IN THE MATTER OF FACT-FINDING BETWEEN

CITY OF LORAIN	)	**CASE NO. 02-MED-09-0808**
	)	
	)	
AND	)	**FINDINGS**
	)	**AND**
	)	**RECOMMENDATIONS**
UNITED STEELWORKERS OF AMERICA, LOCAL 6621	)	
	)	

JAMES M. MANCINI, FACT-FINDER

APPEARANCES:

FOR THE UNION

Patrick D. Riley, Esq.
John T. Gallo

FOR THE CITY

Michael J. Angelo, Esq.
Craig Miller

SUBMISSION

This matter concerns fact-finding proceedings between the City of Lorain (hereinafter referred to as the City or Employer) and United Steelworkers of America, Local 6621 (hereinafter referred to as the Union). The parties selected the undersigned as fact-finder pursuant to a Mutually Agreed Alternate Dispute Resolution Procedure. The fact-finding proceedings were conducted on February 3 and March 14, 2003.

The matter before this fact-finder relates strictly to a re-opener provision set forth in the parties' Agreement. The re-opener states that it shall be limited to determination of (1) wages for the final year of the Agreement, and (2) insurance coverage, including but not limited to cost allocations of such insurance between the Employer and Bargaining Unit Employees for the final year of the contract.

There are approximately 190 employees in the bargaining unit who are employed in various classifications within the City of Lorain.

This fact-finder in rendering the following findings of fact and recommendations of issues at impasse has taken into consideration the criteria set forth in Ohio Revised Code Section 4117(G)(6)(7). Further, this fact-finder has taken into consideration all reliable evidence presented relevant to the outstanding issues before him.

1. WAGES

The Union proposes that annual earnings of its members be increased by the lump sum payment of a contract ratification bonus, approximately equal to 3.5% of the base annual wages, to be paid in the first pay period of December 2003 and rolled into the annual base wages effective December 31, 2003. The Union also proposes that its shift differential pay be increased with an additional $.10 per hour for the afternoon shift and an additional $.30 per hour for the night shift. The City proposes that there be a wage freeze for the final year of the contract, 2003. The City opposes any increases in the current shift differentials.

The Union argues that past bargaining history supports its wage proposal. It points out that in 1998 when the City was experiencing financial difficulties, the Union and the City adopted a similar contract ratification bonus provision as a means of increasing members' wages and relieving the City of immediate cash obligations. The Union notes that wages for Union members here for the most part are paid for from funds other than the City's General Fund. As a result, the Union's proposal will have a minimal impact on the General Fund because no bonus amounts would be paid until December 2003. The Union estimated that it would cost the City approximately $50,000 to the General Fund for its wage proposal.

The Union further maintains that wage comparables support its proposal. It cites wage increases which have been paid to similarly situated employees in comparable communities which have averaged 3.5%. The Union used as comparables those cities which are in close proximity to Lorain, have a similar manufacturing base, and ones with approximately the same population. Comparables included the cities of Elyria, Parma, Lakewood and Euclid. Moreover, internal comparables show that the City's police union received a wage increase of 3.5% for 2003. The dispatcher and correction officers unions also received 6% increases.

With respect to the proposal to increase shift differential pay, the Union cites internal comparables. The City's patrolmen as well as fire fighters receive shift differential in amounts greater than that provided to Union members here. It was also shown that current shift differential pay has not been increased in eight years. Moreover, the cost of any shift differential pay increase would not burden the City's General Fund because again approximately ninety percent of personnel cost for this unit is paid for from other funds such as the sewer and water fund.

Finally, the Union disputes the City's claim that it does not have the financial resources to pay for the lump sum contract ratification bonus proposed. According to the Union, due to significant school reconstruction plans and other construction projects in the City, the City Auditor has projected for 2003 that tax revenues will actually increase by 1.3 million dollars. The Union also notes that the City failed to avail itself of revenue enhancement opportunities by rejecting a change in the income tax credit which would have generated additional revenue.

