



STATE EMPLOYMENT RELATIONS BOARD STATE EMPLOYMENT RELATIONS BOARD

FACT FINDING REPORT

2006 MAR -6 A 11: 45

and

RECOMMENDATION

In the Matter of:)
)
 THE CITY OF FOSTORIA)
)
 -and-)
)
 OHIO POLICE OFFICERS)
 BENEFIT ASSOCIATION)
)
 Case Nos. 05-MED-10-1120 ✓)
 05-MED-11-1121)
)
)

Date of Hearing:
January 26, 2006

Date of Award:
March 2, 2006

FOR THE EMPLOYER:

Patrick Hire
Clemans, Nelson & Associates
417 North West Street
Lima, OH 45801

FOR THE UNION:

Joseph M. Hegedus
Ohio Patrolmen's Benefit Association
555 Metro Place North, Ste. 100
Dublin, OH 43017

FACT FINDER:

Donald R. Burkholder
University of Detroit Mercy
Department of Political Science
4001 W. McNichols
Detroit, Michigan 48221-3038

ISSUES:

Wages and Health Insurance

BACKGROUND

This matter came up for hearing on January 26, 2006 before Donald R. Burkholder, appointed as fact-finder pursuant to Ohio Rev. Code Section 4117.14. The hearing was conducted between the City of Fostoria and the Ohio Patrolmen's Benevolent Association (OPBA). The two bargaining units consist of seventeen (17) patrol officers and detectives as well as seven (7) captains and sergeants, utilizing separate but related contract but bargaining jointly.

The population of the City of Fostoria is approximately 13,900. It operates under a Mayor and Council form of government, is studying the possibility establishing a city charter, is shared between three counties, and has lost some tax base to a reduction in the number of industries and businesses during the last ten years, similar to other municipalities in the midwest.

The OPBA exercised its option to reopen the Agreement dated January 1, 2005 to December 31, 2007, set forth in Article 11, Wages, as follows:

Both sides agree to reopen this agreement to negotiate concerning a wage adjustment as well as a method of vacation scheduling and for insurance issues for the final two years of the contract with written notice upon either party no later than November 2, 2005

The wage issue deals with the last two years of the contract, 2006 and 2007, with health insurance also at issue for the same period, i.e., Article 11, Wages, and Article 17, Insurance.

In making the following analysis and recommendations, the fact-finder has reviewed the arguments and evidence presented by the parties in their position statements and at the hearing. By mutual agreement, the parties requested mediation at the outset of the hearing. Mediation, while not resolving either of the

two major and obviously related issues, clarified the facts at hand considerably and assisted the parties and the fact-finder in understanding the other party's positions on the issues.

FACT-FINDING CRITERIA

In the determination of facts and recommendations, the fact-finder considered applicable criteria required by Ohio Rev. Code Section 4117, as follows:

- A. The fact-finding panel shall attempt to mediate the disputes of the parties prior to conducting a fact-finding hearing.
- B. When mediation efforts do not resolve all issues at impasse, the fact-finding panel shall hold an evidential hearing except that the parties may stipulate fact and waive a hearing. For purposes of hearing, the fact-finding panel shall have the power to regulate the time, place, course, and conduct of the hearing, administer oaths and affirmations, examine witnesses and documents, take testimony and receive evidence, and request the Boards to issue subpoenae to compel attendance of witnesses and the production of books, papers, and records relating to any matter before the fact-finding panel. The fact-finding panel may not choose a hearing location at a cost to the parties unless the parties fail to agree to an alternate cost-free location. Fact-finding hearings are to be held in private.
- C. The fact-finding panel, in making recommendations, shall take into consideration the following:
- (1) Past collectively bargained agreements, if any, between the parties;
 - (2) Comparison of unresolved issues relative to employees in the bargaining unit with the 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 those listed above, which are normally or traditionally taken into consideration in the determination of issues submitted to mutually-agreed upon dispute resolution procedures in the public service or in private employment.

FINDINGS OF FACT

The City has experienced financially difficult times for approximately the past five years. This has included multiple years with deficit budgets, expansive layoffs, reduction of expenses through unfilled vacancies, 10% reduction in the employee work week, and multiple year wage freezes. Since 2000, the income tax has consistently declined with the 2005 revenue amount over \$400,000 less than that collected in 2000. The General Revenue Fund, the sole source from which the bargaining unit employees are paid, was also certified with negative carryovers in 2002, 2003, and 2004. Over this same time period, the police department budget has consistently represented approximately 25% of the General Fund Revenue. It is also significant that the OPBA Patrol Officers Bargaining Unit agreed to keep their wage base for 2004 the same rate as 2003 in order to reduce the number of scheduled layoffs. The OPBA Command Officers bargaining unit also froze their wage base for 2004 in exchange for an agreement that no command officer positions would be abolished or otherwise eliminated.

The Employer's December 31, 2004 Statement of Revenues, Expenditures, and Changes in Fund Balance indicated a negative final budget amount of \$173,076, but spending was less, with an "actual" \$74,684, some \$98,000 under the original figure but nevertheless a negative balance. Expenditures for "security of persons and property" was approximately \$159,828 more than the 'final' budgeted amount, the most significant increase in spending beyond the budgeted amount. The December 2005 General Fund ending balance showed a relatively small but promising positive figure of \$970,100 on Year-to-Date income of \$8,248,532; this is generally within the broadly accepted GAAP recommended goal of maintaining a general fund balance of at least 10% (ten percent), nevertheless not an excessive balance Fostoria's overall financial status.

