STATE EMPLOYMENT RELATIONS BOARD

IN THE MATTER OF FACT-FINDING BETWEEN	:	
OHIO PATROLMEN'S BENEVOLENT ASSOCIATION	:	**CASE NO: 03-MED-10-1081**
AND	:	
THE MONTGOMERY COUNTY SHERIFF	:	**FACT-FINDING REPORT**

HEARING

Hearing Date:	February 19, 2004
Report Issued:	March 29, 2004
Hearing Location:	Montgomery County Administration Building 451 West Third St., Dayton, Ohio
County Representative:	Mr. Jonathan J. Downes, Esq. 400 South Fifth Street, Ste. 200 Columbus, Ohio 43215-5492
Other County Participants:	Ms. Amy Wiedeman, Administrative Services Dir. Maj. Jeff Busch, Support Services Division Maj. Steve Rigler, Personnel Director Maj. Gary Drummer, Jail Division Cpt. Michael Nolan, Personnel Ms. Brenda Gisewite, Confidential Secretary
Union Representative:	Mr. Joseph M. Hegedus, Esq. 555 Metroplace North, Ste. 100 Dublin, Ohio 43017
Other Union Participants:	Mr. Michael Dudley, OPBA Director Mr. Jeffrey Vest, Corrections Officer Mr. Rance H. Creech, Corrections Officer Ms. Pam Dershem, Civilian Dispatcher Mr. Larry Lane, Program Coordinator Mr. Jerry Robbins, Security Officer Ms. Paulette Brock, Bookkeeper
Fact-finder:	William M. Slonaker, Sr., JD, MBA, SPHR

APPOINTMENT

This Fact-finder was appointed by letter dated November 28, 2003, from the Ohio State Employment Relations Board. Pursuant to the appointment, this Fact-finder was bound to conduct a Fact-finding Hearing and to serve on the Parties and SERB his written Report and recommendations on the unresolved issues. Subsequent to the appointment, the Parties agreed to an extension such that the Fact-finder was to serve the Parties with a written Fact-finding Report no later than March 29, 2004. Accordingly, the Fact-finder scheduled and conducted the Fact-finding Hearing as above noted. The Parties waived the provisions of 4117.14(G)(11) in regard to all matters of compensation or with cost implications which may be awarded by a conciliator in accordance with Chapter 4117 O.R.C. and agreed that the conciliator may award wage increases or other matters with cost implications to be retroactive to January 1, 2004.

BACKGROUND

The County is situated in Southwest Ohio, and includes 461.7 square miles. The County Seat is Dayton, which is its largest city (182,044 pop.). The County's 2000 population was 559,062, ranking fourth in Ohio. Recently, more people are moving from the County than are moving in. During every year since 1988, the County has experienced a negative net migration. By 2030, the County's population is estimated to decline to 524,062 (1,167/yr.). The median age is 36 years; median income is $41,062 (2000) ranking 41st out of 88 counties. Family income above the poverty level was 91.7%, with 8.3% below the poverty level (1999). Approximately 23% of residents 25 and older have a bachelor's degree or higher. Housing units have a median year-built of 1962. As of 2000, the top four sectors for County employment were: 34% service; 21% trade; 17% manufacturing; and, 11% government. The County's civilian labor force in 2002 was 278,600, remaining stable over the past few years, with only minor fluctuations. As of December 2003, and January 2004, Ohio's unemployment rate was 6.2%, in February is was 5.9%. Major County employers include: U.S. Government, Delphi Corp., GM, NCR, MeadWestvaco Corp, Reynolds & Reynolds, Standard Register.

Totally, the County employs approximately 4,500 people, of which about 2,400 are members of bargaining units. As of January 2004, the Sheriff's Office had 472.5 positions authorized; 26 being held open; and, 446.5 active positions. The Bargaining Unit represents the largest number of organized employees within the Sheriff's Office. The Parties' bargaining relationship dates back more than two decades. Pursuant to the County's list of February 19, 2004, the number of employees in the subject Bargaining Unit are (by classification):

	No. in Classification	Base Pay	Top Pay
Bookkeeper (BKKP)	2.	$12.37	$16.27
Civilian Dispatcher (CDISP)	23.	12.79	18.44
Clerk Typist (CKTYP)	16.	12.37	16.27
Corrections Officer (CO)	123.	12.74	18.36
Execution Clerk (EXCK)	1.	12.41	16.33
Program Coordinator (PROG)	1.	12.85	18.53
Recreation Officer (RECCO)	2.	13.02	17.12
Secretary (SECOF)	11.	12.37	16.27
Communications Tech. II (TCII)	2.	15.47	20.35
Communications Tech III (TCIII)	1.	17.51	23.03
Victim Advocate (VCTAD)	1.	13.08	18.86
Total in Bargaining Unit	183.		

Note: 3 classifications are currently vacant: Adult Education Specialist; Law Enforcement Specialist; and Paramedic. Under the most recent contract, classifications take 8 years to reach the top step, except CO, CDISP, PROG, and VCTAD take 10 years.

PRIOR NEGOTIATION/MEDIATION

Prior Negotiation/Mediation: Substantial negotiations and mediations between the Parties occurred on a number of occasions before the Fact-finding Hearing.

Issues Resolved by the Parties' Prior Agreement: Agreement was reached regarding the Articles shaded on Exhibit A attached hereto and made a part hereof, and dated prior to February 19, 2004, the date of the Fact-finding Hearing.

Issues Resolved by the Parties' Agreement During Fact-finding: Due to the hard work of the Parties, agreement was reached regarding those Articles shaded on Exhibit A and dated February 19, 2004, the date of the Fact-finding Hearing.

Mediation During the Fact Finding: A mediation session was conducted during the Fact-finding Hearing. The mediation efforts were successful at resolving several of the shaded issues dated February 19, 2004, on Exhibit A.

Issues Remaining at Impasse: The following issues were identified by the Parties in their Pre-hearing Position Statements as unresolved:

ISSUES

ISSUE 1: WAGES -- ARTICLE 26 -- SECTION 1 -- RATES

UNION'S ECONOMIC PROPOSAL

Annual wage increases (all steps) of five percent (5%) per each year of the new Agreement, effective on the first day of each year, commending January 1, 2004.

COUNTY'S ECONOMIC PROPOSAL

During 2004, wages unchanged from 2003 wage scales. Employees maintain their current step. First of two installment payments ($850) of total lump sum ($1,700) to offset health insurance premiums (paid after contract execution).

During 2005, wage scales increase one percent (1%). Employees maintain their current step. Second of two installment payments ($850) to offset health insurance premiums (paid in January 2005).

Reopen negotiations in November 2005 for potential increases in 2006. Step movement resumes on January 1, 2006; no retroactive movement.

ISSUE 2: WAGES -- ARTICLE 26 -- SECTION 3 -- PARAGRAPH A-- LONGEVITY

UNION'S ECONOMIC PROPOSAL

Delete the current five bullets under paragraph A -- which provide for longevity summarized as follows:

5-9 years	1.00% of base salary each year
10-14	1.25%
15-19	1.50%
20-24	1.75%
25 +	2.00%

Substitute the following schedule:

5-9 years	$600.
10-14	750.
15-19	900.
20-24	1,050.
25+	1,200.

COUNTY'S ECONOMIC PROPOSAL

Keep percentages, *i.e.*, no change

However, change the basis to which the percentages are applied, as follows:

change:	"base salary each year"
to:	"base hourly rate"

Add a new paragraph:
"Longevity will be paid on the employee's base hourly rate for hours in active pay status, not to exceed 2080 per year. The longevity period will be for the twenty-six (26) pay periods including and immediately before November 1, each year."

ISSUE 3: HEALTH INSURANCE -- ARTICLE 30

COUNTY'S ECONOMIC PROPOSAL

Remove current forty dollar ($40) per month cap on employees' share (10%) of monthly premium cost.

UNION'S ECONOMIC PROPOSAL

Keep current $40 per month cap, *i.e.*, no change.

Delete and add language to ARTICLE 30 INSURANCE, SECTION 1 - ELIGIBILITY AND COVERAGE, PARAGRAPH A to read:

A. All full-time employees will be entitled to participate in the County's Group Health Insurance Program [delete] "in accordance with the plan," [insert] "with coverage and benefits equal to or greater than those in existence on the effective date of this agreement."

STIPULATIONS

1. That only the remaining issues before this Fact-finder are in dispute.

2. That all contractual and SERB procedures/time frames preceding the Fact-finding Hearing have been met. Therefore, this matter is properly in Fact-finding.