The City maintains that it faces severe financial constraints due to a decline in revenue. It anticipates that unless it is able to obtain some relief from its employees with respect to wages and healthcare costs, it will finish calendar year 2003 with approximately a 2.5 million dollar budget deficit. Significantly, the City was placed under a Fiscal Watch by the State Auditor's office for the past year. The State Auditor certified that the City had a deficit in its General Fund of $2,400,000 for the year ending December 31, 2002. The City pointed out that income tax revenue has declined significantly over the past several years which has led to the deficits in the General Fund.

The City notes that other Union's have recognized its financial difficulties by agreeing to take wage freezes for the current year. Tentative agreements have been reached with the fire fighters and the police patrol's union to take a wage freeze in lieu of massive layoffs which could have occurred. Further, none of the non-bargaining unit employees in the City have received wage increases for 2003. Even every elected official as well as the police and fire chiefs have agreed to take a wage freeze for the current year.

The City also submits that bargaining unit members here will still receive their longevity increases for the current year even if no general wage increase is provided. During the past two years, the longevity increases of 1.14% were given in 2001, and 1.21% in 2002. The City disputes the Union's claim that it has the ability to finance the Union's wage proposal from funds other than the General Fund. There are certain restrictions already placed on the water fund which preclude its general use from paying any increase in the current year.

Finally, the City submits that despite its best efforts to raise additional revenues, two tax levies have been rejected by the voters in recent years. It is anticipated that another tax increase will be placed on the ballot in the upcoming primary in May 2003. The City notes that the parties will be back at the bargaining table in approximately nine months and at that time the parties will be in a better position to evaluate the City's ability to provide for any increase in wages.

ANALYSIS – Based upon a careful review of the evidence, this fact-finder would recommend that a wage increase of 3.5% for this bargaining unit be deferred to December 31, 2003. That is, effective on that date each member of the bargaining unit would be entitled to a 3.5% increase in their base rate of pay. Moreover, it would be appropriate to provide that the 3.5 % wage increase be considered to be the 2004 pay raise. This fact-finder does not recommend any increase as proposed by the Union in shift differential pay.

In rendering his recommendation herein, this fact-finder has taken into consideration the evidence which clearly shows that the City has legitimate financial concerns at the present time. Due to the economic downturn, income tax revenue for the City of Lorain has declined significantly in recent years. During the same time, expenditures, especially those associated with healthcare costs, have risen dramatically. As a result, as certified by both the State and City Auditors, the City had a General Fund deficit at the end of calendar year 2002 of approximately 2.2 million dollars. Indeed, the City has been placed under a Fiscal Watch by the State Auditor's office due to its serious financial difficulties. As a result of the financial constraints facing the City, it is evident that it needs some relief from wage increases for calendar year 2003. It is primarily for this reason that this fact-finder recommends that any wage increase be deferred until December 31, 2003.

Moreover, internal comparisons support the recommendation for a deferred pay increase. The evidence indicates that tentative agreements have been reached with both the fire fighters and the police units to take a wage freeze for 2003 in lieu of possible layoffs. Basically, those particular bargaining units agreed to defer their 3.5% wage increases until December 31, 2003, and further that those increases would be considered to be the pay raises provided for in the year 2004. It should also be noted that non-bargaining unit employees have not received any wage increase for 2003. Therefore consistent with the agreements reached with the unions representing the fire fighters and the police units, this fact-finder would likewise recommend that a 3.5% wage increase for each member of the bargaining unit here be deferred until December 31, 2003.

This fact-finder has further determined that there should be no increase in the shift differential pay as proposed by the Union. As discussed previously, the City is currently facing severe budgetary constraints resulting from the economic downturn. As a result, it would be inappropriate to increase costs for the City at the present time.

