

STATE OF OHIO
STATE EMPLOYMENT RELATIONS BOARD

2003 MAR -3 A 10:42

In Regard to the Matter of the Fact-Finding Between:

THE CITY OF PARMA) 02-MED-01-0039
) (Patrolmen)
 -AND-)
)
 OHIO PATROLMEN'S BENEVOLENT)
 ASSOCIATION)

APPEARANCES:

For The City:

Jack L. Petronelli, Esq., Attorney
Gerald M. Boldt Mayor of Parma
Dennis Kish City Auditor
Bob Dybzinski Safety Director
Michelle Kelly-Underwood Prism Finance Solutions

For The Union:

S. Randall Weltman, Esq., Attorney
Robert G. Zunich Barnes Wendling, CPA's, Inc.
Tim D. Mayles Barnes Wendling, CPA's, Inc.
Officer Ken Gillissie Union Representative
Officer Michael Klien Union Representative
Officer Charles Slykerman Union Representative
Officer Joe Bobak Union Representative

BEFORE ALAN MILES RUBEN, FACT-FINDER

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BACKGROUND:

The Employer, The City of Parma, exercises statutory and charter authority and responsibility, inter alia, for the provision of law enforcement services for its some 85,655 residents.

The personnel of the City's Police Department are organized into two Bargaining Units. The Department's eighty Patrol Officers, with whom we are presently concerned, form a Bargaining Unit exclusively represented by the Ohio Patrolmen's Benevolent Association (OPBA).

The Department's nineteen Promoted Officers in the ranks of Sergeant, Lieutenant and Captain, form a separate Unit which is exclusively represented by the Fraternal Order of Police.

The City and the OPBA are parties to a Collective Bargaining Unit Agreement entered into as of April 1, 2000 for an initial term which expired on March 31, 2002.

The 2000 Agreement provided for a limited re-opener to determine wages and health insurance coverages and cost sharing for 2001. No such re-opener is proposed for inclusion in the successor Agreement. The negotiations over the re-opened terms continued until early in 2002 when the Union accepted the terms recommended by a Fact-Finder in connection with a Contract dispute between the City and the International Association of Firefighters representing the City's Firefighters.

Pursuant to the Contractual requirements, timely notices were given of the intent to modify or amend the Agreement and negotiations proceeded looking towards the execution of a successor Agreement.

After several bargaining sessions, the parties declared impasse in their negotiations, and the undersigned was appointed Fact-Finder by the State Employment Relations Board on March 1, 2002.

At the direction of the parties, mediation and evidentiary hearings were held on November 20, 2002 and December 10, 2002 at the Parma City Hall. The Fact-Finder was unsuccessful in resolving the issues in dispute.

Timely in advance of the evidentiary hearing, the parties provided the Fact-Finder with the statements required by Ohio Administrative Code 4117-9-05(F) and the Ohio Revised Code Section 4117.14(C)(3)(a).

By the date of the Fact-Finding proceedings, the parties had tentatively agreed upon a three year term for the successor Contract, and also tentatively agreed to carry forward and incorporate into the new Agreement, mutatis mutandis, all Articles and Sections of Articles from the 2000 Contract except the "re-opener" provision and those set forth below.

The parties further agreed that any modification of the wage and supplement schedules would be retroactively effective to January 1, 2002.

The Fact-Finder finds appropriate and recommends the adoption of all of these tentative Agreements.

Remaining unresolved were proposals submitted by the parties for amendments to the following Articles and Sections of Articles of the 2000 Agreement:

1. Article IV - Dues Deduction
2. Article XII - No Strike
3. Article XXII - Holidays
4. Article XXIII - Vacation
5. Article XXVII - Insurance
6. Article XXIX - Salary Schedule & Supplements

A series of proposals to add new provisions and to amend other Articles and Sections of the Articles of the 2000 Contract were withdrawn. Consequently, all Articles and Sections of Articles which have not been specifically referred to above, and which are not discussed below, are to be carried forward and incorporated without substantive change in the new Agreement, and all proposals for Contractual amendments and the addition of Sections or Articles that are not so referred to or discussed are to be deemed as having been abandoned.

In making his recommendations upon all of the unresolved issues the Fact-Finder has been guided by the factors set forth

in O.R.C. Section 4117.14(C)(4)(e) and Ohio Administrative Code 4117-9-05(K) namely:

"(a). past collectively bargained agreements, if any, between the parties;

"(b). comparison of the issues submitted to final offer settlement relative to the employees in the bargaining unit involved with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the area and classification involved;

"(c). the interest and welfare of the public, the ability of the public employer to finance and administer the issues proposed, and the effect of the adjustments on the normal standard of public service;

"(d). the lawful authority of the public employer;

"(e). the stipulation of the parties;

"(f). such other facts, not confined to those listed in this section, which are normally or traditionally taken into consideration in the determination of the issues submitted to final offer settlement through voluntary collective bargaining, mediation, fact-finding, or other impasse resolution proceedings in the public service or private employment."

CONTRACT PROVISIONS AT ISSUE:

I. Article XXIX, Section 29.01 - Wages

The 2000 Contract:

Article XXIX of the expired Agreement provided Salary

Schedule and Supplements according to the following formula:

"Section 29.01: Effective January 1, 2000, the following rates of annual compensation shall be:

- | | |
|---------------------------|----------|
| a) First year of service | \$35,360 |
| b) Second year of service | \$37,440 |