CRITERIA

Pursuant to Rule 4117-9-05(J) State Employment Relations Board, the Findings of Fact and Recommendations presented in this Report are based on reliable information relevant to the issues before the Fact-finder. In making recommendations, Fact-finders shall take into consideration the following:

1. Past collectively bargained agreements, if any between the parties;
2. Comparison of unresolved issues relative to the employees in the bargaining unit with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the area and classification involved;
3. The interest and welfare of the public, and 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;
4. The lawful authority of the public employer;
5. Any stipulations of the parties; and,
6. Such other factors, not confined to those listed above, which are normally or traditionally taken into consideration in the determination of issues submitted to mutually agreed-upon dispute settlement procedures in the public service or in private employment.

FORMAT EXPLANATION

Due to the volume of overlapping background materials and financial information submitted by the Parties, the most efficient and understandable format will be to weave the data presented by both sides into one summary by topic. The Fact-finder assures readers that the following is a summary of significant data and information presented during the Fact-finding Hearing.

SIGNIFICANT DATA AND INFORMATION

GENERAL ECONOMIC

The County related that the current situation is the most difficult budget time that this Administration has ever faced. For 2004, all Departments were asked to cut budgets by 3%. The County said that it is asking its employees and elected officials to "share in that pain" [of the current lean years].

GENERAL FUND

The General Fund is the source of funding for the Sheriff's Office. The 2004 budget is 3% less than for 2003 -- for all departments and office holders. Projected 2004 revenues ($142.9M) [M = million] are below 2003, which were below 2002.

General Fund revenues:

2000	$156.5M
2001	$155.0M
2002	$152.4M
2003	$150.8M
2004 (proj.)	$142.9M

The County does not share in income taxes. Gas taxes do not go to the General Fund. The County Engineer receives those taxes for roads and bridges.

The County has been focusing on cutting or shifting expenses, rather than on the revenue side, over which it has very little control. Comparing the 2003 budget with 2003 actuals, General Fund revenues were $3.2M (2.1%) over the amount projected for 2003; and, General Fund expenses were $3.1M (2.0%) under the amount appropriated.

Recent capital expenditures by the County include:

- Renovations to the County Commissioners' office (2003-4) cost $.1M.
- Renovation of space in the County Building as additional space for the Coroner's DNA operations were started in 2003.
- Renovations to the County Jail costing $17M, including $.5M for relocating the Sheriff's office from the jail to a nearby building.
- A new Juvenile Detention Center, estimated to cost about $34M, will start in Spring 2004. The old facility (1959) is inadequate to house 70 juveniles according to current standards.
- The County paid $15M toward the Schuster Performing Arts Center; $7M toward Riverscape; and, a portion of the cost for the baseball facility. These came from monies saved during the 1990's.

In addition to the revenues discussed below, the County General Fund receives charges for services, which in 2004 is estimated to account for 11.7% of revenues, *e.g.*, Auditor's fees, Recorder's fees, other user fees.

SALES TAX REVENUES

The County projects that 2004 sales taxes will account for 45.1% ($64.4M) of General Fund revenues. The County receives 1% of sales taxes generated within the County. However, there has been no growth since 2000:

2000	$64.3M	
2001	$63.8M	(-0.8%)
2002	$63.7M	(-0.2%)
2003	$64.2M	(+0.8%)
2004 (proj.)	$64.4M	(+0.3%)

Overall, Montgomery County compares favorably with per capita sales tax receipts and 2001 Federal Adjusted Income of adjoining counties:

	Per Capita Sales Tax Receipts	2001 Fed. Adj. Gross Income
Clark	$119.	$37,380.
Darke	80.	35,266.
Greene	123.	47,027.
Miami	97.	41,587.
Preble	89.	37,180
Warren	129.	56,142
Average	$106.	$42,430.
Montgomery	$112.	$45,787.

Sales tax revenues are shifting from Montgomery County. The County is an "inner-ring" county, with only one regional mall (Dayton Mall open, Salem Mall substantially closed). Growth is moving outward beyond the County. Retail sales are shifting to Greene (Fairfield Mall), Warren, and Butler Counties:

	Greene		Warren		Butler	
2000	$16.6M		$18.6M		$15.9M	
2001	$17.4M	(+4.8%)	$20.1M	(+8.1%)	$16.3M	(+2.5%)
2002	$18.4M	(+5.7%)	$20.5M	(+2.0%)	$16.6M	(+1.8%)
2003	$18.3M	(-0.5%)				

Sales taxes are also down due to the sluggish economy for the past few years. The County is not seeing job recovery. An increase to the sales tax is essentially out of the question, as it would require a popular vote. The spending capacity of County residents is also shifting, as manufacturing jobs are replaced with service and other lower paying jobs. The County does not anticipate rebounding to the better economy it enjoyed in the past.

National City's "Economic Forecast of the Miami Valley" (no date) forecasted a rise in the Bank's index for the first quarter of 2004 as "the first evidence of a turnaround for the local economy." It reported that retail sales for the first two quarters of 2004 will remain essentially flat. However, it also forecasted that retail Sales will rise +3% during the 1st quarter of 2004, as compared to the first quarter last year. It forecasted a +1% rise in its index for the 1st quarter of 2004. The Report noted that unemployment in Ohio during May 2003 was 6.1%, "identical to the national unemployment rate." The Bank's Report confirmed the recent decline in the County's share of retail sales:

	Montgomery	Greene
2000	62.9%	16.4%
2001	62.4%	17.3%
2002	61.4%	17.6%

"All of the decrease in Montgomery County's share of retail sales is essentially associated with a rise in Greene County's share from 15% to 17.6%. This is essentially part of a continuing trend tied to continued strong growth of retail in the I-675 corridor. The gradual shift accelerates during a slowdown due to the higher intensity of job loss in the manufacturing sector so heavily concentrated in Montgomery County."

The Union pointed out that sales taxes for 2003 were $.42M (.65%) over the amount estimated by the County in its budget for 2003. Sales tax revenues for 2003 increased $.5M (.8%) over 2002; and 2004 is projected to increase by $.2M (.3%).

Finally, the effort to repeal the State's recent increase to sales tax has failed "for the time being."

PROPERTY TAX REVENUE

Property taxes for 2004 are projected to account for 10.8% ($15.5M) of General Fund revenues (real estate $13.0M; tangible personal property $2.5M). Property taxes are more stable due to the ongoing 3 and 6-year (primary) reappraisals. The last 6-year primary reappraisal was in 2002, with the County realizing the positive financial impact in 2003. While there is some growth during non reappraisal years, it is less than 2%. Further, the State is reducing tangible personal property taxes.

Revenues from Property taxes have been:

2000	$13.6M
2001	$13.7M
2002	$13.7M
2003	$14.9M
2004 (proj.)	$15.5M

Property taxes for 2003 were $1.12M (8.1%) over the amount estimated by the County for 2003.

INVESTMENT REVENUE

Investment income for 2004 is projected to account for 11.1% ($15.9M) of General Fund revenues. Investment income has been nearly flat or declining. While the investment portfolio is "quite large," there are legal restrictions on how it is invested. Investments cannot be for more than 5 years and they must be cautious investments.

A large portion of the County's portfolio comes due this year. Returns on reinvestments will necessarily be lower than in the past. Current yields have been about 4.1%/annum, where as reinvestments will likely return less than 2%, due to lower rates than when portions of the portfolio were invested in prior years.

Investment Revenue:

2000	$25.6M
2001	$23.0M
2002	$20.4M
2003	$21.3M
2004 (proj.)	$15.9M

LOCAL GOVERNMENT FUNDING REVENUE

The State shares a portion of its receipts with local governments, including the County. Local Government funding accounts for 10.7% ($15.3M) of General Fund revenues. However, this source for General Fund revenue is in jeopardy.

Recently, the State has reduced local funding. Previously, the County could count on regular increases averaging about 4%/year. Currently, local funding is frozen by the State due to its budgetary problems. This revenue source will be in further jeopardy if the Ohio Legislature cuts local funding. This might happen if the Legislature repeals (fails to renew) its additional State sales tax. The most risky time will be July 2005, when the current additional tax expires.

The County expects the State will further reduce local funding. County, cities, and townships protested the last round of cuts. There have been warnings from the new Ohio Senate President that "the Counties need to wean themselves from State support." The head of the Ohio House has also indicated that local government funding should be cut. The County believes that the State may do a "phase-down" of these monies, rather than stopping it all at once.

