



**STATE OF OHIO
BEFORE THE STATE EMPLOYMENT RELATIONS BOARD**

**FACT-FINDING PROCEEDING
05-MED-08-0844**

**Springfield Police Patrolmen's Association,
Employee Organization**

and

**City of Springfield,
Employer**

STATE EMPLOYMENT
RELATIONS BOARD
2006 FEB 15 A 11: 35

**IMPORTANT RECOMMENDATIONS OF THE FACT-FINDER
ISSUED: February 14, 2006**

Appearances:

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REPORT AND RECOMMENDATIONS

I. Background

The City of Springfield is a municipal corporation operating under a charter. It has a population of approximately 65,358 residents and covers a geographic area of approximately 25 square miles. The City provides comprehensive government services to its residents.

Springfield employs approximately 600 employees. The bargaining unit, which is the subject of this fact-finding, is comprised of 96 full-time police patrol officers. These officers are represented by the Springfield Police Patrolmen's Association (SPPA). The sergeants and lieutenants are represented by a separate union affiliated with the Fraternal Order of Police, Ohio Labor Council, Inc.

The unit description for the Springfield Police Patrolmen's Association is as follows: "The City of Springfield recognizes the Springfield Police Patrolmen's Association has the exclusive bargaining representative for all employees as the hereinafter defined."

"The term 'employee', and 'employees,' as used in this Agreement, shall refer to those sworn persons holding the position of patrol officer in the Police Division of the City on a permanent, full-time status."

The City and the SPPA have engaged in collective bargaining since before the 1984 enactment of Ohio's public sector bargaining law (ORC 4117). The most recent collective bargaining agreement between the parties expired on December 31, 2005.

The parties, along with two other safety units, met in March 2005 as a prelude to negotiations for a successor agreement and to discuss the City's financial situation.

Formal negotiation sessions were held between the SPPA and the City on November 9th, 14th, 16th, and 21st, 2005. A mediation session was held on December 16th, 2005. As a result of the parties' efforts in negotiations, all issues, with the exception of wages, were resolved. It is significant to note that the parties have agreed to a two-year contract term.

On November 29, 2005, the undersigned was appointed to serve as the fact-finder in compliance with the ORC Section 1417.14 (C) (3). A fact-finding hearing was held on January 10, 2006. The parties submitted pre-hearing statements in accordance with Rule 4117-05 of the Ohio Administrative Code.

On January 10, 2006, prior to the commencement of the fact-finding session, the fact-finder offered to mediate the wage dispute. The parties accepted, but the mediation effort was unsuccessful. The fact-finding hearing was initiated on January 10th, 2006, followed by a second day of hearing on January 20th, 2006.

II. Criteria

In compliance with the Ohio Revised Code, Section 4117-14 (G) (7) in the Ohio Administrative Code 4117-95-05 (J), the fact-finder considered the following criteria in making the recommendations contained in this Report:

1. Past collectively bargained agreements between the parties;
2. Comparison of unresolved issues relative to the employees and the bargaining units with those issues related to other public and private employers and comparable work, given consideration to factors peculiar to the area and classification involved;

3. The interest and welfare of the public, the ability of the public employer to finance and administer the issues proposed, and the effect of the normal standards of public service;
4. Lawful authority of the public employer;
5. Stipulations of the parties; and,
6. Such factors not defined to those limited above which are normally and traditionally taken into consideration.

III. Findings and Recommendations

A. City's Position

The City proposes a two year contract with a wage freeze in the first year (2006) and a "me too" clause in the second year, which would entitle the Springfield Police Patrolmen's bargaining unit to a wage increase equal to any wage increase received by the non-represented personnel working for the City. The City submits that this proposal is fair given the circumstances surrounding bargaining and the City's finances.

The City proposal serves as a matter of internal fairness. Non-represented personnel were scheduled to receive a 3.5% across the board increase in January 1, 2005. This increase was required by City ordinance. Late in 2004, the ordinance providing for the across the board increase was rescinded. This group of approximately 250 employees did not receive a wage increase in 2005 and none is budgeted for 2006.

AFSCME (American Federation of State, County, and Municipal Employees) represents approximately 95 City employees. The contract expired on June 30, 2004. AFSCME entered into a "me too" wage provision in its agreement.

The Command Officers in the Police Division (who are represented by the FOP, OLC, Inc.) entered into a contract that calls for a 0% wage increase in the first year of the agreement and a 2.25% across the board increase in year two of the contract. It must be noted, however, that in year one of the contract, the Command Officers did receive a \$.26/hour step increase. The City has taken the same position with the IAFF as it has with the SPPA.