Finally, this fact-finder would like to add that it would be appropriate to provide this bargaining unit with the same no-layoff understanding as set forth in the fire fighters and police tentative agreements for the deferral of wage increases. Specifically, the fire fighters and police unions agreed to defer any wage increases for the current year based on an understanding that there would be no layoffs of bargaining unit members. As indicated by the City's Mayor in a letter to the IAFF Union President, the City in consideration for a wage freeze would agree that there would be no layoffs during calendar year 2003 except for unforeseen financial circumstances. This fact-finder finds it appropriate to recommend that the same no layoff language set forth in the tentative agreements reached with fire fighters and police units likewise be included in the Agreement here for this unit.

RECOMMENDATION

It is the recommendation of this fact-finder that a 3.5% wage increase be deferred to December 31, 2003 as more fully set forth below:

> **WAGES**
>
> Effective December 31, 2003, each member of the bargaining unit shall be entitled to a three and one-half percent (3.5%) increase in his/her base rate of pay. The new base wage rate shall remain in effect throughout 2004. There shall be no layoff of any bargaining unit employee during 2003 except for unforeseen, financial circumstances. If a Union member is placed on layoff status at any time in calendar year 2003, the base wage increase of 3.5% shall not be deferred but rather shall become effective on the date of any layoff.
>
> There shall be no increase in shift differential pay as proposed by the Union.

2. HEALTHCARE

The City proposes changes in the current healthcare package which does not include any deductible, no co-insurance, and no monthly contribution towards premiums by the employees. Specially, the proposal is to impose a deductible of $250 single and $500 family with an 80/20 co-pay for in-network and a 60/40 co-pay for out of network coverage. The City is also proposing to increase the office visits to $20.00 and to change the co-pay on the vision to 20%. Additionally, the City proposes to increase the prescription co-pay to $10.00 for generic and to $20.00 for brand name drugs. Finally, the City requests that employees pay a 20% monthly contribution towards premiums for healthcare coverage.

The Union opposes the changes put forth by the City with respect to the basic healthcare plan. Specifically, the Union opposes the deductibles and co-pays which the City proposes under a new group health insurance plan. The Union also is opposed to any increase in the co-pays for prescription drugs. The Union takes the position that there should be no monthly contribution towards premiums made by bargaining unit members unless dental coverage is provided. The Union further requests that non-participating members be provided with a buyout option. There should also be an increase in life insurance from the current $25,000 to $35,000. Finally, the Union proposes that a healthcare committee be established to review possible alternative healthcare coverages.

The City maintains that due to its current financial difficulties, it is imperative that it be able to obtain some relief in the area of health insurance. The City submits that comparable data as well as the trend across the State of Ohio supports its position that the current healthcare package needs to be changed. Such a change would enable the City over an approximate two-year period to eliminate its deficit and to be in a better position to be able to properly fund its healthcare reserves.

The City points out that the current healthcare plan provides for first dollar coverage with no deductibles, and no co-insurance. It would be reasonable to provide therefore that there be deductibles as well as co-pays in order to reduce health insurance costs. Likewise, the current prescription drug coverage is out of line with that found in other jurisdictions and for that reason those co-pays should also be changed. With respect to its proposal that bargaining unit members here contribute towards health insurance premiums, the City notes that currently non-bargaining unit employees are paying a 20% monthly contribution on the existing plan. There are approximately 110 non-bargaining unit employees in the City. The City cites a SERB report which indicates that many public sector employers require their employees to pay a portion of the cost of a family medical plan. The City also cites comparables in the area in support of its position that employees should contribute towards the premium costs here. The City submits that relief is needed in the area of healthcare especially considering that the Hospitalization Fund has been projected to show a year-end deficit.

The Union contends that there is no justification for the City's proposal to reduce healthcare benefits. First, it has been shown that the cost of the existing health insurance plan per employee is less than that paid by other comparable communities. It is also lower than that paid statewide by other public employers. Moreover, the Union points out that greater benefits are typically provided in comparable jurisdictions. Internal comparables also show that the bargaining unit members here would end up with substantially fewer benefits than others in the City if the proposal to change the plan is implemented. Also, the fact that the City under funded its healthcare program should not serve as a reason to drastically reduce benefits and to transfer costs for healthcare to Union members.

