proposal and provides no counter-proposal. Remain *status quo*.

Although this issue was submitted and exhibits presented, the Union has opted to forego this matter and retain the status quo. Accordingly, the Panel adopts the status quo on this issue.

Dated: August 22, 2006

Elizabeth Peters



Delegate for the City

Concur

Dissent

Dated: 8-28-06

Lloyd A. Whetstone
Lloyd Whetstone
Delegate for the Union
 Concur
 Dissent

Dated: 8/14/06

Kenneth P. Frankland
Kenneth P. Frankland, Chairperson

V. RETIREMENT. ARTICLE XXIX

Union's Last Best Offer

The Union is requesting the employee contributions of five (5) percent be reduced to three (3) percent as follows:

Effective March 1, 2007	1% reduction
Effective March 1, 2008	1% reduction

City's Last Best Offer

The City disagrees with the Union's proposal and provides no counter proposal. Remain *status quo*.

The Union bases its claim on this issue primarily on internal comparables, the WWTP and DPW workers pay 3% toward pensions and thus they argue should be treated the same. Since there is no retroactivity involved, the City would have no immediate economic impact and could plan in the future accordingly. The Union also asserts that four of five comparable communities with MERS pensions provide post retirement escalators (Sandusky does not), a huge benefit in comparison to a 2% reduction in employee contribution.

The City argues for the status quo primarily upon economic factors. The current plan is MERS B-4 (2.5 annuity factor) with F55/25 rider. The City currently contributes 7.61% and the employees 5% for this defined benefit plan.

Of the comparable communities Bad Axe has the identical plan and employees pay 5%. All other plans are either B-2 or B-3; three have 2.25% annuity factors and one has a 2.55% factor. Thus, with the exception of Bad Axe, all other comparable communities have a less beneficial plan. Even in these lower benefit plans, Harbor Beach at 7.79% and West Branch at

5% have significant employee contributions. Ithaca requires 5% for new officers and 3% for existing officers for a lesser plan. Corunna requires no employee contribution.

The City asserts that their combined employee pensions are under funded and fall below the MERS requirement of 50% funding. It received a MERS letter January 6, 2006 of pre-notification of the inability to request valuations due to current unfunded levels. A change in the contribution formula could trigger a need for a new valuation. Thus the City argues an increase of 2% from 7.61% to 9.61% is unrealistic and if their conservative estimates of future actuarial increases is well-founded then it is ever more troublesome notwithstanding the Union suggests deferring implementation at 1% for both March 1, 2007 and 2008.

The panel believes that on pension issues the more compelling criteria of Section 9 are external comparable community provisions and the interests and welfare of the public and the financial ability of the City to meet new costs. For those reasons the Panel will adopt the City offer of status quo.

The panel has previously said the internal comparables are important on fringe benefits like longevity, health care, holidays, funeral leave and the like. But on pensions and wages internal consistency, while laudable, is not the best measure because of different classifications, work environment, base wage differentials and differing pension variables. As to the internal comparison, the public works and sewer employees have almost a \$2 per hour lesser maximum pay than police officers without consideration of wages in this award. (See, U Ex. 6) This unit also has a B-3 benefit plan, slightly less costly and why the City could opt to have a lesser employee contribution. These factors all play a role in explaining the difference in policy on this issue.

The panel has reviewed all the pension exhibits of comparable communities and believes they lend significant support for the City position. Here, the Union suggests support for its position in the comparable communities having post-retirement escalators and that is a good

trade off for decreased employee contributions. This is unconvincing as the two subject matters are unrelated. The fact that the majority of the comparable communities have at least, and in one case, a higher contribution is compelling. The best example is Bad Axe that has the identical plan and identical 5% contribution and the panel relies on that comparable for support of its award.

Finally, the cost implications have not been expressed in gross dollars, just in percentages. While the City does not say it has inability to pay, it is apparent from the exhibits and the City's argument that budget constraints are evident and increases for this issue would be a new significant burden on the general fund.