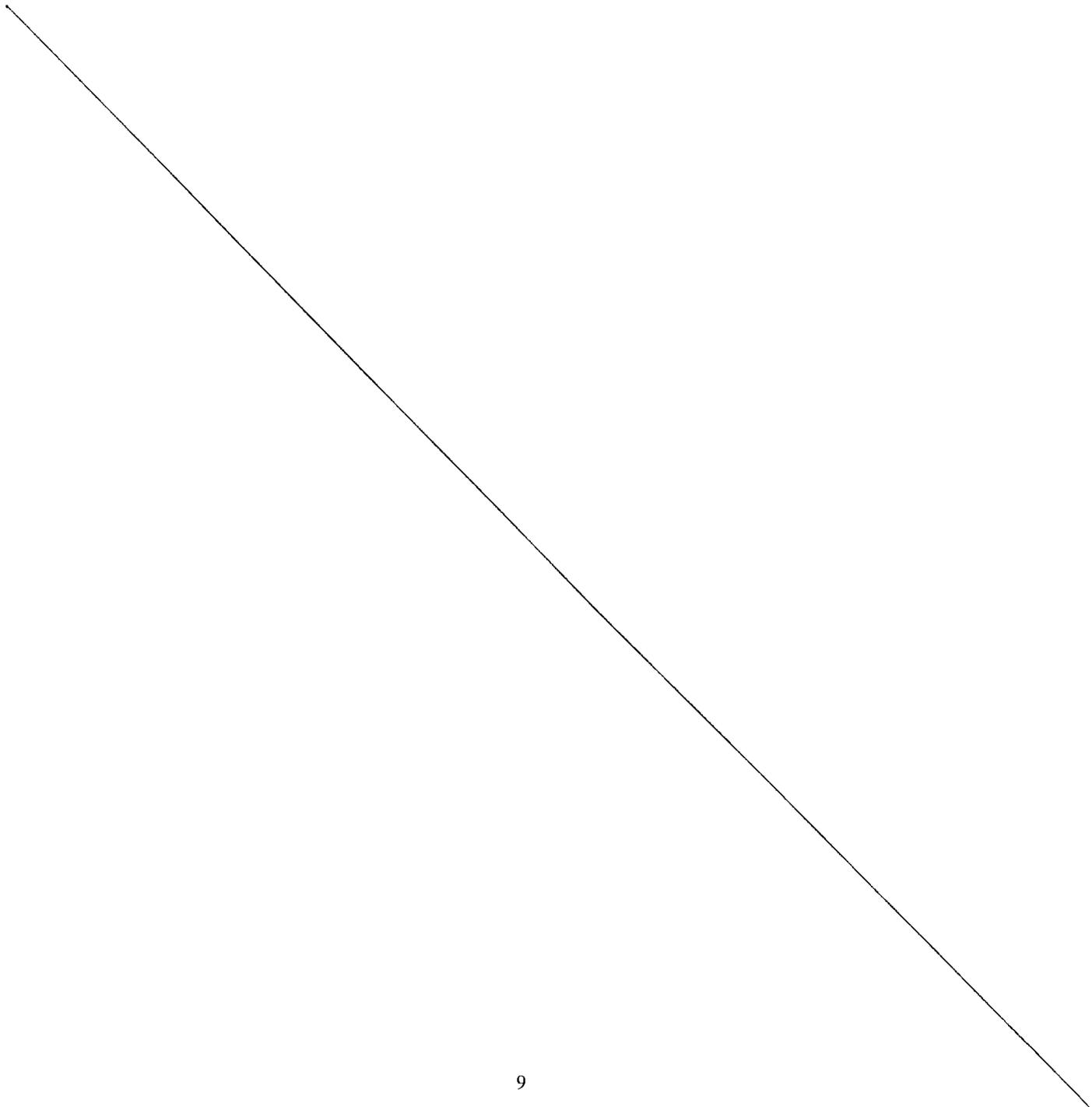
The Fact-Finder's Analysis and Findings:

The Union insists that the wages and total compensation of Bargaining Unit members are below the average paid Officers in comparable jurisdictions, and that most of these other Cities have negotiated four (4%) percent increases in each year of the triennium to be covered by the successor Contract. Consequently, unless its proposal is adopted Parma Officers will fall further behind, and their wage inequity will be deepened.

To support its contention the Union presented a array of the salary and other compensation paid Police Officers in thirty cities in Cuyahoga County. Missing from the list, however, were the Cities of Berea, Euclid, Garfield Heights, Lakewood, North Royalton, Richmond Heights and Warrensville Heights.

The list of Cities along with their respective populations, bargaining unit sizes and operating budgets is reproduced below:

Whether any of the Cities listed in the array may be deemed "comparable" to Parma is questionable. None are similar in population; most are dissimilar in size of Department. Moreover, critical data concerning their respective tax base and revenues were not presented. The comparative compensation schedule of these Cities follows:



2002 City of Parma Patrolmen Negotiations
 Comparison Of Benefits for ten year Employee (Parma at 2001 figures)

Jurisdiction	2002 Top Pay	Annual Shift Differential	Longevity	Other	Total	2002 GWI	2003 GWI
Beachwood	\$56,952.00	\$0.00	\$1,000.00	\$2,238.08	\$59,190.08	4%	4%
Lyndhurst	\$54,656.00	\$418.00	\$1,638.88	\$0.00	\$56,711.68	4%	4%
Highland Heights	\$62,478.40	\$0.00	\$1,376.84	\$2,244.00	\$56,098.24	4%	4%
Pepper Pike	\$63,880.00	\$0.00	\$1,610.40	\$0.00	\$55,290.40	12%	4%
Mayfield Heights	\$54,448.00	\$0.00	\$660.00	\$0.00	\$55,108.00	4%	
North Olmsted	\$50,526.17	\$1,040.00	\$2,526.31	\$700.00	\$54,792.48	3%	3%
Independence	\$53,827.00	\$0.00	\$1,125.00	\$0.00	\$54,752.00	4%	4%
Brecksville	\$53,317.00	\$0.00	\$1,250.00	\$0.00	\$54,567.00	4%	4%
South Euclid	\$53,737.00	\$0.00	\$0.00	\$500.00	\$54,237.00	4.31%	4.28%
Westlake	\$52,777.00	\$208.00	\$1,000.00	\$0.00	\$53,986.00	3.75%	3.50%
Brook Park	\$51,910.00	\$0.00	\$400.00	\$1,557.30	\$53,867.30	5%	4%
University Heights	\$52,251.00	\$0.00	\$1,667.53	\$0.00	\$53,818.53	4%	5.00%
Rocky River	\$51,861.32	\$416.00	\$1,039.22	\$0.00	\$53,416.54	3.50%	
Shaker Heights	\$62,783.00	\$0.00	\$600.00	\$0.00	\$53,383.00	4%	
Solon	\$50,932.20	\$0.00	\$1,273.48	\$1,100.00	\$53,305.68	3.50%	3.5%
Middleburg Heights	\$52,187.20	\$353.60	\$750.00	\$0.00	\$53,290.80	4.50%	4.5%
Bedford Heights	\$51,155.00	\$0.00	\$1,790.43	\$300.00	\$53,245.43	4%	4%
Bedford	\$50,281.00	\$688.40	\$1,507.83	\$650.00	\$53,105.23	3.50%	3%
Brooklyn	\$52,416.20	\$0.00	\$500.00	\$0.00	\$52,916.20	4%	
Fairview Park	\$51,863.33	\$0.00	\$1,000.00	\$0.00	\$52,863.33	4%	
Strongsville	\$51,775.00	\$0.00	\$1,000.00	\$0.00	\$52,775.00	3.79%	
Bay Village	\$50,808.00	\$270.40	\$1,000.00	\$450.00	\$52,626.40	4%	4%
Maple Heights	\$49,856.26	\$0.00	\$1,363.81	\$650.00	\$51,970.07	3.50%	
Broadview Heights	\$50,367.00	\$0.00	\$1,080.00	\$0.00	\$51,447.00	3.50%	
Cleveland Heights	\$50,148.00	\$0.00	\$439.92	\$501.48	\$51,089.40	4%	
Parma Heights	\$48,436.36	\$824.00	\$499.92	\$2,731.55	\$50,291.83	2%	
Seven Hills	\$43,668.00	\$0.00	\$600.00	\$3,483.28	\$47,759.28	2+2	
Cleveland	\$46,473.22	\$608.40	\$475.00	\$0.00	\$47,556.62	4%	4%
Olmsted Falls	\$44,924.00	\$0.00	\$888.10	\$0.00	\$45,792.10	3.50%	
East Cleveland	\$37,088.99	\$0.00	\$1,175.00	\$0.00	\$38,261.99	4%	4%
Parma	\$50,495.12	\$0.00	\$600.00	\$0.00	\$51,095.12		
Average	\$50,821.92		\$1,037.28		\$52,583.82	4%	4%

