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STATE OF MICHIGAN  
EMPLOYMENT RELATIONS COMMISSION  
LABOR RELATIONS DIVISION

In the Matter of:

CITY OF COLDWATER  
Employer,

-and-

MERC Case No. L05 A-1004

POLICE OFFICERS LABOR COUNCIL

Union

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ACT 312 ARBITRATION AWARD

WILLIAM P. BORUSHKO, ARBITRATOR

STATE OF MICHIGAN  
EMPLOYMENT RELATIONS COMMISSION  
LABOR RELATIONS DIVISION  
MERC Case No. L05 A-1004

For the Employer:

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Panel Delegate:

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For the Labor Council:

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Panel Delegate:

Ed Hillyer, POLC

## INTRODUCTION

The Petition for Arbitration in this case was filed by the Police Officers Labor Council on June 21, 2005. It was assigned to this Arbitrator on December 8, 2005. The arbitration hearing was held on August 21, 2006 at the offices of the Employer in Coldwater, Michigan. The parties have exchanged their Last Best Offers and submitted briefs in support of those offers as agreed to at the time of hearing.

This case, of course, is governed by Act 312, Public Acts of 1969, MCL 423.231. The statute provides that any decision of the Panel involved in the proceeding must be based upon the following factors:

- a. the lawful authority of the employer;
- b. stipulations of the parties;
- c. the interests and welfare of the public and the financial ability of the unit of government to meet those costs;
- d. comparison of the wages, hours, and condition of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other employees performing similar service and with other employees generally:
  - (i) in public employment in comparable communities;
  - (ii) in private employment in comparable communities.
- e. the average consumer price 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 proceeding;
- h. such other factors, not confined to the foregoing, which are normally

or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact finding, arbitration or otherwise between the parties, in the public service or in private employment.

### **Comparable Communities**

Prior to the arbitration hearing, the parties were able to agree on a list of comparable communities to be utilized by the Arbitrator in this case. They are:

Charlotte  
Grand Ledge  
Niles  
Sturgis  
Tecumseh  
Marshall

Copies of the labor agreements covering those communities were provided to this Arbitrator at the hearing and are a part of the record in this proceeding. As dictated by the provisions of Act 312, they have been reviewed and considered in the issuance of this award, as well as the other factors listed above.

### **THE ISSUES**

There are three issues that were submitted to the Panel for consideration and award. They are:

Wages  
Insurance Deductibles and Co-pays  
Sick Leave /Health Care Savings Plan

**Wages**

City Proposal:	7/1/05	2.5%
	7/1/06	2.5%
	7/1/07	2.5%
	7/1/08	2.5%

POLC Proposal:	7/1/05	3.0%
	7/1/06	3.0%
	7/1/07	3.0%
	7/1/08	3.0%

The City's proposal will raise the Sergeant's wage from the 2004 base of \$47,944 to a base of \$52,921 on July 1, 2008. The POLC proposal would raise the Sergeant's pay to \$53,961 on July 1 of 2008. Internally, wage increases within the City of Coldwater have ranged from 2 1/2 to 3% depending on whether or not the City pays the deductibles for the health care. The patrol unit, also represented by the POLC, has opted to accept the 2.5% per year in exchange for the City picking up all deductibles on the health care plan. A general unit of the city, represented by the Steelworkers, has opted for a 3% per year increase with the employees paying the deductibles. In the case at hand the employer has not made a last best offer on the wages contingent upon the status of the deductibles in the health care plan.