The Union emphasizes that the cost for healthcare insurance benefits provided to this bargaining unit is paid from other funds outside of the City's General Fund. It estimates that only 10% of bargaining unit employees' personnel costs are borne by the General Fund. As a result, there would be no significant benefits to the General Fund if the healthcare changes suggested by the City are implemented for this bargaining unit.

The Union also strongly opposes the concept of employee contributions towards health insurance premiums. It cites comparables which it claims shows that with the lone exception of Elyria, no other similarly situated employees are required to contribute towards health insurance costs. Even statewide comparables show that when there are employee contributions, in the vast majority of those cases, dental coverage is provided. The Union has proposed that dental coverage likewise be provided to the bargaining unit here. It points out that both the patrolmen and dispatcher's bargaining units are provided with dental coverage by the City. Again, the Union notes that the cost of any dental coverage for this bargaining unit would not be borne by the General Fund. The Union reiterates that if dental coverage is provided, it would agree to have employees contribute a maximum of $35.00 per month for family coverage and $17.50 per month for single coverage to the Insurance Fund. The Union also maintains that its proposed non-participating member buyout option would help to reduce the City's overall cost for health insurance. Such buyout option provisions are found in comparable communities.

ANALYSIS – After carefully reviewing the evidence and arguments presented regarding the health insurance issues, this fact-finder would recommend that there be a 5% employee contribution towards monthly premiums. Based upon current COBRA rates of $683 for family coverage and $257 for single, the employee contributions would be $34 and $13 per month for family and single coverage. It would be reasonable to also place limits on the employee contributions of $40 per month for family coverage and $20 per month for single coverage.

The 5% employee contribution towards premiums for healthcare is being recommended herein due to the City's severe financial difficulties. As discussed previously, the City is currently under a State Fiscal Watch, having incurred a General Fund deficit of 2.4 million dollars for the year ending December 31, 2002. It is apparent that there is an immediate need for the City to reduce expenditures. Like it has for other public sector employers, healthcare costs have risen significantly during the past several years in the City of Lorain. It is anticipated that healthcare costs will increase by 14.5% in the current year. Due to its financial difficulties, the City has been unable to properly fund its healthcare reserves. At the end of fiscal year 2002, the Hospitalization Fund had a deficit of approximately $351,000. Without question therefore, there is a need to reduce healthcare expenditures in the City of Lorain. In that regard, this fact-finder finds that it would be appropriate to recommend the 5% employee co-pay towards premiums which if implemented citywide will achieve an annual cost savings of approximately $186,000. Such a reduction in healthcare expenditures will assist the City in regaining its economic health.

Comparable evidence further supports the employee contribution recommendation made herein. It was shown that currently, the non-bargaining unit employees are paying 20% monthly contributions on the existing plan. Statewide comparables show that on average for cities of similar size, the employee contribution for family coverage is $64 per month and for single coverage $24 per month. Moreover, it should be noted that county employees contribute considerably more than that recommended herein. Lorain County employees contribute $132 for family coverage and $42 for single coverage per month. While the Union is correct in pointing out that other comparable communities in the area in general do not require employees to contribute towards health insurance premiums, it is evident that such jurisdictions are not under a State Fiscal Watch like the City of Lorain.

This fact-finder has also determined that it would be reasonable to recommend that the City be provided with the right to implement a modification in current healthcare benefits so as to further reduce expenditures. The current Super Med Plus Plan basically provides for first dollar healthcare coverage for the employees. There are no deductibles or co-insurances for in-network services. It is apparent that the present healthcare plan is an excellent one for employees but obviously a quite costly one for the City. Again due to the severe financial difficulties facing the City, a change in the present health insurance plan is justified. In that regard, this fact-finder has determined that it would be reasonable to allow the City to have the right to implement a modification in healthcare benefits to Benefit Option 1 or 2 of the Super Med Plus Plans. If Benefit Option 2, for example, is implemented city-wide, it was estimated that the cost savings from the current plan would be approximately 19%.