There is yet another risk to a portion of the County's local funding. The County's portion will be reduced if 5,000 County residents shift to incorporated areas from the County's unincorporated areas. Currently, 80.5284% of County residents live in incorporated areas. If the percentage reaches 81%, then the County will lose $5M. This is expected to occur when the area known as Page Manor (near WPAFB) goes to the City of Riverside. Riverside currently provides police and fire for the Page Manor area. The earliest this could occur is in 2005. The County's revenues from Local Government funds have been:

Local Government Funds:	
2000	$16.2M
2001	$16.4M
2002	$15.6M
2003	$15.4M
2004 (proj.)	$15.3M

GENERAL FUND BUDGET

Due to the current economic situation, no wage increase has been budgeted for 2004. For 2003, the County only honored contractual obligations for wages, otherwise it did not provide wage increases.

General Fund revenues, expenses, wages & fringes have been:

	Revenues		Expenses		Wages/Benefits	
2000	$156.5M		$154.1M		$73.8M	
2001	155.0	(-1.0%)	155.6	(+1.0%)	78.9	(+6.9%)
2002	152.4	(-1.7%)	152.9	(-1.7%)	83.0	(+5.2%)
2003	150.8	(-1.0%)	153.1	(+0.1%)	85.3	(+2.8%)
2004	142.9	(-5.2%)	142.9	(-6.7%)	84.6	(-0.7%)
Change 00 to 04		(-8.7%)		(-7.3%)		(+14.6%)

Most increases to wages/fringes have been due to benefits, *i.e.*, health insurance costs:

	Wages		Benefits	
2000	$59.2M		$14.6M	
2001	61.7	(+4.2%)	17.2	(+17.8%)
2002	63.6	(+3.1%)	19.4	(+12.8%)
2003	65.1	(+2.4%)	20.2	(+4.1%)
2004	63.8	(-2.0%)	20.8	(+3.0%)
Change 00 to 04		(+7.8%)		(+42.5%)

SPENDING ISSUES

The current budget problem is not an expenditure problem (except for benefit costs), it is primarily a revenue problem. The County, and the Sheriff's Office in particular, have frozen or drastically reduced capital expenditures. The County says that, while it remains committed to investing in community development projects, it will engage in very few capital improvements. It has scaled back vehicle replacements. As much as possible, it is shifting expenses to non General Fund sources of revenue.

The County's General Fund Budget adopted expenses for 2004 as follows:

Category		
Salaries/Fringes	59.2%	$84.6M
Professional	17.8%	25.4M
Operating	16.2%	23.2M
Community Programs	3.4%	4.9M
Debt Service	3.4%	4.8M
Total	100.0%	$142.9M

Program		
Judicial/Law Enforcement*	67.0%	$95.7M
General government	17.8%	25.4M
Comm. & Economic Dev.	5.9%	8.4M
Social Services	5.3%	7.6M
Debt Service	3.4%	4.9M
Env./Public Works	0.6%	.9M
Total	100.0%	$142.9M

(*The Sheriff's Office is the largest portion of this item.)

SHERIFF'S OFFICE BUDGET

The Sheriff's Office represents the largest portion of the General Fund budget:

	GF Budget	Sheriff's Budget	
2000	$138.6M	$23.7M	(17.1%)
2001	150.4	24.9	(16.6%)
2002	152.4	25.7	(16.9%)
2003	146.1	26.2	(17.9%)
2004	142.9	26.2	(18.3%)

The Sheriff's Office budget for salaries, operating, wage increases, and positions held open have been:

	Budget Salary	Budget Operating	Wage Increases	Positions Held Open
2000	3.5%	1.0%	3.5%	0
2001	3.5	1.0	3.0	4
2002	3.0	0.0	3.0	7
2003	0.0	0.0	3.0	17
2004	-3.0	-3.0	?.?	29+*

*If wage increases are granted in 2004, then the County said that it will need to cover that cost through reduced staffing -- by attrition.

Notwithstanding tight budgets, the Sheriff's Office has participated in the County's "Incentive to Save" program. "Incentive to Save Transfers" appears as a line-item on the County's General Fund "Actuals" statements. For the most recent three years, the amounts included are:

	Total GF Incentive To Save	Sheriff's Office Contribution*	25% Rebated To Sheriff's Office*
2001	$1,656,000.	$340,000.	$85,000.
2002	1,320,000.	340,000.	85,000.
2003	1,150,000.	152,000.	38,000.
Averages	$1,375,000.	$277,000.	$69,000.

*Estimated

These actual amounts represent money that remains in Departments' budgets at the end of the year. The County rebates 25% of the totals to the contributing Departments for discretionary use within the next two years.

The County noted that Harrison, Washington, and Jefferson Townships contract with the Sheriff's Office for police services. The County noted that these contracts can be cancelled by either side on relatively short notice.

JAIL

The County's jail is accredited by the ACA, the NCCHC (health care), and is subject to the standards of the Bureau of Adult Detention. The jail is currently under renovation. As part of the renovation, an addition is also in progress. The renovation/addition was needed because there are not sufficient beds. Due to limited space, the County has had to place some prisoners in out-of-county facilities at high costs. Every "nook and cranny" is being converted to inmate space. The renovation/addition will add 243 beds. The history of jail population (in beds) is:

	Beds
1990	267
1991	459 (opened new jail adding 192 beds)
1995	651 (double-bunked new pods)
2003	681
2004	924 (when jail renovation completed)

Note: The current jail renovation increases beds by 243 (36%).

Average jail population in 2003 was 899. The County has contracted-out 48 beds (through 2005) to the Federal Government, which brings the County approximately $1 million per year. While the continuation of the contract is unknown, the County's best estimate is that it will continue with 10 to 20 Federal prisoners. In such case, the entire $1 million will not be lost. The $1 million fee was set in approximately 1994 and does not reflect current costs for housing prisoners. Presumably, any successor contract will be at current rates.

The 2004 General Fund budget includes $3,734,170 for "Board & Care of Prisoners," *i.e.*, housing in other facilities for "overflow" prisoners. "It is anticipated that once the jail renovation project is completed, the County will discontinue the purchase of outside prisoner beds. This Board and Care of Prisoners line item will soon be discontinued with the addition of beds through the County jail renovation."

The Sheriff's Office estimates/projects the following annual savings in connection with the jail and its operations:

	Savings
Jail renovation (243 additional beds)	$1,500,000.
Not accepting minor misdemeanors, and "4F Releases"	710,000.
Corrections staff for in-building video arraignments	200,000.
Holding Corrections Officer positions open (11)	542,000.
Total approximate annual jail savings	$2,952,000.

Note: with the jail renovation due for late 2004 completion, the full effect of these savings will not be realized until 2005.

The Sheriff's Office has also instituted other cost saving measures, including: contracting jail medical service; contracting court and other building security; reassigning court services deputies to deputies; testing of job applicants; and, holding other non Bargaining Unit positions vacant -- resulting in approximately $500,000 savings per year.

The County intends to hire additional Corrections Officers: 5 in early 2004; 7 in April 2004; and, 5 more in November 2004. The addition of 17 Corrections Officers represents an increase of 14%. The maximum number of Corrections Officers used in recent years was 133. The number authorized to the Sheriff is 150. The jail is currently at maximum (900) and there are times during the summer that prisoner population "spikes" to more than 1,000.

In response to the Union's claim that the jail is understaffed, the County noted that there have been layoffs by attrition. It noted that questions of safety is an ongoing issue that no one disputes. The County said that it does not want anyone hurt. There are ongoing Labor-Management meetings regarding operational issues.

GENERAL FUND BALANCE

Regarding the County General Fund Balance, the County said that it will not use the balance to fund wage increases because such expenses are ongoing expenses, and such use will "come back to haunt" the County. The County will draw on the balance should its Local Government funding be cut by $5M per annum due to 81% of County residents living in incorporated areas. The County will draw on the balance should the State eliminate the remaining Local Government funding, currently $10M per annum.

General Fund year-ending balances have remained very stable:

	Year End Balance	
2000	$37,609,058.	
2001	37,609,447.	
2002	37,609,496.	
2003	37,611,005.	
2004	35,721,999.	(part of adopted budget, with no wage increases

The General Fund balance can be used for any General Fund operations, including wages and fringe benefits. The County's total liquid assets fluctuate during the year. Currently, it has several hundred million dollars, having just received property taxes. However, only about $35M is General Fund money, and the rest of the County's liquid assets are not available for General Fund purposes.

WAGES

The County has traditionally budgeted for 3% annual wage increases. Wage increases were granted in 2000, 01, 02, and 03 according to contractual obligations.

Examples of total costs (rounded) of the Sheriff's Office for its largest classifications are:

	Corrections Officer	Civilian Dispatcher	Bookkeeper/ Clerical
Base Pay	$38,189	$38,355	$33,842
Additional	16,311	16,342	15,526
Total Cost	$54,500	$54,697	$49,368

(Note: base wages shown at top rates [2003]; additional costs include: workers' comp., life ins., PERS, Medicare, family health ins.)