* Parma not included in Average

Berea 3.77% 3.75%
 Lakewood 4% 4%
 Richmond Heights 4% 4%

- * Bay Village - Other is Firearms Proficiency
- * Beachwood - Other is 4% Specialty Pay
- * Bedford - Uniforms include \$175.00 maintenance
- * Bedford - Other is Firearms Proficiency
- * Bedford Heights - Uniforms include \$600.00 maintenance
- * Bedford Heights - Other is Physical Proficiency
- * Brecksville - Uniforms include \$ maintenance allowance
- * Broadview Heights - Uniform includes \$426.00 maintenance
- * Brooklyn - Uniforms include \$150.00 maintenance
- * Brook Park - Other is 3% Firearms Proficiency, BAC, LEADS, or Radar
- * Cleveland Heights - Other is Firearms Proficiency
- * East Cleveland - Uniform includes \$200.00 for shoes
- * Highland Heights - Other is Firearms Proficiency \$1144, and \$1100 Fitness Pay
- * Maple Heights - Other is Physical Proficiency
- * North Olmsted - Other is Firearms Proficiency
- * Parma - Information is based on 2001
- * Parma Heights - Uniforms include \$400 maintenance
- * Parma Heights - Other is 6% Emergency Response Allowance
- * Pepper Pike - Uniforms include \$400 maintenance
- * Rocky River - Uniforms include \$600 Cleaning allowance
- * Seven Hills - Contract expired 6/30/02
- * Seven Hills - Other is 8% Pension Pick up
- * Seven Hills - Longevity is based on employee hired before 1/1/90
- * Shaker Heights - Contract expired 3/31/02
- * Solon - Other is Firearms proficiency
- * South Euclid - Other is for certification in five of the following six: Domestic Violence, Firearms, Blood Alcohol, K-56 and S-80 Unit Radar, Approved Defense Tactics, Leads

The City of Parma denies the existence of any wage inequity. It bases its position on the wages paid by ten selected Cities which, alone, it claims are comparable - Brookpark, Strongsville, Fairview Park, North Royalton, Independence, Berea, Middleburg Heights, Garfield Heights, Broadview Heights, and Brooklyn.

The City's "comparability" presentation suffers from the same deficiencies as the Union's.

Under these circumstances the Fact-Finder believes the larger, more inclusive grouping yields averages which are more useful in making compensation comparisons.

According to the thirty-City compilation the average top pay in 2002 for Police Officers having ten years of service¹ was \$50,822.00. The average total compensation, after inclusion of shift differentials, longevity pay, firearms proficiency allowances, specialty certification pay, uniform allowances, pension pick-ups and emergency response allowances was \$52,584.00.

The present top salary of Parma Patrolmen with ten years seniority is \$50,495.00, and their total compensation is

¹The selection of a ten year period is not inappropriate because approximately one-half of the Bargaining Unit - thirty-nine members - will have achieved ten or more years of service during or before the last year of the successor Contract.

\$51,095.00. Thus, Parma Police Officer's hourly wage and supplemental compensation were below average. More significantly, in terms of rank order, Parma was only twenty-second on the thirty-City salary schedule and twenty-fifth in total compensation.

In 2002, percentage wage increases for the thirty-Cities ranged from 2% in Parma Heights to 12% in Pepper Pike. Sixteen of the Cities offered 4% wage increases. Six others agreed upon 3.5%. The average wage increase was 4.11%.

Information on wage increases for 2003 was available for seventeen of the Cities. The increases ranged from 3% to 5% and averaged 3.93%. Ten of the reporting Police Departments received increments of 4%.

Parma's wage history during the ten year period, 1991 through 2001, reveals that Police Officers received an average annual increase of 4.65%. Only in 1994 was no raise offered. However, in the following year Bargaining Unit members received two increases of 5% each. In 2001, the last year of the expired Contract, Officers were given 2% increases in both January and July.

A civilian Correction Officers unit was established in 2002, and offered 4% increases in both 2003 and in 2004, to reduce an acknowledged wage disparity.

The Fact-Finder finds that the Union's case for a twelve (12%) percent increase over three years is supported by the available comparative and historical data.

However, based upon 2002 reports prepared by the City Treasurer, the City Auditor, the State Auditor and the City's consultant, Prism Financial Solutions, the City raises an "inability to pay" objection which must be carefully considered.

The Fact-Finder turns then, to review the City's financial status.

The City's revenue sources include the municipal income tax, the inheritance (estate) tax, property taxes, licenses, permits and services fees, fines and forfeitures, inter-governmental revenue sharing, and interest earnings.

The City's municipal income tax is levied at a rate of 2% on wages, self-employment income and corporate profits.

Municipal income tax receipts are allocated on the basis of 78.75% to the General Fund and the balance to the Capital Improvement Fund. This tax source constitutes the largest component of General Fund revenues, averaging, over the past ten (10) years, 56.84% of the total.

Income tax revenue had increased on average by 3% a year from 1997 to 2000, and by 3.75% from 2000 to 2001.

However, until 2002, residents who worked in jurisdictions outside Parma received a 100% credit for taxes paid to their

work jurisdiction. In consequence, if such a wage earner paid a 2% city income tax to the work municipality no tax was paid to the City of Parma.

In March, 2002 the City Council approved a reduction in the 100% credit to 50%.² As a result, Parma residents who worked in jurisdictions, such as Cleveland, which levy an income tax of 2% or more upon non-resident wage earners now must pay Parma 1% of their income.

For the tax year 2002, the 50% credit applied only to 75% of foreign earned income. Commencing in January, 2003, all income earned in another jurisdiction became subject to the 50% credit.

In its initial 2002 budget, prepared before passage of the credit reduction, the City had estimated its aggregate income tax revenues at \$24.4 million for the entire calendar year 2002, representing a 3.442% increase over 2001. Actual collections totaled \$27.5 million or \$3.1 million more than anticipated and some \$3.9 million more than the \$23.6 million collected in 2001.

The City estimates that income tax revenues for 2003 will increase by \$1.6 million to \$29.2 million, or 5.8% over the 2002 total.

² It should be noted that the legislation authorizing the credit reduction has a sunset provision. At the beginning of January 1, 2005 the credit is increased to 1.25% and by December 31, 2005 is fully restored to 2%.

That portion of income tax receipts allocated to the General Fund amounted to \$18,622,000.00 in 2001, but, as a result of the credit reduction, increased by 16.48% to \$21,691,000.00 in 2002.

Inter-governmental revenues contribute some 17.87% of the General Fund revenues and consist primarily of local government sharing (80.29%) and inheritance (estate) taxes (9.64%).

The local government sharing revenues are derived from the State sales and use taxes, the State personal income tax, the corporate franchise tax and the public utility excise tax. As a result of legislative action, the same amount is being distributed on a monthly basis through July, 2003 as had been distributed during the period June, 2000 to May, 2001.

The estimated inheritance tax for 2002 was \$900,000.00, but the actual collections amounted to \$957,000.00.

11.91% of General Fund revenues over the years have been derived from the real estate tax and other taxes.