Dated: August 22, 2006



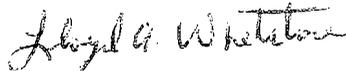
Elizabeth Peters

Delegate for the City

Concur

Dissent

Dated: 8-28-06



Lloyd Whetstone

Delegate for the Union

Concur

Dissent

Dated: 8/14/06



Kenneth P. Frankland, Chairperson

RETIREE HEALTH INSURANCE, ARTICLE XXIX

Union's Last Best Offer

The Union is requesting Article XXIX be modified by the following health insurance benefits for retired employees and their spouse:

Employees who retire on or before February 28, 2009 and their spouses shall receive fifty (50%) percent of a two-person premium rate towards their retiree health care benefits until they reach the Medicare eligible age. The retiree must then apply for Medicare benefits. The retiree and the spouse will then receive fifty (50%) of the premium towards supplemental coverage. Employees retiring after February 28, 2009 shall receive Four Hundred (\$400.00) Dollars per month towards their retiree health care benefits from the age of 55 to the age of 65.

City's Last Best Offer

The City disagrees with the Union's proposal and provides no counter-proposal. Remain *status quo*.

This Union proposal applies to only one member of the bargaining unit. The Union suggests that by opening a window until February 28, 2009 it is an incentive for this member to retire and then hire another employee at lower wages, thus a cost savings. They cite no references to internal or external comparable community exhibits to support this proposal.

The City argues that this proposal is costly, benefits only one member and is not supported by internal or external comparables. The panel agrees with this position and adopts the City offer of status quo.

Currently, the City pays \$400.00 per month for health care benefits for each retiree between age 55 and 65 but not for a spouse. Thereafter, the member enrolls in Medicare. This applies to all city employees. This Union proposal would break new ground and would cost \$1,310.21 per month for the two person rate (to include the member's spouse) or annualized at \$15, 722.52 at current rates. The City believes that rates will go up, a realistic comment, thus costing more.

Of the six comparable communities, three offer no retiree health benefit at all. Only two offer more than Sandusky. Internally, all employees are treated alike; all receive the same \$400 per month from age 55 to 65. There is little or no basis in these comparables to support this issue.

Finally, the panel believes that Act 312 is rarely, if ever, used to obtain in arbitration that which can not be bargained when the proposal benefits just one member of a bargaining unit. The Act is envisioned to arbitrate, where necessary, issues that benefit all or a majority of a bargaining unit. While a Union will in good faith support the memberships' desires, more often than not, single member benefits issues complicate resolution of other meaningful issues that inure to the benefit of all members of the unit.

Dated: August 22, 2006

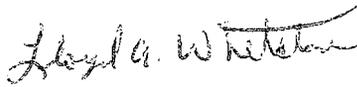


Elizabeth Peters

Delegate for the City

Concur
 Dissent

Dated: 8-28-06



Lloyd Whetstone

Delegate for the Union

Concur
 Dissent

Dated: 8/16/06



Kenneth P. Frankland, Chairperson

VII. HEALTH INSURANCE FOR ACTIVE EMPLOYEES, ARTICLE XXVIII

Union's Last Best Offer

The Union is proposing current health insurance coverage language be modified as follows:

Section 1: Blue Cross Blue Shield PPO Option 1 with PCM500. The \$500.00 prevention care maintenance is per person and includes routine exams, pap smears, GYN exams, well baby and immunizations. The City will reimburse the employee for half of their \$10.00 generic/\$20.00 brand name prescription co-pay on a monthly basis. Employees must provide documentation of purchase (receipts) including the patients name. Employees hired after March 1, 2005 shall not be allowed duplicate coverage for health insurance. In addition, the City shall provide optical and dental coverage. The dental coverage shall be the same as provided in the March 1, 2002 through February 28, 2005 Collective Bargaining Agreement.