A summary of wage increases by county sheriffs' offices -- from various Fact-finding Reports, Agreements, and SERB Report -- (where 2004, 05, or 06 data were shown) is:

	2004	2005	2006
Ashtabula	3.0%		
Auglaize	3.5		
Clark	1.0	1.5%	4.0
Defiance	3.0		
Delaware	4.0		
Hamilton	0-2.5		
Hancock	3.5		
Lake	3 1/2-4.0		
Licking	4.0		
Lorain	5.0		
Lucas	3.0	3.0	
Marion	3.0	3.0	
Morrow	3.0	3.5	
Noble	0.0		
Ottawa	3.0		
Paulding	1.5	2.0	
Perry	3.0		
Preble	3.5		
Richland	3.0		
Ross	3.0		
Seneca	3.5		
Stark	3.0	3.0	

CONTINUED

Summit	3.0	
Tuscarawas	4.0	3.0
Union	5-10.0	
Van Wert	3.0	
Warren	4.5	
Washington	3.0	
Wayne	4.0	
Williams	3.5	
Wood	2.0	
Averages	3.24%	2.71%

(Note: the Fact-finder acknowledges that most of the contracts were negotiated in 2002. Note further: for 2004, only one county [Noble] reported a 0% increase.)

Potential increased wage-related costs are reflected in the following tables:

5% - Union proposal -- increased costs (base salary and steps):

	Base & Steps			Increase		New Base & Steps	
2004	$6,333,038.	x 5%	=	$316,651.	=	$6,649,689.	
	124,654.	x 5%	=	6,232.	=	130,886.	
	6,457,692		+	322,883.	=	6,780,575.	2004 Total
2005	6,780,575.	x 5%	=	339,028.	=	7,119,603.	
	115,502.	x 10%	=	11,550.	=	127,052.	
	6,896,077.		+	350,578.	=	7,246,655.	2005 Total
2006	7,246,655.	x 5%	=	362,332.	=	7,608,987.	
	98,217.	x 15%	=	14,732.	=	112,949.	
	7,344,872.		+	377,064.	=	7,721,936.	2006 Total

Increase Due to 5%	$1,050,525.	
Medcr. on increase	31,515.	
PERS on increase	175,438.	
Total cost increase	$1,257,478.	÷ 3 yrs. = $419,159./yr.
		÷ 183 employees = $2,290/employee

(Note: starting base and current step amounts supplied by County.)

0.0%; 1.0%; reopener; no step movement - County's Proposal -- increased costs (base salary and steps):

	Base & Steps			Increase	New Base & Steps	
2004	$6,333,038.	x 0.0%	=	$0.	=$6,333,038.	
	0.	x 0.0%	=	0.	= ______.	
	6,333,038		+	0.	= 6,333,038.	2004 Total
2005	6,333,038.	x 1.0%	=	63,330.	= 6,396,368.	
	0.	x 1.0%	=	0.	= 0.	
	6,333,038.		+	63,330.	= 6,396,368.	2005 Total

Increase Due to 0.0%, 1.0%	$63,330.
Medcr. on increase	1,899.
PERS on increase	10,576.
Total cost increase	$75,805. ÷ 2 yrs. = $37,902./yr. average
	÷ 183 employees = $207/employee

(Note: starting base and current step amounts supplied by County.)

3% - County's traditional budgeting for increased wages (base salary and steps) (Note: prior wage increases were 3.5% 2001, 3.5% 2002, 3.0% 2003):

	Base & Steps			Increase	New Base & Steps	
2004	$6,333,038.	x 3%	=	$189,991.	=$6,523,029.	
	124,654.	x 3%	=	3,739.	= 128,393.	
	6,457,692		+	193,730.	= 6,651,422.	2004 Total
2005	6,651,422.	x 3%	=	199,542.	= 6,850,964.	
	115,502.	x 6%	=	6,930.	= 122,432.	
	6,766,924.		+	206,472.	= 6,973,396.	2005 Total
2006	6,973,396.	x 3%	=	209,201.	= 7,182,597.	
	98,217.	x 9%	=	8,839.	= 107,056.	
	7,071,613.		+	218,040.	= 7,289,653.	2006 Total

Increase Due to 3%	$618,242.
Medcr. on increase	18,547.
PERS on increase	103,246.
Total cost increase	$740,035. ÷ 3 yrs. = $246,678./yr. average
	÷ 183 employees = $1,349/employee

(Note: starting base and current step amounts supplied by County.)

2.25%; 2.25%; 3% - Alternative -- increased costs (base salary and steps):

	Base & Steps			Increase	New Base & Steps	
2004	$6,333,038.	x 2.25%	=	$142,493.	=$6,475,531.	
	124,654.	x 2.25%	=	2,804.	= 127,458.	
	6,457,692		+	145,297.	= 6,602,989.	2004 Total
2005	6,602,989.	x 2.25%	=	148,567.	= 6,751,556.	
	115,502.	x 4.5%	=	5,197.	= 120,699.	
	6,718,491.		+	153,764.	= 6,872,255.	2005 Total
2006	6,872,255.	x 3%	=	206,167.	= 7,078,422.	
	98,217.	x 7.5%	=	7,362.	= 105,579.	
	6,970,472.		+	213,529.	= 7,184,001.	2006 Total

Increase Due to 2.25%, 2.25%, 3%	$512,590.	
Medcr. on increase	15,377.	
PERS on increase	85,602.	
Total cost increase	$613,569.	÷ 3 yrs. = $204,523./yr. average
		÷ 183 employees = $1,117/employee

(Note: starting base and current step amounts supplied by County.)

In summary, three-year additional costs (and averages) would be:

Union's 5% proposal	$1,257,478.	($419,159./yr.; $2,290/employee)
County's proposal 0%, 1%	$75,805.	($37,902./yr.; $207/employee)
Traditional budget for 3%	$740,035.	($246,678./yr.; $1,349/employee)
Recommendation for 2.25%, 2.25%, 3%	$613,569.	($204,523./yr.; $1,117/employee)

Regarding hourly wages for Bargaining Unit members, the two largest groups (Corrections Officers and Civilian Dispatchers) are bellwether indicators for the entire Unit. Comparisons with adjoining counties reveal that Corrections Officers compare favorably:

	Base	Top
Clark*	$16.95	$21.81
Darke	11.56	15.07
Greene*	16.88	24.03
Miami	12.64	14.35
Preble	10.85	13.91
Warren	14.30	18.12
Averages	$13.86	$17.88
Montgomery	$12.74	$18.36

*Note: these two counties require corrections officers to be sworn deputies, *i.e.*, presumably giving the sheriff more flexibility. Eliminating these two from the average computation, increases the degree to which Montgomery compares favorably to adjoining counties: $12.34 average base; $15.36 average top.

Civilian Dispatchers also compare favorably with adjoining counties:

	Base	Top
Clark	$11.01	$16.44
Darke	10.22	13.78
Preble	10.85	13.91
Averages	$10.69	$14.71
Montgomery	$12.79	$18.44

Note: other adjoining counties do not have dispatchers within the Sheriffs' Departments.

One of the Bargaining Unit's 11 Security Officers testified that overall the Officers have been satisfied with the progress made with the Sheriff's Office, using good faith bargaining during the past six years. However, his constituents feel that they have been "shoved back six years," and that the County's proposal will only push them back an additional three years. He related that the Security Officers stand ready to continue bargaining in good faith, and that they expect the County Sheriff to continue to look out for them.

LONGEVITY

Regarding longevity pay, firstly, no other County bargaining unit (other than the sworn Deputies) has longevity. Currently, after 5 years, an employee is entitled to 1%; after 10, 1.25%; after 15, 1.5%; after 20, 1.75%, and after 25 years, 2%. The Union notes that these percentages were imposed on this Bargaining Unit's members when they were previously part of the bargaining unit that included the Deputy Sheriffs, *i.e.*, that their best interests were not represented to the fullest extent. Additionally, this Bargaining Unit's members have more steps to top pay than do the Deputies. A comparison of percentages for Corrections Officers, versus fixed amounts for others is:

	5 yrs.	15 yrs.	25+ yrs.
Corrections Officers	$308.	$572.	$763.
Deputy Sheriffs	499.	776.	1,035.
Sergeants	600.	900.	1,200.
Lieutenants	702.	1,053.	1,404.

The Union noted that the impact is that Bargaining Unit members receive "far less" than other employees in the Sheriff's Office because they have the lowest base hourly rates.