In order to properly utilize the external comparable data, this arbitrator will examine the wage rates that are in effect for all of the comparable units as of the anniversary date of the Coldwater unit. An examination of those units and their rates effective July 1, 2006 and July 1, 2007, shows the following:

<u>City</u>	<u>7/1/06</u>	<u>7/1/07</u>
Charlotte	\$48,136	\$49,568
Grand Ledge	\$48,282	\$49,730
Marshall	\$49,990	\$51,615

Niles	\$49,962	\$51,461
Sturgis	\$49,421	\$50,918
<u>Tecumseh</u>	<u>\$53,397</u>	<u>\$55,145</u>
Average	\$49,894	\$51,339
City Proposal	\$50,371	\$51,630
POLC Proposal	\$50,864	\$52,389

Once again it should be noted that I have utilized the wage rates in effect as of July 1 of each year. This results in an average which is slightly different than that contained in the parties' briefs and exhibits. The difference results from the fact that two of the units have October anniversary dates and increases which were not in effect until October of each year were calculated as if they had occurred earlier. I have instead looked at July 1 and determined what the wage rate was for each unit as of that date.

The Employer proposal of 2.5% per year places the Sergeants approximately \$500 above the average in 2006. This differential dropped slightly to approximately \$300 in 2007 at least in part due to the fact that I utilized 3% increases for the external comparables, if no in excess of \$1000 for both 2006 and 2007. There does not appear to be any justification for acceptance of the higher wage proposal, particularly when we view the entire economic package enjoyed by the Coldwater officers. When we consider longevity, educational incentive, shift premium, etc. we see that the Coldwater officers' economic compensation package is approximately \$2000 per year above the average. This further supports the adoption of the Employer's proposal.

It is the award of the panel that the Employer's proposal on wages is accepted.

**Insurance Deductibles and Co-pays**

City Proposal: BC/BS PPO 10  
 Employees pay co-pays for office and emergency and  
 Deductibles (up to \$100 single/\$200 2P/family-City to

reimburse to those levels)-effective upon date of award.

Employee premium contributions:

Single	\$25
Double	\$50
Family	\$65

POLC Proposal

Continue deductibles and co-pays as set forth in Letter Of Understanding.

BC/BS PPO 10

City pays deductibles and co-pays.

Employee premium contributions:

Single	\$25
Double	\$50
Family	\$65

The City's proposal on this issue requires the employee to pay all necessary deductibles and co-pays for Blue Cross Blue Shield PPO Option 10. The City would then reimburse back to \$100/\$200. At the present time all deductibles and co-pays for PPO Option 10 are paid by the City pursuant to a letter of understanding executed between the parties in January of 2005. At the time of execution of that letter of understanding the City had approached the POLC asking for a change in health care coverage in order to reduce its cost obligations. The POLC agreed to make this change mid-contract, and in exchange the City agreed to reimburse deductibles and co-pays back to PPO Option 1, subject to whatever might come out of the next negotiations.

The POLC proposal on this issue requires that the City continue the provisions of the letter of understanding throughout the course of the new agreement.

During the course of negotiations, the City proposals on health care and wages had been inextricably tied together. The City wage proposal contained a 2.5% per year wage increase, or a 3.0% per year wage increase, dependent upon whether or not the City reimbursed deductibles and co-pays of the health plan. That proposal was originally listed as part of the issues in contention at the 312 hearing. In its last best offer, the City has revised its wage proposal, which now provides for a 2.5% wage increase for all four years of the proposed agreement. As set forth in the previous section, that is the proposal

which the panel has adopted in this award. However, the City proposal with respect to health care in this case is not exactly the same proposal that it made to other units that accepted the 2.5% wage offer. In this case the City is proposing that it will reimburse any payments in excess of the \$100/\$200 deductible required by PPO option 10. As I understand this proposal, it would eliminate some of the maximum risk that is part of PPO option 10.

The POLC on the other hand is asking that the understanding reached in January 2005 be continued throughout the remainder of this agreement. It does not tie its wage proposal to acceptance of this insurance proposal. The POLC argues that the Command Officers were under no obligation to provide the City any relief in January 2005. It argues that the City should continue the present arrangement at least partly because of the good-faith effort on the part of the Command Officers.