The “City’s finances perch on a razor’s edge. Fiscal 2005 finished in balance. This precarious balance was only because a majority of the City’s employees have foregone across the board wage increases. It would be patently unfair if the City were to take its scarce resources... and expend them on the recalcitrant minority” (City’s brief, p. 3-4).

In addition, the City asserts that the external comparables submitted into evidence at the fact-finding demonstrate that the wages of the SPPA’s bargaining unit members compare favorably to others similarly situated. First of all, the lateral entry program which has existed for the past seven years has seen fourteen (14) officers leave other jurisdictions and hire into the Police Division of the City of Springfield. Only three officers have left the Springfield Police Division, and two of those officers returned to employment with the City. The City’s comparables include cities that are in the population range of Springfield, were county seats, had a per capita income that was comparable, and had a poverty level corresponding to that of Springfield.

“Springfield’s wages at the current rate exceed the average by over 10%. It ranks second highest of the nine (9) cities. Springfield pays its officers nearly three times its per capita income – a rate exceeded only by the two poorest cities in the sample.”

“Of the eight cities, six had established pay rates for 2006. With no increase given the to the Springfield officers, they will remain \$2,500.00 over the average of the six cities with known 2006 wage rates. Springfield will remain second of the nine or less unless Canton or Lima increases their rates by over 15%” (City’s brief, p. 5-6).

Furthermore, it is the City’s position that the Union’s comparability data is inappropriate. It is based on a concept of total compensation which includes various perks for officers.

Given the City’s financial constraints, the City argues that its “me too” proposal in year two of the contract is appropriate. While there might be some signs of a slight growth in income revenue, it is too early to place much hope in those signs. Moreover, Mr. Bodenmiller, the Assistant City Manager, testified that the slight growth the City has experienced is from the net profits portion of the income tax, not the wage withholding. He stated that profit portion is extremely volatile. In addition, the City has to be ever mindful of the recent attacks on the Local Government Fund which is frozen at the current rates until 2007. It is expected that the Local Government’s Fund will come under attack in the state’s 2007-2009 budget. Also, the Department of Defense Base Realignment of Closure Commission (BRAC) decreed that the F-16 flight training located at the City’s International Guard Base be realigned. Thus, the City faces the loss of another employer. The uncertainty associated with the lack of the City’s reserves also places a factor in supporting its notion that the “me too” provision in the second year is appropriate and fair.

However, the City does indicate in its post-hearing submission that in the event the fact-finder believes a fixed percentage is justified, the appropriate percentage increase

is 2.25% over the current rate effective the second year of the contract. This is the same percentage agreed to by the Command Officers and recommended by fact-finder Marcus Hart Sandver in the second year of the IAFF's agreement.

It is the City's position that its wage proposals are financial responsible. It is undeniable that the City is in financial distress. Over two-thirds of the revenue comes from the income tax into the General Fund. The City is heavily reliant on income tax. The collapse of the manufacturing sector of the national economy has had a profound effect locally. For example, the NaviStar job losses have cost the City over two million dollars in annual income tax revenue since 1999. By all measures of the evidence submitted, the expenditures exceed revenues in year 2002, 2003, and 2004. Moreover, the City has been forced to consume its reserves. The General Fund reserves have declined from 14% in 1999 to 3.31% (estimated) at the end of 2005. Other City reserves have declined from \$4.7 million in 1999 to less than \$400,000 at the end of 2005. Reserves have been used to fill the gap between expenditures and revenues from 1999-2005. Thus, one can conclude that the City's wage proposal reflects the realities of Springfield in 2006, not just assumptions based on national trends that the Union's national consultant contends are relevant.

The City has aggressively managed its funds during this period of financial stress. For instance, the City asserts that it has sought to curb growth expenditures. It is not funding the popular city-wide tuition reimbursement program and has cancelled the sick leave/attendance bonus program for employees not covered by a contract. There also have been hiring freezes which have impacted expenditures. The wage freezes have also served that purpose. The City amended its charter in November 2004 to increase the

amount of income tax revenue available to the General Fund from 80% to 90%. This money comes from the Permanent Improvement Fund. It is not the generation of new revenue.

“In summary, the City has taken every available measure to stop the bleeding. The City’s wage proposal to this unit is a fair and necessary next step. It is a sincere effort to avoid layoffs and deep cuts in services” (City’s brief, p. 19).

Finally, the City submits that the Union’s wage proposal is not supportable and is based on an assertion of mistaken assumptions.

B. SPPA’s Position

“The question for the City of Springfield is not whether, but how to spend increasing revenues. The primary expenditure for a City is its employees, therefore, it is only logical to share additional revenues with the people that have faithfully served and protected the City” (SPPA’s Summation, p. 1). Under the circumstances, the SPPA respectfully requests that schedule A of the collective bargaining agreement reflect a pay increase of 5.02% effective January 1, 2006 and an across the board wage increase of 5.02% effective January 1, 2007. Despite its protestations, the City does have the ability to pay these increases.