This fact-finder fully recognizes that under either Benefit Option 1 or 2 there would be significant changes in deductibles, co-insurance, out of pocket maximums, and office co-pays. However in the instant case, due to the severe financial crisis facing the City, such changes in the healthcare plan offered to employees is warranted. As the evidence showed, a reduction in healthcare costs would greatly assist its economic health. It would also allow the City to once again be able to properly fund its healthcare reserves. Most significantly, it would also mean that the possibility of layoffs would be greatly diminished. Therefore given the circumstances here, it would not be unreasonable to allow the Employer to select a healthcare plan which provides for the kind of deductibles and co-pays set forth under Super Med Plus Options 1 or 2. The trend in the public sector has been to provide for such increases in deductibles and co-pays in order to control rising healthcare costs.

This fact-finder would like to add that for all practical purposes, any change in the plan design cannot be implemented until December 31, 2003. This is due to the fact that for certain city employees, such as the fire fighters, there is no insurance reopener provided for in their contract for the current year. For that reason, it is apparent that any change in benefit options cannot be placed into effect for all employees until December 31, 2003. Therefore, it is the recommendation that effective on December 31, 2003, the Employer may implement a modification in healthcare benefits to Option 1 or 2 of the Super Med Plus Plan.

Although this fact-finder finds a change in plan design is justified in this case, he would not recommend the other language changes proposed by the City with respect to the current healthcare plan. For example, the City proposed language which would permit it to unilaterally change coverages and benefits without Union consent. This fact-finder believes that the current provision which requires the City to maintain coverages equivalent to those currently in existence and to settle disputes through arbitration should be retained. This fact-finder essentially recommends therefore that the only change which the City may implement would be to select Super Med Plus Option 1 or 2 effective on December 31, 2003.

This fact-finder would also recommend that prescription drug co-pays be increased to $10 for generic and $15 for brand name drugs effective at the end of the current year. The current drug co-pays are $5 and $10, respectfully. Once again, this fact-finder submits the recommendation to increase the prescription drug co-pays due to the fiscal crisis facing the City. Likewise, it was shown that prescription drug costs have increased significantly for the City in recent years. As a result, it would be appropriate in an attempt to reduce prescription drug costs to provide for an increase in co-pays for both generic and brand name drugs. The recommended prescription drug co-pays are reasonable and in line with those found in other public sector contracts.

This fact-finder would also recommend that a healthcare committee be established in order to allow the parties to discuss possible healthcare alternatives. The committee would be responsible for reviewing possible alternative plans which would then be considered by the City. This fact-finder would agree with the Union that the establishment of a healthcare committee is especially important here because there is an obvious need for the parties to be able to discuss possible insurance alternatives other than those which have been referred to in the instant case. Although this fact-finder is recommending that the City be permitted to implement a change in healthcare benefits at the end of the year to Super Med Plus Benefit Option 1 or 2, it may very well be that there are other possible alternative benefit plans which could be designed to be more suitable for both the City and its employees. It should be noted that the health insurance committee which is to be formed would have no authority to bind the City on any suggestions for alternative plans but rather would make recommendations based upon a review of possible benefit alternatives.

With respect to the Union's request for dental coverage this fact-finder has determined that due to the serious financial difficulties of the City that such a benefit should not be provided to this bargaining unit at the present time. Internal comparisons show that dental coverage is not provided by the City to the fire fighters and non-bargaining unit employees. This fact-finder recognizes that the entire cost of providing dental coverage for the unit here would not be borne by the General Fund. However if dental coverage were to be provided to bargaining unit members, the City would undoubtedly have to provide such coverage to its fire fighters and other non-bargaining unit employees. Thus there would be obvious cost ramifications for the City if dental coverage were to be recommended by this fact-finder. Again, the City's current financial condition precludes any recommendation for dental coverage for the bargaining unit at this time.