The record shows that units who accepted the 2.5% City wage proposal have the deductibles and co-pays paid by the City as set forth in the letter of understanding. Also, the unit that accepted the 3.0% wage package pays its own deductibles and co-pays. In either case, the monthly premium contributions remain the same and are not a point of contention.

It is my opinion that the POLC position on this issue has considerable merit. In view of the fact that the panel has previously awarded the City proposal of 2.5% wage increases, I fail to see any reason why the employees in this unit should not be accorded the same insurance coverages that the other employees who have accepted the city's 2.5% proposal currently enjoy. I find that the internal comparables should be utilized on this issue.

It is the award of the panel that the POLC proposal on insurance deductibles and co-pays is accepted.

**Sick Leave/Health Care Savings Plan**

City Proposal:       Cap sick leave at 400 hours  
                          Excess amounts paid out to MERS HCSP  
                          Hours over 400 at date of award paid out at 75%  
                          Hours over 400 in future, paid out at 50%

                          LTD qualifying period reduced to 30 days

POLC Proposal:       Status quo

The two proposals in this area contain significant differences and implications. A review of the current contract language is helpful in highlighting these differences. Presently employees may accumulate sick leave at the rate of 80 hours per year. There is no limit to the amount of hours that may be accumulated. Upon separation from employment, the employee is paid one half of the accumulated days.

The City is attempting to make some substantial changes in the way sick leave is accumulated and paid. It proposes to reduce the maximum accumulation to 400 hours. If employees currently have in excess of 400 hours, the Employer proposes the establishment of a Health Care Savings Plan, provided by MERS, and placement of the monetary value of those excess hours into the plan. The Employer would propose to pay 75% of the hours in excess of 400. In subsequent years, if an employee accumulates beyond 400 hours, the Employer proposes to deposit the excess in the savings account at a rate of 50%. Currently there is no health care provided for retirees under the collective bargaining agreement between the parties. The City sees this proposal as a means for employees to begin saving for their health care expenses upon retirement.

There are substantial financial advantages for the employees to accept the Health Care Savings Plan as proposed by the Employer. First, the Employer proposes to pay the current excess days at the rate of 75% versus the contractual rate of 50% upon separation. Second, payment of those days into the Health Care Savings Plan is nontaxable, and withdrawal of the funds is nontaxable also. These funds must be used exclusively for health care expenses upon retirement. The amounts placed into the Health Care Savings Plan are invested on the same basis as other MERS investments. In addition, these funds

belong to the employees, and remain theirs even if they are separated from employment. This proposal has been accepted by other bargaining units of the City of Coldwater.

The bargaining unit in this case, since it is command employees, is made up of some of the more senior individuals in the department. As such, I must assume that at least some of them have been able to accumulate a sizable number of hours in their sick leave banks. It would seem to me that this would be the most logical reason for them to reject this proposal from the Employer. Large sick leave banks are not unusual in public employment. It is also not unusual for those sick leave banks to be paid off at the time of retirement or separation, sometimes resulting in very substantial payoffs to the concern employees. In effect this serves as a reward for their diligence in reporting to work and not using sick time. These sizable payoffs are often used by retiring employees for sizable purchases, such as down payments on retirement homes, new boats, etc. The accumulation of these hours is a result of considerable effort on the part of the employees to report for work and refrain from absence as much as possible. I feel fairly certain in stating that employees with these large sick banks who are approaching retirement have tentative plans in place to utilize these funds.

As indicated previously, other units in the City have accepted this proposal. The firefighters have not but they are currently bargaining and also have an active 312 arbitration case. A review of the external comparables shows that none of the comparable cities has a similar health care savings plan in place. While I am of the belief that this proposal would provide substantial benefit to the employees, I do not believe that it can be awarded. I am particularly concerned over the fact that employees in this unit are more likely to be long service employees who may have accumulated a fair number of hours. Without the support of comparables, I cannot tell an employee that he or she must place a potentially sizable amount of money in an account not of his or her own choosing.

It is the award of the panel that the POLC proposal is accepted.