The evidence adduced at the fact-finding hearing indicates that the City of Springfield suffered significant losses of income tax revenue as a result of the loss of manufacturing, such as NaviStar, in the years 2001 and 2002. However, these losses have been offset by gains in the technology service industries. The City Manager concedes this point in his 2006 Preliminary Budget where he indicates, “On the positive side, we are truly approaching a diversified local economy by increasing our reliance in the future

more on the fortunes of smaller manufacturers, the service sector and technology jobs; thereby reducing our reliance on any single, major employer (e.g., International Truck). The announcement of a 289 million dollar new state-of-the-art medical facility in our downtown should bring positive returns and help us revitalize our city center” (City Exhibit #1, p. 7).

Moreover, tax revenues have increased 75% over the last 15 years. Revenues from income tax by year-end (2005) have increased 4.5% over 2004 actual receipts. The 2006 budget projects a 4.35% increase in income tax based on the recent upswing in the local economy and stronger than expected construction.

The City has realized almost a 9% gain in income tax receipts from the year ending 2004 through the year ending 2006 and the conclusion to be drawn is that revenues are available to warrant pay increases for the SPPA bargaining unit. However, the City has proposed a wage freeze for 2006 and a “me too” clause with non-Union employees in 2007. The primary reason advanced to support its position is the rising expenditures.

The Union respectfully submits that cities spend what they make. For instance, in 2005, the City budgeted \$29,303,520.00 for personal services. The actual expenditure for personal services in 2005 was \$1,081,202.00 less than budgeted. These savings were not placed in a reserve, but were transferred out and used to pay off debt. The line item for transfers out in the 2006 proposed budget shows an amount of \$165,865.00. When the savings from the personal services was realized, the actual expenditures in the transfers out line swelled to \$1,456,233.00.

Additionally, despite having over budgeted personal services this year in the amount of more than one million dollars, next year's budget reflects an increase in personal expenditures from \$28,222,308.00 to \$29,978,319.00 for an increase of more than 1.7 million dollars. That money is available for increases in personal services.

The City has also budgeted for wage increases for the SPPA's bargaining unit. The Chief clearly requested a salary increase of 2%. This request was submitted to the City Manager. Having budgeted for wage increases, it is hardly reasonable for the City to maintain a wage freeze proposal.

In addition, both external comparables and internal comparables support a pay increase for the SPPA bargaining unit. The Union submitted comparables from cities used as comparables in the 1995 fact-finding with a slightly modified structure. Instead of comparing only base rates, the Association incorporated other benefits in making its comparisons. According to the SPPA comparables, the average disparity between Springfield Police Division Patrol Officers and other cities is 1.81%. Adding longevity increases, that disparity is 2.14% over 20 years. The SPPA also argues that the patrolmen's base salary is \$3,946.00 less than a fellow Miami Valley officer. For instance, to receive parity with Hamilton, a mirror image in terms of poverty rates, crime rates, and population, the Springfield patrolmen would need to receive an 8% raise in wages in 2006. This review of the external comparables supports the SPPA's position.

With respect to internal comparables, a top paid Springfield police patrolman makes 2.5% less than his fireman counterpart. Thus, a police patrolman's wages must increase 2.5% to simply bring him to parity with the firefighters who are currently in collective bargaining negotiations.

The police SCOA unit used this disparity in their last contract negotiations. SCOA has negotiated a wage increase for 2006 and 2007. While the City maintains that SCOA received a 0% wage increase in 2006 and a 2.25% increase in 2007, this account fails to factor in an approximate 1% raise in 2006 given to the Command Officers in the form of an added step in the pay scale. This added step in the pay scale results in an approximate 1% increase in 2006 and a 3.3% increase in 2007. "The City is apparently optimistic about 2007 as is evident by the award to SCOA of a 3.3% increase in 2007" (SPPA's Summation, p. 4).

As Ron York indicated in his testimony, the economy runs through business cycles and the City of Springfield is on an up tick and in the midst of an upswing in its business cycle. This fact is borne out and the demonstrated increases in income tax revenues over the last two years. There is no question that the City has the ability to pay the increase requested by the SPPA. Increased expenditures are not a defense, for a City can spend what it makes. Furthermore, the external comparables and internal comparables support the SPPA's position.