The remaining paragraph in Section 1, regarding opt out of health insurance shall remain status quo.

The Employer shall pay one hundred (100%) percent of the premium for all health insurance coverage.

City's Last Best Offer

Section 1. Change the police officers to the same group health plan, including dental, vision and prescription coverage as all of the other City of Sandusky employees.

Section 2. The group health care premium, including dental, vision and prescription coverage shall be capped at 7% increase per year. The employees shall pay 100% of any increase over 7% per year.

As to Section 1, this issue is City driven to reduce health care costs. The Union has acquiesced in the spirit of this concept and has requested the same provisions that apply to all other city employees but want to keep the current vision and dental that they enjoy in the present contract. The

Union correctly states that the City wanted a drug co-pay and the Union has agreed to that along. Additionally, the City presented a 10% premium co-pay in its list of issues to be arbitrated. In its last offer, the City has dropped the 10% co-pay but has maintained that the dental coverage would change from existing contract to what other city employees are getting. The City proposal is not clear as to what dental is being offered. Their brief simply states, "the dental insurance would also be slightly modified limiting orthodontics". The vision coverage apparently remains the same.

All parties agree that this change will save the City money. The only difference that the panel can discern is the possible dental coverage. The panel will accept the Union offer on this issue. There is no basis in the exhibits to take away the dental coverage, or even modify the coverage if that is what the city proposes. Indeed, the new contract for public works and sewer plant employees, effective March 1, 2005 provides for a dental and optical benefit within the Blue Cross benefit. (U Ex tab 6). The City may say that gives them flexibility as to the details but that is not compelling in the face of an existing dental plan for police officers and no details as to how it would be changed. As the panel stated above, if the city wants consistency in most of the fringe benefit packages it should be more explicit in exactly how the dental plan offered to the police officers is the same or different that what is in the current contract. In the absence of such specificity and concrete and complete language in the Union offer, the panel will adopt the Union offer on Section 1.

Dated: August 22, 2006

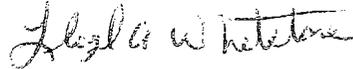


Elizabeth Peters
Delegate for the City

Concur

Dissent As to dental - remaining status quo

Dated: 8-28-06



Lloyd Whetstone
Delegate for the Union

Concur

Dissent

Dated:

8/16/06


Kenneth P. Frankland, Chairperson

As to Section 2, the City in its last offer introduced a new concept for Sandusky that of a cap on the City health care premium at 7% as a cost saving measure. Currently the City pays 100% of the premium for police officers and for all other units. The City does say it has proposed this idea for the administrative and clerical unit newly formed. If the increase is greater than 7% the offer states the employees will pay the difference.

The Union counters that the internal and external comparable communities do not support this concept. Indeed, the last internal unit to settle, the DPW does not pay anything. Bad Axe, Harbor Beach and Perry all pay 100%. The others have some form of a co-pay percentage the Union members pay but none have a cap and 100% Union payment thereafter. The Union chides the City for bringing this up after its offer in the 312 Petition and after it proposed a 10% co-pay of the premium in its exhibit book (Tab K). Because there is no dollar tag attached to the proposal they in a way ask why they should buy a pig in a poke.

The panel rejects the City Section 2 offer. It is not consistent with internal comparables and does not have majority support in external comparable communities either. In fact the three communities that do have some sharing of costs have a predetermined percentage co-pay not an unidentified number that could only be determined after an arbitrary cap number has been reached. This offer does not comport with the criteria of Section 9.

Dated: August 22, 2006

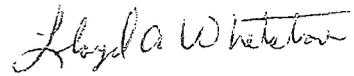


Elizabeth Peters
Delegate for the City

Concur

Dissent

Dated: 8-28-06



Lloyd Whetstone
Delegate for the Union
 Concur
 Dissent

Dated: 8/12/06



Kenneth P. Frankland, Chairperson