The real estate tax rates include voted levies (outside millage) for fire, police and paramedics. The taxes collected for these purposes are placed in separate funds. As a result of certain built-in reduction factors, the amount of taxes collected for the duration of the voted levies remains constant from year-to-year.

Property tax collections from inside, or non-voted millage, will increase as the assessed valuation increases. Receipts from inside millage are deposited in the General Fund and the Police Pension Fund.

The most recent property appraisals occurred in tax year 2000 for collection in 2001. The next update will take place in 2003 for collection in 2004.

The real estate and related taxes deposited into the General Fund averaged \$3 million dollars from 1992 to 2001, but increased to \$4.5 million dollars in 2002. The proceeds from the Police and Fire levies are deposited into the Special Revenue Funds. In 2002 the levies brought in \$1.8 million dollars. The Paramedic levy brought in \$446,500.00.

Charges for services, and collections from fees, licenses, permits, fines and forfeitures, together with interest earnings, make-up on average 13.37% of General Fund revenues, and amounted to \$4.9 million dollars in 2002.

In total, \$36.7 million dollars were paid into the General Fund in 2002, an increase of 3.96% over the prior year.

A series of transfers-out of the General Fund into the Medical Liability Fund, the Sewer Maintenance Fund, the Street Construction Maintenance and Repair Fund, the Street Lighting Fund, the State Highway Fund, the Housing Maintenance Code

Program, Liability Insurance and Storeroom Funds are made each year.

In 2001 an unbudgeted transfer of \$996,000.00 was made from the General Fund to the Medical Liability Fund to cover an unexpectedly sharp increase in claims. The City budgeted \$3,610,851.00 for transfers-out in 2002, an amount some 63.07% higher than that contained in the 2001 budget, and 2.83% higher than actual transfers-out for 2001.

In 2002 the City budgeted \$32,326,200.00 for General Fund appropriations, representing a 6.83% increase over the 2001 budget, and an increase of 7.46% over actual expenditures in 2001. Actual appropriations in 2002 amounted to \$35.5 million dollars, an increase of 5.27% over 2001.

The City had expected medical claims and debt service charges to increase by over 25% to \$4,400,000.00 in 2002. The City therefore increased the General Fund Medical account budget by 34.76% over 2001. However, as it turned out, the actual appropriations for hospital, dental and vision coverages in 2002 was only \$3.6 million dollars.

The City Council budgeted \$38 million in General Fund appropriations for 2003, an increase of 7.03% over 2002 expenditures.

The year-end General Fund unencumbered balance had ranged from a low of \$15,000.00 in 1992 to a high of \$1.6 million in

1996. On average, over the ten year period 1992-2001, the Fund balance was 2.81% of expenditures.

As a result of the increase in tax receipts and the less than expected expenditures, the General Fund unencumbered year end balance rose from \$1.572 million dollars in 2001 to \$2.4 million in 2002, representing some 6.3% of budgeted 2003 appropriations.

Based upon the foregoing data, the City argues that notwithstanding the cogency of the Union's wage claim, the City does not have the "ability ... to finance the issues proposed" within the meaning of this statutorily prescribed criterion.

The City bears the burden of proof.

In order to sustain that burden it must demonstrate that wage increases sought by the Union would require the City alternatively, to layoff employees, defer needed maintenance or other projects, reduce or eliminate services and programs presently provided to the community, default on existing obligations or contract for unsupportable or unallowable additional debt in order to close the gap between expenditures and revenues.

A Fact-Finding Report issued on February 11, 2002 with respect to the 2001 wage re-opener in the Firefighters Contract found insufficient evidence to support the City's then claim of "inability to pay".

The evidence of record before this Fact-Finder still fails to support the City's position.

According to the analysis of a respected credit rating agency, Standard & Poor, the City enjoys a stable employment base with an unemployment rate significantly lower than the County or National averages. Its annual property value growth averaged 3.6% over the past ten years. The per-capita income of its residents exceeded the state and national averages by 9% and 2% respectively. Its \$3.8 billion tax base has grown an average of 4% a year since 1990.

In consequence, the City's credit rating was upgraded from "A+" to "AA-".

Relying on its Consultant's Report, the City argues that it needs to significantly increase its unencumbered General Fund balance to equal approximately 28% of estimated expenditures so as to achieve Standard and Poor's "gold standard" "AAA" credit rating, and pay a lower interest rate on its notes, bonds and other debt obligations.

Bluntly, the Fact-Finder believes that Parma's quest to achieve a "AAA" credit rating is unrealistic.

Standard and Poor has awarded its AAA rating to only fifty-four (54) cities and other local government units in the entire United States. Only two of them - Westlake and Columbus - are located in Ohio.

In general the fifty-four municipalities do maintain a significantly high unreserved General Fund balance as a percentage of annual operating expenditures. The average was 27.9%. But, such high reserves are not essential. Thus, Omaha, Nebraska maintained a 1.7% ratio in 2001 while eleven other AAA rated Cities maintained ratios of General Fund balances to expenditures ranging from 2.9% to 9.4%.

A municipality's credit worthiness is also judged by its unemployment rate, the market value and trend of property valuations and the effective disposable income of its residents.

Credit rating agencies recommend that municipalities maintain unrestricted General Fund balances at least equal to five percent of estimated annual expenditures. While greater balances are preferable, they are not essential in order to borrow at moderate interest charges. Parma's 2002 year-end General Fund unencumbered balance amounted to 6.3% of estimated 2003 expenditures. Parma's debt burden is relatively light, and with interest rates at historic lows, the differential in borrowing charges based on quality of credit ratings, is not as significant a cost factor as formerly.

Furthermore, the Fact-Finder observes that the City has been able to upgrade its credit rating to "AA-" despite averaging an unreserved General Fund balance of only 2.81% of expenditures.

The City next contends that it must at least maintain, and preferably increase, the proportion of its revenues dedicated to capital improvements and maintenance. Neglect of infrastructure, as its Consultant opined, eventually requires premature replacements at a much greater cost.

The City also warns that employee contributions to the Public Employee Pension Funds might have to be increased to meet future benefit demands if the value of the Funds' investment portfolios continues to decline.

Additionally, based upon the Consultant's prediction, the City claims it will have to spend more for services as the number of its residents in both the 5-19 and over 65 age groups increases. Both the very young and the elderly are disproportionate users of services.

Finally, the City suggests that prudent budgeting requires that it set aside reserves for contingencies, particularly increases in the cost of medical care for its employees.

All of these concerns are valid considerations, but without objective quantification, they are no more than speculations. Such concerns are not novel, but are routinely taken into account in the budgeting process. There is no basis for the Fact-Finder to conclude that any or all of these potential risks will come to pass and materially deplete the City's financial resources.

While utilization of medical benefits, and hence costs, skyrocketed by a budget busting million dollars in 2001, it would appear that the enormity of the increase was aberrational, and not a likely reoccurring phenomenon. Thus, although the medical liability amount was budgeted at \$4,400,000.00 for 2002, only \$3,625,324.00 was expended.

Considering the financial evidence the Fact-Finder finds that the City can afford to pay the 4% wage increases proposed by the Union for 2003 and 2004.