The Agreement prior to the one that expired December 2003, provided for fixed amounts for longevity. The most recent Contract changed to the percentages. The cost to the County to implement the Union's longevity proposal would be (assuming those receiving longevity continue employment):

2004	$23,580.
2005	26,442.
2006	33,489.
Total	$83,512.

The County proposes to change the basis on which longevity pay is computed. The County believes that employees on leave status should not qualify for longevity pay. Only those on active status, actually working, (or on paid leave time such as vacation) should qualify. The County noted that during the past few years there were several situations in the Sheriff's Office where an employee was on some sort of disability, yet received longevity pay.

HEALTH INSURANCE

The County has two health insurance plans: United HealthCare; and, Anthem (self-insured) using the Anthem network. Provisions/benefits are essentially the same under both plans. The County's health insurance plan year runs from July 1 through June 30.

The County initiated plan design changes in 2003 to help curb costs. (No collective bargaining agreements restrict the County's right to make plan changes.) Prior to the changes, the County faced 14.9% plan cost increases, thus the design changes were initiated. Design changes intended to shift some costs to employees were:

- Co-pays increased to: doctor visit $10; urgent care $35; emergency room $75
- "Co-insurance" was added: employee pays 10% for many services (*e.g.*, x-ray, lab,

intensive care, *etc.*) with annual maximums $500/individual; $1,000/family.
• 3-tier pharmacy provision introduced: $7 generic formulary; $15 brand formulary; $30 non formulary

The County does not anticipate further changes for the plan year starting 7-1-04. The County hopes for no more than 8% to 9% cost increases. However, the County has not yet received information from United HealthCare. The County stated that any increases must be absorbed by Departments.

Health insurance increases have not been as bad for the General Fund (which includes health insurance for the Sheriff's Office) as health insurance for All Funds

	All Funds		General Fund	
2000	$16.9M		$6.0M	
2001	19.5	(+15.4%)	7.0	(+16.7%)
2002	22.8	(+16.9%)	8.2	(+17.1%)
2003	25.2	(+10.5%)	9.0	(+9.8%)
2004	27.0	(+10.3%)	8.8	(-2.2%)
Change 00 to 04		(+59.8%)		(+46.7%)

As of 2003, monthly and annual health insurance premiums (rounded) were:

	Single/mo	Single/yr	Family/mo	Family/yr
UHC	$271	$3,252	$803	$9,641
MC/A	293	3,516	786	9,435
Av.	$282	$3,384	$795	$9,538

The County wishes to standardize the share employees pay for coverage. Elected officials will pay 10% of monthly premiums, with a max of $80 for family coverage.

The Sheriff's Office health care enrollment (1-26-04) was:

Family plans	283
Single plans	91
Waive coverage	53
Total	427

The County finds its revised plans compare well to relevant employers: Dayton, Greene County, PERS, State of Ohio, and select local employers, *e.g.*, Lexis/Nexis, Standard Register, MeadWestvaco, Reynolds & Reynolds.

SERB's 2002, "11th Annual Report on the Cost of Health Insurance in Ohio's Public Sector" (03 due out April 04) provides comparisons. Its "Dayton Region" includes public employers in the following counties: Auglaize, Champaign, Clark, Darke, Greene, Logan, Mercer, Miami, Montgomery, Preble, Shelby. Based on the Dayton Region, the following are reported (rounded):

	Single	Family
Av. employee premium contributions	$34	$101
Av. percent contribution	11.6%	13.6%

However, the same 2002 Report shows no contribution was required by many Ohio public employers (43% for single, and 31% for family). Only 24% of Ohio public sector employers required employee contributions of $30 or more for single, and 35% required contributions of $75 or more for family plans.

The County presented comparables for the percentages of premiums that employees pay, and whether there is a cap. A sample (family coverage) of adjoining counties' and cities within the County incudes:

	Employee Percent	Employee Amount	Cap?
Clark	5.3%	$46.	No
Darke	25.0	210.	No
Dayton	3.1	20.	??
Greene	20.0	154.	No
Huber Heights	10.0	89.	??
Kettering	10.0	75.	??
Miami	15.0	141.	No
Trotwood	10.0	70.	??
Warren	0.0	0.	N/A
Ohio Av.	12.2	89.	
Counties Av.	18.0	134.	
Dayton Region Av.	13.6	101.	
Averages	11.9%	$94.	

Note: The percentages for single coverage are essentially similar, except for Darke which has 0.% for single.

During 2003, the County netted $9.4M from the sale of Anthem shares after it demutualized. As of February 2004, the County had not applied any of the sale proceeds toward health insurance plan costs. The County applied about $3M to the General Fund. The County decided to share the balance with employees. By Resolution of 1-6-04, the County authorized lump sum payments "to employees in lieu of across-the-board increases."

Commencing after January 1, 2004, the County paid $1,700/employee to most County employees (not including these Bargaining Unit members). The County proposes to pay these members the same amount, in two equal annual installments (1/2 in 2004, 1/2 in 05). (Note: The $1,700 will likely not be subject to State pension deductions.) Employees' share of premiums would stay at 10%, however caps would be $40/mo single (unchanged), and $80/mo family (up from $40/mo), all effective July 1, 2004 -- for employees who are not otherwise covered by a collective bargaining agreement.

CBAs passed recently include: AFSCME (about 800 employees), Clerk of Courts, Public Defender, which include the new cap provision. The only County employees who have no cap are: Children's Services Board (CSB), Mental Retardation and Developmental Disabilities (MRDD) and Stillwater 1199. These workers (of which approximately 1,200 are members of other bargaining units) who are not General Fund employees, pay 10% toward premium costs, with no cap.

Examples of the estimated (one-time) value of a $1,700 lump sum payment to the two largest classifications within the subject Bargaining Unit (using family plan) are:

	Corrections Officer	Civilian Dispatcher
Lump Sum	$1,700	$1,700
Less increased co-pay cap	-480	-480
Net Gross	$1,220	$1,220
Over Base Pay	$38,189	$38,355
Percentage Value*	3.2%	3.2%

*If paid in lump sum in 2004. Value is 1.6% (2004 & 05) if paid in two installments. Regardless, value is only for the one (or two) year(s) paid. Without the lump sum (and subsequent years), the increased premium share for a family plan would constitute a -1.26% decrease in pay for both of these example classifications.

Several Bargaining Unit members testified as to the impact that the County initiated changes to the co-pays for medical services and medicines have had on them personally. One related that he has a condition requiring four regular prescriptions, his son requires one regular prescription, and his wife requires one. There are no generic drugs for any of these six prescriptions. Further, in his son's case, the necessary drug is non formulary. This family's prescription costs increased from $576/year to $1,260/year. This increase does not include the additional out-of-pocket costs incurred pursuant to the new co-pays for medical, or for the new employee "co-insurance" amount. He related that these amounts are material to him and his family.

Another Bargaining Unit member's prescriptions increased from $420/year to $1,440/year due to the redesigned pharmacy provisions. He found the proposed $850 (pre-tax) lump sum payments for two years to be insufficient to cover his increased costs.

A third Unit member described how his prescription medicine has cost him 300% more under the redesigned plan. He said that he has "shopped around, doing everything short of going to

Canada" to minimize his costs. His $60 cost (every quarter) increased to more than $280.

Employees face higher out-of-pocket health related costs pursuant to the employer-initiated design changes of July 2003. A comparison of some of the changes is:

	Old	New
Generic drugs	$5	$7
Brand	8	15
Brand non formulary		30
Emergency room co-pay	50	75
Urgent care	5	35

The new plans are the first time employees face 10% co-insurance (annual maximums $500/insured, $1,000/family) since the plans prior to July 2003 provided for first-dollar coverage. Increased pharmaceutical and office visit co-pays do not count toward the new employee co-insurance amounts.

Virtually every covered service under the newly designed plan has increased out-of-pocket costs for employees.

SETTLEMENT ISSUES

Most other Unions have settled with the County and its officials for essentially the same package as proposed for this Union. In August 2003, the County Commissioners approved a 3-year contract with the Professionals Guild of Ohio (representing 108 MRDD bus drivers, bus aids, mechanics and dispatchers) for a 3.5% wage increase for 2004, and a wage re-opener.

AFSCME, A.F.L., C.I.O., Council 8, Local #101 The Dayton Public Service Union, (representing the largest number of unionized County employees, (approximately 800) bargained in December 2003 for:

	Wages	Health Premiums
2004	0% ATB, $1,700 lump sum	$80F, $40S cap (7-1-04)
2005	1.5% ATB, 1.5% for step increases*	$80F, $40S cap continues
2006	Reopener	$100F, $40S cap (7-1-06)

*value 2%

Additionally, Fair Share was extended to Bargaining Unit members, pursuant to a prior understanding that when the Union reached 75% membership among its bargaining unit members (which it did), then Fair Share would be implemented.