Finally, this fact-finder does not recommend that there be any increase in life insurance as proposed by the Union. Such an increase in expenditures would not be appropriate given the City's severe financial difficulties. Likewise for the same reason, this fact-finder would not recommend a non-participating member buyout option as proposed by the Union.

RECOMMENDATION

It is the recommendation of this fact-finder that the Health Insurance Provision be modified as follows:

HEALTH INSURANCE – Modified as follows:

Effective as soon as practicable, all bargaining unit employees shall be required, by payroll deduction, to contribute 5% of the premium costs of the health insurance coverage, not to exceed $40 per month for family coverage, and $20 per month for single coverage.

Effective December 31, 2003, the Employer may implement a modification in healthcare benefits to Super Med Plus-Benefit Option 1 or 2 as more fully set forth in Attachment A.

Except for the above referred to change in health insurance plan design, it is not recommended that there be any further language change in the healthcare provision as proposed by the City.

Effective December 31, 2003, the Employer may implement a drug prescription co-pay of $10 for generic drugs, and $15 for name brand drugs with no generic equivalent.

As soon as practicable, a Health Insurance Committee shall be formed. Not less than ninety days prior to the date of the renewal of the City's health insurance, the City will meet with one member of each bargaining unit to review the insurance plan and discuss economically feasible alternatives. This committee shall have no authority to bind the City, but upon consensus shall make a recommendation to the Mayor or his designee regarding a possible insurance alternative. The committee meetings shall occur during the normal workday of the participants.

Dental coverage for the bargaining unit is not recommended at the present time.

No change in life insurance benefit.

No new non-participating member buyout option.

ATTACHMENT A

MEDICAL MUTUAL
Your healthcare partner since 1934

August 20, 2002

Mr. Ron Napoli, Consultant
Napoli & Associates, Inc.
P.O. Box 824
Brunswick, OH 44212

Re: **City of Lorain/ Alternative Benefit Options**

Dear Ron:

Listed below are the estimated percentage claim cost savings for the SuperMed Plus benefit alternatives you requested. Because your renewal stop loss rate will be reflective of your 2003 claims projections, the reduced claims costs by implementing one of these alternative benefits, would impact the renewal stop loss rate.

Current Plan Design: SuperMed Plus (See attached Benefit Summary for additional details)

	Network	**Non-Network**
Deductible	No deductible	$100 single/$200 family
Coinsurance	100% and 80%, unless otherwise noted	80%, unless otherwise noted
Out-of-pocket maximum (excludes deductible)	$500 single/$1000 family	$1000 single/$2000 family
Office Visit	$10 copay, then 100%	80% after deductible

SuperMed Plus – Benefit Option 1

	Network	**Non-Network**
Deductible	$100 single/$200 family	$200 single/$400 family
Coinsurance	90%	70%
Out-of-pocket maximum (excludes deductible	$1000 single/$2000 family	$2000 single/$4000 family
Office Visit	$15 copay, then 100%	$15 copay, then 70%

Estimated medical claim cost savings from the current plan is 9%.

SuperMed Plus – Benefit Option 2

	Network	**Non-Network**
Deductible	$250 single/$500 family	$500/$1000
Coinsurance	80%	60%
Out-of-pocket maximum (excludes deductible	$1500 single/ $3000 family	$3000 single/$6000 family
Office Visit	$20 copay, then 100%	$20 copay, then 60%

Estimated medical claim cost savings from the current plan is 19%.

CONCLUSION

In conclusion, this fact-finder hereby submits the above referred to recommendations on the outstanding issues presented to him for his consideration.

APRIL 18, 2003

James M. Mancini

JAMES M. MANCINI, FACT-FINDER

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