However, the Fact-Finder is also called upon to determine the wages for 2002. He is well aware that a 2003 determination of wage levels for 2002 is an exercise in hindsight.

The books are already closed on 2002.

All decisions respecting allocations of revenues and expenditures for that year have gone into history. In consequence, any wage increase for 2002 must be paid retroactively out of 2003 revenues.

Taking account of that circumstance, the Fact-Finder believes it appropriate to award only a 2% wage increase retroactive to January 1, 2002.

The City observes that because of "pattern bargaining" and "me too" obligations, any increase won by the Police Unit would also be distributed to all other employees. The upshot of this

is that every 1% increase in wages costs the City an additional \$350,000.00.

The total City-wide cost of a 6% compounded wage increase payable in 2003 will, according to the City's calculation, cost some \$2.1 million additional. But, the income tax credit reduction is estimated to yield \$6.6 million additional revenue in 2003 beyond that received from the 2001 income tax collection, and, because of its application to the full year, some 25% more than collected in 2002. According to the City's allocation formula \$5.15 million of that amount will be paid into the General Fund.

Although in 2004 income tax revenues are likely to show only a modest increase, dependent upon increases in earnings, as a result of the 2003 property re-evaluation, real estate tax revenues should increase substantially.

These developments reinforce the Fact-Finder's findings with respect to the City's "ability to pay".

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends that Article XXIX, Section 29.01 be amended to read:

"29.01: Effective January 1, 2002, the following rates of annual compensation shall be:

<u>Years of Service:</u>	<u>Annual Compensation:</u>
1 st yr.	\$37,524.31

2 nd yr.	\$39,731.63
3 rd yr.	\$41,938.94
4 th yr.	\$51,524.83

"Effective January 1, 2003, the following rates of annual compensation shall be:

<u>Years of Service:</u>	<u>Annual Compensation:</u>
1 st yr.	\$39,025.28
2 nd yr.	\$41,320.90
3 rd yr.	\$43,616.50
4 th yr.	\$53,585.82

"Effective January 1, 2004, the following rates of annual compensation shall be:

<u>Years of Service:</u>	<u>Annual Compensation:</u>
1 st yr.	\$40,586.29
2 nd yr.	\$42,973.74
3 rd yr.	\$45,361.16
4 th yr.	\$55,729.25

LAURA STOP INSERT HERE

Insert wages

II. Article IV - Dues Deduction

The 2000 Contract:

Article IV of the expired Agreement provided for deduction of dues, fees and assessments levied by the Union from the wages of employees who had voluntarily signed dues deduction authorization forms. Article IV did not provide for a "fair share" service fee to be deducted from the compensation paid non-Union members.

The Union's Proposal:

The Union proposes to add a new Section 4.06 to Article IV requiring the Employer to deduct a "fair share" fee from each Bargaining Unit member who is not also a member of the Union in an amount which reflects an allocate share of cost of negotiating and administering the Collective Bargaining Agreement.

In support of its proposal the Union points out that the Police Contracts in most other jurisdictions it deems comparable to Parma provide for the deduction of a service fee for non-union members.

The Union argues that collecting and transmitting such fees places only a minimal additional clerical burden upon the Employer, and that it is appropriate that all members of the Bargaining Unit who are served by the Union contribute to the cost of that service.

The City's Proposal:

While the City is not adverse to the adoption of the fair share service fee provision proposed by the Union, it believes that such a term ought to be adopted only in the context of overall agreement on the terms of the successor Agreement.

The City therefore proposes to maintain the status quo.

The Fact-Finder's Analysis and Findings:

The Fact-Finder sees no significant objection to the adoption in the successor Agreement of a provision providing for

what is, in effect, an "agency shop" by deducting from non-Union members of the Bargaining Unit a "fair share service fee" in the same manner as the City deducts the regular monthly OPBA dues from wages of employees who voluntarily sign Dues Deduction Authorization Forms.

The Union has not proposed specific textual language, but the provision may be modeled after the service fee deduction arrangements entered into with unions representing other Police Officer Bargaining Units.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends the addition of a new Section 4.06 to Article IV to read as follows:

"Section 4.06: All employees as defined in Article III of this Agreement who have completed sixty (60) days of employment with the Employer but who have not become or remained Union members shall pay a 'fair share service fee', not to exceed the Union's regular monthly dues, as a condition of employment with the Employer. The Employer shall deduct fair share service fees in the manner specified in Section 4.03 above.

"The deduction of a fair share service fee shall be automatic and does not require the written authorization of the employee. The Employer agrees to supply the OPBA with a list of those employees for whom fair share service fees have been deducted. A check in the amount of the total of the service fees withheld from the employees subject to fair service share fee deduction shall be tendered to the Treasurer of the OPBA within thirty (30) days of the date of making said deductions.

"The OPBA hereby agrees to hold the Employer harmless from any and all liabilities for damages that may

arise in performance of its obligations under this Section and the OPBA shall indemnify the Employer for any such liabilities or damages that may arise."

III. Article XIII - No Strike

The 2000 Contract:

In Article XIII of the expired Agreement the OPBA pledged that it would not in any way sanction or assist in a strike, work stoppage or work slowdown, and the Employer pledged that it would not lock-out any employee for the duration of the Agreement. The Article contained no provision concerning notification of impending lay-offs.

The Union's Proposal:

The Union proposes to add a new Section 13.05 to Article XIII to provide for a minimum of twenty days (20) written notice to any employee subject to being laid-off.

The City's Proposal:

The City proposes to maintain the status quo. It argues that the parties should continue to operate under local Civil Service Rules and Regulations and the State Law governing lay-offs. It notes that there were no lay-offs during the period of the last Contract.

The Fact-Finder's Analysis and Findings:

Lay-offs of City employees do not occur spontaneously, on the spur of the moment. In particular, a reduction in force

affecting Police Officers is the result of considerable deliberation and planning. No hardship is visited upon the City in requiring it to give twenty (20) days notice before laying-off a Police Officer. On the other hand, such minimal notice affords affected Police Officers an opportunity to seek alternative employment, and minimize the period of time during which they are without a job.

If the Union prefers to have the benefit of a Contractual twenty (20) day advance lay-off notice requirement rather than whatever notice the Civil Service Rules and Legislative enactments may from time-to-time unilaterally prescribe, the Fact-Finder sees no reason why its preference ought not to be respected.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends that the heading or title of Article XIII be revised to read as follows:

"Article XIII - No Strike and Notice of Lay-off"

The Fact-Finder further finds appropriate and recommends that a new Section 13.05 be added to Article XIII to read as follows:

"Section 13.05: In the event the Employer intends to lay-off any member of the Bargaining Unit, the Employer shall give the affected employee or employees notice of such lay-off not

less than twenty calendar days in advance of the first day on which the lay-off is to become effective and implemented."

IV. Article XXII - Holidays:

The 2000 Contract:

Article XXII of the expired Contract provided for thirteen (13) paid holidays. Employees who are scheduled work on any of the following four (4) holidays - Martin Luther King, Jr. Day; Good Friday; Election Day and Veterans Day - are paid at time and one-half the employee's regular rate of pay.