The OPBA negotiated (on behalf of Court Service Deputies transitioning to Deputy Sheriff) a lump sum payment of $1,700, and an $80/mo cap on the employee's share of health insurance premium.

Organized workers in the Public Defenders office negotiated 0% for 2004 and 2% for 2005. An $80 cap on the employees' share of insurance premiums starts in 2004, and continues in 2005.

ANALYSIS & RECOMMENDATIONS

GENERAL & EMPLOYER'S ABILITY TO PAY

The County's arguments in support of its proposals are essentially based on the current condition of the economy. Without question, the County Administration has reason to be concerned about the economic future.

> The truth is that we are living through a moment of maximum uncertainty. The economy is at an inflection point as new forces act upon it. Yet the shape and impact of these forces remain unknown. * * * Yet there are things we do know. The real culprit in this jobless recovery is productivity, not offshoring. Unlike most previous business cycles, productivity has continued to grow at a fast pace right through the downturn and into recovery. * * * While America's faith in its innovation economy has often been tested, it has never been betrayed. Given the chance, the economy will deliver the jobs and prosperity that it has in the past." ("Where are the Jobs?," *Business Week*, 3-22-04, pp. 36-37)

Since January 2001, Ohio has lost 168,600 manufacturing jobs (16.7%). (*The Wall Street Journal*, 3-15-04, p. A1)

> Americans have grown more cautious about the economy amid rising gasoline prices and a weak job market, a new survey shows. The University of Michigan's preliminary consumer sentiment index for March slipped to 94.1 from 94.4 in February. That was the second monthly decline in a row after a steep rise in January. * * * Consumers have been barraged recently with bad news on the feeble pace of hiring and higher gasoline prices. While layoffs have subsided, "new job creation is lagging badly, the ironic consequence of accelerated gains in productivity," Fed chairman Alan Greenspan said[.] * * * "In all likelihood, employment will begin to increase more quickly before long as output continues to expand," Mr. Greenspan said. (*The Wall Street Journal*, 3-15-04, p. A2)

Yet, the economic recovery, which began in late-2001, is finally giving signs of hope for this manufacturing region.

> A year ago, Navistar International Corp. was almost out of gas. * * * Today, Navistar is barreling along. * * * And down at its truck-assembly plant in Springfield, Ohio,

> output is up 36% from last year's levels. * * * After three long, extremely painful years, American Manufacturers are finally coming back. Over the past several months, factory output has rebounded sharply, growing at its fastest pace in two decades. * * * Certainly, there's plenty in the recent economic data to bolster confidence. In its latest monthly survey . . . the Institute for Supply Management said its February index, while down slightly in January, remained robust. The index has now turned in its strongest four-month streak in 20 years. * * * Indeed, the National Association of Manufacturers is predicting that factory-sector output will climb 6% in 2004, two full percentage points more than the overall economy. And if those expectations come to pass, factory hiring should finally begin to grow in the months ahead. * * * Thanks to last year's 76% surge in corporate profits, the biggest in over 30 years, companies have begun to turn the spigots on capital spending. * * * After three years of almost relenting recession, manufacturing is 2004's comeback kid. ("Factories: The Gears are Turning," *Business Week*, 3-15-04, pp. 40-41)

As further indication for an improving economy, the March 19, 2004, issue of *The Wall Street Journal* (p. A2) reported:

> The number of U.S. workers filing first-time applications for unemployment benefits declined last week to the lowest level since just before President Bush was inaugurated, while inflation remained subdued, according to economic data released yesterday. * * * But while claims have been below that threshold for more than six months, job creation has remained weak. Still, economists said the latest decline in claims confirmed their view that the economy will begin generating jobs by late summer. "It's clear that at least the labor market is stabilizing and not deteriorating further," said John Lonski, chief economist at Moody's Investors Service in New York. * * * Separately the Conference Board said its index of leading economic indicators was unchanged in February after 10 consecutive months of increases. * * * Analyst said the numbers implied the economy will expand more than 4% in 2004.

Interest rates remain at 46-year lows, and inflation has been "subdued." Consumer Price Index (CPI) movement has been:

	U.S. City	Midwest Urban	Cincinnati-Hamilton
2000	3.36%	3.44%	3.50%
2001	2.85	2.67	1.88
2002	1.58	1.22	1.25
2003	2.28	1.94	2.00
Av./Yr.	2.52%	2.32%	2.18%

Total average = 2.34%

Average of Midwest & Cincinnati-Hamilton = 2.25%

Sales tax receipts are the County's largest source (45.1%) of General Fund revenues. While the County's sales tax revenues have not significantly increased since 2000, they have remained stable ($64.3M, 2000; $64.4M projected 2004). Its per capita sales tax receipts ($112) compares favorably with surrounding counties ($106 av.) with only Greene ($123) and Warren ($129) reporting significantly more per capita. (Warren County is somewhat unique as it has been reported to be one of the 10 fastest growing counties in the U.S.)

Locally, the National City forecast for the Miami Valley found its "first evidence of a turnaround for the local economy." And it explained that "job loss accelerates during a slowdown." With jobs overall expected to increase within the next few months, and with manufacturing expected to be "2004's comeback kid," there is reason to be cautiously optimistic.

Property taxes are projected to account for 10.8% of 2004 General Fund revenues. They have been steadily increasing ($13.6M 2000; $15.5M 2004) due to required 3 and 6-year reappraisals. Unless there is an economic "crash," there is no reason to believe that these revenues are in jeopardy.

Investment revenues are projected to account for 11.1% of General Fund revenues for 2004. The County projects a drop of $5.4M from 2003 to 2004 (due to lower reinvestment rates) the County's portfolio should at least remain current with inflation, and not lose further ground. Since the Sheriff's Office will represent 18.3% of the County's General Fund budget for 2004, that Office's share of this projected drop will be $988,200, which it will be able to absorb through the significant savings ($3.5M est.) it is expected to generate, primarily through the jail renovation/addition ($2.9M est.).

The possible reduction to Local Government funding through the loss of 5,000 residents to incorporated Riverside is not related to current economic conditions, and should have been anticipated for a number of years. With the cutoff for the approximate $5M loss being 81% of County residents living in incorporated areas, the County has undoubtedly been planning (saving) for sometime since 80.5284% currently live in incorporated areas. Suddenly, in 2004, to argue that this possible loss of revenues should be shifted to County employees (through a wage freeze) appears inappropriate and unreasonable. The County stressed how it saved over a number of years to now launch construction of its new Juvenile Detention facility. It has also "saved" for this possibility. The County confirmed that it would look to its General Fund balance to cover this loss should it occur. In summary, the County has surely planned for this $5M loss in General Fund revenues. It is not a relevant argument to support its refusal to at least grant minimal wage adjustments.

The possible loss of Local Government funding by virtue of the Ohio General Assembly phasing out this source of State support for local governments is a legitimate concern. Should the phase out be total, then the County would lose approximately $10M of its General Fund revenues. The County confirmed that the earliest a phase out might start is in mid-2005. This potential risk is intimately tied to the risk of whether or not the State continues its temporary sales tax increase. Compounding the first possibility with the second possibility, makes the whole issue of losing Local Government funding at best speculative. While the County's concern is understandable, perhaps action related to this speculative risk is best left to the future when it becomes certain, one way or the other. For the County to base its refusal to minimally increase wages on this questionable loss is premature. Undoubtedly, if the County ultimately (in some future year) loses $10M, then its employees and employees of many other local governments may face wage concessions. A minimal wage adjustment to these Bargaining Unit members now will not answer the uncertainty which only the State Legislature controls.

The Fact-finder, below, proposes minimal wage increases for the members of the Bargaining Unit. There are several ways that the Sheriff's Office budget can readily accommodate the conservative recommendation. One method is tied to the Sheriff's Office participation in the "Incentive to Save" program. During 2001, 02, and 03, the Sheriff's Office returned to the County an average of $1.3M per year. In exchange, the Office received 25% back for discretionary use. In 2003. the Sheriff's budget did not provide for any "Savings," yet 03 actuals included $1,150,000 transferred back to the County. As subsequently discussed, the Fact-finder's recommendation would cost the County about $204,500/year -- including tax and PERS.