RECOMMENDATION

The parties herein have provided substantial evidence in support of their respective positions.¹ For instance, the SPPA called a compensation consultant to testify. He provided a report which analyzed the City of Springfield's financial condition and concluded it is well positioned to absorb increases in wages for the police patrolmen. According to Ron York, the compensation consultant, tax revenues have grown 75% over the last 15 years and General Fund revenues are almost at the 2001 level. Moreover,

¹ The single issue of wages consumed two full days of hearing, some 71 exhibits and post-hearing briefs. It would be virtually impossible to reference each piece of evidence in this Report. Suffice it to say that all of the evidence was reviewed and thoroughly considered by the undersigned in making this Recommendation.

during the past two (2) years the General Fund revenues have increased 8.4%. Finally, the national business cycle generally lasts eight (8) to nine (9) years, followed by a one (1) year contraction. Springfield is in the fourth or fifth year of the business cycle and has the ability to finance the wage increases.

On the other hand, the City provided testimonial and documentary evidence that demonstrates Springfield is suffering financial stress. While the income tax revenues increased 4.5% from 2004 to 2005 and are projected to increase 4.35% in 2006, expenditures have outstripped the growth in revenues causing the City to spend down unencumbered reserves to alleviate debt.

Further, the City offered evidence to support the assertion that the notion of internal fairness requires the adoption of its proposal. The non-represented employees of the City did not realize a wage increase in 2005. The ordinance that provided for the wage increases was rescinded in late 2004. These employees will not receive an increase in 2006. Likewise, the AFSCME bargaining unit signed an agreement with a “me-too” clause, which is tied to the increases (if any) received by the non-represented personnel.

As the fact-finder, the undersigned is required to assess the public employer’s ability to finance and administer the issues proposed. Based upon the evidence presented, I find the City of Springfield is financially constrained in what it can finance. This finding is consistent with the one made by fact-finder Marcus Hart Sandver in his fact-finding report rendered in the case of the City of Springfield and International Association of Firefighters, Local 333 (SERB Case No. 05-MED-08-0807) issued on January 20, 2006.²

² In his report, Fact-Finder Sandver summed it up this way: “The financial picture for the City, at least for the past year and the next year does not look rosy. Hiring freezes, declining general fund cash reserves,

Indeed declining General Fund cash reserves, wage freezes for AFSCME bargaining unit members and non-represented personnel, hiring freezes, the potential impact of the BRAC realignment, impending debt service, all coupled with a modest growth in income tax/general fund revenues suggest a conservative approach to addressing wage increases. However, the City's claim that it is bereft of resources to pay any wage increases is unsupportable. SCOA, the Command Officers bargaining unit recently concluded negotiations and received an added step increase in their wage scale, which translates to approximately a 1% wage increase in 2006, and they received a 2.25% increase in wages. Additionally, fact-finder Sandver recommended that the firefighters receive a 1.5% wage increase effective November 1, 2005 and a 2.25% increase in wages in the second year of the agreement.

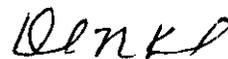
In light of the fact that other safety forces have secured wage increase (or the equivalent) or wage increases have been recommended for both 2006 and 2007, it is recommended that the SPPA receive modest wage increases in both 2006 and 2007. Moreover, the police patrolmen have a need which must eventually be addressed—that is parity with the firefighters. I find that the Union's proposal for 5.02% wage increase in 2006 and a 5.02% wage increase in 2007 unattainable as a solution under the circumstances. Therefore, I recommend a 1.5% wage increase effective January 1, 2006 and a 2.25% wage increase effective January 1, 2007. This recommendation is further bolstered by the fact that the City is not totally lacking the financial resources to support modest wage increases for the police patrolmen.

declining tax withholding income, no wage increasestell a story of a City facing fiscal challenges.”
Employer Exhibit 30 page 9.

THE UNDERSIGNED RECOMMENDS A 1.5% ACROSS THE BOARD WAGE INCREASE EFFECTIVE JANUARY 1, 2006 AND A 2.25% ACROSS THE BOARD WAGE INCREASE EFFECTIVE JANUARY 1, 2007.

IV. Certification

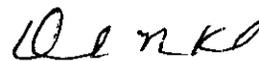
This fact-finding Report and Recommendation is based upon the evidence and testimony presented to me at the fact-finding hearing conducted on January 10 and 20, 2006. The recommendation contained herein was developed in conformity with the criteria for fact-finding as found in ORC 4117 (7) (a-f) and associated administrative ruling developed by S.E.R.B.



Daniel N. Kosanovich, Esq.
Fact-Finder

V. Proof of Service

This Fact-Finding Report was mailed to Paul J. Kavanaugh, Esq., Cole Acton Harmon Dunn, P.O. Box 1687 Springfield, OH 45501 and to Jerome Strozdas, Esq., 76 E. High Street, Springfield, OH 45502 on February 14, 2006. The Report was also transmitted to the parties by electronic mail in PDF format on February 14, 2006.



Daniel N. Kosanovich, Esq.
Fact-Finder