The City's Proposal:

The City seeks to substitute New Year's Day, Christmas Day, Thanksgiving and the Fourth of July as the four (4) holidays on which employees who work are paid the time and one-half rate.

In support of its proposal, the City claims that the absenteeism rate for employees scheduled to work on those popular family holidays is excessive, causing significant overtime costs, and that attendance would improve if the incentive of time and one-half pay were made available on those days. The City believes that there would be no corresponding rise in absenteeism on the presently designated premium pay holidays were the regular rate of pay offered instead.

The Union's Proposal:

The Union seeks to maintain the status quo.

The Fact-Finder's Analysis and Findings:

Many of the other Cuyahoga County Police Departments offer premium pay to employees scheduled to work on the four holidays designated by the City in its proposal.

The City of Broadview Heights allows Officers required to work on eight (8) enumerated holidays, including the four (4) preferred by the City of Parma, to be compensated at the rate of one and one-quarter times the employee's straight time hourly rate.

The City of Garfield Heights provides that employees will be compensated at the rate of one and one-half times their regular hourly rate for hours worked on seven (7) scheduled holidays including those preferred by Parma.

And, the City of Brooklyn offers pay at the overtime rate to Officers scheduled to work on any of six (6) enumerated holidays, including the four (4) preferred by Parma.

The Cities of Independence and North Royalton pay at the overtime rate employees required to work on three of the four Parma preferred holidays - Thanksgiving Day, Christmas Day and either New Year's Day or Independence Day.

The City of Strongsville authorizes the overtime pay rate for hours worked on Christmas and Thanksgiving only.

The review of Cuyahoga County Police Departments for which data is available reveals that premium pay is more frequently provided to employees who work on the holidays suggested by the

City of Parma. - New Year's Day, Independence Day, Thanksgiving Day and Christmas Day - than to those who work on the four holidays presently designated in the Parma Contract for premium pay - Martin Luther King, Jr., Good Friday, Election Day and Veterans Day.

The four substitute holidays proposed by Parma are the days when families typically gather for celebration or outings. Consequently, it is not surprising that the City reports difficulty in obtaining a full complement of Officers to work on these holidays.

There is no equivalent family significance to the four holidays for which Police Officers presently receive premium pay.

The City's proposal to provide an attendance incentive in the form of premium pay for working on New Year's Day, Independence Day, Thanksgiving Day and Christmas Day is likely to reduce the rate of absenteeism, and more appropriately recognizes the sacrifice of not being able to participate in those traditional family holiday functions.

If absenteeism is curtailed, the exchange sought by the City would likely reduce the amount of call-in and other premium pay the City presently expends in order to obtain a full working complement on New Year's Day, Independence Day, Thanksgiving and Christmas Day.

The Fact-Finder therefore will recommend adoption of the City's proposal.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends that Article XXII, Section 22.01 be amended to read as follows:

"Section 22.01: All full-time employees shall receive the following paid Holidays:

New Year's Day	Election Day
Presidents Day	Thanksgiving
Good Friday	Day After Thanksgiving
Memorial Day	Veterans Day
Independence Day	Christmas
Labor Day	Martin Luther King, Jr., Day
Employee's Birthday	

"Any member of the Bargaining Unit who works any of the holidays listed below shall be paid at time and one-half the member's regular straight time rate of pay. The holidays shall be considered as starting at 0000 hours and ending at 2400 hours. Any hours worked during this time period shall be paid at time and one-half:

New Year's Day	Thanksgiving
Christmas Day	Independence Day

V. Article XXIII - Vacation:

The 2000 Contract:

Article XXIII of the expired Agreement provided vacation leave in Section 23.02 according to the following formula:

<u>Completed Years of Service:</u>	<u>Vacation Weeks:</u>
Less than 1 year	1 day per month

1 year	2 weeks
6 years	3 weeks
13 years	4 weeks
18 years	5 weeks
22 years	6 weeks

The Union's Proposal:

The Union proposes to reduce the number of years of continuous employment necessary to receive more than two (2) weeks of vacation as follows:

<u>Completed Years of Service:</u>	<u>Vacation Weeks:</u>
5 years	3 weeks
10 years	4 weeks
15 years	5 weeks
20 years	6 weeks
25 years	7 weeks

The City's Proposal:

The City proposes to maintain the status quo.

The Fact-Finder's Analysis and Findings:

The schedule of vacation allowances for Police Officers in ten Cuyahoga Cities for which information was presented is shown on the following table:

W E E K S O F V A C A T I O N

CITIES:	2 WEEKS	3 WEEKS	4 WEEKS	5 WEEKS	6 WEEKS
Number of Years of Service					
Berea	1 yr.	5 yrs.	11 yrs.	17 yrs.	21 yrs.
Broadview Heights	2 yrs.	7 yrs.	12 yrs.	20 yrs.	
Brooklyn	1 yr.	5 yrs.	10 yrs.	15 yrs.	25 yrs.
Brookpark	1 yr.	5 yrs.	10 yrs.	18 yrs.	
Fairview Park	1 yr.	5 yrs.	10 yrs.	15 yrs.	25 yrs.
*Garfield Heights	1 yr.	5 yrs.	10 yrs.	15 yrs.	25 yrs.
Independence	2 yrs.	5 yrs.	10 yrs.	20 yrs.	
Middleburg Heights	1 yr.	5 yrs.	10 yrs.	15 yrs.	20 yrs.
North Royalton	1 yr.	5 yrs.	10 yrs.	15 yrs.	20 yrs.
Strongsville	1 yr.	5 yrs.	10 yrs.	18 yrs.	
Parma	1 yr.	6 yrs.	13 yrs.	18 yrs.	22 years

* Beginning at twenty-one years of service an additional day for each year of service.

Parma requires longer periods of service than most in order to qualify for vacations lasting three, four and five weeks. On the other hand, only six of the Cities offer six weeks of vacation as does Parma, and Parma's requirement of twenty-two years of service falls midway between the twenty years eligibility requirements of Middleburg Heights and North Royalton and the twenty-five years requirement of Brooklyn, Fairview Park and Garfield Heights.

During the life of the successor Contract fifteen (15) employees will become eligible for six weeks of vacation, an additional ten (10) will qualify for five weeks and a further eleven (11) will be entitled to four weeks of vacation. Thirty-

six more Officers will receive three weeks of vacation. The remaining fifteen Bargaining Unit members will receive two weeks. The number of years of service required to achieve three or more weeks of vacation in Parma is not significantly greater than the average number in other cities.

Reducing the number of years of service required to move to each succeeding vacation level would tend to increase the City's overtime costs because of the need, in many cases, to replace the vacationing Officers by either scheduling Officers to work on days on which they are normally scheduled off, or calling-in employees before the beginning of their regular shifts or holding-over employees after the conclusion of their shifts.

On balance, in light of the City's need to conserve dollars, the Fact-Finder does not find any change in the vacation schedule for the successor Agreement to be appropriate.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends that Article XXIII be carried forward and incorporated into the successor Agreement without change.