Another source of funding for the recommendation is the projected savings from the jail renovation/addition (and related operations) projected to be nearly $3M per year. These Bargaining Unit members work in and operate the jail. Their continued hard work and dedication to their jobs will be necessary to realize the projected savings. Admittedly, Human Resource Professionals and managers have long known that a worker's pay is not a motivator. More pay does not itself motive better performance. Consider the current press coverage of top corporate executives who are paid millions, tens of millions, or hundreds of millions. There is no way that their performance can increase proportionately. However, pay is a "satisficer." That is, worker's who are underpaid will be "dissatisfied," which can *negatively* affect performance. As is discussed below, without a minimal adjustment to wages, these Bargaining Unit members will lose real wage ground through inflation. They already will lose ground with the Fact-finder's recommendation regarding health insurance, discussed below. These employees are already among the lowest paid employees in the Sheriff's Office. By looking to the projected savings from the jail, the County must have the continued good performance of these Bargaining Unit members.

Finally, regarding "ability to pay," the County has its General Fund balance ($35.7M). The recommended increase of $204,500/year is only 6% of the balance. In summary, the County has both the ability, and cash, to pay -- with almost zero risk to its financial well-being.

ISSUE 1: WAGES -- ARTICLE 26 -- SECTION 1 -- RATES

The Union proposes across-the-board increases of 5%.

The County proposes 0% for 2004; 1% for 2005, and a reopener for 2006. It further proposes that employees maintain their current steps during 2004 and 05, with no retroactive movement when movement resumes in 2006. The County further proposes to pay $1,700/employee, in two equal annual installments of $850 each -- the first upon contract execution; the second in January 2005.

Recommendation: The Fact-finder recommends a 2.25% across-the-board increase for 2004; the same for 2005; and 3% for 2006. The Fact-finder further recommends that step movement continue, without interruption; and, that there be no reopener for 2006, as a new three-year Agreement is recommended. (Note: see the recommendation under Issue 3, Health Insurance, for the recommendation regarding the $1,700 lump sum portion of the County's proposal.)

The average annual cost (including taxes and PERS) for the recommendation will be about $204,500. As previously discussed, the Bargaining Unit's members are among the lowest paid of the County Sheriff's Office, and among the lowest paid of all the County's organized employees. They are also in a "peculiar" (Rule 4117-9-05(J)) position in that they are part of a major cost saving program within the Sheriff's Office -- operation of the renovated jail. With the current jail renovation/addition, the County is increasing the number of beds by 36%. Yet, it will increase the number of Corrections Officers by only 14%. It gave no indication of planning to increase other Bargaining Unit positions. As with other U.S. workers, the Bargaining Unit members have been, and likely will be, asked to do more, with disproportionately fewer employees.

The County expressed the need for its employees to "share the pain" of current County financial conditions. The Fact-finder appreciates the County's philosophy to meet its public trust obligations by prudent financial planning toward maintaining fiscal soundness. The Fact-finder also understands that the County is not totally risk adverse. It has stood with others in the Community by backing important development projects, with no guarantees of future success. The County chose wisely when it backed the Schuster Performing Arts Center, Riverscape, the new ball field, and other infrastructure investments.

The County's ability to afford and pay the recommendation is discussed above. From 2000 through 2003, the Consumer Price Index for Midwest Urban and for the Cincinnati-Hamilton area has averaged 2.25%/year. It is the best indication of near-future inflation. The recommendation is intended to merely keep pace with inflation.

These Bargaining Unit members are different from other County employees (organized or not) who have settled for less. The recent AFSCME settlement is distinguishable. Its bargaining unit is non conciliatory. Further, as part of its settlement, reached shortly before the December holiday season, it finally received fair-share, a very important provision for all unions. Most important, the within Bargaining Unit members are distinguishable because, fortunately, they will be directly involved in implementing significant cost saving measures -- the operation of the renovated and enlarged jail. Incurring $204,523 ($1,117/employee average) in additional wage costs for these employees pales in comparison to the nearly $3M in anticipated savings.

Note that the recommendation does not include any across-the-board adjustments to wage scales, either by higher wage increases, or by one-time equity adjustments. There appears to be no basis for considering such at this time. Such considerations are best deferred to more stable economic times. Further, from the data and information presented by the Parties, it appears to the Fact-finder that the County's Bargaining Unit members are currently sufficiently positioned among comparables. Using Corrections Officers and Civilian Dispatchers as bellwether indicators, they compare favorably to nearby counties. The base pay for new Corrections Officers in this County is $12.74 versus $13.86; and top pay is $18.36 versus $17.88. Base pay for new Civilian Dispatchers is $12.79 versus $10.69; and top pay is $18.44 versus $14.71. In summary, both in light of the current economic uncertainties and basic comparables, no case exists for other across-the-board increases to the steps.

Regarding the County's proposal to freeze step movement, no basis whatsoever was presented to justify interrupting this long-standing portion of the Bargaining Agreement. As seen from the data presented above, step movement accounts for a very small portion of the total cost to the Sheriff's Office for these Bargaining Unit members. In fact such costs are projected by the County to decline: 2004 - $124,654; 2005 - $115,502; and, 2006 - $98,217. The decline highlights a possible problem within the Sheriff's Office -- turnover.

During the years 2000 through October 2003, the Sheriff's Office experienced 89 civilian turnovers within this Bargaining Unit. While most were voluntary, a number were due to terminations or voluntaries-in-lieu of termination. None left to work in another corrections facility. Of 123 current Corrections Officers, 80 (65%) were hired since 2-22-99, that is, during the past 5 years. The County noted that the Corrections Officer position is one often used by employees as a "stepping-stone" to a deputy position in the County Sheriff's Office, or with sheriffs in other counties. The County claims that most entering corrections do not intend to make a career in corrections.

Turnover offers another area for possible cost savings within the Sheriff's Office. Studies show that there are high inherent costs associated with turnover, even for fast-food workers. Such costs include recruiting, training, disruption to operations, lead-time for new employees to come up to speed, and the like. Without some wage adjustment, current employees will have one more reason to look for other employment.

Finally, regarding wages, the Fact-finder is unable to reconcile for Bargaining Unit members the County's wage proposal with the 3% pay increase (retroactive to 1-1-04) granted to the County's top administrator.

ISSUE 2: WAGES -- ARTICLE 26 -- SECTION 26, SECTION 3 -- LONGEVITY

The Union proposes to change the current percentages to lump sum amounts.

The County proposes to change the basis for computing longevity from "base salary each year" to "base hourly rate."

Recommendation: no changes.

The most recent Agreement changed longevity from lump sums to percentages. Admittedly, these Bargaining Unit members were part of a Unit that included the Deputies, and the Union argued that these members' best interests were not sufficiently considered.

No basis whatsoever was presented to justify changing back to lump sums. Likewise, no basis was presented to justify changing the basis on which longevity is computed. Notwithstanding the County's argument that some have drawn longevity pay even though they were legitimately off work, under most collective bargaining agreements, longevity recognizes employee loyalty, regardless of the employee's current temporary status. An employee is an employee, and not leaving for other employment is an important aspect of loyalty.

ISSUE 3: HEALTH INSURANCE -- ARTICLE 30

The County proposes removing the $40 per month cap on the employees' share (10%) of monthly premium cost.

The Union proposes no change regarding the cap. The Union further proposes to delete and to add language to ARTICLE 30 INSURANCE, SECTION 1 - ELIGIBILITY AND COVERAGE, PARAGRAPH A to read:

> A. All full-time employees will be entitled to participate in the County's Group Health Insurance Program [delete] "in accordance with the plan." [insert] "with coverage and benefits equal to or greater than those in existence on the effective date of this agreement."

Recommendation: Raise the monthly cap for family coverage from $40/month to $80/month -- effective July 1, 2004, the start of the next plan year. No change to the $40/month current cap on single coverage. The County to pay each employee its proposed total of $1,700, payable in two equal annual installments of $850 each, the first upon execution of the contract, the second in January 2005. Further, that the language in Article 30, Section 1, Paragraph A be revised to read:

> A. All full-time employees will be entitled to participate in the County's Group Health Insurance Program, provided that the County shall have the ability to

control the cost of the health care benefit plans, unless otherwise provided in this agreement, by establishing programs such as traditional commercial benefit programs, self-funded benefit administration programs, or similar strategies that manage the cost of the provision of health care services, provided that programs established during the term of this agreement are generally comparable to those in existence on the effective date of the agreement.

Unfortunately the Fact-finder does not have "the" solution for rising health care costs to offer to the Parties. No solution has yet come from either the State or Federal levels of government. According to some polls, affordable health care is currently the number one issue in America. However, pending a solution, no one is predicting stable or lower costs. The national news reported (3-16-04) that 56% of employers regard rising health care premiums as their most significant problem. The average cost was reported as $7,000 per year, per employee. The County is paying an average of $3,384/year for single, and $9,538/year for family. Bargaining Unit members need to know these totals. Unfortunately, employees need to share and help carry the heavy burden that employers have carried, with no relief in sight.