Wages and medical insurance issues are obviously intertwined, and this must be taken into account in considering the parties' positions. The OPBA is seeking a four percent wage increase effective July 1, 2006, a four percent wage increase effective January 1, 2007, and retention of the current medical insurance coverage. The Employer originally offered 30 cents an hour, along with changing the major medical insurance to a plan administered by a health maintenance organization, (HMO), while maintaining the same level of benefits. This HMO plan has been accepted by Fostoria's AFSCME and its non-represented employees. The Employer asserts that approximately 98% of employees current physicians already have HMO approval, benefit levels will remain the same as with the current plan, monthly premiums will decrease, and no employee will lose any benefits or coverage. Additionally, the Employer notes that there is an established process for adding physicians to the plan. As has transpired nationally, medical insurance premiums have been an area of continual and significant increases over several years, prompting the Employer to look for ways to reduce expenses without further reduction in employment. HMO plans are in place for approximately 14% of the plans offered by public employers in Ohio and approximately 21% nationwide for all employers.

Prudent management has somewhat improved the Employer's financial picture, while it is and undoubtedly will for the near future continue to be constrained by overall economics, part of a national trend related to globalization and factors beyond local control, such as the cost of consumer goods and services. Thus there has been restraint not only in government spending, but for the average citizen, with at least a 5.5% increase in the Consumer Price Index (CPI) between October 2004 and October 2005 in midwest localities of less than 50,000 population. Energy expenses, particularly gasoline, oil, and natural gas, accounted

for the bulk of the increase in midwest localities as well as in the nation at large.

The OPBA comparison of 2005 benefits for a Patrolman with ten years service for the cities of Findlay, Toledo, Sylvania, Fremont, Bowling Green, Maumee, Oregon, Perrysburg, Norwalk, Tiffin, and Fostoria shows that the average was \$48,698.99, with Fostoria at \$47,486, or 97.51% of the average. A comparison of benefits for a Sergeant with ten years service for the cities of Findlay, Toledo, Bowling Green, Maumee, Sylvania, Fremont, Oregon, Norwalk, Tiffin, and Fostoria shows an average of \$55,110.99, or 96.50% of the average, with Fostoria's figure of \$53,184.77 not included in the average.

A somewhat different list of 'peer' cities was identified in the Ohio State Auditor's October 2005 City of Fostoria Safety Services Performance Audit; they are, in addition to Fostoria, Defiance, Greenville, and Washington Court House. In a "Police Department Operating Expenditures Comparison", Fostoria Police Department (FPD), with a total of 24.8 Full Time Equivalent (FTEs) shows total operating expenses of \$2.5 million, with a peer average of \$2.1 million, with each of the peers indicating an FTE total somewhat higher than FPD. Using the same peers, the State Audit provides "Table 2.7: Average Actual Salary & Wages by Sworn Position-2004" which indicates an average hourly wage for all sworn positions of \$25.92 for the FPD, with an overall peer average of \$22.30.

RECOMMENDATIONS

The evidence on its face provides a mixed message, and the bases of comparison differ. Nevertheless, two factors are clear. First, the two FPD units seeking this Fact Finding showed good faith as well as the desire to minimize layoffs, agreeing to relinquish increases in 2004. They deserve some financial relief and an opportunity for continued high quality health care. Second, although strong and creative management decisions have led to an apparent improvement in

Fostoria's financial position, the situation remains serious and must be addressed prudently, with an overriding concern and respect for the interests of the parties in the long term, with reference to each of the factors listed in Section 4117 of the Ohio Administrative Code (OAC). Special emphasis is required regarding "The interest and welfare of the public, and the ability of the public employer to finance and administer the issues proposed, and the effects of the adjustment on the normal standard of public service." Therefore the Fact-Finder recommends implementation of the City's offer of 3.25% for each of the two remaining years of the contract, 2006 and 2007, and the City proposal to change the major medical insurance to a plan administered by a health maintenance organization, while maintaining the same level of benefits.

Recommended language is as follows:

(For OPBA Regular, Full Time Officers and Detectives, January 1, 2005 - December 31, 2007)

ARTICLE 11 - WAGES

Section 1. Wages

New hires and/or employees of the City who are employed as officers of the City Police Department after the effective date of this Agreement shall be paid the following hourly rates during the term of this Agreement. Any persons hired before the signing of this agreement will be at Step 6 regardless of seniority.

	<u>Step 1</u>	<u>Step 2</u>	<u>Step 3</u>	<u>Step 4</u>	<u>Step 5</u>	<u>Step 6</u>
		6 months	12 months	12 months	12 months	Top
1/01/06	16.48	18.25	19.33	20.36	22.22	23.57
1/01/07	17.02	18.84	19.96	21.02	22.94	24.24

NOTE: When both the Sergeant and Captain are not working, the officer designated as Officer in Charge shall receive five percent (5%) above Step 5 of the Patrolmen's rate for the hours worked as Officer in Charge.

-REMAINDER OF ARTICLE 11 UNCHANGED-

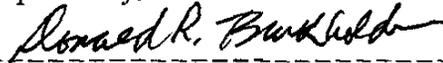
(No change in the Sergeants and Captains unit Agreement is necessary inasmuch as the base rate(s) are based on a differential from the patrolman's base rate.)

ARTICLE 17 (15) - INSURANCE

(Employer proposal is recommended as presented for both units, i.e., Patrol and Detectives, and Sergeants and Captains).

The Fact-Finder notes with appreciation the professionalism of the advocates and the mutual respect among and between the various individuals who participated, and especially their readiness to assist in clarifying sometimes complex matters. This concludes the Fact-Finder's analysis and recommendations.

Respectfully,



Donald R. Burkholder, Ph.D., Fact-Finder
March 2, 2006

This certifies that this Fact-Finding Report was faxed to the parties on March 2, 2006, mailed USPS express to the parties and mailed USPS first class to the State Employment Relations Board on March 3, 2006.

Donald R. Burkholder

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