VI. Article XXIX, Section 29.05 - (Firearms Proficiency Practice Allowance)

The 2000 Contract:

Section 29.5 of the expired Contract provided as follows:

"Section 29.05: On January 1st of ... [2001] employees shall be compensated with sixty (60) hours of compensatory time per year for firearms proficiency practice. Effective January 1, 2002, employees shall be compensated with forty-four (44) hours of compensatory time per year for firearms proficiency practice.

"If an employee's employment terminates for any reasons other than retirement, death or disability, then the compensatory time awarded herein shall be on a prorated basis.

..."

The City's Proposal:

The City proposes to delete the Section in its entirety. In support of its position the City claims that the firearms practice proficiency compensatory time allowance was awarded when the City's firearm range had been closed by the Environmental Protection Agency because of high lead content. After the range was closed, employees were compelled to travel to other locations to practice. However, since the City built a new range in the recently completed Justice Center, employees no longer have to travel, and there is therefore no need to continue to provide the additional time-off.

The Union's Proposal:

The Union seeks to maintain the status quo.

The Fact-Finder's Analysis and Findings:

The Employer's suggestion that the inauguration of a firing range within the new Justice Center limited the employees'

necessity to travel to remote locations, and that therefore the compensatory time allowance should be abrogated, is a non-sequitur. While the "portal-to-portal" travel time may have been reduced for many, if not all, of the Officers, the time spent at the practice range was not affected.

The Fact-Finder notes that the parties had agreed that as of January 1, 2002 the compensatory time hours allowed Officers for firearms proficiency practice would be reduced from sixty (60) hours to forty-four (44) hours. Presumably, the reduction was negotiated in recognition of the more convenient practice range location.

The City further contends that the majority of the comparable Police Departments do not offer a similar firearm proficiency allowance and therefore continuation of this benefit in Parma is not justified. It argues that Berea, Broadview Heights, Brooklyn, Brookpark, Fairview Park, Independence, Middleburg Heights, North Royalton and Strongsville provide no such allowance.

Garfield Heights, however, does offer a \$1,000.00 allowance annually to employees who meet the Firearms Re-qualification Program mandated by Ohio Revised Code Section 109.801, et seq. And, Bay Village, Bedford, Brookpark, Cleveland Heights, Highland Heights, North Olmsted, Solon and South Euclid include

firearm proficiency as one of a series of certifications or competencies for which extra compensation is available.

Of course, Parma's Patrol Officers must maintain their firearm proficiency certification in order to hold their jobs.

But, the firearms proficiency compensatory time allowance does not exist in a vacuum as a mere reward for maintaining minimum qualifications. It was the result of a trade-off of some of the Association's other economic demands.

Whether Police Officers should receive "extra" compensation to meet the minimum qualifications of the job is thus a matter of negotiation between the parties as to how the economic package should be structured in terms of paycheck dollars or additional time-off, which, if not used, can be converted into cash.

The Fact-Finder sees no compelling reason to reduce or eliminate the firearms proficiency allowance as sought by the City.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder does not find appropriate and does not recommend the adoption of the City's proposal to eliminate the firearm proficiency allowance.

VII. Article XXVII - Insurance

The 2000 Contract:

The expired 2000 Agreement provided for medical insurance benefits as follows:

"Section 27.01: The City shall continue to provide medical insurance benefits of a managed care system under Blue Cross/Blue Shield Select program excluding vision eye care. Further, the employer shall make available to the members alternative health-care coverage under Kaiser H.M.O. pursuant to the requirement and conditions of Ohio Revised Code Section 1742.33. Union Eye Care shall provide vision coverage. New hires shall receive Medical Insurance coverage from the first day of hire. In the event any other group of employees within the City is provided an insurance plan more beneficial than the plan described herein, subsequent to the execution date of this agreement, then such plan shall be offered to this bargaining unit.

"Section 27.02: The Employer reserves the right to continue to self insure or utilize an insurance carrier, at its discretion, to provide such coverage.

"If the cost of medical insurance coverage increases over the course of this agreement, the parties agree to meet for the purpose of discussing alternatives to maintain cost control, including, but not limited to, alternative coverage, alternate means of providing coverage and/or possible employee contributions to the cost. The Union recognizes the right of the Employer to secure alternative insurance carriers and to thereby modify insurance coverage provided the coverage is of equivalent or better benefits, which measures may be used to maintain or lessen costs.

"Section 27.03: A Committee consisting of the Safety Director or designee, Third Party Administrator, Benefits Administrator and two (2) Union Representatives shall be established to review regulations and policy decisions regarding the self-insurance plan."

Pursuant to these Contract provisions the present medical, dental and prescription drug programs are administered by Medical Mutual of Ohio, successor to Blue Cross/Blue Shield.

As the result of the parties' acceptance of a recommendation made by a Fact-Finder in a 2001 wage and insurance re-opener provision in the Contract with the International Association of Firefighters, the City continues to pay the entire monthly premium, but employees are responsible for a modest co-payment of \$10.00 for visits to a physician's office or an urgent care facility so long as the provider is a member of the Medical Mutual "network".

Employees are also subject to a \$5.00 co-payment for the initial order and first refill of a generic prescription drug, \$10.00 for a brand name prescription when no generic equivalent is available and \$15.00 for a brand name drug when a generic is available. There is a mail order program for those on maintenance regimens. A \$5.00 payment is required for a ninety (90) day supply of a generic drug and a \$10.00 payment is necessary for a ninety (90) day supply of a brand name medication.

The City's Proposal:

The City proposes to retain the present health insurance coverages without change for employees on the payroll as of the execution of the successor Agreement. For employees hired after

that date, the City proposes to provide a reduced benefit, contributory health insurance program. The benefits offered would be subject to deductibles, co-payments and co-insurance substantially similar to those presently pertaining to use of non-network providers. The proposed plan would, however, introduce additional coverages which are not currently available when non-network providers are utilized.

Whereas, under the existing plan, visits to non-network physicians for routine physical exams and other office visits are not covered, and well-child care examinations and immunizations are also excluded, under the proposed plan these services would be covered.

New hires would have to pay a deductible of \$200.00 for single coverage, and a deductible of \$400.00 for family coverage. Thereafter, the employee would be responsible for 20% of the usual, customary and reasonable charges of a provider up to a maximum of \$1200.00 for single coverage and \$2400.00 for family coverage.

Laboratory and x-ray services would, however, be covered 100%.