Based on SERB's Dayton Region numbers, average public employee monthly premium contributions were $34 (11.6%) for single, and $101 (13.6%) for family. Based on local comparables, the amount is $94/month (11.9%) for family coverage. The Fact-finder cannot reconcile for Bargaining Unit members the number of Ohio public sector employers (43% for single; 31% for family) who as of 2002 did not require any employee contributions. The Fact-finder forecasts that the new SERB Report (due out next month) will show a reduction in these percentages. Regardless, the Fact-finder strongly believes that employees of all employers, public or private, must bear some significant portion of the rising costs, especially if they are seeking increased wages.

The County's proposal for no cap on the members' 10% share was not justified. The County offered nothing in exchange for their no cap proposal. Even by raising the cap, the increase to $80/mo is significant, and was taken into account by the Fact-finder in the process of formulating recommendations on all issues. Effective with the 2003 plan year, the County's plan design changes substantially reduced benefit levels and initiated the employee "co-insurance" requirement. All plan design changes increased out-of-pocket costs for its employees. Most other County employees have the $40 and $80/month caps.

The average compensation paid to Bargaining Unit employees is $34,606 ($6,333,038 ÷ 183). If the $1,700/employee demutualization amount were to be paid in one lump sum, it would represent 4.9% of the average wage. Paid in two equal annual installments, each would represent 2.5% of the average wage. However, by increasing the cap for family coverage (used overwhelming by Bargaining Unit members) from $40/mo. to $80/mo. (an additional $480/yr.) the net difference ($850-$480 = $370 less deductions -- 1.1% of average pay) will not go far to cover the additional County-initiated co-pays for services and medicines (which essentially doubled), and the new co-insurance requirement. For the average Bargaining Unit member using family coverage, *at best* he or she can hope that the net is a wash. For many, their health related costs will substantially exceed the net from the two installment payments. Reference the testimony from the three Bargaining Unit members included above.

The Union proposed a language change to Article 30, Section 1, Paragraph A. It explained that the new language is necessary to restrict the County from unilaterally changing plan benefits in the future -- without bargaining with the Union. It argues that without the change, the County will continue to change plan benefits to cover its increasing costs. There was no bargaining whatsoever regarding the recent changes. When Union's Counsel attended one of the meetings conducted by the County with employees, he related that the County made it clear from the beginning that the co-pays were a "done deal."

The Union's proposal attempts, regardless of market costs to the employer, to preclude the County from utilizing different approaches in providing continuing health care coverage. The record includes substantial documentation concerning the spiraling cost to the County and other employers of providing health care coverage. Traditionally, health care insurance contracts are negotiated between employers and insurers. Chaos would occur if the County was required to include one or more of the unions in these insurance contract negotiations. The Union's Agreement already provides that, "All full-time employees will be entitled to participate in the County's Group Health Insurance Plan . . . ." The County cannot discontinue providing health insurance without the Union's agreement. Therefore, the Fact-finder has made the above recommendation for revised language.

Finally, in the opinion of the Fact-finder, raising the family cap to $80/month is a conservative recommendation for the benefit of Bargaining Unit members. In three years the Parties can negotiate wages and the cap -- in hopefully a more stable, certain, and positive economic environment.

At best, the recommended 2.25%, 2.25%, 3% (with the two lump sum payments of $850 each) maintains the status quo for the first two years of the new Agreement. This substantially accomplishes the essential goal of the County to contain costs. The wage recommendation only provides for inflation, with no real wage gains. Depending on inflation by 2006, the recommendation may or may not maintain the status quo. At least by 2006, the Bargaining Unit members will not have lost substantial wage ground through inflation. Further, by 2006 and the next round of negotiations, the issues concerning the State's additional income tax, the status of the County's Local Government funding from the State, the then General Fund balance, the Federal contract for housing prisoners, actual savings from the jail renovation/addition, and other cost saving measures by the Sheriff's office will be known. Additionally, whether or not the economy and jobs sustain a recovery will be known. Overall, this Fact-finder believes that it is premature to anticipate the worst regarding all these significant issues.

The recommendations buy the County three years to watch, evaluate, and take action as its financial situation evolves -- for the better or the worst. The County has both the ability and the cash, as discussed above, to carry the recommendations through 2006.

SUMMARY OF FACT-FINDER'S RECOMMENDATIONS

ISSUE 1: WAGES -- ARTICLE 26 -- SECTION 1 -- RATES

Recommendation: 2.25% across-the-board increase for 2004; the same for 2005; and 3% for 2006; step movement continues, without interruption; and, that there be no reopener for 2006, as a new three-year Agreement is recommended. (Note: see the recommendation under Issue 3, Health Insurance, for the recommendation regarding the $1,700 lump sum portion of the County's proposal.)

ISSUE 2: WAGES -- ARTICLE 26 -- SECTION 26, SECTION 3 -- LONGEVITY

Recommendation: no changes.

ISSUE 3: HEALTH INSURANCE -- ARTICLE 30

Recommendation: Raise the monthly cap for family coverage from $40/month to $80/month -- effective July 1, 2004, the start of the next plan year; no change to the $40/month current cap on single coverage; the County to pay each employee $1,700, payable in two equal annual installments of $850 each, the first upon execution of the contract, the second in January 2005; and that the language in Article 30, Section 1, Paragraph A be revised to read:

> A. All full-time employees will be entitled to participate in the County's Group Health Insurance Program, provided that the County shall have the ability to control the cost of the health care benefit plans, unless otherwise provided in this agreement, by establishing programs such as traditional commercial benefit programs, self-funded benefit administration programs, or similar strategies that manage the cost of the provision of health care services, provided that programs established during the term of this agreement are generally comparable to those in existence on the effective date of the agreement.

Note: the Fact-finder, in preparing this Report and making his Recommendations, considered the oral presentations made at the Fact-finding Hearing and supporting documentation submitted by the Parties, even though not referenced in this Report.

THE FOREGOING RECOMMENDATIONS ARE RESPECTFULLY SUBMITTED to the Parties as a proposed settlement for their interest dispute concerning the terms and conditions of their collective bargaining agreement.

Fact-finder

Wm. M. Slonaker Sr. FACTFINDER

William M. Slonaker, Sr., JD, MBA, SPHR

Montgomery County Sheriff's Office
Civilian's Negotiations – 2003
Progress List

EXHIBIT A

February 19, 2004

ARTICLE	STATUS	DATE
1 – Purpose	Signed	12/5/03
2 – Recognition and Dues Deduction	Signed	12/5/03
3 – Non-Discrimination	Signed	12/12/03
4 – Union Business	Signed	12/12/03
5 –Management's Rights	Signed	1/8/04
6 – Transfers, Trades, Assignments, and Postings	Signed	1/8/04
7 – Seniority and Probationary Periods	Signed	12/5/03
8 – Layoff and Recall	Signed	1/8/04
9 – Grievance Procedure	Signed	1/8/04
10 – Employee Disciplinary Procedure	Signed	2/19/04
11 – Personnel Records	Signed	1/8/04
12 – Labor-Management Committee	Signed	12/5/03
13 – Written Directives	Signed	12/5/03
14 – Immunizations	Signed	1/8/04
15 – Blood Donors	Signed	12/5/03
16 – Safety	Signed	12/12/03
17 – In-Service Training	Signed	12/5/03
18 – Printing of the Contract	Signed	12/12/03
19 – Uniforms	Signed	1/8/04
20 – Mileage and Parking	Signed	1/8/04
21 – Classification	Signed	12/5/03
22 – Employee Wellness	Signed	1/7/04
23 – Employee Performance Evaluations	Signed Signed	12/5/03 1/8/04
24 – Career Advancement - Civilians	Signed	1/8/04
25 – Leave of Absence	Signed	2/19/04
26 – Wages	Union Proposal (Longevity) Management Proposal Management Counter Union Counter Management Counter	11/25/03 12/5/03 12/19/03 2/19/04 2/19/04
27 – Hours of Work and Overtime	Signed	2/19/04
28 – Holidays and Holiday Premium Pay	Signed	2/19/04
29 – Vacation	Signed	2/19/04
30 – Insurance	Union Proposal Union Counter Management Counter	11/25/03 2/19/04 2/19/04
31 – Savings Clause	Signed	12/5/03
32 – Duration of Contract	Signed	12/5/03
33 – Definitions	Signed	12/12/03