An outline of the provisions of the proposed plan is set forth in Appendix "A":

MEDICAL MUTUAL NEW EMPLOYEES HEALTH PLAN

EXPLANATION OF BENEFITS

Single Deductible	\$200
Family Deductible	\$400
Coinsurance-Single	80% UCR* to \$5,000
Coinsurance-Family	80% UCR to \$10,000
<u>Out-of-Pocket Maximum</u> per year (Employee) includes Deductible	\$1,200 plus copayments
<u>Out-of-Pocket Maximum</u> per year (Family) includes Deductible	\$2,400 plus copayments
Inpatient Maternity Care	80% UCR after deductible
Hospital Benefits (See Lifetime Maximum)	80% UCR after deductible
Inpatient Mental Healthcare and/or Substance Abuse Treatment	50% limited to 30 days per year, one admit per year for substance abuse
Laboratory & X-Ray Services	100%
Outpatient Mental Healthcare and/or Substance Abuse Treatment (Maximum 20 visits combined per year)	50% UCR after deductible to coinsurance maximum
Outpatient Surgery	80% UCR after deductible
Second Surgical Opinion	80% UCR after deductible
Office Visits (Necessary)	80% UCR after deductible
Office Visits (Routine)	80% UCR after deductible
Immunizations	80% UCR after deductible
Well-Child Care to age 9	80% UCR after deductible
Allergy Tests & Treatments	80% UCR after deductible
Emergency Illness or Accident	\$50 copayment per visit then 100%
Durable Medical Equipment	80% UCR after deductible
Chiropractic Benefits	80% UCR after deductible
Ambulance Service	80% UCR after deductible
Home Healthcare	80% UCR after deductible
Hospice Care	80% UCR after deductible
Private-Duty Nursing	80% UCR after deductible
Skilled-Nursing Facility (100 days per year)	80% UCR after deductible
Lifetime Maximum	\$2,500,000.00 lifetime maximum

PRESCRIPTION PLAN DESIGN/CITY OF PARMA

Retail Prescriptions-Available at Nationwide participating pharmacies (34 day supply)	\$ 5.00 copayment for generic \$10.00 copayment for name brand
Mail order (90 day supply)	\$ 5.00 copayment for generic \$10.00 copayment for name brand
After 2 months - 100% employee cost if not mail ordered	

*UCR = Usual, Customary & Reasonable

The Union's Proposal:

The Union proposes to maintain the existing coverage for all employees regardless of date of hire.

The Fact-Finder's Analysis and Findings:

The significant increases in medical care costs which have outstripped the rate of inflation over the past decade is a nation-wide phenomenon from which Ohio has not been exempted.

A State Employment Relations Board Report on the "Cost of Health Insurance in Ohio's Public Sector in 2000" concluded that medical premiums rose an average of 10.7% for both single and family coverages over the 1999 levels and the cost for prescription drug coverage rose more than 20% over the level reported for 1999.

The same increase in the cost of medical benefits was experienced by the City of Parma; Including an annual amortization charge of approximately \$187,000.00 resulting from \$1.2 million dollar debt earlier incurred to pay medical claims, health care costs for medical, hospitalization, dental and vision benefits grew from \$2,813,629.00 in 1999 to \$3,560,360.00 in 2000, or some \$747,000.00. The following year health care costs increased further to \$3,912,867.00, or some \$352,000.00 more than in 2000.

While the full year cost of health care benefits for 2002 was estimated to be \$4,085,000.00, expenditures actually were only \$3,625,000.00. Nevertheless, since 1997 the City has experienced a 50% increase in the cost of providing health care benefits.

The City is concerned that runaway medical benefit costs will continue.

Obviously, the City's exposure to continuing medical care cost increases may be limited by establishing a "cap" on its payments, requiring monthly premium contributions from employees, and increasing the number and amounts of deductibles and co-payments when services are utilized.

Since any free resource tends to be over-utilized, and medical care is no exception, employee cost sharing reduces unnecessary recourse to medical services and hence reduction in aggregate medical insurance expenditures.

The trend across the country, in both private and public sector employment, is to require employees to bear a portion of the cost of health insurance.

Thus, the 2000 Report on the Cost of Health Insurance in Ohio's Public Sector noted that 65% of the 622 responding employers required their employees to pay a portion of the cost of the family medical plan, and 51% insisted on premium sharing for single coverage. Almost 70% of all public employees work

for these responding employers. Typically, employees pay 10.8% of the cost of a single plan and 12.1% of the monthly family premium.

Of the ten cities cited as comparable by the City of Parma, five - Berea, Brookpark, Fairview Park, Garfield Heights and Independence - pay 100% of employee health insurance premiums. Broadview Heights requires a 5% payment up to \$40.00 for single coverage and \$75.00 for family coverage. Middleburg Heights requires employees to pay 20% of the first \$2,000.00 of incurred charges, and imposes a \$100.00 deductible for single coverage and a \$200.00 deductible for family coverage. North Royalton imposes a similar set of deductibles for network provider services, and double the deductible amounts when out of network physicians are used.

Strongsville charges employees \$20.00 per month for medical coverage.

A survey conducted by the Union of thirty-six (36) cities in Cuyahoga County concluded that fifteen (15), or 42%, require monthly employee contributions, six (6) of these cities, however, require employees to pay premium charges only if certain "caps" have been exceeded.

Eighteen (18) of the cities provide for deductibles to be paid by employees which average \$156.00 for single coverage and \$264.00 for family coverage.

The City, however, does not propose any change in responsibility for medical care costs for existing employees. Instead, it seeks to introduce cost sharing in the form of premium charges and co-payments for new hires. Thus, the City seeks to buffer its exposure to future increases in medical care costs as it expands its workforce or recruits replacements for employees who retire or resign.

There is, of course, a significant downside to the introduction of bifurcated medical insurance coverage into a Bargaining Unit. As the number of new hires increase, dissatisfaction is likely to grow over the lack of equal treatment with respect to a benefit which has not traditionally been associated with longevity.

Undoubtedly, the City may seek in future negotiations to phase-out the non-contributory plan and offer only one or more alternative versions of contributory medical benefit plans.

The contours of any such plans should be developed after discussions with the unions representing all employees as contemplated by Sections 27.02 and 27.03 of the subsisting Contract.

Since the City's present proposal has no adverse economic effect upon the existing members of the Bargaining Unit, and provides an opportunity in the future for the reconsideration of the parties' respective financial responsibility for health

insurance, the Fact-Finder believes the City's proposal is meritorious.

THE FACT-FINDER'S RECOMMENDATIONS:

The Fact-Finder finds appropriate and recommends adoption of the City's proposal to amend Article XXVII, Section 27.01 to read as follows:

"Section 27.01: The City shall continue to provide medical insurance benefits of a managed care system under Medical Mutual of Ohio excluding vision care, as is in force as of the effective date of the present Contract for all employees hired on or before the date on which the present Contract is executed.

"In the event any other group of employees in the City is provided an insurance plan more beneficial than the plan described herein, subsequent to the execution date of this Agreement, then such plan shall be offered to the above referenced members of this Bargaining Unit."

"Further, the Employer shall make available to the members alternative health-care coverage under Kaiser H.M.O. pursuant to the requirement and conditions of Ohio Revised Code Section 1742.33.

"Union Eye Care shall provide vision coverage.

"The City shall provide medical insurance containing the benefits and employee financial responsibility provisions contained in the Medical Mutual New Employee's Health Plan as set forth in Appendix "A" to this Contract for all employees hired after the date of the execution of this Contract.

"New hires shall receive the appropriate medical insurance coverage on the first day of hire."

Fact-Finder's Report signed, dated and issued at Cleveland,
Ohio this 28th day of February, 2003.

A handwritten signature in black ink, appearing to read "Alan Miles Ruben". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Alan Miles Ruben
Fact-Finder

AMR:ljg